

# Letter to Unitholders

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We had another successful quarter. We continued to see strong financial performance across our business, and we executed on a number of key operational and growth priorities, including several large-scale transactions from our robust pipeline of renewables and energy transition growth opportunities.

Recent highlights include:

- We generated funds from operations (FFO) of \$243 million, or \$0.38 per unit, a 15% increase over the same period last year.
- We closed or secured investments of up to \$6 billion (\$1.5 billion net to Brookfield Renewable) of capital across various transactions and regions.
- We advanced key commercial priorities, securing contracts to deliver an incremental 2,600-gigawatt hours of clean energy annually including 1,200-gigawatt hours to corporate offtakers.
- We continued to accelerate our development activities, commissioning approximately 2,700 megawatts of new projects. This includes commencing the commissioning of our 1,200-megawatt solar facility in Brazil. We also continue to execute on our 19,000-megawatt under-construction and advanced-stage pipeline. Together these projects are expected to contribute approximately \$260 million of FFO annually to Brookfield Renewable.
- We have completed or are advancing \$1.4 billion (\$520 million net to Brookfield Renewable) of asset recycling activities and continue to maintain robust financial capacity with over \$3.5 billion of available liquidity, no material near-term maturities, and limited floating rate exposure.

## Growth Initiatives

2022 has already been a record year for growth. We have secured opportunities to deploy up to \$12 billion (\$2.8 billion net to Brookfield Renewable) of capital across a wide range of investments, including utility-scale wind and solar, distributed generation, nuclear, battery storage, and transition investments.

We continue to believe that renewable opportunities represent the largest decarbonization opportunities today and will remain so for the foreseeable future. However, we are increasingly finding attractive opportunities across emerging transition asset classes where our initial investments will position us for future large-scale decarbonization investment. We have already begun investing in these emerging assets classes in a prudent and structured manner.

Importantly, we are well positioned to fund this accelerated pace of growth. Our access to deep and varied sources of capital is increasingly valuable in the current environment. A significant portion of our recent growth is already funded or is structured to have capital deployed over a prolonged period and/or at our option. Further, we intend to more actively take advantage of the strong bids we are seeing for a number of our mature assets where we have successfully executed our business plans. Recycling proceeds from mature assets into new growth opportunities remains one of the most value-accretive levers within our business, and we are advancing several attractive opportunities in this regard.

## **U.S. Renewable Development**

We continue to see significant growth in our U.S. business through our existing development pipeline as well as adding complementary renewable platforms that provide enhanced capacity and capabilities to our business. Our development pipeline in the country now stands at over 60,000 megawatts and is well diversified across utility-scale wind and solar, distributed generation, and energy storage. Combined with our existing fleet, we are well positioned for continued growth as owners and operators of one of the largest diversified clean power businesses in the country.

We recently signed an agreement to acquire Scout Clean Energy for \$1 billion with the potential to invest an additional \$350 million to support the business' development activities (\$270 million in total net to Brookfield Renewable). Scout's portfolio includes over 800 megawatts of operating wind assets and a pipeline of over 22,000 megawatts of wind, solar and storage projects across 24 states, including almost 2,500 megawatts of under construction and advanced-stage projects. To complement our development capabilities, there is a strong management team in place with 80+ years of cumulative renewable power experience and a strong track record of developing and financing over 20 gigawatts of clean energy assets.

Our distributed generation business continues to be a significant area of growth globally, as the trends of decentralized power generation and direct customer interaction accelerate. In the past twelve months, in the U.S. alone, we have grown our distributed generation business by nearly three times to 9,000 megawatts. Since last quarter, we closed the previously announced Standard Solar for consideration of \$540 million with the potential to invest an additional \$160 million to support the business' growth initiatives (\$140 million in total net to Brookfield Renewable). Standard Solar is a market-leading owner and operator of commercial and community distributed solar, with end-to-end development capabilities and a strong track record of delivering high-quality assets. The business has approximately 500 megawatts of operating and under construction contracted assets, a robust development pipeline of almost 2,000 megawatts, and a strong team to execute on significant growth opportunities across several high value solar markets in the U.S. that are highly complementary to our existing business.

The timing of these investments has afforded us significant upside potential. We underwrote these investments, as well as Urban Grid—our utility-scale solar development platform that we acquired in the first quarter—to attractive returns prior to the enactment of the Inflation Reduction Act. However, all three platforms will meaningfully benefit from the Inflation Reduction Act, which provides significant upside to our underwriting.

## **Nuclear is Critical to the Net-Zero Transition and Energy Security**

In October, we agreed to form a strategic partnership with Cameco to acquire Westinghouse, one of the world's largest nuclear services businesses. The partnership brings together Cameco's expertise as one of the largest global suppliers of uranium fuel for nuclear energy with Brookfield Renewable's clean energy capabilities to create a powerful platform for strategic growth across the nuclear sector. The total equity invested will be approximately \$4.5 billion (\$750 million net to Brookfield Renewable), and we, alongside our institutional partners, will own a 51% interest with Cameco owning 49%.

Westinghouse and nuclear power generation benefit from the same industry tailwinds as wind, solar, and hydro—decarbonization, electrification, and energy security. Recent geopolitical uncertainty is accelerating the need for countries to achieve energy independence. Further, any credible net-zero plan must include a meaningful and growing amount of nuclear power. Intermittent renewable technologies must be complemented by dispatchable resources. As the owner of one of the largest hydro businesses globally, we are seeing the increasing value of clean, dispatchable, baseload power generation. Like hydro, nuclear power provides a reliable and economic source of electricity to the grid. Going forward, we believe hydro and nuclear power will be the key technologies facilitating the rapid growth of intermittent solar and wind.

As the leading original equipment manufacturer and scale provider of mission-critical technologies, products, and services to half the global nuclear power generation fleet, Westinghouse is well positioned to capture nuclear industry tailwinds. Further, Westinghouse serves as a critical enabler of the energy transition across the world, providing products and services essential for the continued operation and growth of the global nuclear fleet.

The business operates well in all environments, given it is underpinned by highly durable cash flows, with approximately 85% of revenue coming from long-term, inflation-linked contracted or highly recurring service provision and a nearly 100% customer retention rate. Further, Westinghouse takes no commodity, construction, or significant fixed price contract risk, and it operates in countries where the liability for nuclear accidents lies entirely with the plant operators.

With over 50 gigawatts of plant extensions announced and more than 60 gigawatts of new-build reactors expected between 2020 and 2040 across more than 20 countries globally, Westinghouse is well positioned to benefit. The company has also secured new business servicing dozens of nuclear facilities across Eastern European countries that Russia traditionally served and is supporting the growing pipeline for extending and uprating existing nuclear power plants. And finally, there are multi-decade growth opportunities in the rollout of next-generation advanced nuclear technology, such as Westinghouse's eVinci micro-reactor technology, which can play a growing role in an increasingly decentralized and decarbonized energy system.

## **Other Growth Initiatives**

We recently agreed to two transition investments, progressing our strategy of prudently entering large and growing investible markets. Each of these opportunities has a small initial investment, is structured with significant downside protection, provides discretion over future investment, and establishes partnerships with experienced leaders in a growing space. This provides us with preferred investor status

on significant capital investment opportunities and widens the range of decarbonization solutions we can offer our corporate customers around the world.

We formed a funding partnership with LanzaTech, a U.S. based carbon capture and transformation company. LanzaTech transforms waste carbon into usable net-zero inputs into industrial processes for products such as fuels, fabrics, and packaging. We invested \$50 million in the form of a convertible note and secured the preferred right to invest up to \$500 million (in aggregate \$110 million net to Brookfield Renewable) of equity into carbon capture development projects that employ LanzaTech's technology and meet pre-agreed risk-adjusted returns.

We also agreed to invest in a U.S.-based pure-play recycling business with total annual recycling capacity of 1.3 million tons and a large pipeline of growth opportunities. We will make an initial investment of \$200 million in preferred equity securities and have the preferred right to invest up to an additional \$500 million (in aggregate \$140 million net to Brookfield Renewable) to support the development of up to 19 new-build recycling facilities that meet pre-agreed risk-adjusted returns. The preferred equity structure is protected by a put right at a pre-determined valuation.

## **Operating Results**

We are a real assets business that performs positively in an inflationary environment. Our cash flows remain stable and growing given they are supported by long-term contracts with creditworthy offtakes that are indexed to inflation. As material and construction costs of new projects go up, these costs can be passed onto customers in the form of higher PPA prices that are still at a significant discount to market energy prices.

Additionally, in the current market, we are able to offer critical electricity to the global economy at the lowest cost. Renewables have zero input cost, meaning that, unlike thermal generation, we do not need to rely on fossil fuel imports and are not subject to short-term price volatility. Further, as noted earlier, our large, scarce, perpetual hydro portfolio has become increasingly valuable in today's environment as a provider of dispatchable, clean, baseload power. The punchline is simple: in addition to our record levels of growth, our underlying business continues to perform well and is backed by high-quality cash flows.

During the quarter, we generated FFO of \$243 million, or \$0.38 per unit, reflecting solid performance and an increase of 15% versus the same period last year. Our operations benefited from strong global power prices, and continued growth, both through development and acquisitions.

Our hydroelectric segment delivered FFO of \$130 million. Our hydro assets globally continue to exhibit strong cash flow resiliency given our increasingly diversified asset base, inflation-linked power purchase agreements, and ability to capture strong power prices.

Our wind and solar segments generated a combined \$147 million of FFO. We continue to benefit from contributions from acquisitions and the diversification of our fleet, which is underpinned by long duration power purchase agreements that provide stable revenues. Our distributed energy and sustainable solutions segment generated \$43 million of FFO, benefiting from both acquisitions and organic growth across the portfolio.

We are also expanding and delivering on our 19,000-megawatt construction and advanced-stage pipeline with significant development dollars in the ground. So far this year, we have commissioned approximately 2,700 megawatts of capacity, including nearly completing our 850-megawatt Shepherds Flat wind repowering project, and we are on track to commission an additional 1,400 megawatts of new capacity by the end of the year. Together, these projects are expected to contribute approximately \$50 million of incremental run-rate FFO. Furthermore, we have a line of sight to commission approximately 10,000 megawatts through 2024, a significant portion of which we have already funded, that is expected to contribute an additional approximately \$130 million of annual FFO.

## **Balance Sheet and Liquidity**

Our balance sheet is in excellent shape, with S&P and Fitch affirming our credit rating at BBB+ with a stable outlook. We remain resilient to the rising interest rates globally, with over 90% of our borrowings being project level non-recourse debt, with an average remaining term of 12 years, no material near-term maturities in the next five years, and only 3% exposure to floating rate debt.

Despite market volatility, our access to diverse pools of capital continues to be differentiated. We have over \$3.5 billion of available liquidity, giving us significant financial flexibility during periods of capital scarcity. During the quarter, we secured over \$3.7 billion of non-recourse financings across the business that will close this year, resulting in approximately \$400 million in upfinancing proceeds to Brookfield Renewable.

We are also accelerating our capital recycling program, which is not only an important part of our funding plan, but also a critical way we create value through a full cycle investment strategy. Continuing our recent trend of consistent monetizations, we have now agreed to close the sale of two solar facilities in Germany and four of five tranches of the sale of our 630-megawatt solar portfolio in Mexico, where we expect to close the final tranche by the end of the year, generating \$400 million in the aggregate (\$50 million net to Brookfield Renewable).

To date this year, we have initiated capital recycling initiatives that we expect to generate approximately \$830 million of proceeds (\$430 million net to Brookfield Renewable) when closed. We have also launched sales processes for some of our mature assets in select markets, which are garnering significant interest at attractive valuations providing significant visibility to our capital recycling program for the coming quarters.


## **Outlook**

We are focused on growing our business and enhancing cash flows from our existing portfolio in order to generate 12-15% total long-term returns for our unitholders and shareholders.

Looking ahead, the opportunities for investing in renewable power and the energy transition will be even greater than they are today. And we continue to believe that our scale, track record, and global capabilities, position us as a partner of choice in facilitating decarbonization solutions.

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 'CT', with a stylized flourish at the end.

Connor Teskey

Chief Executive Officer

November 4, 2022

### **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 (including our ability to recontract certain asset), technology diversification, acquisition opportunities, expected completion of acquisitions and dispositions, financing and refinancing opportunities, future energy prices and demand for electricity, global decarbonization targets, 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 letter to unitholders. 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 letter to unitholders include (without limitation) our inability to identify sufficient investment opportunities and complete transactions; 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 letter to unitholders 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 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 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 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 FFO and FFO per Unit to the most directly comparable IFRS measure, please see “Reconciliation of Non-IFRS Measures - Three Months Ended September 30” included elsewhere herein and “Financial Performance Review on Proportionate Information -*

*Reconciliation of Non-IFRS Measures” included in our unaudited Q3 2022 interim report. Normalized FFO assumes long-term average generation in all segments and uses 2021 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.*

**Endnotes**

1) Any references to capital refer to Brookfield's cash deployed, excluding any debt financing.

2) Available liquidity refers to "Part 5 - Liquidity and Capital Resources" in the Management Discussion and Analysis in the Q3 2022 Interim Report.