

# Oncor Electric Delivery Co. LLC

Electric Utilities United States of America

## ESG Risk Rating

# 15.3

Updated Oct 6, 2022

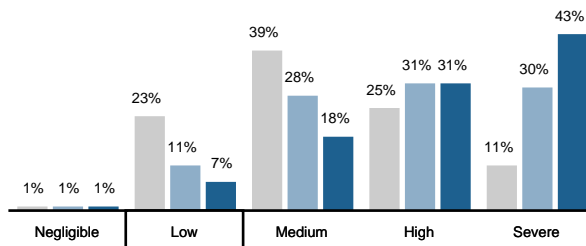
# -1.2

Momentum

# Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	1469/14793	11th
Utilities INDUSTRY	25/683	4th
Electric Utilities SUBINDUSTRY	7/297	3rd

## Peers Table

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

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. Amprion GmbH	37.9 Medium	70.4 Strong	12.8 Low
2. National Grid Electricity Transmission Plc	41.4 Medium	69.3 Strong	14.4 Low
3. Oncor Electric Delivery Co. LLC	39.7 Medium	65.6 Strong	15.3 Low
4. TenneT Holding BV	40.4 Medium	65.4 Strong	15.6 Low
5. Statnett SF	35.6 Medium	57.8 Strong	16.2 Low

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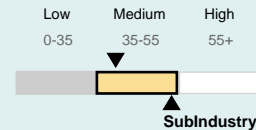
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## ESG Risk Analysis

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

**39.7** **+1.1**  
**Medium** Momentum  
 Beta = 0.74



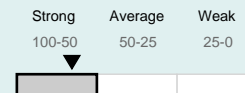
Oncor's operations involve the construction and maintenance of transmission and distribution lines and substations. The company's networks (over 140,000 miles of electric cable in FY2021) may directly and indirectly affect residential and adjacent areas, possibly generating community opposition. Mismanagement may lead to protests, project delays, fines or operational disruptions. Moreover, Oncor is exposed to health and safety incidents related to the construction, maintenance and expansion of its energy networks. Incidents have the potential to materially impact the company's operations through disruptions, delays, fines and lawsuits. In addition, as one of the biggest electricity transmission and distribution company in Texas, Oncor is exposed to issues related to service reliability. Thus, service interruptions may trigger customer complaints and lawsuits, as well as brand damage.

The company's overall exposure is medium and is significantly below subindustry average. Occupational Health and Safety, Product Governance 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

**65.6** **+4.7**  
**Strong** Momentum



Oncor's overall ESG-related disclosure in its 2021 Corporate Sustainability Overview is not in accordance with GRI reporting standards, lagging behind best practice. However, the company's ESG-related issues are overseen by the board-level Governance and Sustainability Committee and has linked a portion of its annual compensation to safety, reliability, operational efficiency and infrastructure readiness metrics. Oncor has strong environmental and occupational health and safety (H&S) management systems, though these are not certified to independent standards such as the ISO 14001 and ISO 45001. Oncor's asset integrity management and cybersecurity programmes are relatively strong. For engaging with communities, the company has regional community relations teams.

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	
Occupational Health and Safety	5.1 Medium	44.9 Average	3.0 Low	19.9%
Product Governance	6.6 Medium	65.4 Strong	2.7 Low	17.8%
Corporate Governance	5.0 Medium	67.0 Strong	1.7 Negligible	10.8%
Carbon -Own Operations	2.7 Low	39.3 Average	1.6 Negligible	10.7%
Human Capital	3.4 Low	55.6 Strong	1.6 Negligible	10.5%
Land Use and Biodiversity	3.4 Low	63.5 Strong	1.2 Negligible	8.1%
Community Relations	6.4 Medium	89.7 Strong	1.2 Negligible	8.1%
Business Ethics	5.0 Medium	80.0 Strong	1.2 Negligible	7.9%
Emissions, Effluents and Waste	2.1 Low	60.8 Strong	1.0 Negligible	6.2%
<b>Overall</b>	<b>39.7 Medium</b>	<b>65.6 Strong</b>	<b>15.3 Low</b>	<b>100.0%</b>

## 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 (2)**

Labour Relations

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 (16)**

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

Land Use and Biodiversity

Lobbying and Public Policy

Marketing Practices

Occupational Health and Safety

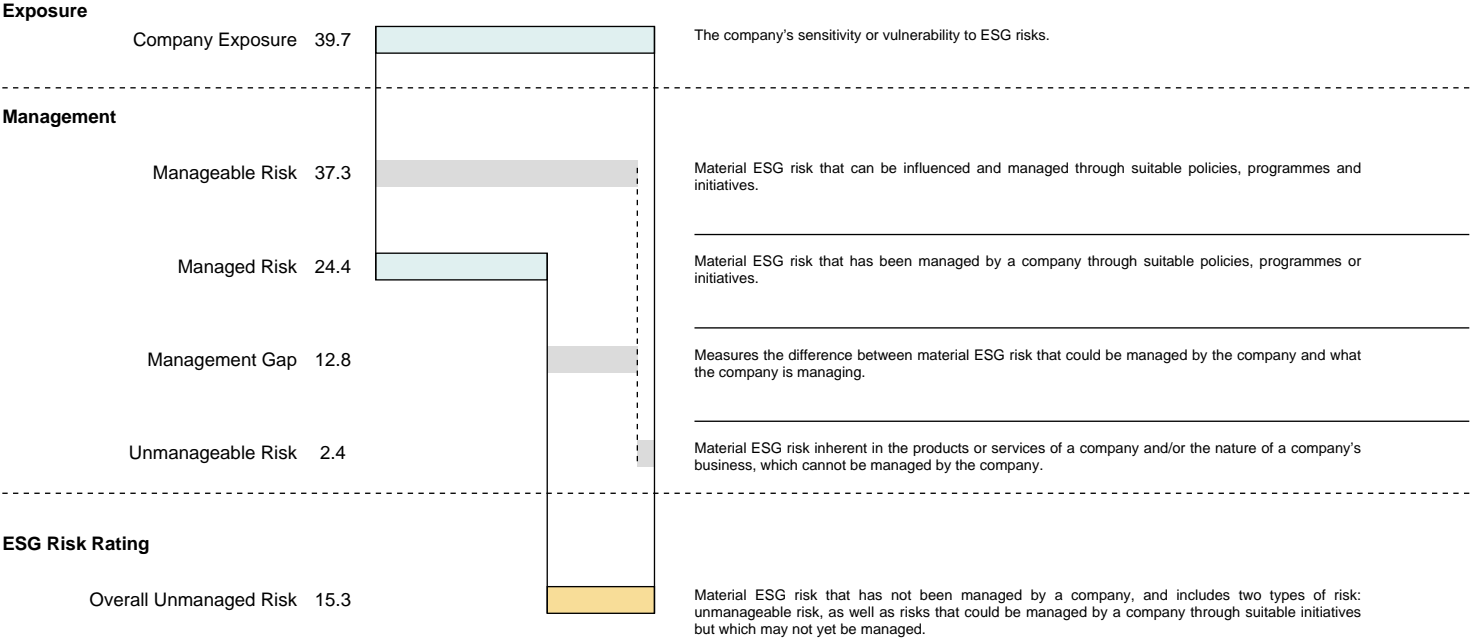
Sanctions

Society - Human Rights

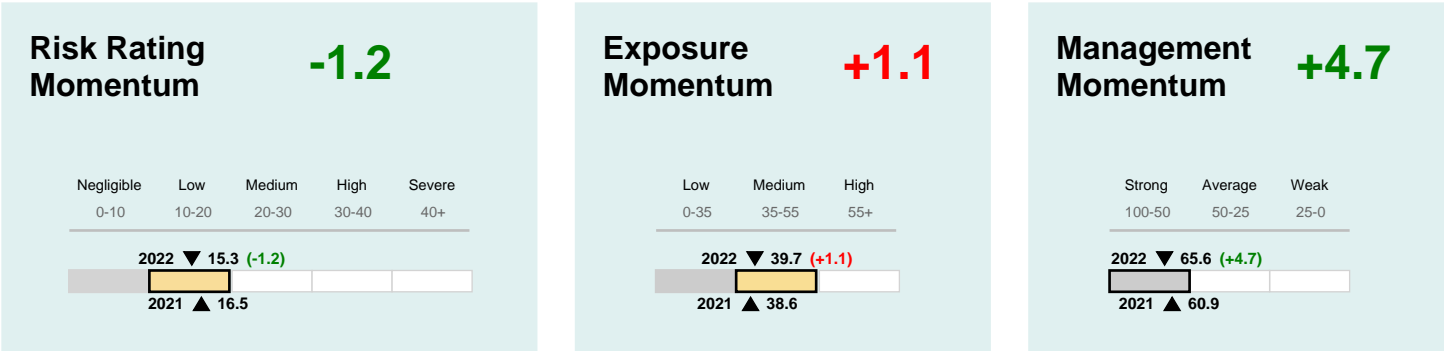
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## Risk Decomposition



## Momentum Details



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## GLOSSARY OF TERMS

### Beta (Beta, $\beta$ )






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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