

Oncor Electric Delivery Co. LLC

Electric Utilities United States

ESG Risk Rating

16.5

Updated Aug 25, 2021

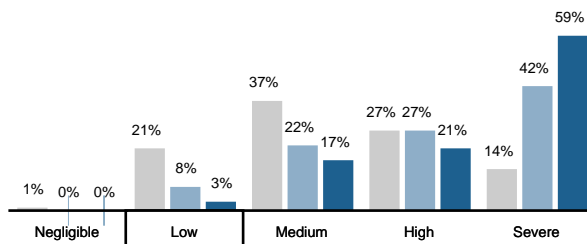
-6.1

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	1573/13596	12th
Utilities INDUSTRY	24/604	5th
Electric Utilities SUBINDUSTRY	5/273	2nd

Peers Table

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

	Exposure	Management	ESG Risk Rating
1. Oncor Electric Delivery Co. LLC	38.6 Medium	60.9 Strong	16.5 Low
2. TenneT Holding B.V.	45.7 Medium	64.7 Strong	17.9 Low
3. Eurogrid GmbH	43.1 Medium	56.6 Strong	20.2 Medium
4. Statnett SF	44.2 Medium	52.8 Strong	22.3 Medium
5. AES Argentina Generación SA	61.4 High	68.4 Strong	22.3 Medium

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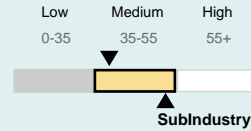
ESG Risk Analysis

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

38.6
Medium
Beta = 0.73

-6.3
Momentum



Oncor's operations involve the construction and maintenance of transmission and distribution lines and substations. Oncor's networks (139,000 miles of electric cable in FY2020) 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 damages.

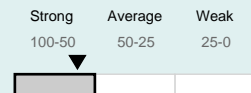
The company's overall exposure is medium and is significantly below subindustry average. Product Governance, Occupational Health and Safety and Community Relations are notable material ESG issues.

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

60.9
Strong

+8.0
Momentum



Oncor's overall ESG-related disclosure in its 2020 Corporate Sustainability Overview is not in accordance with GRI reporting standards, lagging behind best practice. The company's ESG-related issues are overseen by a committee, but reporting is insufficient to assess the level of authority in this area.

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	53.6	Strong	2.6 Low	16.0%
Product Governance	4.2	Medium	50.4	Strong	2.3 Low	13.9%
Corporate Governance	5.0	Medium	56.0	Strong	2.2 Low	13.3%
Land Use and Biodiversity	3.4	Low	39.2	Average	2.1 Low	12.5%
Carbon -Own Operations	3.0	Low	35.4	Average	1.9 Negligible	11.8%
Emissions, Effluents and Waste	2.5	Low	48.1	Average	1.4 Negligible	8.4%
Business Ethics	5.3	Medium	77.5	Strong	1.4 Negligible	8.4%
Community Relations	6.8	Medium	89.7	Strong	1.3 Negligible	7.9%
Human Capital	3.4	Low	65.7	Strong	1.3 Negligible	7.8%
Overall	38.6	Medium	60.9	Strong	16.5 Low	100.0%

Events Overview

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

Category (Events)

 **Severe (0)**

 **High (0)**

 **Significant (0)**

 **Moderate (0)**

 **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

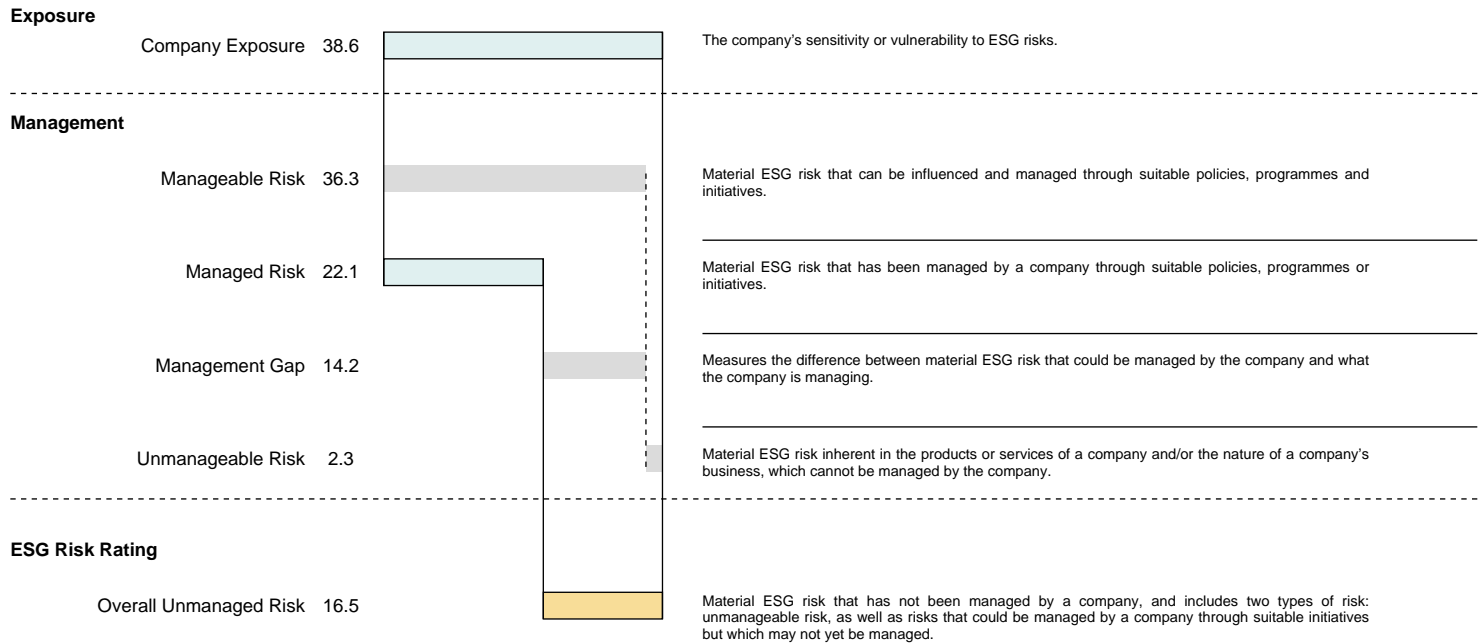
Sanctions

Society - Human Rights

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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, 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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