

Second-Party Opinion

Oncor Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Oncor Sustainable Financing Framework is credible and impactful and aligns with the Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The six eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 10, 11 and 13.



PROJECT EVALUATION / SELECTION Oncor Electric Delivery Company LLC has established a committee (the “Committee”) which will include members from its Accounting, Business and Operations, Communications, Diversity, Equity and Inclusion, Human Resources and Corporate Affairs, Legal and Regulatory, Sustainability and Treasury teams, to evaluate and select projects per the criteria defined in the Framework. The Committee will also be responsible for ensuring that eligible projects comply with the company’s environmental and social risk management processes and policies. This is in line with market practice.



MANAGEMENT OF PROCEEDS Oncor Electric Delivery Company LLC’s Treasury department will be responsible for the allocation and management of proceeds. The company has communicated that it intends to fully allocate proceeds within 36 months of each issuance. Unallocated proceeds may be temporarily invested in cash, cash equivalents and US government securities or used to repay existing debt that has no association with carbon-intensive activities. This is aligned with market practice.



REPORTING Oncor Electric Delivery Company LLC intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include an overview of the amount allocated to eligible projects, balance of unallocated proceeds, and proportion of financing and refinancing. In addition, Oncor is committed to reporting on relevant impact metrics. Sustainalytics views Oncor’s allocation and impact reporting as aligned with market practice.

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¹ In September 2020, Oncor published the Oncor Sustainable Bond Framework; Sustainalytics provided a [Second-Party Opinion](#) on the use of proceeds categories outlined in the document. This document is an update to that Second-Party Opinion and includes Sustainalytics’ opinion on the revised use of proceeds categories in the Oncor Sustainable Financing Framework (that supersedes the Oncor Sustainable Bond Framework).

Introduction

Oncor Electric Delivery Company LLC (“Oncor”, or the “Company”) is a regulated electricity transmission and distribution company based in Texas. As of 2021, the Company serves more than 3.8 million homes and businesses and operates more than 140,000 miles of transmission and distribution lines. Oncor has over 4,500 employees and generated USD 770 million in net income for the fiscal year 2021.

Oncor has developed the Oncor Sustainable Financing Framework (the “Framework”) under which it intends to issue one or more green, social and/or sustainability bonds, loans, or commercial paper notes and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects or expenditures that are expected to create positive environmental or social impacts. The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Climate Change Adaptation
5. Green Buildings
6. Socio-Economic Advancement

Oncor Electric Delivery Company LLC engaged Sustainalytics to review the Oncor Sustainable Financing Framework, dated May 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)², and Green Loan Principles 2021 (GLP). The Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Oncor Electric Delivery Company LLC.’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Oncor Electric Delivery Company LLC. representatives have confirmed (1) they understand it is the sole responsibility of Oncor Electric Delivery Company LLC. to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Oncor Sustainable Financing Framework is available on Oncor’s website at: <https://www.oncor.com/investorrelations>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Oncor Electric Delivery Company LLC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Oncor Electric Delivery Company LLC. is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Oncor Electric Delivery Company LLC. has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Oncor Sustainable Financing Framework

Sustainalytics is of the opinion that the Oncor Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Climate Change Adaptation, Green Buildings, and Socio-Economic Advancement – are aligned with those recognized by the GBP, SBP, and GLP.
 - Oncor has established two years as the look-back period for its refinancing activities. Sustainalytics considers this to be in line with market practice.
 - Under the Renewable Energy category, Oncor intends to finance (i) transmission and distribution projects that are dedicated to connecting renewable energy sources, in particular, wind, solar, geothermal and hydropower energy to power grid,⁵ (ii) transmission projects aimed at increasing the output of the above-mentioned types of renewables on the grid, and (iii) battery storage technologies to improve grid efficiencies of intermittent renewable sources. Sustainalytics considers the criteria to be aligned with market practice and notes the following:
 - Geothermal energy facilities will have a direct emissions threshold of 100gCO₂/kWh
 - Hydropower facilities will have an installed capacity of less than 25 MW and lifecycle emissions less than 50 gCO₂e/kWh.
 - The Framework excludes projects associated with nuclear energy sources.
 - Within the Energy Efficiency category, Oncor intends to finance investments related to (i) smart grid technology including advanced metering infrastructure, (ii) customer energy efficiency incentive programs to reduce overall energy use, (iii) LED or SSL lighting, and (iv) energy efficient technologies in residential, office or commercial buildings.
 - For investments in smart grid, Sustainalytics notes Oncor's Framework allows for allocation to "smart grid" investments. Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that

⁵ Electric Reliability Council of Texas Inc. ("ERCOT") grid. More details at: <https://www.ercot.com/gridinfo>.

- are designed to improve grid efficiency and encourages Oncor to select projects that are clearly anticipated to deliver tangible efficiency improvements.
- For investments in energy efficiency incentive programs, Oncor intends to use the proceeds to invest in incentive-based energy efficiency programs that fall under Oncor's Take a Load Off Texas Programs. These programs are designed to promote energy efficiency measures for residential and commercial customers through incentives and rebates. Oncor has confirmed that investments in fossil fuel-powered equipment will be excluded from the Framework. Sustainalytics considers the criteria to be aligned with market practice and encourages Oncor to report on estimated or achieved energy efficiency gains through such programs, where feasible.
 - Sustainalytics considers investments in LED or SSL lighting to be aligned with market expectations.
 - For investments in energy efficient technologies, Oncor has communicated that these technologies will yield at least 30% improvements in the respective building's energy efficiency relative to the pre-retrofit baseline and will not be reliant on fossil fuel. Sustainalytics considers the criteria to be aligned with market practice.
- Within the Clean Transportation category, Oncor intends to finance electric and hybrid vehicles. The Framework limits financing to just those passenger hybrid vehicles that have emissions intensity below 75gCO₂/km and those freight hybrid vehicles that have emissions below 25gCO₂/t-km. Sustainalytics considers the criteria for financing low-emission vehicles to be aligned with market practice.
 - Within the Climate Change Adaptation category, Oncor intends to invest in climate resilient and reliable transmission and distribution infrastructure. The Framework commits to conducting a vulnerability assessment for such investments followed by an adaptation plan. Sustainalytics considers investments within this category to be in line with market practice.
 - Under the Green Buildings category, Oncor intends to invest in office or logistics buildings that have achieved or are expected to achieve a specified green building certification, in particular, LEED ("Gold" or above),⁶ BREEAM ("Excellent" or above),⁷ and ENERGY STAR (score of 85 or higher).⁸ Sustainalytics considers these certification schemes to be credible and the levels selected to be indicative of positive impact and aligned with market practice.
 - For the Socioeconomic Advancement and Empowerment category, the Company intends to finance the expenditures associated with the procurement of products and services from its suppliers.
 - The Framework limits financing to just those suppliers that are non-tier 1⁹ small businesses¹⁰ and (i) are majority (>51%) owned by minority, woman, veteran, service-disabled veteran or LGBTQ+ or (ii) US citizens that are members of a disadvantaged minority group, in particular, African-American, Asian-Indian, Asian-Pacific, Hispanic, or Native American, or (iii) are operating in a Historically Underutilized Business Zone.¹¹ The Company will exclude expenditures related to products that are expected to be environmentally and socially harmful.¹²
 - Sustainalytics notes that the bond market generally favours expenditures directly associated with an issuer's activities, and that allocation toward procurement costs based on the identity of suppliers rather than the nature of their products or services is not fully aligned with market practice. Sustainalytics nonetheless recognizes the benefits of supporting small businesses owned or operated by members of historically disadvantaged groups through procurement and encourages Oncor to report on its expenditures in this area. The Company has confirmed that a small minority (<10%) of proceeds will be allocated to this area.

⁶ LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

⁷ BREEAM, "Scoring and Rating BREEAM assessed buildings", at:

https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm

⁸ Energy Star, "Eligibility Criteria for the 1-100 Energy Star Score", at: https://www.energystar.gov/buildings/benchmark/understand_metrics/score_criteria

⁹ Oncor has communicated that it uses an internal process to identify Tier-1 suppliers based on the volume of business, among other factors. The Company additionally excludes financing to suppliers for which Oncor has annual spend in excess of USD 100 million per year.

¹⁰ As defined by the U.S. Small Business Administration. More details at: <https://www.sba.gov/>

¹¹ As certified by the U.S. Small Business Administration.

¹² Oncor has confirmed that it will adopt its Environmental Policy and other internal processes to identify environmentally and socially harmful products.

- **Project Evaluation and Selection:**
 - Oncor has established a committee (the “Committee”), which will include members from its Accounting, Business and Operations, Communications, Diversity, Equity and Inclusion, Human Resources and Corporate Affairs, Legal and Regulatory, Sustainability and Treasury teams, to evaluate and select projects based on the eligibility criteria defined in the Framework.
 - The Committee will also be responsible for ensuring that eligible projects comply with Oncor’s environmental and social risk management processes and policies. Refer to Section 2 for details on these processes.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - Oncor’s Treasury department will be responsible for the allocation and management of proceeds.
 - Oncor has communicated to Sustainalytics that it intends to fully allocate the proceeds within 36 months from the issuance of the sustainable bond.
 - Pending allocation, Oncor may temporarily invest the unallocated proceeds in cash, cash equivalents and US government securities in line with its cash management policies or use it to repay existing debt. The Company has confirmed that it does not intend to refinance debt that is associated with carbon-intensive activities.
 - Based on the management of proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Oncor intends to publish allocation and impact reporting annually until full allocation, on its website.
 - Allocation reporting will include information on the amount allocated to projects, the balance of unallocated proceeds, and proportion of financing and refinancing.
 - Impact reporting is expected to provide category-wide impact of the projects against respective key performance indicators including (i) renewable energy generating capacity connected (MW), (ii) avoided GHG emissions (MtCO_{2e}), and (iii) the number of diverse suppliers engaged.
 - Based on these commitments to both impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Oncor Sustainable Financing Framework aligns with the four core components of the GBP, SBP and GLP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of Oncor

Contribution of the Framework to Oncor’s sustainability performance

Sustainalytics is of the opinion that Oncor demonstrates a commitment to sustainability with a focus on key environmental and social areas such as reducing GHG emissions, minimizing the environmental impact of operations, and promoting regional economic development.¹³

Sustainalytics highlights the following initiatives taken up by Oncor for being particularly aligned with the Framework:

- As of December 31, 2021, Oncor had connected more than 60 renewable generators to the ERCOT grid, directly connecting approximately 12,000 MW of energy. In the same period, approximately 34% of the ERCOT wind generation capacity was connected to the grid by Oncor facilities. In addition, Oncor aims to fulfil 100% of new renewable energy requests for interconnections each year.¹⁴
- With an intent to reduce carbon emissions in electricity transmission and improve energy efficiency of end users, Oncor has spent more than USD 946 million through its “Take A Load Off, Texas” energy efficiency programs from 2002 through 2021 which have helped over a million customers reduce their energy use. Investments in the upgrade of its equipment have also helped Oncor reduce the rate of

¹³ Oncor, 2020 Corporate Sustainability Overview, at:

<https://www.oncor.com/content/dam/oncorwww/documents/investorrelations/2020%20Corporate%20Sustainability%20Overview.pdf>

¹⁴ Ibid

emissions from sulfur hexafluoride (SF6) to 0.6% in 2020 and 1% or less since 2016,¹⁵ versus the recorded industry emissions rate of 1.6% in 2019.¹⁶ In 2021, the Company recycled or repurposed approximately 65% of all operational waste generated by its operations such as oil, poles and electrical equipment and has contracted for 100% renewable electricity to power its facilities since 2020.¹⁷

- In 2020, Oncor invested nearly USD 700 million for transmission projects in West Texas, including more than 300 miles of transmission lines and associated station work.¹⁸ The Company has also developed the Green Fleet Growth Planning Tool which helps aid capacity planning of transformers and substations in Texas.
- Under its supplier diversity initiative, Oncor has invested approximately USD 2.9 billion in women and minority-owned businesses, between 2007 and 2021. The Company continues to enhance its supplier diversity program by hosting events to help identify diverse suppliers and enhance new diverse supplier participation.

Sustainalytics recognizes Oncor's commitment to its ongoing social and environmental initiatives and encourages it to develop quantifiable and time-bound sustainability targets to further strengthen its sustainability practices.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, community relations and stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, and emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that Oncor Electric Delivery Company LLC is able to manage and/or mitigate potential risks through implementation of the following:¹⁹

- Oncor addresses occupational health and safety risks through Oncor's internal safety protocols that are implemented through employees' safety trainings and enforced through the Company's compliance department.
- Following Oncor's environmental principle of stakeholder engagement, the Company has developed its Stakeholder Engagement Policy to communicate with all of its stakeholders. Furthermore, Oncor has set up multiple community programs including volunteer service, safety and energy-saving education and fundraising campaigns.
- The Company's Supplier Code of Business Conduct enforces its commitments to regulatory compliance and to minimizing its adverse environmental impact. The Code also requires Oncor's suppliers to ensure legal and regulatory compliance, integrate environmental considerations into business planning and continuously work towards improving their sustainable goals and targets.²⁰
- Oncor's actions towards ensuring environmental protection and biodiversity conservation are highlighted in its Environmental Policy. The Company has also developed a Habitat Conservation Plan to conserve wildlife and animal habitat following the U.S. Fish and Wildlife Incidental Take Permit process.²¹ It recognizes the importance of safeguarding endangered species, cultural resources, and habitats, and therefore reviews all new construction projects, retrofits and vegetation management trimming cycles to ensure preservation of biodiversity in the area.²² The policy also addresses risks associated with emissions and waste management.

¹⁵ Ibid

¹⁶ US Environmental Protection Agency, "EPS Partnership Accomplishments" at:

<https://www.epa.gov/eps-partnership/eps-partnership-accomplishments>

¹⁷ Oncor, 2020 Corporate Sustainability Overview, at:

<https://www.oncor.com/content/dam/oncorwww/documents/investorrelations/2020%20Corporate%20Sustainability%20Overview.pdf>

¹⁸ Ibid.

¹⁹ Oncor has provided its Environmental Policy, Employee Code of Conduct, Supplier Code of Business Conduct, Risk Management Policy and Stakeholder Engagement Policy with Sustainalytics for review

²⁰ Oncor, "Supplier Code of Business Conduct" (2020) at: <https://www.oncor.com/content/dam/oncorwww/documents/investorrelations/Supplier Code of Business Conduct.pdf>

²¹ U.S. Fish & Wildlife Service, "3-200-56: Incidental Take Permits Associated with a Habitat Conservation Plan", at: <https://www.fws.gov/service/3-200-56-incidental-take-permits-associated-habitat-conservation-plan>

²² Federal Register, A Notice by Fish and Wildlife Service, "Environmental Impact Statement and Habitat Conservation Plan", (2009) at: <https://www.govinfo.gov/content/pkg/FR-2009-09-22/pdf/E9-22742.pdf>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Oncor has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by GBP, SBP or GLP. Sustainalytics focuses below on where the impact is specifically relevant in the local context.

Importance of resilient infrastructure for renewable energy transmission in Texas

In 2021, the US Government established targets to reduce GHG emissions by 50-52% in comparison to the 2005 levels and achieve 100% carbon-free electricity by 2035.²³ In the same year, the White House also announced its commitment to expand and modernize the American electricity grid to reliably transmit renewable energy²⁴ and support the country's 2030 emission reduction targets submitted to the United Nations Framework Convention on Climate Convention.²⁵

Texas, which has become the world's fifth largest producer of wind power,²⁶ has the potential to power its entire electric grid through wind and solar power.²⁷ The state is leading the country in developing grid infrastructure to connect renewable energy sources by establishing designated competitive renewable energy zones (CREZ).²⁸ Through the establishment of these zones, via a legislative bill passed in 2005, Texas has added 18 GW of wind energy generation capacity to Texas's power system and installing more than 1,500 MW of solar PV while reducing the congestion in transmission lines.²⁹ The state is expected to add another 35 GW of solar and wind power capacity between 2021-2023.³⁰

In 2021, Texas generated 95,403 GWh of wind power, which comprised 24% of all electricity generated in the state. Other renewables, primarily solar, contributed a further 15,712 GWh or 4% to the total energy mix.³¹ Nevertheless, fossil fuel power continues to be the largest source of the state's electricity generation³² and thousands of megawatts of renewable energy remain congested in interconnection queues, given that most wind and solar resources are located far from the demand centers.³³

As the operator of the largest electricity transmission and distribution system in Texas,³⁴ Oncor plays a key role in interconnecting renewable energy to the power grid, and therefore in enabling the further decarbonization of the electricity sector. In this context, Oncor's investments in the transmission and distribution of renewable energy sources are expected to deliver environmental benefits by supporting the growth of the renewable energy sector.

²³ The White House, "Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

²⁴ The White House, "Fact Sheet: Biden Administration Advances Expansion and Modernization of the Electric Grid", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/27/fact-sheet-biden-administration-advances-expansion-modernization-of-the-electric-grid/>

²⁵ The White House, "Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

²⁶ World Economic Forum, "This American State is the Wild West of Wind Power", (2020) at: <https://www.weforum.org/agenda/2020/01/texas-us-wind-power-renewable-energy/>

²⁷ The Hill, "Texas Has Enough Wind and Solar Power to Replace Coal Almost Entirely" (2022) at: <https://thehill.com/changing-america/sustainability/energy/599475-texas-has-enough-wind-and-solar-power-to-replace-coal/>

²⁸ Americans for a Clean Energy Grid, "Texas as a National Model for Bringing Clean Energy to the Grid," (2017) at: <https://cleanenergygrid.org/texas-national-model-bringing-clean-energy-grid/>

²⁹ Ibid

³⁰ Clean Technica, "Texas to add 35 Gigawatts of wind and solar in next 3 years – boosting grid resilience", (2021) at: <https://cleantechnica.com/2021/02/20/texas-to-add-35-gigawatts-of-wind-solar-in-next-3-years-boosting-grid-resilience/>

³¹ ERCOT, Grid Generation Information, "Fuel Mix Report" (2021), at: <https://www.ercot.com/gridinfo/generation>

³² Ibid.

³³ Utility Dive, "Propelling the transition: New and better transmission is key to zero carbon; here's what's driving it", (2020) at: <https://www.utilitydive.com/news/propelling-the-transition-new-and-better-transmission-is-key-to-zero-carbo/582331/>

³⁴ Quick Electricity, "Texas Energy Utility Providers", at: <https://quickelectricity.com/resources/utility-providers/#:~:text=Oncor%20is%20the%20largest%20TDU%20in%20Texas%2C%20delivering.for%20energy%20efficiency%20measures%20and%20solar%20power%20systems.?msclkid=c2ee8d95cfc311ecb7b99ec10cac91e3>

Importance of supporting minority- and women-owned small businesses in the US

Minority owned small businesses account for about 18.7% of small businesses in the US, employing over 8.7 million people and generating more than USD 1 trillion in economic output.^{35,36} Despite their large contribution to the American economy, minority owned small and medium enterprises are subject to structural challenges of underrepresented groups, including a disparity in access to capital, contracting opportunities, and technical assistance needed to succeed. Additionally, as the economy begins to recover from the economic impacts of the COVID-19 pandemic, studies have shown that small businesses recover slower from the economic shocks than larger entities.³⁷ Prior to the pandemic, the Federal Reserve Bank assessed the financial health of companies and reported that minority-owned small businesses were twice as likely to be classified as “at credit risk” or “distressed” than non-minority small businesses, and three times as likely to close because of a two-month revenue shock.³⁸

Beyond these challenges faced by small businesses broadly, minority- and women-owned businesses specifically, along with those operated by other historically underrepresented groups, may face additional obstacles, such as lower levels of household income, lower average credit scores and educational attainment, geographic or social isolation from other communities, all of which can make internal investment and external borrowing more difficult.³⁹

In 2021, the Biden-Harris Administration has taken steps to increase relief to small business owners, including minority-owned businesses through changes within the Paycheck Protection Program to prioritize loans for underserved small businesses.⁴⁰ While this targeted stimulus relief is intended to contribute towards minority owned small businesses during the pandemic, the ongoing structural issues persist and longer-term solutions are required to provide increased access to credit, financial advice, and deeper peer networks for minority entrepreneurs.⁴¹

Sustainalytics is of the opinion that financing the cost of procuring products and services from the Company’s diverse SME suppliers under the Framework is expected to create positive social impacts for the defined target populations.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11 Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

³⁵[https://www.census.gov/newsroom/press-releases/2021/characteristics-of-employer-businesses.html#:~:text=According%20to%20the%202020%20Annual,\(331%2C151\)%20of%20all%20businesses.](https://www.census.gov/newsroom/press-releases/2021/characteristics-of-employer-businesses.html#:~:text=According%20to%20the%202020%20Annual,(331%2C151)%20of%20all%20businesses.)

³⁶ McKinsey & Company Insights, “COVID-19 effect on minority-owned small businesses in the United States”, (2020), at:

<https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19s-effect-on-minority-owned-small-businesses-in-the-united-states>

³⁷ Ibid.

³⁸ Ibid.

³⁹ Barr, Michael, “Minority and Women Entrepreneurs: Building Capital, Networks and Skills”, (2015) at: https://www.brookings.edu/wp-content/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf

⁴⁰ US Senate Committee on Small Business & Entrepreneurship, “Cardin Lauds Biden-Harris Administration Actions to Increase Relief to Underserved and Underbanked Small Businesses”, (2021), at: <https://www.sbc.senate.gov/public/index.cfm/pressreleases?ID=3B1038A2-0D1D-4D81-90C9-78B8CB91492C>

⁴¹ US Senate Committee on Small Business & Entrepreneurship, “Minority Entrepreneurs”, (2020), at: <https://www.sbc.senate.gov/public/index.cfm/minorityentrepreneurs>

		vulnerable situations, women, children, persons with disabilities and older persons
Climate Change Adaptation	13 Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Socio-Economic Advancement	10 Reduced Inequality	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Oncor has developed the Oncor Sustainable Financing Framework under which it may issue sustainable bonds, loans, or commercial paper notes and use the proceeds to finance and refinance a range of sustainable projects and expenditures, including those related to renewable energy distribution, energy efficient systems, clean transportation, green buildings and socioeconomic empowerment. Sustainalytics considers that the projects funded by the bond proceeds are expected to provide positive environmental and social impacts.

The Framework outlines a process by which the proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN SDGs 7, 9, 10, 11 and 13. Additionally, Sustainalytics is of the opinion that Oncor has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Oncor is well-positioned to issue green, social or sustainability bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, the Social Bond Principles 2021, and the Green Loan Principles 2021.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Oncor Electric Delivery Company LLC
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Oncor Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 16, 2022
Publication date of review publication: Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The six eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 10, 11 and 13.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Oncor Electric Delivery Company LLC has established a committee (the "Committee") which will include members from its Accounting, Business and Operations, Communications, Diversity, Equity and Inclusion, Human Resources and Corporate Affairs, Legal and Regulatory, Sustainability and Treasury teams, to evaluate and select projects per the criteria defined in the Framework. The Committee will also be responsible for ensuring that eligible projects comply with the company's environmental and social risk management processes and policies. This is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Oncor Electric Delivery Company LLC's Treasury department will be responsible for the allocation and management of proceeds. The company has communicated that it intends to fully allocate proceeds within 36 months of each issuance. Unallocated proceeds may be temporarily invested in cash, cash equivalents and US government securities or used to repay existing debt that has no association with carbon-intensive activities. This is aligned with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Oncor Electric Delivery Company LLC intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include an overview of the amount allocated to eligible projects, balance of unallocated proceeds, and proportion of financing and refinancing. In addition, Oncor is committed to reporting on relevant impact metrics. Sustainalytics views Oncor's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): Balance of unallocated proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Renewable energy generating capacity |

connected (MW); percentage of energy from renewable vs non-renewable sources used in the buildings; number of jobs created/supported by spending with diverse suppliers.

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Standalone report published on the Company's website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

-
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
 - iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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