

**ONCOR ELECTRIC DELIVERY COMPANY LLC  
CORPORATE GOVERNANCE GUIDELINES  
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# **ONCOR ELECTRIC DELIVERY COMPANY LLC**

## **CORPORATE GOVERNANCE GUIDELINES**

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The following Corporate Governance Guidelines have been adopted by the Board of Directors (Board) of Oncor Electric Delivery Company LLC (Company), as recommended by the Board's Nominating and Governance Committee.

The Company shall be governed in accordance with the provisions of the Second Amended and Restated Limited Liability Company Agreement of the Company, as it may be amended from time to time (Company LLC Agreement). The Company LLC Agreement establishes the governance requirements applicable to the Company and the Board, and together with these guidelines and the charters of the Board's Committees provide the framework for the governance of the Company. Undefined capitalized terms used herein shall have the meanings given them in the Company LLC Agreement.

For purposes of this document, the term Ring-Fenced Entities is defined as the Company, Oncor Electric Delivery Holdings Company LLC and each of their respective subsidiaries.

### **NOMINATION, ELECTION AND SERVICE OF DIRECTORS**

The Company LLC Agreement contains requirements regarding Directors' qualification for service, nomination and election, and independence.

Pursuant to the Company LLC Agreement, each Independent Director, including each Special Independent Director, will no longer hold office as a Director if such Independent Director, including each Special Independent Director, fails to qualify as an Independent Director or Special Independent Director (as applicable) pursuant to the Company LLC Agreement. If an Independent Director or Special Independent Director fails to so qualify, such Director shall notify the Company's General Counsel.

### **DIRECTORS' RESPONSIBILITIES**

Subject to Section 10(i) of the Company LLC Agreement, the business and affairs of the Company shall be managed by or under the direction of the Board.

The basic responsibility of the directors is to oversee the management of the business of the Company and to exercise their good faith business judgment to act in what they reasonably believe to be the best interests of the Company. In addition to its general oversight of the management of the Company, the Board or, in some cases, the appropriate committee of the Board performs a number of specific functions including:

1. selecting, evaluating and compensating the Chief Executive and overseeing executive management succession planning;
2. providing counsel and oversight on the selection, evaluation, development and compensation of executive management;
3. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
4. assessing major risks facing the Company and reviewing options for their mitigation; and
5. ensuring that processes are in place for maintaining the integrity of the Company including the integrity of the financial statements, compliance with law and ethics, relationships with customers and suppliers and relationships with other stakeholders.

Section 10(i) of the Company LLC Agreement details the limitations on Company activities, including (i) certain actions by the Board and/or management that shall not be taken without the prior consent of the specified Member(s), and (ii) the “separateness undertakings” that the Company shall take or refrain from taking, as the case may be.

Directors are expected to attend and participate in Board meetings and meetings of committees on which they serve, to spend the time needed and meet as frequently as necessary to discharge their responsibilities. Information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors to afford them a reasonable amount of time to review such materials in advance of the meeting.

### **LEAD INDEPENDENT DIRECTOR**

The Board, upon recommendation of its Nominating and Governance Committee, shall annually designate by majority vote one of the Independent Directors (as such term is defined in the Company LLC Agreement) to serve as the Lead Independent Director. The Lead Independent Director shall perform such duties and responsibilities as may be specified by the Board.

### **MEETINGS OF THE BOARD AND THE NON-MANAGEMENT AND INDEPENDENT DIRECTORS**

Meetings of the Board are held at least quarterly, and the non-management members of the Board meet regularly in executive session as described below.

The Company's non-management Directors (those Directors who are not Company officers) will meet separately from the Board at least quarterly. The topics addressed at such meetings shall include, without limitation, (i) quality of financial reporting and disclosure practices, (ii) the integrity and performance of the Company's top executives and (iii) the relationship between the Company and its external auditors. The non-management Director who presides at these meetings will be determined by the non-management Directors at each meeting. The Independent Directors will meet separately in executive session at least once a year.

The Chairman of the Board, with input from directors and other members of management, establishes the preliminary agendas for Board meetings which are distributed, along with related materials, in advance of the meetings. Directors are encouraged to suggest agenda items. At any Board meeting, directors are free to raise subjects, issues and questions that are not on the agenda.

The Board normally invites several or all of the Company's executive officers to attend the regular sessions of the Board depending on the matters to be discussed during such meetings. Additional Company or non-Company personnel may be invited to attend as deemed appropriate.

### **COMMITTEES OF THE BOARD**

The standing committees of the Board are the Audit Committee, the Nominating and Governance Committee, and the Organization and Compensation Committee. The Board, on recommendation of the Nominating and Governance Committee, will appoint annually the members of the Committees.

Each Committee will have its own charter. The charters will set forth the purposes and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. Subject to the requirements of the respective Committee charters, the Chairman of the Board, with input from each Committee chair and other members of management, establishes the preliminary agendas for the committee meetings which are distributed, along with related materials, in advance of the meetings. Committee members are encouraged to suggest agenda items. At any committee meeting, Committee members are free to raise subjects, issues and questions that are not on the agenda.

The Board may from time to time establish or maintain additional committees as it deems necessary or appropriate.

## **DIRECTORS' COMPENSATION**

The Organization and Compensation Committee (Compensation Committee) will recommend to the Board the form and amount of compensation to be provided for service on the Board and its committees. In making its recommendation, the Compensation Committee will consider the form and amount of compensation provided to persons serving on the boards of companies which are comparable to the Company. Only Independent Directors will receive compensation for service as a director.

Directors and any Board observer will be reimbursed for expenses (air travel, hotel, taxi, meals, etc.) incurred in connection with their attendance at Board and committee meetings and other Company events.

## **EXECUTIVE OFFICERS AND MANAGEMENT SUCCESSION**

After the initial designation of the officers of the Company by the Member, additional or successor officers, if any, shall be elected by the Board. The election or removal of the Chief Executive or the Chief Financial Officer of the Company shall require a majority vote of the Board, which shall in any event include the unanimous vote of the Non-Independent Directors, other than the Director who is an officer of the Company.

The Compensation Committee will conduct an annual review of the Chief Executive's performance, determine his or her compensation based on its evaluation, and provide a report of such review to the full Board. In consultation with the Chief Executive, the Compensation Committee will oversee the evaluation of the executive officers (other than the Chief Executive) and establish their compensation levels.

Periodically, the Compensation Committee will review and discuss with the Board executive management succession planning including (i) the establishment of appropriate criteria for the selection and evaluation of potential successors to the Chief Executive and other executive management of the Company and (ii) succession in the event of an emergency or retirement of the Chief Executive. The Chief Executive shall make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

The Board does not have a policy requiring the separation of the offices of the Chairman of the Board and the Chief Executive. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination regarding this issue when it elects a new Chief Executive and thereafter as deemed appropriate.

No officer of the Company may concurrently be an officer of any EFH Group member.

## **CODE OF CONDUCT**

The Company and its employees, including officers, are subject to the Oncor Code of Conduct, as it may be amended from time to time, and the Directors are subject to the Code of Conduct except for provisions pertinent to only employees. The Code of Conduct provides rules and guidance on ethical issues and states the expectations for ethical conduct and full compliance with the Code of Conduct. The Code of Conduct also specifies the procedures for employees to report any concerns or suspected violations of laws, regulations or the Code of Conduct and specifically provides that no retaliation will be taken against any employee for reporting such matters in good faith.

Included in the Code of Conduct, among other provisions, is the conflict of interest policy. A Director shall promptly notify the Company's General Counsel if there are circumstances that present either an actual conflict of interest or the appearance of a conflict of interest.

The Board expects Directors, as well as the Company's officers and employees, to act ethically at all times and to adhere to the Code of Conduct. While it is not expected that there would be waivers from the Code of Conduct, any waiver applicable to an officer or Director must be approved by the Board or the Audit Committee.

## **RELATED PERSON TRANSACTIONS**

As part of good governance, the Board has adopted this policy, which shall be followed in connection with all related person transactions involving the Company.

A related person transaction shall be consummated or shall continue only if:

1. the Audit Committee approves or ratifies such transaction in accordance with this policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party;
2. the transaction is approved by the disinterested members of the Board; or
3. the transaction involves compensation approved by the Organization and Compensation Committee.

For purposes of this policy, "related person" has the meaning in Item 404 of Regulation S-K under the Securities Act of 1933, as amended; provided, however, that EFH Group members (as defined in the Company LLC Agreement) shall not be considered related persons for purposes of this related person transactions policy. Any transactions involving EFH Group members shall be subject to Section 10(i)(vi) of the Company LLC Agreement instead of this related person transactions policy.

For purposes of this policy, a "related person transaction" is a transaction between the Company and a related person, other than the types of transactions described below, which are deemed to be pre-approved by the Audit Committee:

1. any compensation paid to an executive officer or director if the compensation is reported (or would have been reported, in the case of executive officers that are not named executive officers) under Item 402 of Regulation S-K, provided that such executive officer or director is not an immediate family member (as defined in Item 404 of Regulation S-K) of an executive officer or director and provided that the Board or its Compensation Committee has approved such compensation;
2. any transaction with another company at which a related person's only relationship is as a director and/or beneficial owner of less than 10% of that company's (other than a partnership) ownership interests;
3. any charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a related person's only relationship is as an employee (other than an executive officer) or director;
4. any transaction with a partnership in which a related person's only relationship is as a limited partner, and the related person is not a general partner and does not hold another position in the partnership, and all related persons have an interest of less than 10% in the partnership;

5. transactions where the related person's interest arises solely from the ownership of the Company's equity securities and all holders of that class of equity securities received the same benefit on a pro rata basis;
6. transactions involving a related party where the rates or charges involved are determined by competitive bids;
7. any transaction with a related party involving the rendering of services as a common or contract carrier, or public utility, as rates or charges fixed in conformity with law or governmental authority;
8. any transaction with a related party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar service;
9. transactions available to all employees or customers generally (unless required to be disclosed under Item 404 of Regulation S-K, if applicable);
10. transactions involving less than \$100,000 when aggregated with all similar transactions;
11. transactions between the Company and its subsidiaries or between subsidiaries of the Company;
12. transactions not required to be disclosed under Item 404; and
13. open market purchases of the Company's or its subsidiaries' debt or equity securities and interest payments on such debt securities.

The Board has determined that it is appropriate for the Audit Committee to review and approve or ratify related person transactions. Accordingly, at least annually, management shall review related person transactions to be entered into by the Company, if any. After review, the Audit Committee shall approve/ratify or disapprove such transactions. Management shall update the Audit Committee as to any material changes to such related person transactions. In unusual circumstances, the Company may enter into related person transactions in advance of receiving approval, provided that such related person transactions are reviewed and ratified as soon as reasonably practicable by the Audit Committee. If the Audit Committee determines not to ratify such transactions, the Company shall make all reasonable efforts to cancel or otherwise terminate such transactions.

## **OTHER KEY POLICIES AND PRACTICES**

The Board has adopted a Confidentiality Policy which shall be binding on each Director and Board observer and each person who after the policy effective date ceases to be a Director or Board observer (Board Insiders). At any time during which the policy remains in effect, each Board Insider shall maintain in strictest confidence all confidential information obtained in such capacity in accordance with such policy.

The Company will not make any personal loans or extensions, or arrangement for the extension, of credit to or for any Director or executive officer.

The Board believes that management speaks for the Company. Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is expected that Directors would make such communications with the knowledge of management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

Directors have full access to the management of the Company and its subsidiaries. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chief Executive or the Secretary or directly by the Director.

The Board and its Committees have the authority to retain independent outside financial, legal or other advisors.

As amended April 27, 2011