Le réseau
de transport
d'électricité



2023

MANAGEMENT REPORT





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1.

Message from the Chairman of the Executive Board





"Successful energy sufficiency campaigns and the rollout of the EcoWatt app brought us through a winter with no restrictions and no power cuts."

Back in 2022, the prevailing concerns were the energy crisis and anticipations of power supply weaknesses in the winter of 2022/2023. Those anticipations were necessary, and more importantly they were useful: successful campaigns encouraging energy sufficiency and the rollout of the EcoWatt application brought us through the winter with no restrictions and no power cuts - a very satisfactory outcome.

During the crisis, RTE was able to honour its primary mission of keeping the current flowing everywhere, every second of the day. But to maintain a reliable energy supply while meeting the electrification challenge, in 2023 the company continued preparations for its future as an efficient infrastructure operator, and achieved major milestones during the year.

- Connections of offshore wind farms were completed on time and on budget. France's offshore energy production capacity was raised to 2GW, marking the end of work on the offshore plant connections included in the first multi-year national energy plan.
- Interconnection capacities continued to increase: the second France-Italy link (+600MW) is now fully operational, and initial work began on the next large-scale interconnectors with Spain and Ireland.
- More than 600km of overhead lines, and 800 pylons with an identified obsolescence risk, were replaced to ensure durability.

Meanwhile, RTE carried on its mission of informing public decision-making, publishing its Adequacy Report showing the possible trajectories to the necessary electrification of the French energy system by 2035. In a more unusual, complementary exercise, it teamed up with market research firm IPSOS for a poll of 12,000 respondents to identify the French population's readiness to shift uses towards a more electrified society, and the conditions they consider necessary to do so.

Shedding light on the technical and societal levers that can help France achieve its objectives is also part of RTE's mission.

This year's weather events demonstrated RTE's constant dedication as a public service operator: storms Ciaran and Domingos revealed the damage management expertise of RTE's teams, while proving the network's resilience and the relevance of our

development policies: our physical structures are appropriately scaled and held up well in the gales.

Finally, 2023 was a year of acceleration, something that will now be needed every year to keep up with the pace of the energy transition.

- Recruitment was stepped up: more than 700 people joined the company during the year, including nearly 400 in newly-created positions. This reflects RTE's appeal as a good employer, which brings resources for growth.
- Investments were also stepped up: we have gone above and beyond completion of our investment programme, investing 18% more than last year, an initial signal of our ability to keep our practical commitments.

But 2024 will still be another year of growth. As the energy pathways defined in the prospective studies show us, RTE's investments will be increasing significantly every year. This places us under a dual responsibility: we must achieve successful growth today, while paving the way for more growth tomorrow. Acceleration is now the normal pace.

For a successful 2024, for the first time in its history RTE is going to invest over €2 billion in the network, over 15% more than in 2023. The investments will mainly concern offshore facilities: with the launch of the first contracts for connection of 6GW of new capacities, RTE is entering a new dimension.

Just like the projects to decarbonise industry and the related connections, this raises two challenges. Greenhouse gas emission reduction targets must be met, and these enormous investments must be approached as an opportunity for reindustrialisation, and therefore sovereignty.

Finally, these investments reflect a firm expansion programme for the very high-voltage (400kV) grid, as reinforcement of the electricity system's "backbone" is a vital preliminary for extensive electrification in France. The first authorisations for creation of new 400kV facilities in virgin sites will be granted in 2024.

> *2024 will thus be a year of strong focus on our industrial infrastructure as it grows and evolves.*

True to its mission of informing decisions, RTE will continue to highlight the energy world's needs by updating the Ten-year network development plan (SDDR[1]). This strategic plan for the network will make projections for electricity transmission infrastructure requirements up the year 2040. It will define our priority investments and policies, because the pathways followed must remain sustainable. The TURPE 7 network access tariff will be constructed with that aim, at the same time and by the same teams: network and financing requirements are two aspects of the same task, planning for medium and long-term growth and its economic and financial coverage.

RTE will publish its strategic plan regarding the electricity system's requirements, tools and management. It will present the flexibilities needed in grid operation between now and 2035, to address the energy production and consumption changes taking place on the network. The latest Generation Adequacy report, released in September 2023, clearly shows how these flexibilities must increase and will be crucial for effective, cost-controlled management of the system in the future.

2024 will thus be a year of strong focus on our industrial infrastructure as it grows and evolves.

This is a big commitment, but RTE and all of its 9,500 employees will rise to the challenge - as they did in 2023.

(1) Schéma décennal de développement du réseau.

2.



Presentation of RTE

2.1 HISTORY OF RTE

RTE, Réseau de transport d'électricité ("RTE" in the rest of this document), is the company that manages France's electricity transmission network.

RTE's essential missions are operating the public electricity transmission network and maintaining balance in the electricity flows through the network at all times.

Historically, electricity transmission in France was carried out by Électricité de France (EDF), which had a monopoly. EDF handled the generation, transmission, distribution, export and import of electricity by virtue of the law of 1946 on nationalisation of electricity and gas companies.

The law of 10 February 2000[1] transposing the European directive of 19 December 1996[2] laid down the principal rules for the EU's internal energy market, which at the time had recently been opened up to competition. To avoid any risk of discrimination between different network users, this law required formation of a new network operator entity, independent of EDF, and in June 2000 an independent department named "Réseau de transport d'électricité" was set up at EDF, with separate management and accounts.

Subsequently, a separate legal entity was established, in application of the law of 9 August 2004[3] transposing the European directive of 2003. RTE, a *société anonyme* (French-domiciled publicly-traded limited company) governed by an Executive Board and a Supervisory Board, was officially formed on 1 September 2005 by means of a partial business transfer from EDF, and became a wholly-owned subsidiary of EDF[4].

In 2012, the French energy regulator *Commission de régulation de l'énergie* (CRE) certified RTE as an ITO (Independent Transmission Operator) following the approval of the European Commission (EC), in compliance with directive 2009/72/EC which was transposed into French law in 2011. That law requires separation of assets or stronger guarantees of the operator's independence of shareholders with electricity generation and supply activities. RTE's initial ITO certification has been confirmed in several follow-up decisions, the most recent dating from 27 April 2023.

Since December 2016, the entire share capital of RTE has been held by Coentreprise de transport d'électricité (CTE), itself held by the following shareholders since 31 March 2017:
- EDF (50.1%);
- Caisse des dépôts et consignations (CDC) (29.9%);
- CNP Assurances (20%, including 0.96% held by its subsidiary CNP Retraite[5]).

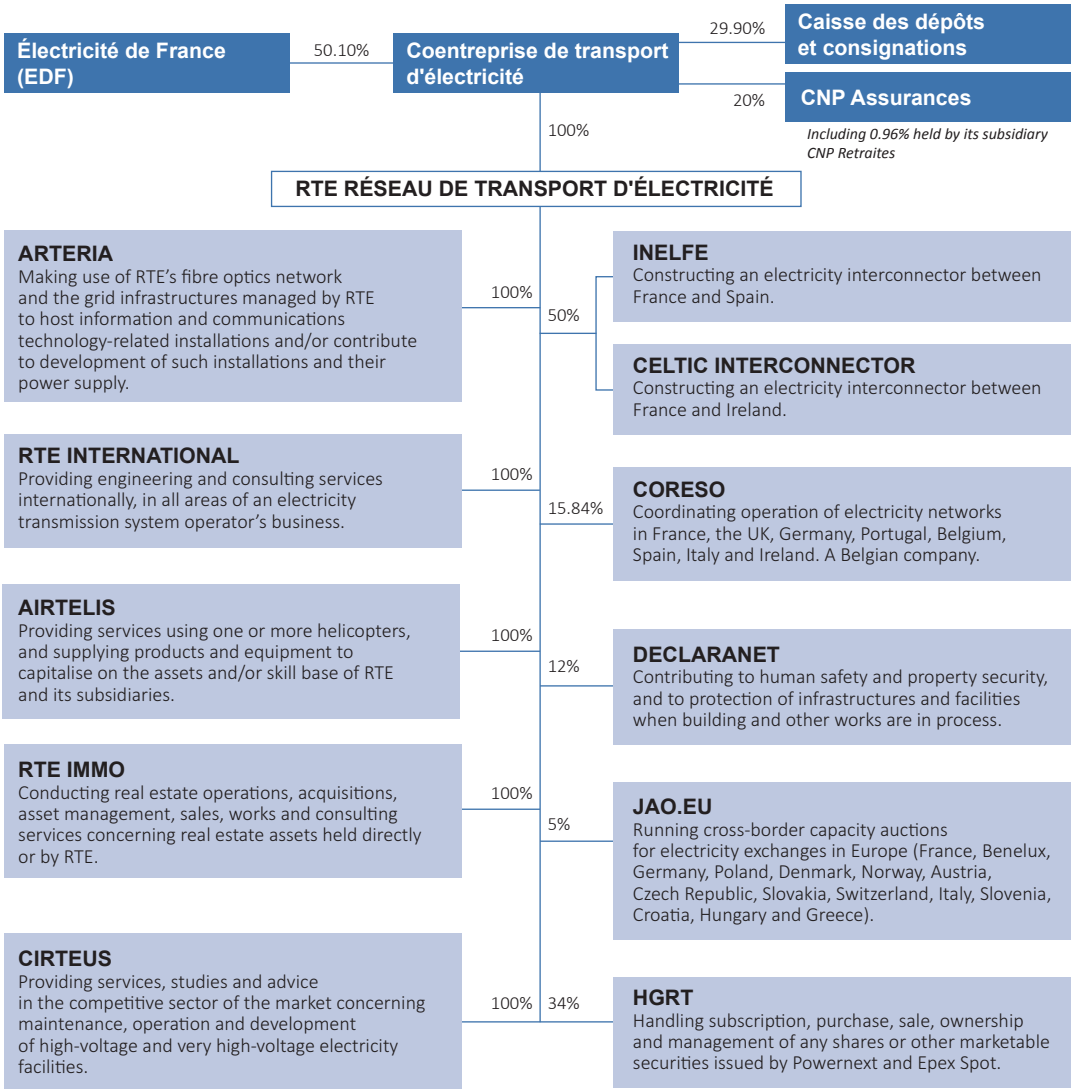
RTE has the following joint ventures with foreign counterparts to construct interconnections with neighbouring countries:
- Celtic Interconnector Designated Activity Company (CIDAC), with the Irish transmission network operator EirGrid;
- Inelfe, with the Spanish transmission network operator REE.

RTE also has five fully-owned subsidiaries that operate outside its monopolistic public service missions: Airtelis, RTE International, Cirteus, Arteria and RTE Immo.

Framework agreements concerning the pricing methods for services sold by RTE to its subsidiaries are submitted to the regulator for approval.

Finally, RTE holds minority investments in companies that enable it to fulfil the missions assigned to it by the law: Coreso, Declaranet, HGRT, and JAO.EU.

(1) French law No. 2000-108 of 10 February 2000 on the modernisation and development of the public electricity service.
(2) Directive 96/92/EC of 19 December 1996 concerning common rules for the internal market in electricity.
(3) French law No. 2004-803 of 9 August 2004 on the public electricity and gas service and electricity and gas companies.
(4) RTE was named "RTE EDF Transport" until 2012.
(5) Since 2022.


Électricité de France (EDF)
50.10%
Coentreprise de transport d'électricité
29.90%
Caisse des dépôts et consignations
20%
CNP Assurances
Including 0.96% held by its subsidiary CNP Retraites
100%
RTE RÉSEAU DE TRANSPORT D'ÉLECTRICITÉ
ARTERIA
Making use of RTE's fibre optics network and the grid infrastructures managed by RTE to host information and communications technology-related installations and/or contribute to development of such installations and their power supply.
100%
RTE INTERNATIONAL
Providing engineering and consulting services internationally, in all areas of an electricity transmission system operator's business.
100%
AIRTELIS
Providing services using one or more helicopters, and supplying products and equipment to capitalise on the assets and/or skill base of RTE and its subsidiaries.
100%
RTE IMMO
Conducting real estate operations, acquisitions, asset management, sales, works and consulting services concerning real estate assets held directly or by RTE.
100%
CIRTEUS
Providing services, studies and advice in the competitive sector of the market concerning maintenance, operation and development of high-voltage and very high-voltage electricity facilities.
100%
50%
INELFE
Constructing an electricity interconnector between France and Spain.
CELTIC INTERCONNECTOR
Constructing an electricity interconnector between France and Ireland.
15.84%
CORESO
Coordinating operation of electricity networks in France, the UK, Germany, Portugal, Belgium, Spain, Italy and Ireland. A Belgian company.
12%
DECLARANET
Contributing to human safety and property security, and to protection of infrastructures and facilities when building and other works are in process.
5%
JAO.EU
Running cross-border capacity auctions for electricity exchanges in Europe (France, Benelux, Germany, Poland, Denmark, Norway, Austria, Czech Republic, Slovakia, Switzerland, Italy, Slovenia, Croatia, Hungary and Greece).
34%
HGRT
Handling subscription, purchase, sale, ownership and management of any shares or other marketable securities issued by Powernext and Epex Spot.

2.2 RTE'S *RAISON D'ÊTRE* AND CORPORATE SOCIAL RESPONSIBILITY

France's "PACTE" law of 22 May 2019[1] introduced a legal requirement for all companies in France to take into consideration the social and environmental aspects of their business activity. This law also introduced the concept of the *raison d'être*, in which a company defines how it contributes to society beyond the pursuit of economic profit.

After an iterative, collaborative process, the following *raison d'être* was incorporated into the company's bylaws at RTE's Extraordinary General Shareholders' Meeting of 3 January 2022:

"Drawing strength from its network and with dedication to its public service mission that makes an essential contribution to French life, RTE is at work every second of the day to ensure durable access to carbon-free electricity.

The women and men of RTE are conscientiously, passionately committed to achieving a successful energy transition at local, national and European level, through the pursuit of three ambitions:

- optimising the French electricity system through a combination of efficiency, solidarity and environmental protection;
- operating the energy transition by innovating and transforming our industrial infrastructure for the benefit of customers and local actors;
- informing public authority decisions and the choices made by regions and citizens, using our expertise and vision."

This *raison d'être* provides a long-term grounding for RTE's three roles – as network operator, electricity system optimiser, and informer of collective choices relating to the energy transition.

And to embody its *raison d'être*, RTE defined a new CSR policy in late 2021 which follows the materiality matrix presented in 7.1 Non-financial dimension of major risks. Details of this policy are presented in section 5.5.

(1) French law No. 2019-486 of 22 May 2019 adopting an action plan for growth and change in businesses.

Our *Raison d'Être*

"Drawing strength from its network ❶ and with dedication to its public service mission ❷ that makes an essential contribution to French life, RTE is at work every second of the day to ensure durable access to carbon-free electricity.

The women and men of RTE ❸ are conscientiously, passionately ❹ committed to achieving a successful energy transition ❺ at local, national and European level ❻ through the pursuit of three ambitions: informing, operating and optimising."

Our Corporate Societal Responsibility Policy to embody our *Raison d'Être*

Challenges as **operator** of the energy transition

- Network performance, crisis prevention and management in France and Europe ❶
- Developing flexibilities for electricity system operation ❶
- Adjusting to the consequences of climate disruption ❷
- Adaptation and support for the energy transition ❺
- Responsible purchasing and sustainable local action ❻

Challenges as **pathfinder** informing public decision-making

- Developing a forward-looking vision for French and European public energy policies ❷
- Transparency, dialogue and co-construction with stakeholders ❻

Challenges as **optimiser** of the electricity system

- Fighting climate change and protecting biodiversity and landscapes ❺
- Preserving resources, and the circular economy ❻

Fundamental challenges for realising our strategic ambitions

- Governance and business ethics ❹
- Diversity, equal opportunities and inclusion ❸
- Health, safety and wellbeing of internal and external stakeholders ❹
- Skill development and talent management ❹

2.3 BUSINESS MODEL

ENERGY SECTOR TRENDS



Electricity consumption growth
in an increasingly decarbonised world

OUR RESOURCES

HUMAN RESOURCES

10,025 employees including **507** on work-study contracts

FINANCIAL RESOURCES

89.3% Debt / Regulated Asset Base (1)

9.7% FO / Net det (1)

€1,892M of EBITDA

INDUSTRIAL RESOURCES

€1,748M of investments in the grid

105,797 km of overhead and underground links

Approx. **2,800** RTE substations in operation

€265M of Euro investments in interconnectors (France-Spain, France-Ireland and France-Italy)

57 cross-border lines

RESEARCH RESOURCES

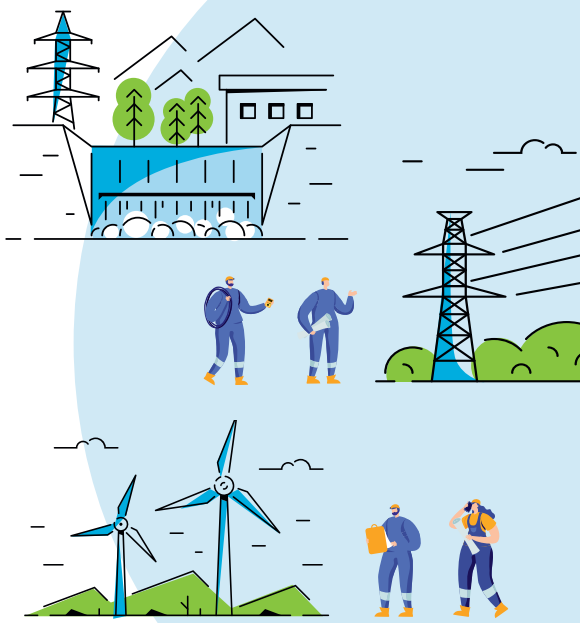
A hundred employees working on R&D activities

Nearly **€40M** per year allocated to R&D

OUR BUSINESS MODEL

OUR *RAISON D'ÊTRE*

Drawing strength from its network and with dedication to its public service mission that makes an essential contribution to French life, RTE is at work every second of the day to ensure durable access to carbon-free electricity.



OUR MISSIONS

- **Operating** the French electricity transmission network through innovation and transformation of the industrial infrastructure, for the benefit of our customers and local actors
- **Optimising** the French electricity system through a combination of efficiency, solidarity and environmental protection
- **Informing** public authority decisions and the choices made by regions and citizens, using our expertise and vision

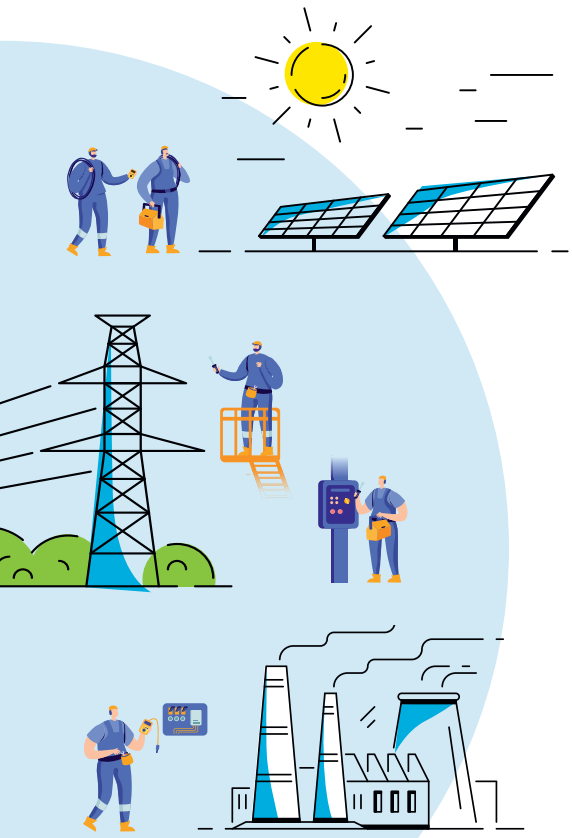
OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT OBJECTIVES



Principal sustainable development objectives – see. 7.1 "Non-financial dimension of major risks"

New demands
and societal needs

Evolving
energy mix



THE CHALLENGES FOR RTE

- **Supporting** the move to carbon neutrality by 2050
- **Responding** to environmental and societal issues
- **Renewing** and adapting the network
- **Exploiting** electricity flows, making increasing use of digital technologies

OUR VALUE CREATION

FOR THE ENVIRONMENT AND LOCAL/ REGIONAL AREAS

60,517MW (3) dof renewable energies connected to the high-voltage and very high-voltage networks in France / installed power on the French national grid

94% (3) of energy output by installations connected to RTE's network is carbon-free

92% of waste recycled

1,528 hectares of land made biodiversity-friendly

FOR EUROPE (3)

25.3Twh imported

75.4TwH exported

FOR THE ECONOMY

74,695 (2) jobs supported

€6.6 Bn (2) contribution to GDP in France

€2,304 Bn of purchases

FOR OUR CUSTOMERS

3 min 5 seconds
continuity of supply indicator

93% customer satisfaction score

6.7: the 2023 ratio of the total annual remuneration of the company's highest-paid employee to the median total remuneration of all employees (7 in 2022) (4)

FOR OUR EMPLOYEES

RTE was certified as a Great Place To Work® in 2022

Included in the 2023 list of Best Workplaces™ in France

FOR OUR SHAREHOLDERS

4.1% ROCE

5% dividend/equity ratio

(1) Ratios including CTE's debt and S&P adjustments.
(2) Source: study of the 2021 socio-economic footprint based on 2020 data.
(3) Provisional data; the final figures will be published in the 2023 Electricity report.
(4) Date presented in the 2023 corporate governance report.

2.4 REGULATION MODEL

France's Energy Code stipulates that all costs borne by RTE, provided they correspond to the costs of an efficient network operator, are to be covered by the network access tariff.

Accordingly, for every tariff period (four years) the CRE[1] examines RTE's forecast charges and sets an appropriate network access tariff ("TURPE") to cover them. It also establishes the regulation framework defining how risks and contingencies are to be shared between the companies and users of the public transmission network with respect to unpredictable events that cause RTE's income and expenses to differ substantially from the initial forecasts. For items that are difficult to forecast and largely beyond RTE's control, the income and expenses adjustment account (CRCP[2]) neutralises such effects for RTE by adjusting the tariff.

The regulation framework also contains incentives for RTE to control its expenses and improve the service quality for network users. All these factors contribute to determination of RTE's authorised revenue. In practice, the TURPE 6 tariff (covering the period 2021-2024) is adjusted each year based on an inflation index plus a cost factor of 0.49% and a clearance coefficient to balance items in the CRCP.

AUTHORISED REVENUE

RTE's authorised revenue is used to calculate the network access tariffs payable by all network users. For consumers and distributors, the tariff comprises a fixed component for the subscribed power and a variable component proportional to the energy withdrawn. For producers, the tariff is variable and proportional to the energy injected.

=

CAPITAL EXPENSES

Normative capital expenses include returns and depreciation on the capital tied up in assets. These two components are calculated based on:
- the value of, and changes in, the assets operated by RTE less subsidies and contributions received from third parties, resulting in a return of 4.6% per year (RTE's regulated WACC) for the period 2021-24.
- fixed assets under construction, which receive a risk-free return of 2.7% per year for the period 2021-24.

The trajectory of capital expenditure on IT and real estate investments is fixed and non-adjustable for 4 years. The equivalent trajectory for investments in network infrastructures is based on actual expenses incurred (any variance from the forecast trajectory is covered by the CRCP).

+

OPEX

RTE's OPEX (operating expenses) consist of:
- purchases made for operation of the electricity system (electricity losses, congestion, system services, etc) which are by nature difficult for RTE to predict and control; changes in these items are largely neutralised by the CRCP;
- RTE's gross expenses (essentially personnel expenses and external purchases, largely for management of assets) for which the regulator sets a non-adjustable trajectory for a 4-year period.

+

REGULATORY INCENTIVES

As a performance incentive for RTE, the regulator has set up several ad hoc bonus and penalty mechanisms for RTE. For the period 2021-24, these incentives mainly concern continuity of supply, management and development of assets, the volume of network losses and associated purchase costs, the development of interconnections, and an efficient electricity market.

–

INTERCONNECTION REVENUE

As the owner and manager of electricity interconnectors between France and its neighbouring countries, RTE receives income generated by interconnection capacity allocation and the capacity mechanisms set up in France and the countries with which it shares borders. Any surplus or shortfall compared to the forecast trajectory is entirely passed on to users via the CRCP.

+/–

CRCP

The CRCP is the account used to repay to users the excess amounts received by RTE/to repay RTE for excess charges, under the rules for sharing the risks and contingencies defined in the regulatory framework. This account is cleared annually for variances of up to +/-2%. In the event of a larger variance, the balance, discounted to present value using the risk-free rate of 1.7% for the period 2021-24, is cleared in subsequent years.

In 2024, RTE will present its business plan for the period 2025-2028 to the regulator. This plan will cover all the resources RTE needs to accompany France along the path to decarbonisation and the energy transition. The CRE is expected to give its decision by the end of 2024.

(1) https://www.cre.fr/en
(2) Compte de régulation des charges et des produits.



3.

Corporate governance

FULLY-INDEPENDENT CORPORATE GOVERNANCE

RTE is a société anonyme, a French-domiciled publicly-traded limited company, governed by an Executive Board and a Supervisory Board. It has certain specific features due to its status as operator of the French public electricity transmission network (TSO – transmission system operator). RTE's bylaws and governance methods safeguard its autonomy, independence of management and neutrality.

ORGANES DE GOUVERNANCE

Supervisory board

Role: The Supervisory Board examines and issues an opinion on matters relating to the company's major strategic, economic, financial and technological orientations, subject to the Executive Board's exclusive competence for decisions concerning network management and the activities necessary to prepare and implement the ten-year network development plan. It also monitors RTE's management by the Executive Board, in compliance with the provisions of the French Energy Code *(Code de l'énergie)*.

Economic oversight and Audit Committee

Role: in preparation for Supervisory Board meetings, this committee studies all financial aspects of the company, notably the budget and the economic and financial outlook, the annual financial statements and half-year results, the risk monitoring and management policy, particularly risk mapping, and the audit programme, audit outcomes, action plan follow-up and internal control.

Remuneration Committee

Role: this committee issues an opinion on the setting of all kinds of remuneration that may be paid to key corporate officers for their duties.

Composition of the Supervisory Board

The Supervisory Board consists of twelve members [(1)] distributed as follows in application of article 13 of RTE's bylaws:

- one third of employee representatives;
- members representing the French State and a member nominated by the State [(1)], appointed by virtue of articles 4 and 6 of ordinance no. 2014-948 of 20 August 2014 on governance and capital transactions by companies with state shareholdings, up to a maximum of one third of Board members;
- representatives of the shareholder, CTE: their number depends on the number of members appointed as set out in the previous point.

Supervisory Board members are appointed for a five-year term of office.

(1) The French State, as a legal entity, can be appointed by the shareholders at an ordinary general meeting. In this case it is represented by an individual designated by official decision. The State can also nominate one or more persons for appointment to the Supervisory Board by the shareholders at an ordinary general meeting.

After seeking the opinion of the French energy regulator CRE, the Supervisory Board appoints the members of the...

Executive Board

Role: the Executive Board has the broadest powers to act in the company's name in all circumstances, subject to the rights of the shareholders at a General Meeting, and the powers of the Supervisory Board. It is the only body with competence to implement operations directly contributing to operation, maintenance and development of the public electricity transmission network within the scope of the missions assigned to the company.

Executive committee

Role: the Executive Committee examines all corporate matters that require oversight or a decision in the orientation, commitment, implementation and monitoring stages.

Composition of the Executive Board

The Chairman of the Executive Board, Xavier Piechaczyk, was appointed by the Supervisory Board for a 5-year term of office beginning on 1 September 2020. Following nominations by the Chairman, the other members of the Executive Board were appointed by the Supervisory Board in November 2020, for a term of office that will end at the same time as the Chairman's term, i.e. on 31 August 2025.

The Executive Board thus consists of:



1 Xavier Piechaczyk, Chairman of the Executive Board
2 Clotilde Levillain, Managing Director in charge of Customers and System Design & Operation
3 Thérèse Boussard, Managing Director in charge of Infrastructure Management
4 Thomas Veyrenc, Managing Director in charge of Economy, Strategy and Finance (replacing Laurent Martel from 1 October 2023)
5 Sophie Moreau-Follenfant, Managing Director in charge of Transformation and the Employee Environment

REMUNERATION AND CSR COMMITTEE

The role of the remuneration committee was extended in 2023:

- in matters of remuneration, the committee issues an opinion on the setting of all kinds of remunerations that may be paid to key corporate officers for their duties.
- in matters of CSR, the committee examines RTE's CSR strategy, ambitions and commitments (particularly regarding ethics, human rights, health and safety, the environment, the equal pay and opportunities policy, etc.) and issues an opinion and recommendations to the Supervisory Board.

Article 11-3 of the Supervisory Board's internal regulations on the "Remuneration and CSR committee, concerning the committee's CSR missions", defines the following roles:

1) to examine RTE's CSR strategy, ambitions and commitments (particularly regarding ethics, human rights, health and safety, the environment, the equal pay and opportunities policy, etc.) and to issue an opinion and recommendations to the Supervisory Board in respect of these;
2) to examine, on an annual basis and with a forward-looking focus when relevant, all aspects of the overall CSR approach: the CSR policy, the related multi-year objectives and indicators in line with RTE's major strategic, economic, financial and technological orientations;
3) to obtain information about the CSR audit programme and to issue an opinion to the Supervisory Board;
4) to issue an opinion regarding the comprehensiveness and relevance of the topics covered in the annual declaration of non-financial performance, and in general of all CSR disclosures required by the applicable legislation;
5) to monitor the company's CSR targets and actions and the published indicators, especially in the light of any weak signals identified by the committee;
6) to make recommendations to the Supervisory Board concerning the components of CSR that should be covered by the committee.

COMPLIANCE OFFICER

In accordance with European regulations and the French Energy Code, RTE has a designated compliance officer. Subject to competences attributed specifically to the CRE, the compliance officer is in charge of ensuring that RTE's practices comply with its obligations as regards independence of other companies included in the Vertically Integrated Enterprise.

Philippe Dumarquez has been RTE's General Compliance Controller since 1 September 2021. He is entitled to attend General Shareholders' Meetings, Supervisory Board meetings, specialist committee meetings and all meetings relevant for performance of his duties.

He has all powers to investigate documents on site for execution of his mission. Apart from any information he is required to report to the CRE, he has a professional duty of discretion regarding commercially sensitive information collected in the course of his duties.

4.

Significant events



January

— Participation in France's Youth Forum on the theme of Energy Futures by 2050

The French government's Energy and Climate department organised a Youth Forum to discuss the evolution of the energy mix, which was held from 19 to 22 January as part of the national public consultation entitled "Our energy future is being decided now".

Throughout this event, presentations were given by members of the government and renowned scientists, but also other experts including fifteen young futurologists from RTE. Their task was to work with the forum participants, among other things helping them to understand the various scenarios presented in the *Energy Pathways to 2050* report.

— End of modernisation work on the 400kV Eguzon Marmagne line

After 3 years of preparatory studies and consultation with local authorities and the farming community, followed by 3 years of work, the 400kV Eguzon Marmagne line is now modernised and has 50% more transit capacity, making north-south power exchanges more fluid, more robust and more reliable.

February

— Publication of the 2022 Electricity report showing the French electricity system's resilience in the energy crisis

On 16 February 2023, RTE published its national Electricity report for the year 2022, which was characterised by an energy crisis of a kind not seen since the oil shocks of the 1970s.

Despite European tensions over gas and a severely depleted production capacity for nuclear power and hydropower, power supplies remained secure thanks to a noticeable decrease in energy consumption in France from autumn onwards, and an inversion of the energy trade balance – a first since 1980.

The effects of the crisis were essentially of an economic nature. There was an unprecedented rise in market prices in the summer and autumn which was incorporated into tariffs during 2023.

Nevertheless, there was no pause in the energy transition in 2022, which was a record year for new renewable energy power plants commissioned, and greenhouse gas emissions were kept under control despite the extensive use of gas-fired plants: France is still one of the countries with the lowest-carbon electricity.

March

— Signature of the "Network schools for the energy transition" partnership agreement

On Monday 20 March 2023, RTE and actors in the electricity network sector (ENEDIS, SERCE, SNER, FNTP, GIMELEC and SYCABEL) signed a partnership agreement for creation of a brand-new course called "Network schools for the energy transition". The objective is to anticipate, and take supportive measures for, the sector's large-scale recruitment requirements at this time when electricity network activities are growing fast due to ambitions to eliminate France's carbon emissions.

This course is designed to prepare people from pre-baccalaureate to postgraduate level for jobs in electrotechnics, automation, industrial and telecoms maintenance, all over France, close to local needs. It addresses three aims: reinforcing the attractiveness of these jobs, making training appropriate to the needs of the electricity network sector, and supporting career paths (from introductory internships to work-study apprenticeships, via learning, development and adjustment of skills through training and mobility between different companies in the sector).

— Damian Cortinas was elected Chairman of the Board of ENTSO-E

On 30 March 2023 after the General Meeting of the Assembly of ENTSO-E, two representatives of RTE were elected to key positions: Damian Cortinas became Chair of the Board, and Olivier Arrivé was selected as Chair of the System Operation committee (notably in charge of changes in network codes concerning real-time management). They began their terms of office on 1 July 2023.

The results of this election reflect RTE's ongoing involvement in the European Network of Transmission System Operators for Electricity. Between 2019 and 2023 the President of ENTSO-E was Hervé Laffaye, RTE's Deputy Managing Director for International Affairs and ENTSO-E.

— Network performance during winter 2022/2023: power cuts avoided thanks to lower consumption

On 16 March 2023, RTE presented its report on the winter of 2022/2023. Despite an energy crisis of a kind not seen since the oil shocks of the 1970s, a reliable power supply was maintained.

Rather than the weather (the winter was relatively mild, with a few very cold periods), it was the substantial decrease in electricity consumption in France and imports from neighbouring European countries that made it possible to avoid issuing any EcoWatt warnings during the season, and reduced the risk of power cuts.

Simulations by RTE show that without those two factors, in the worst-case scenario up to 12 "red" EcoWatt warnings might have been issued.

— Transfer to network user customers of the "windfall" revenues from interconnections

As mentioned in the Significant Events of 2022, RTE decided to pass on €2.3 billion (including VAT) to its customers. The payment was made in March to all network users, proportionally to their power withdrawal component for the year 2022.

— Initial offshore work by RTE for connection of the Leucate experimental floating wind farm

In the Aude and Pyrénées-Orientales *départements* of France's south-west region of Occitanie, the experimental floating wind farm project *Les Éoliennes Flottantes du Golfe du Lion* will be installed 18km off the coast near the towns of Leucate and Le Barcarès. To connect this pilot facility to the existing onland grid, RTE will create a 63kV underwater and underground link of about 20km in length, and the relevant work began on 5 March 2023.

— Creation of the OPEN-C open source foundation, with RTE as a founder member

OPEN-C is a research infrastructure that was created on 21 March 2023, consisting of five offshore sites dedicated to prototypes. Its mission is to coordinate, develop and oversee offshore tests with a multi-technology dimension: floating wind turbines, hydropower, wave power, offshore hydrogen, floating solar plants, etc. RTE is one of the 10 founding members, along with Ifremer, Centrale Nantes, ITE France Énergies Marines, EDF, TotalEnergies, Technip Energies, Valorem, Valeco and Énergie de la Lune.

April

— RTE ranked among the Best Workplaces in France for 2023

On 4 April 2023, *Great Place to Work* announced its list of the best companies in France for employees. After being awarded the *Great Place to Work* label in October 2022, RTE made its entry into the "Best Workplaces France 2023" list, in the category for companies with more than 2,500 employees.

The "Best Workplaces" lists published by *Great Place to Work* are the highest level of recognition that exists for the quality of life at work offered by companies.

RTE won awards from *Great Place to Work* for the following categories:

- "Innovation" because RTE engages its employees in a participative innovation process, allowing everyone to suggest innovative ideas or practices in the company;
- "Leadership effectiveness" thanks to its "Impetus & Vision" corporate mission statement for corporate transformation founded on 4 values: trust, responsibility, team spirit and open-mindedness;
- "Development for all" by introducing arrangements to support mobilities and skill development for all, via a strong culture of training.

— Handover of the connecting links for the Saint-Brieuc offshore wind farm (AO1)

The future offshore wind farm in Saint-Brieuc bay in north Brittany will have 62 wind turbines with total installed power of 500MW. Three years to the day after the contract with the plant's owner *Ailes Marines* (Iberdrola) took effect, RTE honoured its commitment to hand over the two electricity connection links for this offshore wind farm, for which work began in 2020. This major step means the French electricity network is ready to receive the electricity generated by the offshore turbines currently being installed in Saint-Brieuc bay.

May

— The Paris region and RTE launch the AI Challenge for the Energy Transition

The Paris region launched an Artificial Intelligence Challenge for the Energy Transition, organised in partnership with RTE.

The region firmly believes that AI is an opportunity and a particularly effective tool to accompany and accelerate the energy transition. The provision of original data for the purposes of this competition is also a major lever to encourage the emergence of future champions of AI in the Paris region, and develop long-term action to maintain the area's appeal by opening up the Challenge to international startups intending to set up there in the short term.

The purpose of the Challenge was to develop a decision support system using AI to help RTE's dispatchers, notably to achieve:
- enhanced decision-making in network management;
- reinforced stability and resilience in various energy mix scenarios;
- lower environmental impacts, congestion and operating costs for the network.

After six months of competition, the winner was announced: La Javaness, which submitted a proposal for a support module that supplies recommendations in the event of a power surge or grid overload. This tool will make it possible to optimise management of the variability of renewable energies.

— End of landfall works for connection of the Yeu-Noirmoutier offshore windfarm (AO2)

On **11 May 2023**, the landfall works for the Noirmoutier wind farm were completed on the Grande-Côte beach at La Barre-de-Monts in the Vendée area (west coast of France). This 62-turbine, 500MW facility owned by the project company *Éoliennes en Mer Yeu Noirmoutier* is expected to be commissioned in 2025.

— Filing of applications for authorisation of the Dunkirk offshore wind farm connection (AO3)

On **24 May 2023**, the applications were filed for authorisation to connect the Dunkirk offshore wind farm, jointly with the energy producer *Éoliennes en Mer de Dunkerque EMD* (EDF Renewables). This was the outcome of a long period of intense collaborative work with the producer. This connection project is the first to include the offshore electrical substation. It concerns a 46-turbine offshore plant with capacity of 600MW.

June

— Delivery of the network connection to the Fécamp offshore wind farm (AO1)

The links connecting the Fécamp wind farm were completed between March and June 2023, marking the end of 3 years of work to connect Normandy's first offshore wind farm. The producer *Éoliennes Offshore des Hautes-Falaises* (EDF Renewables) has now begun installation of the 71 wind turbines, each one with capacity of 7MW, in preparation for the future commissioning of this facility which will have total installed capacity of close to 500MW.

— Summer power supply in France

There were no particular concerns about continuity of power supply for the summer of 2023. France's electricity system was considered able to cope with the season's energy requirements, even in heatwaves and periods of drought.

This diagnosis was based on the assumption that the efforts already begun to save energy and maximise output by the nuclear power plant fleet would continue. The energy sufficiency plan presented by the French government on 20 June 2023 was therefore important for two reasons:
- first, well-controlled energy consumption reduced the pressures on the electricity system that can arise during the summer, especially in the event of droughts or heatwaves;
- second, as in 2022, water and gas stocks needed to be preserved during the summer so as to have the maximum available during the winter. This meant that nuclear power generation should be maximised, even in the summer period.

— The first stone of RTE's future regional headquarters was laid in Marseille

Work on RTE's future "Massilia" office building in Marseille, at the Ilot Phare site in Les Fabriques district, was officially started on 15 June 2023 by Xavier Piechaczyk. The building is due to be delivered in late 2025 and will accommodate more

than 500 employees in a single place (instead of the current 4) that is modern, practical and adaptable.

— Xavier Piechaczyk appointed President of Think Smartgrids

Xavier Piechaczyk was elected president of the *Think Smartgrids* association for a two-year period, replacing Marianne Laigneau, Chair of the Executive Board of Enedis, who had held this position since 2020.

Think Smartgrids' aim is to unite French smart grid actors to address the major issues that will contribute to development of the sector in France and internationally. The association's strategic orientations include supporting the development of technological, operational and industrial solutions that will become necessary with the energy transition, to optimise management of producers and consumers.

July

— RTE carries out high-wire work to secure the electricity supply to the Maurienne and Tarentaise valleys in the French Alps

This strategic electricity line is the principal source of power for the industrial Maurienne valley. It runs through La Madeleine pass in the Alps, which connects the Maurienne and Tarentaise valleys and culminates at an altitude of 1993 metres. It is particularly exposed to weather effects (thunderstorms, snow, frost, wind) and more easily accessible in the summer, as it is covered by snow for much of the year.

From 7 July to 4 August 2023, RTE undertook some spectacular work in the Savoy area of the French alps to make sure its electricity network would be operational throughout the winter. This work required great dexterity: for the 225kV line between the Albertville and Longefan electricity substations, teams of RTE technicians carried out maintenance work at heights of 30 metres, and occasionally along a cliffside at an altitude of over 1900 metres. This line has strategic importance, being essential for the electricity supply to the Maurienne and Tarentaise valleys, and thus to the region's industries.

— Initial work begins on the Celtic interconnector project

The purpose of the Celtic Interconnector project is to build the first electricity interconnector between Ireland and France, with capacity of 700MW. This will also be Ireland's first post-Brexit interconnector with a European Union country.

The new interconnector will run from La Martyre substation (30km from Brest on the western end of Brittany) to the Knockraha substation (15km from Cork in south-west Ireland). It consists of two AC/DC converter stations, and a 570km-long direct-current link, including around 500km running under the sea.

Construction work on the Breton converter station began on schedule in **July 2023**. The interconnector is expected to be commissioned in March 2027.

— Upgrading work on the 440kV Argia – Cantegrit overhead line (France-Spain link)

After 3 years of official proceedings, studies and work, the 440kV Argia – Cantegrit overhead line was ugraded in July 2023. The original line dated from 1959. This is a strategic power line, being the main source of electricity supply for the West Pyrénées-Atlantiques area. It is 84km long and also contributes to power exchanges between France and Spain.

August

— RTE/GRT Gaz joint study on issues related to development of hydrogen storage and transmission infrastructures

This study, which was published in August 2023, jointly examines the issues for the electricity and gas systems. It shows that the main advantage of having dedicated infrastructures for hydrogen transmission is that hydrogen pools can be connected to salt water storage pools, so that electrolysers' electricity consumption can be modulated over time. Secondarily, in some configurations it will be possible to optimise the location of electrolysers after 2035 in order to relieve the electricity system, but in general the economic issue is much more limited than the issue of electrolyser flexibility.

September

— Publication of the Generation Adequacy report 2023-2035

The 2023 edition of RTE's electricity supply adequacy report was prepared as the French government was preparing the national strategy for energy and the climate. It responds to the urgency of climate issues, which have led the European Union to raise its climate ambitions for 2030 (in the Fit for 55 package), and the urgent need to regain energy sovereignty due to the war waged by Russia in Ukraine.

This new Generation Adequacy report enriches, complements and updates the Energy Pathways to 2050 report for the period 2023-2035, the first part of the French energy system's trajectory towards carbon neutrality. It examines how, and how far, these trajectories can be accelerated in order to reach more ambitious targets in a macroeconomic and strategic context that is more challenging than previously, by reference to a range of scenarios:

- a family of scenarios in which the public targets are met (scenario A);
- more pessimistic scenarios involving delays in meeting the targets: these constitute analyses of risks (relating to accomplishment of the transition, or developments in the international situation).

On 20 September, RTE released the 20 key results of the Generation Adequacy report 2023-2035.

— 2024 Olympic Games: removal of the last pylon ready for the Olympic Village as part of the undergrounding of power lines at Villeneuve-la-Garenne

The last of the six pylons located on the site of the future Olympic village was removed on Friday 8 September, three months ahead of schedule, in the presence of the president of Greater Paris, the general manager of SOLIDEO and local elected officials (the mayors of Villeneuve-la-Garenne and L'Île Saint-Denis).

This was a major milestone in the project to underground 15km of very high voltage power lines to the north of Paris, which involves the removal of 27 pylons (each one 35 metres high). Ultimately, the project will free up 81 hectares of land that will be reusable for redevelopment plans by the local towns.

— Signature of the *PlaneTerr* project to integrate new methods appropriate to changes in the energy landscape

To attain carbon neutrality through a rise in renewable energies and electrification of uses, increasing flexibility options is vital for a good balance between energy systems. This is the ambition of the *PlaneTerr* project, which is funded by the French government as part of the *France 2030* plan overseen by France's ecological transition agency ADEME.

PlaneTerr is a component of *France 2030's* "Advanced Technologies for Energy Systems" acceleration strategy. It will draw on the expertise of two network operators, RTE and GRTgaz, two industrial groups, TotalEnergies and Air Liquide, and one higher education establishment, Mines Paris PSL.

The aim of the project is to provide a concrete illustration of the potential offered by flexibilities in the network, notably by:

- development of a multi-energy modelling and planning system to implement sector coupling, and thus bring out the benefits of new energy uses as regards flexibilities;
- introduction of two demonstrators at real sites, specifically an electric vehicle charging station and a thermal storage system organised by TotalEnergies;
- specific studies of hydrogen production systems with Air Liquide, and studies concerning line packing in gas pipelines and the CO_2 chain with GRTgaz.

— Commissioning of the RINGO battery in Ventavon

On 25 September, after the sites of Bellac (Haute-Vienne) and Vingeanne (Côte-d'Or in Burgundy), RTE switched on a 10MW battery for an electricity storage experiment at Ventavon in the Buëch area of the French Alps. This area is seeing fast growth in renewable energies, particularly solar power. The RINGO experiment involves coordination of three different geographical sites. The aim is to adjust the storage/release times in response to the current in the network. With this intelligent system, RTE can guarantee efficient use of renewable electricity produced in France.

— A new step in RTE's Corporate Mission Statement: Opening of the Paris Electricity System Control Centre and the Paris Region/ Normandy Long-Term Planning department

Following the CORS-N Digital Networks and Systems Control Centre, which was opened in March 2021 and has handled an increasing workload since, an important new step in RTE's industrial transformation was taken on 6 September 2023 when the COSE-P (Paris Electricity System Control Centre) and the Long-Term Planning department for the Paris region and Normandy were opened.

This completes the grouping of the Supply-Demand Balance activities of RTE's National System Operation Centre and the Control Centre at Saint-Quentin-en-Yvelines. The objective is to improve anticipation of potential problems by incorporating infraday and previous-day studies into the 24-hour control activities, using a new organisation for round-the-clock activities and centralising certain types of non-shift work activities to raise performance.

The creation of this new entity is also discussed in section 5.4 "Corporate Mission Statement".

October

— Signature by RTE of a 5-party cooperation agreement with the network operations Amprion, Creos, Elia and Transnet

As the energy transition is being accelerated to attain carbon neutrality by 2050, in view of the opportunities identified in the studies for the *Ten-Year Network Development Plan* (TYNDP) and *Identification of System Needs* (IoSN) study in the Central Western Europe zone which includes France, Belgium, Germany and Luxembourg, this agreement expresses the parties' intent to share the necessary data to construct a common view (of the supply-demand balance and the network) up to the horizon of 2040. It also provides a necessary framework to assess the usefulness of new interconnector projects, which could lead to the conclusion of further ad hoc agreements for in-depth bilateral studies.

— Nearly 400 customers attended RTE's "Customer connections" event!

On 10 October 2023, the Customer Connections (*Connexions Clients*) event was held at La Défense business district on the edge of Paris. It attracted nearly 400 customers (industrial companies, distributors, energy producers and market actors) and representatives of a broad section of RTE's functions.

As well as strengthening collaboration between RTE and its customers, the point of the event was to share a common view of changes in the electricity system and its requirements for the next few years. France's minister for industry Roland Lescure, experts from RTE, and personalities from the world of industry gave several talks and took part in round tables.

— Start of work on the Bay of Biscay Interconnector

The Bay of Biscay project concerns the creation of a new electricity interconnector between France and Spain. The objective, in response to the challenge of the energy transition, is simple: to take advantage of the complementarity between the French and Spanish networks in order to bring everyone more reliable, more affordable and more sustainable electricity. The interconnector will run for 400km underground or on the ocean bed, linking the Cubnezais substation (near Bordeaux) and the Gatika substation (near Bilbao). It will be the first partly underwater connector between France and Spain. In view of its benefits, the Bay of Biscay project has been declared a Project of Common Interest by the European Union. After a 5-year consultation period, validated by 2 public inquiries held by independent inquiry commissions which both approved the project, and following clearance by all the necessary authorities, on **6 October 2023** RTE started construction work for the maritime interconnector across the Bay of Biscay between France and Spain. Commissioning is expected in 2028 after a few months of tests.

— Network incident in the Var and Alpes-Maritimes areas on 11 October

On 11 October 2023 there was an incident on the public electricity transmission network that left 260,000 homes without power in the Var and Alpes-Maritimes areas in the south of France.

Detailed analysis of the causes of this incident concluded that it was due to a combination of three independent dysfunctions. None of these dysfunctions was correlated with the others, and the incident would not have occurred in the absence of any one of the three. The corrective action was taken promptly by RTE.

This incident did not raise any concerns about the robustness of regional infrastructures in the transmission network. However, it confirmed the importance of the network, and the need to continue its modernisation and consolidation in the coming years, to cope with the foreseeable rise in electricity consumption caused by the new focus on decarbonisation and reindustrialisation, which are particularly important in the region concerned.

November

— Storm CIARAN

Significant incidents occurred when Storm Ciaran swept through the northern half of France. Brittany and Normandy were particularly intensely affected, with gusts of over 200kmph recorded. The incidents were generally caused by high winds bringing down trees, triggering short circuits and some damage to RTE's infrastructures. Since the electricity transmission network is by nature less exposed than the distribution network to falling trees, the direct consequences of these incidents were limited. RTE's teams were fully mobilised to deal with their impacts.

The successful containment of the storm's effects show that lessons have been learned from storms Lothar and Martin of December 1999. Following those storms RTE launched a large-scale mechanical safety programme, with reinforcement of existing overhead lines, updating of construction specifications for new facilities, and adjustment of its maintenance policies. Analysis of the consequences of the November 2023 storms confirms that this programme, completed in 2017, was justified.

— Laying of the first stone of RTE's future regional head office in Lille

The first stone of the future 'Lil Up' building in Lille in the north of France was laid by Xavier Piechaczyk on 9 November 2023. The building will be completed in late 2025 and provide offices for 500 employees who currently work on two different sites.

— Publication of the electricity system outlook for winter 2023/2024

Since particular vigilance was exercised in the autumn and winter of 2022/2023, the outlook for a secure power supply over the winter of 2023/2024 was much more favourable than the previous year, with a low risk of imbalance between supply and demand.

All the determinants of reliability in the electricity supply had improved in 2023: generation plant availability was better, stocks for hydropower and gas were high, consumption remained lower and power exchanges at European level were running smoothly.

RTE has continued its EcoWatt scheme, which now has a further indicator to signal low-carbon times.

— Activation of the secondary merit order reserve in France

Following the EU's Electricity Balancing regulation, which requires European transmission network operators to propose a timescale for implementing a common platform for exchanging balancing energy to regulate the system, also known as the aFRR (automatic Frequency Restoration Reserve), 26 European TSOs launched the PICASSO[(1)] project to meet their obligation.

Activation in November 2023 of the secondary energy reserve based on a merit order list was an important preliminary step ahead of the launch of the aFRR. Since that activation, market actors have been remunerated through marginal pricing.

— Changes to the EcoWatt scheme

A new indicator was added to the scheme to help people adjust or best time their power consumption for an even lower-carbon electricity system.

The new version of the EcoWatt scheme was released on 8 November. It now displays the times when France is able to cover all its consumption with nationally-generated electricity from carbon-free sources (nuclear power, hydropower, wind power, solar power). These particularly favourable times are more common during the night and in the afternoon between spring and autumn, but also occur in the winter during periods when the weather is mild or there is high renewable energy output, or at weekends.

While France already produces very low-carbon electricity all year round, it can come close to net-

(1) Platform for the International Coordination of the Automatic frequency restoration process and Stable System Operation.

zero emissions by concentrating consumption on these low-carbon times.

EcoWatt is also available in the form of a mobile app, and was downloaded by nearly 3 million people in France last winter.

— Signature of a Memorandum of Understanding with Eirgrid on "Cooperation on Offshore Energy Interconnection"

This Memorandum of Understanding marks a closer partnership for planning and connection of offshore wind power, and relates to the ENTSO-E's North Atlantic projects in the Offshore Network Development Plan (ONDP) exercises for offshore grid planning and connection. A second purpose is to assess the long-term benefits of a new, potentially hybrid interconnector with Ireland. It was signed in Dublin on **9 November 2023** in the presence of the French and Irish ministers for the energy transition, Eamon Ryan and Agnès Pannier-Runacher.

— Opening of four public debates concerning coastlines and maritime planning for offshore wind power plants and their connections

On **20 November 2023**, four public debates were opened, each concerning one section of the French coastline: Eastern English Channel-North Sea, North Atlantic-Western English Channel, South Atlantic, Mediterranean. One of the main purposes of these debates is to identify favourable zones for offshore wind farms and the associated landfall points, in order to meet the objectives set by the French government: 18GW offshore capacities connected by 2035 and 40GW by 2050.

— Coreso celebrated 15 years of existence

Coreso (**CO**o**R**dination of **E**lectricity **S**ystem **O**perators), the first European electricity coordination centre, was set up in 2008 by RTE and ELIA. In 2023 it celebrated 15 years of existence, in the presence of current and past Board members and employees.

Coreso was a pioneering model that was subsequently "replicated" in various parts of Europe before being incorporated into European regulations and laws as a key building block in the preparation and optimisation of management of the European electricity system.

December

— RTE successfully placed a €500 million green bond issue

On 30 November 2023, RTE (rated A by S&P) successfully launched its second green bond issue in the amount of €500 million, with 8-year maturity and a coupon of 3.5%. The order book was oversubscribed nearly 3.6 times, amounting to around €1.8 billion. This bond issue contributed to financing of RTE's investment programme, while also diversifying the company's investor base. Under RTE's Green Financing Framework published in November 2021, the funds raised from these green bonds will be allocated to certain types of project, such as those relating to offshore wind farm connection and reinforcement of electricity interconnector projects between France and its neighbouring countries.

— Result of the annual customer satisfaction survey

As usual, RTE conducted an annual satisfaction survey of all its customers: producers, distributors, consumers (industrial and rail operators, and market actors). The 2023 survey registered a high response rate (46%, or 968 respondents) and showed that the satisfaction rate remained high, with 93% of customers declaring they were satisfied with the service provided by RTE (up by 1 point from 2022).

These results reflect the mutual trust and respect that has been built between RTE and its customers over the years. Satisfaction was higher or stable compared to 2022 in all customer segments.

— Delivery of two connection links for the Courseulles-sur-Mer wind farm (AO1)

The first link connecting the Calvados offshore wind farm at Courseulles-sur-Mer was delivered on **22 November 2023**, and the second on **21 December 2023**, 100 days ahead of the contractual schedule. The power producer, *Éoliennes Offshore du Calvados* (EDF Renewables) will install the 64 turbines in 2025 with a view to commissioning the 450MW wind farm. This was the last connection line completed under the first tender (AO1) for offshore wind power projects.



5.

Strategic orientations

In 2023 RTE drew up and communicated to personnel its **strategic orientations** for the period 2024-2026.
These strategic orientations are defined by the company and integrate the European climate targets for 2030, the Fit for 55 goals, and objectives set by the French authorities (through the energy and climate law, the national multi-year energy plan (PPE), the national low carbon strategy (SNBC) and the public service contract), which for RTE principally translate into its ten-year network development plan (SDDR).



5.1 RTE, INFORMING PUBLIC DECISIONS

RTE's analyses are playing a growing role in public debate.

In accordance with article L.141-8 of the French Energy Code, conducting prospective studies is one of RTE's missions by law. These studies are intended to provide a diagnosis of electricity supply security (supply-demand balance). They examine scenarios presenting neutral forecasts of the future of the electricity system to inform energy policy choices, and prepare for adaptation of the network.

These analyses are playing an increasing role in the debate, and constitute reference documents that link short-term decisions to the long-term evolution of the electricity system. They meet the vital need of founding the public debate on an objective analysis of the electricity system, not just technical compliance with the secure supply criterion. Analyses by RTE have already been used to develop a strategic approach to changes in the French electricity system for a single objective, exiting fossil fuels and achieving carbon neutrality by 2050.

5.2 THE CHANGING VIEW OF THE ENERGY SYSTEM

5.2.1 THE ENERGY EQUATION IN FRANCE: EXITING FOSSIL FUELS AS SOON AS POSSIBLE TO FIGHT CLIMATE DISRUPTION AND REINFORCE THE COUNTRY'S ENERGY SOVEREIGNTY

To reinforce the objectives for action against climate change, the European Union decided to raise the target for greenhouse gas emission cuts by 2030 to a 55% reduction in net emissions compared to 1990 (rather than the previous 40% reduction in gross emissions).

In line with European targets, France aims to be carbon neutral by 2050. This objective is a national commitment to the European Union and the United Nations under the Paris climate agreement, and is detailed in the country's low-carbon strategy (SNBC). Achieving carbon neutrality will require a complete overhaul of the energy system, and electricity will play a central role in the energy mix, replacing fossil fuels for many uses.

France's national low-carbon strategy (SNBC 2) published in 2020 thus forms the roadmap for achieving carbon neutrality through a downward trajectory for greenhouse gas emissions until 2050. The French strategy to move to a low-carbon economy is also expressed in the major orientations and priority actions for energy management defined in the national multi-year energy plan (PPE).

On the *demand* side, the SNBC is primarily founded on energy efficiency: it aims to reduce final energy consumption in France by 40% over 30 years. This is a very ambitious target, situated in the top end of the range of neighbouring countries' strategies.

On the *supply* side, the SNBC rests on two pillars: decarbonised electricity and domestically produced biomass. It thus excludes large-scale imports of green gases, non-sustainable biomass and decarbonised fuels, contrary to plans in some other European countries.

RTE's *Energy Pathways to 2050* study examines several different electricity consumption trajectories, all involving higher levels than currently: a 35% increase in the baseline trajectory, a more restrained 17% increase in an energy sufficiency scenario, and an increase of more than 50% if France pursues extensive reindustrialisation.

As this indicates, even with the ambitious energy efficiency targets contained in the SNBC, electricity consumption will follow an upward trajectory.

This means that more decarbonised electricity will have to be produced, and the essential question is how to successfully achieve this increase. It will require methodical replacement of machines running on oil and gas with electric equipment (electric cars, heat pumps, electric furnaces in industry, etc), but also expansion of the necessary facilities for low-carbon electricity generation (renewable and nuclear power plants, or thermal plants using low-carbon fuels). And finally, the networks themselves and storage and flexibility solutions will need more development to ensure a reliable, efficient power supply for consumers.

5.2.2 THE INITIAL PRINCIPLES OF FRANCE'S LONG-TERM ENERGY POLICY ARE NOW KNOWN

In February 2022, the French President gave a speech at Belfort in eastern France in which he announced the guiding principles of France's energy policy founded on the conclusions of RTE's analytical work. France's exit from fossil fuels, and the country's reindustrialisation, were presented as the principal priorities. The strategy defined involves reducing final energy consumption (which also reduces the need for imported fossil fuels) and electrification of energy uses, choosing the scenario of restimulating nuclear power output and increasing renewable energies.

Implementation of the guiding principles began in in mid-2022 after the presidential and parliamentary elections. Under supervision of the Prime Minister, France introduced an integrated approach to ecological planning and continued to elaborate its energy and climate strategy which was subject to a widespread consultation process. In parallel, the State allocated further resources to support reindustrialisation and two laws were adopted by parliament, respectively in favour of renewable energies (March 2023) and nuclear power (June 2023).

The situation has thus changed substantially in a few years, explaining the emergence of a new orientation in the energy policy. Renewable and nuclear energy are no longer considered as competitors in the electricity mix but as partners – contributing in proportions that reflect public choices but must also take account of industrial realities – to replace fossil fuels. Every extension to a nuclear power plant's operating lifetime and every installation of wind turbines will have the effect of reducing oil and gas imports.

The public policy principles for consumption concern significant decarbonisation of existing industries and in-depth reindustrialisation in certain sectors. As well as significant action for energy efficiency, the strategy makes mention of energy-efficiency renovations to buildings, and development of carbon-free hydrogen options.

These principles are part of the development of France's proposed law for energy sovereignty, which is due to be debated in parliament in early 2024.

5.2.3 THE MEDIUM-TERM OUTLOOK: A NEW ANALYSIS OF THE PERIODS TO 2030 AND 2050, ESSENTIAL HORIZONS FOR THE NEW ENERGY POLICY, AND THE IMPERATIVE OF A FASTER TRANSITION

The *Energy Pathways to 2050* report took a long-term view that did not focus on the "first step" of the transition, the period to 2030. But that horizon has become crucially important since the energy crisis highlighted European dependence on imported fossil fuels, and with the stricter climate targets of the EU Green Deal (the "Fit for 55" package). Given the significant changes in the context over the last two years, an update of the electricity system's evolution trajectories by 2030/2035 was clearly necessary, and that was the purpose of the RTE's most recent Generation Adequacy report published in September 2023.

In addition to the EU's higher targets for greenhouse gas emission reductions and the new guiding principles of France's energy policy, this report took consideration of developments concerning certain other parameters:

- Russia's war on Ukraine has long-lasting effects on the energy situation for the whole of the European continent, particularly gas supplies, and energy transit flows have thus changed.
- international relations are characterised by growing competition to control key technologies and supply sources for the energy transition, especially equipment, minerals and metals, and protectionism is on the rise in the United States and China. This influences the prospects and practical aspects of reindustrialisation, and makes it more important to preserve a French electricity generation mix that is competitive for both the economy and the climate.
- the first results of ecological planning work are emerging. Carbon sinks and the available volume of biomass to decarbonise the French economy have been adjusted downwards, and this automatically increases the need for electrification and energy savings in order to meet climate targets.

These factors do not undermine the long-term conclusions of the *Energy Pathways to 2050* report, but they all point to the need for faster change in the electricity sector, both for the imperative long-term protection of the climate, and because of the immediate need to increase France's energy

sovereignty to cope with the already acute energy crisis.

The new Generation Adequacy report therefore analyses several possible futures. In some of the scenarios, the accelerated decarbonisation and reindustrialisation objectives are achieved, while alternative scenarios model delays, or a durable deterioration in the macroeconomic situation.

The report's conclusions show that all available levers must be used: (i) efficiency, (ii) energy sufficiency, (iii) maximisation of nuclear reactor output, and (iv) rapid expansion of renewable energies. There is some leeway for positioning of the cursors, but abandoning any one of these levers would involve a substantial risk of failure.

5.2.4 THE SHORT-TERM OUTLOOK: PROSPECTS ARE IMPROVING FOLLOWING INTEGRATION OF THE INTERNAL AND EXTERNAL CONSTRAINTS OF THE ENERGY LANDSCAPE

Since mid-2021, energy has made a powerful comeback as a major concern for the French population and their leaders. At international level, fossil energies were the first to see their prices soar as the Covid-19 pandemic ended. In Europe, Russia's sudden invasion of Ukraine triggered a crisis in fossil energy supplies from Russia. To give its economic sanctions credibility and lower its dependence on Russian gas, Europe has turned to alternative energy supply sources and this keeps prices high and sustains fears of gas shortages.

Additionally, after the discovery in early 2022 of "stress corrosion" in several French nuclear reactors, EDF launched a vast campaign of inspections and repairs in its current nuclear plants. The resulting low availability of its nuclear fleet obliged France to import very large amounts of electricity in 2022, and amplified concerns about power supplies for the winter of 2022/2023.

Finally, extreme weather conditions in the spring and summer of 2022 affected water levels for hydropower in France and across Europe, and contributed to electricity supply problems in an already tense situation.

Following the higher vigilance exercised during the autumn and the winter of 2022/2023, the outlook for a secure electricity supply in the winter of 2023/2024 was much more favourable. The risk of an imbalance between supply and demand of electricity was low, since all the determinants of a stable supply had improved: consumption remained below pre-crisis levels, availability of the nuclear power plant fleet was better, water levels for hydropower were above record averages, there was ongoing growth in onshore and offshore renewable energy facilities, and the state of gas supplies was not a cause for concern.

But the threats posed by the various crises have not gone away, and the conclusions of the prospective studies covering the period to 2050 remain relevant, as they raise the issue of European and national energy sovereignty, and therefore the urgency of reducing dependence on imported fossil energies and accelerating decarbonisation in our societies.

5.3 RTE'S INDUSTRIAL STRATEGY IS CONFIRMED

The public debate on the electricity sector mainly concentrates on sources of electricity production, but the operational reality involves establishing an industry formed from networks of excellence: all generation sources and consumption sites are constantly connected, with a requirement for instant balancing found in no other industry.

Every new electricity generation, storage or consumption facility needs a network connection and possibly network adaptation. Networks thus play a major role in the energy transition equation.

To make the energy transition possible, our existing networks must now evolve more swiftly. The industrial dynamic of this evolution and its financing are by nature long-term matters. Adding an important new installation takes several years of research and requires authorisations under planning laws, environment laws, and the energy sector policy. Once built and commissioned, certain infrastructures can remain in operation for over 80 years provided they are regularly maintained and adapted.

Requests for connection to the power grids are already multiplying, and will continue to do so at a growing pace. This will create a technical and managerial challenge that must be addressed in collaboration with the relevant stakeholders (local authorities, industries, producers, associations).

To structure its ambitions for transformation of the network, RTE has defined a strategy that involves projections over several time horizons. This strategy addresses all the priorities for achieving growth in the company's business activities at a pace that is compatible with the energy transition.

RTE's industrial strategy therefore covers a horizon of 10-15 years, matching the timescale of France's public energy policy objectives (in the multi-year energy plan). The strategy is detailed in two key documents that are currently in preparation: the 10-year network development plan (the SDDR), which is a strategic plan for the network infrastructure, and the 10-year system transformation plan (the SDTS), which is a strategic plan concerning the system's flexibilities and operation.

5.3.1 ACCELERATING TRANSFORMATION OF THE NETWORK INFRASTRUCTURE

The 2019 SDDR marked the start of the third cycle of network development (after France's post-war reconstruction in 1945, and development of the country's nuclear power fleet). It presents a comprehensive view of network transformation, and constitutes an industrial planning document and an instrument to promote acceleration and simplification.

This SDDR needs to be updated to take account of the in-depth changes that are set to take place in the next fifteen years. Like the previous SDDR it must serve RTE's industrial plan, and provide a clear vision of the network's requirements in the next 5, 10 and 15 years in relation to the aim of carbon neutrality and moving to a low-carbon economy.

The necessary transformations will require:
- successful decarbonisation of the industry, through rapid development of shared, very high-voltage network infrastructures;
- connection of new customers (producers and consumers);
- connection of the new offshore wind farms and the ability to meet the targets set in the French government's "Offshore wind power pact"[(1)]: 18GW off offshore capacity by 2035;
- adaptation of the very high-voltage network to changes in the electricity system, and their consequences for electricity flows;
- adapting the transmission grid and making it resilient to climate change.

5.3.2 PREPARING TO OPERATE THE ELECTRICITY SYSTEM OF THE FUTURE

France's electricity system is going through a period of major change that marks a break from the last three decades, due to several factors: (i) growth in renewable energy plants which are now playing a significant role, (ii) the expected return of growth in electricity consumption in the next few years, (iii) the emergence of new actors in electricity storage, (iv) generalisation of power electronics-based equipment. In addition to these physical changes, European regulations are being implemented that are changing RTE's role, for example in the intraday market.

Given this situation, it is vital to expand the network (including interconnections) to the most appropriate degree to support rising electricity consumption and production, and accommodate the arrival of the new actors identified above.

The modes of operation for France's electricity systems are a legacy of history, and are especially suited to a production mix based on groups of generation facilities that are connected to the transmission network and produce electricity continuously. This mode of operation is now being fundamentally called into question by the changes induced by the energy transition and the decarbonisation of industry.

With the internal work begun in 2023, RTE's strategic approach will be extended in 2024 with the SDTS, a strategic plan focusing on characterisation of system requirements and changes to system operation. It is clear from the *Energy Pathways to 2050* report that the electricity system will have to be more flexible and integrate new actors. The 2024 SDDR will describe all the necessary changes to the public electricity transmission network to support the energy transition and the decarbonisation of industrial processes. The

(1) *Pacte éolien en mer.*

trajectory of change will involve a very large number of projects. While those projects are in progress they will cause sometimes profound modifications to normal operating conditions, such that tailored solutions will be needed.

It is therefore essential to explore these issues further, to identify requirements and anticipate solutions and their impacts for RTE and its customers: producers of electricity from traditional or renewable sources, industrial consumers, distributors and storage operators.

These transformations will have consequences for the supply-demand balance at a time when power generation may be intermittent and consumption habits are evolving. They will also influence flow management as congestion is expected to increase, and voltage level management due to the rising number of periods of high voltage. Furthermore, the transformations relate to themes such as the functioning of protections against electric faults, and electrodynamic stability in the French and European electricity system.

There are many issues to consider, but the importance of three major factors is already clear.

The first is the ability to mobilise the flexibility options available through producers, industrial, service sector and residential consumers, and storage operators, to the right degree and at the right time, from a few days before real-time to real-time itself. The appropriate mobilisation in response to needs will be determined by in-depth work on the various forms of flexibility existing in electricity systems, and the responsibilities of the various system actors: this will ensure optimum use of existing flexibilities for the community, with a particular focus on RTE, its suppliers, the balance responsible entities and load-shedding aggregators. It is based on making adjustments to mechanisms, including the balancing mechanisms managed by RTE, so they can be mobilised by redirecting certain flexibility options to the energy markets rather than the balancing mechanisms, and also on revising certain incentives, notably through the construction of electricity supply offerings. RTE will also need the ability to issue almost automatic signals ahead of real time and in real time, as appropriate to flexibility requirements at national level (for the supply-demand balance) and local level (for flow or voltage level management).

The second factor is the ability to better anticipate operating situations, by reinforcing forecasting mechanisms both in RTE's methods and systems, and in significant network users. Without knowledge of all the factors contributing to the operation of generation and storage installations or the operation of industrial customers that are significant for the network's functioning, RTE cannot claim to be developing full forecasts for injections and withdrawals. The programming system thus needs to be supplemented and made more reliable, to produce operating forecasts for all significant users and enable RTE to conduct a satisfactory assessment of how the electricity system is functioning, for the benefit of the community and to anticipate everything that is foreseeable.

The third of these major factors is the development of a new coordination process between RTE and significant actors for safe, efficient operation of the electricity system on different timescales: prior to D-2 for managerial planning, and between D-1 and ahead of real time to best anticipate everything that is foreseeable. This process should lead to full use of the flexibilities that exist in these different horizons, and must be conducted in coherence with the French and European wholesale market mechanisms so that all actors can attain a balance through those mechanisms, thus contributing to safe, efficient operation of the electricity system.

These national and European market mechanisms contribute to an economically-optimised electricity supply, by sending out appropriate economic signals to encourage investment in production or modulation of consumption. Similarly, with its cross-border infrastructures and implementation of supranational mechanisms for fair, efficient allocation of interconnection capacities, RTE also contributes to the economy and the overall safety of interconnected European networks.

To put all these solutions into practice, RTE is using new digital technologies that give it the ability to plan ahead, respond to the right signals and take timely action that is proportionate to the risks and requirements observed, so as to maintain balance in the system even during its transformation phase.

RTE's activities are governed by fast-changing laws and regulations, both national and European. The primary objective is still to build a single market with

European network codes[1] and guidelines that form a body of regulations common to all network operators, laying down the principles for managing the electricity system and cross-border interconnectors.

In 2023 RTE continued its European projects with all the stakeholders involved in implementation of network codes and the Clean Energy Package.

To take the integration of European markets further, RTE is actively making preparations for connection to two other balancing platforms (PICASSO[2] and MARI[3]), which are expected in 2024 and 2025, to exchange balancing reserve energy.

Also, like most European countries, France has a capacity mechanism introduced in 2017, designed to respect the secure electricity supply criterion defined by the public authorities.

During 2023 a consultation on changes to this mechanism was held in connection with the national and European discussions about modifications to the market design. The new capacity mechanism is expected to apply from delivery year 2026.

Additionally, RTE runs an annual tender procedure on behalf of the French government to increase interruptible-load contracts in order to meet the relevant national energy policy targets.

5.3.3 SUPPORT FOR RESEARCH AND DEVELOPMENT, INNOVATION, EXPERIMENTATION

RTE is also continuing research and development action to prepare for the future functioning of the electricity system: by 2050, whatever choices are made, the system will involve a higher share of renewable energies connected by power electronics. A new R&D roadmap is currently in preparation to serve the company's new strategic priorities, and will be published in 2024.

The evolving electricity landscape and the energy transition will entail a new, real-time mode of network operation.

Renewable energies, connected by power electronics and distributed across the whole of the country, will have to contribute to the system's resilience through response modes that differ from traditional types of power generation. It is now up to R&D to devise and validate appropriate devices for this new context, at the lowest cost possible, for timely deployment as the European energy mix evolves.

RTE must also optimise the performance and cost of maintenance, operation and development of its own infrastructures, adding criteria relating to a life-cycle analysis of facilities and their environmental impact.

RTE is committed to strengthening support for stakeholders in their use and interpretation of data. The company provides clarifications and promotes the benefits of data service offerings, from Open Data to value-added services such as Eco_2Mix or trend analyses such as reports on the electricity system, which are levers of economic performance for local authorities.

As well as bringing new physical equipment into the network, R&D uses Artificial Intelligence and other approaches to enhance the decision-making softwares used in network operation, asset management and infrastructure adjustment. These softwares are being rolled out in the operational units in successive blocks, enabling the company to better incorporate consideration of the hazards, scenarios and trajectories that may affect decisions in the near or distant future.

(1) There are eight network codes and guidelines. They provide a common body of rules for connection, network management and market operation that apply to all network operators in the EU. This regulatory architecture defines the technical and operational requirements implemented directly at national level or expressed through application methodologies developed jointly by European TSOs. The Capacity Allocation and Congestion Management (CACM) guideline and the Electricity Balancing Guideline (EBGL) directly concern market mechanisms, and are two of the most important network codes, driving significant changes in electricity system management at European level.

(2) Platform for the International Coordination of the Automatic frequency restoration process and Stable System Operation: a joint project by the German, Belgian, French, and Dutch TSOs to design implement and operate a platform for optimised activations of the aFRR (automatic Frequency Restoration Reserve).

(3) Manually Activated Reserves Initiative: a European project resulting from the balancing code, which will complement the rapid reserve mechanism. Continue.

Constructing a technological and industrial development framework for Europe, to support the energy transition

Standardisation is of strategic importance to enable Europe to provide European industrial solutions for the energy transition, in line with the European Green Deal.

Actors who do not take part in the preparatory work on regulations and standards will find themselves subject to unfamiliar compromises (between the sometimes conflicting constraints in different sets of regulations).

The most important issues for electricity networks relate to standards concerning:
- changing design practices for equipment such as transformers, metal-enclosed substations, circuit breakers, and cables, due to environmental and sustainability requirements, and to technological developments, involving network hybridisation using power electronics systems that are necessary for large-scale incorporation of renewable energies;
- Life Cycle Analysis methods aligned with the European Taxonomy Regulation (there will be changes to its initial 2022 version), which will determine the direction of public and investment policies;
- the Digital Product Passport, which will bring changes to current digital language norms used by RTE and network operators in modelling with digital twins, for example, and will result in interoperability.

To defend the durability of RTE's activities and control the cost of its energy systems, RTE was the instigator of a European coalition formed with T&D Europe, EDSO4SG and EuropaCable which was selected to represent industrial operators at the High-Level Forum on European Standardisation (HLF)[(1)].

In parallel, since 2022 RTE has initiated industrial partnerships with fellow European transmission network operators to share and accelerate validation and qualification of technologies, promote green technologies for grids, and increase resilience in the sourcing of critical components. The subjects currently being addressed, in relation to changing standards, concern greenhouse gas alternatives, cables, and CSR criteria.

5.3.4 THE ENVIRONMENT REMAINS A KEY ISSUE FOR THE RTE'S ACTIVITIES

RTE has always integrated the environmental dimension into its activities, but it will need to do on a larger scale in the next few years, in keeping with the increasing number of new network infrastructures in a high-growth context.

A **strategic environmental plan** was adopted in June 2022. It is organised around four themes aligned with the environmental objectives of the European green taxonomy: climate (mitigation of and adjustment to climate change), pollution, biodiversity, and the circular economy. It is aligned with RTE's environmental management system whose ISO 14001 certification has been renewed until 2025.

This plan organises and prioritises all RTE's actions for the environment up until 2030, and defines trajectories for environmental performance. The planned measures are technically and economically justified.

In line with the strategic environmental plan, the next SDDR, mentioned earlier in point 5.3.1, will include an environmental section.

5.4 CORPORATE MISSION STATEMENT: IMPETUS & VISION

The corporate mission statement underpins the company's organisational transformation and plans several adjustments to support RTE's future growth and challenges (described in sections 5.1 to 5.3).

This transformation is achieved through the promotion of four values:
- responsibility, which is at the heart of all our actions;
- team spirit: a collective approach gives momentum to our projects and performance;
- trust, to foster initiative-taking and respect for the right to make mistakes;

(1) The HLF was set up at the initiative of European commissioner Thierry Breton to accelerate and better manage changes in European standardisation in response to climate issues, and to promote European solutions.v

- open-mindedness, to respond to the demands and needs of society, local areas and customers.

In 2023, the corporate mission statement supported the following transformation projects in line with the roadmap:

- introduction of a **Network Studies department** grouping all the skills in long-term studies and operating strategies into a single entity, consisting of three Network Study teams located in Lille, Toulouse and Lyon. This move has a dual objective:
  - to facilitate the emergence of complementary network/flexibility solutions, particularly to implement the optimal network sizing principle which has been shown by the SDDR to be economically beneficial,
  - to bring in a change of scale for studies, as the SDDR has shown that network-related issues are increasing substantially: a concentration of network study skills will make it possible to define appropriate strategies faster;
- **creation of a dedicated entity for analysis and assessment of strategies, infrastructure and systems.** This entity is located in Nancy and is part of the Strategy, Prospective Studies & Assessment centre. Its tasks are to assess actions taken by the company (excluding financial matters) and to contribute to improvements in the operational, technical and strategic performance across all functions, in an efficient, independent manner. In close coordination with the functions, the new entity will combine assessment procedures, multidisciplinary expertise, data processing and data use systems, and leadership and communication methods to create a feedback loop, make recommendations and monitor their implementation;
- **creation of the Paris Electricity System Control Centre (COSE-Paris)** that operates the electricity network in real time (24 hours a day) at Saint Denis north of Paris. This is the first phase of the COSE-Paris and two more phases will follow (in March 2024 and June 2025) before the final target is reached. This transformation will also be complemented by the forthcoming creation of two other electricity system control centres, in Nantes in 2024 and Marseille in 2026. Centralising electricity system control in this way will:
  - increase RTE's real-time response capacity,
  - improve coordination of actors both internally and externally (at European level and in each local region) by reducing internal boundaries and broadening supervision,
  - enhance anticipation and adjustment to the new operating conditions (which are less predictable and more variable, providing a shorter decision-making window for the transmission system operator) in a fast-changing electricity system (new energy mix, new equipment, new automata, new uses).

Concurrently, the first stage in the creation of the long-term planning department was also set in motion in 2023, with the aim of reinforcing (i) continuity from the studies and decisions made upstream of Operation/Control, from several years to 2 weeks before real-time (with 7 regional units and one 400kV & interconnector unit in Saint Denis), and (ii) short-term preparation for Operation/Control (2 weeks before real-time, with units in the three electricity system control centres) by determining the most relevant operating strategies for the current operating conditions.

5.5 THE CSR POLICY SUPPORTING RTE'S *RAISON D'ÊTRE*

In 2022, RTE's Executive Board validated the company's CSR policy, which took effect from 1 January for a period of 4 years.

This new policy, which is very closely connected to RTE's *raison d'être*, is expressed through 13 key challenges which are themselves organised into 4 homogeneous groups, corresponding to Informing/Operating/Optimising, and the "Fundamentals" necessary to achieve strategic ambitions (governance, diversity, health and safety, etc.).

Summary of the 13 challenges by their sustainability issues

Key challenges defined in the CSR policy	Definition of the challenge	Environment	Social (RTE employees)	Societal (external stakeholders)	Governance
FUNDAMENTALS					
Governance and business ethics	Introducing policies and mechanisms to promote ethical behaviour in business			X	X
Diversity, equal opportunities and inclusion	Maintaining the right conditions to promote diversity, inclusion and equal opportunities both inside the company and in the choice of partners		X	x (for partners)	
Health, safety and wellbeing of internal and external stakeholders	Protecting health and safety and developing quality of life at work for the company's employees, suppliers, and all third parties		X	X	
Skill development and talent management	Anticipating transformation in the company's activities; supporting development of human capital and the competence and talents of employees, suppliers and partners		X	x (for partners)	
INFORMING					
Developing a forward-looking vision for French and European public energy policies	Sharing RTE's expertise and knowledge to inform the electricity landscape, by making available data, studies and prospective planning documents	x		X	
Transparency, dialogue and co-construction with stakeholders	Establishing policies and mechanisms that ensure a high level of transparency, dialogue, and consultation with stakeholders	X	X	X	X
OPERATING					
Network performance, crisis prevention and management in France and Europe	Ensuring full access and constant reliability in the network, and maintaining security for infrastructures and information systems in the face of external threats			X	
Developing flexibilities for electricity system operation	Offering a flexibility service for consumption and transit, controlling demand and adapting the network to changing lifestyles			X	
Adaptation and support for the energy transition	Integrating the changing energy mix into the network, particularly renewable energies and low-carbon energies, and supporting new uses and demands from customers and regions	X		X	
Adjusting to the consequences of climate disruption	Strengthening infrastructure resilience and making working practices and conditions safe and secure against the effects of climate disruption	X	x (for working conditions)	X	
Responsible purchasing and sustainable local action	Contributing to socio-economic development in the areas where RTE operates, by maximising the social and environmental impacts of the company's purchases and building sustainable relations with suppliers in a partnership dynamic	x		X	x

Key challenges defined in the CSR policy	Definition of the challenge	Environment	Social (RTE employees)	Societal (external stakeholders)	Governance
OPTIMISING					
Fighting climate change and protecting biodiversity and landscapes	Pursuing the company's strategic ambition while ensuring good environmental performance and integrating its structures into the landscape	X			
Preserving resources, and the circular economy	Optimising use of resources, developing ecodesign, the full life-cycle approach and biomimicry in the design and management of structures	X			

In the summer of 2023, before the second half of the CSR policy period (2022-2025) began, the Executive Board expressed a wish to assess the "maturity" of CSR internalisation in RTE. A diagnosis was therefore carried out by an external service provider, AFNOR S, based on interviews conducted in the autumn of 2023 with Executive Board members and managers of operational and function entities. It identified the strong points of the policy and its implementation, such as areas where progress had been made, and produced examples of good practices that can enhance implementation of the company's CSR policy, particularly in preparation for the new "CSRD" sustainability reporting rules (see 7.2 below). While all the action prescribed by the policy appeared to be correctly applied, there is probably room for improvement in general coordination and reliability of the overview of non-financial performances.

To sum up, this diagnosis concluded that the overall level of maturity was "advanced", i.e. mostly above simple compliance with regulatory obligations and generally accepted practices.

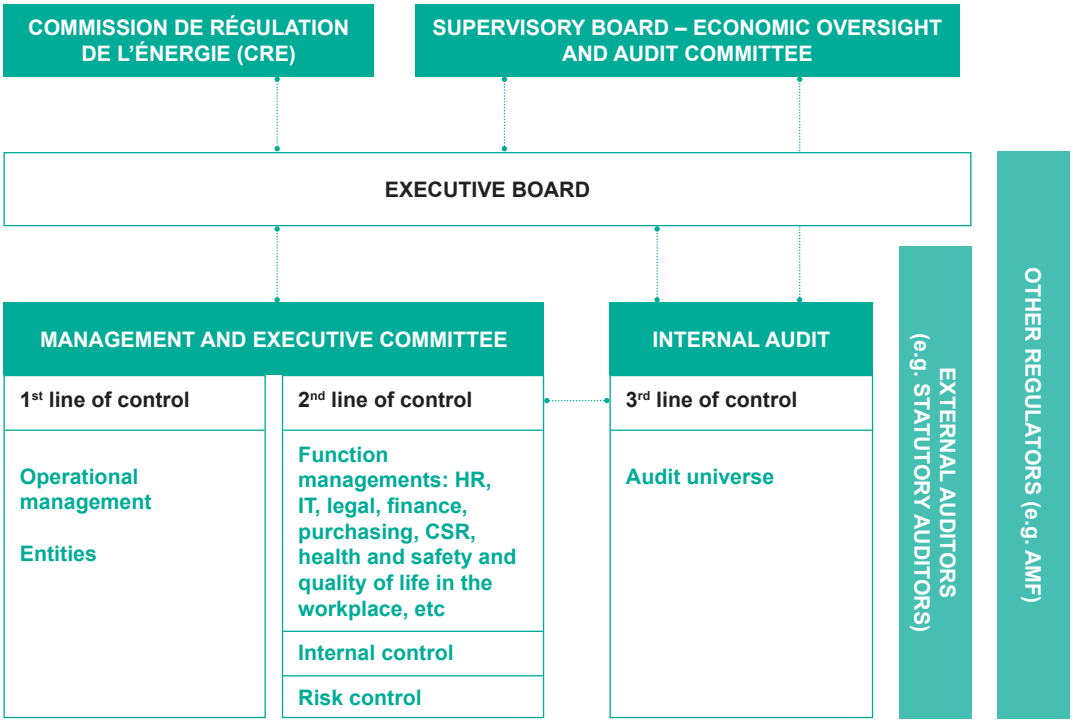
6.



Risks and control framework

6.1 RTE'S GENERAL BUSINESS CONTROL PROCEDURES

RTE has introduced procedures for control of its business activities which are integrated at all levels of the company. These procedures are designed to give management reasonable assurance regarding the execution of activities and implementation of decisions made in order to achieve the company's objectives. They contribute to efficiency in operations, with the aim of using resources effectively. As shown in the diagram below, they consist of three lines of control, for protection against risks that could compromise achievement of objectives:



The first line of control (operational controls: level 1) consists of operational managers: they implement appropriate controls for the activities under their responsibility, such that activities are carefully managed on a day-to-day basis.

The second line of control (risk management and internal control: level 2) consists of the function managements and special functions dedicated to leadership of the overall risk control procedure. Its aim is to structure and maintain the company's business control procedures, particularly by:

- assisting operational staff with identification and assessment of the main risks relating to their field of work;
- proposing policies, directives and corporate procedures for each function;
- providing input, together with the operational staff, into the design of the most relevant controls;
- observing and reporting on the actual operation of business activities in a specific function report.

The third line of control is the internal audit function, which is independent and reports to the highest level of management. Using a risk-based approach, it provides general assurance to the general management and supervisory bodies that the company's business is well-controlled. The audit and risk division is in charge of designing and leading the risk control process, supporting the other

divisions. This division contributes to operational risk control implementation by coordinating the risk management and internal control officers located in each of the company's divisions, and promotes a culture of risk anticipation and control at RTE. It makes sure that the internal control and risk control methodologies are correctly applied, structures the contributions, ensures timely production and supports the local officers in their action, defining expectations by reference to the best standards.

The audit and risk division carries out regular external diagnoses of its activities with bodies that are members of the Institute of Internal Auditors (IIA), to keep up to date with best practices and define action for improvement in the three areas of risk management, internal control and internal audit.

The audit and risk division comprises the following support functions that contribute to leadership and management of RTE's business control systems: risk management, internal control, internal audit, and insurance.

Finally, the audit and risk division gives regular reports to the company's internal and external governance bodies (Executive Board, executive committee, and the Economic oversight and audit committee).

6.2 RISK CONTROL

6.2.1 GENERAL RISK CONTROL PROCESS

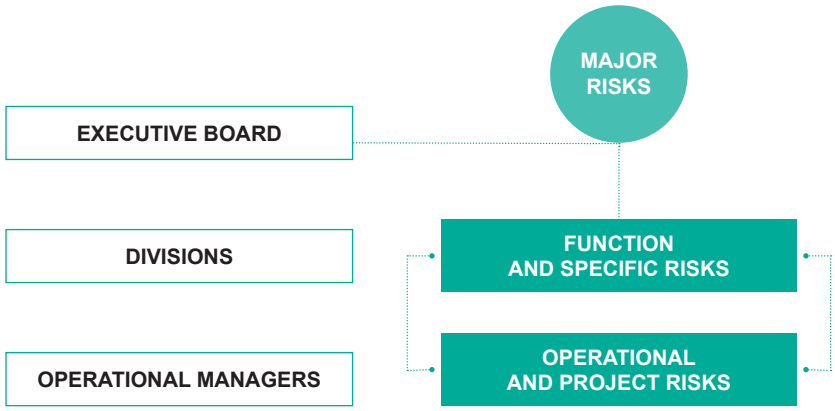
Context

The risk control process is coherent with the company's mission and objectives. The framework applied by RTE is taken from ISO 31000:2018 "Risk management". The principles of that standard are consistent with the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management) published in 2017, and the norms of the French market regulator AMF[(1)]. Risk control and internal control are instruments for action, control and surveillance; they concern every employee and involve each manager at all levels of the corporate hierarchy.

In 2023, a single risk control policy was signed by the members of the Executive Board. It expresses the Executive Board's commitment in the current context of transformation and significant growth in investments, in which RTE must reinforce its stakeholders' trust in the company's ability to execute its industrial plan. This policy covers both risk control and internal control activities.

Roles and responsibilities

The risk control process is organised at several levels in the company (see figure below). The principal risks are identified and addressed at each level for optimum control.



(1) *Autorité des marchés financiers.*

1. Major risks:
   - major risks are risks that match criteria defined by the Executive Board and have major impacts that are irreversible or irremediable in the medium term, causing damage or injury to people, the environment, finances, strategy or reputation, and potentially threatening the durability of the company's public service mission or corporate mission statement;
   - the Executive Board meets every year to identify and assess the major risks, in order to update RTE's major risk mapping. It refers in particular to the strategic orientations, changes in the context, risk analyses by the functions, dashboard monitoring, internal audit conclusions, internal control results, progress on control action plans, events and weak signals and cross-comparisons with other companies, especially operators of transmission networks and other major infrastructures;
   - each major risk is addressed under the supervision of a member of the executive committee, and covered by an in-house action plan for control.
2. Function risks and specific risks:
   - the directors of the functions (operations, maintenance, development and engineering, purchasing, human resources, finance, customers and services, information and telecommunication systems, etc.) are responsible for organising in-house risk control for their own areas of activity and expertise, and making sure it is implemented and the procedures used are effective;
   - this monitoring action incorporates the internal control results and internal audit conclusions;
   - RTE may present more specific risk mapping in response to regulatory obligations and standards (e.g. for ESG risks, corruption risks, environmental risks). Such specific risk mapping is carried out by and under the responsibility of the function managers, and provides data for the mapping of other risks, particularly the company's major risks.
3. Operational risks and project risks:
   - the operational entities' risks are identified on the basis of the function risks and a local analysis conducted in relation to their objectives;
   - risk mapping for these entities takes account of the risks attached to the processes, projects and activities they manage, and also cross-functional activities;
   - specific risk analyses are also performed in connection with projects (construction of a new network infrastructure, design and rollout of a new information system project, etc.);

Methodology.

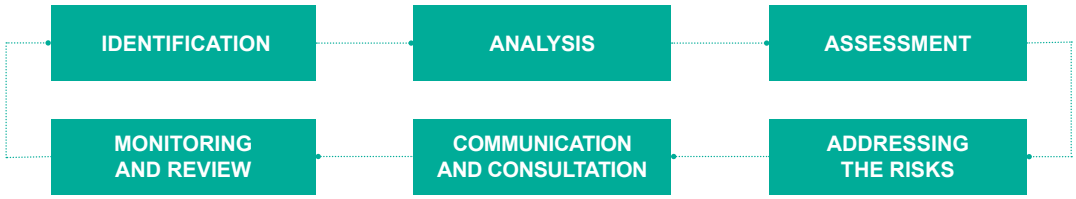
— General methodology

Use of the procedures presented in the previous paragraph means that every level of the company shares the same methodology for evaluating (identification, analysis, assessment) and addressing risks, as well as monitoring and reviewing the internal control procedures.

In this methodological framework, every risk is assessed on the basis of its impact, its likelihood of occurrence and its controllability by RTE, using a four-level scale and common grids of criteria.

RTE only examines the residual risks (after consideration of the existing risk control process), except in the case of corruption risk mapping (in application of the "Sapin 2" law). After analysis, the residual risk is evaluated and addressed through action designed to limit the consequences if it materialises, reduce the likelihood of occurrence, or protect the company by transferring the risk through an insurance policy.

The diagram below illustrates the general risk control methodology:



— Methodology applied to major risks

Every year, working in liaison with the functions, the audit and risk division draws up a list of risks that could be added to the list of major risks. In this phase, new risks may result from bottom-up consolidation of function risks, subjects identified during benchmarking with other transmission system operators, or detection of weak signals.

Before the annual workshop with the Executive Board to validate RTE's major risk mapping, when necessary, the operational staff in charge of major risks, and the risk officers and experts from the function management may be asked to analyse new risks or changes in existing risks.

Once the list of major risks has been finalised, the Executive Board validates their levels of impact, their likelihood of occurrence and their controllability, drawing on information from the risk mapping by the functions, the results of internal controls and audits, indicators and more. A target level of control is set for each major risk.

A plan to address each major risk is drawn up, setting out the control methods already in place and the action to be taken to reach the target level of control, under the supervision of a member of the executive committee.

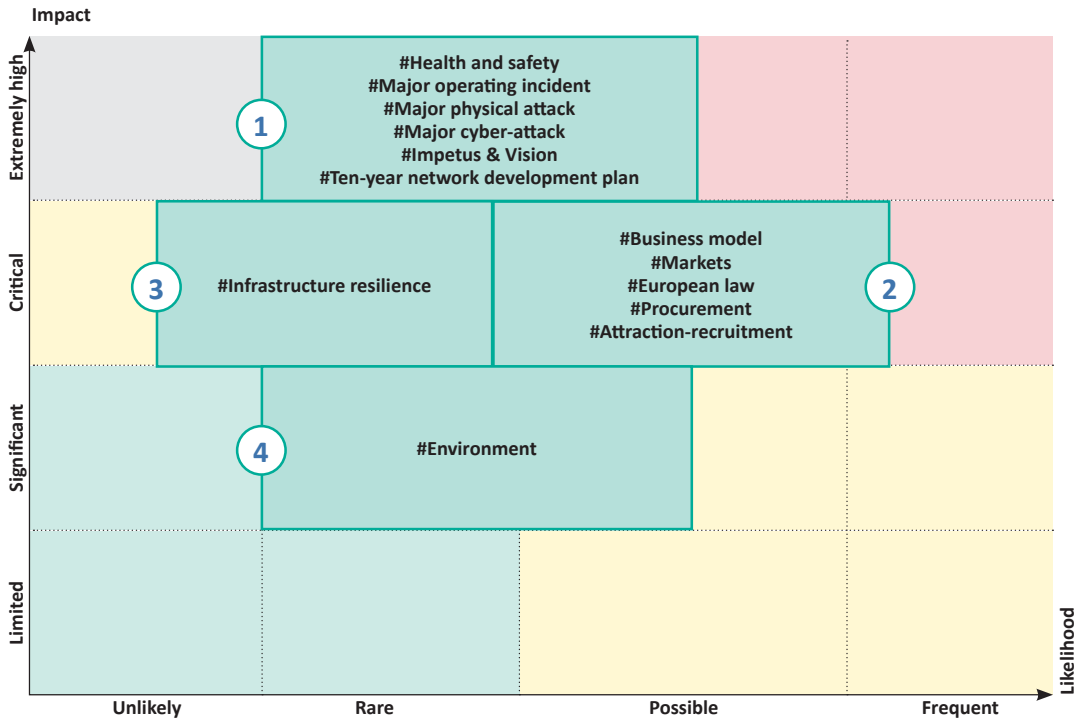


6.2.2 MAPPING OF RTE'S MAJOR RISKS

Risk mapping provides a visual representation of risks and their positions in relation to each other. The mapping of major risks is updated annually and validated by the Executive Board, in coherence with the corporate mission statement. Risk control is thus a continuous, constantly-evolving process.

Ranking of major risks

Major risks are ranked by priority from 1 to 4 under an approach that combines consideration of their impact and likelihood, as illustrated in the simplified version of the impact/likelihood risk mapping below. Each major risk is identified by its short name (see the table in 6.2.2.2).



— Changes in major risks between 2022 and 2023

The #Legal risk (non-compliance with the law) has been removed from the major risk mapping, as it is partly covered by the other major risks and appropriate measures to address it are in place. Also, the factors making up this risk essentially relate to compliance (with the GDPR – general data protection regulation, France's "Sapin 2" law, the duty of vigilance, the code of conduct) and no longer meet the requirements set by RTE's Executive Board for classification as a major risk. Consequently, RTE's major risk mapping now contains thirteen risks.

The long titles of the major risks #Infrastructure resilience and #Environment have been adjusted to take greater account of climate change, particularly regarding the risk of fires.

— Non-financial risks

The control methods, policies and indicators for non-financial risks are presented in section 7.1.2. "Non-financial risks".

6.3 INTERNAL CONTROL

The internal control system is an integral part of business control. It covers all of RTE's business activities and is implemented all year long, under an iterative continuous improvement approach: introduction of action plans, adaptation of the control methods and the associated verifications, as appropriate to the risks.

RTE's internal control system is constantly adapting, in a dynamic approach applied by committed actors. It is founded on:

- coordinated updates to the major/function risk mapping and the internal control standards;
- reviews of internal control systems, consolidated annually;
- the observations, recommendations and causal analyses resulting from audits.

Each function management has an internal control leader who is supervised by the audit and risk division. This officer adapts and leads the internal control system on behalf of the function manager down to all RTE's operational centres, through the intermediary of liaison officers.

Following on from previous years, RTE's internal control system builds on the five components of the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, and the COSO principles have been integrated into the system:

- Control environment: RTE is continuing its policy for training and professionalisation in internal control, through external training in the fundamentals of the COSO framework, training for new arrivals, and a new e-learning course for all employees, to raise awareness of business control through risk management, internal control and audits. RTE's self-assessment questionnaire provides an overview of the existing internal control system and topics not covered by the second-line internal controls;
- Risk assessment: all the second-line controls available relate to RTE's major risks;
- Control activities: "core activity" controls remained dominant in 2023 (at around 40%), complemented by controls of the general functions (human resources, management control, Information systems, purchasing, etc). All the recommended second-line controls have been applied, and action plans to address issues are defined when necessary;
- Information and communication: the personal dedication of actors involved in the system is consolidated by active organisation of the network of internal control leaders and liaison officers;
- Monitoring activities: in accordance with the AMF's recommendation, RTE assesses its internal control system in an annual report presented to the executive committee and the Economic oversight and audit committee. This document also identifies areas for improvement in the following year, and insights into control of the principal activities.

6.4 INTERNAL AUDIT

The mission of RTE's internal audit team is to give the executive committee and the Supervisory Board's Economic oversight and audit committee an independent, objective analysis of the degree of control over the activities of RTE and its subsidiaries. Through its action and recommendations, internal audit helps to create value added and contributes to achievement of the company' objectives. The internal audit is based on the professional standards and methods prescribed in the International Professional Practices Framework (IPPF). In particular, the internal auditors follow the Code of Ethics for internal auditors and RTE's Audit handbook. These objectives and methods have been confirmed by the Chairman of the Executive Board through signature of RTE's internal audit charter, which was updated in 2023.

Audit scheduling is constructed under the "audit universe" methodology, covering all of RTE's activities. Each activity is thus audited every 3 to 5 years; the frequency depends on the risk level determined by risk control and audits.

The results of internal audits assess risk controls, the effectiveness of control measures, and the audited activity's capacity to meet its objectives. The principal audit conclusions are presented to the executive committee, which validates the recommendations for improvement and designates a function manager to take charge of their implementation.

Recommendations are implemented through action plans by the divisions concerned. The internal audit team monitors the application of these action plans until they are completed, to ensure that the risk control process is duly improved.

The Chairman of the Executive Board fixes an annual programme of audits coherent with the company's major risks, and sends it to the Economic oversight and audit committee. The audit and risk division is in charge of executing this programme.

6.5 FINANCIAL RISKS

6.5.1 CONTROL OF FINANCIAL RISKS

Operations on the financial markets expose RTE to a range of risks:

- interest rate risk: the risk associated with future changes in interest rates for the holder of a fixed-rate or floating-rate receivable or debt;
- liquidity risk: the risk that the funds necessary to honour commitments will not be available;
- counterparty risk: the risk for a third party that his counterparty will be unable to honour some or all of its debt or contract at the agreed time.

The general cash management policy is covered by an annual framework that lists the authorised financial instruments and sets out the rules and constraints that must be respected. This framework is defined by the company managers in charge of the finance division. It includes a list of authorised counterparties, with assigned commitment limits by amount and type of financial instrument. The general cash management policy takes account of developments on the financial markets.

All these risks can affect RTE's ability to finance its investments.

Interest rate risk

RTE is exposed to an interest rate risk on its current and future financial indebtedness. The company's present sensitivity to changes in rates, assessed on the basis of probable scenarios, is as follows:

- Sensitivity of financial expenses: a change in interest rates has little effect on current financial expenses on long-term debt (i.e. debt with residual maturity of over one year) since 100% of the long-term gross debt at 31 December 2023 bears interest at fixed rates;
- Sensitivity of financial indebtedness: a 1% change in interest rates would cause an opposite change of 7.69% or approximately €802 million in the discounted (marked-to-market) value of debt at 31 December 2023.

Average maturity for the Group's debt at 31 December 2023 was 9.37 years and the average interest rate was 1.66%.

On 25 April 2023, the credit rating agency S&P Global Ratings confirmed RTE's long-term rating of A, with a stable outlook. This confirmation of RTE's rating was repeated in an update published by the agency in November 2023.

Liquidity risk

RTE must have available financial resources at all times to fund its growth and investments, cover its working capital requirements and cope with any exceptional event (e.g. tensions on the energy markets). The conditions negotiated for new financing or refinancing depend on a number of factors. One of them is the Group's credit rating, which is vital for ensuring that RTE is able to obtain financing on the best possible terms, and gives the company practically permanent access to the bond markets even when those markets are tight.

RTE seeks to control this risk through a policy of diversifying its financing sources, by keeping up constant participation in the financial markets and aiming to preserve or improve its image and credit rating on the capital markets. RTE makes every effort to optimise the timing of its transactions.

To address liquidity risks, RTE actively manages and diversifies its sources of financing, and has:

- a short-term Negotiable European Commercial Paper programme for a maximum €1.5 billion, which it can use to meet its own liquidity needs. At 31 December 2023, the Negotiable European Commercial Paper issued amounted to €590 million;
- a short-term securities portfolio mainly comprising negotiable debt instruments for which a liquid market exists, which are rapidly realisable to meet liquidity needs. RTE also holds shares in monetary investment funds.

At 31 December 2023, the liquidities available in the very short term from RTE's syndicated credit line amounted to €1.25 billion. This credit line was

concluded in December 2022 for a term of five years, with two one-year extension options. The first option was exercised in December 2023, extending the maturity to December 2028. The second one-year extension option may extend the maturity to December 2029.

On 12 July 2023 RTE updated the AMF-approved documentation for its Euro Medium Term Note Programme. The ceiling for this EMTN programme is €12 billion.

A €1 billion bond was issued in July 2023, with 12-year maturity, a €3.75% coupon and an annual yield of 3.805%.

A €500 million "green" bond was issued in December 2023, with 8-year maturity, a €3.50% coupon and an annual yield of 3.517%, to diversify the investor base.

At 31 December 2023, neither RTE nor any of its subsidiaries was in default on any borrowing.

Counterparty risk

Counterparty risk is defined as the total loss that RTE would sustain on its operations and market transactions if a counterparty defaulted and failed to perform its contractual obligations. The potential counterparty risks for RTE essentially concern cash and cash equivalents, trade receivables, supplier payables, negotiable debt instruments, short-term investments and derivative financial instruments. The cash and financing operation risk is approached through rules laid down in the annual framework, with the following main principles:

- financial transactions can only be undertaken with authorised counterparties for which quantified limits have been set;
- only agency-rated counterparties are authorised, and they must have a minimum BBB rating with at least a stable outlook;
- a limit has been set for the portion of total investments undertaken with counterparties rated BBB+ and BBB;
- sectorial diversification is required for cash investments: cash investments in any given sector (apart from the banking sector) must not exceed 30% of all short-term investments.

The department in charge of cash and financing has a financial risk control section that regularly performs a second-level control of all the risks inherent to financial activities. It also verifies that RTE complies with the rules and constraints defined in the framework, through daily reporting of the principal risk indicators to the managers in charge of the finance division.

If a risk limit is exceeded, an alert procedure is set in motion, involving notification of the company managers in charge of the finance division, information on how the situation was handled, and where relevant, proposal of corrective action.

6.5.2 ACTION AGAINST TAX AVOIDANCE

Article L. 225-102-1 of the French Commercial Code requires companies to report on the sensitivity of their position regarding prevention of tax avoidance.

Tax avoidance consists of deliberately transferring financial flows that could be taxable in the company's principal country of location to another location with very favourable taxation.

The team in charge of tax matters at the RTE Group makes sure that no such tax avoidance practices exist at RTE by checking all financial flows. This is facilitated by the fact that the tax team is part of the accounting department.

All taxes are paid on French national territory, and there are no financial flows in any subsidiary located in a country with favourable tax laws that could be interpreted as a source of tax avoidance.

Similarly, all financial investments (via investment funds) are made by financial establishments located in France.

6.5.3 PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

6.5.3.1 Organisation and role of the finance division

The finance division contributes to RTE's business control, notably through the following missions:

— Performance oversight and budget and trajectory reporting

- Oversight of the budget process and cycles (budget, three annual budget updates, and the medium-term plan);
- Monitoring the company's multi-year trajectory (investments, the TURPE tariff access fees, etc.);
- Keeping an overview of the budget process and the associated choices;
- Contributing to performance oversight, by monitoring budget resources per entity;
- Contributing to application of the budget through general performance reviews in the divisions;
- Ensuring key financial balances, notably in tariff discussions with the regulator.

The budget, the budget updates and the medium-term plan are examined by the Economic oversight and audit committee, and by the Supervisory Board.

— Accounting and Tax

- Producing the individual financial statements of RTE and certain subsidiaries, and the Group's consolidated financial statements, in compliance with the standards applicable;
- Meeting tax obligations (declarations, monitoring and settling the taxes payable by RTE);
- Providing advice to all RTE entities and subsidiaries on accounting and tax matters;
- Documenting the accounting and tax doctrine and standards, and maintaining the associated databases;
- Taking preventive action against fraud across its scope of responsibility.

— Finance and Cash

- Financing RTE's operations;
- Determining RTE's financing requirements;
- Managing cash investments;
- Compensating for the company's electricity losses.

6.5.3.2 Preparation and control of accounting information

— Organisation of accounting information preparation

RTE's accounting and tax department is in charge of establishing RTE's individual financial statements, the financial statements of certain subsidiaries, and the Group's consolidated financial statements.

The individual financial statements are prepared by teams corresponding to each major component of the accounting cycle (fixed assets, purchases, sales, taxes, etc.). This organisation makes it possible to manage competences efficiently and thus ensure reliability in accounting and tax data.

The closing of the financial statements is managed by the team in charge of RTE's general accounting.

For RTE's fully-owned subsidiaries, the financial statements are established by the team in charge of subsidiaries accounting. For other subsidiaries, accounting is handled by external service providers. The subsidiaries' accounts are regularly reviewed by RTE's accounting and tax department.

The consolidated financial statements are established by a special team in RTE's accounting and tax department.

RTE's individual financial statements and the Group's consolidated financial statements are approved each year by the Executive Board.

They are examined every half-year by the Economic oversight and audit committee, and by the Supervisory Board.

— Control of accounting information

The Head of accounting and tax is responsible for proper operation of internal procedures which ensure reliability in the Group's accounting and tax data. He/She reports to the Chief Financial Officer.

A tax and accounting internal control team (part of the accounting and tax department) oversees the entire system of tax and accounting controls in the operational processes, and the accounting processes for preparation of the financial statements.

Through the tax and accounting internal control, the accounting and tax department contributes to improving the quality and reliability of accounting information in liaison with RTE's various functions.

Tax and accounting internal control is part of RTE's internal control procedures described above in 6.3 "Internal control".

The accounting and tax department conducts "soft closing" procedures to facilitate the closings of the financial statements at 30 June and 31 December. These procedures are part of the annual audit process applied by RTE's statutory auditors.

6.5.3.3 Control of financial information

For RTE's internal control policy, each entity in the finance division prepares an internal control supervision plan relating to its risk analysis process.

For example, a control system is used to make sure that no user has authorisations that are incompatible as regards segregation of duties; data analysis is applied for certain business processes (mainly tax, payroll, expense reports and purchases) to identify any potential anomalies and correct them where relevant.

Analyses are also conducted at least annually with the divisions to identify and address the causes of any variances between real and forecast figures for major income and expense items, in order to have constant confirmation of the reliability of financial budget estimates.

6.6 INSURANCE

RTE covers its insurable risks by insurance programmes subscribed through the intermediary of consultant brokers. The insurers used have a financial rating at least equivalent to RTE's own rating.

RTE's insurance department, which is part of the audit and risk division, identifies the risks that may be insurable and works with its brokers to determine the limits, excesses and exclusions inherent to all insurance contracts.

The principal insurance policies subscribed on an annual basis cover the following risks:
- damage to property;
- civil liability;
- equipment storage and transit;
- environmental civil liability and damage to biodiversity;
- civil liability of management;
- aeronautical civil liability;
- damage to certain aircraft (the Airtelis and RTE-STH fleet);
- individual accidents and repatriation assistance for personnel on business assignments outside France.

These policies also cover RTE's subsidiaries.

— Insurance of major projects

Dedicated insurance programmes may be used during the construction phase of major infrastructure projects, particularly connections for offshore wind farms and network interconnections. These dedicated programmes cover financing of repairs in the event of significant damage to facilities under construction, and the financial consequences of any civil and environmental liability claims against RTE and its contractors arising in connection with such work.

RTE prioritises insurance solutions which it subscribes on its own behalf and on behalf of all participants in the project.

For most major projects, the typical insurance cover subscribed by RTE concerns comprehensive insurance for worksites (including assembly, testing and transport); civil liability insurance for the project manager and for the worksite; and civil liability insurance relating to environmental risks and damage to biodiversity.

In 2023, RTE subscribed insurance for the Celtic and Bay of Biscay interconnector projects which will cover risks associated with the construction work for the entire duration of these projects.



7.

RTE Group's non-financial performance



7.1 NON-FINANCIAL DIMENSION OF MAJOR RISKS, PRINCIPAL CONTROL MEASURES AND RESULTS ON KEY INDICATORS

RTE is exposed to risks of a social, societal and environmental nature, such as the following:

- a power cut on the high-voltage and very high-voltage electricity network could affect a fairly wide geographical area, for example a large conglomeration or even a county, with repercussions for the area and customers that could have a significant social and environmental impact locally;
- achieving the energy and ecological transition requires timely, successful completion of network connection, upgrading and development projects. Environmental analyses and many local consultation procedures are thus necessary, and must be undertaken promptly, thoroughly and swiftly;
- the control measures taken in anticipation of climate change aim to strengthen resilience in both the network and the company, in order to limit the social and environmental consequences of incidents that may affect the network. Action against climate change and to reduce emissions is taken into consideration in the associated risks.

RTE's financial and non-financial performance is directly linked to maintaining continuous service in the short and medium term, integrating the new energy mix that will support achievement of carbon neutrality in France by 2050, and adapting the network to ensure maximum resilience against unpredictable weather events.

7.1.1 METHODOLOGY FOR IDENTIFYING NON-FINANCIAL RISKS

RTE updated its materiality analysis[1] in 2021.

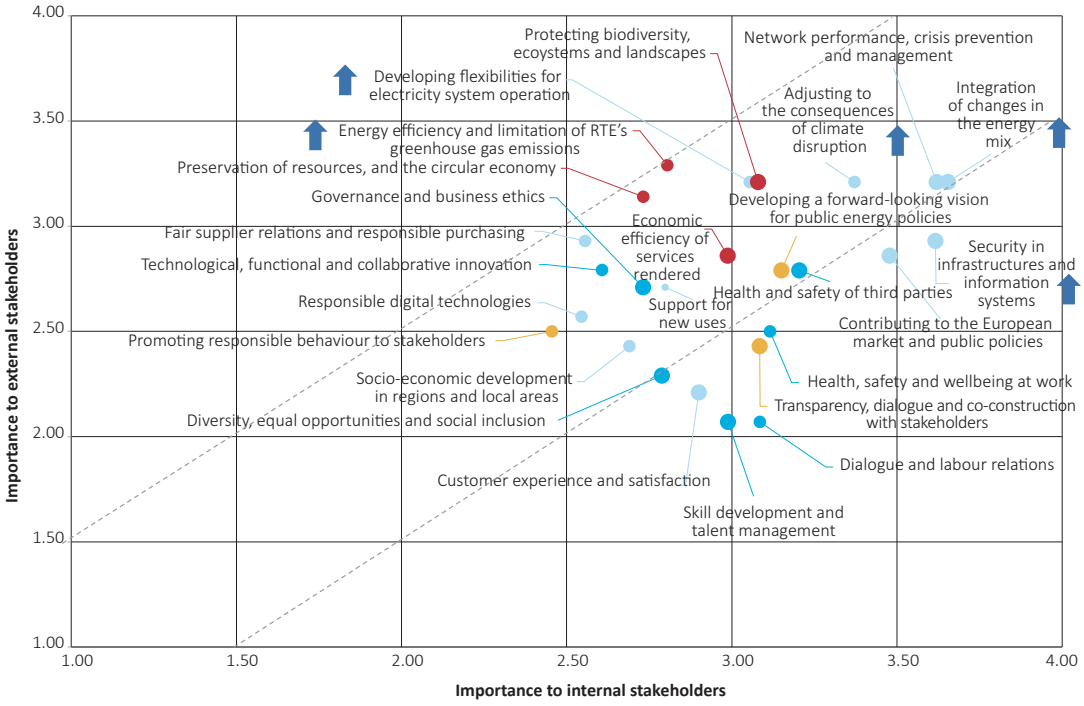
The purpose of this exercise was to update and put into perspective the priorities of the CSR strategy, identifying the challenges considered most important for the medium term. This underpins dialogue with stakeholders, and enriches the analysis of risks and opportunities. Both internally and externally, the stakeholders consulted identified the challenges they believed would become more important over a 3-year horizon. The materiality matrix thus cross-combines internal and external perceptions, assessing the impact level of the challenges by adding the internal assessment of RTE's performance on those challenges.

Update to the materiality analysis

As part of the preparatory work launched by RTE for the future implementation of the CSRD (Corporate Sustainability Reporting Directive), in late 2023 RTE began a double materiality assessment project as required by the ESRS (European Sustainability Reporting Standards) and the CSRD. This project will involve mapping of RTE's stakeholders and value chain, leading to adoption of the double materiality perspective defined in the CSRD.

(1) Materiality indicates the importance of sustainable development challenges, i.e. their positive or negative influence on a company's business activities (its ability to create, preserve and redistribute value) and the activities of its stakeholders.

General materiality matrix



INFORMING

OPERATING

OPTIMISING

FUNDAMENTALS

3-YEAR OUTLOOK

Performance level

Low **1 < x < 2**

Medium **2 < x < 2.5**

High **2.5 < x**

The consensus diagonal:
The zone that designates the challenges and issues that are equally important to internal and external stakeholders.

From this matrix, an inter-function steering committee at RTE selected 13 key challenges that structure RTE's CSR policy for 2022-2025 (cf. 5.5).



Network performance, crisis prevention and management in France and Europe

Ensuring full access and constant reliability in the network, and maintaining security for infrastructures and information systems in the face of external threats.



Developing flexibilities for electricity system operation

Offering a flexible service for consumption and transit, controlling demand and adapting the network to changing lifestyles.



Adaptation and support for the energy transition

Integrating the changing energy mix into the network, particularly renewable energies and low-carbon energies, and supporting new uses and demands from customers and regions.



Adjusting to the consequences of climate disruption

Strengthening infrastructure resilience and making working practices and conditions safe and secure against the effects of climate disruption.



Responsible purchasing and sustainable local action

Contributing to socio-economic development in the areas where RTE operates, by maximising the social and environmental impacts of the company's purchases and building sustainable relations with suppliers in a partnership dynamic.



Transparency, dialogue and co-construction with stakeholders

Setting an example through the company's ability to maintain high levels of transparency and dialogue with its stakeholders. Ensuring information is accessible and working with stakeholders for RTE's projects..



Developing a forward-looking vision for French and European public energy policies

Sharing RTE's expertise and knowledge to inform the electricity landscape, by making available data, studies and prospective planning documents..



Fighting climate change and protecting biodiversity and landscapes

Pursuing the company's strategic ambition while ensuring good environmental performance and integrating its structures into the landscape.



Preserving resources, and the circular economy

Optimising use of resources, developing ecodesign, the full life-cycle approach and biomimicry, in the design and management of facilities.



Skill development and talent management

Anticipating transformation in the company's activities; supporting development of human capital and the skills and talents of employees, suppliers and partners.



Health, safety and wellbeing of stakeholders

Protecting health and safety and developing quality of life at work for the company's employees, suppliers, and all third parties.



Governance and business ethics

Introducing policies and mechanisms to promote ethical behaviour in business, in relations with third parties and more generally in RTE's practices and governance.



Diversity, equal opportunities and inclusion

Maintaining the right conditions to promote diversity, inclusion and equal opportunities both inside the company and in the choice of partners.

7.1.2 NON-FINANCIAL RISKS

Convergence between major risks and non-financial risks

The above analyses showed that the majority of RTE's major risks are considered to have important non-financial impacts. The following paragraphs presents the risks concerned, their non-financial dimension, the related policies and the results on key indicators.

Changes in non-financial risks since 2022

The changes are in line with the changes presented in 6.2.2 "Mapping of RTE's major risks". The #Procurement risk is now declared as a non-financial risk.

— #Safety

Description of the risk

Risks of accidents for RTE's employees or contractors, and for third parties, in the course of their work.

Non-financial dimension

RTE is strongly mobilised to limit the risks of accidents for its own employees, its contractors' employees, and the people living near its facilities.

Principal control measures

The division in charge of health, safety and quality of life at work establishes the policy for health, safety and quality of life at work and implements the safety management system based on the principles in the MASE[1] corporate safety guide.

RTE's "Corporate Safety Management" programme is continuing the company's priority safety projects: the rules that save lives, safety leadership, technicians' safety skills, safety in design and scheduling, contractor safety, implementation of the 1992 Decree, low-voltage outages, thorough preparation of work, making use of weak signals, handling requests for work from third parties, etc.

RTE has establishments all over France, and undertakes national and local communication campaigns targeting the riskiest activities near power lines.

Related policy

Policy for health, safety and quality of life at work.

(1) Manuel d'amélioration sécurité entreprise, a guide to promote health and safety in the workplace.

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
LTIR[3] (employees) (Number of accidents to employees)	3.02	≤ 2.6	3.3[4]	≤ 2.4[5]
LTIR (contractors) (Number of accidents to contractors)	7.87	≤ 9.3	8.1	≤ 9.3

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) Lost Time Incident Rate.
(4) 2023 saw a larger number of accidents entailing sick leave: the share of manual load handling accidents doubled compared to 2022 and there was no decrease in the other types of accident.
(5) The target for 2023 (≤ 2.4) was lower than the 2022 target (≤ 2.6) for reasons of coherence with the profit-sharing agreement.

— #Major operating incident

Description of the risk

A serious operating incident that could result in power cuts for customers and potentially in partial or total collapse of the network.

Non-financial dimension

Many risk factors can cause extensive power outages in the electricity network (cascading blackout, collapse of the voltage plan, uncontrolled drop in frequency, loss of synchronism). Given the protective and defensive measures taken by RTE, the number of major incidents remains small and their impact limited.

Principal control measures

To limit the impacts of this risk, the operating division applies the European network codes and implements the network defence, protection and restoration plans. Crisis exercises are held regularly under RTE's crisis management procedure (ORTEC).

A network safety report is drawn up annually and action for improvement is decided based on experience gained from events related to network safety.

To ensure a secure power supply throughout the winter, RTE has rolled out the EcoWatt scheme.

Related policy

Operating and Development rules and procedures, Market rules/Technical documentation, Electricity quality policy

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
Number of Significant System Events*	1[3]	1	0[4]	1

** Events affecting the electricity system are classified on a 7-level scale of increasing severity: 0 (zero), A, B, C, D, E, and F, using the categories of Generation, Distribution, Operating equipment, Operation and Grid. The reported results are the number of events of level C and above.*
(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) On 29 April 2022, a fibre optic fault disabled the instruments RTE uses to manage the supply/demand balance, causing substandard operation for more than 2 hours. This event had no effect on the power supply to network customers.
(4) There was no major operating incident in 2023.

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.

— #Major physical attack

Description of the risk

RTE may be exposed to malicious, possibly terrorist acts against its infrastructure (theft, damage, sabotage, etc.), with significant operational impacts and the potential to harm the company's image.

Non-financial dimension

A deliberate physical attack on RTE's infrastructure can cause damage that could lead to a major operating incident on a small or large scale, with the economic, social and environmental consequences mentioned in the risk #Major operating incident. It could also involve risks for the safety of RTE personnel and third parties.

Principal control measures

The division in charge of the safety and security of physical assets establishes the technical policies intended to maintain and develop secure access procedures for sensitive premises and facilities, and to protect physical assets.

RTE carries out administrative background checks for external contractors and service providers, new recruits and employees occupying sensitive positions.

Related policy

Security policy.

Indicators(1)

Not disclosed – confidential information.

— #Major cyber-attack

Description of the risk

RTE may be exposed to cyber-attacks against its information system, resulting from a security flaw or deliberate intent to damage a vitally important infrastructure.

Non-financial dimension

A cyber-attack could undermine the company's operations, or in the less likely scenario of an orchestrated attack on the operating information system, lead to a major operating incident on a small or large scale, with the economic, social and environmental consequences mentioned in the #Major operating incident risk.

Principal control measures

The division in charge of information systems and telecommunications establishes the Information System Security Policy, which responds to the requirements of France's military programme law, and follows the recommendations of the ANSSI(2) (French national authority for information systems security) through a partnership agreement.

RTE has introduced a 24-hour, 7 day-a-week control centre for information systems and cyber-security. The work of the cyber-security team for the digital networks and systems control centre began in 2021.

Related policy

Information System Security Policy

Indicators(1)

Not disclosed – confidential information

— #Impetus & Vision

Description of the risk

An insufficient ability at RTE to achieve, by 2025, the necessary changes to support the changes triggered by the energy, technological and digital transition, and by new demands from customers and local areas.

Non-financial dimension

The ambition of the Impetus & Vision corporate mission statement is to conduct all the changes necessary at RTE by 2025 in order to support the conversions required by the energy, technological and digital transition, and by new demands from customers and local areas.

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.
(2) Agence nationale de la sécurité des systèmes d'information.

RTE must achieve its industrial transformation while guaranteeing employability for its personnel and promoting a diversity of profiles at this time of considerable change in its functions. For greater effectiveness, it is planned to form new entities through mergers and groupings.

This risk has a potentially significant social impact, as it concerns the preservation and development of the skills of all the company's employees.

Principal control measures

In 2020 RTE defined the target for industrial activity by 2025 in its "Impetus & Vision" corporate mission statement. Skill standards were constructed to provide clarity for employees, prepare career paths, and study the company's resilience in all its dimensions (with reference to the Covid-19 crisis, major operating incidents, continuity of business, etc.).

RTE is implementing its corporate mission statement through a project team that coordinates all the initiatives and makes regular progress reports to the executive committee, particularly concerning prerequisites and key milestones for change (new industrial facilities, training for the jobs of the future, real estate projects, and measures to support mobility in future organisations).

Related policies

- "Impetus & Vision" corporate mission statement
- Mobility and talent management policy
- Agreement on equality at work, Agreement on social dialogue and employee representation

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
% of entities created in year N compared to the roadmap	100%	100%	100%	100%

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.

— #Ten-year network development plan (SDDR)

Description of the risk

An insufficient ability at RTE to implement the five industrial dimensions of the SDDR, which are key to a successful energy transition and achievement of the ambitious objectives defined in the national multi-year energy plan (PPE).

Non-financial dimension

To rise to the challenge of the energy and ecological transition, RTE must succeed in its five industrial dimensions: connections, upgrades, development and digitisation of the network, and reinforcement of interconnections. RTE's non-financial performance is linked to its ability to meet a large number of societal and environmental demands.

Faster connection of renewable energies will meet the needs of the energy transition towards carbon-free electricity.

RTE develops and maintains its network infrastructure throughout the regions of France over time periods spanning several decades. Consultation with stakeholders makes it possible to take account of their expressed needs, minimises the risk of delays in administrative procedures, and preserves the economic balance of a project without harming the environment. The quality of dialogue with stakeholders is a crucial factor for the network extensions that are necessary to connect new generation sites (particularly renewable energy plants), and for the economic development of new consumers.

Principal control measures

The CRE validates the SDDR, and grants RTE funding that is coherent overall with this large-scale industrial programme.

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.

The company's business portfolio is aligned with the dimensions of the SDDR and nationally ranked by order of strategic priority. A strategic budget process exists to prioritise resources.

In response to the acceleration and growth of interconnection and offshore network projects, while continuing to strengthen control of issues specific to these projects, RTE set up an engineering division for Interconnections and Offshore Networks in 2022.

Related policies

- Ten-year network development plan (SDDR)
- Network development, upgrading and adaptation policies

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
Renewable energy hosting capacity created	758MW	1241MW	1,170MW[3]	1,384MW
Overhead lines – Length of circuits upgraded	828km	800km	735km	654km

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) The 60MW target for the Hauts-de-France region relates to a single connection project concerning a source substation with a 225/20kV transformer, just next to the Limeux substation which will be deferred to 2024. The plan for the Nouvelle Aquitaine region generated 90MW of the target 236MW capacity). The plan for the Occitanie region created 525MW of the target 533MW thanks to commissioning of the 400kV Sud Aveyron project, the 2AT d'Ayres and the 63kV Lauras-Millau line upgrade project. 8MW concerning the Cazedarne-Fonclare power line were deferred to March 2024.

— #Infrastructure resilience

Description of the risk

Accidents, fires or unusual weather events leading to substantial material damage, with high media coverage.

Non-financial dimension

An unusual weather event (gales, floods, etc.) or serious high-impact damage to the infrastructure can lead to a major operating incident on a small or large scale, with the economic, social and environmental consequences mentioned in the #Major operating incident risk.

Well-prepared teams, maintenance and network upgrading provide protection and keep the duration of infrastructure problems down. Global warming is making it even more necessary to reinforce this resilience.

Principal control measures

RTE defines and implements preventive action policies against risks associated with network ageing, as included in RTE's ten-year network development plan (SDDR): replacement of instrument transformers, the metal-enclosed substation plan, the power line pylon corrosion plan, the management plan for vegetation around power lines, the conductor plan, the transformer bushing plan, handling obsolescence in command-and-control equipment, etc.

In its crisis management procedure, RTE has defined mobilisation practices for the operational teams (first-response teams) and equipment, drawing on the national equipment reserve and implementation of special resources (provisional links, mobile units, airborne fleet, etc.).

The "resilience" project for control of climate risks will identify the long-term impacts of climate change (droughts, heatwaves, floods, etc.) and define the necessary infrastructure adjustments.

Related policies

- RTE's crisis management procedure
- Electricity Quality policy
- Stormproofing policy
- Resilience project[2]

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.
(2) See section 7.4.1.1 "Adjusting to the consequences of climate disruption".

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
Equivalent outage time associated with unusual events (weather events only)	22.2 sec	N/A	37.3 sec[3]	N/A

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) Storms Ciaran and Domingos in early November 2023 were the causes of the outage time associated with weather events.

— #Procurement

Description of the risk

Given the large-scale investments planned by RTE and the growing needs of all actors in the field of energy, any procurement difficulties could have an impact on the cost, the completion time or even the economic viability of some of the projects included in the SDDR.

Non-financial dimension

The diversification and selection of RTE's suppliers can affect the socio-economic fabric at both local/regional and national level.

Adjustments to the supplier panel must incorporate RTE's societal and environmental responsibility: including CSR criteria in supplier selection, giving visibility to suppliers, encouraging innovation and the circular economy.

Principal control measures

RTE's purchasing division systematically analyses the risk of default or shortages affecting procurement, and then transfers, shares or minimises such risks by adjusting its procurement strategy. The company makes more detailed, regular inspections of suppliers' production sites and a supplier relations unit exists to collect information on their potential capacities and offer them some visibility.

To cover this risk better, RTE has diversified its supplier panel and introduced multi-lot contracts for strategic segments.

Related policies

- Responsible purchasing charter
- CSR policy

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
% of suppliers inspected[3]	N/A[4]	N/A	100%[5]	100%

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) Inspections carried out at suppliers' premises or for orders considered critically important in view of the programme defined at the start of the year.
(4) There is no indicator for 2022, as this risk was first classified as non-financial in 2023.
(5) In 2023 RTE carried out 20 programmed inspections. The target was 10.

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.

— #Attraction-recruitment

Description of the risk

Insufficient ability to attract the talents and skills needed to fulfil the company's public service missions, and successfully achieve the energy transition and transformation of the company.

Non-financial dimension

In the short term, a lack of appeal at RTE could compromise its image as a responsible, exemplary employer certified by the labels and awards given to RTE (Great Place to Work, *Diversité*) and more generally affect RTE's image and legitimacy for fulfilling its missions.

It could also oblige RTE to make more use of external skills, and that would increase the company's dependence on specialist service providers.

In the medium and long term, low appeal and non-achievement of recruitment objectives could compromise successful performance of the company's missions, particularly those that require the most technically advanced skills.

Principal control measures

The human resources division oversees workforce numbers and recruitment at national level, in collaboration with the business functions, based on an annual recruitment plan.

To reduce this risk, RTE has diversified and broadened its sourcing, developed relations with schools and simplified the hiring process to improve response speeds. The company has also reinforced the levers of appeal to attract candidates, and its induction procedures to build loyalty in new recruits.

Related policies

- RTE's strategic orientations
- Action plan for employment and career path management
- Annual recruitment plan
- Initial salary policies at RTE for the executive/supervisory and technical/operational employee categories
- Dynamic career policy

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
% recruitment target achieved	99.8%	99%-100.5%	100%[3]	99%-100.5%

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) RTE hired 703 employees, to increase the workforce as required.

— #Environment

Description of the risk

Incidents may give rise to environmental emergencies that can affect the activity and employees of RTE, its customers and other third parties.

Non-financial dimension

By nature, this risk encompasses direct environmental consequences, and control of this risk contributes to RTE's non-financial performance.

Principal control measures

RTE's environmental policy, which reflects its Executive Board's renewed commitment to protecting the environment, covers 6 areas: fighting climate change, protecting biodiversity, sustainable management of resources, preventing pollution, maintaining good relations and safety for third parties, and improving efficiency in the environmental performance.

A strategic environmental plan has been established, and RTE's ISO 14001 certification was renewed in 2022.

Related policy

Environmental policy

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.

Indicators[1]

Name	2022 result[1]	2022 target[2]	2023 result	2023 target
CO_2 emissions for scopes 1, 2, partial scope 3[3]	589 kt[4] *(93 kt SF_6 and* 477 kt of network losses)	N/A	639 kt[5] *(94 kt of* SF_6 and *527 kt of network losses)*	N/A
Volume of SF_6 leaks	3.82t[6]	≤ 4.5t	3.87t[7]	≤ 4t
Area of biodiversity-friendly land	1719 ha	2300 ha by end-2024	1528 ha	2300 ha by end-2024
Percentage of "zero-phyto" office sites and new/existing substations	27.6%	N/A	34.6%[8]	N/A

(1) Published in the 2022 management report.
(2) Published in the 2022 management report.
(3) Emissions for scopes 1 and 2 and partial scope 3 (relating to scope 1 and 2 emission categories: this indicator reflects CO_2-equivalent emissions for all scope 1 and 2 emission categories, the most significant being SF_6 (88% of scope 1) and electricity losses from the network (99% of scope 2), plus the portion of these emissions relating to scope 3 (for example, 1/3 of all emissions from electricity losses relate to scope 3 as they concern the electricity generating plants' upstream emissions for extraction/refinement/procurement of fuels).
(4) The figure reported in the 2022 management report has been recalculated following publication of the emission factor by the ecological transition agency ADEME, and an update at the end of 2023 of the global warming potential of SF_6 in the ADEME's Base Carbone database (raised from 23500 to 24300).
(5) These emissions showed an overall increase of 9% due to the higher volume of network losses (10% by provisional estimates), mitigated by good results for SF_6 leaks (which were stable and below the target maximum for 2026). The figure for emissions from network losses is provisional for two reasons: the volume of network losses in TWh is currently provisional, and the calculations use the emission factor for the average French electricity mix of 2022 (the emission factor for 2023 has not yet been released by the ecological transition agency ADEME).
(6) The volume of SF_6 leaks was the lowest observed in six years, an achievement attributable to RTE's replacement and plugging policies.
(7) The volume of emissions from SF_6 leaks was slightly higher than in 2022 (+50kg), which was the best performance to date. NB Exceptional SF_6 discharge had a significant impact (+230kg vs 2022) but this was the second year when the total was below 4t, and leaks from equipment in operation (which reflect the condition of the facilities) continued to decline (-11% for metal-enclosed substations and -5% for circuit breakers compared to 2022.
(8) In 2021 RTE updated its strategy by establishing a "zero-phyto II" policy, which was validated by the CRE in early 2022. It then resumed the progressive work on the land around substations, with specific investments for conversion to "zero-phyto" maintenance. Consequently, the result on this indicator is up from 2022. These investments will continue over the next few years.

7.2 PREPARATIONS BY RTE FOR INTRODUCTION OF THE CSRD

The European Union's Corporate Sustainability Reporting Directive (CSRD), for which the delegated acts were validated by the European Commission in July 2023, aims to harmonise corporate sustainability reporting and improve the availability and quality of the information disclosed.

RTE is already subject to the Non-Financial Reporting Directive (NFRD)[2] and publishes a Declaration of Non-Financial Performance (DPEF)[3]. The company is thus concerned by the new directive, CSRD, from 1 January 2024. This will apply to its management report for 2024 to be published in 2025.

The standards laid down by the CSRD are called the "ESRS": European Sustainability Reporting Standards.

They are organised as follows:
- ESRS 1 "General requirements" describes the architecture, principles and general concepts of the ESRS: characteristics of information, double materiality, structure of the sustainability statement, value chain, etc.;
- ESRS 2 "General disclosures" describes the information companies must report on material matters of sustainability. It covers four areas of reporting: governance; strategy; impact, risk and opportunity management; and metrics and targets;

(1) Indicator definitions and calculation methods are provided in the Appendix at the end of the management report.
(2) A European directive.
(3) Déclaration de performance extra-financière (DPEF): the transposition into French law of the NFRD.

- ESRS E1 to E5 on environmental themes, ESRS S1 to S4 on social and societal themes, and ESRS G1 on business governance, set out the specific disclosures to present on the material impacts, risks and opportunities relating to each sustainability topic (environmental, social and governance) in addition to the general disclosures required under ESRS 2, using the same four-area structure.

Transposition of the CSRD into French law began in December 2023[1]. A Council of State decree is expected in 2024 to give details of the content of the future sustainability report (notably including the ESRS), its format and publication.

Preparations by RTE to meet the disclosure requirements of the CSRD in 2025

RTE already has:
- a certain number of policies relating to ESG topics, including policies to implement the GDPR, a CSR policy introduced in 2022, anti-fraud action, etc.;
- a strategic environmental plan described in section 5.3.4, which organises and prioritises all RTE's actions for the environment up to 2030, laying out increasingly ambitious trajectories for environmental performance.

In early 2023 RTE introduced a project-based organisation validated by the executive committee and managed by the finance division.

Liaison officers are appointed in each division concerned by the CSRD: environment, consultation, human resources, CSR, legal, purchasing, risks, strategy, IT, management control, accounting. These officers received training on the CSRD from the consulting firm Mazars' sustainability team during the first half of 2023.

The action to be taken to meet the 2025 publication objective will be set out in roadmaps for each standard in early 2024.

Particular attention is being paid to indicators. Existing and target indicators will be mapped in 2024 so that the methodology can be fine-tuned. A synergy will be developed between the indicators required for the CSRD and the indicators required for the green taxonomy.

In late 2023 RTE launched a double materiality project to link the above standards and requirements, with methodological assistance from Mazars consultants. During the first half of 2024 work will be done to map out RTE's stakeholders and value chain, and to identify its principal ESG impacts, risks and opportunities along that value chain.

7.3 GOVERNANCE AND SUSTAINABILITY

RTE's governance bodies are committed to sustainability.

RTE's *raison d'être* presented in section point 2.2 was proposed by the Executive Board and approved by the Supervisory Board at its meeting of 14 December 2021. RTE's shareholder CTE decided to modify the company's bylaws to incorporate the *raison d'être*.

RTE's CSR policy, validated by the Executive Board for 2022-2025, was developed in coherence with the *raison d'être*, in three blocks that relate to RTE's three missions: informing, operating and optimising. The finalised CSR policy was presented to the Economic oversight and audit committee on 25 May 2022 and to the Supervisory Board on 1 June 2022.

For more in-depth monitoring of the CSR policy and CSR-related matters in general, the Supervisory Board decided at its meeting of 7 June 2023 to broaden the remit of the remuneration committee to include CSR, and created the Remuneration and CSR committee.

The competences of the Remuneration and CSR committee are explained in section 3 on Corporate Governance. The Managing Director in charge of Transformation and the Employee Environment is responsible for monitoring the work presented at meetings.

In 2023 the Remuneration and CSR committee examined the following subjects: the Health, Safety and Quality of Life at Work report at 31 December 2022; a review of CSR policy indicators; presentation of RTE's economic impact on local areas; presentation of the Strategic Environmental plan and the "pre-BEGES" (greenhouse gas emissions) report; the CSR policy; the work and pay equality policy; electricity losses at RTE; the BEGES (greenhouse gas emission) report and the transition plan.

(1) Ordinance of 06 December 23 concerning the publication and certification of sustainability information

The Executive Board is also fully engaged with sustainability issues, as reflected in the inclusion of a "Societal and environmental impact" indicator in the indicators for its members' performance-related remuneration. This indicator accounts for 40% of their performance-related remuneration, and includes the following criteria:

- "Percentage of women employees" (5%);
- "Percentage of responsible purchases" (5%);
- "Full greenhouse gas emissions report" (5%);
- "LTIR" (10%);
- "Quality of life at work" (10%);
- "Electricity quality" (5%).

7.4 ENVIRONMENTAL INFORMATION

RTE'S environmental commitments

RTE's environmental action is founded on an environmental strategy covering the period to 2030 and a general environmental policy (updated in 2022) that defines its ambitions, together with an environmental management system that includes a programme for action at national and regional level called the Environmental management programme.

Environmental Management System

RTE has held ISO 14001 certification for all of its activities since 2004, and has an audit performed by an AFAQ[(1)]-accredited organisation every year. The most recent renewal audit was by AFNOR[(2)] Certification in 2023. It found no points of non-compliance and upheld RTE's certification, in official recognition of RTE's continuous improvement policy for environmental action.

Green Taxonomy

The disclosure requirements of the green taxonomy are presented in a specific section, 7.8 "Green Taxonomy".

7.4.1 CLIMATE

7.4.1.1 Adjusting to the consequences of climate disruption

Climate-related events are likely to become more and more serious, with consequences for the network infrastructure. RTE is planning construction of installations with very long lifetimes – some of them will outlast this century. It is thus crucial to identify any weaknesses in the existing infrastructure, links and substations, particularly their sensitivity to temperatures and flooding.

RTE is therefore working to ensure that its technical recommendations are adequate for the future climate, in order to design infrastructures that are robust to climate change from the outset. The company has conducted studies as part of its **Resilience project** to objectify the effects of climate change on its network, based on climate scenarios extending to the end of the century developed with France's national weather office Météo France from hypotheses established by the IPCC, or on flood modelling and calculations of exposures in 2050 by the French public-sector reinsurer Caisse Centrale de Réassurance (CCR).

Those studies were completed in 2023 and have already led to the following steps:

- modification of the specifications for new overhead power lines to make sure they can withstand severe weather conditions, in anticipation of higher temperatures in the future;
- modification of the specifications for future substation construction, prioritising construction in non-floodable zones, and where this is impossible ensuring compliance with the heights defined in official flood risk prevention plans and modelled by the CCR, to make new substations resilient to the flooding expected in climate forecasts to 2050.

RTE also is also developing a strategy to address the "stock" of existing facilities that are not scheduled for replacement due to disrepair, but will not be resilient against the projected temperature changes by the end of the century (in the case of overhead lines) or the flood risks by 2050 simulated by the CCR (in the case of electrical substations). This strategy, including cost estimates and residual risks, will be proposed in the next SDDR.

The rise in summer temperatures, accentuated by climate change, can already occasionally put some installation components in a situation that is outside their normal operating conditions.

The components concerned are carefully observed in the dispatching centres: the permitted transit volume,

(1) Association française pour l'assurance de la qualité.
(2) Association française de normalisation.

in particular, can be adjusted in very hot periods to avoid generating power surges or overloads that could ultimately cause facilities to trip.

RTE plans ahead for such situations in its seasonal studies and takes preventive measures in the normal ways through its current command and control and remote operation systems.

A description of the measures taken to address risks of heatwaves and flooding is presented in the section on the European Taxonomy Regulation, section 7.8.3 "Aligned Activities – Analysis".

7.4.1.2 Reducing Greenhouse Gas (GHG) emissions

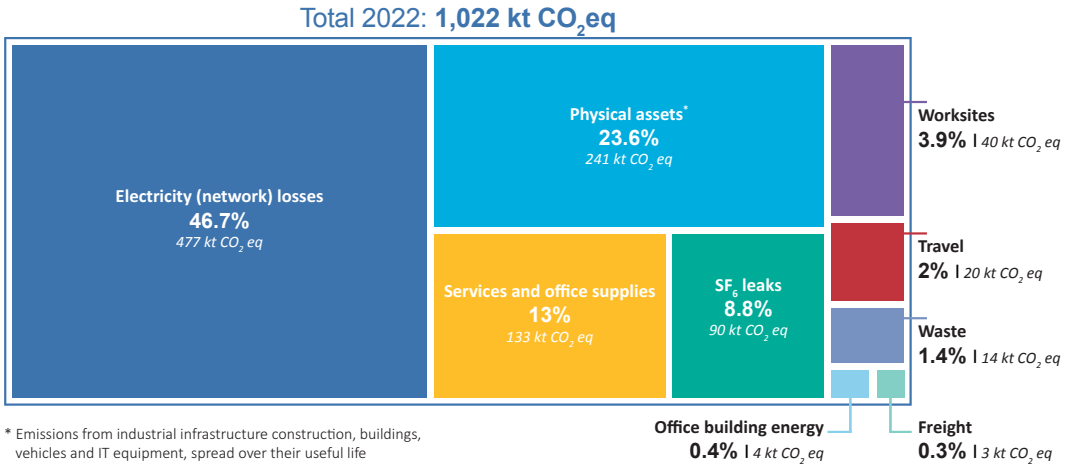
Under France's Energy and Climate law and its implementation decree of July 2022, it became mandatory on 1 January 2023 to publish scope 3 GHG emissions and a transition plan defining the emissions trajectory until the next "BEGES" GHG emissions report (required every 4 years for a company like RTE).

2023 was thus a very important year for RTE as regards work on measurement and mitigation of its carbon footprint. In November 2023 the company published its regulatory full GHG emissions report[1] (based on data for 2022), and its first transition plan showing the emissions trajectory to 2026 and presenting the actions and resources implemented to limit emissions.

The 2023 results for scope 1, scope 2 and partial scope 3[2] GHG emissions are presented at the end of this section, after a summary of the key points in the "full" GHG emissions report results for 2022 (3 scopes) and the transition plan.

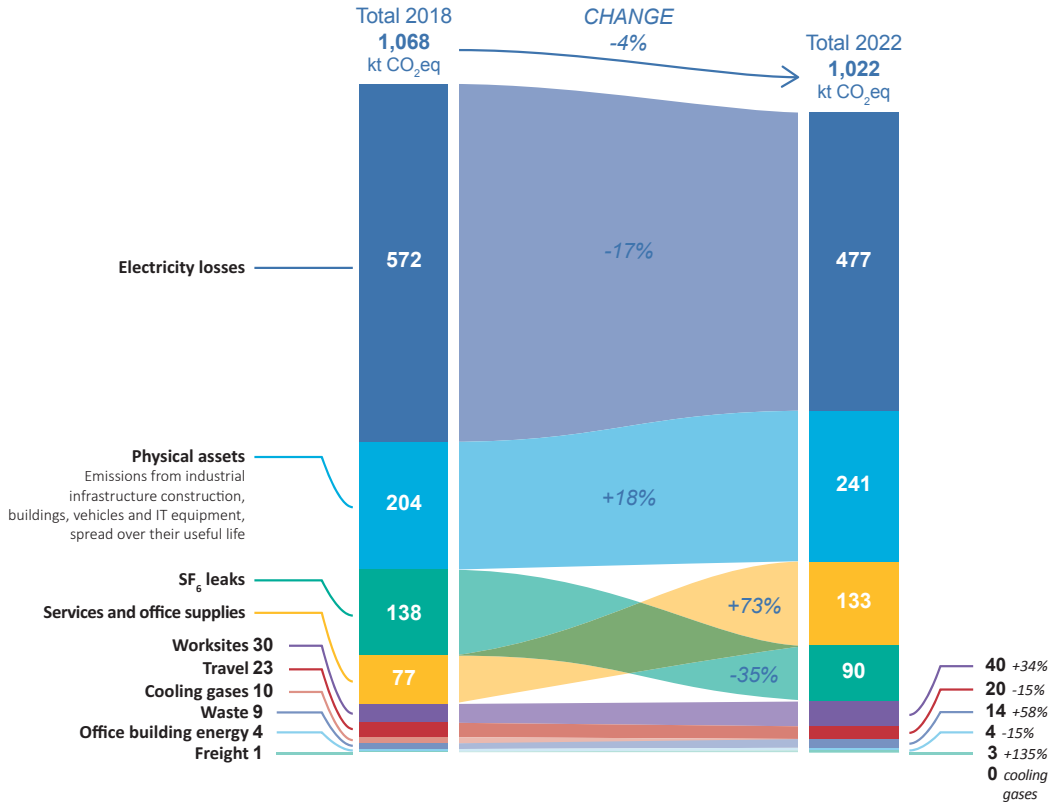
— Results of the regulatory GHG emissions report for 2022 published in late 2023

RTE's 2022 greenhouse gas emissions (scopes 1, 2 and 3) were calculated at 1022 $ktCO_2eq$. The largest category is still network losses, which account for 47% of emissions. The good results on SF_6 discharge have taken that emissions category down from third to fourth place, accounting for 9% of 2022 GHG emissions.



(1) *Bilan des émissions de gaz à effet de serre (BEGES).*
(2) *RTE only calculates emissions for the full scope 3 every four years (last calculated in 2018 and 2022), in accordance with current French regulations.*

The total volume of GHG emissions for 2022 was down by 4% from 2018, with contrasting developments in different emissions categories. Explanations of the principal changes[1] are given below.



SF_6 leaks

Metal-enclosed substations, circuit-breakers and cable ends contain the insulator SF_6, a powerful greenhouse gas with a global warming potential that is 23,500 times stronger than CO_2. SF_6 leaks form the fourth largest category of GHG emissions from RTE's activities, amounting to 90 $ktCO_2eq$ for 3.8 tonnes of SF_6 discharged in 2023.

RTE first began to reduce its SF_6 emissions in 2016, thanks to an effective company policy consisting of plugging SF_6 leaks (the Colibri process) and replacing or renovating certain leaky equipment. In 2022, RTE discharged 3.82t of SF_6, thanks to the low number of events causing damage, and the rollout of Colibri, which had a bigger, faster and more effective impact than expected. Colibri is an innovative gel-based plugging solution that was developed internally by RTE. 2022 was thus the best year so far in terms of results. SF_6 leaks were reduced by 35% in 4 years, from 5.89t in 2018 to 3.82t in 2022.

Emissions due to network losses

Part of the electricity carried by the transmission network is lost in transit, principally due to the "Joule" effect which converts some of the electricity passing through a conductor into heat. In 2022 these losses totalled 10,084TWh, or 2.3% of total injections (from production sites and imports). This rate has remained relatively stable over time, varying between 2.1% and 2.4%.

The GHG impact of these network losses results from the generation of extra electricity to compensate.

(1) Full details of RTE's 2022 GHG emissions report can be found on the ADEME website: Bilans GES de l'Ademe.

Emissions related to these losses are therefore calculated as the product of two factors: the quantity of electricity lost, and the emissions associated with production of 1kWh of electricity in France. In 2022, network losses thus caused emissions of 476 $ktCO_2eq$ and account for 47% of RTE's carbon footprint.

Between 2018 and 2022, the GHG emissions due to network losses decreased by 17%. This downturn is explained by:

- an 8% decrease in the volume of energy (in TWh) transiting through the public electricity transmission network (reflecting energy savings in France during 2022);
- the decrease in the Emission Factor for electricity (excluding network and distribution losses) in the average French mix (adopted by convention, and to reflect non-specific generation purchases on the market) from 0.052 $ktCO_2eq$ in 2018 to 0.047 $ktCO_2eq$ in 2022 (-9%), due to the progressive decarbonisation of the electricity system.

Emissions from travel

Commuting and business travel by RTE's employees produced 20 $ktCO_2eq$ of emissions. Clear improvements were observed in employee travel between 2018 and 2022, boosted by the rise of tools for remote collaborative working, and changing work practices post-Covid.

These emissions have fallen by 20% in 4 years, essentially as a result of the greater options for working from home and their effect on commuting (only 1.5% of days were worked from home in 2018, compared to 17.3% in 2022), and the significant increase in online meetings and conferences, which reduced the distances travelled by plane (38% fewer air kilometres in 2022 than in 2018).

This 20% decrease, in absolute terms, is particularly notable given that RTE's workforce numbers grew by 6.8%.

Emissions from energy consumption by tertiary buildings

GHG emissions resulting from energy consumption by RTE's tertiary buildings were estimated at 3.6 $ktCO_2eq$ in 2022, a substantial reduction (-19%) from 2018.

This is explained by a decrease in the number of m^2 heated by gas after completion of several real estate projects in the last 4 years (particularly grouping the offices of the 3 buildings at La Défense into the new head office at the Window building), and also by a decrease in the kWh of consumption thanks to energy savings, which were stepped up in the context of the 2022 energy crisis (the war in Ukraine, low nuclear plant availability and low water levels) and continued in 2023.

Emissions from RTE's physical assets

Physical assets (called "assets" in the Bilan Carbone® method) accounted for 241 $ktCO_2eq$ or 24% of RTE's GHG emissions in 2022. This category of emissions covers the existing electricity network infrastructure (essentially links and electricity substations), office buildings and furniture, IT equipment, vehicles and machinery: the emissions produced are calculated per year of their standard depreciation period. Most of the emissions in this category (82%) concern the industrial infrastructure (the electricity network).

Emissions by physical assets increased between 2018 and 2022 (+18%) for several reasons:

- the higher number of standard industrial assets (RTE had 2,770 electricity substations in 2018, and 2,828 in 2022);
- the arrival of new equipment in the network, particularly new direct-current converter stations for undersea interconnectors and lines (the IFA2 France-England interconnector, and connection of the first offshore wind farm at Saint-Nazaire);
- a more exhaustive, more detailed inventory of the equipment and related materials that make up the infrastructure, and inclusion of emissions from the digital part of electrical substations.

— Transition plan for 2023-2026

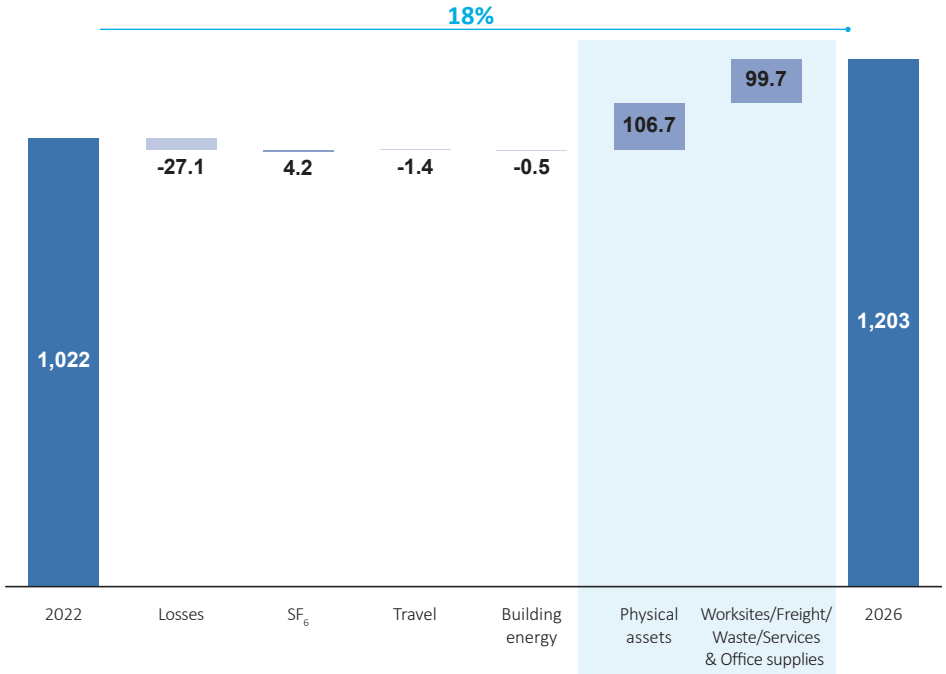
RTE has constructed its first transition plan for the period to 2026, which is also the year of its next regulatory full GHG emissions report.

RTE is a key actor in the energy transition. Its network will have to grow to achieve a net-zero electricity system and make the whole French energy system carbon-neutral by 2050 (in line with the commitments

made in the national low carbon strategy (SNBC) and for the European Union's "Fit for 55" package). The rising consumption of electricity as a substitute for fossil energies, and the expansion of low-carbon energies, mean that significant expansion of the electricity transmission infrastructure is necessary.

This growth in the public transmission network will lead to an increase in scope 3 emissions associated with upstream and downstream parts of RTE's activities (indirect emissions relating to equipment purchases, work done by subcontractors, freight transport, waste), which is likely to cause an overall 18% increase in RTE's emissions between now and 2026.

RTE is going to introduce actions to best contain these growth-related emissions, while continuing its steps to reduce certain types of emission included in the GHG emissions report such as SF_6 leaks, travel, and energy consumption by its buildings. RTE has published its detailed transition plan presenting all the action that will be taken on the ADEME's GHG emissions report website[1], and a detailed summary can be found on RTE's own website[2].



— Results of the 2023 GHG emissions report for scopes 1 and 2 and partial scope 3 (relating to scope 1 and scope 2 emission categories)[3]

In 2023, RTE's GHG emissions indicator, which represents the CO_2 equivalent produced by scopes 1 and 2 emissions (including partial scope 3 relating to scope 1 and 2 emission categories) was 639 $ktCO_2eq$, an 8% difference compared to the recalculated indicator for 2022, 589 $ktCO_2eq$. There were contrasting developments on the two main emission categories that determine the scale of these two scopes:

- emissions relating to SF_6 leaks are stable (very slight increase of 1%) and total 94[4] $ktCO_2eq$ in 2023 (88% of scope 1), still well below the limit set at 97 $ktCO_2eq$ (which is equivalent to 4t of SF_6),

(1) Full details of RTE's GHG emissions report are available on the ADEME's dedicated website.
(2) Synthese-bilan-gaz-effe-serre-plan-de-transition-2023-2026_0.pdf (rte-france.com).
(3) See the Appendix for a methodological description of scope 1, scope and partial scope 3.
(4) The global warming potential of SF_6 was updated to 24,300 in the ADEME's carbon footprint base in September 2023 based on, the most recent IPCC report (100-year GWP).

despite some exceptional damage to the Coulange substation. This good result was achieved by the ongoing policies of plugging leaks and replacing the leakiest equipment, sometimes with facilities that do not use SF_6;
- emissions relating to network losses (emissions produced by the generation of extra electricity to compensate for these losses) rose by 10% between 2022 and 2023[(1)] because of the volume increase in TWh. In 2023 these losses caused emissions of 527 $ktCO_2eq$ (377 $ktCO_2eq$ in scope 2, attributable to combustion at power plants, and 150 $ktCO_2eq$ in scope 3, attributable to the fuels upstream of generation).

Emissions relating to employees' work-related travel totalled 12.8 $ktCO_2eq$ gross (including 9.2 $ktCO_2eq$ for RTE's fleet of road vehicles, and 2.3 $ktCO_2eq$ for air travel). Overall, these emissions were up by 5% compared to 2022, but given the increase in the workforce they were stable on a per-employee basis.

7.4.2 POLLUTION

RTE takes a proactive approach to reducing its environmental impacts and preventing the pollution of all kinds caused by its activities. This strategy includes preventive action, such as employee training or installation and compliance upgrading of containment systems beneath high-risk facilities, and curative action, such as provision of anti-pollution resources and procedures for intervention in the event of an environmental emergency.

Action against water and ground pollution by oil

RTE operates facilities that contain oil (power transformers, ancillary service transformers, underground oil-filled links, etc.). As these facilities are watertight, they pose no risk for the environment in normal circumstances, but they can be a source of damage to soil and water if an accidental oil spill happens.

The volume of oil leaks into the environment in 2023 was 58.3m^3.

2023 was marked by:
- a 7.5m^3 decrease in the volume of oil leaks from the "substations" category compared to past years. Several leaks were fully recovered thanks to the containment systems installed at RTE's substations;
- 50.8m^3 of leaks from equipment in the "Links" category, the highest level in recent years. 91% of this volume concerns just one underground link (Charpenay Vaisse). The leak was located by a helium-based detection technique. Artelia's research office worked with RTE from the very beginning of this problem to address the environmental consequences. Surface water samples analysed after the leak found no oil content. A piezometer was installed in December 2023. Once the results are available, RTE will decide in conjunction with Artelia on the next steps to take.

To bring down the volumes of oil leaked into the environment, RTE has introduced:
- replacement programmes for high-voltage equipment in the substations category that produces the most leaks or has the greatest fire risks (to limit oil leaks at source);
- a monitoring and compliance programme covering the containment facilities for high-voltage equipment (to capture oil in the event of a leak);
- a replacement programme for oil-filled underground links (to eliminate all risk of leaks by replacing the oil with a synthetic insulation liquid);
- dedicated processes to improve control over environmental emergencies (training employees to handle such incidents).

Action against water and ground pollution by PCBs

RTE no longer purchases equipment containing polychlorobiphenyls (PCBs) (as explained in section 7.8.3 "Aligned activities: analysis", this is a technical criterion defined in the Taxonomy Regulation).

Some of RTE's facilities may contain PCBs, particularly transformers in substations installed before 1994. To honour its commitment to eliminate or decontaminate all its PCB-polluted equipment

(1) As the emission factor for the average French electricity mix for 2023 was not available in the ADEME's Base Carbone database at the publication date of this management report, this calculation uses the 2022 emission factor.

(> 50ppm) by 31 December 2025, RTE has a specific plan that was approved by a ministerial decision of April 2014. An initial amendment was made to this plan in 2019 to take account of releases of polluted oil, and a second amendment was made in 2022 to include a pool of capacitors.

By October 2023, this specific plan and its first amendment was 98% complete (196 of 200 items of equipment had been treated).

The second amendment is 18% complete (178 of 676 facilities have been treated). Work is progressing on track to meet the 2025 deadline for treating all RTE equipment containing PCBs.

The "zero-phyto" objective

The phytosanitary products RTE uses at its substations are essentially weedkillers with active ingredients that destroy vegetation. RTE made commitments in the 2010 "Ecophyto" plan to monitor and analyse the use of such products through annual reporting, in order to validate the weeding work done as compliant with regulations.

To reduce its environmental impact, RTE has experimented with differentiated green space management and alternative weeding practices. The results of those experiments formed the basis of a strategy drawn up in 2018 to end the use of phytosanitary products at all of the company's substations.

Consequently, since 2018 all RTE's office sites have been maintained without weedkillers, and since 2019 all new substations in development must include features to make them compatible with "zero-phyto" maintenance.

Also, in 2023 six of the seven regional substation maintenance contracts included the obligation to use alternative weeding methods at sites of less than 5,000m^2 (unless exceptions have to be made for safety reasons).

RTE updated its strategy in 2021 with a new strategy, "zero-phyto II", to phase out the use of phytosanitary products progressively, in order of environmental priority. This new strategy was validated by the CRE in early 2022, and that enabled RTE to start making specific infrastructure investments. The plan is to continue these investments over the next few years, notably through contracts for studies and work to convert the existing sites to "zero-phyto" practices.

The percentage of sites converted to "zero-phyto" was 34.6% at the end of 2023. The employees working at sites that already follow this approach emphasise the benefits in terms of quality of life at work.

Professional development for all employees

As environmental protection campaigns require commitment from employees, RTE offers professional development action and materials in the form of methodological guides, awareness-raising, leadership and training.

RTE's environmental professionalisation group maintains and develops skills in this field by offering employees specific training appropriate to the company's environmental concerns: understanding the impacts, waste management, third party safety and biodiversity. This group makes sure that the training available in every business function incorporates these concerns. It monitors all the company's environment-specific training and prepares new courses if necessary.

In 2022 for example, the Skill Development Plan was generally respected, and 41 in-person training courses were held. Two new e-learning courses (on Waste management and Polluted sites and land) were introduced.

To meet the traceability requirements for employees who have been tested on coping with a potential environmental emergency situation, RTE has set up and trialled a Workplace Simulation Training Campaign. Employees in the target groups can be registered and their test results monitored over 3 years. This was generalised from early 2023.

7.4.3 UTILISATION OF RESOURCES, AND THE CIRCULAR ECONOMY

One condition for a successful energy transition is significant network development and upgrading, especially for the French electricity transmission network. This will result in a substantial increase in raw materials requirements.

The situation of certain raw materials is identified as critical. For example:
- an estimated 30% shortfall between worldwide demand and the supply of copper from mines is forecast between 2025 and 2030, in view of global competition and the major actors in certain links of the value chain;
- the supply chain for aluminium is dominated by China and Russia.

For other resources in a less critical situation such as steel, the supply chain has been affected by Covid, energy prices and the war in Ukraine.

In view of this context, RTE has sought out and identified solutions for better anticipation and control of:
- risks of shortages or delays in procurement of materials and equipment, and the related economic issues;
- environmental risks, since the greenhouse gas emissions from RTE's physical assets, particularly consumption of raw materials for infrastructures, are the company's second-largest category of emissions (24% or 241 $ktCO_2eq$), and since exploitation of natural resources is the principal pressure put by RTE on biodiversity, due to the pollution and artificialisation it causes.

In view of these needs and the demanding context, RTE considers the circular economy as an opportunity.

The transition towards a circular economy aims for action that respects the planet's limits and looks beyond the linear economic model consisting of extraction, production, consumption and discarding, to call for restrained, responsible consumption of natural resources and primary raw materials. It also involves prevention of waste, notably through reuse, recycling or if this impossible, sale of waste.

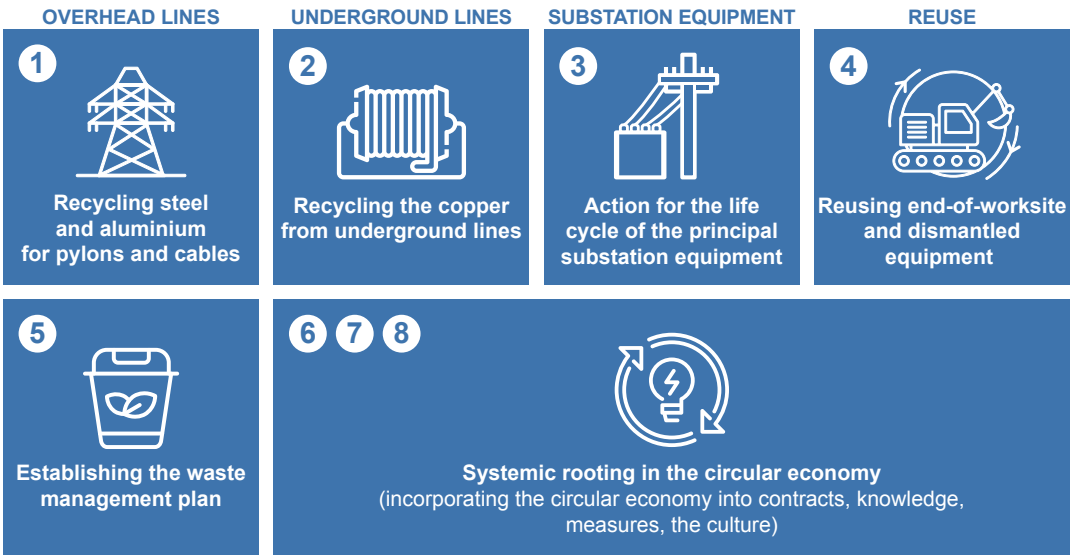
RTE, working with experts from all the functions, has thus identified action to reinforce the circular economy. The purpose is to give greater consideration to the environment right from the design stage of the company's projects, policies and purchases, taking a full life-cycle approach and helping to make part of the supply chain secure.

Actions for the circular economy

An in-depth technical, economic and environmental assessment has been in process since September 2022 with the internal entities concerned, to devise and propose an action plan for the circular economy.

This work has confirmed the need to increase RTE's resilience against risks relating to procurement of raw materials (notably copper and aluminium).

The action plan defines proactive steps for concrete industrial objects (overhead lines, underground links, substations), with systemic rooting in the circular economy, and very fast experiments ahead of full-scale deployment by 2030.



The first actions in this roadmap directly concern RTE's assets:

- increasing the portion of recycled materials in overhead links (cables and pylons), underground links and the principal substation equipment;
- reusing dismantled equipment when it is in good condition or repairable, and equipment left at the end of a project.

Cross-functional action has also been identified to encourage systemic rooting in the circular economy at RTE:

- formally establishing the waste management plan as required by the green taxonomy (see section 7.8.3.2 "Technical analysis of alignment with the 'climate change mitigation' objective"), with a view to measuring the waste avoided, notably through reuse;
- measuring the carbon footprint and making decisions accordingly, through purchasing approaches and tools that take account of the whole life cycle of a piece of equipment;
- creating an ecosystem conducive to this approach, by identifying the French (or European) actors able to repair equipment or recycle materials qualitatively through new French waste management channels;
- developing a circular economy culture through communication and training.

Qualitative recycling of materials, especially copper and aluminium from RTE's links which are very pure in content, is very important for RTE.

The company therefore introduced a qualitative experiment in 2023 for recycling aluminium alloy(1) from dismantled overhead cables, to make new overhead cables. RTE took a sample of cable removed from the power lines in the Maurienne valley, cut it into sections, then gave it to the firm MTB to separate the aluminium from the other materials. This used aluminium was then blended with very pure primary aluminium by the German group Trimet in its furnaces at Saint-Jean-de-Maurienne. Aluminium wires including the recycled aluminium were then used by cablemakers to produce new overhead cables. The material recycled in the Maurienne valley thus resulted in 40km of renovated lines in the Corrèze and Maine-et-Loire regions. This experiment, which involved a large number of actors from RTE and in its industrial ecosystem, demonstrated the technical feasibility of installing a new overhead cable containing some recycled matter – a world first.

RTE is now aiming to industrialise this process further, in view of the needs of the transmission network.

Similar experiments are under consideration for the future, notably concerning copper.

(1) Alloy of aluminium, magnesium and silicium, used mainly in production of overhead electricity lines.

Actions for waste management

RTE encourages reuse of earth at its worksites and is continuing its action to recycle all types of waste (except final waste).

These actions were applied at 48 "eco-sites" in 2023, and spread by local initiatives, reducing the volume of waste for the year to 213,000 tonnes, and maintaining an excellent overall recycling rate of 92% for all waste.

Meanwhile, various tests and measures to reduce the mass of waste produced by RTE in coming years are currently in progress:

- in partnership with France's national railway company SNCF and electricity distributor Enedis, recycling tests for glass from insulator strings led to production of cullet (crushed glass) that was pure enough to be accepted for glassmaking.
  these tests involve crushing the glass and separating it magnetically from mortar. Ultimately it will be possible not only to recycle the glass, but also to reduce the weight of the buried mass on insulator strings by around three quarters;
- at the IMOA[1] project management institute, a working party was launched to facilitate reuse of excavated earth, with 2 focuses:
  - finding the simplest method in view of current regulations and tools;
  - identifying ways to improve the regulations in order to streamline and simplify the processes leading to reuse, and making corresponding proposals to the authorities.

Also, after encapsulated asbestos pads were discovered in some insulator strings in 2023, RTE informed all of its industrial partners. The insulator strings concerned are now considered as dangerous waste and the company is drawing up protocols for optimum management of remedial measures.

Finally, a support function was introduced for waste management, enabling the company to:

- respond more rapidly to users' questions about on-site waste collection, particularly through interactions with the French government's *trackdéchets* hazardous waste traceability base, which is now interconnected with RTE's own internal waste traceability app;
- make better use of waste traceability tools, with a helpline available five days a week, and training;
- open up its internal waste traceability app to other service providers on smaller sites, to ensure the fullest traceability.

7.4.4 BIODIVERSITY

7.4.4.1 Actions for plant and animal life and the landscape

90% of RTE's facilities are located in natural or agricultural zones. RTE makes sure its installations and activities are integrated into the environment, and takes practical measures to promote biodiversity.

To take its commitment further, in 2020 RTE joined the *Entreprises Engagées pour la nature* (Companies committed to nature) – *Act4 Nature France* initiative and the Act4nature International Alliance[2].

RTE is continuing to implement its **action plan for the period 2020-2024**. This action plan was also filed as one of the programmes of *Entreprises Engagées pour la nature* (Companies committed to nature) – *Act4 Nature France* initiative and the Act4nature International alliance. This is a clear declaration of RTE's commitments in nine areas relating to vegetation management beneath power lines, reducing the use of chemical weedkillers, protecting birdlife, identifying the biodiversity impacts of the company's activities, stakeholder relations, and employee training.

Protecting birdlife and installing power line markers

RTE installs special devices to limit the impact of its facilities on birds. Through its policy of using line markers to protect birds, the company has taken steps to eliminate the most sensitive points concerned by bird collision risks. These markers are visual devices installed on conductors and earth wires to make them more visible, and therefore lower the risk of birds flying into them.

(1) *Institut de la maîtrise d'ouvrage.*

(2) *The **Entreprises Engagées pour la nature – Act4 Nature** programme is a State-sponsored initiative linked to the French Biodiversity Office (Office français de la biodiversité – OFB) that has existed since 2018. It took over from the Stratégie nationale Biodiversité, which had around thirty members but very few businesses, and then the Act4Nature initiative. RTE is also a member of the* **Act4Nature International Alliance** *(which works to promote biodiversity).*

Around 2,600km of overhead lines carried markers to protect birds by the end of 2023.

RTE is a member of France's national birdlife committee (CNA[1]) which involves associations (LPO, FNE), Enedis and the Ministry for the Environment. The CNA is a forum for dialogue to prioritise actions to protect birdlife around power lines.

Developing biodiversity below the lines

RTE takes action to promote biodiversity-friendly vegetation management practices in the land beneath its lines.

These practices consist of restoring or creating natural open environments, maintained through grazing, late mowing or selective cutting. They are compatible with electricity grid safety. They improve the integration of facilities into the surrounding countryside, encourage biodiversity and good relations with third parties, while also reducing maintenance costs.

By the end of 2023, a total 1,528 hectares of land had been made biodiversity-friendly. RTE has made a commitment through the Entreprises Engagées pour la nature (Companies committed to nature) – Act4 Nature France initiative to raise this to 2,300 hectares by the end of 2024.

7.4.4.2 Action to promote knowledge and protection of the marine environment

RTE is the entity in charge of connecting France's offshore wind farms, and several undersea electricity interconnectors.

To complete these projects while protecting the environment at every stage of the offshore facilities' life-cycle, RTE is working with partners in the marine world to enhance relevant knowledge. It strictly implements the avoid-mitigate-offset-monitor (ERC-S[2]) principle and supports skill development for this type of work.

— Identification and anticipation of the impacts and potential benefits of RTE's activities for marine biodiversity

RTE is engaged in several research and development projects with scientific partners, some completed and some ongoing, to study and control the potential ecosystem impacts of underwater electricity cables. These projects pursue three principal aims:

i. studying the potential effects of installation and operation of undersea electricity cables;
ii. characterising the dynamics of the environments where offshore floating and fixed-foundation wind farms and their connections to the network will be located;
iii. exploring innovative solutions, for example through the BIOMIM – *Lignes de vie marine* (marine lifelines) project, which focuses on bio-inspired solutions for offshore wind farm connection. The objective is to combine a solution inspired by nature with a marine infrastructure that can sustain regeneration of ecosystems.

— Measures to protect the marine environment

As required by environmental regulations, RTE takes measures at every stage of projects to avoid, mitigate and offset the impacts of connection on marine and coastal ecosystems.

For example[3], RTE pays close attention to the potential effects on vulnerable species and habitats in the benthos (seagrass meadows, maerl beds, kelp, honeycomb worm and coral reefs) due to modification of the seabed. In most cases these effects are avoided thanks to early accumulation of knowledge, acquired by giving due consideration to marine conservation areas and conducting documentary research. Knowledge of the environment is also enhanced through local studies using sampling and imaging, so that routes can be adapted as necessary. Functional (breeding, feeding and migration) zones that are vital for marine creatures' life cycle are also taken into account when the location of offshore facilities is selected, to make sure a project does not affect habitats or species and respects the functional role of the sectors concerned.

(1) Comité national avifaune.
(2) Éviter, Réduire, Compenser, Suivre.
(3) More details and other examples are available in document no. 43 on "Environmental impacts of offshore wind power and connection facilities", prepared for the public debates on planning for maritime spaces. https://www.debatpublic.fr/sites/default/files/2023-11/MEMN_Fiche_43_Impacts_eolien_en_mer.pdf

7.5 SOCIAL INFORMATION

7.5.1 WORKERS CONTROLLED BY THE COMPANY

7.5.1.1 Diversity, equal opportunities and inclusion

Maintaining the right conditions to promote diversity, inclusion and equal opportunities both inside the company and in the choice of partners.

Details of RTE's workforce[1]

By category	Total	Operational staff	Supervisory and technical staff	Executives
Permanent contracts (IEG and non-IEG status)	**9,499**	392	3,717	5,390
Temporary fixed-term contracts	**526**	259	244	23
work-study contracts	**507**	259	243	5
other fixed-term contracts	**19**	0	1	18
TOTAL WORKFORCE	**10,025**	**651**	**3,961**	**5,413**

By age group	Total	< 25	25-34	35-44	45-54	55-59	> 60
Permanent contracts (IEG and non-IEG status)	9,499	385	2,507	2,773	2,408	1,061	365
- %	*100.0%*	*4.1%*	*26.4%*	*29.2%*	*25.4%*	*11.2%*	*3.8%*
Temporary fixed-term contracts	526	433	81	10	2	0	0
- %	*100.0%*	*82.3%*	*15.4%*	*1.9%*	*0.4%*	*0.0%*	*0.0%*
work-study contracts	507	432	63	10	2	0	0
other fixed-term contracts	19	1	18	0	0	0	0
TOTAL WORKFORCE	**10,025**	**818**	**2,588**	**2,783**	**2,410**	**1,061**	**365**
Total percentage	***100.0%***	***8.2%***	***25.8%***	***27.8%***	***24.0%***	***10.6%***	***3.6%***

A company ambition

Beyond its legal obligations to prevent discrimination and promote diversity, RTE, as a company with a public service mission, wants to uphold the values of a changing society, and take full Corporate Societal Responsibility (CSR).

RTE's Diversity policy is founded on respect for each employee, equal opportunities and inclusion: these are all levers for quality of life at work, the company's appeal as an employer, and a sustainable performance.

This ambition is pursued through action focusing on three dimensions: gender equality at work, disability, and more broadly an "intercultural" approach that covers other diversity and inclusion criteria.

(1) The scope of the workforce is defined in the Appendix at the end of this report.

Continuing an ambitious policy for gender equality at work

Application of RTE's agreement on gender equality and the gender balance for the period 2020-2024 continued to advance in 2023, with ongoing action by the "RTE Gender Mix network" launched in 2022 to encourage more women into the "technical" and managerial functions. This network is sponsored by the Executive Board and has 374 members, 30% of them men (a remarkable proportion in this kind of network).

Some of the key steps taken by the regional gender mix networks in 2023 were the production of podcasts giving employees a chance to express their opinions, issuance of a guide to paternity leave, and organisation of round table discussions at which female managers talked about their own career experiences.

On 1 March 2023 RTE also published its gender balance "index" as required by French law. It reached the score of 94/100 (one point higher than in 2022, and above the average index for companies with more than 1,000 employees, which was 89.7/100 in 2023).

The following information is provided in compliance with France's "Rixain" law which requires disclosure of any gender gaps in management positions. It is based on data from 2022[(1)]:

- percentages of women/men among management executives: there were 12 women and 34 men at 31 December 2022, such that the percentage of women was 26.08% (compared to 23.4% in 2021);
- percentages of women/men among all members of RTE's management bodies: at 31 December 2022, the executive committee consisted of 17 members, 5 women and 12 men, such that the percentage of women was 29.4% (compared to 17.6% in 2021).

Steady progress is being made on the priority objective of proactively working to raise the proportion of women in the workforce. The agreed target is set at 23.5% by June 2024:

Percentage of women in RTE's workforce

2021	2022	2023
23.3%	23.4%	23.5%

Progress is continuing every year despite existing structural and economic obstacles: low personnel turnover in a company that has always had a low proportion of female employees, under-representation of women in the education pathways that train people in the company's areas of activity, and a job market under significant pressure.

In the more administrative and clerical functions, however, the gender balance is closer to parity: 40.8% of personnel in RTE's central functions are women.

Percentage of women in the national and regional management committees

	2021	2022	2023
Percentage of women in national and regional management committees	26.01%	26.01%	28.35%

RTE's Executive Board, formed in 2020, currently has a majority of women for the first time (three women out of a total five members).

Percentage of women in local management

	2021	2022	2023
Percentage of women in local management	24.40%	23.53%	22.98%

Continuing the proactive policy in favour of people with disabilities

At the end of 2022, 5.47% of RTE's employees were registered disabled.

The agreement for 2021-2023 signed on 4 March 2021 and approved by the regional department for the economy, work and solidarity on 17 June 2021 is RTE's 6th agreement for integration, retention and career development for disabled employees.

Results for recruitment of disabled employees and disabled work-study students and interns:

	Annual targets	2021	2022	2023
Employees hired	10	10	9	14
Work-study contracts	10	4	7	6
Fixed-term contracts			2	
Interns	20	55	46	24

(1) The data for 2023 will be known in March 2024 when the legally required index of gender equality at work is published.

Purchases from the protected and sheltered sectors progressed substantially in 2023 to reach €3,451,230. The 2022 target was €2 million, with the ambition of reaching €3 million in 2023.

In application of French law n° 2018-771 of 5 September 2018 for people's freedom to choose their future careers, RTE has departed from the approach taken in the agreements approved before 31 December 2023 and has begun to negotiate its 7th agreement in extension of its previous commitments.

Inclusive integration of all forms of diversity

• Awareness-raising and communication regarding the three dimensions of the diversity policy

RTE carried out a variety of awareness-raising and communication campaigns in 2023 targeting all its employees and focusing on the three dimensions of its diversity policy. These actions involved a quarterly newsletter, three comic strips, and the *Cap Diversité* game to be used in the work teams.

To reinforce the company's anti-discrimination measures and related whistleblowing system, work continued in 2023 to inform managers and employees generally.

7.5.1.2 Health, safety and wellbeing of internal and external stakeholders

Protecting health and safety and developing quality of life at work for the company's employees, suppliers, and all third parties

2023 was the second year of application of the 2022-2024 policy for health, safety and quality of life in the workplace. Several actions set out in the safety management programme were completed, for example:

- launch of the policy to prevent musculoskeletal disorders;
- organising the project for prevention of addictive behaviours;
- continuing safety leadership by circulating a Good leadership guide for employees and contractors, establishing a firm safety leadership base for management, and designing a training course for site managers.

To complement this, the division in charge of health, safety and quality of life at work and the function managements worked on priority areas for occupational health in a broad sense, to be incorporated into the next #Safety policy, which will begin in 2025. Three priority areas were defined: an appropriate working environment, commitment by the management and teams, employees' rights and responsibilities in the company.

To promote safety, close contact was maintained with ongoing site work. Nevertheless, there was a higher number of accidents at work that entailed sick leave this year, especially during manual load handling.

To promote quality of life at work, preventive action against psychosocial risks was continued, in response to the needs expressed by RTE's teams. There was a large increase in reports of harassment, sexist and sexual abuse, reflecting a greater willingness to speak out, and greater managerial attention to such matters. All such reports were investigated, principally by external firms engaged for the purpose. Assessments of psychosocial risks included in occupational risks continued in RTE's four establishments.

Practical implementation of French law 2012-1018 of 2 August 2021 continued at RTE (particularly concerning required medical check-ups). As in 2022, the delegated doctors were able to share the results of the EVREST 2019/2022[(1)] report with the company's functions. These doctors are regularly called on to contribute to the corporate reflections.

— Health and safety action for contractors

Regrettably, one fatal accident and several serious accidents occurred in 2023. They were associated with movements by heavy vehicles, provisional phases of returns to strenuous work, work in the vicinity of high-voltage installations, non-systematic verification that the low-voltage current was off, and other situations. RTE has begun a campaign to make contractors more aware of the most common and/or serious risks on engineering worksites:

- carrying heavy loads or repeatedly carrying loads;
- using cutting tools, on both high and low-voltage equipment;
- site machinery (collisions and machines tipping over);
- moving objects;
- equipotential high/low-voltage working zones.

(1) EVREST: EVolutions et RElations Santé Travail (health and employment-related developments and relations). This report is published every 2 years and concerns health data collected by questionnaire during regular check-ups.

Another key long-term action concerns more detailed preparations for services provided by external contractors, whether they concern engineering work (Upstream Safety Review), green areas (Site visits when work begins) or buildings (prevention plans). Following the fatal accident of 2022, a video was made to raise awareness of the importance of wearing safety belts while operating vehicles and machinery was also produced.

— Accident data for RTE employees and contractors

Accidents occurring while at work that caused sick leave, for the principal risks: sudden illness, falls on the same level, road risks, electricity risks, falls from height, moving objects, machine tools, manual load handling.

	RTE employees			Contractors		
	2021	2022	2023 (at 30/10/2023)	2021	2022	2023 (at 31/12/2023)
Work-related accidents entailing sick leave	80	72	71	61	55	59
Work-related accidents not entailing sick leave	74	70	87	36	28	18
Total number of work-related accidents	154	142	158	97	83	77
Fatal accident	0	1 (1)	0	1 (2)	1 (3)	1 (4)
Including: sudden illness at work followed by sick leave	21	16	16	7	4	4
Accidents entailing sick leave – Electricity risk	1	0	0	2	1	0
Accidents entailing sick leave – Falls from height	4	2	0	7	4	5
Accidents entailing sick leave – Falls on the same level	25	22	18	9	11	11
Accidents entailing sick leave – Road traffic	4	9	4	0	1	1
Accidents entailing sick leave – Falls of moving objects	10	4	3	15	16	13
Accidents entailing sick leave – machine-tools	2	4	0	15	12	15
Accidents entailing sick leave – manual load handling	9	12	26	5	3	6

(1) On 23/03/2022: A pair of RTE employees were staying in rented property while on a business trip. One of them found their colleague in bed, lifeless. Reservations were expressed when the accident declaration was made.

(2) On 09/06/2021: while metal runners were being taken down at the end of engineering work on an underground link, a company employee was knocked over by a digger at 5.15pm. The emergency responders gave the victim first aid but were unable to resuscitate him, and he died at approximately 5.50pm.

(3) On 9/06/2022: during a transfer to a worksite where foundations were being consolidated, the forklift truck being driven by the victim along a straight lane with no camber and a slight upward slope veered off the track for an unknown reason, and plunged down a steep slope. The truck tipped over and its descent was halted by trees. The driver was thrown from the cabin, and was found at the foot of a tree further downhill by another team who had been following him. The emergency responders were unable to resuscitate him.

(4) On 11/04/2023: while clearing vegetation prior to erection of a connecting gate, the disc blade of a (rented) strimmer being used by one of the contractors' employees broke into pieces. Some pieces were projected into the air, and one hit another operator (a temporary employee) in the groin. The foreman called the police and the emergency ambulance services, who came to the site. The temporary employee died of his wounds not long before 11.30am while he was being taken to hospital.

	2020	2021	2022	2023
LTIR [1] – RTE employees	2.70	2.62	3.02	3.34
LTIR [2] – contractors	11.39	10.35	7.87	8.14 [2]

(1) Definition of LTIR (Lost Time Incident Rate):
The LTIR is an indicator for accident prevention and safety, corresponding to the ratio of accidents at work entailing sick leave to the number of hours worked. Only accidents at work entailing sick leave are included; accidents while commuting are not included.
The following events are also excluded from the LTIR (even when they relate to accidents at work entailing sick leave):
- *sudden illness at work that is unrelated to the work being done;*
- *accidents at work entailing sick leave subject to reservations (without prejudice to the opinion of the social security body CPAM);*
- *accidents at work entailing sick leave that happen to employees on work-study contracts at their school;*
- *accidents at work entailing sick leave that happen during social events, while taking part in sports or other events (unless on the employer's instruction).*

(2) The scope has been broadened: in addition to contractors providing services to the Maintenance and Development and Engineering divisions, it now includes contractors providing services to the Engineering – Offshore interconnectors and networks, and the real estate and logistics divisions.

7.5.1.3 Skill development and talent management

Anticipating transformation in the company's activities; supporting development of human capital and the skills and talents of employees, suppliers and partners

In the current context of change in the electricity market, the need to support the energy transition, and growth in its business, RTE's areas of work are evolving fast.

Skills are a vital key to prepare for and support the evolution of RTE's fields of activity, technological innovations, and the company's transformation.

To rise to these challenges, RTE is striving to change its organisation methods and work processes, and generally improve its operation and management modes, to enhance performance. Its training policy, which is included the company's strategic priorities, supports employees as they advance in their careers and increase their skills.

This policy focuses on the following areas of development:
- the concept of "operability", given the increase in network studies: designing electricity installations that are sustainably operable as regards management of the electricity grid;
- technical engineering skills in the fields of undersea power lines, offshore substations and direct-current substations;
- the fundamentals of project management;
- managerial skills;
- adapting the available professionalisation training concerning consultation when new electricity facilities are created or existing ones are replaced;
- building IT skills: system development, architecture and planning, cyber-security, telecommunications, infrastructure;
- evolving along with the technical and operational changes brought about by the energy transition for Operation and Control, particularly Supply-Demand Balancing and multi-situation analyses that involve real-time interpretation of complex results using "new adaptive zone automatons" (NAZA) that optimise local and regional network investments;
- specialist Maintenance skills, notably for High-Voltage work, metal-enclosed substations, underground lines, offshore underground lines, AC/DC converter Stations, Static VAR compensators, marine environments;
- new technologies, as use of SF_6 is being discontinued in circuit breakers and metal-enclosed substations;
- professionalisation training for management and supervisory staff on health and safety issues, aiming to embed safety awareness in working practices;
- data science and Statistics for Asset Management, with skills in ecodesign, the circular economy, the environment and Artificial Intelligence.

And, in general, learning and maintaining skills related to the legal and regulatory requirements applicable to the work being done (standards upheld by the French electricity operators' association UTE, rules for SF_6, decrees on risk management at sites where several companies are working at once, etc.).

More specifically, the following two actions for skill development took place in 2023:

- **Project management:**
  The significant upgrading and expansion of the electricity transmission grid that are necessary for a successful energy transition have caused an increase in RTE's investment project portfolio. Tighter control of project management is now required to ensure that projects are completed to specifications, on budget and on time.

  In the transition to carbon neutrality, good management skills are crucial for monitoring project performance, and therefore crucial for accomplishment of the corporate mission statement.

  To give project leaders and managers the best support, rollout of a fully-updated set of practices for each level of responsibility began in 2023, so that all functions will have a common project management methodology. This methodology was designed in line with the international Project Management Institute standards, and comprises 4 levels of responsibility;

- **The Paris Electricity System Control Centre:**
  This new entity (described in section 5.4 "Corporate Mission Statement") has benefited from support for organisation and skill development. The company provides additional training for employees whose career paths will lead them to this control centre, for example increasing skills in the new geographical zones, and providing professional development in technical matters for the managers in the centre, as appropriate to each person's needs.

Skill development in figures

Training indicators	2021	2022	2023
Total hours of training (in thousands)	367	379	397
Average hours of training per employee	39	40	41
Training budget as % of total payroll	6.%	6.3%	5.9%

— Developing managerial skills to better support change and consolidate performance

In view of RTE's increasing volume of activity, managerial skills are a key point of attention in the company. These skills are sustained by a combination of ongoing, targeted action (professionalisation training, recruitment, coordination and communication and major projects with an effect on the overall management system) that brings results in the longer term. All this action is based on the company's managerial methods, and on information collected through diagnoses of managerial practices (the "social barometer" survey, annual evaluation interviews, practical assessments).

Managerial training

Managerial training at RTE has three target populations with different levels of experience: junior managers, experienced managers, and senior executives and executive managers.

Training arrangements for these populations are set to change in 2024.

The new managerial training will consist of a **common core for 3 levels of managerial responsibility** (Local Managers, Managers of Managers, and current or future Executive Managers), **a menu of 15 courses** open to all managers (managing labour relations, developing leadership skills, team management, etc.) and **lectures to expand managers' horizons**, open to all managers.

A few key figures:

- **more than 350 managers have received training in change management** since 2018;
- **60% of managers have been trained through team learning** since 2013;
- **around 80 junior managers are trained in the fundamentals of management** every year;
- Tailor-made training courses are prepared for the **new managers at the Electricity System Control Centre**;
- **the overall rate of satisfaction** with managerial training is **88%**, and face-to-face training is considered the best mode.

Individual and collective support measures (in addition to training)

In addition to its training courses, RTE offers its managers more targeted support, which may be individual or collective. These support measures have gradually become more formally structured since 2019, and involve **personal coaching, mentoring**, and **support for managerial teams**, which has become very popular in the last few years.

A few key figures:

- **personal coaching is on the rise and spreading to all levels of the hierarchy**, in a range of formats (over 6/8 months, 12 weeks, 1 hour, hybrid arrangements): **40 to 50 employees are concerned every year**;
- **between 15 and 25 junior managers** each year since 2021 have received the support of a **mentor** for one year;
- **the women's Managerial Development network** in HR departments (launched in 2022) organises around **30 events each year for managerial teams**, plus **team learning sessions and dedicated workshops**;
- **management committee seminars** on specific themes such as self-confidence, the meaning of work, "better self-knowledge for better group work", and "collective decision-making".

Changes in the managerial practices underlying key projects

In 2023, RTE defined formal goals for 2024 on several subjects (projects, investments, safety, diversity, etc.) with a view to making significant steps forward that will help to achieve the company's longer-term ambitions and **improve performance**. These goals form the **Focus 2024** plan. To encourage all employees to commit to the new faster pace, the managerial teams began work in October 2023 to adapt the goals to their respective departments and then to each individual employee through their **annual evaluation interviews**.

New ways of working were also introduced in 2023: working from home increased, and various arrangements based on a standard number of days were offered to eligible employees. Harmonisation memos were prepared at the instigation of managers in each team, to set common practices (meeting times, disconnection rights, collective time at the office/site, etc.). RTE's managers will thus have to develop greater **trust, accountability and autonomy**.

Finally, the managers concerned by this organisational transformation in application of the company's mission statement have led **changes** with their teams, and provided **support** with the help of the HR division to develop **mobilities** and execute career plans.

Reinforcing the company's appeal

In addition to the current transformations, the substantial growth in the company's workload due to implementation of industrial programmes is leading to workforce growth at a time when the job market is under pressure, there is a shortage of qualified technical labour, and new skills must be developed.

With all this in mind, RTE is working to develop the company's reputation as a good employer in order to raise the company's profile among potential employees. This is why it chose to undergo the *Great Place to Work* certification process (see the "Significant events" section).

A Skills project was also started in early 2023, with two principal focuses:

1. taking preparatory steps for the RTE Academy, to address the need for larger and more stable recruitment pools, by offering a diversified range of training;
2. the Action plan for employment and career path management, to bring changes to HR processes in order to increase the overall effectiveness of the company's skill management and development. This objective is intended to create a closer link between the dynamics of career plan and professional development implementation for employee, and the company's strategic requirements.

The purpose of the Skills project is to give RTE sufficient human resources with the competence and adaptability to cope with future developments.

— Promoting and supporting socially responsible action by employees:

In January 2023, RTE released a socially responsible action platform for its employees.

This new platform is a concrete presentation of the option available to every employee to devote one working day a year to skill sponsorship. It also offers opportunities for longer-term sponsorship arrangements.

1,760 employees had signed up by the end of 2023.

Every volunteer can:
- use their 8-hour quota to provide skill sponsorship during their working time;
- undertake voluntary work;
- learn about a CSR-related topic through challenges;
- support a charity financially, by making a donation.

In 2023, RTE's employees did 353 hours of voluntary work for charities, mainly charities acting to reduce poverty and precarious situations (48%), to benefit the environment/biodiversity (47%), and to support people with disabilities (37%).

In parallel, two long-term skill sponsorship arrangements were concluded: renewal of a 2-year employee secondment to *Électriciens sans frontières* (Electricians without borders – ESF), and provision of skills to the charity Emmaüs by an employee nearing retirement.

7.5.1.4 Social dialogue

— With the unions: promoting social dialogue

RTE has always encouraged social dialogue to support organisational change, and it remained true to this approach throughout 2023, a year that saw some social unrest due to France's pension reform.

Continued support for change under the corporate mission statement

Social dialogue relating to implementation of the corporate mission statement continued in 2023, and several new steps were taken.

For example, two working time agreements were signed for the new 24-hour control centres (the electricity system control centre in Nantes and the Equipment control centre in Nancy), paving the way for opening the centres in optimum conditions.

Oversight of employee representative elections

Throughout the first half of 2023, the teams at the HR division worked on preparations for the employee representative elections held in November.

Three related agreements were signed: an agreement on electronic voting, a pre-election memorandum of understanding concerning the election of members of the company's social and economic committees, and a pre-election memorandum of understanding concerning the election of members of the central social and economic committee. A major communication campaign was undertaken, with the dual aim of encouraging employees to stand for election, and encouraging employees to vote. The participation rate increased by 2.33 points compared to the last elections (in 2019).

Collective agreements signed at RTE in 2023

16 agreements were concluded in 2023.

7.5.1.5 Action to promote ties between the Nation and the Armed Forces, and to support engagement in the reserve forces

In 2019 RTE signed an agreement with the French Armed Forces Ministry to promote engagement by its employees in the military reserve forces.

In application of this agreement, a liaison officer was appointed at RTE to promote such engagement inside the company. This person is the contact for any requests for information from RTE employees interested in the reserve forces.

The following significant events and actions took place in 2023:
- on 9 January 2023 RTE was awarded one of the National Guard's prizes given to companies in recognition of action in favour of the reserve forces;
- administration of a "defence" community (of declared reservists and sympathisers) on the intranet, to share news about the reserve forces and announce webinars organised by the National Guard;
- an interview with an RTE employee who is an army reservist, in which he talks about his motivation and activities, was posted on the company's intranet site and on social media on 27 November.

7.5.2 CUSTOMERS

7.5.2.1 Maintaining high quality in electricity

France's electricity grid needs to adapt to changing customer uses, particularly to meet the objectives of decarbonisation, reindustrialisation and incorporation of renewable energies, while at the same time modernising the network and replacing many of the oldest components.

Ensuring a secure power supply is essential for development of France's national economy and sovereignty, notably to attract the kind of businesses for which electricity quality is a fundamental requirement.

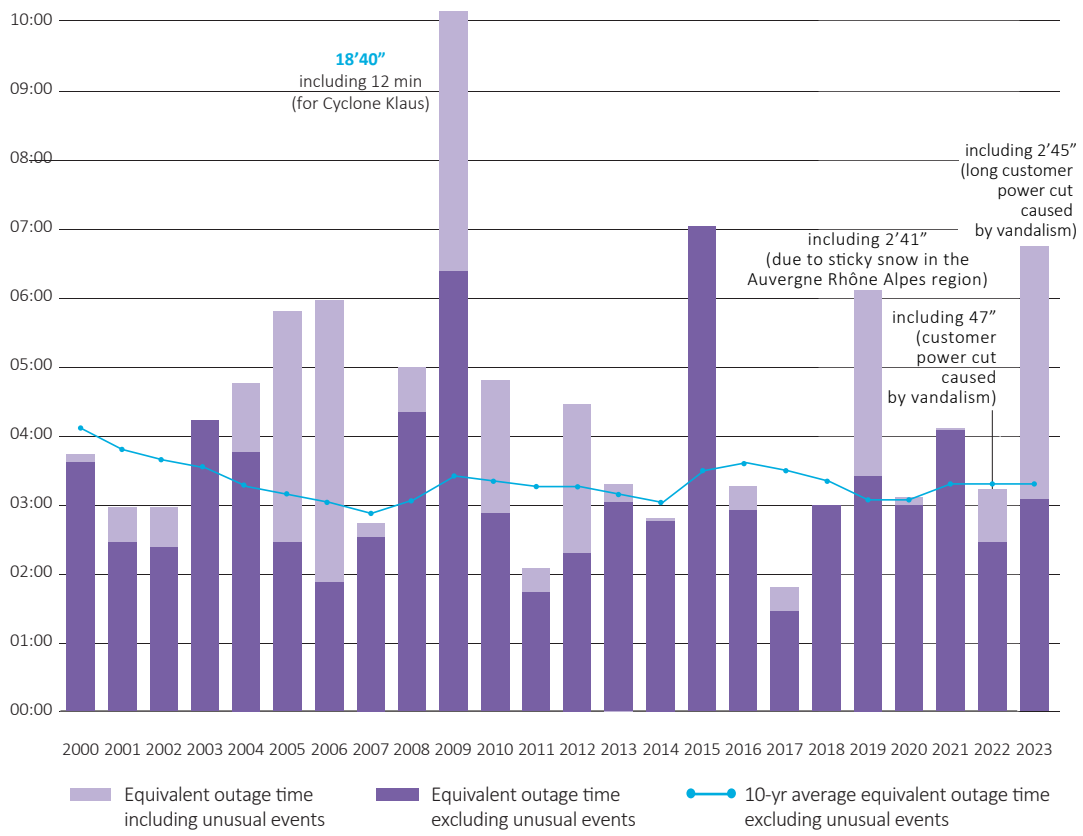
Also, society is becoming increasingly sensitive to power cuts. Any break in power supply is considered very costly for the community and for customers, due to economic losses caused by disruption to industrial and professional work, disturbance to transport services, etc.

Maintaining high quality in electricity is a major challenge in today's unprecedented context of infrastructure replacements and connection of new customers. RTE is taking action to address this issue, making three-year commitments concerning the quality of electricity for customers (consumers and distributors).

RTE uses several indicators to measure its performance on electricity quality:

- **Equivalent outage time:** the average duration of long power cuts affecting customers on the network. In 2023, the total equivalent outage time is currently estimated at 6 minutes and 48 seconds*. The occurrence of an "unusual event" as described in the TURPE network access tariff exempts RTE from liability for certain power cuts (for example in *force majeure* situations such as exceptional weather events). This distinction is used to identify the amount of equivalent outage time attributable to such events. In 2023, **11 incidents** were classified as **unusual events**, and they caused a total equivalent outage time of 3 minutes and 43 seconds*.
The equivalent outage time excluding unusual events thus totals 3 minutes and 5 seconds[1]**.**
The equivalent outage time for 2023 is in line with the average for the previous ten years (3 minutes and 18 seconds).

Equivalent outage time
(in minutes)

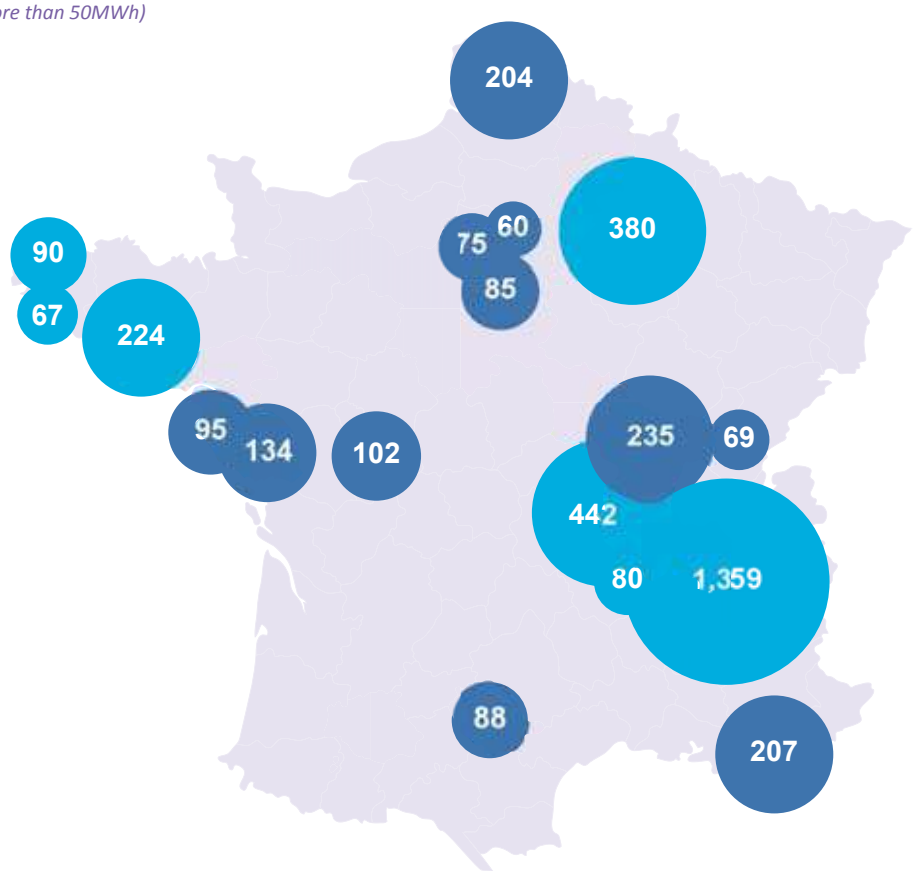


(1) These results are provisional, as it takes two months to validate the technical and contractual analyses of events.

- This equivalent outage time corresponds to **undistributed energy** during long power cuts. This undistributed energy in 2023 amounted to 4,629MWh*, or **2,095MWh*** excluding unusual events.

The diagram below illustrates the distribution, nature and scale of the long power cuts that generated the most undistributed energy (more than 50MWh) in 2023:

Principal events that generated undistributed energy
(more than 50MWh)

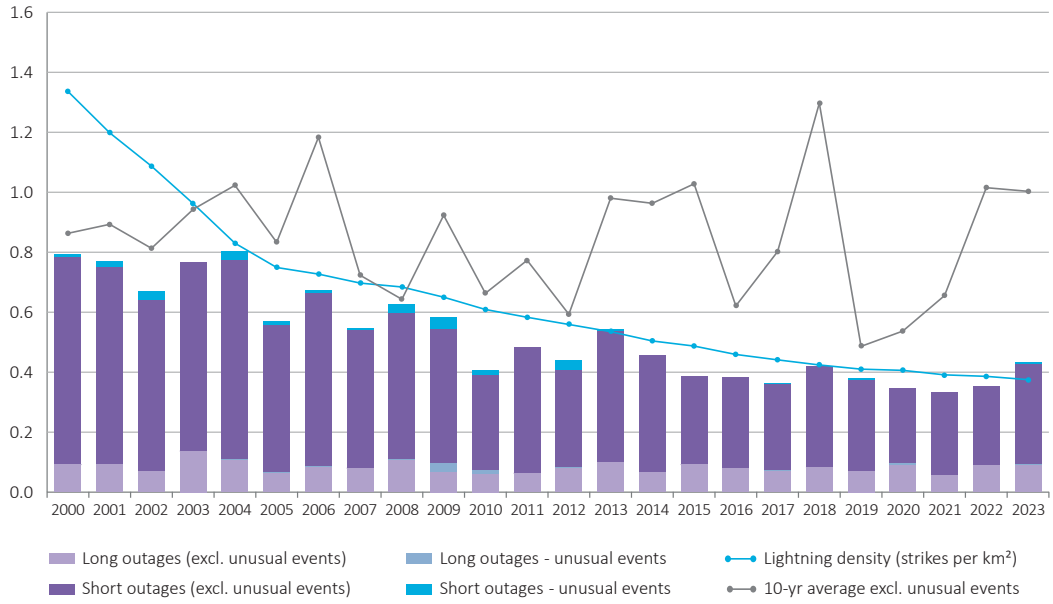


Unusual events are shown in pale blue.

As an example, the unusual event resulting in 1359MWh of undistributed energy was a long power cut in the Salaise sur Sanne area (in the Alps) after a 225kV line tripped. This gave rise to declaration of a force majeure event.

• **Outage frequency** is the average number of unplanned power outages per customer site during the year. It is broken down into long-outage frequency and short-outage frequency. The outage frequency for 2023 was **0.421**[1] (79% being of short duration[1]), higher than in 2022.

Outage frequency



— Contractual commitments

RTE has made a commitment to each of its industrial and distributor customers to keep outages below a threshold that is defined and revised based on each site's track record. In 2023, these three-year **commitments were 92.5% respected for distributors and 90.6% for industrial customers** (compared to the previous year's 95.9% for distributors and 95.3% for industrial customers, a group for which the three-year period began on 1 January 2022).

RTE also made a commitment to industrial customers to keep the total duration of long outages below a certain level for each three-year period. At 31 December 2023, these commitments were **93.5%** respected (compared to 98.3% in 2022).

RTE is able to suspend access to the public transmission network for purposes of maintenance, replacement or extension operations, and makes **commitments to its customers regarding the duration of scheduled interruptions**.

Work on the network is scheduled in tandem with each customer, to make use of any opportunities offered by the customer's operations and thus minimise the impact on processes.

When it is impossible to do such work without affecting customers' operations for longer than the committed duration, customers may receive compensation in application of the clauses in their "CART[3]" network access contracts.

(1) These results are provisional, as it takes two months to validate the technical and contractual analyses of events.
(2) Power cuts lasting less than 3 minutes.
(3) Contrat d'accès au réseau public de transport d'électricité.

Given the current industrial growth and its impacts on the network, RTE is considering a review of this type of commitment. It could, for example, differentiate commitments depending on the way the customer's connection is organised.

For **industrial consumption sites**, the commitment of no more than three days of pre-scheduled outages in three years for each connection was respected in **66%** of cases at 31 December 2023. When RTE was obliged to exceed this duration, often for maintenance work on its links that require a longer period of unavailability, the work was done with the customer's consent, generally during a break in their activity or when an alternative power supply was available (the presence of at least one other source means that work can take place without disrupting operations at the site). Such joint planning to schedule interruptions at optimum times prevents customers' operations from being affected, and also avoids surplus maintenance costs.

At the majority of **electricity generation sites**, the duration of outages for maintenance is sufficient for network maintenance operations to be completed without affecting output. For other sites where this is not possible (e.g. renewable energy plants), interruptions are scheduled subject to a commitment that they will not exceed five days in three years. When it is impossible to do work without affecting customers' operations, customers may receive compensation in application of the clauses in their "CART" network access contracts. Producers who wish to do so may coordinate closely with RTE to schedule generation plant outages and network access interruptions. In such cases a contract for future management is signed between RTE and the party designated by the producer to implement the consultation and coordination process for execution of the scheduled work. This management process is founded on the general principles of regular, transparent information sharing, overall schedule optimisation, and progressive mutual commitments.

For distributors, scheduling is coordinated between network operators such that work can be done without interrupting the electricity supply to end customers. This coordinated scheduling also minimises the limitations associated with work undertaken by RTE: injections by renewable energy producers connected to the distribution network may be cropped, within the committed limit of 360 hours over three years. If this limit is exceeded, compensation is paid for the unevacuated energy.

7.5.2.2 RTE promises satisfaction and support for its customers

— Results of the 2023 customer satisfaction survey

RTE's 2023 customer satisfaction survey was conducted by an independent firm, CSA, from 18 September to 27 October 2023. It measured the overall satisfaction of RTE's customers, their main demands and their satisfaction with the company's services and customer relations.

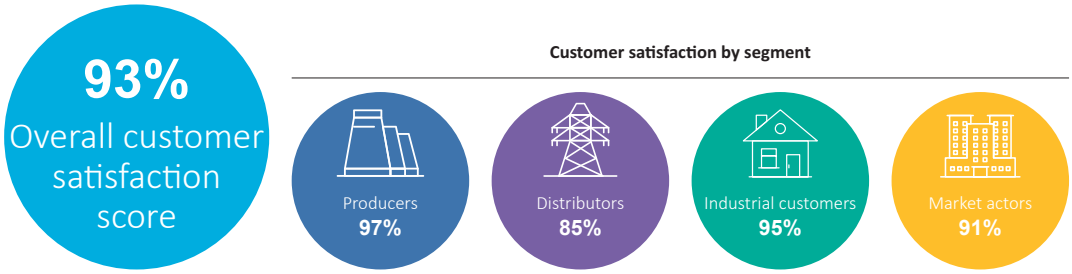
968 customer contacts completed the survey, a response rate of 46% (and nearly 50% for customers on "CART[(1)]" network access contracts). This high level of participation illustrates some of the trust our customers feel in the company.

Like the previous year, the 2023 survey consisted of ten questions which were adapted to each customer segment: distributors (Enedis, a tier 1 DSO[(2)]), consumers (industrial and rail operators), producers (EDF, renewable energy producers, conventional energy producers), market actors (service providers, traders, a tier 2 DSO).

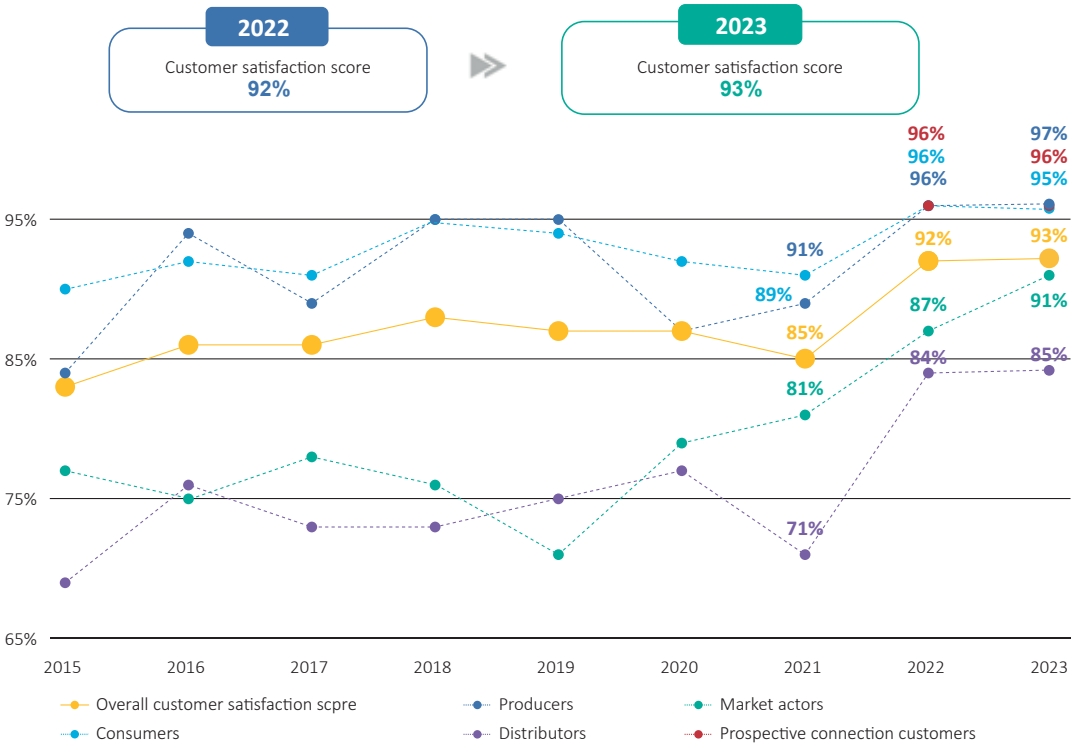
The overall customer satisfaction score remains very high, and at 93% (compared to 92% in 2022 and 85% in 2021) is the highest score ever attained for any customer segment. This excellent performance consolidates the positive trend observed in recent years: the satisfaction score for RTE is above 90% for the second year running, reflecting customers' ongoing trust in the company. Prospective customers who have applied for connection to the transmission network also took part in the survey this year. The numbers of connected customers will grow in the next few years.

The customer satisfaction score was higher than 2022 in every segment, with a notable increase in the market actor segment.

(1) Contrat d'accès au réseau public de transport d'électricité.
(2) Distribution System Operator.



The proportion of customers declaring they were "very satisfied" (40% of respondents) also rose significantly.



The comments made by respondents who declared they were satisfied (93%) highlighted the following points:

- relations with the company: good quality customer relations and support, attentiveness;
- employee skills: rapid responses, competence, professionalism;
- network reliability: few power cuts.

The comments made by respondents who declared they were dissatisfied (7%) highlighted the following points:

- follow-up and support: lack of coordination between different contacts, insufficient consideration of customers' needs and constraints;
- communication: slow response time, lack of information and transparency, overcomplex procedures.

Satisfaction rates were up on every theme, but two items are still lagging behind:
- the process for addressing production restrictions (renewable energy clients and distributors);
- processing and follow-up of requests, questions, demands and/or complaints (market actors).

7.6 BUSINESS GOVERNANCE

Ever since it was first formed, RTE has stressed the ethical obligations inherent to performance of its public service missions as manager of a vital infrastructure open to third-party access. In 2012, the company instigated action for ethical purchasing and today, RTE is more generally subject to a large number of compliance obligations.

The role of compliance obligations in corporate life has expanded in recent years, and companies now build on ethical values which they promote to their employees and external stakeholders.

For a clearer overview and better coordination of these matters, in anticipation of the new requirements that will emerge and be applied at RTE, and to prepare better for the possibility of inspections by various authorities which apply their rules strictly, on 1 January 2022 RTE set up an ethics and compliance division, which is part of the company's General Secretariat.

7.6.1 INDEPENDENCE AND NEUTRALITY

RTE was founded in 2000, in application of the first European energy package, on the principles applicable to an infrastructure operator: independence, non-discrimination, confidentiality and transparency. These principles formed the company's ethical basis. In 2005 (the second energy package) RTE developed a code of conduct constructed on the same principles, then in 2011 (the third energy package) it appointed a general compliance officer whose job is to ensure respect of RTE's independence and the code of conduct.

7.6.2 RESPONSIBLE PURCHASING

Contributing to socio-economic development in the areas where RTE operates, by improving the social and environmental impacts of the company's purchases and building sustainable relations with suppliers, encouraging them to adopt virtuous practices.

RTE's purchases form an essential lever for addressing societal and environmental issues. The company's responsible purchasing policy gained official recognition in 2019 when RTE obtained the "Responsible supplier relations and purchasing" label. This label is awarded by the French corporate mediation service and the National Purchasing Council, and was renewed for RTE in early 2022.

RTE's purchasing and logistics policy, signed by members of the Executive Board on 27 September 2022, reasserted RTE's commitment to these practices. The policy is based on 4 key areas, illustrated below with examples of action taken by the company in 2023.

— Maintaining mature relations with suppliers, for mutual enhancement of practices

Supplier invoice payment times are a major preoccupation at RTE. A task force was set up in 2021 to examine the issue, and it reported its conclusions to the executive committee in July 2022. Following the work of the task force, measurement and alert systems were installed and information sharing between all the actors was improved. This commitment continued in 2023, by contributing to working parties run by the association *Pacte PME* which facilitates cooperation between small and medium-sized businesses and large groups[(1)], to keep shortening payment times and more generally improve RTE's control over them.

Listening to suppliers is essential, to benefit from feedback and adjust the company's practices where relevant. With this in mind, RTE took several steps in 2023: conducting a "supplier barometer" survey of small and medium-sized businesses, setting the major objective of opening up purchases to include variants offered by the suppliers, considering introduction of systematic reverse evaluation for the main contracts.

In January 2023, RTE also organised a webinar presenting its investment plans, to give its suppliers visibility on future development. This initiative will be repeated in February 2024.

Supplier evaluation is also fundamental for more mature supplier relations. Contractors working on RTE's principal master contracts are evaluated after completion of every order, on the following four

(1) More details on the website: Accueil – Pacte PME.

criteria: quality/timeliness, safety, environment, and innovation. This evaluation is complemented by supplier audits, and the results are shared with suppliers each year and taken into consideration when selecting suppliers for future contracts or contract lots.

— Promoting satisfactory working conditions for RTE and its suppliers as regards safety and the environment

In addition to the many actions for contractor health and safety taken through RTE's policy for health, safety and quality of life in the workplace, specific levers for purchasing and contractual relations are used to improve control of the risks and promote satisfactory working conditions for suppliers. The main measures introduced are presented on RTE's website, which was updated in April 2023, in the document on "Purchasing without compromising on safety[(1)]".

Talking to suppliers is also necessary to make collective progress. RTE is going to hold another health and safety seminar with its principal suppliers in early 2024, a repeat of the positive experience of 2022.

In 2023, RTE trialled a method of smoothing the load on overhead lines to prevent site accidents due to power surges. The trial, which was conducted in close collaboration with the suppliers concerned, was successful and is due to be rolled out to other types of work in 2024.

— Reducing the environmental footprint of purchases

Following the "greener choice" campaign, RTE is continuing its contribution to European coordination through industrial alliances of several European transmission system operators. One of these alliances is working on preparation of a catalogue of common CSR criteria for purchases. An initial version of this catalogue was produced in September 2023, and coordinated tests will be conducted in 2024.

Through the "biodiversity ambition club" set up in 2022, RTE works with thirty of its biggest suppliers to improve its environmental recommendations. Future vegetation maintenance contracts are constructed to be compatible with a gradual decrease in work during nesting periods, so as to better protect biodiversity.

RTE is also working to develop the **circular economy** for the materials and equipment it uses, and to **reduce the carbon footprint** of its purchases. Steps have been taken such as the carbon reporting now required of suppliers, and introduction of the "raw materials pass" accreditation system. Other more voluntary actions relating to matters such as recycling of demolished facilities are under examination, and should be tested in 2024.

In 2023, 46% of purchases included at least one environment-related factor and 48 projects were monitored as **eco-sites**.

— Continuing inclusive purchases (from the protected and sheltered sectors and entities helping unemployed people back into work) and contributing to local economic vitality (very small, small and medium-sized businesses)

RTE contributes to **local economic development**. Several levers are activated to boost employment in the regions, such as dividing contracts into lots, and holding regional meetings for businesses (with the support of local Chambers of Commerce and Industry) so that local entities can respond to consultations launched by RTE.

In 2023, RTE's direct purchases from small and medium-sized businesses amounted to €549 million.

Approximately 87% of RTE's purchases are from suppliers located in France, corresponding to a total of €2,099 million.

As an active member since 2013 of the association **Pacte PME**, RTE applies the good practices recommended by the association and participates in the association's own survey.

As well as focusing on small and medium-sized businesses, RTE also gives suppliers incentives to hire people who have lost touch with the job market, and enters into partnerships with local stakeholders to **help more people into work**. These actions brought 19,000 hours of work for previously unemployed people during 2023.

(1) Réaliser des achats sans rien lâcher sur la santé.

Finally, RTE is continuing to increase its purchases from the protected and sheltered sector through its Disability agreement, with the support of France's GESAT network, a national association of entities that aim to promote employment of the disabled. These purchases totalled €3.4 million in 2023.

7.6.3 PURCHASING ETHICS

RTE is a public service company subject to public procurement rules. In 2012 it set up a code of ethical purchasing, notably intended to guarantee objectivity and independent judgement by all relevant members of the company, and impartiality in their relations with suppliers. This code of ethical purchasing practices is presented to every new arrival joining the purchasing division, so that the division can adapt it to all actors in the company's purchasing process. The post of purchasing ethics officer has existed since 2012.

Since 2018 the purchasing ethics officer has also exercised the role of mediator for RTE's suppliers. Two mediations took place in 2023 under the officer's supervision. The first resulted in an amicable settlement, and the second led to a draft agreement between RTE and the supplier at the end of the year.

7.6.4 PROTECTION OF PERSONAL DATA

Although its customers are businesses, RTE may have to process personal data relating to people other than its own employees or business contacts. It operates a network with more than 100,000km of lines that are covered by contracts for rights of way, surveillance and security, maintenance, etc.

RTE thus has a duty to treat the protection of personal data as an important matter, and fulfil its related legal obligations (under the GDPR[1], France's data protection law[2], etc.). It has a collaborative system that documents all processing of personal data (a register that may be made available to France's data protection agency CNIL), and is also used to document breaches of data protection.

A data protection officer (DPO) was appointed in May 2018 and the associated management practices were formally defined in 2022 when RTE's policy for protecting internal personal data was adopted. A network of GDPR liaison officers, trained and led by the DPO, supports the delegated data processing managers (managers who have received delegations of power from the Chairman of the Executive Board in compliance with French data protection laws). The DPO oversees and controls implementation of the GDPR and raises awareness of the managers and teams who have to process personal data.

The DPO also works to inform RTE employees about the GDPR, through measures that include e-learning modules, circulation of a newsletter, and creation of a specific communication space on RTE's intranet system.

After a diagnosis phase in 2018, and the start of a GDPR compliance plan in 2019 that launched six priority projects under a continuous improvement approach, an internal audit in early 2023 led to an action plan that echoes the priorities of the ethics and compliance division.

The basic aims of the actions continued or begun in 2023 are:

- advising and alerting people to matters that pose the greatest risks for RTE or for the people whose personal data are being processed;
- increasing the involvement of all the delegated data processing managers;
- giving the GDPR liaison officers the time, the skills and the legitimacy to exercise their role;
- continuing to record documentation of data processing and breaches of data protection in the company's collaborative system, including more than just the information required by the GDPR;
- improving management of data protection breaches and reviewing the procedure (speedy reporting to the DPO, etc.);
- reinforcing internal control, going further than the controls conducted by the DPO in application of his powers under the GDPR;
- continuing to improve contractualisation methods;
- continuing to promote a risk-based "compliance" approach and "privacy by design" (taking the protection of personal data into consideration as early in the process as possible).

(1) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

(2) Law 78-17 of 6 January 1978 on information technologies, data files and freedoms.

7.6.5 ANTI-CORRUPTION COMPLIANCE

RTE has an anti-corruption compliance programme to comply with the requirements of article 17 of France's "Sapin 2" law[1]. An anti-corruption code of conduct and a whistleblowing procedure took effect in the company in early 2019, and since then RTE has continued to consolidate and reinforce the programme at the instigation of the company's Executive Board.

This drive for improvement was initially reflected in revision of the risk mapping for bribery and corruption risks affecting RTE and its subsidiaries, which was finalised in 2021. The Executive Board approved the mapping method and the risks identified in an action plan, which is implemented by the divisions concerned.

With the creation of the ethics and compliance division, RTE has been rolling out the anti-corruption compliance programme since 2022, in line with the updated risk mapping. This involves:

- illustration of the anti-corruption code of conduct through production of brief guides on "ethics in practice" (covering gifts and entertaining in 2022, and conflicts of interest in 2023), which have been distributed internally with backing from the management and the help of the network of anti-corruption compliance officers;
- distribution of a memo presenting the organisation and procedure to assess the integrity of risky third parties, and renewal of the contract for the relevant assessment system;
- further integration of anti-corruption measures at RTE through the network of anti-corruption compliance officers, and by the anti-corruption compliance function's participation in committees and work groups;
- launch in 2023 of a project to acquire a system to ramp up anti-corruption accounting controls;
- rollout of internal and external communication campaigns (launch of a new e-learning course in 2022, increasing visibility on the intranet site – through the use of push notifications – and on RTE's institutional website);
- supporting RTE's subsidiaries for the rollout of their own anti-corruption compliance programmes, relating to their own risks (a diagnosis survey and recommendations were completed in 2023).

7.6.6 DUTY OF VIGILANCE

In compliance with article L. 225-102-3 of the French Commercial Code[2], RTE establishes and applies a vigilance plan that has been made public and is presented in this management report (see below).

With the creation of the ethics and compliance division, RTE has been working since 2022 on improving coordination of matters relating to the "Sapin 2" and "duty of vigilance" laws. The aim is to benefit from synergies between the two, particularly as regards assessing third party integrity and receiving reports of concerns from whistleblowers.

RTE's support to subsidiaries for the rollout of their own anti-corruption compliance programmes was combined with examinations of their situation with regard to the interests protected by the "duty of vigilance" law.

7.6.7 WHISTLEBLOWING PROCEDURE

The whistleblowing procedure exists not only for reporting bribery and corruption, in application of article 17 of the "Sapin 2" law, but also for reporting matters set out in article 6 of that law (including major and minor crimes, threats or prejudice to the general interest, breaches or attempted cover-ups of breaches of an international commitment, the law or regulations).

RTE places particular emphasis on prevention of discrimination, harassment and sexist behaviour, which are the subjects of three specific articles in the company's internal regulations. The whistleblowing procedure complements RTE's specific system for reporting psychosocial risks, which was set up as a preventive measure and operates through a network of identified local officers.

The company's online whistleblowing platform has been operational since early 2019, and since 2021 has also explicitly covered matters relating to the duty of vigilance (human rights and fundamental freedoms, health and safety, serious environmental harm). This platform can be used by non-RTE parties, and is mentioned on RTE's institutional website[3].

(1) Law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and modernisation of economic life.
(2) Introduced by the first article of law 2017-399 of 27 March 2017 on the duty of vigilance of parent companies and outsourcing entities.
(3) https://www.rte-france.com/en/rte-in-a-nutshell/our-commitments/responsible-enterprise-and-duty-care

In 2023 RTE made preparations to renew the contract for its whistleblowing platform and an updated whistleblowing procedure, for improved compliance with the law of 21 March 2022 intended to protect whistleblowers.

7.7 VIGILANCE PLAN

RTE's vigilance plan includes measures intended to identify risks of, and prevent, serious breaches of human rights and fundamental freedoms, or harm to the health and safety of individuals or the environment. It covers RTE's own activities, the activities of subsidiaries and companies under its control, and the activities of its contractors and suppliers.

Since 2022, RTE's vigilance plan has been drawn up by the ethics and compliance division, with input from its officers in the relevant divisions of the company[(1)], and contributions from subsidiaries and companies controlled by RTE.

This vigilance plan is part of a broader set of commitments and processes that particularly concern corporate societal responsibility and responsible purchasing.

RTE refers to specific analyses conducted to identify and assess risks across the consolidated scope of RTE, its suppliers and its subsidiaries:
- the "duty of vigilance" risk mapping was revised in 2021;
- a risk analysis presented by subsidiaries and controlled companies was first produced in 2022, and is conducted annually using a detailed questionnaire;
- the purchasing function's risk analysis includes an appendix dedicated to the risks identified in the French "duty of vigilance" law.

The "duty of vigilance" law stipulates that the vigilance plan must be developed in association with the company's stakeholders. Accordingly, RTE has taken the following steps, among others:
- when CSR issues were assessed in the "materiality analysis", the level of expectations was evaluated at a meeting with a panel of external stakeholders. This enabled RTE to define its new CSR policy in late 2021, based on 13 key challenges, some of which relate to the duty of vigilance[(2)];
- concerning human rights and safety, RTE had many discussions during 2023 with professional bodies as part of its social dialogue (see section 7.5.1.4), specifically on topics relating to the duty of vigilance[(3)];
- concerning the environment and the climate, RTE discusses matters with stakeholders in its System and network outlook commission (CPSR)[(4)];
- in 2023, the ethics and compliance division took part in the launch meeting for the "double materiality analysis" required for implementation of the CSRD[(5)].

7.7.1 VIGILANCE MEASURES RELATING TO THE ACTIVITIES OF RTE

The vigilance measures implemented by RTE are described in the other parts of this section 7 on RTE's non-financial performance.
- Climate: Adjusting to the consequences of climate disruption, Reducing greenhouse gas (GHG) emissions (7.4.1);
- Utilisation of resources, and the circular economy (7.4.3);
- Biodiversity: Actions for plant and animal life and the landscape, Action to promote knowledge and protection of the marine environment (7.4.4);
- Diversity, equal opportunities and inclusion (7.5.1.1);
- Health, safety and wellbeing of internal and external stakeholders (7.5.1.2).

The key performance indicators, calculated at least annually, measure the effectiveness of the action taken.

(1) Particularly the Purchasing, Corporate Societal Responsibility, Audit and risk, Human resources, and Health, safety and quality of life at work divisions.

(2) For example: fighting climate change and protecting biodiversity and landscapes; diversity, equal opportunities and inclusion; health, safety and wellbeing of internal and external stakeholders.

(3) For example: disability, equality at work.

(4) Commission perspectives système et reseau. This commission was launched in 2011 at RTE's initiative. Its ambition is to be the primary body for consultation with all actors from the energy sector and civil society concerning long and medium-term questions for the electricity system. This is why it involves not only transmission network users but also energy sector actors, network operators, environmental associations in all their diversity, institutional actors, trade associations, unions and academic actors.

(5) The "Corporate sustainability reporting directive": Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

7.7.2 VIGILANCE MEASURES RELATING TO THE ACTIVITIES OF RTE'S SUPPLIERS

In 2023, purchases by RTE (excluding subsidiaries, system services and purchases of electricity to cover network losses) reached €2,304 million and concerned around 10,016 suppliers.

RTE's vigilance measures with regard to suppliers are part of its responsible purchasing commitments, which have received recognition through the "Responsible supplier relations and purchasing" label awarded by the French corporate mediation service. RTE was awarded this label for the first time in 2019, and it was renewed in early 2023.

7.7.2.1 Risk mapping for the purchasing function

The purchasing function's risk analysis includes an appendix dedicated to the three risk areas identified in the French "duty of vigilance" law: health and safety, the environment, human rights and fundamental freedoms. The 2023 analysis shows that some of the most pressing risks relate to safety, particularly the electricity risk.

Concerning the environment, the most sensitive risks concern greenhouse gas emissions (climate risk) and the risk of exhaustion of resources, followed by the risk of damage to biodiversity.

Particular vigilance is exercised to detect any risk of supplier behaviour that breaches human rights and fundamental freedoms. 87% of RTE's purchases (in value) are from French suppliers, and 95% are made in the European Union.

7.7.2.2 Risk mitigation action in 2023, indicators and results

— Intersectional (concerning all 3 risk types – Health and Safety – Environment – Ethics)

Type of risk	Risk mitigation action	Indicators	Results at 31 December 2023
Intersectional risk	Work on the RTE supplier questionnaire to reinforce health and safety, environmental and human rights requirements for qualifying purchases.	Circulation of the new questionnaire	1st half of 2024
	On-site supplier audits to verify compliance with contractual commitments, particularly concerning health and safety and environmental matters	Annual number of audits performed and deficiencies observed	• 63 audits performed • 47 safety deficiencies observed (including 16 points of non-compliance) • 12 environmental deficiencies observed (including 4 points of non-compliance)
	Dynamic awarding of additional contract lots, on each contract anniversary date, to the firms that had the best assessment when executing the contract, particularly on safety and environmental themes	Annual percentage of additional contract lots awarded under the dynamic approach	The master contract for underground power lines is shared between 12 contractors: • Five were not awarded any additional contract lot • Seven were awarded additional contract lots equivalent to between 12% and 27% of their initial share of the master contract The master contract for substations is shared between 8 contractors: • Four were not awarded any additional contract lot • Four were awarded additional contract lots equivalent to between 1.4% and 3.2% of their initial share of the master contract
	Inclusion of an "Ethics and CSR" clause in RTE's contracts referring to the company's responsible purchasing charter and requirements in terms of health and safety, respect of the environment, and respect of human rights and labour laws	Scope of application	Clause included by default in RTE's new contract templates
	The whistleblowing procedure is made available to suppliers, for reporting of any serious breaches of health and safety rules, human rights or labour laws(1)	Scope of application	Clause included by default in RTE's new contract templates
	Responsible purchasing training is compulsory for all RTE's buyers	Annual number of trainees	23

(1) https://www.bkms-system.com/bkwebanon/report/clientInfo?cin=5etr18&c=-1&language=fre

— Health and safety

Type of risk	Risk mitigation action	Indicators	Results for 2023
Health and safety risk	Use of a "High-Voltage Pass" accreditation system for access to RTE's installations, compulsory for all suppliers working on RTE's worksites. This pass is issued after in-person training concerning specific site risks, validated by successful completion of a questionnaire	Number of High-Voltage Passes currently valid, as per RTE's database	24,000 High-Voltage Passes
	MASE[1] certification or similar (e.g. ISO 45001) required for risky contracts (contracts for work involving accident risks)	Requirement applied to all risky contracts without exception	
	Recurring awareness-raising on safety matters for suppliers: the RTE-Prévention app, annual health and safety seminars for suppliers, meeting for contractors' prevention officers chaired by RTE's prevention officers, inclusion of a safety aspect in *business reviews* when necessary	A new health and safety seminar for suppliers is in preparation for early 2024	
	Communication to suppliers about the way safety is taken into consideration in RTE's purchases (a summary is put online to inform and educate)	Publication of the summary on RTE's institutional portal	Document published on 24 March 2023
	Reference to safety-related criteria for awarding RTE's contracts	Percentage of consultations that include at least one such criterion	33%

(1) Manuel d'amélioration sécurité entreprise, a guide to promote health and safety in the work<place.

— Ethics, human rights and fundamental freedoms

Type of risk	Risk mitigation action	Indicators	Results at 31 December 2023
Risk to ethics, human rights and fundamental freedoms	Application of a system to assess suppliers' ethical integrity (anti-corruption, duty of vigilance, other integrity-related matters)	Number of supplier integrity assessments conducted Number of risk situations identified during these assessments	Since the system was introduced in mid-2019, 614 assessments have been conducted (13 in 2019, 217 in 2020, 103 in 2021 and 129 in 2022) 15 assessments identified a strong risk
	Preparation of "Ethics in practice" brief guides	Release dates of the guides	9/12/2022 for "Gifts and entertaining" 28/08/2023 for "Conflicts of interest"
	Joint work by the Ethics & Compliance and purchasing divisions for prevention and correction of conflicts of interest at suppliers: reflection on effective, proportionate tools and circulation of the doctrine inside the company	Completion date of this work	First half of 2024

— Environment

Type of risk	Risk mitigation action	Indicators	Results at 31 December 2023
Environmental risk	Concerted action at European level: Construction of an environmental ambition shared by the purchasing directors of the 10 principal European TSOs Co-Construction of a catalogue of best-bid criteria common to RTE and 3 other European TSOs (Industrial Alliance 3)	Signature of the 2nd "The Greener Choice" open letter Finalisation of the catalogue	In August 2022 Catalogue finalised in October 2023
	Establishment of eco-sites for projects with priority environmental challenges, to improve management and recycling of waste	Number of current eco-sites	48 eco-sites in 2023
	Progressive introduction of a pause in vegetation work each year between March and August in environmentally-sensitive zones	Roadmap	Progressive rollout between 2023 (Zones 2) and 2029 (Zones 5)
	Reference to environmental criteria for awarding RTE's contracts	Annual percentage of RTE contracts awarded on the basis of an environmental criterion	46%
	Use of a "Raw Materials Pass" accreditation system in certain materials procurement contracts: identification of the materials in the product, including the concept of recycled raw materials, with the aim of increasing the use of such materials	Annual number of current or forthcoming contracts involving a "Raw Materials Pass"	8 contracts

7.7.2.3 Evaluation of measures taken by suppliers

After completion of every order, suppliers engaged under RTE's principal master contracts are evaluated on the following four criteria: quality/timeliness, safety, environment, and innovation. This evaluation is complemented by RTE's supplier audits. The results of the evaluation, which are shared with the supplier at least annually, form a basis for requesting corrective action and collecting feedback that is taken into consideration when selecting suppliers for awarding future contracts or contract lots.

7.7.2.4 RTE's whistleblowing procedure

The whistleblowing procedure is described in section 7.6. The secure whistleblowing platform was set up by an external contractor and has been operational since January 2019. It is accessible to all the company's employees, and also to third parties[1].

Thanks to training courses and awareness-raising campaigns, the employees of RTE and its subsidiaries are well informed of the platform's existence.

In matters of human rights, the whistleblowing procedure complements the system for reporting psychosocial risks specific to RTE, which was set up as a preventive measure and involves a network of identified local officers.

For RTE's suppliers, the company's standard contract template includes a clause stipulating that in application of the "duty of vigilance" law, RTE provides a secure whistleblowing section on its institutional website where any RTE or contractor employee can report and prevent serious failings affecting occupational health and safety, the environment, human rights or business ethics. RTE guarantees that all the information and discussions going through this site will remain confidential, and that whistleblowers will be protected in accordance with articles 9 and 10 of the "Sapin 2" law.

The template also states that contractors engaged by RTE must require any subcontractors to comply with the same contractual obligations, and this should make them aware of the existence of the whistleblowing platform.

(1) https://www.rte-france.com/en/rte-in-a-nutshell/our-commitments/responsible-enterprise-and-duty-care

7.7.3 VIGILANCE MEASURES RELATING TO THE ACTIVITIES OF RTE'S SUBSIDIARIES AND CONTROLLED COMPANIES

RTE has control over five subsidiaries that are in charge of deriving income from its assets (Arteria, Cirteus, Airtelis, RTE International and RTE Immo) and account for around 1% of RTE's workforce and 1% of its sales revenue, and two joint ventures formed to construct interconnectors with neighbouring countries (Celtic Interconnector and Inelfe), which have no personnel of their own. Apart from two subsidiaries of RTE International that are non-significant in size, these companies have no foreign establishments outside France.

To complement the vigilance measures and actions introduced for its own activities, in 2022 RTE endeavoured to raise awareness in its subsidiaries and controlled companies, encouraging them to internalise the requirements of the duty of vigilance. A detailed questionnaire completed by these companies was used to identify their risks on the points protected by the "duty of vigilance" law. The responses were updated in 2023.

RTE provides support for these companies and makes sure that they introduce measures appropriate to their respective businesses. It is ready to assist if they encounter any difficulties in the operational translation of its vigilance requirements.

The questionnaire responses and the specific risk mapping for RTE's subsidiaries indicate that some of them pay particular attention to personal health and safety (of employees, suppliers and subcontractors, and even business partners). This is reflected in their introduction of measures to prevent electricity risks, for example, or risks inherent to foreign travel.

Certain subsidiaries have also shown real dedication to sustainable development, reflected for example in their participation in awareness-raising events such as the "World Clean-up Day". They also report that they have, and apply, a CSR policy or charter that can lead to optimised waste management or usher in procedures aimed at reducing the impact of greenhouse gas emissions (particularly for the duration of certain worksites).

RTE continued to support its subsidiaries in 2023, in coherence with its own expectations in matters of vigilance where relevant. Through this support it can ensure that progress is made on any measures introduced by the subsidiaries as their respective risks evolve.

7.8 GREEN TAXONOMY

7.8.1 KEY POINTS AND BACKGROUND

The **Taxonomy Regulation** was adopted in June 2020 by the European Parliament and Council.

It sets out common classification criteria for the whole of the European Union, to define environmentally sustainable economic activities by reference to six environmental objectives.

According to two delegated acts published in April 2021 providing further information on the two climate objectives, electricity transmission makes a substantial contribution to climate change mitigation, particularly through development of interconnections between European countries and connection of renewable energies. It therefore supports the decarbonisation of energy sources.

A delegated regulation of 27 June 2023 amended the Climate delegated act. It defines the technical screening criteria for certain activities that were not initially taxonomy-eligible (notably the manufacture of equipment that is essential to low-carbon transport, and of electrical equipment).

In parallel, another delegated regulation of 27 June 2023 supplemented the Taxonomy Regulation with technical screening criteria to determine the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems.

The Article 8 delegated act published on 6 July 2021 by the European Commission introduced **transparent reporting obligations**.

During 2022 RTE disclosed the alignment of its electricity transmission activity with respect to the two climate objectives (climate change mitigation and climate change adaptation).

In 2023, the company continued its analysis of the new climate-related activities listed in the amendment to the Climate Delegated Act[1] **and the eligible activities** listed in the Environmental Delegated Act[2] **on the other four environmental objectives** (concerning water and marine resources, the circular economy, pollution and biodiversity).

7.8.2 ELIGIBLE ACTIVITIES: ANALYSIS

7.8.2.1 Climate: climate change mitigation and adaptation

As stated in the 2022 management report, **electricity transmission** is RTE's principal taxonomy-eligible activity. It is defined in the EU regulation as "Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system".

Electricity transmission is the sole activity of RTE SA as stated in note 5 to the consolidated financial statements, "Segment reporting". The RTE Group therefore considers that all transactions generated by RTE SA contribute to this eligible activity.

Analysis of eligibility continued in 2023, taking account of the amendments to the delegated act published in July 2023.

- RTE is concerned by the "Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation" activity (section 3.20, Annex I of the Regulation amending the Climate Delegated Act). As this activity is already included in activity 4.9 "Transmission and distribution of electricity", in compliance with the act, it is not presented separately in the taxonomy tables (section 7.8.4 of this report).
- In 2023 RTE incurred expenses on its electricity transmission activity for climate change adaptation. These expenses are an integral part of project costs. For example, during 2023 expenses were incurred as part of the project to reconstruct the Warande substation, to make it resilient to flooding (this substation is located in a floodable zone and its foundations have been raised 60cm above ground level to protect it against flood risks). RTE is looking into processes to identify climate change adaptation expenses which are currently included in general project expenses. This work began in 2023 and will continue into 2024.

During 2023 RTE assessed the eligibility of the following activities relating to real estate operations:

- construction of new buildings (section 7.1 of the Climate Delegated Act): this does not correspond to RTE's real estate activities. The new buildings constructed by RTE are for its own use (not for future sale);
- renovation of existing buildings (section 7.2 of the Climate Delegated Act): in 2023 RTE incurred maintenance and renovation expenses for its buildings (head offices, network maintenance groups, substation groups). The expense identification in RTE's computer systems cannot provide a more detailed breakdown to identify expenses for climate change mitigation, but it can be considered that a large share of the work done contributes to that objective, for example work concerning replacement of air conditioning systems, roof and wall insulation, changing heating systems, lighting, doors and windows, etc.;
- installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (section 7.4 of the Climate Delegated Act): in 2023 RTE incurred expenses to install electric charging terminals.

(1) Amendment to the Climate Delegated Act, Annex I Climate change mitigation and Annex II Climate change adaptation, June 2023.

(2) Environmental Delegated Act, Annex 1 Water and marine resources, Annex II Circular economy, Annex III Pollution and Annex 4 Biodiversity, June 2023.

RTE will continue to analyse the eligibility of its activities, particularly as it implements it Resilience project and the transition plan for 2023-2026 approved in September 2023 by the company's governance bodies. This transition plan includes investments for renovation of buildings during the TURPE 6 and TURPE 7 tariff periods, and conversion to electricity by 2026 of the last buildings that still use gas heating.

7.8.2.2 Water and marine resources

RTE did not identify any eligible activities contributing to the environmental objective of the sustainable use and protection of water and marine resources as listed in the Environmental Delegated Act.

7.8.2.3 Circular economy

RTE did not identify any investment and operational expenditures for purchases of products/services relating to real estate activities eligible as contributing to the environmental objective of the circular economy. However, the "Renovation of existing buildings" activity (section 3.2, Annex II of the Environmental Delegated Act) is also included in the Climate Delegated Act annex, and analysed above in 7.8.2.1. "Climate: climate change mitigation and adaptation".

7.8.2.4 Pollution

RTE identified investment and operational expenditures for pollution prevention and control listed in the Environmental Delegated Act in the purchase of products/services relating to:

- Depollution of land following acquisition of a new site, or depollution of ground around substations following accidental pollution caused for example by oil leaks (section 2.4, Annex II of the Environmental Delegated Act).

RTE incurred expenses for land depollution in 2023 that are currently included in project costs and not separately identified. RTE is currently working to identify these expenses, in order to meet the requirements of the Taxonomy and the future CSRD.

7.8.2.5 Biodiversity

RTE did not identify any eligible activities contributing to the environmental objective of protection and restoration of biodiversity and ecosystems as listed in the Environmental Delegated Act.

During 2023 RTE assessed its eligibility as regards the "Conservation, including restoration, of habitats, ecosystems and species" activity (section 1.1, Annex IV of the Environmental Delegated Act).

The avoid-mitigate-offset principle and other regulatory commitments contained in the preliminary authorisations before undertaking a network project are prerequisites for obtaining permission for, and proceeding to construction of, RTE's electricity installations. These mandatory commitments are intended to prevent, reduce and compensate for the environmental effects of RTE's activity. The related measures may involve, for example:

- Action to offset harm to the environment or natural sites (e.g. offsetting commitments made in an application for exemption from France's "protected species" planning rules).

The Delegated Act explicitly states that offsetting resulting from measures designed to compensate for residual adverse biodiversity impacts arising from an economic activity or project does not correspond to the definition of ecosystem conservation/restoration. Consequently, this activity does not concern RTE.

The expenses listed in sections 7.8.2.1, 7.8.2.3 and 7.8.2.4 are not related to RTE's core activity, but individually they contribute to improvement of its environmental performance.

7.8.3 ALIGNED ACTIVITIES: ANALYSIS

For 2022 and 2023, the requirement to report alignment criteria concerns the first two climate objectives. The alignment of activities with the other four environmental objectives will be published in 2025.

7.8.3.1 Analysis of alignment: organisation and method

The climate-related risks of climate change adaptation and climate change mitigation are among the company's major risks (see section 7.1.2 Non-financial risks – respectively the "Infrastructure resilience" and "Environment" risks). Consequently, they are covered by the risk management processes presented in section 6.2 "Risk control".

7.8.3.2 Technical analysis of alignment with the "climate change mitigation" objective

— Substantial contribution to technical criteria

The activity of electricity transmission meets the technical criteria of alignment, since RTE builds infrastructures whose main purpose is to increase the capacity to use electricity produced from renewable sources (see 5.3 "RTE's industrial strategy is confirmed" and the 10-year network development plan[(1)]), not just in France but across the whole interconnected European network.

— Doing no significant harm to any other environmental objectives

Climate change adaptation

Physical climate risks that are important to the activity were identified by assessing climate-related risks and vulnerability. Climate projections and impact assessment are based on best practices and take account of state-of-the-art scientific techniques.

The principal climate risks (as defined in the Taxonomy Regulation) identified by RTE with respect to its electricity transmission activity (transmission infrastructures) are the following:

• Changing temperature/heatwaves/heat stress

The rising temperature issue primarily concerns overhead power lines, and the company is currently taking action to address it (the hot weather plan, extension of studies to 2050).

It will have a very limited impact on underground power lines.

At electricity substations, the transformers are fitted with alarms to avoid any destructive overheating, and the equipment ageing projections to 2050 do not indicate any impact of climate change on the durability of equipment. Substation equipment that is currently in use (circuit breakers, disconnectors, combined instrument transformers) has some margin with regard to the temperature criterion.

• Cyclones, hurricanes, typhoons/storms/tornados

Following the weather events (strong gales) of December 1999, in 2002 RTE began a programme to make the power grid secure in winds of up to 150kmph on flat land and 180kmph near coastlines. This programme covers around half the network of overhead lines.

The network made secure under this programme covers (i) supply to all substations that consume power or are necessary for electricity system safety, and (ii) all significant crossing points (where power lines pass above housing, railway lines, motorways or other major roads).

• Water stress/drought

In very dry conditions underground lines are likely to be affected, because less of the heat they generate could be evacuated.

• Sea level rise/floods

In 2021 RTE signed a partnership with the French public-sector reinsurer *Caisse centrale de réassurance* (CCR), which is modelling events for RTE: river flooding, runoff water flooding, and submersion by the sea for all substations and pylons. This modelling is also based on climate scenarios derived from current climate projections to 2050. The variables modelled are the flow rates for runoff hazards, and high-water levels for the hazards of river and coastal flooding, for different periods (within 20 years, in 20 to 50 years, in 50 to 100 years, in 100 to 200 years).

Utilisation of the results of ongoing studies continued in 2023. They will provide information to define the adjustments to be made to both existing and future installations, while seeking the optimum technical/economic balance.

(1) Le schéma décennal de développement du réseau | RTE (rte-france.com).

Transition to a circular economy

The Taxonomy Regulations state that **to respect this criterion, companies must have in place a waste management plan** that "ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation".

RTE takes concrete action for management of waste that aims for maximal reuse or recycling at end of life, in accordance with the waste hierarchy (the relevant actions are described in section 7.4.3 "Utilisation of resources, and the circular economy").

Pollution prevention and control

The IFC's Environmental, Health, and Safety Guidelines[1] for activities relevant to RTE are duly respected.

- **Worksite activities comply with the IFC's Environmental, Health, and Safety Guidelines:**
  - **occupational health and safety – working at heights[2]:** RTE has a fall protection plan in place: procedures overseen by the company's department of health, safety and quality of life in the workplace are introduced and applied by the maintenance division teams. Equivalent procedures exist for external contractors doing work at heights, in the form of the operational safety rules that are part of their contract with RTE. The maintenance division teams receive regular training from RTE, and external contractors must follow accredited training before they can work on RTE's sites;
  - **environment[3]:** cf. RTE's actions for the environment (management of waste and ground pollution) presented in section 7.4.2, "Pollution", 7.4.3 "Utilisation of resources, and the circular economy" and 7.4.4 "Biodiversity".
- **RTE's activities respect the applicable norms to limit the impact of electromagnetic radiation on human health.** The 1999 EU recommendation concerning electric networks (and consequently 50Hz fields) was transposed into French law by article 12bis of the Technical decision of 17 May 2001. This is applicable to RTE's facilities, and they comply with its requirements. Compliance checks were officially reinforced by decree 2011-1697 which introduced technical facility inspections, and monitoring and control plans for electromagnetic fields.
- **RTE's activities do not use PCBs.** Since 4 February 1987 in the case of closed-system electric equipment (such as transformers), and since 18 June 1994 in the case of all other electric equipment listed in Decree 87-59 of 2 February 1987, RTE has complied with the regulations banning the acquisition, possession with a view to selling or transferring with or without consideration, leasing, or use of equipment containing PCBs. Some old equipment still contains PCBs and is being decontaminated as described in section 7.4.2 "Pollution". The estimated share of sales and operating expenditure generated by assets containing PCBs (2% of all assets) is presented as non-aligned, in part A.2 of the tables in section 7.8.4.

Protection and restoration of biodiversity and ecosystems

The Taxonomy Regulation states that to respect this criterion, companies must:

- **complete an "Environmental Impact Assessment or screening in accordance with Directive 2011/92/EU";**
- **and implement the required mitigation and compensation measures when an Environmental Impact Assessment has been carried out.**

RTE meets this requirement, which has been transposed into France's Environment Code, and implements avoidance, mitigation and offsetting measures in every project with identified environmental impacts.

(1) Reference document: Environmental, Health, and Safety – General Guidelines dated 30 April 2007, issued by the International Finance Corporation.
(2) Point 4.2, page 92 of the IFC Environmental, Health, and Safety – General Guidelines dated 30 April 2007.
(3) Point 4.1, page 89 of the IFC Environmental, Health, and Safety – General Guidelines dated 30 April 2007

The need to assess a project's environmental impact is determined by reference to the list in the French Environment Code. The project manager, with relevant procedural support from his division and the legal division, identifies the project's category and the procedures applicable.

Once it is determined that an assessment is required, the project may be:
- subjected to a systematic environmental impact assessment: in this case, RTE carries out an impact study and a public inquiry;
- subjected to a "case by case" type study, reported to the environmental authorities via an official French form. After examining the form, the authorities will decide whether or not an environmental impact assessment is required for the project;
- subjected to an environmental impact assessment based on other criteria, such as application of the "concept of a project" as defined in the French Environment Code;
- or not subjected to an environmental impact assessment.

Projects may also require certain authorisations or application for exemptions from other rules (the law on water, protected species, land clearance, impacts on Natura 2000 protected wildlife sites, etc.), and this too gives rise to definition of appropriate avoid-mitigate-offset measures. These measures may be determined in the impact study, and/or in the processes for external authorisations such as those mentioned above. A monitoring table for these measures is established and overseen by the project managers throughout the project duration, then handed over to the teams in charge of network infrastructure maintenance once the project is completed. This ensures that skills are transferred and these measures are monitored in the long term.

7.8.3.3 Technical analysis of alignment with the "climate change adaptation" objective

RTE carries out studies of the impacts of climate change on its network as part of its Resilience project, as mentioned in section 7.4.1.1 "Adjusting to the consequences of climate disruption".

In the future, the conclusions of these studies will lead to changes in capital expenditure to adapt the network to climate change. RTE is currently taking steps so that this type of expenditure will be identifiable when actions under the Resilience project translate into work on RTE's infrastructure.

The technical criteria for assessing the substantial contribution of the company's activity to the "climate change adaptation" objective are fulfilled, since they are the same as those described in the previous section for "Doing no significant harm" as regards this objective.

7.8.3.4 Compliance with minimum safeguards

The Taxonomy Regulation requires compliance with fundamental social criteria, which are based on:
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights;
- the ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work;
- the International Bill of Human Rights.

The table below summarises the areas concerned by these principles. The analysis performed indicates that RTE complies with the minimum safeguards.

Area concerned	Existence of processes	Absence of convictions
Human rights	*See section 7.*6 on the duty of vigilance	√
Corruption	*See section 7.*6.5 on anti-corruption compliance	√
Taxation	*See section 6.*5.2 on Action against tax avoidance	√
Competition law	Not applicable (RTE's activity is regulated and not open to competition)	√

7.8.4 TAXONOMY REGULATION INDICATORS

The indicators presented here use the latest known definitions, drawing particularly on the European Commission's "Consolidated FAQs" of 6 October 2022.

Article 5 of the Environmental Delegated Act of 27 June 2023 amended the Delegated Regulation 2021/2178 specifying the content and presentation of information to be disclosed concerning environmentally sustainable economic activities ("Article 8"). The tables below for RTE's turnover, capital expenditure and operating expenditure incorporate the required updates.

Turnover (Sales)

Economic activities	Code	Turnover (sales)	Share of current year turnover (sales)	"Substantial contribution" criteria						
				Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodi-versity	
		K€	%	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1. Environmentally sustainable (Taxonomy-aligned) activities										
Electricity transmission	CCM 4.9 CCA 4.9	5,545,155	90% [1]	**YES**	YES	Non EL	Non EL	Non EL	Non EL	
Turnover (sales) related to environmentally sustainable (Taxonomy-aligned) activities (A.1)		**5,545,155**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Enabling activities		**5,545,155**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Transitional activities		**0**	**0%**	0%						
A.2. Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activities										
				EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	
Electricity transmission[2]	CCM 4.9 CCA 4.9	536,598	9%	**EL**	EL	Non EL	Non EL	Non EL	Non EL	
Turnover (sales) related to Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activities (A.2)		**536,598**	9%	9%	9%	0%	0%	0%	0%	
A. Turnover (sales) related to Taxonomy-eligible activities (A.1 + A.2)		**6,081,752**	**99%**	**9%**	**9%**	**0%**	**0%**	**0%**	0%	
B. NON TAXONOMY-ELIGIBLE ACTIVITIES										
Turnover (sales) related to Non Taxonomy-eligible activities[3]		49,443	1%							
TOTAL (A + B)[4]		**6,131,196**	100%							

(1) In 2023, 90% of RTE's network contributed to climate change mitigation (86% in 2022): this percentage is determined by reference to the contribution of carbon-free generation sources producing the power transmitted in 2023 (provisional data; the final data will be published in the 2023 Electricity report).
Carbon-free generation sources connected to the French transmission network include nuclear power, hydropower, wind power, and solar power, and the carbon-free portion of electricity imports in 2023. The alignment rate for 2023 is higher than in 2022, as 2023 saw a clear increase in electricity generation from all carbon-free sources (nuclear, hydro, wind and solar power).

	"Do no significant harm" criteria									
	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Share of turnover (sales) that is Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2), prior year %	Enabling activity *(E)*	Transitional activity *(T)*
	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO		E	T
	YES	YES	YES	YES	YES	YES	YES	84%	E	
	YES	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**84%**		
	YES	YES	YES	YES	YES	YES	YES	**84%**	**E**	
								0%		**T**
								15%		
								99%		

(2) Including €414,962k (7% of turnover) not aligned with the climate change mitigation objective.
Including €121,635k (2% of turnover) not aligned because some of RTE's old equipment contains PCBs (2% of physical assets), as stated in section 7.4.3 "Utilisation of resources, and the circular economy".
(3) The activities of RTE's subsidiaries, which are non-significant.
(4) This corresponds to the Group's turnover (sales) under IFRS, as published in the notes to the consolidated financial statements.

	Percentage of total turnover	
	Taxonomy-eligible by objective	Taxonomy-aligned by objective
CCM[1]	99%	90%
CCA[2]	NS[3]	NS[3]
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

(1) CCM: Climate Change Mitigation.
(2) CCA: Climate Change Adaptation.
(3) Not significant: In 2023, the percentage of turnover relating to adaptation activities was non-significant, in line with the non-significant nature of investments made over the period for climate change adaptation. See the part of section 7.8.3.3 on climate change adaptation.

Operating expenditure (OpEx)

Economic activities	Code	Opex	Share of current year Opex	"Substantial contribution" criteria						
				Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodi-versity	
		K€	%	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1. Environmentally sustainable (Taxonomy-aligned) activities										
Electricity transmission	CCM 4.9 CCA 4.9	638,653	90% (1)	**YES**	YES	N/EL	N/EL	N/EL	N/EL	
Opex related to environmentally sustainable (Taxonomy-aligned) activities (A.1)		**638,653**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Enabling activities		**638,653**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Transitional activities		**0**	**0%**	0%						
A.2. Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activities										
				EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	EL/Non EL	
Electricity transmission(2)	CCM 4.9 CCA 4.9	62,022	9%	**EL**	EL	Non EL	Non EL	Non EL	Non EL	
Renovation of existing buildings(3)	CCM 7.2	5,173	1%	EL	Non EL	Non EL	Non EL	Non EL	Non EL	
Opex related to Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activitie (A.2)		**67,195**	10%	10%	9%	0%	0%	0%	0%	
A. Opex related to Taxonomy-eligible activities (A.1 + A.2)		**705,848**	**100%**	**10%**	**9%**	**0%**	**0%**	**0%**	0%	
B. NON TAXONOMY-ELIGIBLE ACTIVITIES										
Opex related to non Taxonomy-eligible activities(4)		**301**	0%							
TOTAL (A + B)(5)		**706,149**	100%							

(1) In 2023, 90% of RTE's network contributed to climate change mitigation (86% in 2022): this percentage is determined by reference to the contribution of carbon-free generation sources producing the power transmitted in 2023 (provisional data; the final data will be published in the 2023 Electricity report).
Carbon-free generation sources connected to the French transmission network include nuclear power, hydropower, wind power, and solar power, and the carbon-free portion of electricity imports in 2023. The alignment rate for 2023 is higher than in 2022, as 2023 saw a clear increase in electricity generation from all carbon-free sources (nuclear, hydro, wind and solar power).

(2) Including €48,008k (7% of operating expenditure) not aligned with the climate change mitigation objective.
Including €14,014k (2% of operating expenditure) not aligned because some of RTE's old equipment contains PCBs (2% of physical assets), as stated in section 7.4.3 "Utilisation of resources, and the circular economy".

	"Do no significant harm" criteria							Share of Opex that is Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2), prior year	Enabling activity (E)	Transitional activity (T)
	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards			
	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	E	T
	YES	YES	YES	YES	YES	YES	YES	84%	E	
	YES	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**84%**		
	YES	YES	YES	YES	YES	YES	YES	**84%**	**E**	
								0%		**T**
								15%		
								99%		

(3) See the part of section 7.8.2.1 on eligible expenses.
(4) The activities of RTE's subsidiaries, which are non-significant.
(5) In line with Annex I of the Disclosure Delegated Act (1.1.3 KPI related to operating expenditure), this comprises expenses directly related to fixed assets: maintenance and repairs; expenditure for maintenance and research personnel). Maintenance and research expenses are part of the "external expenses" item in note 8 to the consolidated financial statements. Expenditure on maintenance personnel is equal to 34% of the personnel expenses presented in note 10 to the consolidated financial statements.

	Percentage of total operating expenditure	
	Taxonomy-eligible by objective	Taxonomy-aligned by objective
CCM[1]	100%	90%
CCA[2]	NS[3]	NS[3]
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

(1) CCM: Climate Change Mitigation.
(2) CCA: Climate Change Adaptation.
(3) Not significant: In 2023, the percentage of operating expenses relating to adaptation activities was non-significant, in line with the non-significant nature of investments made over the period for climate change adaptation. See the part of section 7.8.3.3 on climate change adaptation.

Capital expenditure (CAPEX)

Economic activities	Code	Capex	Share of current year Capex	"Substantial contribution" criteria: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodi-versity	
		K€	%	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	YES/NO Non EL	
A. TAXONOMY-ELIGIBLE ACTIVITIES										
A.1. Environmentally sustainable (Taxonomy-aligned) activities										
Electricity transmission[1]	CCM 4.9 CCA 4.9	1,892,777	90%(2)	**YES**	YES	Non EL	Non EL	Non EL	Non EL	
Capex related to environmentally sustainable (Taxonomy-aligned) activities (A.1)		**1,892,777**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Enabling activities		**0**	**90%**	**0%**	**0%**	**0%**	**0%**	**0%**	0%	
Transitional activities		**0**	**0%**	**0%**						
A.2. Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activities										
				EL/Non EL	EL/Non EL	EL/Non EL	**EL/Non EL**	**EL/Non EL**	**EL/Non EL**	
Electricity transmission[3]	CCM 4.9 CCA 4.9	171,445	8%	**EL**	EL	Non EL	Non EL	Non EL	Non EL	
Renovation of existing buildings[4]	CCM 7.2	12,035	1%	EL	Non EL	Non EL	Non EL	Non EL	Non EL	
Charging stations for electric vehicles[4]	CCM 7.4	893	0%	EL	Non EL	Non EL	Non EL	Non EL	Non EL	
Capex related to Taxonomy-eligible but non-environmentally sustainable (non Taxonomy-aligned) activities (A.2)		**184,373**	9%	9%	8%	0%	0%	0%	0%	
A. Capex related to Taxonomy-eligible activities (A.1 + A.2)		**2,077,150**	**99%**	**9%**	**8%**	**0%**	**0%**	**0%**	0%	
B. NON TAXONOMY-ELIGIBLE ACTIVITIES										
Capex related to non Taxonomy-eligible activities[5]		**15,665**	1%							
TOTAL (A + B)[6]		**2,092,816**	100%							

(1) In line with Annex I of the Disclosure Delegated act (1.1.2 KPI related to capital expenditure), this comprises additions to tangible and intangible assets during the financial year, before depreciation and amortisation, including IFRS 16.

(2) In 2023, 90% of RTE's network contributed to climate change mitigation (86% in 2022): this percentage is determined by reference to the contribution of carbon-free generation sources producing the power transmitted in 2023 (provisional data; the final data will be published in the 2023 Electricity report).
Carbon-free generation sources connected to the French transmission network include nuclear power, hydropower, wind power, and solar power, and the carbon-free portion of electricity imports in 2023. The alignment rate for 2023 is higher than in 2022, as 2023 saw a clear increase in electricity generation from all carbon-free sources (nuclear, hydro, wind and solar power).

	"Do no significant harm" criteria							Share of Capex that is Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2), prior year	Enabling activity *(E)*	Transitional activity *(T)*
	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards			
	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	E	T
	YES	YES	YES	YES	YES	YES	YES	86%	E	
	YES	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	86%		
	YES	YES	YES	YES	YES	YES	YES	**86%**	**E**	
								0%		**T**
								14%		
								100%		

(3) 8% of capital expenditure is not aligned with the climate change mitigation objective. No investment was made in equipment containing PCBs in 2023: see the part of section 7.8.3.3 on climate change adaptation.
(4) See the part of section 7.8.2.1 on eligible expenses.
(5) The activities of RTE's subsidiaries, which are non-significant.
(6) This corresponds to the amount of acquisitions during the year. See the consolidated cash flow statement in the notes to the consolidated financial statements.

	Percentage of total capital expenditure	
	Taxonomy-eligible by objective	Taxonomy-aligned by objective
CCM[1]	99%	90%
CCA[2]	NS[3]	NS[3]
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

(1) CCM: Climate Change Mitigation.
(2) CCA: Climate Change Adaptation.
(3) Not significant: In 2023, the percentage of operating expenses relating to adaptation activities was non-significant, in line with the non-significant amount of investments made over the period for climate change adaptation. See the part of section 7.8.3.3 on climate change adaptation.



8.

Economic and financial performance

8.1 ECONOMIC ENVIRONMENT[1]

The year 2022 had put great pressure on the French electricity system, which was affected by three independent but simultaneous energy crises in combination: gas supplies were under threat after Russia's invasion of Ukraine, sending prices soaring, there was a crisis in French nuclear power output, and hydropower generation was in crisis too due to low precipitation. Despite this very unfavourable environment, France's electricity system showed resilience, and thanks to efficient energy exchanges with other European countries, lower consumption in France and its neighbouring countries, and measures to make the gas supply secure, there was no breakdown in power supply.

The year 2023 saw a gradual return to a more balanced situation for electricity system operation, with substantial increases in electricity output from all the carbon-free sources (nuclear, hydro, wind and solar power), a decrease in consumption compared to the previous year which made it easier to cover demand, a marked rise in France's electricity trade balance which returned to a net export position, and declining prices.

The pronounced downturn in French electricity consumption that had began in autumn 2022, as the energy crisis worsened, continued throughout 2023 and total consumption stood at 444TWh in 2023, down by 3.5% from 2022.

Total electricity output in France increased by 10% between 2022 and 2023 to 492TWh, but remained below pre-2020 levels. Nuclear plant availability improved significantly over the year, coming close to the levels observed before 2019, and as a result the volume of nuclear power produced reached 320.3TWh (compared to 279.0TWh in 2022). 2023 was a record year for wind power (50.4TWh) and solar power (21.5TWh), which together accounted for nearly 15% of France's electricity mix. Hydropower (58.3TWh), which is still the country's second-largest source of electricity, recovered well from 2022, largely thanks to heavier precipitation which kept water levels high. The simultaneous fall in demand and rise in low-carbon electricity output led to a reduction in fossil fuel use, particularly gas (gas-fired generation volumes decreased from 44.1TWh in 2022 to 29.7TWh in 2023). Coal-fired generation was lower than it had ever been (0.8TWh).

The generation fleet's capacity saw a slightly higher increase in 2023 than 2022 (+3.7%, after +3.4%) to a total 149.1GW. This increase resulted from rises of 21.6% (+3.4GW) in solar power capacity, and 7.8% (+1.6GW) in wind power capacity, notably including the partial commissioning of new offshore wind farms at Fécamp (224MW by 31 December 2023, 497MW in the future) and Saint-Brieuc (136MW by 31 December 2023, 496MW in the future). There was also a more moderate rise in installed fossil-fired thermal capacity (+0.2GW) and renewable thermal/waste-based capacity (+0.03GW), and a slight downturn in installed hydropower capacity (-0.04GW).

Thanks to this recovery in electricity production, there was less need for imports and higher volumes could be exported: after its very unusual net importer position of 2022 (net import balance of 16.5TWh) a situation not observed since 1980, France returned to its normal net exporter position in 2023 (net export balance of 50.1TWh of exports). Compared to 2022, France remained a net exporter across the Italian and Swiss borders (20TWh and 16.3TWh respectively); it returned to a net exporter position across the British border (13.2TWh) and registered a slight exporter position towards the Core region (the German and Belgian borders, 2.4TWh). However, it remained a slight net importer from Spain (1.8TWh). A net export balance was recorded throughout the year, even though in the early months (January to March) the result was close to equilibrium. Afterwards, the export position became more pronounced, as nuclear fleet availability improved and hydropower water resources increased, reaching record levels from spring onwards. Regarding interconnectors, the second half of the Savoy-Piedmont line between France and Italy was put into operation in late 2023, raising capacity to 1.2GW.

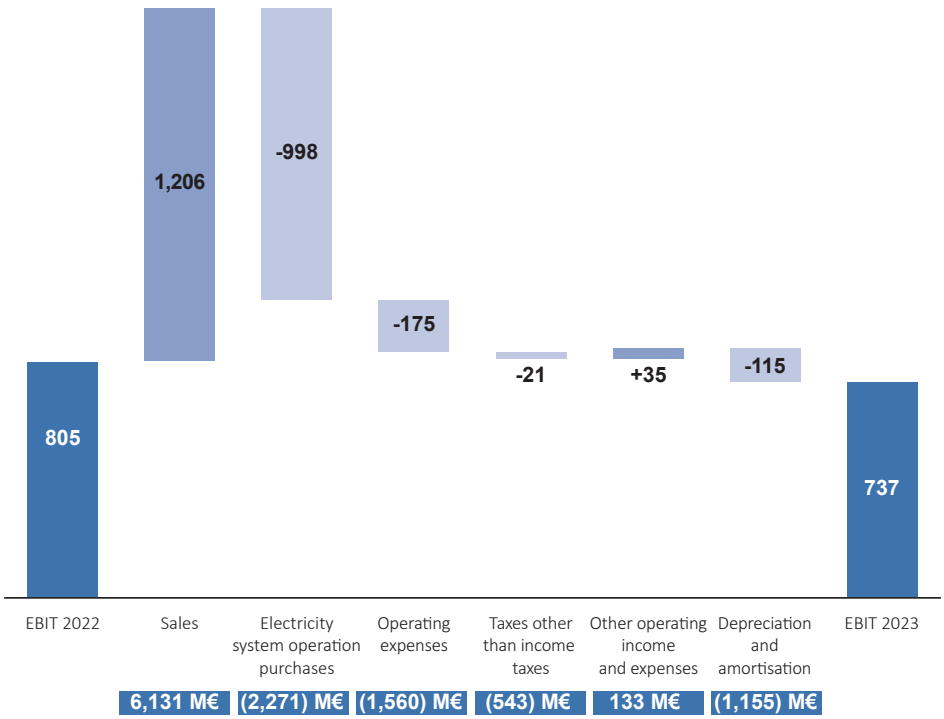
(1) The figures for 2023 are not final at the publication date of this management report. The final figures for 2023 will be known during 2024 and published in RTE's Electricity report.

8.2 RESULTS, EBIT AND FINANCIAL STRUCTURE

These results are presented under IFRS.

8.2.1 BUSINESS AND RESULTS IN 2023

8.2.1.1 Change in EBIT: -€69 million



RTE's EBIT for 2023 was down by €69 million (-9%) from 2022, at €737 million.

This decrease is explained by the items detailed below.

RTE's sales amounted to €6,131 million in 2023, compared to €4,926 million in 2022.

The €1,206 million (+24.5%) increase in sales in 2023 results was driven by the following effects in combination:

- network access income (withdrawals and injections) was up by €1,846 million (+84%) to €4,035 million. Given the exceptionally high income from interconnections in 2022, a provision of €1,940 million was established in the 2022 financial statements covering redistribution of the "windfall" income to users on "CART" network access contracts, and this had no equivalent in 2023.
  - excluding the impact of recognition of the CRCP surplus in RTE's financial statements at 31 December 2022, network access income was down by €93 million. This decline results from an unfavourable volume effect of -€186 million, explained by a lasting decreased in energy withdrawals (energy sufficiency efforts), and a favourable price effect of +€93 million due to the annual adjustment of the TURPE HTB tariff which took effect on 1 August 2023 (+6.69%);
- income from interconnections decreased by €645 million (-25%) to €1,956 million. This income includes:
  - capacity revenues from interconnections, which depend on price differentials between national electricity markets, and were €274 million lower

in 2023 than 2022 (-12%), reflecting the general downturn in European spot prices in 2023,
  - capacity auction income, after RTE's cross-border capacities were put on sale in December 2023 for delivery year 2024. This income showed a substantial year-on-year decrease (-€369 million) because the capacities auctioned were lower following network damage, and the capacity price in the last auction of 2023 was almost 10 times lower than the previous year,
  - income from activation of offers on the European TERRE platform, which was down by €3 million;
- income from services increased by €5 million to €140 million. This rise is mainly attributable to the activities of subsidiaries, particularly RTE International and Arteria.

The total amount of electricity system operation purchases was €2,271 million in 2023, up by €998 million from 2022.

These purchases comprise:
- electricity purchases to compensate for network losses and network capacity guarantees (€1,219 million in 2023), which involve preliminary market consultations that attract responses from a large number of actors, and operations on the organised markets (EPEX Spot and EEX EPD). These purchases increased due to a very significant price effect on forward and over-the-counter purchases that were sourced in late 2022;
- expenses relating to balancing reserves (voltage and frequency) which rose by €251 million;
- congestion costs (€272 million in 2023) i.e. the surplus costs generated by output adjustments in response to operating constraints on the internal network or interconnection lines, which were up by €87 million;
- payments due under interruptible load contracts (€36 million in 2023), for which an annual call for tenders is made;
- RTE's contribution to the compensation mechanism for international transit costs (ITC) between European network operators (-€10 million in 2023), and power exchange contracts between transmission network operators (-€1 million);
- payments due under load-shedding contracts (-€0.4 million) designed to temporarily reduce the level of power withdrawn by a consumption site: the charge borne by RTE has been compensated by the contribution to the public electricity service (CSPE) levy since 2018. These payments were down by €71 million compared to 2022, reflecting a clearing price below the reference capacity auction price for 2023.

Operating expenses rose by €161 million from 2022 to €1,968 million in 2023.

The main changes in these expenses concerned:
- **other purchases and services**[1] (€753 million in 2023), up by €76 million compared to 2023, principally due to network repair and maintenance (+€30 million), and various expenses (+€27 million) such as research studies, travel, advisory services, consumption of equipment stocks and real estate expenses;
- **net personnel expenses**[2] (€807 million in 2023), up by €99 million. This increase is principally explained by:
  - an increase of +€134 million relating to the wage policy (pay agreements concluded in 2023, new ways of working, higher workforce numbers and an associated increase in employer social security contributions),
  - offset by a decrease of -€35 million reflecting the higher share of labour costs capitalised (-€42 million) and the +€7 increase in provisions for employee benefits;
- **taxes other than income taxes** totalled **€542 million**, an increase of **+21 million** from 2022. This change is primarily explained by an unfavourable price effect of **+€18 million** relating to the pylon tax (increase of +4.9% in the fixed amount per pylon) and the tax on network companies (IFER) (increase of +4.3% in the fixed amount per transformer).

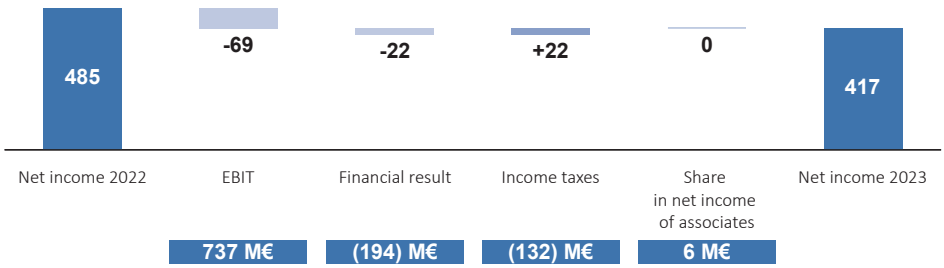
Other operating income and expenses generated **net income of €133 million** in 2023, compared to net income of €99 million in 2022. The principal factors in this **+€34 million** change are the higher penalty payments received in application of various mechanisms, notably the capacity mechanism, System services and the adjustment mechanism (+€96 million). The increase was partly counterbalanced by a decrease in the load-shedding subsidy (with a neutral impact on the income statement).

(1) Reported net of the portion allocated to investments.
(2) The definition used also covers net increases to provisions concerning employees (for long-term and post-employment benefits, the employer's contribution to profit sharing on behalf of employees, etc.). This item is also reported net of the portion allocated to investments.

Depreciation and amortisation amounted to **€1,155 million**, up by €116 million from 2022.

This increase includes the +€56 million impact of implementation of the project to review the granularity of RTE's physical assets.

8.2.1.2 Change in net income: -€69 million



The 2023 **net income is down by €69 million** compared to 2022, at **€417 million**.

The financial result was a net expense of -€194 million: financial expenses net of financial income were €22 million higher than in 2022, mainly due to the higher amount of interest paid on borrowings (-€33 million, principally on negotiable debt securities (-€21 million) following interest rate rises) and an increase in the cost of unwinding the discount on provisions for pensions and other long-term employee benefits (-€44 million), offset by higher financial income (+€55 million as a result of higher returns on cash investments and cash equivalents).

Income taxes totalled €132 million for 2023, compared to €154 million in 2022, a decrease of -€22 million due notably to the lower pre-tax income (down by -€90 million from 2022). The year-end effective tax rate was stable, at 25.83% for 2022 and 2023 (reflecting application of France's Finance laws for 2022 and 2023).

RTE Group income statement under IFRS at 31 December 2023

(in millions of euros)	31/12/2023	31/12/2022	Change 2023-2022
Sales	**6,131**	**4,926**	**1,206**
Network access: withdrawals	*3,912*	*2,086*	*1,826*
Network access: injections	*123*	*103*	*20*
Network access: interconnections	*1,956*	*2,601*	*(645)*
Other services	*140*	*135*	*5*
System purchases	(2,271)	(1,273)	(998)
Operating expenses	(1,560)	(1,385)	(175)
*Other net purchases**	*(753)*	*(677)*	*(76)*
*Net personnel expenses**	*(807)*	*(708)*	*(99)*
Taxes other than income taxes	(542)	(521)	(21)
Other operating income and expenses	133	99	35
EBITDA	**1,892**	**1,845**	**47**
Net depreciation and amortisation	(1,155)	(1,040)	(115)
EBIT	**737**	**805**	**(69)**
Financial result	(194)	(173)	(22)
Consolidated profit before tax	**543**	**633**	**-90**
Income tax	(132)	(154)	22
Share in net income of associates	6	7	0
CONSOLIDATED NET INCOME	**417**	**485**	**(69)**

* *Net of the portion allocated to investments.*

Reconciliation between RTE's net income under IFRS and RTE SA's net income under French GAAP

(in millions of euros)	31/12/2023	31/12/2022
RTE net income under IFRS	**417**	**485**
Impact of subsidiaries, net of intragroup transactions	15	7
Impact of intragroup transactions via profit and loss *	(22)	(5)
Impact of differences in accounting treatment under French GAAP and IFRS	133	131
RTE SA net income under French GAAP	**292**	**353**

* *Corresponding to elimination of internal dividends.*

8.2.1.3 Changes in the return on capital employed and return on equity

Key figures for RTE under French GAAP

(in millions of euros)	2023	2022
Income statement		
Sales	6,053	4,852
EBIT	631	678
Financial result	(192)	(201)
Net income	292	353
Balance sheet		
Economic assets at 1 Jan	15,568	17,194
Fixed assets at 31 Dec		
• gross	40,658	38,799
• depreciation and amortisation	19,841	18,932
• net	20,817	19,867
Equity at 31 Dec	7,977	7,851
Net indebtedness (gross indebtedness adjusted for cash)	10,384	7,992
ROCE	4.1%	3.9%

Based on **RTE's individual financial statements** under French GAAP[1], the **return on capital employed (ROCE)**[2], calculated as the ratio of EBIT to capital employed by RTE for its business activity, was 4.1% for 2023, higher than in 2022.

This rate of 4.1% can be compared to the normative ROCE defined for the TURPE tariff (4.6%), to which 0.1% is added for all the reductions allowed for in the tariff decision, resulting in a rate of 4.7%. The ROCE is -0.6% below this, notably due to timing differences (-1.4% for clearing regulation accounts and -0.1% for smoothing network access income), and durable effects (+0.9%).

The **return on equity (ROE)**[3], calculated as the ratio of net income to equity, was 6.4% (compared to 7.6% in 2022).

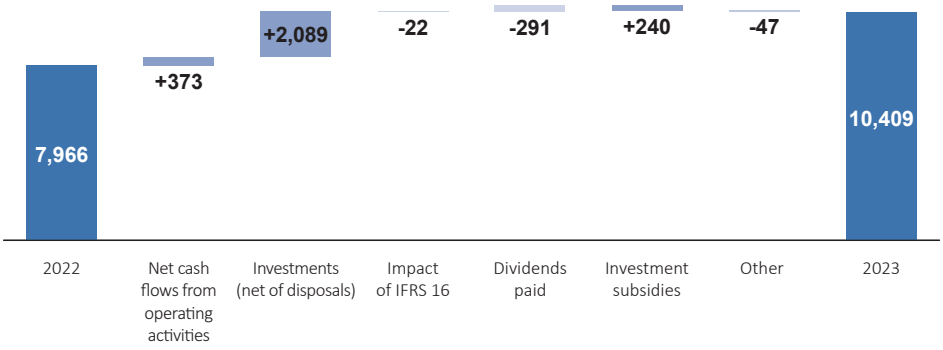
(1) This basis for calculation is used to ensure consistency with the terms of calculation for the TURPE tariffs, which are based solely on RTE's financial statements under French GAAP.

(2) To remain coherent with the regulator's view, EBIT for the year is divided by the economic assets as reported in the balance sheet at 1 January of the year concerned.

(3) Return on equity is calculated for the RTE Group based on financial statements under IFRS, using the equity value at 31 December.

8.2.2 FINANCING

Increase in net indebtedness: +€2,443 million



The year-on-year increase in RTE's net indebtedness is largely explained by the non-recurring effect of the early payment of surplus CRCP income.

Investment expenditure for the regulated scope:

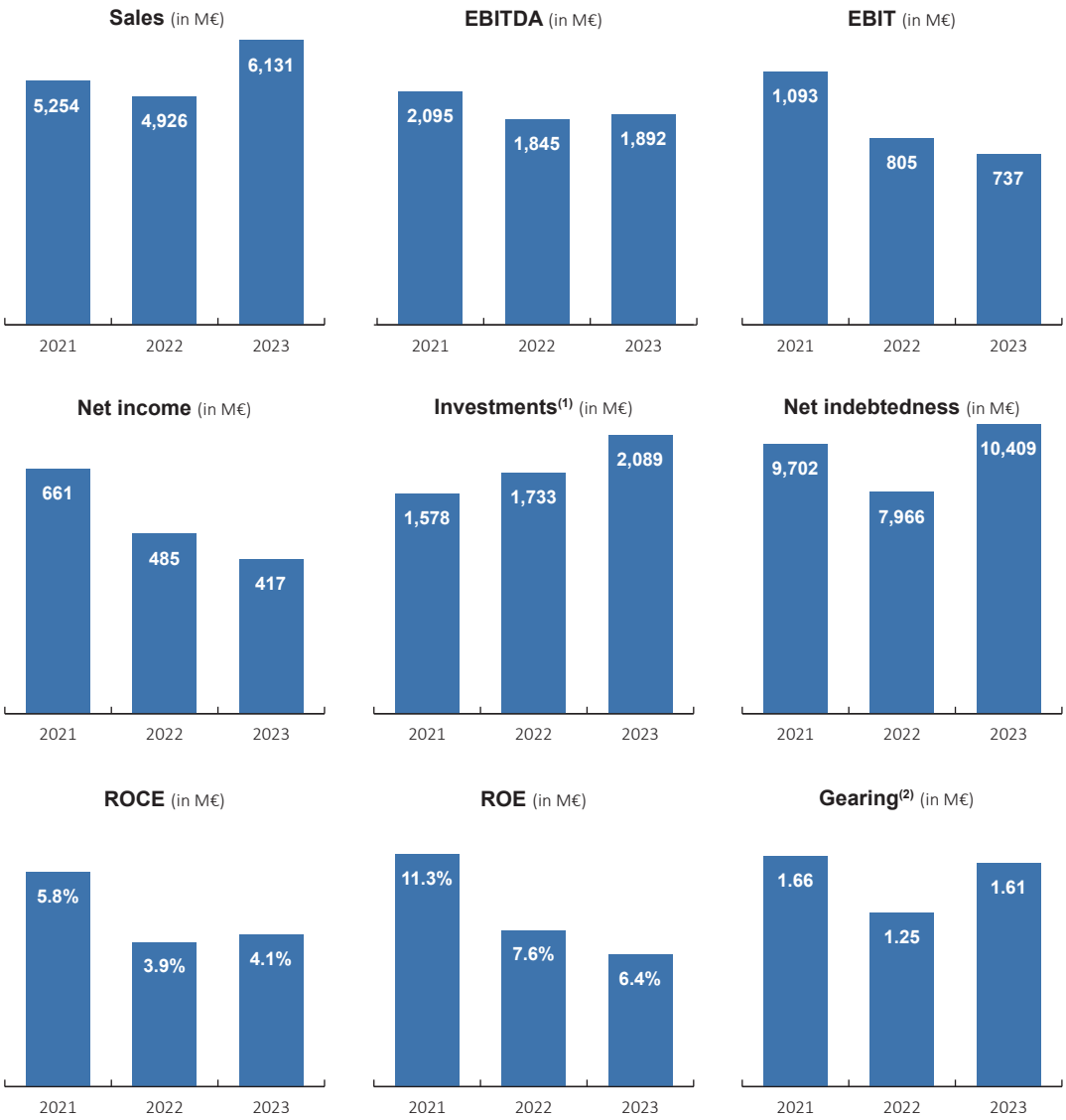
(in millions of euros)	2023	2022
Categories		
Network	1,748	1,463
Major transmission network and interconnections	*300*	*199*
Regional networks	*1,449*	*1,264*
Information system	190	174
Logistics	138	85
TOTAL INVESTMENTS FOR THE SCOPE REGULATED BY THE CRE *	**2,077**	**1,722**

* *Excluding disposals.*

8.2.3 FINANCIAL STRUCTURE

Equity amounted to €6.459 billion at 31 December 2023.

Net indebtedness stood at €10.409 billion at 31 December 2023: €12.294 billion of gross financial indebtedness, less cash and short-term financial assets amounting to €1.884 billion.



* *Investments in the regulated scope.*

The gearing (net financial indebtedness/equity) increased, from 1.25 at the 2022 year-end to 1.61 at the 2023 year-end.

NB: Figures for the RTE Group comply with IFRS, except for the return on capital employed which is calculated based on the parent company RTE's individual financial statements under French GAAP, for reasons of comparability with regulation parameters.

8.3 OUTLOOK FOR 2024

The TURPE 6 network access tariff is adjusted annually at the anniversary date: it was raised by +1.09% at 1 August 2021 when the tariff first took effect, then reduced by -0.01% at 1 August 2022 and raised by +6.69% on 1 August 2023, and a further adjustment will follow on 1 August 2024 based on forecast inflation, an annual cost factor of 0.49%, and a correcting factor to balance the income and expenses adjustment account (CRCP). The tariff change of 1 August 2024 will be determined by the CRE based on forecast inflation for 2024 and variances in 2021, 2022 and 2023 on items eligible for the CRCP.

RTE's gross investment budget approved by the CRE for 2024 is €2,287 million. This is €210 million more than the actual investments made in 2023, which totalled €2,077 million.

The increase in investments is particularly attributable to expenditure on connections, replacements and adaptations on the network that are necessary to consolidate the accelerated pace of upgrades and preparations for future growth in all of these areas. The principal contributing factors are the creation and intensification of the "S3REnR" regional renewable energy connection plans, the corrosion plan, and reinforcements for weaker zones. Work on interconnection projects also increased, particularly due to progress on the Celtic Interconnector and Bay of Biscay projects. There were fewer connection projects for offshore wind farms as work had advanced on some (Noirmoutier, Calvados) while others (Saint-Brieuc, Fécamp) came into operation, but the ramp-up in work on other projects (principally Dieppe-Le Tréport) is continuing. Expenditures for the digital framework also increased, particularly for reinforcing telecommunications resources. The 2024 investment budget also includes €185 million for information systems and €111 million for real estate and mobile assets, in line with the amounts used to set the TURPE 6 tariff decision. Both these budgets are regulated separately from the budgets for other types of investment.

In recent years the French State has clarified its framework for achieving carbon neutrality by 2050 (the National Low Carbon Strategy) and raising the share of renewable energies in the country's electricity generation mix to 40% by 2030 (the multi-year energy plan). It is now accepted that the pathways to carbon neutrality will involve large-scale electrification of the economy in order to avoid use of fossil fuels, and that reliance on renewable-source electricity will increase. The electricity networks are essential to make this transition feasible.

RTE's investment strategy therefore takes account of the expansion of renewable energies, but also of the fact that its network is ageing. The network must be structurally adapted to incorporate the new renewable forms of energy generation, and digitised to integrate the flexibilities necessary for network operation; also, modernisation of the network must now be a priority.

Apart from these considerations, the outlook for RTE's remains subject to weather effects, electricity generation plans (which affect the volumes of electricity withdrawn, electricity losses from the network, congestion and damage), movements in electricity prices (which affect the expenses incurred to cover network losses, balancing reserves, and income from interconnections), long-term discount and inflation rates, capacity guarantee prices, and the general economic environment.

8.4 DETAILS OF SUBSIDIARIES

8.4.1 SUBSIDIARIES AND INVESTMENTS AT 31/12/2023

Company (in thousands of euros)	Capital	Gross value of shares	Impairment	% of capital owned by RTE	Loans and advances*	Sales	Equity	Net income	Dividends received in 2023
Arteria	650	650	-	100%	-	13,479	6,697	3,308	14,000
RTE International	2,000	2,000	-	100%	5,000	21,736	10,139	2,285	
Airtelis	10,000	10,000	-	100%	20,000	22,849	20,612	1,757	-
RTE Immo	763	6,865	-	100%	-	40	6,066	-809	-
Cirteus	2,575	2,575	-	100%	-	13,638	6,691	1,373	4,000
HGRT	52,119	20,854	-	34%	-	-	91,578	13,278	4,420
Coreso	1,000	159	-	16%	-	33,095	12,367	7,096	-
Inelfe	2,000	1,000	-	50%	-	98,359	16,884	731	-
Celtic Interconnector	100	50	-	50%	665	97	127	9	-
JAO	NC	65	-	5%	-	NC	NC	NC	NC
DECLARANET	7,262	882	-	12%	132	NC	NC	NC	46
TEP (Tahiti)**	15,084	5,625	-	25%	-	10,722	77,492	2,431	-

** Granted by the company and not yet repaid.*
*** Based on available data (2022); EUR/XPF exchange rate = 119.33.*
NC – not communicated.

IFA 2, the company in charge of building the second France-UK interconnector, was deconsolidated in 2023 after its liquidation in March 2023 once the project was completed.

RTE comprises the parent company RTE, five subsidiaries which are directly fully-owned by RTE and fully consolidated, two jointly-controlled companies (Inelfe, consolidated as a joint operation) and two companies in which RTE exercises significant influence (HGRT and Coreso, associates), which are accounted for by the equity method. RTE also holds investments in three other companies: JAO, Declaranet and Celtic Interconnector. IFA 2, the company in charge of building the second France-UK interconnector, was deconsolidated in 2023 after its liquidation in March 2023 once the project was completed.

The activities of RTE's subsidiaries are described in section 2.2, "History of RTE".

8.5 OTHER FINANCIAL INFORMATION

8.5.1 SUBSEQUENT EVENTS

None.

8.5.2 INFORMATION ON SETTLEMENT OF SUPPLIER AND CUSTOMER INVOICES (ARTICLE L. 441-6-1 OF THE FRENCH COMMERCIAL CODE)

In application of the "LME" law, amended by law 2015-990, for growth, economic activity and equal economic opportunities, RTE reports below its

amounts payable and receivable (including taxes) due at the year-end. These amounts are presented by maturity and as a percentage of the purchases and sales of the year (including taxes).

(in thousands of euros)	Article D.441 I.-1: Outstanding invoices received and due or overdue at the year-end date						Article D.441 I.-2: Outstanding invoices issued and due or overdue at the year-end date					
	0 days	1 - 30 days	31 - 60 days	61 - 90 days	91 days and more	Total	0 days	1 - 30 days	31 - 60 days	61 - 90 days	91 days and more	Total
(A) Period overdue												
Number of invoices	130					3,185	4					1,070
Total amount of invoices (incl. VAT)	1,428	65,959	3,182	1,765	6,030	78,364	700	-10,183	6,122	1,087	21,221	18,946
% of the total amount of purchases of the year	0.04%	1.82%	0.09%	0.05%	0.17%	2.16%						
% of the total amount of sales of the year (incl. VAT)							0.01%	-0.15%	0.09%	0.02%	0.30%	0.27%
(B) Invoices excluded from (A) relating to payables and receivables in dispute or unrecognised												
Number of invoices excluded						0						0
Total amount of invoices excluded						0						0
(C) Reference payment terms applied (contractual or statutory)												
Payment terms used to calculate periods overdue					Contractual deadlines						Statutory deadlines	

The credit balance of receivables due is explained by the amount concerning the JAO (Joint Allocation Office).

The JAO, a market actor, is the single entity in charge of implementing and running auctions for annual, monthly and daily energy transmission capacities on shared borders. It is an operator of explicit interconnection capacity auctions and is active in some fifteen countries on behalf of 27 electricity transmission system operators.

Every month, RTE records all invoices for month M-1 and receipts for month M on interconnections managed by the JAO as intermediary. Customer accounts due within 30 days can thus show a credit or a debit at the year-end, depending on fluctuations in exchanges via the interconnections.

8.5.4 NON-DEDUCTIBLE EXPENSES CONCERNED BY ARTICLE 39-4 OF THE FRENCH TAX CODE

The amount of non-deductible expenses concerned by article 39-4 of the French Tax Code was €968,058 in 2023.

9.



Consolidated financial statements at 31 December 2023

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	2023	2022
Sales	**6**	**6,131,196**	**4,925,520**
Energy purchases	7	(1,200,819)	(490,444)
Other external expenses	8	(1,567,225)	(1,246,310)
Personnel expenses	10	(1,062,259)	(921,212)
Taxes other than income taxes	11	(542,103)	(520,922)
Other operating income and expenses	12	133,260	98,734
Operating profit before depreciation and amortisation		**1,892,050**	**1,845,366**
Net depreciation and amortisation		(1,155,307)	(1,040,039)
Other income and expenses		-	-
Operating profit		**736,743**	**805,328**
Cost of gross financial indebtedness		(169,084)	(136,717)
Discount effect		(78,193)	(34,014)
Other financial income and expenses		53,183	(1,822)
Financial result	**13**	**(194,095)**	**(172,552)**
Consolidated profit before tax		**542,648**	**632,775**
Income taxes	14	(132,348)	(154,054)
Share in net income of associates	17	6,246	6,577
CONSOLIDATED NET INCOME		**416,546**	**485,298**
net income attributable to non-controlling interests		0	6
RTE net income		416,546	485,304
Earnings per share (RTE share) in Euros		**1.95**	**2.28**

STATEMENT OF NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY

(in thousands of euros)	2023	2022
Consolidated net income – RTE share	**416,546**	**485,304**
Net income attributable to non-controlling interests	**0**	**6**
Gross change in fair value of financial assets[(1)]	7,644	3,890
Related tax effect	(1,871)	(1,005)
Change in fair value of financial assets	*5,773*	*2,886*
Gross change in fair value of hedging instrument[s]		
Related tax effect		
Change in fair value of hedging instruments	*0*	*0*
Gains and losses recorded directly in equity that will be reclassified subsequently to profit or loss	**5,773**	**2,886**
Gross change in actuarial gains and losses on post-employment benefits	(51,635)	580,932
Related tax effect	13,335	(150,026)
Change in actuarial gains and losses on post-employment benefits	*(38,300)*	*430,906*
Gains and losses recorded directly in equity that will not be reclassified subsequently to profit or loss	**(38,300)**	**430,906**
Total gains and losses recorded directly in equity	**(32,527)**	**433,792**
NET INCOME AND GAINS AND LOSSES RECORDED DIRECTLY IN EQUITY	**384,019**	**919,102**

(1) These changes principally correspond to the effects of fair market valuation of negotiable debt instruments with maturity of over 3 months at the date of acquisition.

CONSOLIDATED BALANCE SHEET

ASSETS (in thousands of euros)	Notes	2023	2022
Intangible assets	15	660,288	558,437
Property, plant and equipment	16	20,530,687	19,592,531
Investments in associates	17	41,145	39,704
Non-current financial assets	18	15,887	23,050
Deferred tax assets	14	279,545	269,825
Non-current assets		**21,527,552**	**20,483,548**
Inventories	19	167,870	167,733
Trade and similar receivables	20	1,434,434	2,063,462
Current financial assets	18	1,210,524	2,443,436
Current tax assets		24	79
Other receivables	21	414,995	711,293
Cash and cash equivalents	22	673,817	777,572
Current assets		**3,901,663**	**6,163,575**
TOTAL ASSETS		**25,429,214**	**26,647,122**

Equity and liabilities (in thousands of euros)	Notes	2023	2022
Share capital	23	2,132,286	2,132,286
RTE net income and consolidated reserves		4,327,023	4,240,191
Equity – RTE share		**6,459,308**	**6,372,476**
Equity – non-controlling interests		0	50
Total equity		**6,459,308**	**6,372,527**
Non-current provisions	24	2,021,941	1,903,290
Non-current financial liabilities	25	11,125,313	10,192,456
Non-current liabilities		**13,147,255**	**12,095,746**
Current provisions	24	104,140	91,716
Trade and similar payables	28	1,587,489	2,033,459
Current financial liabilities	25	1,168,422	994,685
Current tax liabilities		594	857
Other liabilities	28	2,962,008	5,058,132
Current liabilities		**5,822,652**	**8,178,849**
TOTAL EQUITY AND LIABILITIES		**25,429,214**	**26,647,122**

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)	2023	2022
Operating activities:		
Consolidated profit before tax of consolidated companies	**542,648**	**632,775**
Depreciation and amortisation, provisions and changes in fair value	1,181,827	1,040,235
Dividends received from entities accounted for by the equity method	4,466	4,420
Financial income and expenses	121,096	138,763
Gains and losses on disposal of assets	37,535	25,693
Change in working capital	(1,859,886)	2,171,049
Net cash flow from operations	**27,686**	**4,012,935**
Net financial expenses disbursed	(171,203)	(173,718)
Income taxes paid	(228,380)	(205,606)
Net cash flow from operating activities	**(371,897)**	**3,633,611**
Investing activities:		
Acquisitions of property, plant and equipment and intangibles	(2,093,638)	(1,725,504)
Disposals of property, plant and equipment and intangibles	4,340	3,057
Changes in financial assets	1,246,849	(1,249,565)
Financing operations	0	(5,613)
Net cash flow used in investing activities	**(842,449)**	**(2,977,625)**
Financing activities:		
Issuance of borrowings	5,588,668	3,764,891
Repayment of borrowings	(4,475,843)	(3,647,793)
Dividends paid	(291,179)	(396,654)
Investment subsidies	240,207	185,213
Net cash flow from financing activities	**1,061,852**	**(94,344)**
Financial income on cash and cash equivalents	48,738	0
Net increase (decrease) in cash and cash equivalents	**(103,756)**	**561,643**
Cash and cash equivalents – opening balance	777,572	215,930
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**673,817**	**777,572**

The change in working capital in 2022 (+€2,171 million) includes the positive effects of interconnection income, which were partly transferred in 2023 through an exceptional payment of part of the balance of RTE's income and expenses adjustment account (CRCP[(1)]), amounting to €1,940 million.

The negative change in working capital in 2023 (-€1,860 million) is notably due to this payment, made during the first quarter of 2023.

(1) Compte de régularisation des charges et des produits.

CHANGES IN CONSOLIDATED EQUITY

(in thousands of euros)	Capital	Consolidated reserves and net income	Restatement to fair value of financial instruments	Equity (RTE share)	Equity (non-controlling interests)	Total equity
Equity at 31 December 2021	**2,132,286**	**3,716,115**	**1,760**	**5,850,160**	**57**	**5,850,217**
Total gains and losses recorded directly in equity[1]		430,906	2,886	433,792	0	433,792
2022 net income		485,304	0	485,304	(6)	485,298
Net income and gains and losses recorded directly in equity	**0**	**916,210**	**2,886**	**919,096**	**(6)**	**919,090**
Dividends paid		(396,654)	0	(396,654)	0	(396,654)
Other changes		(127)	0	(126)	(1)	(127)
Equity at 31 December 2022	**2,132,286**	**4,235,544**	**4,646**	**6,372,476**	**50**	**6,372,527**
Total gains and losses recorded directly in equity(1)		(38,300)	5,773	(32,527)		(32,527)
2023 net income		416,546		416,546	0	416,546
Net income and gains and losses recorded directly in equity	**0**	**378,246**	**5,773**	**384,019**	**0**	**384,019**
Dividends paid		(291,179)		(291,179)		(291,179)
Other changes		(2,539)	(3,470)	(6,008)	(50)	(6,059)
EQUITY AT 31 DECEMBER 2023	**2,132,286**	**4,320,072**	**6,950**	**6,459,308**	**(0)**	**6,459,308**

(1) For details of these changes, see the statement of net income and gains and losses recorded directly in equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RTE Réseau de transport d'électricité ("RTE") is a *société anonyme*, a French-domiciled publicly-traded limited company whose shares are unlisted.

RTE manages the French electricity transmission network, with responsibility for operating, maintaining and developing the network. It guarantees smooth and safe operation of the French electric system, providing on-demand, equitable access to all network users.

The consolidated financial statements of the RTE Group ("the Group") include the accounts of RTE, the accounts of five companies controlled exclusively by RTE which are fully consolidated, the accounts of two jointly-controlled companies consolidated as joint operations, and the accounts of three companies in which RTE exercises significant influence (associates) which are accounted for under the equity method. All these economic entities are collectively referred to as the "Group".

The five companies controlled exclusively by RTE are:
- Arteria, which markets:
  - use of optical fibres constructed by RTE,
  - "high points" (stand-alone radio transmitters or power system pylons), pre-equipped to host operators' mobile telephone facilities in order to carry broadband to the final customer at a lower cost, as a complement to fibre optics;
- RTE International (RTE I), which provides engineering, consulting and other services in all areas of an electricity transmission network operator's business;
- Airtelis, which markets services using one or more helicopters, and supplies products and equipment to enhance RTE's assets and/or skills (including operations, heliborne transport, and helicopter leases);
- RTE Immo, which operates mainly in acquisition, management, administration and sale of real estate properties and rights, execution of work on real estate properties to enhance their value, and provision of real estate services;
- Cirteus, which provides services, studies and advice in the competitive sector of the market for maintenance, operation and development of high-voltage and very high-voltage electricity installations.

The following company is controlled by RTE but not consolidated because it is non-significant:
- RTE I Netherlands, 90%-owned by RTE International. This is RTE International's Dutch subsidiary, a specialist in the maintenance of high-voltage power lines and electricity substations. As the financial flows relating to this entity have very low materiality compared to the Group's consolidated finanical statements, it is not included in the consolidation.

The companies controlled jointly by RTE are:
- Inelfe (interconnexion electrique France-Espagne), owned jointly with REE (Red Eléctrica de España SAU). Inelfe was formed for the planning and construction of any new interconnection project between France and Spain, increasing interconnection capacity between the French and Spanish transmission networks;
- CIDAC (Celtic Interconnector Designated Activity Company), owned jointly with EIRGRID (Ireland). CIDAC was formed formed to construct an interconnector between France and Ireland for direct exchanges of electricity.

The Group's associates are:
- a holding company, HGRT (Holding des Gestionnaires de Réseau de transport d'électricité, a French limited company[1]) which holds an investment in EPEX SPOT, a company that handles financial management for energy purchase and sale markets on European territory;
- Coreso, a Belgian company which supplies safety assessments and designs coordinated preventive or corrective solutions to control safe operation of the electricity system covering the west of Europe;
- TEP Tahiti, a mixed-economy local company[2] whose majority shareholder is Collectivité de Polynésie française. TEP is the concession-holder for the public high-voltage electricity transmission service on the island of Tahiti. RTE joined this partnership through a cash acquisition of 25% of TEP shares in 2022.

Entity deconsolidated in 2023:
- IFA 2, the company in charge of building the second France-UK interconnector, was deconsolidated in 2023 after its liquidation in March 2023 once the project was completed.

The Group's financial statements at 31 December 2023 were prepared under the responsibility of its Executive Board, which approved them on 29 January 2024.

(1) Simplified joint stock company (SAS: Société par actions simplifiée).
(2) Société d'économie mixte locale (SEML).

Note 1. Group accounting policies

1.1 DECLARATION OF CONFORMITY AND GROUP ACCOUNTING POLICIES

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the Group's consolidated financial statements for the year ended 31 December 2023 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at 31 December 2023. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and SIC and IFRIC interpretations.

The Group has decided against early application of the standards and interpretations that were not mandatory in 2023.

1.2 CHANGES IN ACCOUNTING POLICIES AT 31 DECEMBER 2023

Apart from the changes presented below, the accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended 31 December 2023 are identical to those used in the consolidated financial statements for the year ended 31 December 2022.

1.2.1 STANDARDS AND AMENDMENTS ADOPTED BY THE EUROPEAN UNION AND MANDATORY FOR 2023

The following accounting standards and amendments have been adopted by the European Union and are mandatory for financial years beginning on or after 1 January 2023:

- Amendment to IAS 1, Disclosure of accounting policies (published 02/21);
- Amendment to IAS 8, Definition of accounting estimates (published 02/21);
- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction (published 05/21);
- IAS 12, International Tax Reform – Pillar Two Model Rules;
- IFRS 17, Insurance contracts (standard published 05/17, amended 06/20);
- Amendments to IFRS 17, First application of IFRS 17 and IFRS 9 – Comparative information (published 12/21).

More information regarding IAS 12 and the Pillar 2 model is provided below in section 2.10 "Income tax".

The Group has not identified any significant impact resulting from application of these new standards and amendments at 31 December 2023.

1.2.2 STANDARDS AND AMENDMENTS ADOPTED BY THE EUROPEAN UNION BUT NOT YET MANDATORY

No such standards and amendments were identified at 31 December 2023.

1.2.3 OTHER STANDARDS AND AMENDMENTS PUBLISHED BY THE IASB BUT NOT YET ADOPTED BY THE EUROPEAN UNION

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published 09/14);
- Amendment to IFRS 10 23835 and IAS 28, Effective date of amendments to IFRS 10 and IAS 28 (published 12/15);
- Amendment to IAS 7 and IFRS 7, Supplier finance arrangements (published 05/23);
- Amendment to IAS 21, Lack of exchangeability (published 08/23);
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current.

Note 2. Summary of the principal accounting and valuation methods

The following accounting methods have been applied consistently to all the periods presented in the consolidated financial statements.

2.1 VALUATION

The consolidated financial statements are based on historical cost valuation, with the exception of certain financial instruments and financial assets, which are stated at fair value.

The methods used to determine the fair value of these instruments are presented in note 2.17.

2.2 MANAGEMENT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the use of judgements, best estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period, considering positive and negative contingencies existing at year-end. The figures in the Group's future financial statements could differ significantly from current estimates due to changes in these assumptions or economic conditions.

The principal sensitive accounting methods for which the Group uses estimates and judgements are described below. Given their importance in the Group's financial statements, the impact of any change in assumption in these areas could be significant.

2.2.1 PENSIONS AND OTHER LONG-TERM AND POST-EMPLOYMENT BENEFITS

The value of pensions and other long-term and post-employment benefit obligations is based on actuarial valuations that are sensitive to all the actuarial assumptions used, particularly concerning discount rates and wage increase rates.

The principal actuarial assumptions used to calculate these post-employment and long-term benefits at 31 December 2023 are presented in note 24.2. These assumptions are updated annually. The Group considers the actuarial assumptions used at 31 December 2023 appropriate and well-founded, but future changes in these assumptions could have a significant effect on the amount of the obligations and the Group's equity and net income. Sensitivity analyses are therefore presented in note 24.2.6.

2.2.2 IMPAIRMENT OF LONG-TERM ASSETS

The Group did not detect any evidence of impairment at 31 December 2023 on its assets, which essentially comprise the facilities making up the electricity transmission network.

2.2.3 FINANCIAL ASSETS AND LIABILITIES

The Group considers that the balance sheet values of cash and cash equivalents, negotiable debt instruments, trade receivables and trade payables are a good approximation of their market value due to the high liquidity of these items.

The market values of listed investment securities are based on their year-end stock market value. The net book value of other securities and current bank loans is a reasonable approximation of their fair value.

The fair value of financial liabilities was determined using estimated future cash flows, discounted at rates observable at the year-end for instruments with similar conditions and maturities.

2.2.4 ASSESSMENT OF CONTROL

Since application of IFRS 10, IFRS 11 and IFRS 12 the Group has used judgement to assess control or classify the type of partnership arrangement represented by a jointly-controlled entity.

2.2.5 OTHER JUDGEMENTS

When there is no standard or interpretation applicable to a specific transaction, the Group exercises judgement to define and apply accounting methods that will supply relevant, reliable information for preparation of its financial statements.

2.3 CONSOLIDATION METHODS

Subsidiaries are companies in which the Group exercises exclusive control and are fully consolidated. Exclusive control means the power to govern the enterprise's financial and operating policies either directly or indirectly so as to obtain benefit from its activities. The Group is presumed to have exclusive control when the three following conditions are fulfilled:

- the Group holds power over the entity's relevant activities, i.e. the activities that have a significant impact on returns;
- the Group is exposed, or has rights, to variable returns;
- the Group has the ability to use its power over the entity to influence the amount of the investor's returns.

The Group considers all facts and circumstances when assessing control. All substantive potential voting rights exercisable, including by another party, are also taken into consideration.

A joint operation is a joint arrangement in which the parties (joint operators) that exercise joint control over the entity have direct rights to its assets, and obligations for its liabilities. In application of IFRS 11 the Group, as an operator in a joint operation, reports the assets and liabilities and income and expenses related to its investment line by line.

Associates are entities in which the Group exercises significant influence over financial and operating policies, without having exclusive or joint control. Significant influence is presumed to exist when the Group's investment is at least 20%. Associates are accounted for under the equity method.

In application of IFRS 12, investments in associates are carried in the balance sheet at historical cost adjusted for the share of net assets generated after acquisition, less any impairment. The Group's share in net income for the period is reported under the income statement heading "Share in net income of associates".

All significant internal transactions between consolidated companies, including realised internal profits, are eliminated.

A list of subsidiaries, joint operations and associates is presented in note 33.

2.4 FINANCIAL STATEMENT PRESENTATION RULES

Assets and liabilities of dissimilar natures or functions are disclosed separately.

Assets and liabilities contributing to working capital used in the entity's normal operating cycle are classified as current. Other assets and liabilities are classified as current if they mature within one year of the closing date, and non-current if they mature more than one year after the closing date.

The income statement presents items by nature. The heading "Other income and expenses" presented below the operating profit before depreciation and amortisation comprises any items of an unusual nature or amount.

2.5 TRANSLATION METHODS

2.5.1 REPORTING CURRENCY AND FUNCTIONAL CURRENCY

The Group's financial statements are presented in Euros, which is the functional and reporting currency of all Group entities except for TEP Tahiti. All figures are rounded up or down to the nearest thousand.

2.5.2 TRANSLATIONS OF TRANSACTIONS IN FOREIGN CURRENCIES

In application of IAS 21, transactions expressed in foreign currencies are initially translated and recorded in the functional currency of the entity concerned, using the rate in force at the transaction date.

At each reporting date, monetary assets and liabilities expressed in foreign currencies are translated at the closing rate. The resulting foreign exchange differences are taken to the income statement.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration", adopted by the European Union in Regulation (EC) 2018/519 of 28 March 2018, clarified a point of application of IAS 21 regarding the exchange rate that should be used when an advance payment is made before execution of the transaction.

The purchase or sale transaction must be translated at the exchange rate of the date of initial recognition of the asset or liability corresponding to the advance payment. If several advance payments are made, an average exchange rate is determined for each transaction.

2.6 RELATED PARTIES

Related parties principally comprise the French State, companies in which the State holds majority ownership and certain of their subsidiaries (including EDF SA and certain subsidiaries, Enedis and certain subsidiaries, and companies in which RTE exercises joint control or significant influence). They also include members of the Group's management and governance bodies.

2.7 SALES

RTE's sales consist of three types of revenue, each corresponding to a different nature of income and customer:

- income generated by access to the public electricity transmission network: the network access tariff is regulated and the customers are distributors (such as Enedis), consumers (such as French railway company SNCF or an industry) and producers (which inject power into the network, such as EDF);
- income from interconnections between France and its neighbouring countries, which depend on the capacities available on each line and price differentials between the countries, with specific invoicing methods for each international border;
- income from other services provided by RTE (miscellaneous types of work, personnel secondment, etc.) or its subsidiaries (helicopter leases, consulting services, etc.).

The Group accounts for sales when:

- there is a proven contractual relationship;
- delivery has taken place (or the service has been completed);
- a quantifiable price has been established or can be determined;
- and the receivables are likely to be recovered.

Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer.

The Group applies IFRS 15 "Revenue from Contracts with Customers". Connection contracts qualify as contracts with customers under this standard, and income from those contracts was therefore reclassified from a share of subsidies to sales.

RTE has opted to recognise the revenue over time. The income from a connection contract is thus spread over the period of use of the connection in the same way as the investment subsidy.

This decision corresponds to an economic approach: it is coherent to recognise income on connection in the same way as the associated expenses and depreciation, which are spread over the period of use of the connection.

Also, the service transferred to the customer is not the connection itself, but its use: the customer simultaneously receives and consumes its right to use the connection supplied by RTE. The service concerned by the contract is thus transferred to the customer continuously rather than at a specific date (see IFRS 15.35), and this is the reason why revenues from customer connections should be recognised progressively over the period of use of the connection.

Contract liabilities under IFRS 15 represent RTE's obligation to supply to its customers a service of connection to the network for which it has already received payment. These liabilities consist of advance payments received for the connection service (see note 28).

2.8 CAPACITY MECHANISM

A capacity mechanism has been set up in France to ensure secure power supplies during peak periods.

French law 2010-1488 of 7 December 2010 on the new organisation of the electricity market introduced an obligation in France to contribute to power supply security from 1 January 2017.

Operators of electricity generation facilities and load-shedding operators must have their capacities certified by RTE, and commit to a forecast level of availability for a given year of delivery. In return, they are awarded capacity certificates. Meanwhile, electricity suppliers and purchasers of power to compensate for network losses (obligated actors) must hold capacity certificates equivalent to consumption by their customers in peak periods. Suppliers pass on the cost of the capacity mechanism to final customers through their sale prices.

The system is completed by registers for capacity trading between actors. Capacity auctions are held several times a year.

The Group is concerned by this system, as a certifier (RTE SA), an operator of electricity installations via its interconnections (RTE SA) and as an obligated purchaser (RTE SA – as a purchaser of power to compensate for network losses).

The operations are recorded as follows:
- sales of capacity certificates are recognised in income when the auctions or over-the-counter sales take place. The resulting revenue is included in income from interconnections;
- stocks of capacity certificates held by RTE as obligated actor are stated at their purchase value on the market. Decreases in the stock of certificates follow the pattern of peak periods;
- if the stocks of capacity certificates do not cover the obligation, an expense is recorded equivalent to the best estimate of the expense necessary to extinguish the obligation.

2.9 OTHER EXTERNAL EXPENSES

RTE develops and introduces market mechanisms to balance supply and demand in real time, and ensure that production capacities are coherent with needs in the long term.

The consequences of these mechanisms are generally reflected in transactions related to RTE's responsibility for balancing electricity generation and consumption and are reported under "Other external expenses".

The income and expenses relating to the current or previous years are included in the current year's income statement regardless of the date of payment or receipt, based on the most recent available information at the closing date.

Due to unpredictable factors affecting the general conditions governing the operation of these mechanisms, RTE may invoice (or receive) adjustment payments later than the date on which the triggering event arose. The financial terms laid out in the mechanism regulations (validated by the French energy regulator CRE – *Commission de régulation de l'énergie*) generally include rules for such eventualities.

2.10 INCOME TAX

Income taxes include the current tax expense (income) and the deferred tax expense (income), calculated under the tax legislation in force in the countries where the earnings are taxable.

In compliance with IAS 12, current and deferred taxes are recorded in the income statement, or in equity if they concern items directly recorded in equity.

The current tax expense (income) is the estimated amount of tax due on the taxable income for the period, calculated using the tax rates adopted at the year-end. This expense includes reclassification of certain tax credits as components of "Other operating income and expenses" in the income statement.

Deferred taxes result from temporary differences between the book value of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are valued at the future tax rate for the period in which the asset will be realised or the liability settled, as adopted at the year-end. If the tax rate changes, deferred taxes are adjusted to the new rate and the adjustment is recorded in the income statement, unless it relates to an underlying for which changes in value are recorded in equity, for example in accounting for changes in actuarial gains and losses or fair value on hedging instruments and financial assets.

Deferred taxes are reviewed at each closing date, to take into account changes in tax legislation and the prospects for recovery of deductible temporary differences. Deferred tax assets are only recognised when it is probable that the Group will have sufficient taxable profit to utilise the benefit of the asset in the foreseeable future, or beyond that horizon, if there are deferred tax liabilities with the same maturity.

RTE SA became part of the CTE Group's tax group on 1 January 2018. The tax group agreement stipulates that the tax to be borne by RTE SA is equal to the income tax that would have been payable on its taxable income and/or long-term capital gains of the year if it was taxed separately, less all deductions to

which RTE SA would have been entitled if it was not part of a tax group.

GLOBAL MINIMUM TAXATION: THE PILLAR 2 REGULATION

On 23 May 2023 the IASB released amendments to IAS 12 concerning the "Pillar 2" Global Minimum Taxation rules. On 8 November 2023 the European Union adopted Regulation (EU) 2023/2468 making these rules applicable in EU member states.

Based on an initial analysis conducted in 2023, the RTE Group considers it unlikely that application of the new Pillar 2 rules will have a material impact on its financial statements for 2024 (the date the new legislation takes effect).

The parent company RTE SA exercises its business in France, and its subsidiaries, controlled entities and permanent establishments exercise their business in countries with corporate income tax rates of 15% or above. Additionally, the financial flows currently generated in foreign countries remain non-significant in the Group.

The RTE Group also applies the temporary exception from recognition of deferred taxes relating to Pillar 2.

2.11 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's share of net income by the weighted average number of shares outstanding over the period. This weighted average number of shares outstanding is the number of ordinary shares at the start of the year, adjusted by the number of shares redeemed or issued during the year.

2.12 BUSINESS COMBINATION

In application of IFRS 3, "Business combinations", goodwill is calculated as the difference between:

- the sum of the following items:
  - the fair value at the acquisition date of the price paid to acquire control,
  - the value of non-controlling interests in the entity acquired, and
  - for acquisitions achieved in stages, the fair value at the acquisition date of the Group's previous share in the acquired entity before it acquired control;
- and the net value of the assets acquired and liabilities assumed, measured at fair value at the acquisition date.

Goodwill is not amortised, but impairment tests of goodwill are carried out at least annually and as soon as there is an indication of possible loss of value.

When the impairment test shows a negative difference, this is immediately charged to profit and loss.

Goodwill on acquisition of associates and joint ventures (accounted for under the equity method) is included in the value of the investment presented in the assets in the consolidated balance sheet. Any impairment on this goodwill is reported in the Group's income statement via the "share in income of associates and joint ventures". When there is negative goodwill, it is recorded in income, with a corresponding adjustment to the value of the investment.

2.13 INTANGIBLE ASSETS

Intangible assets mainly consist of purchased or internally designed and developed software. These assets are amortised on a straight-line basis over their probable useful lives, which are generally between 3 and 15 years.

Software licence acquisition costs or the cost of creating and developing software are reported at a value based on the costs incurred to acquire the software, or create it and put it into operation. Costs directly associated with production of identifiable, unique software that is controlled by the Group, and is likely to generate future economic benefits greater than the cost of the software over a period of more than one year, are capitalised. Costs directly associated with production include payroll costs for the personnel who developed the software and the internal and external expenses incurred in producing the asset.

Other research and development expenses are charged to expenses for the year they are incurred, unless they meet the requirements for capitalisation as defined by IAS 38.

2.14 PROPERTY, PLANT AND EQUIPMENT

2.14.1 INITIAL MEASUREMENT

Property, plant and equipment is recorded at acquisition or production cost.

The cost of facilities developed in-house includes all labour and parts costs, and all other production costs attributable to the construction of the asset.

When a part of an asset has a different useful life from the overall asset's useful life, it is identified as an asset component and depreciated over a specific period.

Borrowing costs attributable to the financing of an asset incurred during the construction period are included in the value of the asset provided it is a "qualifying asset" as defined by IAS 23. The capitalisation rate applied depends on the borrowing terms, as presented in note 25.2.1.

The EDGART project

In 2021 RTE began the EDGART project to change the granularity of its assets. The goals were:
- to adapt the granularity of accounting assets according to the value of network components;
- to review depreciation periods and differentiate them based on the components' life cycles.

This project was begun in a context of rapid-succession, long-lasting changes to the electricity system induced by the energy transition, that are increasing investment needs and changing the scale of investments. The technical policies governing replacement of assets have also been adjusted. The purpose of the project is to reassess the coherence between the granularity of fixed assets and the way they are managed, both in network expansion and upgrading projects, and in asset management policies.

In view of changes in equipment and the introduction of new technical policies, the EDGART project also aims to reexamine the depreciation periods used, to make sure they are coherent with the actual life cycles and, where relevant, to use differentiated depreciation periods for different components.

A more detailed breakdown of assets in the overhead lines was thus established in early 2023, defining new categories: conductors, cables, insulators, supporting structures, and foundations. A corresponding depreciation pan was established.

These steps constitute a change of estimate, with the following principal financial impacts:
- an increase of +€84 million in depreciation of fixed assets whose depreciation periods were reduced;
- a decrease of -€28 million in depreciation of fixed assets whose depreciation periods were extended.

The resulting net impact on depreciation in 2023 was +€56 million.

The EDGART project will continue in 2024 and 2025 with analysis of underground lines and substation equipment.

2.14.2 DEPRECIATION

Property, plant and equipment are depreciated on a straight-line basis over their useful life, defined as the period during which the Group expects to draw future economic benefits from their use.

Depreciation is calculated based on the gross value of the assets concerned, which will have zero residual value at the end of their useful life.

The estimated useful lives for the principal facilities are generally the following:
- overhead lines and cables: 25 to 60 years;
- underground lines: 45 years;
- transformers: 40 years;
- cells and busbars: 45 years;
- reactive power compensation and auxiliary equipment: 45 years;
- telecommunications and telecontrol equipment: 5 to 15 years depending on the item.

2.14.3 SUBSEQUENT INVESTMENT EXPENDITURE

Subsequent costs are included in the book value of the asset, or recognised as a separate asset when it is probable that the future economic benefits from the asset will benefit the Group and the cost can be reliably measured.

2.14.4 MAINTENANCE AND COMPLIANCE EXPENSES

All repair and maintenance expenses are charged to the income statement during the period in which they are incurred.

The Group capitalises safety spare parts and compliance expenses incurred as a result of legal and regulatory obligations sanctioning non-compliance by an administrative ban from operation.

These expenses are amortised over the useful life of the relevant facilities.

2.14.5 PUBLIC TRANSMISSION NETWORK CONCESSION

RTE is by law France's public transmission network operator, and exercises this mission under the amendment signed on 30 October 2008 to the agreement of 27 November 1958, transferring the concession for the French public electricity transmission network to RTE. The assets operated under this concession are by law the property of RTE, and are included in "property, plant and equipment".

2.15 LEASES

Under IFRS 16, applicable since 1 January 2019, a contract is, or contains, a lease if it confers the right to control the use of an identified asset for a period of time in exchange for a consideration.

Identified arrangements that do not have the legal form of a lease contract but nonetheless convey the right to control the use of an asset or group of specific assets to the purchaser are treated by the Group as leases, and analysed by reference to IFRS 16.

IFRS 16 introduced significant changes to the accounting treatment of leases by the lessee. It eliminated the distinction between operating and finance leases and requires recognition of a right-of-use asset and a lease liability when a lease is set up.

The Group applied this standard retrospectively since 1 January 2019, without restating comparative period figures (this is known as the "modified retrospective approach").

Leases are recognised in the balance sheet at their inception, at the discounted value of future lease payments, in the form of a financial liability included in "other financial liabilities" (see note 25) and a "right-of-use" asset included in property, plant and equipment (see note 16). They are written down over the term of the lease.

The leases concerned essentially concern real estate assets, and to a lesser extent transport vehicles.

The Group applies the two exemptions allowed by the standard for leases with a term of 12 months or less and leases of assets with individual value when new of less than USD 5,000.

The Group determines the lease liability by discounting the future lease payments over the term of the lease using a rate based on an incremental borrowing rate that reflects the Group's specific features. The maturity of the chosen rate depends on the term of each lease contract.

The term of the lease is the maximum period during which the lessee will have the right to use the leased asset, i.e. the period during which the lease cannot be terminated by the lessor, plus all possible extensions at the lessee's sole initiative as set out in the contract.

2.16 IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

At the year-end and at each interim reporting date, the Group assesses whether there is any indication that an asset could have been significantly impaired. If so, an impairment test is carried out in compliance with IAS 36.

2.17 FINANCIAL ASSETS AND LIABILITIES

Financial assets include assets (non-consolidated investments, investment securities), loans and receivables at amortised cost, including trade and similar receivables, and the positive fair value of derivatives.

Financial liabilities comprise financial borrowings and debts, trade and similar payables, bank credit and the negative fair value of financial derivatives.

Financial assets and liabilities are recorded in the balance sheet as current if they mature within one year and non-current if they mature after one year, apart from derivatives held for trading, which are all classified as current.

Operating debts and receivables, and cash and cash equivalents, are governed by IFRS 9 and reported separately in the balance sheet.

2.17.1 FINANCIAL ASSETS (EXCLUDING DERIVATIVES)

Financial assets that give rise to cash flows which are not Solely Payment of Principal and Interest (SPPI) must be carried at fair value through profit and loss. However, IFRS 9 offers an irrevocable option, which must be exercised at inception for each individual investment, allowing investments in equity instruments to be carried at fair value through other comprehensive income, with no subsequent transfer to profit and loss even in the event of sale. Under this option, only dividends are recorded in income.

Financial assets that give rise to cash flows which are Solely Payment of Principal and Interest (SPPI) are carried at amortised cost under the effective interest rate method.

Financial assets carried at fair value through profit and loss are recognised at the transaction date at fair value, which is generally equal to the amount of cash paid out. Transaction costs directly attributable to the acquisition are recorded in the income statement. At each subsequent reporting date they are adjusted to fair value, which is determined by reference to (i) quoted prices on an active market (level 1), (ii) observable data from a market (level 2), or (iii) data that cannot be observed on a market (level 3).

Changes in fair value are recorded in the income statement under the heading "Other financial income and expenses".

Dividends and interest received on assets stated at fair value are recorded in the income statement under "Other financial income and expenses".

In the case of non-current financial assets carried at amortised cost, impairment is assessed on an individual basis, taking into consideration the counterparty's risk profile and the guarantees received. Upon initial recognition of these non-current financial assets, impairment equal to the expected credit losses over a 12-month horizon is systematically booked. If there is a significant deterioration in the counterparty's creditworthiness, additional impairment is booked so that the total expected credit loss over the receivable's residual term is covered.

For sales receivables, the Group reviews customer receivables individually, taking into consideration the probability of default by the counterparty and the degree to which the receivables are covered by provisions. It applies the simplified method allowed by IFRS 9, which consists of establishing provisions to cover expected credit losses over the receivables' residual term.

2.17.2 FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

Financial liabilities are recorded at amortised cost, with separate reporting of embedded derivatives where applicable. Transaction costs are deducted from the financed amount reported under financial liabilities. Interest expenses, calculated under the effective interest rate method including transaction costs related to financial liabilities, are recorded under the heading "Cost of gross financial indebtedness" over the duration of the financial liability. The fair value is determined by discounting future cash flows at market rates.

2.17.3 DERIVATIVES

2.17.3.1 Scope

The scope of derivatives applied by the Group corresponds to the principles set out in IFRS 9.

In particular, forward purchases for physical delivery of energy are considered to fall outside the scope of application of IFRS 9 when the contract concerned has been entered into as part of the Group's normal business activity ("own use").

This is demonstrated to be the case when all the following conditions are fulfilled:
- a physical delivery takes place under all such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements;

- these contracts cannot be considered as options as defined by the standard.

The Group thus considers that transactions negotiated with a view to balancing the volumes of purchase commitments and the actual level of losses are part of its normal business as operator of the electricity transmission network, and are outside the scope of IFRS 9.

In compliance with IFRS 9, the Group analyses all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Any component of a contract that affects the cash flows of that contract in the same way as a stand-alone derivative corresponds to the definition of an embedded derivative.

If they meet the conditions set out by IFRS 9, embedded derivatives are accounted for separately from the host contract at inception date.

2.17.3.2 Measurement and recognition

Derivatives are initially recorded at fair value, based on quoted prices and market data available from external sources. If no quoted prices are available, the Group may refer to recent comparable transactions or, if no such transactions exist, base its valuation on internal models that are recognised by market participants, giving priority to information derived directly from observable data, such as over-the-counter listings.

Changes in the fair value of these derivatives are recorded in the income statement, unless they are classified as hedges for a cash flow. Changes in the fair value of cash flow hedging instruments are recorded directly in equity, excluding the ineffective portion of the hedge.

In application of IFRS 13, the fair value of derivatives incorporates the counterparty credit risk for derivative assets and the own credit risk for derivative liabilities.

2.17.3.3 Financial instruments classified as hedges

The Group may use derivative instruments to hedge its foreign exchange and interest rate risks, and risks related to certain energy contracts.

The Group applies the criteria defined by IFRS 9 in classifying derivatives as hedges:

- the instrument must hedge changes in fair value or cash flows attributable to the risk hedged, and the effectiveness of the hedge (i.e. the degree to which changes in the value of the hedging instrument offset changes in the value of the hedged item or future transaction) must be between 80% and 125%;
- in the case of cash flow hedges, the future transaction being hedged must be highly probable;
- reliable measurement of the effectiveness of the hedge must be possible;
- the hedge must be supported by appropriate documentation from its inception.

The hedging relationship ends when:

- a derivative ceases to be an effective hedging instrument;
- a derivative expires, or is sold, terminated or exercised;
- the hedged item expires, is sold or redeemed;
- a future transaction ceases to be considered as highly probable.

The Group uses the following categories for hedges:

— (A) Fair value hedges

These instruments hedge the exposure to changes in the fair value of an asset or liability recorded in the balance sheet, or a firm commitment to purchase or sell an asset. Changes in the fair value of the hedged item attributable to the hedged component of that item are recorded in the income statement and offset by corresponding variations in the fair value of the hedging instrument. Only the ineffective portion of the hedge has an impact on income.

— (B) Cash flow hedges

These instruments hedge highly probable future transactions for which the variability in cash flows generated by the hedged transaction is offset by changes in the value of the hedging instrument.

The effective portion of accumulated changes in the hedge's fair value is recorded in equity, and the ineffective portion (i.e. changes in the fair value of the hedging instrument in excess of changes in the fair value of the hedged item) is recorded in the income statement.

When the hedged cash flows materialise, the amounts previously recognised in equity are transferred to the income statement in the same way as for the hedged item.

2.17.4 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Derecognition is applied for all or part of:
- a financial asset, when the contractual rights making up the asset expire, or the Group transfers substantially all the significant risks associated with ownership of the asset;
- a financial liability, when the liability is extinguished due to cancellation or expiry of the obligation. When a debt is renegotiated with a lender giving rise to substantially different terms, a new liability is recognised.

2.18 INVENTORIES

Inventories include:
- operating materials and equipment such as spare parts supplied under a maintenance programme. Inventories are recognised at the lower of historical cost and net realisable value. The cost of inventories is determined under the weighted average unit cost method, and includes all direct and indirect purchase acquisition costs;
- certificates issued under capacity obligation mechanisms (capacity guarantees in France), see note 2.8.

Impairment of inventories depends on the turnover of materials, their estimated useful lives and the degree of technical obsolescence.

2.19 TRADE AND SIMILAR RECEIVABLES

On initial recognition, trade and similar receivables are recorded at the fair value of the consideration received or to be received (which generally corresponds to their nominal value). Provisions are recorded when their carrying amount, based on the probability of recovery assessed according to the type of receivable, is less than their book value. Depending on the nature of the receivable, the risk associated with doubtful receivables is assessed individually.

Trade receivables also include the value of unbilled receivables for energy already supplied.

2.20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise immediately available liquidities and very short-term investments that are readily convertible into a known amount of cash, usually maturing within three months or less of the acquisition date, and with negligible risk of fluctuation in value.

Securities held short-term and classified as cash equivalents are recorded at fair value. Changes in the fair value of these securities are included in the heading "Other financial income and expenses".

"Cash equivalents" also include margin calls relating to forward energy purchase contracts when they represent deposits to be received.

2.21 EQUITY – IMPACT OF RESTATEMENT TO FAIR VALUE OF FINANCIAL INSTRUMENTS

This impact results from the adjustment to fair value of financial assets and certain hedging instruments.

2.22 PROVISIONS OTHER THAN EMPLOYEE BENEFIT PROVISIONS

The Group recognises a provision if the following three conditions are met:
- the Group has a present obligation (legal or constructive) towards a third party that arises from an event prior to the closing date;
- it is probable that an outflow of resources will be required to settle the obligation, without an equivalent consideration;
- the obligation amount can be estimated reliably.

Provisions are determined based on the Group's estimate of the expected cost necessary to settle the obligation. Estimates are based on assumptions adopted by the Group, and if necessary experience of similar transactions, or in some cases based on independent expert reports or contractor quotes. The various assumptions are reviewed for each closing of the accounts.

If it is anticipated that all or part of the expenses covered by a provision will be reimbursed, the reimbursement is recognised under receivables if and only if the Group is certain of receiving it.

2.23 EMPLOYEE BENEFITS

The Group grants its employees post-employment benefits (pension plans, retirement gratuities, etc.) and other long-term benefits (e.g. long-service awards) in compliance with the specific laws and measures in force for the electricity and gas (IEG) sector in France.

2.23.1 CALCULATION AND RECOGNITION OF EMPLOYEE BENEFITS

Obligations under defined-benefit plans are subject to actuarial valuation. They are calculated by the projected unit credit method, which determines the present value of entitlements earned by employees at year-end to pensions, post-employment benefits and long-term benefits, taking into consideration economic conditions and expected wage increases.

In calculating post-employment benefit obligations, this method takes the following factors into consideration:
- career-end salary levels, with reference to employee seniority, projected salary levels at the time of retirement based on the expected effects of career advancement, and estimated trends in pension levels;
- retirement age, determined on the basis of the applicable rule (such as the degree of "active work" and number of children, taking into account the longer employee contribution period to qualify for a full pension);
- forecast numbers of pensioners, based on employee turnover rates and available mortality data;
- reversion pensions, taking into account both the life expectancy of the employee and his/her spouse and the marriage rate observed for the population of employees in the electricity and gas sector;
- a discount rate that depends on the duration of the obligations; in compliance with IAS 19 (revised), this rate is determined as the market yield on high quality corporate bonds or the year-end rate on government bonds whose duration is coherent with the company's commitments to employees.

The provision reflects the value of the fund assets that cover post-employment benefits, which are deducted from the value of the obligation as determined above.

For pensions and other post-employment obligations, all actuarial gains and losses generated by changes in actuarial assumptions (discount rate, inflation rate, wage laws, mortality, retirement age, etc.) are immediately recognised in the statement of net income and gains and losses recorded directly in equity.

For long-term employee benefits, actuarial gains and losses and the entire past service cost are recognised immediately in the provision.

The net expense booked for employee benefit obligations during the year thus includes:
- the cost of additional vested benefits, and the financial discount cost on existing benefits;
- the income corresponding to the expected return on fund assets;
- the income or expenses related to amendments or settlements of benefit plans or introduction of new plans;
- the change in actuarial gains and losses on long-term benefits.

2.23.2 POST-EMPLOYMENT BENEFIT OBLIGATIONS

When they retire, Group employees covered by the electricity and gas (IEG) sector system benefit from pensions determined under the statutory IEG rules.

Since the financing reform for the IEG sector system took effect on 1 January 2005, the CNIEG (*Caisse nationale des IEG*, the sector's specific pension body) has managed not only the special IEG pension system, but also the work-related accident, invalidity and death insurance system for the sector.

The CNIEG is a social security body governed by private law, formed by the law of 9 August 2004. It has legal entity status and reports to the French government, operating under the joint supervision of France's ministers for the Budget, Social Security and Energy. Under the funding arrangements introduced by the law, IEG companies establish pension provisions to cover entitlements not funded by France's standard systems (CNAV, AGIRC-ARRCO), to which the IEG system is affiliated, or by the CTA (*Contribution tarifaire d'acheminement*) levy on gas and electricity transmission and distribution services.

The provision for pensions thus covers:
- specific benefits earned by employees from 1 January 2005 for the regulated transmission activity (past benefits were financed by the CTA levy);
- specific benefits of employees benefiting from early retirement before the standard legal retirement age.

In addition to pensions, other benefits are granted to IEG status employees not currently in active service, as detailed below:

— Benefits in kind (electricity/gas)

Article 28 of the IEG National Statutes entitles all employees (active or inactive) to the same benefits in kind in the form of supplies of electricity or gas at the preferential "Employee price". The Group's obligation for supplies of energy to employees corresponds to the probable present value of kWh supplied to beneficiaries during their retirement, valued on the basis of the unit cost, taking into account the payment received under the energy exchange agreement with Engie.

— Retirement gratuities

These gratuities are paid upon retirement to employees due to receive the statutory old-age pension, or to their dependents if the employee dies before reaching retirement. These obligations are almost totally covered by an insurance policy.

— Bereavement benefit

This benefit is paid out upon the death of an inactive or disabled employee, in order to provide financial assistance for the expenses incurred at such a time (Article 26 §5 of the National Statutes). It is paid to the deceased's principal dependants (statutory indemnity equal to three months' pension) or to a third party that has paid funeral costs (discretionary indemnity equal to the costs incurred).

— Bonus pre-retirement paid leave

All employees eligible to benefit immediately from the statutory old-age pension and aged at least 55 at their retirement date are entitled to 18 days of bonus paid leave during the last twelve months of their employment.

— Cost of studies indemnity and study grants

The cost of studies indemnity is a family benefit not defined by the statutes, intended to provide assistance to inactive employees (or their dependants) whose children are still in education. It is also paid to beneficiaries of the orphan's pension. An agreement on education fees that came into force on 1 October 2011 introduced Study grants, which are progressively replacing the Cost of studies indemnity. In November 2017 the unions and employers' groups signed an amendment to the agreement of 7 March 2011, agreeing to review and improve the study grant system, notably to simplify the qualifying conditions. This amendment took effect on 1 January 2018.

— Time banking for additional retirement leave

Following the 2008 pension reform, an agreement was reached in 2010 that replaced the early retirement arrangements for "active work" (i.e. non-sedentary) employees joining the Group on or after 1 January 2009. Under this agreement:

- the employee earns 10 days of additional retirement leave for each year of 100% "active work";
- days are attributed on a prorated basis if the proportion of "active work" is less than 100%;
- no days are attributed if the proportion of "active work" is less than 20%.

The employee retains his/her entitlement to days of leave earned under this time banking system if he/she leaves the IEG sector or is transferred to an IEG status company. This leave can only be taken when he/she retires, between the date at which he/she qualifies for a pension and the age limit set by article 4 of the National Statutes for IEG personnel.

2.23.3 OTHER LONG-TERM BENEFIT OBLIGATIONS

These benefits concern employees currently in service, and are earned according to IEG statutory regulations. They include:

- annuities and benefits following invalidity, industrial accident or work-related illness; like their counterparts in the general national system, IEG employees are entitled to financial support in the event of industrial accident or work-related illness, and invalidity annuities and benefits. The obligation is measured as the probable present value of future benefits payable to current beneficiaries, including any possible reversions;
- long-service awards;
- specific benefits for employees who have been in contact with asbestos.

2.24 INVESTMENT SUBSIDIES

Investment subsidies received by Group companies, principally for connecting customers to the transmission network, are included in liabilities under the heading "Other current liabilities" and transferred to income as and when the economic benefits of the corresponding assets are utilised.

In accordance with IFRS 15, investment subsidies associated with connection contracts have been reclassified as sales revenues and are recognised progressively over the useful life of the corresponding asset (see note 2.7 "Sales").

2.25 ENVIRONMENTAL EXPENSES

Environmental expenses are identifiable expenses incurred to prevent, reduce or repair damage to the environment that has been or may be caused by the Group as a result of its business. Two possible treatments apply to these expenses:

- they are capitalised if they are incurred to prevent or reduce future damage or preserve resources;
- they are recognised as expenses if they are operating expenses for the bodies in charge of environmental concerns, environmental supervision, training and skill enhancement in environmental matters, environmental duties and taxes, and waste processing.

2.26 PERSONNEL EXPENSES AND SOCIAL CHARGES

— Paid leave entitlements for employees on long-term sick leave

On 13 September France's Court of Cassation issued its decisions concerning the accumulation of paid leave entitlements by employees while a work contract is suspended for more than one year (in the case of non-work-related illness or industrial accidents). The Court gave priority to European law over current French national law.

In anticipation of possible changes to French law, the RTE Group estimated the financial impact of this new legal precedent.

Under the paid leave rules for RTE employees, there is no reduction in entitlements when an employee is absent for part of the "reference" period, i.e. the period over which paid leave entitlements are earned in the company.

Consequently, the Group does not expect application of the new court decision to have a significant impact on its provisions for paid leave, and no additional provision has been recorded in the 2023 financial statements.

Note 3. Significant events and transactions of 2023 and 2022

3.1 SIGNIFICANT EVENTS AND TRANSACTIONS OF 2023

3.1.1 INVESTMENT PROGRAMME FOR 2023

Investment expenditure in 2023 amounted to €2,077 million, an increase of +€355 million (+21%) compared to investments made in 2022. Most of this expenditure concerned the network (+€258 million or +19%).

3.1.2 TURPE 6 NETWORK ACCESS TARIFF

The TURPE 6 transmission network access tariff came into force on 1 August 2021 for a 4-year period, with revisions on 1 August every year to reflect inflation and the gradual balancing of the income and expenses adjustment account (CRCP[(1)]).

On 1 August 2023, the tariff for the high-voltage network was raised by 6.69%, in compliance with the French energy regulator CRE's decision of 31 May 2023.

3.1.3 PAYMENT OF PART OF RTE'S CRCP ACCOUNT BALANCE IN EARLY 2023

During the first quarter of 2023, in accordance with the CRE's decision 2023-50, RTE made the exceptional early payment of part of the 2022 CRCP account balance to users of the public electricity transmission system on "CART" contracts. This payment amounted to €1,940 million excluding taxes.

3.1.4 FINANCING TRANSACTIONS OF THE YEAR

The RTE Group issued two new bonds during 2023.

On 28 June 2023, RTE SA announced that it had finalised placement of a new €1 billion bond with 12-year maturity and a 3.75% coupon. Settlement took place on 4 July 2023.

On 30 November 2023, RTE successfully launched its second green bond issue in the amount of €500 million, with 8-year maturity and a coupon of 3.5%. The funds raised by these green bonds will be allocated to certain types of project, such as those relating to offshore wind-farm connection and reinforcement of electricity interconnector projects between France and its neighbouring countries. The operation was completed on 7 December 2023.

Neither of these new bonds contains any financial covenant-type clause.

3.1.5 DIVIDENDS

On 7 June 2023, the Supervisory Board approved the proposal put forward by the shareholders at their General Meeting held the same day to pay a dividend of €291 million or approximately €1.37 per share.

3.1.6 TAX INSPECTIONS

Following the tax inspection concerning the years 2017 and 2018, RTE SA was notified of a rectification procedure that was completed in June 2021, in which the tax authorities challenged certain accounting and tax treatments. Related proceedings were still ongoing at 31 December 2023.

Another tax inspection of RTE SA was conducted in 2023, covering the years 2020 and 2021. This inspection was completed in November 2023, and ended with a proposed rectification concerning the same accounting and tax treatments as the previous inspection.

A provision has been recognised in the financial statements to cover this.

(1) Compte de régulation des charges et des produits. The CRCP account for each tariff period records the differences between forecasts and actual results on certain items the CRE considers difficult to forecast or difficult to control (network access, energy purchases to compensate for network losses, interconnections). These differences are then passed on to network users through future tariff adjustments.

3.1.7 IMPACTS OF THE FRENCH PENSION REFORM ON PROVISIONS FOR EMPLOYEE BENEFITS

On 14 April 2023 France's Constitutional Council issued its decision regarding the proposed pension reform law, which was published in the *Journal Officiel* on 15 April 2023.

The principal measures of the reform are:
- discontinuation of special pension schemes, including the IEG pension system, from 1 September 2023;
- a gradual rise in the standard retirement age from 62 to 64;
- an increase in the contribution period required to qualify for a full pension to 43 years, and earlier application of the "Touraine" reform, from 2025 instead of 2035 as initially planned;
- changes to the "long career" arrangements.

New employees hired from 1 September 2023 will still have IEG status and will continue to benefit from the associated regulatory measures and other benefits, but will now be affiliated to the standard French pension system. These new employees will be entitled, like other RTE employees, to preferential-price energy including after retirement, affiliation to the CAMIEG social security body for risks of industrial accident and work-related illness, maternity and health benefits, death and disability coverage, and IEG family benefits such as study grants.

Decree 2023-692 on the IEG pension system, setting out the modes of application of these measures, was published in the *Journal Officiel* on 30 July 2023.

With the help of its actuaries, the RTE Group has re-estimated its obligations to employees in order to take account of the various impacts of this reform. The effects of this are described in note 24.2, "Employee benefits".

In application of IAS 19, the impacts of the pension reform are classified as a plan amendment, and have been recognised in the service cost in the income statement for 2023, in the amount of €22 million.

3.1.8 MACROECONOMIC CONTEXT

The macroeconomic context remained very volatile in France and other countries in 2023, continuing the situation observed in 2022. RTE's operating expenses and the cost of completing investment programmes were still affected by inflation and energy price movements. The Group is paying careful attention to these developments, and takes them into consideration for its operations management and financial forecasting.

3.2 SIGNIFICANT EVENTS AND TRANSACTIONS OF 2022

3.2.1 INVESTMENT PROGRAMME FOR 2022

In response to the challenges of the energy transition, RTE's investment programme serves substantial needs, concerning not only reinforcement of interconnections with neighbouring European networks, but also the incorporation of new types of generation facilities, adaptation of the network to changes in modes of consumption, and upgrades of physical assets to maintain a quality service. Investment expenditure in 2022 by RTE SA's regulated scope amounted to €1,721.9 million, which was 92.7% of the amount authorised by the French energy regulator CRE.

The principal expenditure in 2022 concerned major projects for connection of the Saint-Brieuc, Calvados, Fécamp and Noirmoutier offshore wind farms, reinforcement of the France-Belgium interconnector, and continued work on the Savoy-Piedmont link with Italy. Investments were also made for network adaptation, for example the South Aveyron and Argia-Cantegrit projects, and network upgrades such as undergrounding of Le Plessis-Gassot – Seine power lines.

3.2.2 TURPE 6 NETWORK ACCESS TARIFF

The TURPE 6 transmission network access tariff came into force on 1 August 2021 for a 4-year period, with revisions on 1 August every year to reflect inflation and the gradual balancing of the income and expenses adjustment account (CRCP[1]).

On 1 August 2022, the tariff for the high-voltage network was reduced by 0.01%, in compliance with the CRE's decision of 9 June 2022.

3.2.3 EXCEPTIONAL EARLY PAYMENT OF PART OF RTE'S CRCP ACCOUNT BALANCE

In the energy crisis of 2023, price differentials on the wholesale electricity markets widened between France and its neighbouring European countries, and this led to a significant rise in the income from cross-border interconnections. Despite the additional costs borne by RTE as a result of rising electricity prices, its income exceeded the CRE's forecasts for 2022. In response to this situation, the regulator issued a decision of 17 November 2022[2] ordering that the surplus should be redistributed to network clients (on "CART" network access contracts), in accordance with the French Energy Code. The related payment was to be made before the end of the first quarter of 2023.

In practice, the CRE considered this payment as an exceptional advance payment of the 2022 CRCP (to be invoiced and paid during the first half of 2023). The practicalities defined by the CRE were set out in a statement of 17 November 2022, including description of the legal framework and the calculation and payment methods.

Based on the above, at 31 December 2022 RTE recognised a provision relating to its income from "CART" network access contracts (reducing "CART" revenues), amounting to €1,940 million (excluding taxes).

3.2.4 FINANCING TRANSACTIONS OF THE YEAR

In January 2022 RTE issued a €850 million green bond with a 0.750% coupon and 12-year maturity. The funds raised are dedicated to eligible financing and refinancing that will generate an environmental benefit: offshore wind farm connection projects and electricity interconnection projects between France and neighbouring European countries to optimise the energy mix.

In June 2022 RTE redeemed a €750 million bond line that reached maturity (12-year bond with a 3.875% coupon).

The average interest rate on debt was 1.40% at 31 December 2022, compared to 1.60% at 31 December 2021. The average maturity was 9.77 years at the end of 2022, down from 9.92 years at the end of 2021.

On 16 December 2022 RTE also set up a new syndicated credit line of €1,250 million, for a term of 5 years (plus two optional one-year extensions). This facility replaced the credit facility signed in 2016, which was due to mature on 21 June 2023.

3.2.5 RUSSIAN INVASION OF UKRAINE AND THE MACROECONOMIC ENVIRONMENT

RTE's European business (electricity exchanges at European level) has low exposure to the countries at war. The direct impact of the Ukraine conflict on the audited financial statements at 31 December 2022 remained very limited.

The macroeconomic situation deteriorated significantly in France and other countries in 2022. Inflation accelerated, particularly affecting energy prices, and causing procurement issues with an impact on both operating expenses and the cost of completing investment programmes.

At 31 December 2022, the direct consequences of this macroeconomic situation had not significantly impacted RTE's financial statements.

(1) Compte de régulation des charges et des produits. The CRCP account for each tariff period records the differences between forecasts and actual results on certain items the CRE considers difficult to forecast or difficult to control (network access, energy purchases to compensate for network losses, interconnections). These differences are then passed on to network users through future tariff adjustments.

(2) CRE decision of 17 November 2022 concerning proposals for implementation of an exceptional early payment of part of RTE's CRCP account balance.

3.2.6 NEW PARTNERSHIP BETWEEN RTE I AND SOCIÉTÉ DE TRANSPORT D'ÉNERGIE ÉLECTRIQUE EN POLYNÉSIE (TEP)

RTE International acquired a 25% investment in TEP, the operator of Tahiti's electricity transmission network, for €5.6 million. The shares were purchased in two steps during 2022.

Based on analysis of TEP's governance, this partnership entity was considered as an associate. Consequently, RTE International's investment has been accounted for under the equity method in the Group's financial statements since November 2022.

3.2.7 DIVIDENDS

On 1 June 2022, the Supervisory Board approved the proposal put forward by the shareholders at their General Meeting held the same day to pay a dividend of €397 million or approximately €1.86 per share.

Note 4. Changes in the scope of consolidation

TEP Tahiti has been included in the scope of consolidation under the equity method since 1 November 2022. It is 25% owned by RTE International.

IFA 2 was deconsolidated in 2023 after it was liquidated in March 2023 once its project was completed.

Note 5. Segment reporting

In compliance with IFRS 8, "Operating segments", which requires segment reporting, the RTE Group only reports one operating segment, corresponding to the electricity transmission activity as regularly reviewed by the Executive Board.

Note 6. Sales

Sales comprise:

(in thousands of euros)	2023	2022
Transmission network access – distributors	3,511,307	1,935,534
Transmission network access – other users	523,686	253,192
Interconnections	1,955,640	2,601,067
Other services	140,562	135,727
Sales	**6,131,196**	**4,925,520**

The increase in sales of transmission network access is chiefly explained by the absence in 2023 of any provision for an exceptional early payment of part of the CRCP account balance, in contrast to 2022 (see note 3.2.3).

Sales income from interconnections was down in 2023 due to much narrower electricity price differentials between France and its neighbouring countries. RTE had no surplus income in 2023.

In 2022, the decrease in sales of transmission network access was mainly explained by the provision booked for the exceptional early payment of part of RTE's CRCP account balance (see note 3.2.3).

Sales income from interconnections was boosted in 2022 by widening electricity price differentials between France and its neighbouring countries.

Note 7. Energy purchases

(in thousands of euros)	2023	2022
Energy purchases	(1,200,819)	(490,444)

Energy purchases concern electricity purchases undertaken to compensate for transmission network losses. Each year they include settlement of forward energy purchase contracts concluded in previous years. They also include the impact of capacity guarantee purchases made in application of the Capacity Mechanism (see note 2.7).

The increase in these purchases in 2023 is explained by a very significant price effect on forward and over-the-counter purchases that were sourced in late 2022 for the first quarter of 2023. At the time, French forward electricity prices included a risk premium reflecting low availability of the nuclear power plant fleet.

Note 8. Other external expenses

Other external expenses comprise:

(in thousands of euros)	2023	2022
External services	(720,861)	(644,242)
System operation purchases (excluding energy purchases)	(1,070,150)	(782,630)
Other purchases	(79,673)	(72,205)
Change in inventories and capitalised production	303,459	252,767
Other external expenses	**(1,567,225)**	**(1,246,310)**

The increase in electricity system operation purchases (excluding energy purchases) is due to higher national congestion costs, reflecting the extended operating lifetime of the Blayais power plant, and the higher cost of reserves contractualised in late 2022 when electricity prices were at their peak.

Note 9. Contractual obligations and commitments

In the course of its business, the Group has given and received commitments jointly with third parties. At 31 December 2023, these commitments mature as follows:

Commitments given (in thousands of euros)	31/12/2023	Maturities			31/12/2022
		< 1 year	1-5 years	> 5 years	
Operating contract performance commitments given	171,314	33,744	137,570	0	233,730
Commitments related to orders for operating items	1,996,315	1,363,124	592,750	40,441	2,290,289
Other operating commitments	0	0	0	0	0
Total operating commitments given	2,167,629	1,396,867	730,320	40,441	2,524,019
Financing commitments given	0	0	0	0	0
Investing commitments given	3,704,279	1,392,144	2,264,354	47,782	1,959,788
TOTAL COMMITMENTS GIVEN	**5,871,908**	**2,789,011**	**2,994,673**	**88,223**	**4,483,807**

Commitments received (in thousands of euros)	31/12/2023	Maturities			31/12/2022
		< 1 year	1-5 years	> 5 years	
Operating commitments received	1,338,761	1,010,129	321,836	6,796	2,251,521
Financing commitments received	1,250,000	0	1,250,000	0	1,250,000
Investing commitments received	2,942,174	22,781	1,647,533	1,271,860	1,242,026
TOTAL COMMITMENTS RECEIVED	**5,530,935**	**1,032,910**	**3,219,369**	**1,278,655**	**4,743,547**

These commitments (given and received) represent existing rights and obligations with effects (inflows and outflows of resources) that are contingent on fulfilment of conditions or execution of future operations.

The Group expects to draw future economic benefits from the operating commitments given.

The Group has entered into forward electricity purchases as part of its normal business. These commitments are included in "Commitments related to orders for operating items" and are stated at nominal value.

2022

On 16 December 2022 RTE set up a new syndicated credit line of €1,250 million, with a term of 5 years (plus two optional one-year extensions). This facility replaced the credit facility signed in 2016, which was due to mature on 21 June 2023.

RTE granted a parent company guarantee totalling €451 million for the purposes of the business of its subsidiary CIDAC (owned 50% and not consolidated at 31 December 2022). This guarantee covers CIDAC's payment obligations to its suppliers. The orders covered by this guarantee (which are not yet completed) are included in "Investing commitments given".

2023

RTE has given guarantees for the ongoing offshore wind farm connections, covering performance of work and the performance once the projects are completed. The commitments given for all such projects total €171 million, and the customers/producers who are the beneficiaries of these connections have given RTE commitments totalling €262 million to cover any stranded costs.

For the construction of cross-border lines between Spain and Ireland, partial European funding for the projects has been approved. The amount of the funding granted will be finalised once the construction work is completed. To date, the total amount of subsidies approved by CINEA (the European Climate, Infrastructure and Environment Executive Agency) is €569 millon for all projects taken together.

Note 10. Personnel expenses

10.1 PERSONNEL EXPENSES

Personnel expenses comprise:

(in thousands of euros)	2023	2022
Wages and salaries	(691,838)	(593,907)
Social contributions	(329,982)	(289,495)
Employee profit sharing including employer contribution	(35,251)	(39,700)
Other expenses linked to short-term benefits	4,324	4,475
Short-term benefits	**(1,052,747)**	**(918,626)**
Benefits paid	63,298	72,302
Current year service cost	(52,017)	(97,809)
Plan amendment	(22,396)	-
Post-employment benefits	**(11,115)**	**(25,507)**
Benefits paid	12,895	12,610
Current year service cost	(11,849)	(13,257)
Actuarial gains and losses	556	23,569
Other long-term benefits	**1,602**	**22,921**
PERSONNEL EXPENSES	**(1,062,259)**	**(921,212)**

The €22.4 million for plan amendment corresponds to the impact of the French pension reform (see note 24.2.2).

10.2 WORKFORCE

RTE's year-end workforce numbers were as follows:

	31/12/2023	31/12/2022
Executives	5,313	4,967
Supervisory and technical	3,708	3,661
Operational staff	385	382
Workforce with IEG status	**9,406**	**9,010**
Non IEG status	619	576
TOTAL WORKFORCE	**10,025**	**9,586**

RTE's subsidiaries[1] have a total of 117 employees.

(1) Subsidiaries owned 100% by RTE.

Note 11. Taxes other than income taxes

Taxes other than income taxes comprise:

(in thousands of euros)	2023	2022
Tax on pylons	(313,015)	(299,106)
Network tax (IFER)	(108,885)	(105,141)
Local economic contribution (CET)	(41,464)	(50,021)
Real estate tax	(29,015)	(26,295)
Other taxes	(49,724)	(40,360)
Taxes other than income taxes	**(542,103)**	**(520,922)**

Note 12. Other operating income and expenses

Other operating income and expenses comprise:

(in thousands of euros)	2023	2022
Gains (losses) on disposal of fixed assets	(20,933)	(34,171)
Net variation in provisions on current assets	(19,631)	(7,783)
Net variation in provisions for operating contingencies and losses	6,193	(6,098)
Other income and expenses	167,631	146,787
Other operating income and expenses	**133,260**	**98,734**

The €35 million increase in other operating income and expenses in 2023 is largely explained by an increase in penalty payments received (+€96 million) under various mechanisms, notably the capacity mechanism, system services and the adjustment mechanism. This increase was partly counterbalanced by a -€70 million decrease in the load-shedding subsidy.

In 2022, "Other income and expenses" mainly included the €71 million load-shedding subsidy, and €45 million of penalties received or receivable in connection with system services (frequency and voltage).

Note 13. Financial result

13.1 COST OF GROSS FINANCIAL INDEBTEDNESS

(in thousands of euros)	2023	2022
Cost of gross financial indebtedness	(169,084)	(136,717)

The cost of gross financial indebtedness mainly comprises:

- interest expenses on bonds, totalling €188 million (€162 million in 2022);
- application of IAS 23, which requires borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be capitalised as part of the cost of that asset. The impact in 2023 was a positive €24 million (compared to €31 million in 2022);
- interest on the IFRS 16 lease liability, amounting to €3 million (stable compared to 2022 – also €3 million).

13.2 DISCOUNT EFFECT

(in thousands of euros)	2023	2022
Discount effect	(78,93)	(34,014)

The discount effect essentially concerns provisions for post-employment and long-term employee benefits.

13.3 OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses comprise:

(in thousands of euros)	2023	2022
Income (expenses) on cash, cash equivalents and available-for-sale financial assets	50,111	2,416
Gains (losses) on other financial assets	2,072	(13,224)
Other financial income (expenses)	(1,062)	7,924
Return on fund assets	2,063	1,062
Other financial income and expenses	**53,183**	**(1,822)**

The main item of other financial income and expenses is income from fixed-term deposits (€50 million) as interest rates were significantly higher in 2023 than 2022.

Note 14. Income taxes

14.1 BREAKDOWN OF INCOME TAX

Details are as follows:

(in thousands of euros)	2023	2022
Current tax expense	(130,603)	(173,326)
Deferred taxes	(1,745)	19,272
TOTAL	**(132,348)**	**(154,054)**

14.2 RECONCILIATION OF THE THEORETICAL AND EFFECTIVE TAX EXPENSE

(in thousands of euros)	2023	2022
Consolidated profit before tax of consolidated companies	**542,648**	**632,775**
Tax rate applicable	**25.83%**	**25.83%**
Theoretical tax expense	**(140,916)**	**(164,713)**
Differences in tax rate	100	78
Permanent differences	2,591	3,076
Taxes without basis*	3,812	5,019
Other	2,066	2,486
ACTUAL TAX EXPENSE	**(132,348)**	**(154,054)**
Effective tax rate	**24.39%**	**24.35%**

* *Tax credits reclassified as operating items.*

14.3 BREAKDOWN OF DEFERRED TAXES BY NATURE

(in thousands of euros)	2023	2022
Differences between depreciation recorded for accounting and tax purposes	19,297	18,221
Financial instruments	8	8
Provisions for employee benefits	496,886	462,587
Investment subsidies	247,500	242,524
Other deductible temporary differences	5,382	5,574
Total deferred tax assets	**769,072**	**728,913**
Differences between depreciation recorded for accounting and tax purposes	(409,250)	(385,863)
Other taxable temporary differences	(80,277)	(73,225)
Total deferred tax liabilities	**(489,527)**	**(459,088)**
NET DEFERRED TAXES	**279,545**	**269,825**

Note 15. Intangible assets

Intangible assets essentially comprise purchased or internally designed and developed software. RTE recognised no impairment on intangible assets at 31 December 2023 or 2022.

Increases in gross value include acquisitions, reclassifications and transfers of assets. Decreases in gross value include disposals, retirements, reclassifications and transfers. Reclassifications mainly reflect the transfer of an asset from "intangible assets in progress" to the relevant asset account when an asset is commissioned.

15.1 AT 31 DECEMBER 2023

(in thousands of euros)	31/12/2022	Increases	Decreases	31/12/2023
Intangible assets in progress	319,087	163,230	(173,876)	308,441
Other intangible assets	1,181,753	202,630	(1,809)	1,382,574
Intangible assets, gross	**1,500,840**	**365,860**	**(175,685)**	**1,691,015**
Amortisation	(942,403)	(92,405)	4,081	(1,030,726)
Intangible assets, net	**558,437**	**273,455**	**(171,604)**	**660,288**

15.2 AT 31 DECEMBER 2022

(in thousands of euros)	31/12/2021	Increases	Decreases	31/12/2022
Intangible assets in progress	244,195	139,743	(64,851)	319,087
Other intangible assets	1,110,536	81,456	(10,238)	1,181,753
Intangible assets, gross	**1,354,731**	**221,199**	**(75,090)**	**1,500,840**
Amortisation	(863,876)	(78,527)	1	(942,403)
Intangible assets, net	**490,855**	**142,671**	**(75,089)**	**558,437**

Note 16. Property, plant and equipment

The Group recognised no impairment on property, plant and equipment at 31 December 2023 or 2022.

Increases in gross value include acquisitions, reclassifications and transfers of assets. Decreases in gross value include disposals, retirements, reclassifications and transfers. Reclassifications mainly reflect the transfer of an asset from "intangible assets in progress" to the relevant asset account when an asset is commissioned.

The depreciation booked in 2023 includes the +€56 million impact of the EDGART project (see note 2.14, Property, plant and equipment).

16.1 AT 31 DECEMBER 2023

(in thousands of euros)	31/12/2022	Increases	Decreases	31/12/2023
Land	210,063	55,896	(410)	265,549
Buildings (including IFRS 16 right-of-use assets)*	3,468,878	197,411	(4,385)	3,661,904
Networks	29,421,453	1,695,954	(173,531)	30,943,876
Other installations, machinery and equipment	1,459,435	87,157	(17,909)	1,528,683
Other property, plant and equipment	535,714	20,738	(9,631)	546,820
Property, plant and equipment in progress	2,577,004	2,071,470	(2,127,111)	2,521,363
Property, plant and equipment, gross	**37,672,546**	**4,128,626**	**(2,332,977)**	**39,468,195**
Land improvements	(74,873)	(4,563)		(79,436)
Buildings (including IFRS 16 right-of-use assets)*	(1,677,937)	(116,346)	6,716	(1,787,567)
Networks	(14,926,640)	(832,382)	178,366	(15,580,656)
Other installations, machinery and equipment	(1,018,135)	(82,109)	17,243	(1,083,001)
Other property, plant and equipment	(382,431)	(32,385)	7,968	(406,848)
Depreciation	**(18,080,015)**	**(1,067,785)**	**210,292**	**(18,937,508)**
Property, plant and equipment, net	**19,592,531**	**3,060,841**	**(2,122,685)**	**20,530,687**

* *Details of IFRS 16 right-of-use assets.*

The Group has not recognised any impairment on its right-of-use assets at 31 December 2023.

(in thousands of euros)	01.01.2023	Increases	Decreases	31/12/2023
Commercial leases	235,341	244	(465)	235,120
Vehicle leases	-	10,200		10,200
Gross value	**235,341**	**10,444**	**(465)**	**245,320**
Commercial leases	(39,446)	(26,897)	465	(65,879)
Vehicle leases	-	(2,550)		(2,550)
Depreciation	**(39,446)**	**(29,447)**	**465**	**(68,429)**
Net value	**195,895**	**(19,004)**	**-**	**176,891**

16.2 AT 31 DECEMBER 2022

(in thousands of euros)	31/12/2021	Increases	Decreases	31/12/2022
Land	193,187	17,231	(355)	210,063
Buildings (including IFRS 16 right-of-use assets)	3,329,907	154,406	(15,435)	3,468,878
Networks	28,337,735	1,237,895	(154,177)	29,421,453
Other installations, machinery and equipment	1,371,565	101,378	(13,508)	1,459,435
Other property, plant and equipment	522,700	19,097	(6,082)	535,714
Property, plant and equipment in progress	2,458,891	1,679,771	(1,561,659)	2,577,004
Property, plant and equipment, gross	**36,213,985**	**3,209,777**	**(1,751,216)**	**37,672,546**
Land improvements	(71,697)	(3,267)	90	(74,873)
Buildings (including IFRS 16 right-of-use assets)*	(1,580,340)	(107,817)	10,220	(1,677,937)
Networks	(14,329,288)	(738,670)	141,318	(14,926,640)
Other installations, machinery and equipment	(952,479)	(78,444)	12,788	(1,018,135)
Other property, plant and equipment	(354,008)	(34,708)	6,285	(382,431)
Depreciation	**(17,287,811)**	**(962,906)**	**170,702**	**(18,080,015)**
Property, plant and equipment, net	**18,926,174**	**2,246,871**	**(1,580,514)**	**19,592,531**

* *Details of IFRS 16 right-of-use assets.*

The Group did not recognise any impairment on its right-of-use assets at 31 December 2022.

(in thousands of euros)	01.01.2022	Increases	Decreases	31/12/2022
Commercial leases	237,489	181	(2,329)	235,341
Vehicle leases	4,722	-	(4,722)	0
Gross value	**242,212**	**181**	**(7,052)**	**235,341**
Commercial leases	(14,297)	(27,445)	2,295,	(39,446)
Vehicle leases	(4,687)	(35)	4,722	-
Depreciation	**(18,984)**	**(27,480)**	**7,018**	**(39,446)**
Net value	**223,228**	**-27,299**	**-34**	**195,895**

Note 17. Investments in associates

Details of investments in associates are as follows:

(in thousands of euros)	31/12/2023			31/12/2022		
	% capital held	Share of equity	Share of net income	% capital held	Share of equity	Share of net income
HGRT	34%	31,136	4,515	34%	31,042	4,372
Coreso	16%	1,959	1,124	16%	1,105	397
TEP (Tahiti)	25%	7,925	608	25%	7,433	1,808
TOTAL		**41,021**	**6,246**		**39,580**	**6,577**

In 2022 RTE International acquired a 25% investment in TEP, the operator of Tahiti's electricity transmission network.

Based on analysis of TEP's governance, this partnership entity was considered as an associate. Consequently, RTE International's investment has been accounted for under the equity method in the Group's financial statements since November 2022.

The value of the shares includes the purchase cost paid by RTE International, and negative goodwill representing the financial terms of RTE I's entry into this partnership.

No new company was accounted for under the equity method in 2023.

Note 18. Financial assets

18.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current and non-current financial assets break down as follows:

(in thousands of euros)	31/12/2023			31/12/2022		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets*	1,180,289	6,716	1,187,005	2,327,678	6,711	2,334,389
Loans and financial receivables*	30,235	9,171	39,406	115,758	16,339	132,097
Financial assets	**1,210,524**	**15,887**	**1,226,411**	**2,443,436**	**23,050**	**2,466,486**

* *Net of impairment.*

18.2 CHANGE IN CURRENT AND NON-CURRENT FINANCIAL ASSETS

The change in financial assets breaks down as follows:

18.2.1 AT 31 DECEMBER 2023

(in thousands of euros)	31/12/2022	Increases	Decreases	Changes in fair value	Impairment	31/12/2023
Financial assets	2,334,389	4,918,655	(6,072,818)	6,779	0	1,187,005
Loans and financial receivables	132,098	42,105	(134,798)			39,405
Financial assets	**2,466,487**	**4,960,760**	**(6,207,616)**	**6,779**	**0**	**1,226,410**

18.2.2 AT 31 DECEMBER 2022

(in thousands of euros)	31/12/2021	Increases	Decreases	Changes in fair value	Impairment	31/12/2022
Financial assets	1,093,538	9,045,385	(7,816,654)	12,552	(432)	2,334,389
Loans and financial receivables	113,867	431,193	(412,962)		(0)	132,098
FINANCIAL ASSETS	**1,207,405**	**9,476,578**	**(8,229,615)**	**12,552**	**(432)**	**2,466,487**

18.3 BREAKDOWN OF FINANCIAL ASSETS

(in thousands of euros)	31/12/2023			31/12/2022		
	Equities	Debt securities/ investment funds	Total	Equities	Debt securities/ investment funds	Total
Liquid assets		1,180,289	1,180,289		2,327,678	2,327,678
Other securities	6,716		6,716	6,711		6,711
Financial assets	**6,716**	**1,180,289**	**1,187,005**	**6,711**	**2,327,678**	**2,334,389**

Liquid assets are financial assets consisting mostly of investment funds or negotiable debt instruments with maturity of over three months at the acquisition date, that are readily convertible into cash and are managed according to a liquidity-oriented policy. They are stated at fair value, determined under the principles presented in note 2.17.

In view of the characteristics of the investment funds, the fair value at 31 December 2023 was higher than their acquisition cost.

The decrease in liquid assets compared to 2022 principally reflects disposals carried out early in 2023 to finance the payment corresponding to redistribution of the CRCP account balance to RTE's customers (see note 3.1.3).

Note 19. Inventories

Inventories mostly consist of technical equipment for internal use.

(in thousands of euros)	31/12/2023	31/12/2022
Inventories, gross value	**194,661**	**193,756**
Impairment	(26,791)	(26,023)
Inventories, net value	**167,870**	**167,733**

"Inventories, gross value" includes €42 million of capacity guarantee certificates at 31 December 2023. No impairment is recognised in connection with capacity guarantees

Note 20. Trade and similar receivables

(in thousands of euros)	31/12/2023	31/12/2022
Trade and similar receivables, gross value	**1,491,430**	**2,101,373**
Provisions	(56,996)	(37,911)
Trade and similar receivables, net value	**1,434,434**	**2,063,462**

All trade receivables mature within one year.

The credit risk on trade and similar receivables is shown below:

(in thousands of euros)	31/12/2023			31/12/2022		
	Gross values	Provisions	Net values	Gross values	Provisions	Net values
Trade receivables	**1,491,430**	**(56,996)**	**1,434,434**	**2,101,373**	**(37,911)**	**2,063,462**
overdue by less than 6 months	14,596	(803)	13,793	(9,854)	(300)	(10,155)
overdue by 6-12 months	16,887	(6,879)	10,008	50,786	(30,530)	20,256
overdue by more than 12 months	57,413	(49,233)	8,181	9,591	(6,421)	3,170
Total trade receivables overdue	**88,897**	**(56,915)**	**31,982**	**50,522**	**(37,251)**	**13,271**
Trade receivables not yet due	**1,402,533**	**(81)**	**1,402,452**	**2,050,851**	**(660)**	**2,050,191**

Most trade receivables not yet due concern invoices not yet issued. The downturn in trade receivables not yet due is primarily attributable to the sale of cross-border capacity guarantees in the December 2023 auction session, which were settled and invoiced at 31 December 2023.

Note 21. Other receivables

(in thousands of euros)	31/12/2023	31/12/2022
Payments in advance	58,264	115,966
Other receivables	339,920	578,858
Prepaid expenses	18,319	18,198
Other receivables, gross value	**416,503**	**713,023**
Provisions	(1,508)	(1,730)
Other receivables, net value	**414,995**	**711,293**

The majority of payments on other receivables are due within one year.

"Other receivables" mainly comprise amounts due from public authorities and the State, including VAT receivables.

The change in provisions on other receivables breaks down as follows:

(in thousands of euros)	31/12/2022	Increases	Decreases	31/12/2023
Provisions on other receivables	(1,730)	-	222	(1,508)

Note 22. Cash and cash equivalents

Cash and cash equivalents as stated in the cash flow statement include the following amounts recorded in the balance sheet:

(in thousands of euros)	31/12/2023	31/12/2022
Cash	483,676	579,494
Cash equivalents	190,141	198,078
Cash and cash equivalents	**673,817**	**777,572**

Cash equivalents comprise:

- daily margin calls on forward energy purchase contracts, amounting to €135 million. At 31 December 2022, the balance of margin calls was €163 million;
- short-term investments (other than equity investments) initially maturing within three months, that are readily convertible into cash and have a negligible risk of fluctuation in value, amounting to €55 million (€35 million in 2022: the increase principally reflects the higher number of investments concerned).

Note 23. Equity

23.1 SHARE CAPITAL

At 31 December 2023, the share capital amounted to €2,132,285,690 and comprised 213,228,569 fully subscribed and paid-up shares with nominal value of €10 each, held by CTE.

In application of article 7 of the law of 9 August 2004, all of RTE's share capital must be held by EDF, the French State, or other public-sector companies or organisations.

23.2 DIVIDENDS

On 7 June 2023, the Supervisory Board approved the proposal put forward by the shareholders at their General Meeting held the same day to pay a dividend of €291 million or approximately €1.37 per share.

Note 24. Provisions

24.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT PROVISIONS

The breakdown between current and non-current provisions is as follows:

(in thousands of euros)	31/12/2023			31/12/2022		
	Current	Non-current	Total	Current	Non-current	Total
Provisions for employee benefits	79,898	1,985,452	2,065,349	67,199	1,860,872	1,928,071
Other provisions	24,242	36,490	60,731	24,517	42,418	66,935
Provisions	**104,140**	**2,021,941**	**2,126,081**	**91,716**	**1,903,290**	**1,995,006**

24.2 EMPLOYEE BENEFITS

24.2.1 BREAKDOWN OF CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

(in thousands of euros)	Obligations	Fund assets	Provisions in the balance sheet
Balance at 31/12/2021	**1,980,958**	**(52,887)**	**1,928,071**
Net expense for 2022	164,455,	(2,063)	162,393
Actuarial gains and losses	61,303,	(10,224)	51,079
long-term benefits	(556)	-	(556)
post-employment benefits	61,859	(10,224)	51,635
Contributions to funds	-	-	-
Benefits paid	(80,498)	4,305	(76,193)
Balance at 31/12/2022	**2,126,218**	**(60,869)**	**2,065,349**

The change in provisions since 31 December 2022 results from changes in vested benefits, discounting of the liability, payments to external funds, benefits paid, changes in actuarial gains and losses and the past service cost.

24.2.2 POST-EMPLOYMENT AND LONG-TERM EMPLOYEE BENEFIT EXPENSES

(in thousands of euros)	31/12/2023	31/12/2022
Current service cost	63,866	111,066
Actuarial gains and losses – long-term benefits	(556)	(23,569)
Plan curtailments or settlements	22,396	-
Net expenses included in operating profit	**85,706**	**87,497**
Interest expense (discount effect)	78,193	34,014
Return on fund assets	(2,063)	(1,062)
Net expenses included in financial result	**76,131**	**32,952**
Employee benefit expense recorded in the income statement	**161,836**	**120,449**
Actuarial gains and losses – post-employment benefits	61,859	(606,272)
Actuarial gains and losses – fund assets	(10,224)	25,340
Actuarial gains and losses	**51,635**	**(580,932)**
Gains and losses on employee benefits recorded directly in equity	**51,635**	**(580,932)**

The unfavourable plan settlement effect of €22 million corresponds to the impact of the 2023 French pension reform, which is considered as a plan amendment occurring at the end of 2023. These impacts are recognised in the service cost, and comprise:

- a net unfavourable impact of +€45 million due to the gradual rise in the standard retirement age from 62 to 64 and an increase in the contribution period required to qualify for a full pension to 43 years (earlier application of the "Touraine" reform, from 2025 instead of 2035 as initially planned). The impact of the preferential-price energy benefit was a favourable -€12 million since for an equivalent life expectancy, RTE has two fewer years of these benefits to finance for eligible retired employees;
- offset by a favourable impact of -€11 million following the AGIRC/ARRCO complementary pension body's decision to eliminate the discount/"solidarity coefficient" system[(1)]. This had the effect of increasing the AGIRC/ARRCO's contribution to IEG pension funding, and therefore to reduce the employers' contribution.

Concerning the methodology applied by RTE's actuaries:

1. for mutualised pension plans:
   a. annual future benefits are calculated based on data provided by the CNIEG pension body, adjusted for inflation then discounted at opening rates,
   b. differences between the inflation-adjusted discounted amounts before and after the reform are included in the effect of the pension reform,
   c. at 31 December 2023, all amounts are adjusted for inflation then discounted at year-end rates,
   d. the obligations for the industrial accident and work-related illness benefits and asbestos-related benefits are not affected, since these obligations are calculated based on current claims,
   e. the impact on invalidity benefits is generated by the 2023 reform measures concerning retirement age and pension contribution period;
2. for non-mutualised pension plans:
   a. the new information concerning retirement age and the laws governing retirement/pension procedures for current and retired employees was added to the models calculating annual future benefits, to take account of the pension reform,
   b. the accounting treatments of points 1.a to 1.c for mutualised pension plans are applied in the same way for non-mutualised plans,
   c. the impact on invalidity benefits is the same as in 1.e for mutualised pension plans.

(1) This system took effect in January 2019, and consisted of a 10% discount on the complementary pensions for private-sector or agricultural employees for 3 years or up to a maximum age of 67. The aim was to encourage older employees who had made enough contributions to receive a full pension to stay on a further year instead of retiring straight away. As the legal retirement age was raised by the new pension reform, it was decided to end this system on 1 December 2023.

Actuarial gains and losses on post-employment benefits break down as follows:

(in thousands of euros)	Long-term benefits	Post-employment benefits	31/12/2023
Experience adjustments	(3,479)	(51,508)	(54,987)
Changes in demographic assumptions	86	29,268	29,354
Changes in financial assumptions*	2,836	84,099	86,936
Actuarial gains and losses on obligations	**(556)**	**61,859**	**61,303**

* *Financial assumptions mainly concern the discount rate, inflation rate and wage increase rate.*

24.2.3 BREAKDOWN BY NATURE OF PROVISIONS FOR EMPLOYEE BENEFITS

(in thousands of euros)	Obligations	Fund assets	Provision in the balance sheet
Provisions for post-employment benefits at 31 December 2023	**1,981,683**	**(60,869)**	**1,920,814**
including:			
Pensions	559,376		559,376
Benefits in kind (electricity/gas)	1,224,874		1,224,874
Retirement gratuities	76,267	(60,869)	15,398
Bereavement benefit	78,948		78,948
Other post-employment benefits	42,218		42,218
Provisions for other long-term benefits at 31 December 2023	**144,535**		**144,535**
including:			
Annuities following invalidity, industrial accident or work-related illness	122,485		72,999
Long-service awards	18,988		18,988
Other long-term benefits	3,063		52,549
Provisions for post-employment benefits at 31 December 2023	**2,126,218**	**(60,869)**	**2,065,349**

Fund assets amounted to €61 million at 31 December 2023 (€53 million at 31 December 2022).

They cover retirement gratuities and take the form of insurance contracts comprising 41.5% equities and 58.5% bonds at 31 December 2023 (respectively 30.76% and 69.24% at 31 December 2022).

24.2.4 FUTURE CASH FLOWS

Cash flows related to future employee benefits are as follows:

(in thousands of euros)	31/12/2023	
	Cash flow under year-end economic conditions	Amount covered by provision (present value)
Less than one year	77,990	76,697
One to five years	296,049	267,934
Five to ten years	361,185	281,712
More than ten years	4,378,018	1,499,875
Cash flows related to employee benefits	**5,113,242**	**2,126,218**

(in thousands of euros)	31/12/2022	
	Cash flow under year-end economic conditions	Amount covered by provision (present value)
Less than one year	76,379	74,932
One to five years	288,963	257,718
Five to ten years	349,588	262,553
More than ten years	4,727,123	1,385,755
Cash flows related to employee benefits	**5,442,053**	**1,980,958**

24.2.5 ACTUARIAL ASSUMPTIONS

The main actuarial assumptions used in calculating employee benefit obligations are summarised below:

(%)	2023	2022
Discount rate/Return on fund assets	3.40%	3.90%
Inflation rate	2.00%	2.30%

24.2.6 SENSITIVITY ANALYSIS

(%)	2023	2022
Impact of a 25bp increase or decrease in the discount rate		
• on the amount of the obligation	-5%/+5.5%	-4.9%/+3.1%
• on the net expense for the following year	-0.7%/+1.3%	-2.3%/+1.5%

(%)	2023	2022
Impact of a 25bp increase or decrease in the inflation rate		
• on the amount of the obligation	+5.3%/-4.9%	+5.2%/-4.8%
• on the net expense for the following year	+4.4%/-4.3%	+6.0%/-5.5%

24.3 OTHER PROVISIONS

Details of changes in other provisions are as follows:

(in thousands of euros)	31/12/2022	Increases	Decreases*		Other movements	31/12/2023
			Utilisations	Reversals		
Employer contribution to profit sharing	16,987	16,178	(16,987)			16,178
Other provisions	49,948	9,745	(15,520)		381	44,553
Other provisions	**66,935**	**25,923**	**(32,507)**	**0**	**381**	**60,731**

* *Only provisions utilised.*

"Other provisions" notably include a compensation agreement, provisions relating to a litigation with social security bodies, and the provision for tax risks.

Note 25. Financial liabilities

25.1 BREAKDOWN BETWEEN CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Current and non-current financial liabilities break down as follows:

(in thousands of euros)	31/12/2023			31/12/2022		
	Non-current	Current	Total	Non-current	Current	Total
Bonds	9,782,897	563,234	10,346,131	8,783,447	547,870	9,331,317
Other financial liabilities (including the IFRS 16 lease liability)*	1,342,416	605,187	1,947,604	1,409,009	446,815	1,855,824
Financial liabilities	**11,125,313**	**1,168,422**	**12,293,735**	**10,192,456**	**994,685**	**11,187,141**

* *The IFRS 16 lease liability amounts to €202,239,000 at 31 December 2023.*

"Other financial liabilities" essentially include, RTE's borrowings from the European Investment Bank, amounting to €1,150 million at 31 December 2023 (€1,150 million at 31 December 2022), and the IFRS 16 lease liability amounting to €202 million.

25.2 LOANS AND OTHER FINANCIAL LIABILITIES

25.2.1 CHANGES IN LOANS AND OTHER FINANCIAL LIABILITIES

(in thousands of euros)	Bonds	Other financial liabilities (including the IFRS 16 lease liability)*	Accrued interest	Total
Balance at 31 December 2021	**9,182,803**	**1,866,958**	**60,346**	**11,110,106**
Increases	848,626	3,025,097	965,390	4,839,113
Decreases	(751,737)	(3,037,071)	(973,270)	(4,762,078)
Balance at 31 December 2022	**9,279,692**	**1,854,983**	**52,466**	**11,187,141**
Increases	1,508,080	4,091,031	919,101	6,518,213
Decreases	(508,523)	(3,999,744)	(903,352)	(5,411,619)
BALANCE AT 31 DECEMBER 2023	**10,279,249**	**1,946,271**	**68,215**	**12,293,735**

* *Including IFRS 16 lease liabilities and commercial paper (TCN).*

* Breakdown of the change in the IFRS 16 lease liability: (in thousands of euros)	IFRS 16 lease liability
Balance at 1 January 2023	**224,218**
Increases	10,444
Decreases	32,423)
BALANCE AT 31 DECEMBER 2023	**202,239**

All debts are in euros.

In June 2023, a €1 billion bond was issued with 12-year maturity and a 3.75% coupon.

In December 2023, a €500 million bond was issued with 8-year maturity and a 3.5% coupon.

In September 2023, a €500 million bond tranche was redeemed at maturity (10 years at 2.875%).

The nominal values of the Group's principal borrowings at 31 December 2023 are as follows:

(in thousands of euros)	Issue date	Maturity	Issue amount	Currency	Rate
Bond	2013	2028	(100,000)	EUR	3.380%
Bond	2014	2024	(500,000)	EUR	1.625%
Bond	2014	2029	(600,000)	EUR	2.750%
Bond	2014	2034	(250,000)	EUR	2.625%
Bond	2015	2025	(1,000,000)	EUR	1.625%
Bond	2016	2026	(650,000)	EUR	1.000%
Bond	2016	2036	(700,000)	EUR	2.000%
Bond	2017	2037	(750,000)	EUR	1.875%
Bond	2018	2030	(500,000)	EUR	1.500%
Bond	2018	2038	(500,000)	EUR	2.125%
Bond	2019	2027	(500,000)	EUR	0.000%
Bond	2019	2049	(700,000)	EUR	1.125%
Bond	2020	2032	(500,000)	EUR	0.625%
Bond	2020	2040	(750,000)	EUR	1.125%
Bond	2022	2034	(850,000)	EUR	0.750%
Bond	2023	2035	(1,000,000)	EUR	3.750%
Bond	2023	2031	(500,000)	EUR	3.500%

The Group's bonds contain no financial covenant-type clauses.

25.2.2 MATURITY OF LOANS AND OTHER FINANCIAL LIABILITIES

(in thousands of euros)	Bonds	Other financial liabilities (including the IFRS 16 lease liability)*	Total
Less than one year	549,451	445,918	995,369
One to five years	2,232,433	668,186	2,900,618
More than five years	6,549,434	741,720	7,291,154
Total loans and other financial liabilities at 31 Dec 2022	**9,331,317**	**1,855,824**	**11,187,141**
Less than one year	564,380	604,291	1,168,670
One to five years	2,332,988	823,945	3,156,933
More than five years	7,448,764	519,368	7,968,132
TOTAL LOANS AND OTHER FINANCIAL LIABILITIES AT 31 DEC 2023	**10,346,131**	**1,947,604**	**12,293,735**

* *Maturity of the IFRS 16 lease liability.*

(in thousands of euros)	IFRS 16 lease liability
Less than one year	32,725
From one to five years	127,764
More than five years	41,749
IFRS 16 LEASE LIABILITY AT 31 DECEMBER 2023	**202,238**

25.2.3 CREDIT LINE

(in thousands of euros)	Total	Maturity		
		< 1 year	1-5 years	> 5 years
Confirmed credit line	1,250,000		1,250,000	

On 16 December 2022 RTE set up a new syndicated credit line of €1,250 million, for a term of 5 years (plus two optional one-year extensions). This facility replaced the credit facility signed in 2016, maturing on 21 June 2023.

25.2.4 FAIR VALUE OF LOANS AND OTHER FINANCIAL LIABILITIES

(in thousands of euros)	31/12/2023		31/12/2022	
	Fair value	Net book value	Fair value	Net book value
Bonds	9,403,031	10,346,131	8,778,816	9,331,317
Loan from EIB	1,035,640	1,150,459	955,278	1,150,840
TOTAL	**10,438,672**	**11,496,590**	**9,734,095**	**10,482,158**

25.3 NET INDEBTEDNESS

Net indebtedness is not defined by accounting standards. It comprises total loans and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets consisting of funds or negotiable debt instruments with initial maturity of over three months that are readily convertible into cash, and are managed according to a liquidity-oriented policy.

(in thousands of euros)	31/12/2023	31/12/2022
Loans and other financial liabilities	12,293,735	11,187,141
Cash and cash equivalents	(673,817)	(777,572)
Current financial assets	(1,210,524)	(2,443,436)
Net indebtedness	**10,409,395**	**7,966,133**

25.4 CHANGE IN NET INDEBTEDNESS

(in thousands of euros)	2023	2022
Operating profit before depreciation and amortisation (EBITDA)	**1,892,050**	**1,845,366**
Cancellation of non-monetary items included in EBITDA	(5,206)	(3,594)
Change in working capital	(1,859,886)	2,171,049
Other	0	0
Net cash flow from operations	**26,958**	**4,012,820**
Acquisitions of property, plant and equipment and intangibles	(2,093,638)	(1,725,504)
Disposals of property, plant and equipment and intangibles	4,340	3,057
Impact of changes in scope of consolidation on cash	0	(5,613)
Net financial expenses disbursed	(171,203)	(173,718)
Income tax paid	(228,380)	(205,606)
Free cash flow	**(2,461,923)**	**1,905,437**
Repayment of the lease liability	21,979	30,183
***Adjusted free cash* flow**	**(2,439,944)**	**1,935,620**
Investments net of disposals	495	(1,851)
Dividends paid	(291,179)	(396,654)
Investment subsidies	240,207	185,213
Other changes	54,419	(8,707)
(Increase)/Decrease in net indebtedness, excluding the impact of changes in scope of consolidation and exchange rates	**(2,436,002)**	**1,713,621**
Effect of other non-monetary changes	(7,259)	22,235
(Increase)/Decrease in net indebtedness	**(2,443,261)**	**1,735,856**
Net indebtedness at beginning of period	**(7,966,133)**	**(9,701,990)**
NET INDEBTEDNESS AT END OF PERIOD	**(10,409,394)**	**(7,966,133)**

The change in working capital in 2022 (+€2,171 million) included the positive effects of interconnection income, which were partly redistributed in 2023 through the exceptional early payment of part of RTE's CRCP account balance, amounting to €1,940 million excluding taxes.

The negative change in working capital in 2023 (-€1,860 million) is mainly due to execution of that payment in the first quarter of 2023.

Note 26. Management of financial risks

See section 6.5, "Financial risks", of the management report available online on RTE's website.

Note 27. Derivatives

The Group may use derivatives in a range of hedging or macro-hedging strategies to limit the interest rate risk.

The Group did not use any derivatives during 2023 and has no hedging instruments in its portfolio.

Note 28. Trade and other payables

Details of trade and other payables are as follows:

(in thousands of euros)	31/12/2023	31/12/2022
Advance payments received	573,913	695,296
Trade payables	1,587,489	2,039,169
Tax and social charges	655,886	490,665
Deferred income	1,493,964	1,517,197
Other	238,245	2,349,265
Trade and other payables	**4,549,496**	**7,091,592**

The "Other" item in 2022 includes the future credit notes recognised in respect of the exceptional early payment of part of RTE's CRCP account balance. See note 3.1.3.

Note 29. Related parties

29.1 TRANSACTIONS WITH EDF AND COMPANIES CONTROLLED BY EDF

Details of the main transactions with EDF or companies controlled by EDF (Enedis, EDF Trading, etc.) are as follows:

(in thousands of euros)	31/12/2023	31/12/2022
Financial assets		
Investments		
Other assets		
Trade and similar receivables	1,090,050	1,213,648
Other receivables		
Advances and progress payments on orders		
Financial liabilities		
Other liabilities		
Advances and progress payments on orders	190,575	205,179
Trade and similar payables	219,627	393,716
Other liabilities		2,085,140
Operating income and expenses		
Sales	3,581,164	1,966,182
Purchases for operation of the electricity system	938,138	1,291,669
Financial income and expenses		
Financial expenses		

"Trade and similar receivables" and "Sales" essentially correspond to invoicing for access to the electricity transmission network.

"Other liabilities" in 2022 included the future credit notes corresponding to the exceptional early payment of part of RTE's CRCP account balance, which had no equivalent in 2023.

All transactions with related parties take place under normal market conditions and in principle require the approval of the CRE, in application of article L. 111.17 of the French Energy Code.

29.2 RELATIONS WITH THE FRENCH STATE AND OTHER ENTITIES OWNED BY THE STATE

In accordance with the legislation applicable to all companies having the French State as their direct or indirect majority shareholder, RTE is subject to certain inspection procedures, in particular economic and financial inspections by the State, audits by the French Court of Auditors (*Cour des comptes*) or Parliament, and verifications by the French General Finance Inspectorate (*Inspection générale des finances*).

The French State intervenes through the regulation of electricity and gas markets, particularly for establishment of transmission tariffs, setting the ARENH price (for regulated access to historical nuclear electricity) under the "NOME" law for modernisation of the electricity market, and determining the level of the contribution to the Public Electricity Service charges.

The Group carries out transactions with certain public-sector entities, essentially for invoicing of access to the electricity transmission network.

29.3 BOARD COMPENSATION

The Group's key management personnel are the members of the Executive Board and the Supervisory Board.

(in euros)	2023	2022
Compensation of Executive Board members	1,651,021	1,559,989
Compensation of Supervisory Board members*	411,925	375,816
TOTAL	**2,062,946**	**1,935,805**

* *Other than members representing shareholders and the State.*

The compensation paid to members of the Executive Board includes short-term benefits (basic salaries, performance-related salary, benefits in kind and indemnities) excluding social security charges.

The compensation paid to Supervisory Board members comprises the salary and benefits in kind (excluding social security charges) paid by RTE to the Chairman of the Supervisory Board and Board members who are employee representatives and have an employment contract with the Group.

Board members who belong to the IEG regime benefit from the employee benefits (as defined by IAS 19) attached to that status. They receive no other special pension system, starting bonus or severance payment.

Note 30. Statutory auditors' fees

The following table sets forth the fees paid to the statutory auditors for services in 2023 and 2022:

(in thousands of euros)	KPMG	Mazars
Statutory audit of RTE's individual and consolidated financial statements	416	443
Review of the individual financial statements of fully-consolidated entities	29	43
Non-audit services	135	175
TOTAL	**580**	**661**

(in thousands of euros)	2022	
	KPMG	Mazars
Statutory audit of RTE's individual and consolidated financial statements	420	399
Review of the individual financial statements of fully-consolidated entities	19	43
Non-audit services	171	61
TOTAL	**610**	**502**

Note 31. Subsequent events

None.

Note 32. Scope of consolidation

The scope of consolidation at 31 December 2023 is as follows:

COMPANY	HEAD OFFICE	% OWNERSHIP	% VOTING RIGHTS	CONSOLIDATION METHOD	BUSINESS SECTOR
RTE Réseau de transport d'électricité	Immeuble WINDOW 7C place du Dôme 92073 PARIS-LA DÉFENSE			Parent company	T
Arteria	2, place des Vosges 92400 Courbevoie	100%	100%	FC	S
RTE International	2, place des Vosges 92400 Courbevoie	100%	100%	FC	S
RTE Immo	Immeuble WINDOW 7C place du Dôme 92073 PARIS-LA DÉFENSE	100%	100%	FC	S
Airtelis	1470 route de l'Aérodrome CS 50 146 84918 Avignon CEDEX 9	100%	100%	FC	S
Cirteus	2, place des Vosges 92400 Courbevoie	100%	100%	FC	S
Celtic	The Oval 160 Shelbourne Road Ballsbridge Dublin 4	50%	50%	JO	S
HGRT	Immeuble WINDOW 7C place du Dôme 92073 PARIS-LA DÉFENSE	34%	34%	EM	S
Inelfe	Immeuble WINDOW 7C place du Dôme 92073 PARIS-LA DÉFENSE	50%	50%	JO	S
Coreso	71 Avenue de Cortenbergh 1000 Bruxelles	15.84%	15.84%	EM	S
TEP (Tahiti)	Quai de l'Uranie Immeuble Bougainville – BP4606 98713 Papeete	25%	25%	EM	T

Consolidation methods: FC = full consolidation, JO = joint operation, EM = accounted for under the equity method.
Business segments: T = Transmission, S = Services.

IFA 2, the company in charge of building the second France-UK interconnector, was deconsolidated in 2023 after its liquidation in March 2023 once the project was completed.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the annual general meeting of RTE S.A.,

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of RTE S.A. for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee (*Comité de Supervision Economique et d'Audit*).

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

In accordance with the requirements of Articles L.821-53 and R.821-180 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

REGULATED ENVIRONMENT

Notes 2. 7 « Sales », 2. 14 « Property, plant and equipment », 3.1.2 « TURPE 6 network access tariff » and 7 « Energy purchases »

Description of risk	How our audit addressed this risk
RTE is overseen by the French Energy Regulatory Commission (CRE). The tariff mechanism is set to cover all of RTE's costs, insofar as they reflect the cost of an efficient system operator and makes it possible to smooth and rectify the effects of certain climatic events or economic risk which can impact the electricity transmission in France. The tariff authorized by the CRE sets the targets of significant investments planned, operational costs and interconnections revenues over periods of four years. The TURPE (*Tarif d'Utilisation des Réseaux Public d'Électricité*) 6, is effective from August 1st 2021 to July 31st 2025. The CRCP (Compte de Régulation des Charges et des Produits) account for each period records the differences between forecasts established by the CRE and actual results. These differences are then passed on to network users within a tariff period or through future tariff adjustments. In addition to the tariff, the CRE also sets out a regulatory framework to encourage RTE to improve its performance by setting up incentive mechanisms. These financial mechanisms result in bonuses or penalties, depending on whether the TURPE 6 objectives are met. Compliance with defined forecasts and incentive mechanisms both are essential for the accounting of RTE's business, specifically on sales, energy purchases and opex or capex classification. Given its impacts on the sales, on energy purchases, on opex or capex classification and on the accounting treatment of regulatory mechanisms, we deemed the regulatory environment to be a key audit matter.	Our work notably included: • having a good understanding of the regulatory mechanisms (in particular the TURPE) and of controls set by the Group for accounting sales, operating expenses and investments, • analyzing main financial aggregates above, and significant variations compared to the previous year to drive our work, • ensuring that TURPE 6 tariff conditions have been updated in the information systems, • checking reciprocal positions declared by Enedis facing RTE, • reconciling, on a sample basis, data from the Joint Allocation Office (joint auction office with several European network operators) with the interconnections revenues, • testing, on a sample basis, sales booked as revenue and assess the accounting classification used, • testing, on a sample basis, operating expenses booked in the income statement to assess the accounting classification used, • analyzing main projects of the period, in order to test their commissioning dates, and check the new investment subsidies, • testing, on a sample basis, expenditures booked as assets in the balance sheet to ensure they meet the accounting rules and principles described in note 2.14, • testing, on a sample basis, the correct calculation of depreciation in the context of the implementation of the project EDGART, project of the evolution of the granularity of the fixed assets of RTE, as described in note 2.14, • analyzing effects of regulatory mechanisms, in particular on energy purchases, • appreciate the information provided in the notes to the financial statements.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Executive Board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of RTE S.A. by the annual general meeting held on May 30, 2017 for KPMG and on June 19, 2009 for Mazars.

As at December 31, 2023, KPMG and Mazars were in the 7th year and 15th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.821-55 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.821-27 to L.821-34 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors

French original signed by

Paris La Défense, February 15th 2024

KPMG SA	**MAZARS** Additional'mention
Eric Jacquet Partner	Mathieu Mougard Partner

STATUTORY AUDITOR'S REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

Shareholders' Meeting for the approval of the financial statements for the year ended December 31st, 2023

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the Shareholders,

In our capacity as your company's statutory auditors, we hereby report to you on regulated agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company's interest of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-58 of the French commercial code, it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-58 of the French commercial code in relation to the implementation during the year of agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with the guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. The procedures performed consisted of verifying the agreement of the data communicated to us with the source documentation.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year ended

In accordance with article L. 225-86 of the French commercial code, we inform you that we have not been advised of any agreements or commitments authorized or entered into during the year ended to be submitted to the approval of the shareholders' meeting.

CONTINUING AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved in prior years and which remained current during the year ended

In accordance with article R. 225-57 of the French commercial code, we have been informed of the following agreements or commitments approved by the shareholders' meeting in prior years and which remained current during the year ended.

Agreement between RTE and ENEDIS (formerly ERDF) dated December 22, 2011 extending the provisions adopted on the occasion of the partial transfer of assets by EDF.

In application of Law No. 2004-803 of August 9, 2004 and Decree No. 2005-172 of February 22, 2005 defining the consistency of the public electricity transmission network and laying down the procedures for classifying works in public electricity transmission and distribution networks. "Electricité de France" (Réseau de distribution and EDF-GDF Services) and RTE had drawn up, on April 4, 2005, a list of the 2,131 source items into 3 groups and 8 categories determined in accordance with the aforementioned texts, specifying, depending on the category of the position, the owner of the property.

On December 22, 2011, an agreement was signed with ENEDIS (formerly ERDF), a public electricity distribution subsidiary of Electricité de France, to specify the procedures for implementing the sales of technical and real estate assets between your Company and ENEDIS (formerly ERDF).

During the 2023 financial year, the implementation of this agreement resulted in disposals of fixed assets to ENEDIS (formerly ERDF) amounting to 790 thousand Euros (excluding taxes) and acquisitions of fixed assets from ENEDIS (formerly ERDF) in the amount of 1,481 thousand Euros (excluding taxes).

Members of the Supervisory Board concerned:
Mr Xavier Girre, also member of the Supervisory Board of ENEDIS (formerly ERDF).

The statutory auditors

French original signed by

Paris La Défense, February 15th 2024

KPMG SA	**MAZARS**
Eric Jacquet Partner	Mathieu Mougard Partner



Appendix

DETAILS OF METHODOLOGY FOR THE DECLARATION OF NON-FINANCIAL PERFORMANCE

To prepare the non-financial performance declaration in the 2023 management report, the finance division worked with a project group formed by the main departments able to meet the requirements of articles L. 225-102-1 and R. 225-105-2 of the French Commercial Code. RTE publishes a Declaration of Non-Financial Performance voluntarily; the regulatory requirement applies to CTE (*Coentreprise de transport d'électricité*).

These non-financial indicators derive from analysis of the risks presented in section 7 of this management report. They cover RTE's main environmental, social and societal risks.

SCOPE OF NON-FINANCIAL REPORTING

The non-financial reporting concerns the full scope of the RTE Group, using its own methods which are applied across the whole year. The rules for inclusion in the reporting scope and consolidation of non-financial data are as follows:

- qualitative information: the scope comprises RTE SA; the scope of its subsidiaries is non-material;
- quantitative environmental information: RTE SA; the scope of its subsidiaries is non-material;
- some RTE sites are installations classified for environmental protection purposes (ICPE[1]), which are included in the non-financial reporting scope. RTE does not have any Seveso sites;
- quantitative company (social) information: RTE SA, excluding subsidiaries; the scope of its subsidiaries is non-material.

COLLECTION, CONSOLIDATION, AND CONTROL OF DATA

— Reporting system

Each business function has its own specific computer systems for recording and consolidating the data used to form indicators.

RTE has an HR information system that centralises most of the data for human resource management, taking data from the monitoring systems and the associated supporting documents. Data on training comes from a dedicated system.

For safety reporting, in October 2018 RTE set up an IT system to dematerialise the process for declaring accidents to the CARSAT[2].

For environmental information, the department in charge of environmental coordination uses a balanced scorecard to collect all the information required from the environmental management system. Some of these indicators are presented in the societal section of this report. There are also two dedicated information systems for biodiversity and waste management.

— Consolidation process

Information from the HR system is reported monthly, covering all data entered up to the last day of the month. It is consolidated in the regions, then passed on to national level, to the department in charge of employment contract management and payroll.

Environmental information is consolidated by the regions, which collect data from the local sub-units on their territory. The key data are reported to the department in charge of environmental coordination at national level three times a year for the purposes of the environmental management system. Other data are reported at variable frequencies.

(1) IPCE: Installation classée pour la protection de l'environnement.
(2) Caisses d'assurance retraite et de la santé au travail, a pension and workplace health body.

— Internal control procedures

Internal control procedures are rolled out through a network of local, regional and national internal control officers.

Data consolidation at regional, then national level is subject to coherence checks, and any significant variances must be explained.

METHODOLOGICAL DETAILS

The indicator definitions are based on several national and international references (social review, ISO 14001 and ISO 26000).

The choice of the key performance indicators presented reflects the specificities of the activity of a transmission network operator covering French territory only, and some require technical explanation.

— Time scope

The time scope for all indicators is 1 January to 31 December of the year concerned. In the rare event of a different time scope, a note is added in the indicator comments.

Definitions of specific indicators

Indicators are presented in three categories: social, environmental and societal. The table below summarises the indicators and the associated risks, stating the relevant section on RTE's commitments (section 7).

Social indicators

Social	Total workforce	7.5 Social information
	LTIR (employees) (number of accidents to employees) LTIR (contractors) (number of accidents to contractors)	7.1.2 Non-financial risks
	Training budget as % of total payroll	7.5 Social information
	Percentage of women in management committees	7.5 Social information
	% of entities created in year N compared to the roadmap	7.1.2 Non-financial risks

- The social indicators presented concern the entire workforce (IEG and non-IEG status, fixed-term and permanent contracts) whose employment contract is in force at 31 December of the year. RTE SA employees seconded to Group subsidiaries are therefore included in the workforce. Employees on secondment to subsidiaries owned less than 100%, employees on pre-retirement paid leave and leave associated with training for promotion, and absent employees whose contracts are suspended (unpaid leave) are not included. The distribution of employees by geographical zone is not presented, as all Group entities are located in mainland France. Fixed-term contracts include apprenticeship and professionalisation contracts.

- LTIR (employees): These figures are calculated monthly for the scope of RTE over a rolling 1-year period, using two types of data:
  - the number of accidents at work entailing sick leave for RTE personnel, over a rolling 1-year period in the LTIR scope;
  - the number of hours worked by RTE personnel, over a rolling 1-year period.

- LTIR (contractors): These figures are calculated monthly for the scope of RTE over a rolling 1-year period, using two types of data:
  - the number of accidents at work entailing sick leave for RTE's contractors, over a rolling 1-year period in the LTIR scope;
  - the number of hours worked by RTE's contractors, over a rolling 1-year period.

- Percentage of women in the management committees: this indicator excludes members of the executive committee and the Executive Board. It includes members of the national and regional management committees.

- Percentage of entities created in year N compared to the roadmap: In 2020 RTE set targets in its corporate mission statement "Impetus & Vision" for industrial activity by 2025. The project management team reports on progress on this project and the number of entities created during the year.

Environmental indicators

Environmental	Area of biodiversity-friendly land	7.1.2 Non-financial risks
	Percentage of "zéro-phyto" office sites and new/existing substations	7.1.2 Non-financial risks
	Renewable energy hosting capacity created	7.1.2 Non-financial risks
	Equivalent outage time associated with unusual events (weather events only)	7.1.2 Non-financial risks
	Volume of SF_6 leaks	7.1.2 Non-financial risks
	Volume of oil leaks	7.1.2 Non-financial risks
	CO_2 emissions	7.1.2 Non-financial risks

- Area of biodiversity-friendly land: this indicator measures the area of land around network installations that has been made biodiversity-friendly.

- Percentage of "zéro-phyto" office sites and new/existing substations: the percentage of RTE's office sites, new and existing substations managed under a "zéro-phyto" policy, calculated based on the maintenance instructions given to contractors.

- Renewable energy hosting capacity created: this is the renewable energy power above 12MW connected to RTE's network.

- Equivalent outage time caused by unusual events (weather events only): this indicator is used to monitor the percentage of equivalent outage time attributable to weather conditions, as identified among all customer power cuts. It only reflects the share of outages with consequences for customers that are caused by weather conditions.

- Volume of SF_6 leaks: this indicates volumes of leaks of SF_6 based on the volumes contained in the facilities during the year.

- Volume of oil leaks: the quantity of oil spilled or lost in the environment from substations and underground links, measured to the nearest5 litres approximately. Small leaks (such as leaks from hydraulic controls and circuit-breakers) are not included in this indicator, but they are traced for the purpose of improvement plans and equipment monitoring.

- CO_2 emissions for scopes 1 and 2 and partial scope 3 (relating to emission categories of scopes 1 and 2): this indicator reports CO_2 equivalent emissions for all emission categories in scopes 1 and 2, the most significant being SF_6 leaks (88% of scope 1) and electricity losses from the network (99% of scope 2), plus the portion of these emissions relating to scope 3 (for example, 1/3 of all emissions from electricity losses relate to scope 3 as they concern the electricity generating plants' upstream emissions for extraction/refinement/procurement of fuels).

These CO_2-equivalent emissions are calculated by multiplying the physical data for the activity (kWh for electricity losses, tonnes for SF_6, litres of diesel/petrol for the vehicle fleet, etc.) by the relevant emission factor from the ADEME's *Base Carbone* database.

Societal indicators

Societal	Customer satisfaction score	7.5.2 Customers
	Equivalent outage time	7.5.2 Customers
	Number of Significant System Events	7.1.2 Non-financial risks
	Percentage of purchases from small and medium-sized businesses	7.7 Vigilance plan
	Overhead lines – Length of circuits upgraded	7.1.2 Non-financial risks

- Customer satisfaction score: this is calculated annually by an external firm.
- Equivalent outage time: the average duration of long power cuts affecting customers on the network. This is a measure of the quality of the electricity delivered to customers and is expressed in minutes. This indicator reflects the scale of power cuts, calculated as the ratio of undistributed energy to the average distributed energy in a given year.
- Number of Significant System Events: Events affecting the electricity system are classified on a 7-level scale of increasing severity: 0 (zero), A, B, C, D, E, and F, using the categories of Generation, Distribution, Operating equipment, Operation and Grid. This indicator is the number of events with severity of level C or higher.
- Percentage of purchases from small and medium-sized businesses: some expenses that are not covered by a purchase procedure (e.g. donations, duties, taxes) are excluded from this indicator.
- Overhead lines – Length of circuits upgraded: The total length (in km) of overhead power lines replaced on an existing installation or removed since 1 January of the current year.

EXTERNAL AUDIT

Mazars has verified the compliance of the Declaration of Non-Financial Performance in the 2023 management report and the sincerity of the information published, in accordance with articles L. 225-102-1 and R. 225-105-2 of the French Commercial Code.

TABLE OF CONCORDANCE WITH THE DECLARATION OF NON-FINANCIAL PERFORMANCE

Elements of the Declaration of non-Financial Performance	Links to the relevant sections of the report
Business model	2.3: Business model
Analysis and presentation methodology for major non-financial risks	6.2: Risk control 7.1.1: Methodology for identifying non-financial risks
Presentation of policies and procedures for major non-financial risks	7.1: Non-financial dimension of major risks, principal control measures and results on key indicators 7.4: Environmental information 7.5: Social information 7.7: Vigilance plan
Key performance indicators	7.1.2: Non-financial risks

TABLE OF CONCORDANCE WITH THE REQUIRED THEMES STATED IN ARTICLE L. 225-102-1

Elements of the declaration of non-financial performance	Links to the relevant sections of the report
Social consequences of the company's activity	7: Risques "Opposition sociétale face aux ouvrages de transport", "Sécurité des salariés, des prestataires et des tiers" et "Risque Incapacité à conduire les transformations définies dans le projet d'entreprise Impulsion & Vision à horizon 2025" 7.7: Vigilance plan 7.5: Social information
Environmental consequences of the company's activity	7. "Risque Dégradations environnementales: pollution, déchets, biodiversité" 7.7: Vigilance plan 7.4: Environmental information
Respect of human rights	7: "Risque non-conformité juridique" 7.7: Vigilance plan
Anti-corruption measures	7: "Risque non-conformité juridique" 7.6.5: Anti-corruption compliance
Anti-tax avoidance measures	6.5.2: Action against tax avoidance
The climate change impact of the company's activity and use of the goods and services it produces	7: "Risque Capacité à adapter l'infrastructure, les activités et l'organisation aux conséquences du changement climatique" and 7: "Agir contre le changement climatique"
Societal commitments to promote the circular economy	7.4: "Risque Dégradations environnementales: pollution, déchets, biodiversité" 7.4: "Préservation des ressources (économie circulaire) et de la biodiversité"
Collective agreements signed in the company and their impacts on its economic performance and employees' working conditions	7.5: Social information
Action against discrimination and to promote diversity	7.5.1.1: Diversity, equal opportunities and inclusion
Societal commitments to reduce food waste	Theme not relevant to RTE due to the nature of its activities
Measures in favour of people with disabilities	7.5.1.1: Diversity, equal opportunities and inclusion
Societal commitments to reduce food insecurity	Theme not relevant to RTE due to the nature of its activities
Societal commitments to promote animal welfare	Theme not relevant to RTE due to the nature of its activities
Societal commitments to promote responsible, fair, sustainable food	Theme not relevant to RTE due to the nature of its activities
Societal commitments to promote sustainable development	7: "Risque Dégradations environnementales: pollution, déchets, biodiversité"
Action to promote the ties between the Nation and the Armed Forces, and to support engagement in the reserve forces	7.5.1.5: Action to promote the ties between the Nation and the Armed Forces, and to support engagement in the reserve forces
Action to promote physical exercise and sport	Theme not relevant to RTE due to the nature of its activities
Objective of reducing GHG emissions	Not published
Publication of GHG emissions related to transport activities (upstream and downstream)	7.4.1: Climate Starting from financial years beginning on or after 1 July 2022, French law 2021-1104 of 22 August 2021 on action against climate disruption requires companies to publish their direct and indirect greenhouse gas emissions from transportation of goods upstream and downstream of their activity. The 2022 BEGES greenhouse gas emissions report shows that freight only represents 0.3% of RTE's emissions, and is therefore not a significant emission in view of RTE's activity. As a result, the 2023 greenhouse gas emissions from transport of goods are not reported in the 2023 management report.

REPORT BY THE INDEPENDENT THIRD-PARTY ORGANIZATION ON THE VERIFICATION OF THE NON-FINANCIAL STATEMENT INCLUDED ON A VOLUNTARY BASIS IN THE RTE MANAGEMENT REPORT

For the year ended December 31, 2023

This is a free translation into English of the independent third-party organization's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our capacity as independent third-party organization, member of Mazars Group and accredited by COFRAC Inspection under number 3-1095 (list of accredited sites and their scope of accreditation available on www.cofrac.fr), we have performed work to provide a reasoned opinion that expresses a limited level of assurance on the historical information (observed and extrapolated) of extra-financial performance statement (hereinafter the "Information" and "Statement" respectively), prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the financial year ended December 31, 2023, presented in the management report of RTE (hereinafter the "Entity") with reference of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

CONCLUSION

Based on the procedures we performed, as described in the "Nature and scope of our work" and the evidence we collected, except for the effect of the matter described above, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

COMMENTS

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

- The risks of "major physical attack" and "major cyber attack", which have been identified as main risks, are not covered by a key performance indicator, due to the confidential nature of this information.

PREPARATION OF THE NON-FINANCIAL PERFORMANCE STATEMENT

The lack of a commonly used framework or established practice on which to base the assessment and evaluation of information allows for the use of alternative accepted methodologies that may affect comparability between entities and over time.

The Statement has been prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

RESTRICTIONS DUE TO THE PREPARATION OF THE INFORMATION

As mentioned in the Statement, the Information may contain inherent uncertainty about the state of scientific or economic knowledge and the quality of external data used. Some of the Information is dependent on the methodological choices, assumptions and/or estimates made in preparing the information and presented in the Statement.

THE ENTITY'S RESPONSIBILITY

The Board of Directors is responsible for:

- selecting or setting appropriate criteria for the provision of the Information;
- preparing the Statement with reference to legal and regulatory requirements, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators and also, the Information required by Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- and implementing internal control procedures deemed necessary to preparation of information, free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE STATUTORY AUDITOR

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:
- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the Information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

We conducted our work in order to provide a reasoned opinion expressing a limited level of assurance on the historical, observed and extrapolated information.

As it is our responsibility to express an independent conclusion on the Information prepared by management, we are not authorized to be involved in the preparation of such Information, as this could compromise our independence.

This is not our responsibility to express an opinion on:
- the entity's compliance with other applicable legal and regulatory requirements (in particular with regard the Information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the due diligence plan and the fight against corruption and tax evasion);
- the truthfulness of the Information provided for in Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- the compliance of products and services with applicable regulations.

REGULATORY PROVISIONS AND APPLICABLE PROFESSIONAL STANDARDS

The work described below was performed with reference to the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000 (revised).

This report has been prepared in accordance with the RSE_SQ_Programme de vérification_DPEF.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional.

MEANS AND RESOURCES

Our work was carried out by a team of 4 people between November and February 2024 and took a total of 6 weeks.

We conducted more than a dozen interviews with the people responsible for preparing the Declaration, representing the Declaration, representing in particular the CSR Department, the Risk Department, the Human Resources Department Health and Safety, Environment and Purchasing.

NATURE AND SCOPE OF OUR WORK

We planned and performed our work considering the risks of significant misstatement of the Information.
- We are convinced that the procedures we have carried out in the exercise of our professional judgment enable us to provide a limited assurance conclusion:
- we obtained an understanding of the Entity's activity and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III;
- we verified that the Statement provides the Information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the Information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;

- we verified that the Statement presents the business model and a description of principal risks associated with the Entity's activity, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and;
  - corroborate the qualitative information (actions and results) that we considered the most important, presented in Appendix 1. For the majority of the risks, our work was carried out at the level of the consolidating entity. For the other risks (environmental risks: pollution, biodiversity), work was carried out at the level of the consolidating entity and in a selection of entities1[(1)];
- we verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 27% and 37% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of the Entity all the consolidated entities.

We are convinced that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

La CNCC considère que la traduction n'est pas signée, dans la mesure où il s'agit d'une traduction libre en anglais du rapport original établi en français. En effet, la signature est le graphisme par lequel une personne s'identifie dans un acte et par lequel elle exprime son approbation du contenu du document. En outre, l'apposition d'une signature sur un rapport lui confère la qualité d'être un original. Or, au cas particulier, l'original est représenté par la version française du rapport.

L'organisme tiers indépendant,

Paris La Défense, le 15 février 2024

Mazars SAS

Mathieu Mougard
Partner

Souad El Ouazzani
Associée RSE & Développement Durable

(1) CM Nancy, CM Nanterre, CM Lille and CM Nantes.

ANNEXE 1

Topics	Indicators	Entities
Safety	Employee LTIR (Number of employee accidents) LTIR for service providers (Number of accidents for service providers)	Group
Major operating incident	Category "C" EHS criterion with a threshold of 1 event	Group
Impulsion and vision (inability to drive PE's industrial transformation)	% of entities created in year N compared with the roadmap	Group
SDDR (inability to renew the network)	ENR capacity created	Group
SDDR (inability to renew the network)	LA Length of circuits covered	Group
Environment (environmental risks: pollution, waste, biodiversity)	Surface area of right of way favourable to biodiversity	CM Nantes CM Lille
Environment (environmental risks: pollution, waste, biodiversity)	New tertiary and substation "0-phyto" sites (new substations/existing substations)	Group
Environment (environmental risks: pollution, waste, biodiversity)	Volume of SF_6 leaks	CM Nancy CM Nanterre
Infrastructure resilience	Downtime associated with exceptional events (weather-related only)	Group
Attractiveness-Recruitment	Actual headcount/target headcount	Group



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