

Oncor Electric Delivery Co. LLC

Electric Utilities United States of America

ESG Risk Rating

13.2

Last Full Update Oct 13, 2023

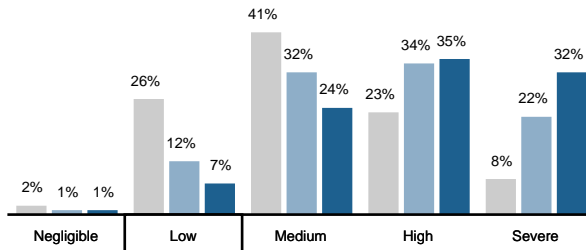
-2.0

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk) (1 st = Top Score)	
Global Universe	974/15651	7th
Utilities Industry	22/703	4th
Electric Utilities Subindustry	5/274	2nd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

	Exposure	Management	ESG Risk Rating
1. Amprion GmbH	35.7 Medium	78.0 Strong	9.6 Negligible
2. Elia Transmission Belgium NV	35.7 Medium	70.5 Strong	12.1 Low
3. Oncor Electric Delivery Co. LLC	41.8 Medium	73.0 Strong	13.2 Low
4. Ausgrid Group	38.0 Medium	59.8 Strong	16.7 Low
5. AES Argentina Generación SA	59.0 High	76.4 Strong	17.1 Low

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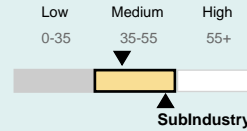
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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

41.8 **+2.1**
Medium Momentum
 Beta = 0.79



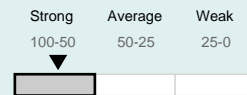
Oncor operates the largest electricity transmission and distribution grid in Texas, with a network reaching 141,000 miles as of 2022. Its operations and future projects can directly or indirectly affect adjacent areas, potentially leading to community opposition. Mishandling of community relations can lead to project delays, fines or compensation. Its employees and contractors are exposed to potential health and safety incidents related to the construction, maintenance and expansion of its energy networks. Such incidents could materially impact the company's operations through disruptions, fines and litigation. In addition, as the biggest transmission and distribution provider in Texas, Oncor is exposed to increased service reliability risks. Inadequate management of its assets could result in service interruptions and lead to customer complaints and lawsuits, as well as brand damage.

The company's overall exposure is medium and is moderately below subindustry average. Product Governance, Occupational Health and Safety and Community Relations are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

ESG Risk Management

73.0 **+7.5**
Strong Momentum



Oncor established a board-level governance and sustainability committee to oversee its sustainability-related strategies and activities. ESG factors, namely safety and asset reliability, are among the operational metrics considered for the company's annual executive incentive plan. However, its 2022 corporate sustainability overview is not written in accordance with GRI reporting standards, lagging behind best practice. Oncor has adequate environmental and occupational health and safety management systems; its asset integrity and cybersecurity management programmes are also relatively strong. Nevertheless, these are not certified to industry-leading ISO standards. On a positive note, the company has a comprehensive community involvement programme, with all elements of a best practice programme in place.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Product Governance	7.2 Medium	71.8 Strong	2.5 Low	19.3%
Occupational Health and Safety	5.7 Medium	66.2 Strong	2.3 Low	17.4%
Corporate Governance	5.0 Medium	64.0 Strong	1.8 Negligible	13.6%
Community Relations	7.2 Medium	89.7 Strong	1.4 Negligible	10.5%
Carbon -Own Operations	2.3 Low	42.9 Average	1.3 Negligible	9.7%
Human Capital	2.9 Low	59.4 Strong	1.2 Negligible	9.4%
Emissions, Effluents and Waste	2.8 Low	65.5 Strong	1.2 Negligible	8.7%
Business Ethics	5.0 Medium	83.8 Strong	1.0 Negligible	7.7%
Land Use and Biodiversity	3.8 Low	87.1 Strong	0.5 Negligible	3.7%
Overall	41.8 Medium	73.0 Strong	13.2 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (1)

Quality and Safety

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

None (17)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Community Relations

Data Privacy and Security

Emissions, Effluents and Waste

Energy Use and GHG Emissions

Intellectual Property

Labour Relations

Land Use and Biodiversity

Lobbying and Public Policy

Marketing Practices

Occupational Health and Safety

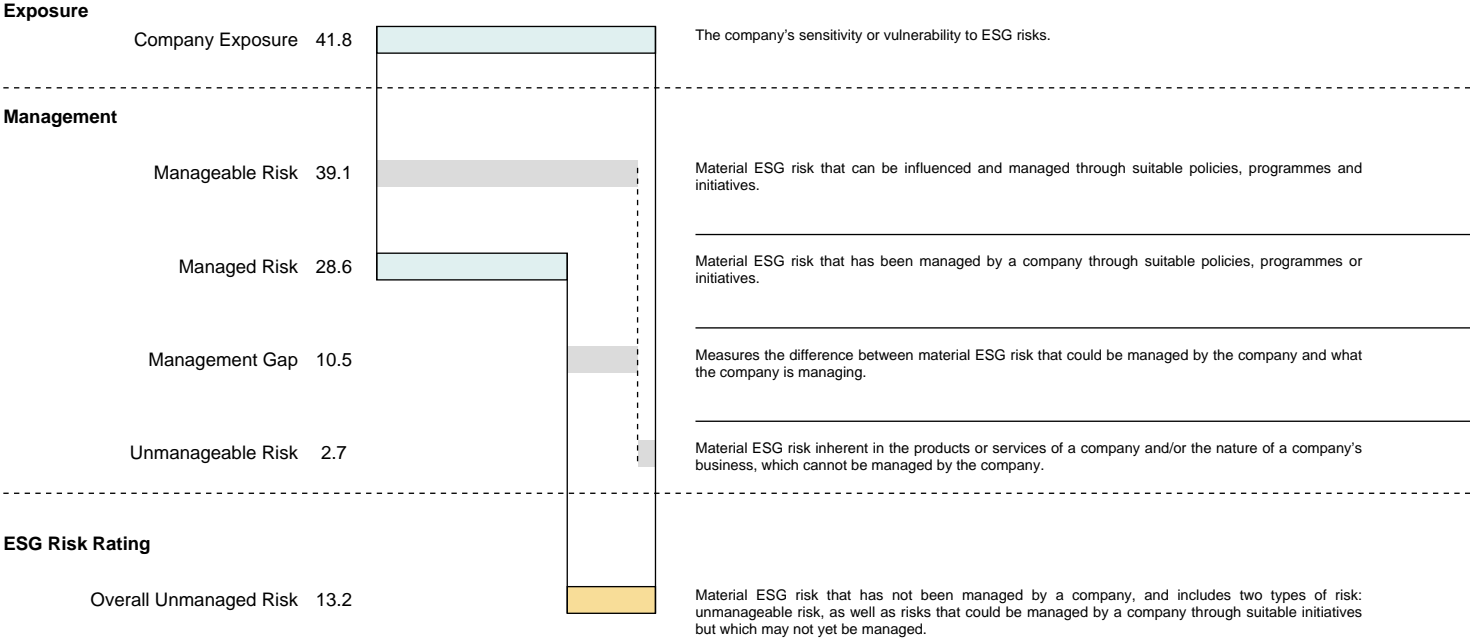
Sanctions

Society - Human Rights

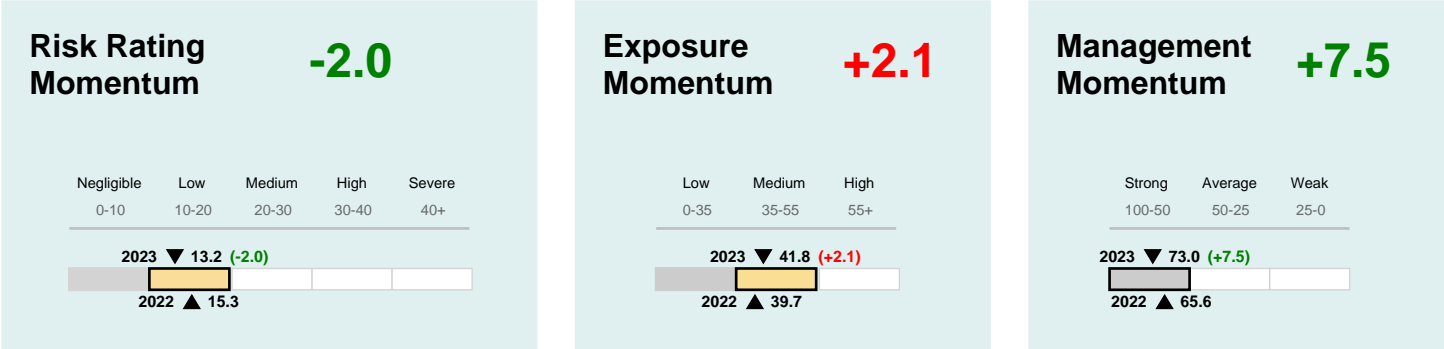
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry exposure**.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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