

# Letter to Unitholders

---

2019 was another positive year for the business. We achieved strong performance throughout our operations, increased margins within recently acquired businesses, and deployed capital in line with our targets. More importantly, our growth over the past twenty years has enabled us to establish ourselves as one of the largest renewable power investors and operators globally. This is backed by a multi-decade track record of generating strong returns across hydro, wind, solar and storage assets. Accordingly, we are very well positioned to participate in the decarbonization of global electricity grids that will occur over the next 25 to 50 years.

Our capabilities provide communities, governments and the private sector around the world the ability to accelerate the transition to a greener future. Today, our capacity is approximately 19,000 megawatts of electricity from renewable resources. This production avoids approximately 27 million tons of carbon dioxide emissions annually. With our development pipeline, we would create enough carbon free power to displace an additional 17 million metric tons of carbon dioxide per year. To put this into perspective, just from our existing fleet today, we displace all of the carbon dioxide emissions generated by London, England each year. Alternatively, we could displace the amount generated by many energy and technology firms who are looking to lower their footprint to carbon neutral by 2030 or so.

We are proud that the amount of carbon we avoid is equivalent to removing 6 million vehicles from the road or planting 450 million trees. We highlight this to you now given the focus many organizations are placing on reducing carbon dioxide emissions. We think it is useful for our unitholders to consider the impact our business is already making on communities, businesses, employees and governments when making their long-term investment decisions. We remain committed to earning a strong compound return for you over the longer term on a per unit basis, but also remain steadfast in our commitment to be a leader in decarbonization. This will enable you to earn a good return but also contribute to a better world.

Highlights for the year include:

- Increased FFO per unit by 13% driven by accretive growth and strong operational performance. We continue our track record of strong FFO per unit growth, at a 10% annual growth rate since our strategic combination with Brookfield's renewable assets in 2011;
- We advanced key commercial priorities and delivered on cost saving initiatives totaling ~\$40 million globally on an annualized basis (~\$12 million net to BEP);
- Invested \$2 billion (\$550 million net to BEP) of equity in nine transactions, including doubling the size of our Asian and distributed generation businesses, adding a leading global solar developer, and investing in a hydro portfolio in Canada;
- Commissioned 50 megawatts of new capacity, progressed approximately 2,100 megawatts through construction and advanced-stage permitting, and increased the size of our development pipeline to approximately 13,000 megawatts;

- Maintained our robust investment grade balance sheet, ended the year with ~\$2.7 billion of available liquidity, and raised approximately \$1.4 billion in incremental liquidity through asset sales and strategic upfinancings; and
- Announced the creation of a Canadian corporation (BEPC) that will provide investors the optionality to invest in BEP through either the current partnership or through a corporation, which is expected to support the expansion of our investor base.

## Update on Growth Initiatives

During the fourth quarter, we closed our acquisition of a 50% interest in X-Elio, a leading global solar developer. With this acquisition, we have significantly enhanced our solar development capabilities adding 972 megawatts of operating assets and almost 6,000 megawatts to our global construction and development pipeline.

Also, in the fourth quarter, we signed two agreements to acquire 14 solar development projects in Brazil with 428 MW of total capacity for total consideration of \$120 million (\$30 million net to BEP). Both these transactions are expected to close in the first quarter of 2020 and represent attractive additions to our business in Brazil with approximately 2,100 MW of capacity across multiple technologies – hydro, wind and solar. Furthermore, through our interest in TerraForm Power, we acquired 44 MW of PV solar assets in Spain for \$70 million and signed an agreement to acquire 100 MW of solar CSP assets in Spain, located proximate to TerraForm Power's CSP plants, for \$115 million, which TerraForm Power expects to close in the first quarter of 2020.

Additionally, in January, we announced a non-binding, all-share proposal to acquire the outstanding shares of TerraForm Power, other than the 62% owned by us and our institutional partners, at a BEP-to-TERP exchange ratio of 0.36. We believe this transaction will create significant value for investors in both companies by simplifying our corporate structure in an immediately accretive transaction which will further strengthen Brookfield Renewable's position as one of the largest, public pure-play renewable power companies in the world.

## Operations

In 2019, we generated FFO of \$761 million, a 13% increase over the prior year, as the business benefitted from recent acquisitions, strong operational performance, and execution on margin enhancement initiatives.

During the year, our hydroelectric segment delivered FFO of \$720 million, representing a 7% increase over the prior year. Our storage segment also performed well, generating \$27 million of FFO in the year, as our portfolio continues to provide critical grid-stabilizing ancillary services and backup capacity to increasingly intermittent grids. During the year, our generation was roughly in-line with the long-term average as we continue to benefit from the diversity of our fleet. Our priority over the past decade has been to diversify the business which, over the long-term, mitigates exposure to resource volatility, regional or market disruptions, and potential credit events. We also continued to execute on key contracting initiatives across all our businesses.

Our focus in Latin America continues to be on extending the average duration of our power purchase agreements, which today stands at 10 years in Brazil and 3 years in Colombia, as well as signing contracts with high-quality, credit-worthy counterparties. Globally, we continue to see increasing value ascribed to the unique, scale renewable storage capabilities that hydroelectric assets provide to increasingly intermittent electricity grids. For example, in Colombia we secured ~\$3 million of ancillary services revenues, in the United States, we qualified to receive the highest-tier renewable energy credits for a number of our hydroelectric assets in the Northeast which will contribute ~\$3 million to FFO annually, and in the U.K., our First Hydro portfolio was the critical link to restarting the grid following a nation-wide blackout in August.

Our wind and solar segments generated a combined \$274 million of FFO, representing an 18% increase over the prior year. These portfolios benefitted from contributions from recent growth initiatives including the acquisition of two wind portfolios in Asia, and, through our interest in TerraForm Power, a large distributed generation portfolio in the United States and full-year contributions from Saeta Yield, a scale European wind and solar portfolio. We also benefitted from executing on opportunistic O&M outsourcing agreements aimed at de-risking the portfolios owned by TerraForm Power and, where appropriate, delivering cost savings. We executed on three such agreements across TerraForm Power, and our wind portfolio in Brazil. A common theme across all these opportunities was attractive availability guarantees and a more comprehensive scope than what was currently in place. At TerraForm Power, these initiatives will deliver aggregate cost savings of approximately \$30 million (\$9 million net to BEP).

Finally, we continued to advance our global greenfield development activities, including progressing 717 megawatts of construction diversified across distributed- and utility-scale solar, wind, storage and hydro in 7 different countries. We are also progressing 1,380 megawatts of advanced-stage projects through final permitting and contracting, and our total greenfield development pipeline now totals approximately 13,000 megawatts. Of note, during the year, we signed power purchase agreements for three wind repowering projects in New York and California totaling 220 megawatts, and these projects are expected to be commissioned in 2021.

## **Environmental, Social and Governance (ESG) Reporting**

We have been owner-operators of long-duration, critical electricity assets for over a century, and therefore understand that embedding strong ESG practices into our investing and operating activities is essential to preserving capital, mitigating risk, and creating long-term value. Fundamentally, strong ESG practices drive further economic value to our business and inherently create higher barriers to entry. As such, we integrate relevant ESG considerations into our investing and operating strategies. We are therefore proud to announce that we are publishing our inaugural ESG report, which, among other things, illustrates the on-the-ground work we do to maintain our social license to operate.

With one of the largest public, pure-play renewable portfolios globally, we are helping to accelerate the decarbonization of global electricity grids. Additionally, maintaining socially responsible practices – from health and safety to community relations to biodiversity – is a critical component of successful operations over the long-term. We operate with the highest ethical standards, conducting our business with integrity and above compliance with laws and regulations – we aim for best practice everywhere we operate.

ESG and sustainability investing continues to gain momentum globally, with ESG funds expected to rise into the trillions over the next decade. We believe our portfolio's inherent environmental attributes, coupled with our long-standing practices around maintaining a social license to operate provide significant tailwinds to demand growth for Brookfield Renewable.

## **Balance Sheet and Liquidity**

Our liquidity position remains robust, with ~\$2.7 billion of total available liquidity at year-end. During the year, we executed on key financing and capital raising initiatives aimed at maintaining robust access to capital, a prudent debt maturity ladder, and a low-risk, investment grade balance sheet.

During the year, we executed on more than \$6 billion of financings across the business which allowed us to raise \$1 billion of incremental liquidity to BEP, extend our average debt portfolio duration to 10 years, and reduce annual interest costs by ~\$15 million (\$9 million net to BEP). Of note, we continue to advance our green financing strategy in order to capitalize on growing demand for carbon-free debt products and diversify our debt investor base.

To date, we have issued six green bonds, at both the corporate- and project-levels, which all together totaled approximately \$2.4 billion. During the fourth quarter, we also closed our first incentive-linked loan as part of our corporate credit facility that will allow us to reduce our cost of borrowing as we continue to accelerate the decarbonization of global electricity grids. As demand for sustainability focused investing continues to grow, we expect green financings and sustainability-linked loans will increasingly become a more prominent funding lever within our business.

In 2019, we also continued to execute our capital recycling strategy of selling mature, de-risked or non-core assets to lower cost of capital buyers and redeploying the proceeds into higher yielding opportunities. During the year, we raised almost \$600 million (\$365 million net to BEP) through this funding strategy, allowing us to crystallize an approximate 18% return on our Portuguese and Northern Ireland wind assets and to return more than two times our capital invested in South Africa.

### **Distribution Increase**

In light of recent growth, strong balance sheet and access to capital, on January 13<sup>th</sup>, we announced that our Board of Directors approved our 2020 quarterly distribution and raised it by 5%, bringing our total annual distribution per unit to \$2.17. This increase continues our track record of growing our distribution since our IPO in 1999 at an annual rate of 6%.

### **Outlook**

Our long-term goal remains, as always, to deliver 12% to 15% long-term total returns on a per unit basis through the prudent execution of our capital allocation strategy, application of our operating expertise to both enhance value and de-risk our business, while maintaining an investment grade balance sheet.

On a final note, on behalf of our employees and directors, we would like to express our sincerest appreciation to our unitholders and many business partners for your contributions to our success. Thank you for your continued support. We look forward to updating you on our progress in 2020.

Sincerely,



Sachin Shah

Chief Executive Officer

February 6, 2020

## **Cautionary Statement Regarding Forward-looking Statements**

*This unitholder letter contains forward-looking statements and information within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words “will”, “intend”, “should”, “could”, “target”, “growth”, “expect”, “believe”, “plan”, derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this unitholder letter include statements regarding the quality of Brookfield Renewable’s and its subsidiaries’ businesses and our expectations regarding future cash flows and distribution growth. They include statements regarding the special distribution of BEPC’s class A shares, BEPC’s eligibility for index inclusion, BEPC’s ability to attract new investors as well as the future performance and prospects of BEPC and Brookfield Renewable following the distribution of BEPC’s class A shares, statements regarding the proposed transaction with TerraForm Power, the expected proceeds from opportunistically recycling capital, as well as the benefits from acquisitions and Brookfield Renewable’s global scale and resource diversity. Although Brookfield Renewable believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, you should not place undue reliance on them, or any other forward-looking statements or information in this unitholder letter. The future performance and prospects of Brookfield Renewable are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of Brookfield Renewable to differ materially from those contemplated or implied by the statements in this unitholder letter include (without limitation) the fact that there can be no assurance that the stock exchanges on which BEPC intends to apply to list its class A shares will approve the listing of such shares or that BEPC will be included in any indices; uncertainties as to whether an agreement of the proposed transaction will be negotiated and executed; uncertainties as to whether TerraForm Power will cooperate with Brookfield Renewable regarding the proposed transaction; uncertainties as to whether TerraForm Power’s independent committee will approve any transaction proposed by Brookfield Renewable; uncertainties as to whether TerraForm Power’s stockholders not affiliated with Brookfield Renewable will approve any transaction; uncertainties as to whether the other conditions to the proposed transaction will be satisfied or satisfied on the anticipated schedule; the timing of the proposed transaction and whether the proposed transaction will be completed; failure to realize contemplated benefits from the proposed transaction; and incurrence of significant costs in connection with the proposed transaction; weather conditions and other factors which may impact generation levels at facilities; economic conditions in the jurisdictions in which Brookfield Renewable operates; ability to sell products and services under contract or into merchant energy markets; changes to government regulations, including incentives for renewable energy; ability to complete development and capital projects on time and on budget; inability to finance operations or fund future acquisitions due to the status of the capital markets; health, safety, security or environmental incidents; regulatory risks relating to the power markets in which Brookfield Renewable operates, including relating to the regulation of our assets, licensing and litigation; risks relating to internal control environment; contract counterparties not fulfilling their obligations; changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes, and other risks associated with the construction, development and operation of power generating facilities. For further information on these known and unknown risks, please see “Risk Factors” included in the Form 20-F of Brookfield Renewable Partners L.P. and other risks and factors that are described therein and that are described in the U.S. registration statement filed in connection with the distribution of BEPC’s class A shares.*

*The foregoing list of important factors that may affect future results is not exhaustive. The forward-looking statements represent our views as of the date of this unitholder letter and should not be relied upon as representing our views as of any subsequent date. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law.*

## **Additional Information and Where to Find It**

*An agreement in respect of the proposed transaction described in this communication has not yet been executed, and this communication is neither a solicitation of a proxy nor a substitute for any proxy*

*statement or other filings that may be made with the SEC should the proposed transaction go forward. Any solicitation will only be made through materials filed with the SEC. Nonetheless, this communication may be deemed to be solicitation material in respect of the proposed transaction proposed by Brookfield Renewable. Should the proposed transaction go forward, Brookfield Renewable and BEPC expect to file relevant materials with the SEC, including a registration statement on Form F-4 that may include a proxy statement of TerraForm Power that also constitutes a prospectus of Brookfield Renewable and BEPC (the “F-4”). This communication is not a substitute for the registration statement, definitive proxy statement/prospectus or any other documents that Brookfield Renewable, BEPC or TerraForm Power may file with the SEC or send to shareholders in connection with the proposed transaction. SHAREHOLDERS OF TERRAFORM POWER ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC (IF AND WHEN THEY BECOME AVAILABLE), INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.*

*Investors and security holders will be able to obtain copies of the F-4, including the proxy statement/prospectus, and other documents filed with the SEC (if and when available) free of charge at the SEC’s website, <http://www.sec.gov>. Copies of documents filed with the SEC by Terraform*



Power will be made available free of charge on Terraform Power's website at <http://www.terraform.com/>. Copies of documents filed with the SEC by Brookfield Renewable and BEPC will be made available free of charge on Brookfield Renewable's website at <http://bep.brookfield.com/>. Such documents are not currently available.

#### **Participants in Solicitation**

TerraForm Power and its directors and executive officers, BEPC and its directors and executive officers, and Brookfield Renewable and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of TerraForm Power common stock in respect of the proposed transaction. Information about the directors and executive officers of TerraForm Power is set forth on its website at <http://www.terraformpower.com/>. Information about the directors and executive officers of Brookfield Renewable is set forth on its website at <http://bep.brookfield.com/>. Information about the directors and executive officers of BEPC is set forth on its preliminary Form F-1, filed with the SEC. Investors may obtain additional information regarding the interests of such participants by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available. You may obtain free copies of these documents as described in the preceding paragraph.

#### **Non-solicitation**

No securities regulatory authority has either approved or disapproved of the contents of this communication. This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.