

ASSESSMENT

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Rexel SA

Second Party Opinion – Sustainability-Linked Financing Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 sustainability quality score (excellent) to Rexel SA's sustainability-linked financing framework received in July 2023, but dated September 2023. Rexel SA has created this sustainability-linked financing framework to issue sustainability-linked financing instruments to finance general corporate purposes, and has selected two key performance indicators (KPIs) on greenhouse gas (GHG) emission reduction. The main feature of this type of financing is the variation of the instruments' financial characteristics, depending on whether the issuer achieves predefined sustainability performance targets (SPTs). The framework is aligned with the five core components of International Capital Market Association's Sustainability-Linked Bond Principles (SLBP) 2023, and the Loan Market Association, Asia-Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Sustainability-Linked Loan Principles (SLLP) 2023. The company has incorporated recommended practices under these principles and all of the identified best practices. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS1



Alignment with principles SUSTAINABILITY-LINKED

Overall alignment



FACTORS



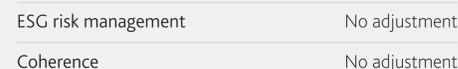
Contribution to sustainability

Overall contribution



Expected impact Relevance and magnitude

ADJUSTMENTS



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Rexel's sustainability-linked financing framework, including its alignment with the ICMA's Sustainability-Linked Bond Principles (SLBP) 2023 and the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles (SLLP) 2023. The company selected two sustainability KPIs, as outlined in Appendix 2 of this report, namely: Percentage reduction in scope 3 GHG emissions intensity related to the consumption of products sold, and percentage reduction in scopes 1 and 2 GHG emissions.

Our assessment is based on the latest version of the Rexel's sustainability-linked financing framework, received in July 2023, but dated September 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the document, and other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Headquartered in Paris, France, Rexel SA (Rexel) is a global leader in the low and ultralow voltage electrical distribution market. Rexel addresses three main markets: commercial (43% of 2021 sales), industrial (27%) and residential (30%). In 2022, Rexel employs more than 26,000 people and operates in 21 countries through a network of more than 1,900 branches. The group operates mainly in three geographic areas: Europe, North America and the Asia-Pacific.

In line with sustainability challenges associated with rising electricity needs, Rexel's sustainability strategy focuses on offering its customers products and solutions to accelerate the energy transition and adapt to climate change, reducing its own environmental footprint and encouraging all of its stakeholders to commit to being part of the transition to a low-carbon economy. In 2022 the company set new targets for 2030 and 2050, aimed at reaching net-zero GHG emissions across the value chain.

Strengths

- » The KPIs are clearly defined and externally verified, and their performance is and will be publicly disclosed in Rexel's annual report until maturity of the instruments.
- » Both KPIs together represent highly important environmental issue for the company's strategy and sector. KPI 2 (scope 1 and 2) only represents 0.3% of Rexel's total emissions, but this minimal coverage is mitigated by Rexel's commitment to not use KPI 2 alone in its sustainability-linked financing.
- » The SPTs are set in accordance with international standards, in line with the 1.5°C trajectory.
- » The issuer will report on any change of calculation methodology, the KPI data will be verified, and the issuer has committed to conduct an external review on the relevance and ambition of the revised KPIs and SPTs.

Challenges

- » KPI 1 is an intensity target that carries certain drawbacks, but these are mitigated by Rexel's disclosure of absolute values and detailed means for achievement.
- » The calculation methodologies of scope 2 emissions follow a market-based method and include Renewable Energy Certificates (RECs).

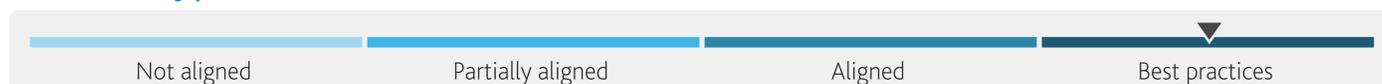
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Alignment with principles

Rexel's framework for sustainability-linked financing instruments is aligned with the ICMA's SLBP 2023, LMA/APLMA/LSTA's SLLP 2023, and incorporates recommended practices under these principles:

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- Green Loan Principles (GLP)
- Social Loan Principles (SLP)
- Sustainability-Linked Bond Principles (SLBP)
- Sustainability Linked Loan Principles (SLLP)

Selection of key performance indicators



Definition – ALIGNED

Rexel has clearly detailed the characteristics of the selected KPIs, including the units of measurement, the rationale and the process to select the individual KPIs, their calculation methodologies and the scope. These details are disclosed in the framework. The company has selected two KPIs: Percentage reduction of scope 3 GHG emissions intensity related to the consumption of products sold, and scopes 1 and 2 GHG absolute emissions percentage reduction.

Measurability, verifiability and benchmark – BEST PRACTICES

The KPIs are measurable and externally verifiable by independent auditors. The KPIs were previously disclosed, providing historical data dating back to 2016, with the 2016 baseline audited by PricewaterhouseCoopers LLP (PwC) through a limited assurance report. The definition of the KPIs relies on external references, namely the GHG protocol, allowing them to be benchmarked. The issuer will report on the change of calculation methodology and commits to conduct an external review of the changes to confirm they are consistent with the initial level of ambition of the relevant SPT.

Relevance and materiality – ALIGNED

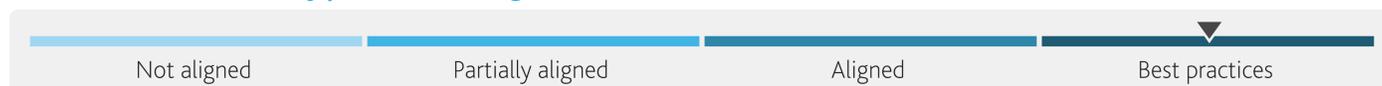
The selected KPIs are relevant, core and material to the issuer's business strategy for its current and future operations. In the issuer's materiality matrix published in its Universal Registration Document (URD) 2022¹, objectives such as "limit the impact of the product life cycle," "sell energy-efficient solutions" and "manage energy at Rexel's locations" are part of the most material environmental issues of the materiality analysis. Additionally, GHG emission reduction represent the most relevant challenge for the electrical products sector.

According to Rexel's URD 2022, scope 3 GHG emissions related to use of sold products represented 92.2% of the company's total estimated GHG emissions in 2022, while scope 1 and 2 GHG emissions from purchased electricity and energy consumption at Rexel facilities and internal fleet consumption represented 0.2% of Rexel's total emissions. As a result, the two KPIs together represented 92.4% of Rexel's total GHG emissions. Note that Rexel recently announced the intention to acquire Wasco, which is excluded from the scope of the KPIs. The relevance and materiality of the KPIs are analyzed in detail in the contribution to sustainability section.

Best practices identified

- » There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure the KPI
- » The KPIs definitions rely on external references allowing them to be benchmarked
- » The KPIs were previously disclosed and have historical externally verified KPI values covering at least the previous three years

Calibration of sustainability performance targets



Consistency and ambition – BEST PRACTICES

The company's SPTs are consistent with the borrower's sustainability strategy and demonstrate a significant improvement compared with the company's business as usual (BaU). The SPTs for KPI 1 and 2 are in line with Rexel's corporate targets of absolute scope 1 and 2 GHG emissions reduction by 60% and absolute scope 3 GHG emissions reductions from use of products sold by 45%, both by 2030 compared with a 2016 baseline. All the SPTs have been benchmarked against sector peers and science-based scenarios. Rexel is considered among the top performers in its sector and the Science Based Targets initiative (SBTi) validated the issuer's target for KPI 1 and KPI 2 (consistent with reductions required to keep warming to 1.5°C). The level of ambition is analyzed in detail in the "Contribution to sustainability" section. In the future, Rexel may incorporate additional SPTs as needed and such SPTs will benefit from external review.

The means for achieving the SPTs have been disclosed in detail and are considered credible. Rexel has provided detailed information in its framework and internal documentation on the means for the achievement of planned investments, as well as their respective quantitative contributions and externalities that could impact the achievement of the SPTs.

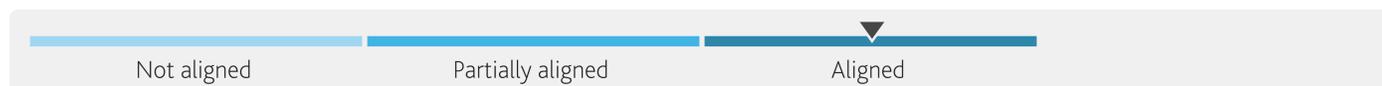
Disclosure – BEST PRACTICES

The timeline, baseline and trigger events are disclosed in the framework. Relevant intermediary targets that allow sufficient visibility on the KPI performance ahead of the 2030 corporate target have been set in the form of an SPT in 2025 for both KPIs. The selected baselines are relevant and reliable, and were previously disclosed in the issuer's corporate sustainability strategy.

Best practices identified

- » Disclosure of the means for achieving the SPTs as well as their respective contribution in quantitative terms to the SPTs, including any other key factors beyond the Issuer's direct control that may affect the achievement of the SPTs
- » The means for achieving the SPTs are credible
- » Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets
- » The selected baselines are relevant and reliable

Instrument characteristics



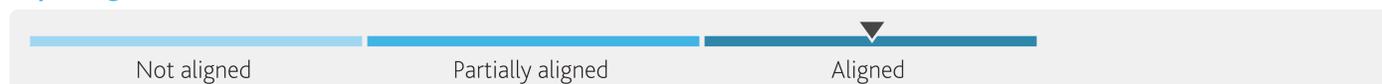
Variation of structural characteristics – ALIGNED

Rexel confirms that the financings issued under this framework will be subject to variations in their financial characteristics depending on the achievement of the defined trigger events. The exact financial implications will be detailed for each instrument in the corresponding legal documentation.

At each observation date, one or more KPIs and their respective SPTs may be observed and a coupon step-up or any other compensation mechanism could be triggered if one of them is not achieved, even if the other one has been achieved. The issuer has committed to not use KPI 2 (scope 1 and 2) alone in its sustainability-linked financing instruments. Rexel intends to include in the legal documentation of financings the potential occurrence of financial implications should the verification assurance report not be published within 90 days after the observation date.

Sustainability-linked financing instruments include bonds, convertible bonds, private placements, Revolving Credit Facility Agreements (RCFAs) and bilateral credit facilities. The issuer has committed in the framework that observation dates included in the various financing documentation should be set before any call date that could be activated by the issuer or before any maturity date. This requirement with respect to call dates increases the risk that the call date negates any financial variation triggered by the nonachievement of an SPT, which itself is a core component of a sustainability-linked instrument. To mitigate this risk, Rexel has committed to discuss this element with the banks arranging the financing.

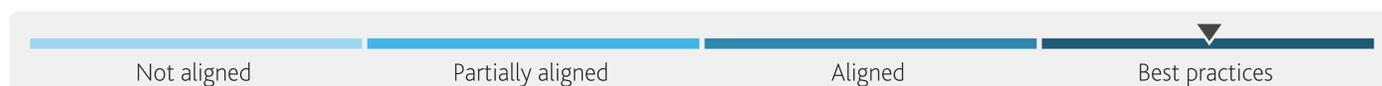
Reporting



Transparency of reporting – ALIGNED

The issuer has committed to report annually until the maturity of the instruments. Both KPIs are already included in the annual reporting through the URD, or will be included in a dedicated report, which will be made publicly available within 90 days each calendar year. The intended scope and granularity of the reporting is clear and covers key elements such as KPI performance, reassessments of KPIs or any additional relevant information that enables investors to monitor the progress of each selected KPI toward the SPTs.

Verification



Verification process – BEST PRACTICES

The issuer has committed to conduct an external verification by a third party (approved by the issuer) of the performance of each KPI against each SPT until the last observation date, the related impact and its timing, and the instruments' financial characteristics. The verification will be conducted through the maturity of the relevant instruments and will be publicly available.

Best practices identified

- » [Verification will be conducted until maturity of the bond or loan](#)

Contribution to sustainability

The framework demonstrates a high expected contribution to sustainability.



Expected impact

The expected impact on both KPIs and SPTs on sustainability objectives is high. The KPIs were weighted equally. A detailed assessment is provided below.

KPI 1 - Percentage reduction of scope 3 GHG emissions intensity related to the consumption of products sold



The relevance of KPI 1 is high. According to the International Energy Agency (IEA), the biggest increase in carbon dioxide (CO₂) emissions in 2021 came from electricity and heat production, which jumped by more than 900 Megatons (Mt), accounting for 46% of the global increase in emissions because the use of all fossil fuels increased to help meet electricity demand. Additionally, global energy consumption by plug-in appliances continued to increase in 2020, and European households represented 27% of energy consumption. Therefore, it is crucial for households to become more energy-efficient, which provides an opportunity for specialized electrical products providers like Rexel to offer customers products that support the energy transition. Indeed, providing energy-efficient products to its customers is the most material sustainability issue for Rexel's current and future operations, and responds to the most relevant sustainability challenges for its sector. According to Rexel's 2022 URD, scope 3 GHG emissions related to use of sold products accounted for 92.2% of Rexel's total estimated GHG emissions in 2021. KPI 1 covers all (100%) of the products sold by Rexel.

KPI 1 is an economic-intensity KPI, which has several drawbacks: a reduction in the KPI value may still represent an increase in the absolute GHG emissions. The reduction in intensity value may also be because of an increase in sales revenue, which would thus not reflect an evolution in the energy efficiency of the products sold by Rexel, where we expect the company to make the most substantial contribution to sustainability. Several factors give us assurance against these drawbacks. Rexel has communicated absolute scope 3 values, and has presented its targets in both absolute and intensity values. These values are lower than those in the baseline year, for the target observation date and the 2030 corporate target year. In its annual URD, Rexel reports on absolute scope 3 emissions from use of products sold, which provides visibility into its performance. In addition, its means for achievement are heavily focused on strategies to increase the energy efficiency of its sold products, thus addressing the most material issue (please see details in the section below).

The magnitude of the SPT related to KPI 1, which reflects Rexel's ambition, is high, based on a combination of benchmarking approaches. The company has set a target to reduce scope 3 by 60% intensity value (tCO₂e/kEuro) by 2030. The SPT is a substantial improvement from the issuer's BaU trajectory. With the proposed SPT, the issuer's average variation of the absolute figures would be -7.10% for 2016-22. The proposed SPT reflects a continuous reduction from the issuer's BaU with an average reduction of 6.40% for 2016-25 and 6.32% for 2016-30. From 2022 onward, the proposed SPT also reflects a continuous reduction of 4.99% for 2022-25 and 5.74% for 2022-30. Although the annual reduction from 2022 to 2025 is slightly lower than the annual reduction from 2016 to 2022, it will require the issuer to continue its efforts. Notably, the scope 3 value for 2022 is higher in absolute terms. The issuer has

clarified that this increase in scope 3 value is due in part to the acquisition of the Mayer entity in 2021, and because of an increase in the quantity of products sold.

Rexel's scope 3 target appears to be in line with that of top performers in the sector that have set specific scope 3 targets. Rexel submitted its near-term 1.5°C scope 1, 2 and 3 targets to SBTi for validation, in line with international standards, and has received approval. Rexel has communicated in its press release and its 2022 Capital Market Day Presentation that the intensity target of 60% reduction by 2030 is equivalent to its corporate target of 45% absolute scope 3 reduction by 2030, for which the SPT is an intermediary target. To date, the SBTi does not classify scope 3 targets by temperature. However, the SBTi mentions that they review scope 3 ambition to ensure it meets the temperature alignment or supplier engagement specifications outlined in the SBTi criteria. In addition, according to Moody's Analytics temperature alignment research, which covers scope 1, 2 and 3 emissions, the company's targets are in line with a 1.5°C scenario.

KPI 2 - Percentage reduction in scopes 1 and 2 GHG emissions



GHG emission reduction represents a highly relevant environmental issue with regard to climate change and its negative impact. Substantially reducing global GHG emissions aligns with the Paris Agreement's objectives to limit the global temperature increase in this century to 2°C while pursuing efforts to limit the increase even further to 1.5°C. KPI 2 is related to two main corporate objectives that are aimed at improving environmental performance, namely: "manage energy at Rexel's locations" and "ensure Rexel's logistical performance," which are among the most material topics identified in Rexel's Materiality Assessment (page 197 of the 2022 URD). As part of these commitments, Rexel has set quantified targets with regard to the environmental impacts related to the transport of its products (which is identified in our rating as a topic of high materiality for Rexel), and these cover the entire group, including its internal fleet consumption, which is addressed through scope 1 reduction. While scope 1 and 2 emissions from purchased electricity and energy consumption at Rexel facilities and internal fleet consumption represented 0.2% of Rexel's total emissions according to its 2022 URD, Rexel has committed to not use KPI 2 alone in its sustainability-linked financing. As a result, the two KPIs together represented 92.4% of Rexel's total estimated GHG emissions in 2022. Additionally, KPI 2 covers all (100%) of the operations and sites of the Rexel Group.

According to the URD 2022, emissions from scopes 1 and 2 represented 99,166 tCO₂e, including 76,208 tCO₂e for scope 1 and 22,957 tCO₂e for scope 2 "market based" methodology where GHG emissions were calculated, where possible, using the emission factors specific to the energy supplier, and includes the purchase of Renewable Energy Certificates (RECs). Of note, Scope 2 "location-based" emissions were not disclosed in the 2022 URD, while they were disclosed in the 2021 URD, representing 26,208 tCO₂e versus 23,274 tCO₂e for the market-based method. Rexel calculates its scope 2 emissions both in market-based and location-based methods according to the GHG protocol. Unless indicated, scope 2 emissions are expressed using market-based methods. The use of RECs by companies with science-based targets has led to inflated estimates of the effectiveness of the mitigation measures.² Although Rexel also reports on the energy consumption of its activities, the relevance of KPI 2 is assessed as significant due to the use of RECs in the calculation of its scope 2 emissions.

The magnitude of the SPT related to KPI 2, which reflects its ambition, is high, based on a combination of benchmarking approaches. The SPT represents a substantial improvement compared with the issuer's BaU. With the proposed SPT, the issuer's average variation of the absolute figures is -2.69% for 2016-22 (using compound annual growth rate) and -4.94% using the constant scope value for 2022. The proposed SPT reflects a constant reduction from the issuer's BaU with an average reduction of 5.17% for 2016-25 and 6.35% for 2016-30. From 2022 onward, the proposed SPT will also reflect a continuous reduction of 9.94% for 2022-25 and 9.00% for 2022-30. In addition, because of acquisitions in 2021, the absolute values of scope 1 and 2 have increased in 2022 compared with those for 2021. Additionally, Rexel has also provided "constant scope" values for scope 1 and 2 emissions between 2021 and 2022, showing a slight decrease in GHG emissions, confirming its reduction trajectory. The issuer has communicated that it maintains its 2030 absolute emissions targets, which means that it will have to increase efforts and accelerate adoption of decarbonization strategies in newly

acquired companies. This is reflected in average annual reduction figures, which are set to accelerate from 2022 onward, compared with the annual reduction from 2016 to 2022.

We consider Rexel's targets demonstrate one of the highest levels of ambition compared with the top performing peers in the sector that have set specific scope 1 and 2 targets. As of February 2023, Rexel is among the 112 companies globally (52 in Europe) out of 236 in the "Electrical Equipment and Machinery" sector in SBTi's database that have set science-based targets that are considered consistent with reductions required to keep global warming at 1.5°C above preindustrial levels and validated by SBTi. This means the other 124 companies in the sector have made commitment but have not yet set specific targets.

ESG risk management

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the expected impact score. The KPIs defined in the framework are unlikely to lead to any associated environmental or social negative externalities. Rexel seems to retain robust internal policies and procurement process to address ESG-related issues.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score because the company's strategy is well aligned with the targets under this framework.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The two KPIs included in Rexel's Sustainability-Linked Financing Framework are likely to contribute to one of the United Nations' (UN) Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 13: Climate Action	KPI 1 Intensity Scope 3 GHG Emissions in tCO ₂ e/kEuro, KPI 2 Absolute Scope 1 and 2 Emissions in tCO ₂ e	13.3: Improve awareness and human and institutional capacity on climate change mitigation, adaptation and impact reduction

The UN's SDGs mapping in this SPO considers the KPI and associated sustainability objectives/benefits documented in Rexel's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of the KPIs in Rexel's framework

KPIs	SPTs	Sustainability Objectives	Unit
KPI 1: Intensity Scope 3 GHG Emissions in tCO ₂ e/kEuro	SPT: Achieve 45% reduction by 2025 vs 2016	Climate Change Mitigation	tCO ₂ e/kEuro
KPI 2 Absolute Scope 1 and 2 Emissions in tCO ₂ e at constant scope	SPT: Achieve 38% reduction by 2025 vs 2016	Climate Change Mitigation	tCO ₂ e

Source: Rexel's Framework

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

Endnotes

1 <https://www.rexel.com/en/commitments/our-commitment-publications/>

2 <https://www.nature.com/articles/s41558-022-01379-5>

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

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