

# Letter to Unitholders

2020 was another year of significant growth for our business. Despite the economic challenges around the world, we delivered record results and continued to broaden our operations, as we look forward to a multi-decade opportunity to advance decarbonization and assist with the transition of global electricity grids to a more sustainable future.

Advancing the transition to a lower carbon future will require substantial capital – in excess of \$100 trillion over the next three decades – and will require significant expertise. Over 70% of the world's carbon emissions can be traced directly or indirectly back to power generation and the energy sector. This will translate into an even greater buildout of renewables—and in various regions, a substantial conversion of carbon-intensive industries to cleaner and more sustainable methods of production.

Our size, scale across multiple technologies, and depth of operating and development expertise continues to be a meaningful differentiator in sourcing growth opportunities. In the last quarter alone:

- In the United States, we continued to build the largest distributed generation business in the country, with over 2,000 megawatts of operating and development solar. This business helps commercial and industrial customers procure renewable power that is produced directly on site, decarbonizing their businesses by reducing their consumption from fossil fuel-based power.
- In Canada, we invested in a large power producer looking to reduce its carbon emissions in order to meet federal carbon targets. Further, we partnered with a utility to pursue green hydrogen opportunities, leveraging our existing fleet of hydro facilities.
- In Europe, we are building new wind farms, backed by long term contracts with leading global technology companies, who are looking to support an increasing carbon-free electricity requirement of green data centres, and global energy companies, that are looking to transition their businesses. We are also investing in off-shore wind development in scale.
- In Brazil, we started construction on one of the largest greenfield solar projects in the world. This solar park will total 1,200 megawatts once completed and will sell power to commercial customers as well as utilities in the country.
- Lastly, we increased the size of our global development pipeline to almost 23,000 megawatts. Development is a core competitive advantage of ours, extending across solar, wind, hydro, distributed generation, and storage in every market we operate within.

While we have a tremendous opportunity ahead of us, we remain focused on delivering shareholders strong results. We are pleased that over the last 20 years we have generated an annualized 20% per share compounded total return, while maintaining a very strong balance sheet and robust liquidity position.

Equally as important, we continue to be a leader in accelerating decarbonization globally and our total portfolio of approximately 42,000 megawatts of operating and under development assets (once completed) will help avoid approximately 56 million tonnes of CO<sub>2</sub>e emissions annually – or the equivalent of planting almost a billion trees!

Given our strong outlook and financial position, we are also pleased to announce a 5% increase to our distribution to \$1.215 per unit on an annualized basis.

Highlights for the year include:

- Generated FFO of \$807 million, a 6% increase from prior year, the highest FFO per unit ever for our business, led by strong asset availability and contributions from acquisitions;
- Advanced key commercial priorities, including delivering on almost \$40 million of cost saving initiatives, securing contracts to deliver 3,500 gigawatt hours of clean energy annually (which has the equivalent carbon avoidance of planting almost 30 million trees), and signing a number of strategic contracts with corporate offtakers;
- Agreed to invest ~\$4.6 billion (~\$2.5 billion net to Brookfield Renewable) of equity across ten transactions, deploying capital in every major market we operate;
- Completed the merger of TerraForm Power, consolidating our activities in North America and Europe;
- Commissioned approximately 460 megawatts of new capacity and progressed close to 4,200 megawatts through construction and advanced-stage permitting;
- Maintained a strong balance sheet and bolstered our liquidity, with over \$3.3 billion of available liquidity, raising over \$1 billion from asset recycling initiatives, closing \$3.4 billion of investment-grade financings, and extending the average duration of our corporate debt from 10 to 14 years; and
- Broadened our investor base with the creation of BEPC and through our addition to several U.S. and global indices.

## Update on Growth Initiatives

In December, we agreed to acquire Exelon Generation Company's U.S. distributed generation (DG) business comprising 360 megawatts of operating generation across nearly 600 sites with an additional over 700 megawatts under development for \$810 million. In 2017, we took our first step into DG with an acquisition after having identified a significant opportunity to build a high-quality scale business in a highly fragmented and rapidly growing market. Since then, through both acquisitions and organic initiatives, we have expanded the business as demand for on-site generation continued to grow as cost declines in solar technology and decarbonization ambitions of commercial and industrial clients accelerated.

With this acquisition, we will own one of the leading distributed generation businesses in the U.S., with deep operating, development and origination capabilities, and a 2,000 megawatt portfolio that generates high-quality contracted cash flows that are diversified by geography and customer. This investment represents the continuation of this strategy and furthers our goal of offering corporates and other institutions a 'one-stop' solution for on- and off-site energy generation, storage and procurement, and energy efficiency services to help them achieve their decarbonization objectives and transition to a lower carbon future.

In December, we agreed to acquire the Shepherds Flat wind farm, an 845 megawatt fully contracted wind generation facility located in Oregon for \$700 million. The project, which is fully contracted with a high-quality

oftaker, is one of the largest onshore wind projects in the United States and includes an attractive repowering opportunity that we expect to deliver by the end of 2022. This repowering opportunity is one of the largest in the world and is expected to increase total generation by approximately 25% increasing the clean energy produced by approximately 400 gigawatt hours annually. Having the expertise to undertake a project of this size showcases our decades of expertise to drive operational efficiencies while generating attractive returns.

We also continue to use our differentiated operating and commercial capabilities to acquire ready-to-build development assets in Brazil at premium returns. In December, we agreed to acquire a 270 megawatt late-stage development wind project, including an option over a further 200 megawatt expansion. Ahead of construction, we intend to leverage our energy marketing capabilities to contract the project, which is located in one of the highest wind regions in the country. Our relationships with global turbine manufacturers, as one of the largest acquirers globally, should enable us to outperform on equipment procurement, installation and operating costs. With this latest addition, in the last 18-months, we have acquired a collection of projects that once constructed, will represent a combined portfolio of over 2,000 megawatts of long-term contracted wind and solar assets, more than doubling our renewable energy capacity in the country.

## Results from Operations

In 2020, we generated FFO of \$807 million, a 6% increase from prior year, as the business benefited from recent acquisitions, strong underlying asset availability, and execution on organic growth initiatives. On a normalized basis, our per unit results are up 23%.

During the year, our hydroelectric segment delivered FFO of \$662 million. Although we experienced some drier conditions across our fleet, particularly in regions with higher value contracts, overall generation for the year was in line with the long-term average and our reservoirs are well positioned for a strong first quarter, which underscores the benefit of our diverse portfolio.

Our wind and solar segments continue to generate stable revenues and benefit from the diversification of our fleet and highly contracted cash flows with long duration power purchase agreements. During the year, these segments generated a combined \$376 million of FFO, representing a 51% increase over the prior year, as we benefited from contributions from acquisitions, and approximately 440 megawatts of solar and wind projects commissioned during the year.

Our energy transition segment generated \$103 million of FFO during the year as our portfolio continues to help commercial and industrial partners achieve their decarbonization goals and provides critical grid-stabilizing ancillary services and back-up capacity required to address the increasing intermittency of greener electric grids. For example, our First Hydro storage portfolio achieved five of its highest revenue days ever in the last couple months as we sold essential stabilizing services to the UK power grid in response to high demand from cold weather and intermittently low wind generation levels.

Across our portfolio, we continue to focus on partnering with a broad range of customers in their decarbonization efforts. During the year, we executed agreements to supply 100% renewable energy to one of the first planned industrial-scale green hydrogen production plants in North America with Plug Power and over 90% of JPMorgan's real estate operations in New York State. In South America, our focus continues to be on extending the average duration of our power purchase agreements, which today stand at 8 years in Brazil and 3 years in Colombia. We signed two long-term inflation-linked power purchase agreements for our recently acquired solar development projects in Brazil, substantially contracting these assets.

In recent months, many governments in our target markets have outlined new policies to address climate change. In North America, where the majority of our hydro fleet is located, governments are increasingly considering potential carbon pricing mechanisms, for which our business is uniquely positioned to benefit. As examples, the current U.S. administration has re-established a working group that is expected to increase the social cost of carbon to more than \$50 per tonne and in Canada a carbon tax has been set at \$30 per tonne for 2020 and is set to increase almost 6 times to \$170 by 2030. Carbon taxes or carbon pricing provide long-term support for growing wind and solar capacity, which also increases the value of our hydroelectric power facilities due to their dispatchable nature and the grid-stabilizing services they can provide.

While we always prioritize contracted generation, for our perpetual hydroelectric facilities, we always look to ensure we retain upside optionality for when we believe prices will improve. Across our hydroelectric fleet in North America, we have contracts rolling off for assets that primarily deliver power to markets in the U.S. northeast. Fortunately, these contracts, on a net basis, deliver power at prices in the range of the current market. Therefore, on renewal, we expect minimal impact to our overall revenue, while retaining meaningful potential upside should prices see future support from carbon pricing mechanisms.

Finally, we continued to advance our global development activities, including progressing 2,789 megawatts of construction diversified across distributed- and utility-scale solar, wind, storage, and hydro in over 11 different countries. We are also progressing 1,394 megawatts of advanced-stage projects through final permitting and contracting. In total, we expect these projects to contribute approximately \$109 million in FFO net to Brookfield Renewable on a run-rate basis when completed.

## **Balance Sheet and Liquidity**

We continue to maintain a robust financial position. We have approximately \$3.3 billion of total available liquidity, and our investment grade balance sheet has no material maturities over the next five years and approximately 82% of our financings are non-recourse to Brookfield Renewable.

During 2020, we continued to take advantage of the low interest environment and executed on \$3.4 billion of investment grade financings, extending our average corporate debt maturity to 14 years and reducing our borrowing costs by \$5 million per year. We continue to advance our green financing strategy to benefit from growing demand for green securities and diversify our debt investor base.

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

Operating a business with strong ESG principles is simply the right thing to do, and we have always believed that strong ESG practices drive long-term value to our business and create higher barriers to entry. Inherent in our position as one of the largest publicly traded renewable energy companies, is the understanding that climate change poses a serious threat to communities, businesses and ecosystems around the world. We have established ourselves as one of the preeminent renewables franchise and are playing a critical role in addressing climate change and reducing carbon across the world by shifting power generation, which accounts for more than 70% of global carbon emissions, to a sustainable pathway for the future. To demonstrate our commitment, we were proud to announce in our second ESG report, which was published today, our ambition to double our avoided carbon emissions by 2030.

## Outlook

With our scale, track record and global capabilities, we are well situated to partner with governments and businesses to help them achieve their goal of greening the global electricity grids. We believe the prospects for the growth of our business are better than they have ever been, and we look forward to further opportunities to provide capital and solutions to drive decarbonization.

On behalf of the Board and management of Brookfield Renewable, we thank all our unitholders and shareholders for their ongoing support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Connor Teskey".

Connor Teskey

Chief Executive Officer

February 4, 2021

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

*This letter to unitholders 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 letter to unitholders 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 Brookfield Renewable’s anticipated financial performance, future commissioning of assets, contracted nature of our portfolio, technology diversification, acquisition opportunities, expected completion of acquisitions and dispositions, including the proposed acquisitions of a distributed generation development platform comprising 360 MW of operating and under construction assets throughout the U.S. and an 845 MW operating and fully contracted wind portfolio in Oregon, financing and refinancing opportunities, BEPC’s eligibility for index inclusion, BEPC’s ability to attract new investors as well as the future performance and prospects of BEPC and BEP, the prospects and benefits of the combination of Brookfield Renewable and TerraForm Power, including certain information regarding the combined company’s expected cash flow profile and liquidity, future energy prices and demand for electricity, economic recovery, achieving long-term average generation, project development and capital expenditure costs, energy policies, economic growth, growth potential of the renewable asset class, the future growth prospects and distribution profile of Brookfield Renewable and Brookfield Renewable’s access to capital. 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 news release. 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 news release include (without limitation) our inability to identify sufficient investment opportunities and complete transactions, including the proposed acquisitions of a distributed generation development platform comprising 360 MW of operating and under construction assets throughout the U.S. and an 845 MW operating and fully contracted wind portfolio in Oregon; the growth of our portfolio and our inability to realize the expected benefits of our transactions or acquisitions; weather conditions and other factors which may impact generation levels at facilities; adverse outcomes with respect to outstanding, pending or future litigation; 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 BEP and in the Form 20-F of BEPC and other risks and factors that are described therein.*

*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 news release 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.*

*No securities regulatory authority has either approved or disapproved of the contents of this letter to unitholders. This letter to unitholders is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.*

## **Cautionary Statement Regarding Use of Non-IFRS Measures**

*This letter to unitholders contains references to Adjusted EBITDA, FFO, FFO per Unit, Normalized FFO and Normalized FFO per Unit, which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Adjusted EBITDA, FFO, FFO per Unit, Normalized FFO and Normalized FFO per Unit used by other entities. We believe that Adjusted EBITDA, FFO, FFO per Unit, Normalized FFO and Normalized FFO per Unit are useful supplemental measures that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. None of Adjusted EBITDA, FFO, FFO per Unit, Normalized FFO and Normalized FFO per Unit should be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS. For a reconciliation of Adjusted EBITDA, FFO and FFO per Unit to the most directly comparable IFRS measure, please see “Reconciliation of Non-IFRS Measures - Three Months Ended December 31” and “Reconciliation of Non-IFRS Measures - Year Ended December 31” included elsewhere herein and “Financial Performance*

*Review on Proportionate Information - Reconciliation of Non-IFRS Measures” included in our Form 20-F. Normalized FFO assumes long-term average generation in all segments except the Brazil and Colombia hydroelectric segments and uses 2020 foreign currency rates.*

*References to Brookfield Renewable are to Brookfield Renewable Partners L.P. together with its subsidiary and operating entities unless the context reflects otherwise.*