



Brookfield Renewable Corporation

2020 CONSOLIDATED FINANCIAL STATEMENTS
AND RELATED MANAGEMENT'S DISCUSSION
AND ANALYSIS

Management's Discussion and Analysis

For the year ended December 31, 2020

This Management's Discussion and Analysis for the year ended December 31, 2020 is provided as of February 26, 2021. Unless the context indicates or requires otherwise, the terms, "we", "us", and "our company" mean BEPC and its controlled entities. BEPC is an indirect controlled subsidiary of Brookfield Renewable Partners L.P. ("BEP", or collectively with its subsidiaries, including our company, "Brookfield Renewable")(NYSE: BEP; TSX:BEP.UN). Unless the context indicates or requires otherwise, the "partnership" means Brookfield Renewable and its controlled subsidiaries, excluding our company. The ultimate parent of Brookfield Renewable and Brookfield Renewable Corporation is Brookfield Asset Management Inc. ("Brookfield Asset Management"). Brookfield Asset Management and its subsidiaries, other than Brookfield Renewable, are also individually and collectively referred to as "Brookfield" in this Management's Discussion and Analysis.

In addition to historical information, this MD&A contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. See "Cautionary Statements Regarding Forward-Looking Statements".

BEPC's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which require estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the amounts of revenue and expense during the reporting periods.

References to \$, C\$, €, R\$, and COP are to United States ("U.S.") dollars, Canadian dollars, Euros, Brazilian reais and Colombian pesos, respectively. Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars.

For a description on our operational and segmented information and for the non-IFRS financial measures we use to explain our financial results see "Part 9 – Presentation to Stakeholders and Performance Measurement". For a reconciliation of the non-IFRS financial measures to the most comparable IFRS financial measures, see "Part 4 – Financial Performance Review on Proportionate Information – Reconciliation of non-IFRS measures". This Management's Discussion and Analysis contains forward-looking information within the meaning of U.S. and Canadian securities laws. Refer to "Part 10 – Cautionary Statements" for cautionary statements regarding forward-looking statements and the use of non-IFRS measures. Our Annual Report and additional information filed with the Securities Exchange Commission ("SEC") and with securities regulators in Canada are available on our website (<https://bep.brookfield.com>), on the SEC's website (www.sec.gov), or on SEDAR (www.sedar.com).

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PART 1 – OVERVIEW

BUSINESS OVERVIEW

BEPC is a Canadian corporation incorporated on September 9, 2019 under the laws of British Columbia. Our company was established by Brookfield Renewable to be an alternative investment vehicle for investors who prefer owning securities through a corporate structure. While our operations are primarily located in the United States, Brazil, Colombia, and Europe, shareholders will, on economic terms, have exposure to all regions BEP operates in as a result of the exchange feature attaching to the Class A exchangeable subordinate voting shares (“BEPC exchangeable shares”), whereby BEPC will have the option to meet an exchange request by delivering cash or non-voting limited partnership units of BEP (“LP units”).

The BEPC exchangeable shares of our company are structured with the intention of being economically equivalent to the LP units. We believe economic equivalence is achieved through identical dividends and distributions on the BEPC exchangeable shares and the LP units and each BEPC exchangeable share being exchangeable at the option of the holder for one LP unit at any time. Given the economic equivalence, we expect that the market price of the BEPC exchangeable shares will be impacted by the market price of the LP units and the combined business performance of our company and Brookfield Renewable as a whole. In addition to carefully considering the disclosure made in this document, shareholders are strongly encouraged to carefully review the partnership’s periodic reporting. The partnership is required to file reports, including annual reports on Form 20-F, and other information with the United States Securities and Exchange Commission (the “SEC”). The partnership’s SEC filings are available to the public from the SEC’s website at <http://www.sec.gov>. Copies of documents that have been filed with the Canadian securities authorities can be obtained at <http://www.sedar.com>. Information about the partnership, including its SEC filings, is also available on its website at <https://bep.brookfield.com>. The information found on, or accessible through <https://bep.brookfield.com> is not incorporated into and does not form a part of this MD&A.

Our company, our subsidiaries and Brookfield Renewable, target a total return of 12% to 15% per annum on the renewable assets that it owns, measured over the long-term. Brookfield Renewable intends to generate this return from the in-place cash flows from our operations plus growth through investments in upgrades and expansions of our asset base, as well as acquisitions. Brookfield Renewable determines its distributions based primarily on an assessment of its operating performance. Our group uses Funds From Operations to assess operating performance and can be used on a per unit basis as a proxy for future distribution growth over the long-term. For further details, see Part 7 – Presentation to Stakeholders and Performance Measurement of this MD&A.

On December 11, 2020, our company completed a three-for-two split of shares by way of a subdivision of shares (the “Share split”), whereby the shareholders of our company received an additional one-half of a share for each share held, resulting in the issuance of approximately 57.4 million BEPC exchangeable shares, 55 BEPC class B shares and 63.2 million BEPC class C shares. The Share split did not dilute shareholders’ equity and the dividend was adjusted to reflect the additional number of shares that are outstanding. All per share amounts and share count disclosures that follow are adjusted to reflect the impact of the Share split retrospectively (a “post-split basis”).

CONTINUITY OF INTEREST

On July 30, 2020, the partnership completed the special distribution of BEPC exchangeable shares to its LP unit holders of record on July 27, 2020 (the “special distribution”). Refer to the Prospectus document filed on SEDAR and with the SEC on June 29, 2020 for more details on the special distribution. Prior to completing the special distribution, our company acquired the United States, Colombian and Brazilian operations of the partnership (“the Business”) from certain of the partnership’s subsidiaries (excluding a 10% interest in certain Brazilian and Colombian operations, which continue to be held by the partnership). The partnership directly and indirectly controlled the Business prior to the special distribution and will continue to control the Business subsequent to the special distribution through its interests in our company. Accordingly, BEPC and its financial position and results of operations have been reflected using Brookfield Renewable’s carrying values prior to the special distribution.

To reflect this continuity of interests, these audited consolidated financial statements provide historical information of our company for the annual periods prior to the special distribution, as previously reported by Brookfield Renewable. The economic and accounting impact of contractual relationships created or modified in

conjunction with the special distribution (see Note 1(c) – Special distribution) have been reflected prospectively from the date of the special distribution as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to July 30, 2020 are presented based on the historical financial information for our company as previously reported by Brookfield Renewable. For the period after completion of the special distribution, the results are based on the actual results of our company, including the adjustments associated with the special distribution and the execution of several new and amended agreements. As Brookfield Renewable holds all of the BEPC class C shares, which is the only class of shares presented as equity, net income and equity attributable to common equity have been allocated to Brookfield Renewable prior to and after the special distribution.

On July 31, 2020, Brookfield Renewable completed the acquisition of TerraForm Power, Inc. (“TerraForm Power”) pursuant to which Brookfield Renewable acquired all of the Class A common stock of TerraForm Power not owned by Brookfield Renewable or its affiliates (“public TerraForm Power shares”), representing a 38% interest in TerraForm Power (the “TerraForm Power acquisition”). Pursuant to the TerraForm Power acquisition, each holder of public TerraForm Power shares received 0.47625 of a BEPC exchangeable share or of an LP unit for each public TerraForm Power share held by such holder. The TerraForm Power acquisition was completed in exchange for 55,552,862 BEPC exchangeable shares and 6,051,704 LP units, on a post-split basis.

Simultaneously with the completion of the TerraForm Power acquisition, our company entered into voting agreements with the partnership and certain indirect subsidiaries of Brookfield to transfer the power to vote their respective shares held in TerraForm Power to our company. As a result, our company controls and consolidates TerraForm Power. The transfer of control of TerraForm Power to our company is considered to be a transaction between entities under common control and was valued based on Brookfield’s carrying value in TerraForm Power. The results of TerraForm Power that were not owned by our company are presented as non-controlling interests to our company retrospectively to October 17, 2017, corresponding to all historical periods that TerraForm Power was under common control.

BASIS OF PRESENTATION

The audited consolidated financial statements of our company have been prepared on the basis of historical cost, except for the revaluation of property, plant and equipment and certain assets and liabilities which have been measured at fair value. Cost is recorded based on the fair value of the consideration given in exchange for assets.

The financial statements include a consolidation of the assets, liabilities, revenues, expenses, and cash flows of the Business controlled by the partnership that was contributed to our company effective July 30, 2020. Effective July 30, 2020, the assets and liabilities were transferred to our company at their carrying values. All intercompany balances, transactions, revenues and expenses within our company have been eliminated. Additionally, certain corporate costs have been allocated on the basis of direct usage where identifiable, with the remainder allocated based on management’s best estimate of costs attributable to our company. Management believes the assumptions underlying the historical financial information, including the assumptions regarding allocated expenses, reasonably reflect the utilization of services provided to or the benefit received by our company during the periods presented. However, due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, the historical financial information may not necessarily reflect our company’s financial position, operations and cash flow for future periods, nor do they reflect the financial position, results of operations and cash flow that would have been realized had our company been a stand-alone entity during the periods presented.

The financial statements include the assets, liabilities, revenues, expenses, and cash flows of the TerraForm Power business controlled by Brookfield that were acquired by our company on July 31, 2020 through the TerraForm Power acquisition, which is considered to be a transaction between entities under common control. The combined results of TerraForm Power are presented during the periods prior to July 31, 2020 with the interest acquired through the TerraForm Power acquisition presented as non-controlling interests to our company. All intercompany balances, transactions, revenues and expenses within our company have been eliminated.

PART 2 – FINANCIAL PERFORMANCE REVIEW ON CONSOLIDATED INFORMATION

The following table reflects key financial data for the year ended December 31:

(MILLIONS, EXCEPT AS NOTED)	2020	2019	2018
Revenues	\$ 3,087	\$ 3,226	\$ 2,979
Direct operating costs	(1,061)	(1,053)	(1,053)
Management service costs	(152)	(109)	(71)
Interest expense	(816)	(701)	(670)
Depreciation	(1,065)	(983)	(862)
Remeasurement of BEPC exchangeable and BEPC class B shares	(2,561)	—	—
Income tax recovery (expense)	73	(67)	312
Net (loss) income	(2,819)	212	578
	Average FX rates to USD		
€	0.88	0.89	0.85
R\$	5.16	3.95	3.65
COP	3,693	3,280	2,956

Current Year Variance Analysis (2020 vs 2019)

Revenues totaling \$3,087 million for the year ended December 31, 2020 represents a decrease of \$139 million over the prior year. On a same store, constant currency basis, revenues decreased by \$129 million due to lower generation relative to the prior year when we experienced above-average hydrology conditions. The impact of lower generation was partially offset by higher average pricing which benefited from inflation indexation of our contracts and re-contracting initiatives. The benefit from growth in our portfolio through our recently acquired facilities contributed 734 GWh and \$167 million to revenues.

The strengthening of the U.S. dollar relative to the prior period, primarily against the Brazilian reais and Colombian peso, reduced revenues by approximately \$177 million, which was partially offset by a \$133 million favorable foreign exchange impact on our operating, interest and depreciation expenses.

Direct operating costs totaling \$1,061 million in 2020 represents an increase of \$8 million over the prior year due to cost reduction initiatives across our business and the impact of foreign exchange movements noted above being more than offset by higher power purchases, which are passed through to our customers, and additional costs due to growth from our recently acquired and commissioned facilities.

Management service costs totaling \$152 million in 2020 represents an increase of \$43 million over the prior year due to the growth of our business.

Interest expense totaling \$816 million in 2020 represents an increase of \$115 million over the prior year as reduced borrowing costs from our refinancing initiatives and the benefit of foreign exchange movements noted above were more than offset by growth and dividends paid on BEPC exchangeable shares issued in July 2020.

We recognized an expense of \$2,561 million on the remeasurement of BEPC exchangeable shares due to the appreciation of the BEP unit price during the period after the BEPC exchangeable shares were issued.

Depreciation expense totaling \$1,065 million represents an increase of \$82 million over the prior year due to the growth of our business, partially offset by the foreign exchange movements noted above.

Net loss totaled \$2,819 million in 2020 compared to net income of \$212 million in the prior year due to the above noted items.

Prior Year Variance Analysis (2019 vs 2018)

Revenues totaling \$3,226 million for the year ended December 31, 2019 represents an increase of \$247 million over the prior year. On a same store and constant currency basis, revenues increased \$142 million, primarily due to the benefit from higher average realized prices attributable to the inflation indexation of our contracts, commercial contracting initiatives and higher market prices on uncontracted volumes, which together contributed \$116 million to revenues. Higher generation contributed a \$26 million increase to revenues relative to the prior year due to above average hydrology conditions, primarily in the United States. Recently acquired and commissioned facilities contributed an additional \$233 million to revenues.

The strengthening of the United States dollar relative to the prior year reduced revenues by \$128 million, which was partially offset by a favorable foreign exchange impact on operating, interest and depreciation expenses for the year.

Direct operating costs totaling \$1,053 million in 2019 was consistent with the prior year, driven by cost-savings realized across our businesses and the favorable impact of foreign exchange noted above, which were mostly offset due to the growth of our business.

Management service costs totaling \$109 million in 2019 represents an increase of \$38 million over the prior year due to the growth of our business.

Interest expense totaling \$701 million in 2019 represents an increase of \$31 million over the prior year as the benefit of recent refinancing activities that reduced the average cost of borrowing of our business and the benefit of foreign exchange movements noted above were more than offset due to the growth of our company.

Net income totaled \$212 million in 2019 compared to \$578 million in the prior year due to the above noted items.

PART 3 – ADDITIONAL CONSOLIDATED FINANCIAL INFORMATION

SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table provides a summary of the key line items on the audited annual consolidated statements of financial position as at December 31:

(MILLIONS)	December 31, 2020	December 31, 2019
Current assets.....	\$ 1,584	\$ 1,363
Property, plant and equipment, at fair value.....	36,097	32,647
Total assets.....	39,473	35,757
Non-recourse borrowings.....	12,822	11,958
Deferred income tax liabilities.....	4,200	3,590
BEPC exchangeable shares and class B shares.....	7,430	—
Total equity in net assets.....	11,725	17,874
Total liabilities and equity.....	39,473	35,757
	FX rates to USD	
€.....	0.82	0.89
R\$.....	5.20	4.03
COP.....	3,432	3,277

Property, plant and equipment

Property, plant and equipment totaled \$36.1 billion as at December 31, 2020 compared to \$32.6 billion as at December 31, 2019. The increase of \$3.5 billion was primarily attributable to a \$3.7 billion annual revaluation which recognized the benefit of lower discount rates and continued successful implementation of our cost savings and revenue enhancing initiatives. The acquisition of 100 MW of concentrated solar power facilities in Spain increased property, plant and equipment by \$661 million and capitalized additions relating to the sustaining capital expenditures of our hydroelectric business and our ongoing construction of development projects increased property, plant and equipment by \$865 million. These increases were partially offset by depreciation expense and the devaluation of the Brazilian real and the Colombian peso against the U.S. dollar, which resulted in a net decrease to property, plant and equipment of \$1,689 million.

See Note 10 – Property, plant and equipment, at fair value in our audited annual consolidated financial statements for information on the revaluation assumptions used and sensitivity analysis.

RELATED PARTY TRANSACTIONS

Our company's related party transactions are in the normal course of business, are recorded at the exchange amount, and are primarily with Brookfield Renewable and Brookfield.

Since inception, Brookfield Renewable has had a Master Services Agreement with Brookfield. The Master Services Agreement was amended in connection with the completion of the special distribution to include, among other things, our company as a service recipient.

Our company sells electricity to Brookfield through a single long-term PPA across the company's New York hydroelectric facilities.

In 2011, on formation of Brookfield, Brookfield Renewable transferred certain development projects to our company for no upfront consideration but is entitled to receive variable consideration on commercial operation or sale of these projects. These projects have been transferred to our company as part of the special distribution.

Our company has entered into voting agreements with Brookfield and Brookfield Renewable, whereby our company gained control of the entities that own certain renewable power generating facilities in the United States and Brazil, as well as TerraForm Power. Our company has also entered into a voting agreement with its consortium partners in respect of the Colombian business. The voting agreements provide our company the authority to direct the election of the Boards of Directors of the relevant entities, among other things, and therefore provide our company with control. Accordingly, our company consolidates the accounts of these entities.

Our company participates with institutional investors in Brookfield Americas Infrastructure Fund, Brookfield Infrastructure Fund II, Brookfield Infrastructure Fund III, Brookfield Infrastructure Fund IV and Brookfield Infrastructure Debt Fund (“Private Funds”), each of which is a Brookfield sponsored fund, and in connection therewith, our company, together with our institutional investors, has access to short-term financing using the Private Funds’ credit facilities.

From time to time, in order to facilitate investment activities in a timely and efficient manner, our company will fund deposits or incur other costs and expenses (including by use of loan facilities to consummate, support, guarantee or issue letters of credit) in respect of an investment that ultimately will be shared with or made entirely by Brookfield sponsored vehicles, consortiums and/or partnerships (including private funds, joint ventures and similar arrangements), our company, or by co-investors.

Brookfield Asset Management has provided a \$400 million committed unsecured revolving credit facility maturing in December 2021 and the interest rate applicable on the borrowed amounts is LIBOR plus up to 1.8%. As at December 31, 2020, there were no draws on the committed unsecured revolving credit facility provided by Brookfield Asset Management.

In addition, our company has executed other agreements with Brookfield and the partnership that are described in Note 26 – Related party transactions in the audited consolidated financial statements. For a description of certain of our agreements with Brookfield and the partnership, please see Item 7.B “Related Party Transactions” in our Form 20-F for the annual period ending December 31, 2020.

The following table reflects the related party agreements and transactions in the audited annual consolidated statements of income (loss), for the year ended December 31:

(MILLIONS)	2020	2019	2018
Revenues			
Power purchase and revenue agreements.....	\$ 361	\$ 387	\$ 300
Direct operating costs			
Energy purchases.....	\$ (10)	\$ (10)	\$ (11)
Energy marketing & other services.....	(17)	(26)	(39)
Insurance expense ⁽¹⁾	(21)	(18)	(17)
	<u>\$ (48)</u>	<u>\$ (54)</u>	<u>\$ (67)</u>
Interest expense			
Borrowings.....	\$ (1)	\$ (4)	\$ (9)
Management service costs.....	\$ (152)	\$ (109)	\$ (71)

⁽¹⁾ Insurance services were paid to a subsidiary of Brookfield Asset Management that brokers external insurance providers on behalf of the company. The fees paid to the subsidiary of Brookfield Asset Management for the year ended December 31, 2020 were nil (2019: less than \$1 million and 2018: less than \$1 million). Beginning in 2020, insurance services were paid for directly to external insurance providers.

The following table reflects the impact of the related party agreements and transactions on the consolidated balance sheets as at December 31:

(MILLIONS)	Related party	2020	2019
Current assets			
Due from related parties			
Amounts due from			
Brookfield.....	\$	13	\$ 20
The partnership.....		392	156
Equity-accounted investments and other.....		7	6
	\$	412	\$ 182
Non-current assets			
Due from related parties			
Amounts due from			
Equity-accounted investments and other.....	\$	2	\$ 7
Current liabilities			
Due to related parties			
Amounts due to			
Brookfield.....	\$	18	\$ 19
The partnership.....		513	179
Equity-accounted investments and other.....		5	3
		536	201
Share-settlement liability ⁽¹⁾			
The partnership.....		158	—
	\$	694	\$ 201
Non-current liabilities			
Due to related parties			
Amounts due to			
Equity-accounted investments and other.....	\$	1	\$ 2

⁽¹⁾ Refer to Note 25 – Commitments, contingencies and guarantees of our company's audited annual consolidated financial statements for additional information on the company's litigation matters.

PART 4 – FINANCIAL PERFORMANCE REVIEW ON PROPORTIONATE INFORMATION

SEGMENTED DISCLOSURES

Segmented information is prepared on the same basis that our company’s chief operating decision maker, which we refer to as “CODM”, manages our company, evaluates financial results, and makes key operating decisions. See “Presentation to Stakeholders and Performance Measurement” for information on segments and an explanation on the calculation and relevance of proportionate information.

PROPORTIONATE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019

The following chart reflects the generation and summary financial figures on a proportionate basis for the year ended December 31:

	(GWh)		(MILLIONS)							
	Actual Generation		Revenues		Adjusted EBITDA		Funds From Operations		Net Income (Loss)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Hydroelectric.....	13,333	14,990	\$ 856	\$ 1,043	\$ 568	\$ 690	\$ 417	\$ 518	\$ 198	\$ 253
Wind.....	1,538	647	130	60	85	38	48	21	(12)	(7)
Solar.....	271	—	71	—	57	—	33	—	18	—
Energy transition.....	436	374	81	64	41	30	30	19	(15)	(3)
Corporate.....	—	—	—	—	—	—	(126)	(78)	(2,927)	(78)
Total.....	15,578	16,011	\$ 1,138	\$ 1,167	\$ 751	\$ 758	\$ 402	\$ 480	\$ (2,738)	\$ 165

HYDROELECTRIC OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for hydroelectric operations for the year ended December 31:

(MILLIONS)	2020	2019
<i>Generation (GWh) – actual</i>	<i>13,333</i>	<i>14,990</i>
Revenue.....	\$ 856	\$ 1,043
Other income.....	52	21
Direct operating costs.....	(340)	(374)
Adjusted EBITDA.....	568	690
Interest expense.....	(135)	(150)
Current income taxes.....	(16)	(22)
Funds From Operations.....	\$ 417	\$ 518
Depreciation.....	(232)	(241)
Deferred taxes and other.....	13	(24)
Net income.....	<u>\$ 198</u>	<u>\$ 253</u>

Funds From Operations at our hydroelectric business were \$417 million in 2020 versus \$518 million in the prior year as the benefits from higher average revenue per MWh due to inflation indexation of our contracts, a positive ruling regarding historical under allocations of generation to our facilities under the centralized pooling mechanism in Brazil and cost reduction initiatives were more than offset by generation that was 11% below the prior year in which we benefited from above average generation. Funds From Operations was also impacted by the weakening of the Brazilian reais and Colombian peso against the United States dollar.

Net income attributable to the partnership in 2020 decreased \$55 million over the prior year due to the above noted decrease in Funds From Operations, partly offset by lower non-cash depreciation expense due to the foreign exchange impact noted above.

WIND OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for wind operations for the year ended December 31:

(MILLIONS)	2020	2019
<i>Generation (GWh) – actual</i>	<i>1,538</i>	<i>647</i>
Revenue.....	\$ 130	\$ 60
Other income.....	2	—
Direct operating costs.....	(47)	(22)
Adjusted EBITDA.....	85	38
Interest expense.....	(34)	(16)
Current income taxes.....	(3)	(1)
Funds From Operations.....	\$ 48	\$ 21
Depreciation.....	(80)	(39)
Deferred taxes and other.....	20	11
Net loss.....	<u>\$ (12)</u>	<u>\$ (7)</u>

Funds From Operations at our wind business were \$48 million in 2020 versus \$21 million in the prior year primarily due to the contribution from our investment in TerraFrom Power (\$27 million and 922 GWh). On a same store basis, Funds From Operations were consistent with the prior year as the benefit from inflation indexation of our contracts and operating cost reduction initiatives were offset by lower resources.

Net loss attributable to the partnership in 2020 increased \$5 million over the prior year as the above noted increase in Funds From Operations was more than offset by higher non-cash depreciation expense.

SOLAR OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for solar operations for the year ended December 31:

(MILLIONS)	2020
<i>Generation (GWh) – actual</i>	<i>271</i>
Revenue.....	\$ 71
Other income.....	3
Direct operating costs.....	(17)
Adjusted EBITDA.....	57
Interest expense.....	(24)
Funds From Operations.....	\$ 33
Depreciation.....	(19)
Deferred taxes and other.....	4
Net income.....	<u>\$ 18</u>

Funds From Operations and Net income attributable to Brookfield Renewable at our solar business were \$33 million and \$18 million, respectively, following our investment in TerraForm Power. The business continues to perform in line with expectations.

ENERGY TRANSITION OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for energy transition for the year ended December 31:

(MILLIONS)	2020	2019
<i>Generation (GWh) – actual</i>	<i>436</i>	<i>374</i>
Revenue.....	\$ 81	\$ 64
Direct operating costs.....	(40)	(34)
Adjusted EBITDA.....	41	30
Interest expense.....	(11)	(10)
Current income taxes.....	—	(1)
Funds From Operations.....	30	19
Depreciation.....	(30)	(21)
Deferred taxes and other.....	(15)	(1)
Net loss.....	<u>\$ (15)</u>	<u>\$ (3)</u>

Funds From Operations at our energy transition business were \$30 million in 2020 compared to \$19 million in the prior year due to the contribution from our investment in TerraForm Power (\$18 million and 119 GWh).

Net loss attributable to the partnership in 2020 increased \$12 million over prior year as the above noted increase in Funds From Operations was more than offset by higher non-cash depreciation expense and higher non-cash accretion expenses.

CORPORATE

Management service costs totaling \$126 million increased \$48 million compared to the prior year due to the growth of our business.

Due to the exchange feature of the BEPC exchangeable shares and the cash redemption feature of the BEPC class B shares, the BEPC exchangeable shares and BEPC class B shares are classified as financial liabilities with remeasurement gains or losses recorded to net income. Remeasurement losses of \$2,561 million were recorded in 2020 due to the appreciation of the BEP unit price.

In 2020, we recognized a provision of \$231 million at our subsidiary, TerraForm Power, relating to a litigation that predates the 2017 acquisition of an initial 51% interest in TerraForm Power by our company and its institutional partners.

PROPORTIONATE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

The following chart reflects the generation and summary financial figures on a proportionate basis for the year ended December 31:

	(GWh)		(MILLIONS)							
	Actual Generation		Revenues		Adjusted EBITDA		Funds From Operations		Net Income (Loss)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Hydroelectric	14,990	14,575	\$ 1,043	\$ 979	\$ 690	\$ 617	\$ 518	\$ 441	\$ 253	\$ 120
Wind	647	683	60	70	38	49	21	31	(7)	1
Energy transition	374	519	64	71	30	37	19	25	(3)	4
Corporate	—	—	—	—	—	—	(78)	(53)	(78)	(53)
Total	16,011	15,777	\$ 1,167	\$ 1,120	\$ 758	\$ 703	\$ 480	\$ 444	\$ 165	\$ 72

HYDROELECTRIC OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for hydroelectric operations for the year ended December 31:

(MILLIONS)	2019	2018
<i>Generation (GWh) – actual</i>	14,990	14,575
Revenue.....	\$ 1,043	\$ 979
Other income.....	21	12
Direct operating costs.....	(374)	(374)
Adjusted EBITDA.....	690	617
Interest expense.....	(150)	(163)
Current income taxes.....	(22)	(13)
Funds From Operations.....	\$ 518	\$ 441
Depreciation.....	(241)	(278)
Deferred taxes and other.....	(24)	(43)
Net income.....	<u>\$ 253</u>	<u>\$ 120</u>

Funds From Operations at our hydroelectric business were \$518 million in 2019 versus \$441 million in the prior year due to higher same store generation (3% above prior year), a positive ruling reaffirming the historical generation of our facilities, and growth of our portfolio through development projects that contributed 63 GWh and \$2 million to Funds From Operations. In addition, we benefited from cost-reduction initiatives and higher pricing due to the inflation indexation of our contracts and re-contracting efforts. The increases were partially offset by the weakening of the Brazilian reais and Colombian peso against the United States dollar.

Net income attributable to the partnership in 2019 increased \$133 million over the prior year due to the above noted increase in Funds From Operations and lower non-cash depreciation expense due to the foreign exchange impact noted above.

WIND OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for wind operations for the year ended December 31:

(MILLIONS)	2019	2018
<i>Generation (GWh) – actual</i>	647	683
Revenue.....	\$ 60	\$ 70
Other income.....	—	1
Direct operating costs.....	(22)	(22)
Adjusted EBITDA.....	38	49
Interest expense.....	(16)	(17)
Current income taxes.....	(1)	(1)
Funds From Operations.....	\$ 21	\$ 31
Depreciation.....	(39)	(35)
Deferred taxes and other.....	11	5
Net (loss) income.....	<u>\$ (7)</u>	<u>\$ 1</u>

Funds From Operations at our wind business were \$21 million in 2019 versus \$31 million in the prior year due to lower generation (5% lower than prior year), lower average realized prices due to a commercial initiative that benefited the prior year and the weakening of the Brazilian reais versus the United States dollar.

Net loss attributable to the partnership in 2019 was \$7 million versus net income of \$1 million in the prior year primarily due to the above noted decrease in Funds From Operations.

ENERGY TRANSITION OPERATIONS ON PROPORTIONATE BASIS

The following table presents our proportionate results for storage and other operations for the year ended December 31:

(MILLIONS)	2019	2018
<i>Generation (GWh) – actual</i>	<i>374</i>	<i>519</i>
Revenue.....	\$ 64	\$ 71
Other income.....	—	(3)
Direct operating costs.....	(34)	(31)
Adjusted EBITDA.....	30	37
Interest expense.....	(10)	(12)
Current income taxes.....	(1)	—
Funds From Operations.....	\$ 19	\$ 25
Depreciation.....	(21)	(23)
Deferred taxes and other.....	(1)	2
Net (loss) income.....	<u>\$ (3)</u>	<u>\$ 4</u>

Funds From Operations at our energy transition business were \$19 million in 2019 compared to \$25 million in the prior year due to lower realized capacity prices in the northeast United States and lower generation at our biomass facilities in Brazil.

Net loss attributable to the partnership in 2019 totaled \$3 million compared to net income of \$4 million in the prior year due to the above noted decrease in Funds From Operations.

CORPORATE

Management service costs in 2019 totaling \$78 million increased \$25 million compared to the prior year due to the growth of our business.

RECONCILIATION OF NON-IFRS MEASURES

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2020:

(MILLIONS)	Attributable to the partnership						Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Solar	Energy transition	Corporate	Total			
Revenues	\$ 856	\$ 130	\$ 71	\$ 81	\$ —	\$ 1,138	\$ (40)	\$ 1,989	\$ 3,087
Other income	52	2	3	—	—	57	(1)	43	99
Direct operating costs	(340)	(47)	(17)	(40)	—	(444)	20	(637)	(1,061)
Share of Adjusted EBITDA from equity-accounted investments	—	—	—	—	—	—	21	—	21
Adjusted EBITDA	568	85	57	41	—	751	—	1,395	
Management service costs	—	—	—	—	(126)	(126)	—	(26)	(152)
Interest expense ⁽¹⁾	(135)	(34)	(24)	(11)	—	(204)	9	(505)	(700)
Current income taxes	(16)	(3)	—	—	—	(19)	—	(42)	(61)
Share of interest and cash taxes from equity-accounted investments	—	—	—	—	—	—	(9)	—	(9)
Share of Funds From Operations attributable to non-controlling interests	—	—	—	—	—	—	—	(822)	(822)
Funds From Operations	417	48	33	30	(126)	402	—	—	
Depreciation	(232)	(80)	(19)	(30)	—	(361)	11	(715)	(1,065)
Foreign exchange and financial instrument gain (loss)	6	20	—	(6)	(9)	11	4	59	74
Deferred income tax recovery (expense)	27	18	6	3	22	76	—	58	134
Other	(20)	(18)	(2)	(12)	(137)	(189)	1	(305)	(493)
Dividends on BEPC exchangeable shares ⁽¹⁾	—	—	—	—	(116)	(116)	—	—	(116)
Remeasurement of exchangeable and BEPC class B shares	—	—	—	—	(2,561)	(2,561)	—	—	(2,561)
Share of earnings from equity-accounted investments	—	—	—	—	—	—	(16)	—	(16)
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	903	903
Net income (loss) attributable to the partnership	\$ 198	\$ (12)	\$ 18	\$ (15)	\$ (2,927)	\$ (2,738)	\$ —	\$ —	\$ (2,738)

⁽¹⁾ Share of loss from equity-accounted investments of \$4 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net loss attributable to participating non-controlling interests of \$81 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests. Total interest expense of \$816 million is comprised of amounts on Interest expense and Dividends on BEPC exchangeable shares.

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2019:

(MILLIONS)	Attributable to the partnership					Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Energy transition	Corporate	Total			
Revenues.....	\$ 1,043	\$ 60	\$ 64	\$ —	\$ 1,167	\$ (52)	\$ 2,111	\$ 3,226
Other income.....	21	—	—	—	21	(1)	59	79
Direct operating costs.....	(374)	(22)	(34)	—	(430)	21	(644)	(1,053)
Share of Adjusted EBITDA from equity-accounted investments.....	—	—	—	—	—	32	—	32
Adjusted EBITDA.....	690	38	30	—	758	—	1,526	
Management service costs.....	—	—	—	(78)	(78)	—	(31)	(109)
Interest expense.....	(150)	(16)	(10)	—	(176)	10	(535)	(701)
Current income taxes.....	(22)	(1)	(1)	—	(24)	—	(40)	(64)
Share of interest and cash taxes from equity-accounted investments.....	—	—	—	—	—	(10)	—	(10)
Share of Funds From Operations attributable to non-controlling interests.....	—	—	—	—	—	—	(920)	(920)
Funds From Operations.....	518	21	19	(78)	480	—	—	
Depreciation.....	(241)	(39)	(21)	—	(301)	10	(692)	(983)
Foreign exchange and financial instrument gain (loss).....	10	—	—	—	10	—	(5)	5
Deferred income tax recovery (expense).....	(11)	5	—	—	(6)	—	3	(3)
Other.....	(23)	6	(1)	—	(18)	—	(179)	(197)
Share of earnings from equity-accounted investments.....	—	—	—	—	—	(10)	—	(10)
Net income attributable to non-controlling interests.....	—	—	—	—	—	—	873	873
Net income (loss) attributable to the partnership.....	\$ 253	\$ (7)	\$ (3)	\$ (78)	\$ 165	\$ —	\$ —	\$ 165

⁽¹⁾ Share of earnings from equity-accounted investments of \$12 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net income attributable to participating non-controlling interests of \$47 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests.

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2018:

(MILLIONS)	Attributable to Brookfield Renewable					Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Energy transition	Corporate	Total			
Revenues.....	\$ 979	\$ 70	\$ 71	\$ —	\$ 1,120	\$ (58)	\$ 1,917	\$ 2,979
Other income.....	12	1	(3)	—	10	—	31	41
Direct operating costs.....	(374)	(22)	(31)	—	(427)	21	(647)	(1,053)
Share of Adjusted EBITDA from equity-accounted investments.....	—	—	—	—	—	37	—	37
Adjusted EBITDA.....	617	49	37	—	703	—	1,301	
Management service costs.....	—	—	—	(53)	(53)	—	(18)	(71)
Interest expense.....	(163)	(17)	(12)	—	(192)	11	(489)	(670)
Current income taxes.....	(13)	(1)	—	—	(14)	—	(14)	(28)
Share of interest and cash taxes from equity-accounted investments.....	—	—	—	—	—	(11)	—	(11)
Share of Funds From Operations attributable to non-controlling interests.....	—	—	—	—	—	—	(780)	(780)
Funds From Operations.....	441	31	25	(53)	444	—	—	
Depreciation.....	(278)	(35)	(23)	—	(336)	10	(536)	(862)
Foreign exchange and financial instrument gain (loss).....	(10)	—	1	—	(9)	(1)	67	57
Deferred income tax recovery (expense).....	(6)	2	—	—	(4)	—	344	340
Other.....	(27)	3	1	—	(23)	—	(149)	(172)
Share of earnings from equity-accounted investments.....	—	—	—	—	—	(9)	—	(9)
Net income attributable to non-controlling interests.....	—	—	—	—	—	—	274	274
Net income (loss) attributable to the partnership.....	<u>\$ 120</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ (53)</u>	<u>\$ 72</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 72</u>

⁽¹⁾ Share of earnings from equity-accounted investments of \$17 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net income attributable to participating non-controlling interests of \$506 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests.

PART 5 – LIQUIDITY AND CAPITAL RESOURCES

AVAILABLE LIQUIDITY

Our company assesses liquidity on a group-wide basis, consistent with the partnership, because shareholders have exposure to a broader base of renewable investments by virtue of the exchange feature of BEPC exchangeable shares. Our group-wide liquidity consisted of the following:

(MILLIONS)	December 31, 2020	December 31, 2019
Our company's share of cash and cash equivalents.....	\$ 134	\$ 25
Authorized credit facilities ⁽¹⁾	2,150	2,150
	2,284	2,175
Available portion of subsidiary credit facilities.....	347	174
Brookfield Renewable group liquidity on a proportionate basis.....	639	346
Available liquidity.....	\$ 3,270	\$ 2,695

⁽¹⁾ Includes the \$1,750 million Subordinated Credit Facilities with the partnership and a \$400 million revolving credit facility with Brookfield Asset Management.

We operate with sufficient liquidity to enable us to fund growth initiatives, capital expenditures, distributions and withstand sudden adverse changes in economic circumstances or short-term fluctuations in generation. We maintain a strong, investment grade balance sheet characterized by a conservative capital structure, access to multiple funding levers including a focus on capital recycling on an opportunistic basis, and diverse sources of capital. Principal sources of liquidity are cash flows from operations, our credit facilities, up-financings on non-recourse borrowings and proceeds from the issuance of various securities through public markets.

DIVIDENDS POLICY

The BEPC board may declare dividends at its discretion. However, the BEPC exchangeable shares have been structured with the intention of providing an economic return equivalent to the LP units and it is expected that dividends on the BEPC exchangeable shares will be declared at the same time and in the same amount as distributions made on the LP units to provide holders of the BEPC exchangeable shares with an economic return equivalent to holders of the LP units. In the event dividends are not declared and paid concurrently with a distribution on the LP units, then the undeclared or unpaid amount of such BEPC exchangeable share dividend will accrue and accumulate. Pursuant to the equity commitment agreement, the partnership has also agreed not to declare or pay any distribution on the LP units if on such date our company does not have sufficient funds or other assets to enable the declaration and payment of an equivalent dividend on the BEPC exchangeable shares. See Item 7.B “Related Party Transactions – BEPC relationship with the partnership – Equity Commitment Agreement” of our Form 20-F for the annual period ending December 31, 2020. Brookfield Renewable’s distributions are underpinned by stable, highly regulated and contracted cash flows generated from operations. Brookfield Renewable’s objective is to pay a distribution that is sustainable on a long-term basis and has set its target payout ratio at approximately 70% of Brookfield Renewable’s Funds From Operations.

The board of directors of the general partner of Brookfield Renewable approved a 5% increase in its annual distribution to \$1.215 per LP unit, or \$0.30375 per LP unit quarterly, starting with the distribution payable in March 2021. This increase reflects the forecasted contribution from Brookfield Renewable's recently commissioned capital projects, as well as the expected cash yield on recent acquisitions. Brookfield Renewable targets a 5% to 9% annual distribution growth in light of growth it foresees in its operations.

BORROWINGS

The composition of debt obligations, overall maturity profile, and average interest rates associated with our borrowings and credit facilities on a proportionate basis as at December 31 is presented in the following table:

	2020			2019		
	Weighted-average			Weighted-average		
(MILLIONS, EXCEPT AS NOTED)	Interest rate	Term (years)	Total	Interest rate	Term (years)	Total
Proportionate non-recourse borrowings						
Hydroelectric.....	4.7 %	8	2,690	5.9 %	9	\$ 2,447
Wind.....	3.7 %	10	1,043	5.8 %	10	238
Solar.....	3.4 %	13	1,302	— %	—	—
Energy transition.....	4.1 %	10	488	5.0 %	6	174
	4.2 %	10	5,523	5.9 %	9	2,859
Proportionate unamortized financing fees, net of unamortized premiums.....			(25)			(21)
			5,498			2,838
Equity-accounted borrowings.....			(164)			(168)
Non-controlling interests.....			7,488			9,288
As per IFRS Statements.....			\$ 12,822			\$ 11,958

The following table summarizes our undiscounted principal repayments, scheduled amortization and interest payable on a proportionate basis as at December 31, 2020:

(MILLIONS)	2021	2022	2023	2024	2025	Thereafter	Total
Debt principal repayments							
Non-recourse borrowings							
Credit facilities	\$ 21	\$ 11	\$ 100	\$ —	\$ —	\$ —	\$ 132
Hydroelectric	—	210	90	79	149	1,302	1,830
Wind	—	9	109	—	—	221	339
Solar	—	—	106	—	—	184	290
Energy transition	—	—	28	—	152	—	180
	<u>21</u>	<u>230</u>	<u>433</u>	<u>79</u>	<u>301</u>	<u>1,707</u>	<u>2,771</u>
Amortizing debt principal repayments							
Non-recourse borrowings							
Hydroelectric	62	65	63	66	59	443	758
Wind	63	65	62	68	60	372	690
Solar	72	64	64	69	71	656	996
Energy transition	27	25	26	19	13	198	308
	<u>224</u>	<u>219</u>	<u>215</u>	<u>222</u>	<u>203</u>	<u>1,669</u>	<u>2,752</u>
Total	<u>\$ 245</u>	<u>\$ 449</u>	<u>\$ 648</u>	<u>\$ 301</u>	<u>\$ 504</u>	<u>\$ 3,376</u>	<u>\$ 5,523</u>
Interest payable⁽¹⁾							
Non-recourse borrowings							
Hydroelectric	\$ 124	\$ 111	\$ 110	\$ 105	\$ 93	\$ 352	\$ 895
Wind	42	39	35	31	28	106	281
Solar	54	50	43	38	35	149	369
Energy transition	14	11	12	14	9	21	81
Total	<u>\$ 234</u>	<u>\$ 211</u>	<u>\$ 200</u>	<u>\$ 188</u>	<u>\$ 165</u>	<u>\$ 628</u>	<u>\$ 1,626</u>

⁽¹⁾ Represents aggregate interest payable expected to be paid over the entire term of the obligations, if held to maturity. Variable-rate interest payments have been calculated based on estimated interest rates.

Management remains focused on refinancing near-term facilities on acceptable terms and maintaining a manageable maturity ladder. Management does not anticipate material issues in addressing the borrowings through 2025 on acceptable terms and will do so opportunistically based on the prevailing interest rate environment.

Proportionate debt is presented to assist investors in understanding the capital structure of the underlying investments of our company that are consolidated in its financial statements but are not wholly-owned. When used in conjunction with Funds from Operations, proportionate debt is expected to provide useful information as to how our company has financed its businesses at the asset-level. The only difference between consolidated debt presented under IFRS and proportionate debt is the adjustment to remove the share of debt of consolidated investments not attributable to our company and the adjustment to include share of debt attributable to the equity-accounted investments of our company. Management utilizes proportionate debt in understanding the capital structure of the underlying investments that are consolidated in its financial statements but are not wholly-owned. Proportionate debt provides useful information as to how our company has financed its businesses at the asset-level and provides a view into the return on the capital that it invests at a given degree of leverage.

CAPITAL EXPENDITURES

We fund growth capital expenditures with cash flow generated from operations, supplemented by non-recourse debt sized to investment grade coverage and covenant thresholds. This is designed to ensure that our investments have stable capital structures supported by a substantial level of equity and that cash flows at the asset level can be remitted freely to our company. This strategy also underpins our investment grade profile.

To fund large scale development projects and acquisitions, Brookfield Renewable will evaluate a variety of capital sources including proceeds from selling mature businesses, in addition to raising money in the capital markets through equity, debt and preferred share issuances. Furthermore, our company has \$2.15 billion of committed revolving credit facilities available for investments and acquisitions, as well as funding the equity component of organic growth initiatives. The facilities are intended, and have historically been used, as a bridge to a long-term financing strategy rather than a permanent source of capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the key items in the audited annual consolidated statements of cash flows for the years ended December 31:

(MILLIONS)	2020	2019	2018
Cash flow provided by (used in):			
Operating activities.....	\$ 992	\$ 1,356	\$ 1,193
Financing activities.....	(475)	(288)	(60)
Investing activities.....	(478)	(1,102)	(1,042)
Foreign exchange gain (loss) on cash.....	12	(4)	(11)
Increase (Decrease) in cash and cash equivalents.....	<u>\$ 51</u>	<u>\$ (38)</u>	<u>\$ 80</u>

Operating Activities

Cash flows provided by operating activities for the year ended December 31, 2020, net of working capital changes, totaled \$1,002 million compared to \$1,380 million in 2019 and \$1,226 million in 2018, reflecting the strong operating performance of our business during the periods.

The net change in working capital balances shown in the audited annual consolidated statements of cash flows is comprised of the following:

(MILLIONS)	2020	2019	2018
Trade receivables and other current assets.....	\$ 42	\$ (44)	\$ (20)
Accounts payable and accrued liabilities.....	8	(6)	—
Other assets and liabilities.....	(60)	26	(13)
	<u>\$ (10)</u>	<u>\$ (24)</u>	<u>\$ (33)</u>

Financing Activities

Cash flows used in financing activities totaled \$475 million for the year ended December 31, 2020 as the proceeds raised from non-recourse financings and capital contributions from both our company's non-controlling interest and partnership to fund the growth of our business through the investing activities noted below were partially offset by the repayment of borrowings and the share issuance costs associated with the special distribution of BEPC exchangeable shares. Distributions paid during the year ended December 31, 2020 to the partnership and distributions paid to participating non-controlling interests in operating subsidiaries totaled \$748 million.

Cash flow used in financing activities for the year ended December 31, 2019 totaled \$288 million. During the year, distributions paid to non-controlling interests and to the partnership totaled \$673 million and \$628 million, respectively, partially offset by capital contributions from our company's non-controlling interest of \$294 million and net related party borrowings of \$122 million. Net proceeds of \$610 million were received from non-recourse financings to fund the growth of our business through the investing activities noted below.

Cash flow used in financing activities for the year ended December 31, 2018 totaled \$60 million. During the year, distributions paid to non-controlling interests and to the partnership totaled \$509 million and \$495 million, respectively. Repayments of related party borrowings totaled \$185 million. This was partially offset by capital contributions from our company's non-controlling interest and from the partnership of \$650 million and \$229 million, respectively, to support growth, as well as proceeds from project financings of \$250 million, net of repayments.

Investing Activities

Cash flows used in investing activities totaled \$478 million for the year ended December 31, 2020. Our growth initiatives included the acquisition of 100 MW of solar assets in Spain totaling \$105 million, net of cash acquired and our continued investment in our property, plant and equipment, including the construction of 1,800 MW of shovel-ready solar development projects in Brazil, totaling \$373 million for the year ended December 31, 2020, which were funded by our financing activities noted above.

Cash flows used in investing activities totaled \$1,102 million for the year ended December 31, 2019. The cash used to acquire a 320 MW distributed generation solar facility in the United States totaled \$732 million, net of cash acquired. Our continued investment in property, plant and equipment, including our development projects in Brazil, was \$406 million.

Cash flows used in investing activities totaled \$1,042 million for the year ended December 31, 2018. The cash used to acquire Saeta, a Spanish renewable power company with over 1,000 MW of solar and wind facilities totaled \$927 million, net of cash acquired. Our continued investment in property, plant and equipment, including our development projects in Brazil, was \$207 million.

SHARES OUTSTANDING

Our company's equity interests include BEPC exchangeable shares held by the public shareholders and BEPC class B and BEPC class C shares held by the partnership. Dividends on each of our BEPC exchangeable shares are expected to be declared and paid at the same time and in the same amount per share as distributions on each LP unit of the partnership. Ownership of BEPC class C shares will entitle holders to receive dividends as and when declared by our board.

Our company's capital structure is comprised of the following shares:

(SHARES)	December 31, 2020
BEPC exchangeable shares.....	172,180,417
BEPC class B shares.....	165
BEPC class C shares.....	189,600,000

In conjunction with the special distribution and the Terraform Power acquisition, our company issued approximately 172.3 million BEPC exchangeable shares, 165 BEPC class B shares and 189.6 million BEPC class C shares, on a post-split basis. BEPC exchangeable shares are exchangeable at the option of the holder at any time at a price equal to the market price of an LP unit. Our company has the option to satisfy the exchange either by delivering an LP unit or the cash equivalent of an LP unit. For more information, see Item 10.B "Memorandum and Articles of Association – BEPC Exchangeable Shares" of our Form 20-F for the annual period ending December 31, 2020. During the year ended December 31, 2020, our shareholders exchanged 136,520 BEPC exchangeable shares for an equivalent number of LP units, on a post-split basis. Class B shares and BEPC class C shares are redeemable for cash in an amount equal to the market price of an LP unit. There have been no redemptions of BEPC class B or BEPC class C shares to date. Due to the exchange feature of the BEPC exchangeable shares and the cash redemption feature of the BEPC class B and BEPC class C shares, the BEPC exchangeable shares, BEPC class B shares, and BEPC class C shares are classified as financial liabilities. However, BEPC class C shares, the most subordinated class of all common shares, meet certain qualifying criteria and are presented as equity instruments given the narrow scope presentation exceptions existing in IAS 32.

During the year ended December 31, 2020, our company paid dividends of \$100 million on its BEPC exchangeable shares outstanding. Dividends on our BEPC exchangeable shares are presented as interest expense in

our audited consolidated financial statements. No dividends were declared on BEPC class B shares or BEPC class C shares during the year.

Our company may from time-to-time, subject to applicable law, purchase shares for cancellation in the open market, provided that any necessary approval has been obtained.

In December 2020, we announced that the TSX accepted a notice filed by our company of its intention to commence a normal course issuer bid to repurchase outstanding BEPC exchangeable shares. Please refer to Item 16.E “Purchases of equity securities by the issuer and affiliated purchaser” in our Form 20-F for the annual period ending December 31, 2020 for further details.

As at the date of this report, Brookfield and its affiliates, including Brookfield Renewable, through its ownership of BEPC exchangeable shares and BEPC class B shares, holds an approximate 81.5% voting interest in our company. Holders of BEPC exchangeable shares, excluding Brookfield and its affiliates, including Brookfield Renewable, hold an approximate 18.5% aggregate voting interest in BEPC.

CONTRACTUAL OBLIGATIONS

Please see Note 25 – Commitments, contingencies and guarantees in the audited annual consolidated financial statements, for further details on the following:

- Commitments – Water, land, and dams usage agreements, and agreements and conditions on committed acquisitions of operating portfolios and development projects;
- Contingencies – Legal proceedings, arbitrations and actions arising in the normal course of business, and providing for letters of credit; and
- Guarantees – Nature of all the indemnification undertakings

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

Our company does not have any off-statement of financial position arrangements that have or are reasonably likely to have a material current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Our company issues letters of credit from its subsidiary credit facilities for general purposes which include, but are not limited to, security deposits, performance bonds and guarantees for reserve accounts. As at December 31, 2020, letters of credit issued amounted to \$687 million (2019: \$639 million).

In connection to an adverse summary judgment ruling received in a litigation relating to a historical contract dispute at its subsidiary, TerraForm Power, in which the plaintiffs were awarded approximately \$231 million plus 9% annual non-compounding interest that has accrued at the New York State statutory rate since May 2016, a surety bond was posted with the court for the judgment amount plus one year of additional 9% interest on the judgment amount. Refer to Note 25 – Commitments, contingencies and guarantees in the audited annual consolidated financial statements, for further details. See Item 3.D “Risk Factors – Risks Relating to Our Operations and the Renewable Power Industry – We are involved in litigation and other disputes and may be subject to governmental and regulatory investigations” and Item 4.B “Business Overview – Governmental, Legal and Arbitration Proceeding – Claim relating to TerraForm Power’s First Wind Acquisition” in our Form 20-F for the annual period ending December 31, 2020.

Two subsidiaries of our company fully and unconditionally guaranteed (i) any and all present and future unsecured debt securities issued by Brookfield Renewable Partners ULC, in each case as to payment of principal, premium (if any) and interest when and as the same will become due and payable under or in respect of the trust indenture under which such securities are issued, (ii) all present and future senior preferred shares of Brookfield Renewable Power Preferred Equity Inc. (“BRP Equity”) as to the payment of dividends when due, the payment of amounts due on redemption and the payment of amounts due on the liquidation, dissolution or winding up of BRP Equity, (iii) certain of BEP’s preferred units, as to payment of distributions when due, the payment of amounts due on redemption and the payment of amounts due on the liquidation, dissolution or winding up of BEP, (iv) the obligations of all present and future bilateral credit facilities established for the benefit of Brookfield Renewable, and (v) notes issued by Brookfield BRP Holdings (Canada) Inc. under its U.S. commercial paper program. These

arrangements do not have or are not reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

PART 6 – SELECTED QUARTERLY AND ANNUAL INFORMATION

HISTORICAL OPERATIONAL AND FINANCIAL INFORMATION RELATED TO THE PARTNERSHIP

As the market price of BEPC exchangeable shares is expected to be significantly impacted by the market price of the LP units and the combined business performance of Brookfield Renewable as a whole, we are providing the following historical operational and financial information regarding Brookfield Renewable. For further details please review the partnership's periodic reporting referenced in the introductory section of this MD&A.

YEAR ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	2020	2019	2018
Operational information:			
Capacity (MW).....	18,844	18,883	17,419
Total generation (GWh)			
Actual generation.....	52,782	52,560	52,056
Proportionate generation (GWh)			
Actual generation.....	26,052	26,038	25,753
Average revenue (\$ per MWh).....	81	78	75
Additional financial information:			
Net income (loss) attributable to Unitholders ⁽¹⁾	\$ (304)	\$ (103)	\$ 80
Basic earnings (loss) per LP unit ⁽²⁾⁽³⁾	(0.61)	(0.26)	0.07
Consolidated Adjusted EBITDA.....	2,762	2,893	2,670
Proportionate Adjusted EBITDA.....	1,614	1,444	1,323
Funds From Operations.....	807	761	676
Funds From Operations per Unit ⁽¹⁾⁽³⁾⁽⁴⁾	1.32	1.30	1.15
Distribution per LP unit ⁽³⁾	1.16	1.10	1.05
YEAR ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	2020	2019	2018
Property, plant and equipment, at fair value.....	\$ 44,590	\$ 41,055	\$ 38,177
Equity-accounted investments.....	971	937	684
Total assets.....	49,722	46,196	43,508
Total borrowings.....	18,082	17,300	16,546
Deferred income tax liabilities.....	5,515	4,855	4,355
Other liabilities.....	4,358	3,561	3,205
Participating non-controlling interests – in operating subsidiaries.....	11,100	11,086	10,289
General partnership interest in a holding subsidiary held by Brookfield.....	56	68	67
Participating non-controlling interests – in a holding subsidiary – Redeemable/ Exchangeable units held by Brookfield.....	2,721	3,317	3,266
Class A shares of Brookfield Renewable Corporation.....	2,408	—	—
Preferred equity.....	609	597	568
Preferred limited partners' equity.....	1,028	833	707
Limited partners' equity.....	3,845	4,579	4,505
Total liabilities and equity.....	49,722	46,196	43,508
Debt-to-total capitalization ⁽⁵⁾	27 %	34 %	34 %

(1) Unitholders and per Unit include holders of the GP interest, Redeemable/Exchangeable partnership units, LP units and BEPC exchangeable shares.

(2) For the year ended December 31, 2020, average LP units totaled 271.1 million (2019: 268.3 million, 2018: 270.4 million, 2017: 260.2 million, 2016: 234.6 million).

(3) Adjusted to reflect the three-for-two split of Units by way of a subdivision of Units (the "Unit split"), effective December 11, 2020, whereby Unitholders received an additional one-half of a Unit for each Unit held, resulting in the issuance of 91.6 million LP units, 64.8 million Redeemable/Exchangeable partnership units, 57.4 million BEPC exchangeable shares and 1.3 million units of GP interest.

(4) Average Units outstanding for the year ended December 31, 2020 totaled 609.5 million (2019: 583.5 million, 2018: 585.6 million, 2017: 575.4 million, and 2016: 549.8 million), being inclusive of LP units, Redeemable/Exchangeable partnership units, BEPC exchangeable shares and GP interest.

(5) Based on market value of Preferred equity, Preferred limited partners' equity, and Unitholder equity.

SUMMARY OF HISTORICAL QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information of our company for the last eight consecutive quarters:

(MILLIONS)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues.....	\$ 746	\$ 724	\$ 764	\$ 853	\$ 781	\$ 736	\$ 859	\$ 850
Net (loss) income.....	(1,632)	(1,297)	15	95	(42)	31	110	113
Net (loss) income attributable to the partnership.....	(1,516)	(1,295)	(1)	74	37	3	65	60

PROPORTIONATE RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 and 2019

The following chart reflects the generation and summary financial figures of our company on a proportionate basis for the three months ended December 31:

	(GWh)		(MILLIONS)							
	Actual Generation		Revenues		Adjusted EBITDA		Funds From Operations		Net Income (Loss)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Hydroelectric	2,954	3,469	\$ 173	\$ 255	\$ 132	\$ 155	\$ 86	\$ 117	\$ 67	\$ 67
Wind	756	139	62	10	38	6	19	2	19	(1)
Solar	114	—	35	—	26	—	11	—	—	—
Energy transition	147	67	32	13	19	8	14	5	5	(2)
Corporate	—	—	—	—	—	—	(45)	(27)	(1,607)	(27)
Total	3,971	3,675	\$ 302	\$ 278	\$ 215	\$ 169	\$ 85	\$ 97	\$ (1,516)	\$ 37

RECONCILIATION OF NON-IFRS MEASURES

The following table reflects Adjusted EBITDA and Funds From Operations and provides reconciliation to net income (loss) for the three months ended December 31, 2020:

(MILLIONS)	Attributable to the partnership						Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Solar	Energy transition	Corporate	Total			
Revenues	\$ 173	\$ 62	\$ 35	\$ 32	\$ —	\$ 302	\$ (10)	\$ 454	\$ 746
Other income	35	2	—	—	—	37	(1)	34	70
Direct operating costs	(76)	(26)	(9)	(13)	—	(124)	5	(161)	(280)
Share of Adjusted EBITDA from equity-accounted investments	—	—	—	—	—	—	6	—	6
Adjusted EBITDA	132	38	26	19	—	215	—	327	
Management service costs	—	—	—	—	(45)	(45)	—	(1)	(46)
Interest expense ⁽¹⁾	(40)	(16)	(15)	(5)	—	(76)	2	(105)	(179)
Current income taxes	(6)	(3)	—	—	—	(9)	—	(26)	(35)
Share of interest and cash taxes from equity-accounted investments	—	—	—	—	—	—	(2)	—	(2)
Share of Funds From Operations attributable to non-controlling interests	—	—	—	—	—	—	—	(195)	(195)
Funds From Operations	86	19	11	14	(45)	85	—	—	
Depreciation	(61)	(29)	(14)	(10)	—	(114)	3	(148)	(259)
Foreign exchange and financial instrument gain (loss)	(2)	6	2	(5)	—	1	1	61	63
Deferred income tax recovery (expense)	38	14	5	5	22	84	—	82	166
Other	6	9	(4)	1	(136)	(124)	1	(306)	(429)
Dividends on BEPC exchangeable shares ⁽¹⁾	—	—	—	—	(50)	(50)	—	—	(50)
Remeasurement of BEPC exchangeable and BEPC class B shares	—	—	—	—	(1,398)	(1,398)	—	—	(1,398)
Share of earnings from equity-accounted investments	—	—	—	—	—	—	(5)	—	(5)
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	311	311
Net income (loss) attributable to the partnership	\$ 67	\$ 19	\$ —	\$ 5	\$ (1,607)	\$ (1,516)	\$ —	\$ —	\$ (1,516)

⁽¹⁾ Share of loss from equity-accounted investments of \$1 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net loss attributable to participating non-controlling interests of \$116 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests. Total interest expense of \$229 million is comprised of amounts on Interest expense and Dividends on BEPC exchangeable shares.

The following table reflects Adjusted EBITDA and Funds From Operations and provides reconciliation to net income (loss) for the three months ended December 31, 2019:

(MILLIONS)	Attributable to the partnership					Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Energy transition	Corporate	Total			
Revenues.....	\$ 255	\$ 10	\$ 13	\$ —	\$ 278	\$ (11)	\$ 514	\$ 781
Other income.....	1	—	—	—	1	(1)	23	23
Direct operating costs.....	(101)	(4)	(5)	—	(110)	5	(163)	(268)
Share of Adjusted EBITDA from equity-accounted investments.....	—	—	—	—	—	7	—	7
Adjusted EBITDA.....	155	6	8	—	169	—	374	
Management service costs.....	—	—	—	(27)	(27)	—	(10)	(37)
Interest expense.....	(35)	(4)	(2)	—	(41)	3	(147)	(185)
Current income taxes.....	(3)	—	(1)	—	(4)	—	(12)	(16)
Share of interest and cash taxes from equity-accounted investments.....	—	—	—	—	—	(3)	—	(3)
Share of Funds From Operations attributable to non-controlling interests.....	—	—	—	—	—	—	(205)	(205)
Funds From Operations.....	117	2	5	(27)	97	—	—	
Depreciation.....	(57)	(11)	(6)	—	(74)	2	(201)	(273)
Foreign exchange and financial instrument gain (loss).....	5	—	1	—	6	(1)	22	27
Deferred income tax recovery (expense).....	15	4	—	—	19	—	11	30
Other.....	(13)	4	(2)	—	(11)	—	(116)	(127)
Share of earnings from equity-accounted investments.....	—	—	—	—	—	(1)	—	(1)
Net income attributable to non-controlling interests.....	—	—	—	—	—	—	284	284
Net income (loss) attributable to the partnership.....	<u>\$ 67</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ (27)</u>	<u>\$ 37</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37</u>

⁽¹⁾ Share of earnings from equity-accounted investments of \$3 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net loss attributable to participating non-controlling interests of \$79 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests.

PART 7 – BUSINESS RISKS AND RISK MANAGEMENT

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Management's objectives are to protect our company against material economic exposures and variability of results from various financial risks that include electricity price risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are further discussed in Note 4 – Risk management and financial instruments in the audited annual consolidated financial statements.

The following table outlines our company's financial risks and how they are managed:

Financial Risk	Description of Risk	Management of Risk
Electricity price	We have exposure to movements in the market price of electricity.	<ul style="list-style-type: none"> - Enter into long-term contracts that specify the price at which electricity is sold - Maintain a portfolio of short, medium, and long-term financial contracts to mitigate our exposure to short-term fluctuations in electricity prices - Ensure limits and controls are in place for trading activities - As of December 31, 2020, Brookfield Renewable had approximately 84% of 2021 (2019: 95% of 2020) production, excluding Brazil and Colombia, on a proportionate basis under short-term and long-term power purchase agreements and financial contracts.
Foreign currency	We are exposed to foreign currency risk – including Canadian dollar, Brazilian real, Euro, and Colombian peso – related to operations, anticipated transactions, and certain foreign currency debt.	<ul style="list-style-type: none"> - Enter into foreign currency contracts designed to minimize the exposure to foreign currency fluctuations - 45% of cash flow is generated in the United States while Canadian Dollar and Euro exposure, representing 15% of our portfolio cash flow, is proactively managed through foreign currency contracts - Limited foreign currency contracts to hedge our exposure currencies in South America – representing 40% of our portfolio cash flow – due to the high costs of hedging certain currencies. However, these specific exposures are mitigated by the annual inflation-linked escalations in our power purchase agreements

Financial Risk	Description of Risk	Management of Risk
Interest rate	We are exposed to risk on the interest rates of our variable-rate debt.	<ul style="list-style-type: none"> - Assets largely consist of long duration physical assets, and financial liabilities consist primarily of long-term fixed-rate debt or floating-rate debt that has been swapped to fixed-rates with interest rate financial instruments to minimize the exposure to interest rate fluctuations - Enter into interest rate contracts to lock-in fixed-rates on certain anticipated future debt issuances - Our proportionate floating rate exposure represents 15% of our total debt, after affecting for variable-rate debt that has been hedged through the use of interest rate swaps. Our variable-rate exposure arises primarily from our South American operations, as we have limited opportunities to raise fixed-rate debt or hedge due to the high associated costs

Financial Risk	Description of Risk	Management of Risk
Credit	<p>We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position. We are exposed to credit risk if counterparties to our energy contracts, interest rate swaps, forward foreign exchange contracts and physical electricity and gas transactions as well as trade receivables are unable to meet their obligations.</p>	<ul style="list-style-type: none"> - Diverse counterparty base with long standing credit histories - Exposure to counterparties with investment-grade credit ratings - Use of standard trading contracts and other standard credit risk mitigation techniques - As at December 31, 2020, 95% (2019: 81%) of Brookfield Renewable's trade receivables were current
Liquidity	<p>We are exposed to liquidity risk for financial liabilities.</p> <p>We are also subject to internal liquidity risk because we conduct our business activities through separate legal entities (subsidiaries and affiliates) and are dependent on receipts of cash from those entities to defray corporate expenses and to make dividend payments to shareholders. Under the credit agreements for subsidiary debt, it is conventional for distributions of cash to our company to be prohibited if the loan is in default (notably for non-payment of principal or interest) or if the entity fails to achieve a benchmark debt service coverage ratio. Refer to Note 16 – Capital Management of the annual audited consolidated financial statements for further disclosures.</p>	<ul style="list-style-type: none"> - As at December 31, 2020, available group liquidity was \$3.3 billion. Liquidity is comprised of the group's proportionate share of cash and cash equivalents, investments in marketable securities, the available portion of the corporate credit facilities, and share of subsidiary credit facilities. Details of the available portion of credit facilities and debt maturity ladder are included in "PART 5 – Liquidity and Capital Resources" - Effective and regular monitoring of debt covenants and cooperation with lenders to cure any defaults - Target investment grade debt or debt with investment grade characteristics with the ability to absorb volatility in cash flows - Long-term duration of debt instruments and the diversification in maturity dates over an extended period of time - Sufficient cash from operating activities, access to undrawn credit facilities, and possible capital markets financing to fund our operations and fulfill our obligations as they become due - Ensure access to public capital markets and maintain a strong investment grade credit rating

PART 8 – CRITICAL ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The audited consolidated financial statements of Brookfield Renewable Corporation as at December 31, 2020 and December 31, 2019 and for each of the years in the three years ended December 31, 2020 are prepared in accordance with IFRS as issued by the IASB, which requires the use of estimates and judgments in reporting assets, liabilities, revenues, expenses and contingencies. In the judgment of management, none of the estimates outlined in Note 1 – Basis of preparation and significant accounting policies in the audited consolidated financial statements are considered critical accounting estimates with the exception of the estimates related to the valuation of property, plant and equipment, financial instruments and the related deferred income tax liabilities. These assumptions include estimates of future electricity prices, discount rates, expected long-term average generation, inflation rates, terminal year, the amount and timing of operating and capital costs and the income tax rates of future income tax provisions. Estimates also include determination of accruals, purchase price allocations, useful lives, asset valuations, asset impairment testing, deferred tax liabilities, decommissioning retirement obligations and those relevant to the defined benefit pension and non-pension benefit plans. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis, as required. These estimates have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this MD&A. These estimates are impacted by, among other things, future power prices, movements in interest rates, foreign exchange volatility and other factors, some of which are highly uncertain, as described in the “Risk Factors” section. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on our company’s financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to substantially all asset and liability account balances. Actual results could differ from those estimates.

CRITICAL ESTIMATES

Our company makes estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of income and other comprehensive income for the year. Actual results could differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the audited consolidated financial statements relate to the following:

(i) **Property, plant and equipment**

The fair value of our company’s property, plant and equipment is calculated using estimates and assumptions about future electricity prices from renewable sources, anticipated long-term average generation, estimated operating and capital expenditures, future inflation rates and discount rates, as described in Note 10 – Property, plant and equipment, at fair value in our company's audited annual consolidated financial statements. Judgment is involved in determining the appropriate estimates and assumptions in the valuation of our company’s property, plant and equipment. See Note 1(t)(iii) – Critical judgments in applying accounting policies – Property, plant and equipment in our company's audited annual consolidated financial statements for further details.

Estimates of useful lives and residual values are used in determining depreciation and amortization. To ensure the accuracy of useful lives and residual values, these estimates are reviewed on an annual basis.

(ii) **Financial instruments**

Our company makes estimates and assumptions that affect the carrying value of its financial instruments, including estimates and assumptions about future electricity prices, long-term average generation, capacity prices, discount rates, the timing of energy delivery and the elements affecting fair value of the tax equity financings. The fair value of interest rate swaps is the estimated amount that another party would receive or pay to terminate the swap agreements at the reporting date, taking into account current market interest rates. This valuation technique approximates the net present value of future cash flows. See Note 4 – Risk management and financial instruments in our audited annual consolidated financial statements for more details.

(iii) Deferred income taxes

The audited consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the audited consolidated statements of financial position dates. Operating plans and forecasts are used to estimate when the temporary difference will reverse based on future taxable income.

(iv) Decommissioning liabilities

Decommissioning costs will be incurred at the end of the operating life of some of the company's assets. These obligations are typically many years in the future and require judgment to estimate. The estimate of decommissioning costs can vary in response to many factors including changes in relevant legal, regulatory, and environmental requirements, the emergence of new restoration techniques or experience at other power generating facilities. Inherent in the calculations of these costs are assumptions and estimates including the ultimate settlement amounts, inflation factors, discount rates, and timing of settlements.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the accounting policies used in the audited consolidated financial statements and that have the most significant effect on the amounts in the audited consolidated financial statements:

(i) Preparation of consolidated financial statements

These consolidated financial statements present the financial position, results of operations and cash flows of our company. Our company exercises judgment in determining whether non-wholly owned subsidiaries are controlled by our company. Our company's judgment included the determination of (i) how the relevant activities of the subsidiary are directed; (ii) whether the rights of shareholdings are substantive or protective in nature; and (iii) our company's ability to influence the returns of the subsidiary.

(ii) Common control transactions

Common control business combinations specifically fall outside of scope of IFRS 3 and as such management has used its judgment to determine an appropriate policy to account for these transactions by considering other relevant accounting guidance that is within the framework of principles in IFRS and that reflects the economic reality of the transactions. The company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows reflect the results of the combined entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place. Differences between the consideration given and the assets and liabilities received are recorded directly to equity.

(iii) Property, plant and equipment

The accounting policy relating to our company's property, plant and equipment is described in Note 1(i) – Property, plant and equipment and revaluation method in the audited consolidated financial statements of our company. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance that are expensed when incurred. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable costs to be included in the carrying value of the development asset. The useful lives of property, plant and equipment are determined by independent engineers periodically with an annual review by management.

Annually, our company determines the fair value of its property, plant and equipment using a methodology that it has judged to be reasonable. The methodology for hydroelectric assets is generally a twenty-year discounted cash flow model. Twenty years is the period considered reasonable as our company has twenty-year capital plans, and it believes a reasonable third party would be indifferent between extending the cash flows further in the model versus

using a discounted terminal value. The methodology for wind, solar and other assets is to align the model length with the expected remaining useful life of the subject assets.

The valuation model incorporates future cash flows from long-term power purchase agreements that are in place where it is determined that the power purchase agreements are linked specifically to the related power generating assets. With respect to estimated future generation that does not incorporate long-term power purchase agreement pricing, the cash flow model uses estimates of future electricity prices using broker quotes from independent sources for the years in which there is a liquid market. The valuation of generation not linked to long-term power purchase agreements also requires the development of a long-term estimate of future electricity prices. In this regard the valuation model uses a discount to the all-in cost of construction with a reasonable return to secure energy from a new renewable resource with a similar generation profile to the asset being valued as the benchmark that will establish the market price for electricity for renewable resources.

Our company's long-term view is anchored to the cost of securing new energy from renewable sources to meet future demand growth by the years 2026 to 2035 in North America, 2028 in Colombia and 2024 in Brazil. The year of new entry is viewed as the point when generators must build additional capacity to maintain system reliability and provide an adequate level of reserve generation with the retirement of older coal fired plants and rising environmental compliance costs in North America, and overall increasing demand in Colombia and Brazil. For the North American business, our company has estimated a discount to these new-build renewable asset prices to determine renewable electricity prices for hydroelectric, solar and wind facilities. In Brazil and Colombia, the estimate of future electricity prices is based on a similar approach as applied in North America using a forecast of the all-in cost of development.

Terminal values are included in the valuation of hydroelectric assets in North America and Colombia. For the hydroelectric assets in Brazil, cash flows have been included based on the duration of the authorization or useful life of a concession asset with consideration of a one-time thirty-year renewal on qualifying hydroelectric assets.

Discount rates are determined each year by considering the current interest rates, average market cost of capital as well as the price risk and the geographical location of the operational facilities as judged by management. Inflation rates are also determined by considering the current inflation rates and the expectations of future rates by economists. Operating costs are based on long-term budgets escalated for inflation. Each operational facility has a twenty-year capital plan that it follows to ensure the maximum life of its assets is achieved. Foreign exchange rates are forecasted by using the spot rates and the available forward rates, extrapolated beyond the period available. The inputs described above to the discounted cash flow model require management to consider facts, trends and plans in making its judgments as to what derives a reasonable fair value of its property, plant and equipment.

(iv) Financial instruments

The accounting policy relating to our company's financial instruments is described in Note 1(m) – Financial instruments. In applying the policy, judgments are made in applying the criteria set out in IFRS 9 to record financial instruments at fair value through profit and loss, fair value through other comprehensive income and the assessments of the effectiveness of hedging relationships.

(v) Deferred income taxes

The accounting policy relating to our company's income taxes is described in Note 1(o) – Income taxes in the audited consolidated financial statements of our company. In applying this policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

NEW ACCOUNTING STANDARDS

There have been no new changes to IFRS with an impact on our company in 2020.

FUTURE CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS 9 and IFRS 7: Disclosures

Interbank offered rates ("IBOR") reform refers to the global reform of interest reference rates, which includes the replacement of specified IBORs with alternative benchmark rates. It is currently expected that Secured Overnight Financing Rate ("SOFR") will replace US\$ LIBOR, Sterling Overnight Index Average ("SONIA") will

replace £ LIBOR, and Euro Short-term Rate (“€STR”) will replace € EURIBOR. The company adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, and IFRS 7, issued by the IASB in September 2019 (“Phase I Amendments”), effective October 1, 2019 in advance of its mandatory effective date. The Phase I Amendments provided clarity where uncertainty could arise in the lead-up to transition. The IBOR Phase I Amendments have been applied retrospectively to hedging relationships existing at the start of the reporting period or designated subsequently, and to the amount accumulated in the cash flow hedge reserve at that date.

The IBOR Phase I Amendments provide temporary relief from applying specific hedge accounting requirements to the company’s hedging relationships that are directly affected by IBOR reform, which primarily include US\$ LIBOR, £ LIBOR, and € EURIBOR. The relief provided has the effect that the company should not have to discontinue hedging relationships solely due to the uncertainty arising from IBOR reform. In assessing whether a hedge is expected to be highly effective on a forward-looking basis, the company assumes the interest rate benchmarks associated with the company’s hedges are generally not altered by IBOR reform. These reliefs cease to apply to a hedged item or hedging instrument, as applicable, at the earlier of (i) when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the interest rate benchmark based future cash flows, and (ii) when the hedging relationship is discontinued. The Phase I Amendments had no impact on the company since these amendments enable the company to continue hedge accounting for hedging relationships which have been previously designated.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Disclosures

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Phase II Amendments”), effective January 1, 2021, with early adoption permitted. The Phase II Amendments provide additional guidance to address issues that will arise during the transition of benchmark interest rates. The Phase II Amendments primarily relate to the modification of financial assets, financial liabilities and lease liabilities where the basis for determining the contractual cash flows changes as a result of IBOR reform, allowing for prospective application of the applicable benchmark interest rate and to the application of hedge accounting, providing an exception such that changes in the formal designation and documentation of hedge accounting relationships that are needed to reflect the changes required by IBOR reform do not result in the discontinuation of hedge accounting or the designation of new hedging relationships.

The company has completed an assessment and implemented its transition plan to address the impact and effect changes as a result of amendments to the contractual terms of IBOR referenced floating-rate borrowings, interest rate swaps, and updating hedge designations. The adoption is not expected to have a significant impact on the company’s financial reporting.

Amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”)

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The company is currently assessing the impact of these amendments.

There are currently no other future changes to IFRS with potential impact on the company.

SUBSEQUENT EVENTS

Subsequent to year-end, the company, alongside institutional partners, entered into a commitment to invest COP 411 billion (\$111 million) to acquire a 40 MW hydroelectric portfolio in Colombia. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 24% interest.

Subsequent to year-end, the company, alongside institutional partners, entered into a commitment to invest COP 153 billion (\$41 million) to acquire a 38 MW portfolio of solar development projects in Colombia. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 24% interest.

PART 9 – PRESENTATION TO STAKEHOLDERS AND PERFORMANCE MEASUREMENT

PRESENTATION TO PUBLIC STAKEHOLDERS

Actual Generation

For assets acquired, disposed or reaching commercial operation during the year, reported generation is calculated from the acquisition, disposition or commercial operation date and is not annualized. Generation on a same store basis refers to the generation of assets that were owned during both periods presented. As it relates to Colombia only, generation includes both hydroelectric and cogeneration facilities. Energy transition includes generation from our distributed generation, pumped storage, North America cogeneration and Brazil biomass assets.

Our risk of a generation shortfall in Brazil continues to be minimized by participation in a hydrological balancing pool administered by the government of Brazil. This program mitigates hydrology risk by assuring that all participants receive, at any particular point in time, an assured energy amount, irrespective of the actual volume of energy generated. The program reallocates energy, transferring surplus energy from those who generated an excess to those who generate less than their assured energy, up to the total generation within the pool. Periodically, low precipitation across the entire country's system could result in a temporary reduction of generation available for sale. During these periods, we expect that a higher proportion of thermal generation would be needed to balance supply and demand in the country, potentially leading to higher overall spot market prices.

Voting Agreements with Affiliates

Our company has entered into voting agreements with Brookfield and Brookfield Renewable, whereby our company gained control of the entities that own certain renewable power generating facilities in the United States and Brazil, as well as TerraForm Power. Our company has also entered into a voting agreement with its consortium partners in respect of the Colombian business. The voting agreements provide our company the authority to direct the election of the boards of directors of the relevant entities, among other things, and therefore provide our company with control. Accordingly, our company consolidates the accounts of these entities.

For entities previously controlled by Brookfield Asset Management, the voting agreements entered into do not represent business combinations in accordance with IFRS 3, as all combining businesses are ultimately controlled by Brookfield Asset Management both before and after the transactions were completed. Our company accounts for these transactions involving entities under common control in a manner similar to a pooling of interest, which requires the presentation of pre-voting agreement financial information as if the transactions had always been in place. Refer to Note 1(t)(ii) – Critical judgments in applying accounting policies – Common control transactions in our audited annual consolidated financial statements for our policy on accounting for transactions under common control.

PERFORMANCE MEASUREMENT

Segment Information

Our operations are segmented by – 1) hydroelectric, 2) wind, 3) solar, 4) energy transition (distributed generation, pumped storage, cogeneration and biomass), and 5) corporate. This best reflects the way in which the CODM reviews results, manages operations and allocates resources.

The reporting to the CODM was revised during the year to incorporate the energy transition business of the company. The energy transition business corresponds to a portfolio of multi-technology assets and investments that support the broader strategy of decarbonization of electricity grids around the world. The financial information of operating segments in the prior periods has been restated to present the corresponding results of the energy transition business.

We report our results in accordance with these segments and present prior period segmented information in a consistent manner. See Note 5 – Segmented information in our audited annual consolidated financial statements.

One of our primary business objectives is to generate stable and growing cash flows while minimizing risk for the benefit of all stakeholders. We monitor our performance in this regard through three key metrics — i) Net Income (Loss), ii) Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”), and iii) Funds From Operations.

It is important to highlight that Adjusted EBITDA and Funds From Operations do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies and have limitations as analytical tools. We provide additional information below on how we determine Adjusted EBITDA and Funds From Operations. We also provide reconciliations to Net income (loss). See “Part 4 – Financial Performance Review on Proportionate Information – Reconciliation of Non-IFRS Measures” and “Part 6 – Selected Quarterly and Annual Information – Reconciliation of Non-IFRS measures”.

Proportionate Information

Reporting to the CODM on the measures utilized to assess performance and allocate resources has been provided on a proportionate basis. Information on a proportionate basis reflects our company’s share from facilities which it accounts for using consolidation and the equity method whereby our company either controls or exercises significant influence or joint control over the investment, respectively. Proportionate information provides a shareholder perspective that the CODM considers important when performing internal analyses and making strategic and operating decisions. The CODM also believes that providing proportionate information helps investors understand the impacts of decisions made by management and financial results allocable to shareholders.

Proportionate financial information is not, and is not intended to be, presented in accordance with IFRS. Tables reconciling IFRS data with data presented on a proportionate basis have been disclosed. Segment revenues, other income, direct operating costs, interest expense, depreciation, current and deferred income taxes, and other are items that will differ from results presented in accordance with IFRS as these items (1) include our company’s proportionate share of earnings from equity-accounted investments attributable to each of the above-noted items, and (2) exclude the proportionate share of earnings (loss) of consolidated investments not held by us apportioned to each of the above-noted items.

The presentation of proportionate results has limitations as an analytical tool, including the following:

- The amounts shown on the individual line items were derived by applying our overall economic ownership interest percentage and do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses; and
- Other companies may calculate proportionate results differently than we do.

Because of these limitations, our proportionate financial information should not be considered in isolation or as a substitute for our financial statements as reported under IFRS.

Our company does not control those entities that have not been consolidated and as such, have been presented as equity-accounted investments in its financial statements. The presentation of the assets and liabilities and revenues and expenses do not represent our company’s legal claim to such items, and the removal of financial statement amounts that are attributable to non-controlling interests does not extinguish our company’s legal claims or exposures to such items.

Unless the context indicates or requires otherwise, information with respect to the megawatts (“MW”) attributable to our company’s facilities, including development assets, is presented on a consolidated basis, including with respect to facilities whereby our company either controls or jointly controls the applicable facility.

Net Income (Loss)

Net income (loss) is calculated in accordance with IFRS.

Net income (loss) is an important measure of profitability, in particular because it has a standardized meaning under IFRS. The presentation of net income (loss) on an IFRS basis for our business will often lead to the recognition of a loss even though the underlying cash flows generated by the assets are supported by strong margins and stable, long-term power purchase agreements. The primary reason for this is that accounting rules require us to

recognize a significantly higher level of depreciation for our assets than we are required to reinvest in the business as sustaining capital expenditures.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure used by investors to analyze the operating performance of companies.

Our company uses Adjusted EBITDA to assess performance before the effects of interest expense, income taxes, depreciation, management service costs, non-controlling interests, unrealized gain or loss on financial instruments, non-cash gain or loss from equity-accounted investments and other typical non-recurring items. Our company adjusts for these factors as they may be non-cash, unusual in nature and/or are not factors used by management for evaluating operating performance. Our company includes realized disposition gains and losses on assets that we did not intend to hold over the long-term within Adjusted EBITDA in order to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in equity and not otherwise reflected in current period Adjusted EBITDA.

Our company believes that presentation of this measure will enhance an investor's ability to evaluate its financial and operating performance on an allocable basis.

Funds From Operations

Funds From Operations is a non-IFRS measure used by investors to analyze net earnings from operations without the effects of certain volatile items that generally have no current financial impact or items not directly related to the performance of the business.

Our company uses Funds From Operations to assess the performance of the business before the effects of certain cash items (e.g. acquisition costs and other typical non-recurring cash items) and certain non-cash items (e.g. deferred income taxes, depreciation, non-cash portion of non-controlling interests, gain or loss on financial instruments, non-cash gain or loss from equity-accounted investments, and other non-cash items) as these are not reflective of the performance of the underlying business. In our audited annual consolidated financial statements we use the revaluation approach in accordance with IAS 16, Property, Plant and Equipment, whereby depreciation is determined based on a revalued amount, thereby reducing comparability with our peers who do not report under IFRS as issued by the IASB or who do not employ the revaluation approach to measuring property, plant and equipment. We add back deferred income taxes on the basis that we do not believe this item reflects the present value of the actual tax obligations that we expect to incur over our long-term investment horizon.

Our company believes that analysis and presentation of Funds From Operations on this basis will enhance an investor's understanding of the performance of the business.

Funds From Operations is not intended to be representative of cash provided by operating activities or results of operations determined in accordance with IFRS. Furthermore, this measure is not used by the CODM to assess our company's liquidity.

Proportionate Debt

Proportionate debt is presented based on the proportionate share of borrowings obligations relating to the investments of our company in various portfolio businesses. The proportionate financial information is not, and is not intended to be, presented in accordance with IFRS. Proportionate debt measures are provided because management believes it assists investors and analysts in estimating the overall performance and understanding the leverage pertaining specifically to our company's share of its invested capital in a given investment. When used in conjunction with proportionate Adjusted EBITDA, proportionate debt is expected to provide useful information as to how our company has financed its businesses at the asset-level. Management believes that the proportionate presentation, when read in conjunction with our company's reported results under IFRS, including consolidated debt, provides a more meaningful assessment of how the operations of our company are performing and capital is being managed. The presentation of proportionate debt has limitations as an analytical tool, including the following:

The presentation of proportionate results has limitations as an analytical tool, including the following:

- Proportionate debt amounts do not represent the consolidated obligation for debt underlying a consolidated investment. If an individual project does not generate sufficient cash flows to service the

entire amount of its debt payments, management may determine, in their discretion, to pay the shortfall through an equity injection to Brookfield Renewable Corporation to avoid defaulting on the obligation. Such a shortfall may not be apparent from or may not equal the difference between aggregate proportionate Adjusted EBITDA for all of the portfolio investments of our company and aggregate proportionate debt for all of the portfolio investments of our company; and

- Other companies may calculate proportionate debt differently.

Because of these limitations, the proportionate financial information of our company should not be considered in isolation or as a substitute for the financial statements of our company as reported under IFRS.

PART 10 – CAUTIONARY STATEMENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements and information, within the meaning of Canadian 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, concerning the business and operations of Brookfield Renewable. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Forward-looking statements in this report include, but are not limited to, statements regarding the quality of Brookfield Renewable’s assets and the resiliency of the cash flow they will generate, our anticipated financial performance, future commissioning of assets, contracted portfolio, technology diversification, acquisition opportunities, expected completion of acquisitions, future energy prices and demand for electricity, economic recovery, achieving long-term average generation, project development and capital expenditure costs, diversification of shareholder base, energy policies, economic growth, growth potential of the renewable asset class, our future growth prospects and distribution profile, our access to capital and future dividends and distributions made to holders of LP units and BEPC’s exchangeable shares. In some cases, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “scheduled”, “estimates”, “intends”, “anticipates”, “believes”, “potentially”, “tends”, “continue”, “attempts”, “likely”, “primarily”, “approximately”, “endeavors”, “pursues”, “strives”, “seeks” or variations of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information in this report are based upon reasonable assumptions and expectations, we cannot assure you that such expectations will prove to have been correct. You should not place undue reliance on forward-looking statements and information as such statements and information involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to BEPC’s limited operating history; changes to hydrology at our group’s hydroelectric facilities, to wind conditions at our groups’ wind energy facilities, to irradiance at our group’s solar facilities or to weather generally, as a result of climate change or otherwise, at any of our group’s facilities; volatility in supply and demand in the energy markets; our group’s inability to re-negotiate or replace expiring PPAs on similar terms; increases in water rental costs (or similar fees) or changes to the regulation of water supply; advances in technology that impair or eliminate the competitive advantage of our projects; an increase in the amount of uncontracted generation in our group’s portfolio; industry risks relating to the power markets in which our group operates; the termination of, or a change to, the MRE balancing pool in Brazil; increased regulation on our group’s operations; concessions and licenses expiring and not being renewed or replaced on similar terms; our group’s real property rights for wind and solar renewable energy facilities being adversely affected by the rights of lienholders and leaseholders that are superior to those granted to our group; increases in the cost of operating our group’s facilities; our group’s failure to comply with conditions in, or our group’s inability to maintain, governmental permits; equipment failures, including relating to wind turbines and solar panels; dam failures and the costs and potential liabilities associated with such failures; force majeure events; uninsurable losses and higher insurance premiums; adverse changes in currency exchange rates and our group’s inability to effectively manage foreign currency exposure; availability and access to interconnection facilities and transmission systems; health, safety, security and environmental risks; energy marketing risks; counterparties to our group’s contracts not fulfilling their obligations; the time and expense of enforcing contracts against non-performing counterparties and the uncertainty of success; our group’s operations being affected by local communities; fraud, bribery, corruption, other illegal acts or inadequate or failed internal processes or systems; some of our group’s acquisitions may be of distressed companies, which may subject our group to increased risks, including the incurrence of legal or other expenses; our group’s reliance on computerized business systems, which could expose our group to cyber-attacks; newly developed technologies in which our group invests not performing

as anticipated; labor disruptions and economically unfavorable collective bargaining agreements; our group's inability to finance its operations due to the status of the capital markets; operating and financial restrictions imposed on our groups by its loan, debt and security agreements; changes to our group's credit ratings; our group's inability to identify sufficient investment opportunities and complete transactions; the growth of our group's portfolio and our group's inability to realize the expected benefits of its transactions or acquisitions; our group's inability to develop greenfield projects or find new sites suitable for the development of greenfield projects; delays, cost overruns and other problems associated with the construction and operation of generating facilities and risks associated with the arrangements our group enters into with communities and joint venture partners; Brookfield Asset Management's election not to source acquisition opportunities for our group and our group's lack of access to all renewable power acquisitions that Brookfield Asset Management identifies, including by reason of conflicts of interest; our group does not have control over all of our operations or investments; political instability or changes in government policy; foreign laws or regulation to which our group becomes subject as a result of future acquisitions in new markets; changes to government policies that provide incentives for renewable energy; a decline in the value of our group's investments in securities, including publicly traded securities of other companies; our group is not subject to the same disclosure requirements as a U.S. domestic issuer; the separation of economic interest from control within our group's organizational structure; future sales and issuances of BEP units, preferred units or securities exchangeable for BEP units, including BEPC exchangeable shares, or the perception of such sales or issuances, could depress the trading price of the BEP units or BEPC exchangeable shares; the incurrence of debt at multiple levels within our group's organizational structure; being deemed an "investment company" under the U.S. Investment Company Act of 1940; the effectiveness of our group's internal controls over financial reporting; our group's dependence on Brookfield Asset Management and BEP and Brookfield Asset Management's significant influence over our group; the departure of some or all of Brookfield Asset Management's key professionals; our group's lack of independent means of generating revenue; changes in how Brookfield Asset Management elects to hold its ownership interests in our group; Brookfield Asset Management acting in a way that is not in our group's best interests or our shareholders;; the severity, duration and spread of the COVID-19 outbreak, as well as the direct and indirect impacts that the virus may have; broader impact of climate change; failure of our group's systems technology; involvement in litigation and other disputes, and governmental and regulatory investigations; any changes in the market price of the BEP units and BEPC exchangeable shares; the redemption of BEPC exchangeable shares by BEPC at any time or upon notice from the holder of the BEPC class B shares; and other factors described in our Annual Report on Form 20-F.

We caution that 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 report 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. For further information on these known and unknown risks, please see "Risk Factors" included in our Annual Report on Form 20-F and other risks and factors that are described therein.

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS MEASURES

*This report contains references to Adjusted EBITDA and Funds From Operations which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Adjusted EBITDA and Funds From Operations used by other entities. In particular, our definition of Funds From Operations may differ from the definition of funds from operations used by other organizations, as well as the definition of funds from operations used by the Real Property Association of Canada ("**REALPAC**") and the National Association of Real Estate Investment Trusts, Inc. ("**NAREIT**"), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. We believe that Adjusted EBITDA and Funds From Operations are useful supplemental measures that may assist investors in assessing our financial performance. None of Adjusted EBITDA or Funds From Operations 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. These non-IFRS measures reflect how we manage our business and, in our opinion, enable the reader to better understand our business.*

Reconciliations of each of Adjusted EBITDA and Funds From Operations to net income (loss) are presented in our Management's Discussion and Analysis. We have also provided a reconciliation of Adjusted EBITDA and Funds From Operations to net income in Note 5 – Segmented information in the audited annual consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Brookfield Renewable Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Brookfield Renewable Corporation (“the Company”) as of December 31, 2020 and 2019, the related consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board.

Change in Reporting Entity

As discussed in Note 1(b) and (c) to the consolidated financial statements, the Company under the pooling of interest method has retrospectively presented the common control transactions which resulted in the acquisition of the United States, Colombian, and Brazilian Operations of Brookfield Renewable Partners L.P. and the acquisition of TerraForm Power, which occurred on July 30, 2020 and July 31, 2020 respectively.

Adoption of New Accounting Standard

As discussed in Note 1(j) to the consolidated financial statements, the Company changed its method of accounting for Leases in 2019 due to the adoption of IFRS 16, Leases

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of the Company’s internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the Matter

Revaluation of power generating assets

The Company measures power generating assets (classified as property, plant and equipment) using the revaluation method under IAS 16, Property, Plant and Equipment. As at December 31, 2020, property, plant and equipment on the balance sheet totaled \$36,097 million. Revaluations of property, plant and equipment recognized in the statement of other comprehensive income totaled a gain of \$3,674 million and a loss in the statement of profit or loss of \$(61) million for 2020. As discussed in Notes 1(i), 1(t)(i) and 1(v)(iii) and 10 – Property, Plant and Equipment, at Fair Value to the consolidated financial statements, significant estimation and management judgment are involved in assessing the estimates and assumptions regarding the future performance of the power generating assets.

Management applies a dual approach which involves a discounted cash flow model as well as a market evaluation in determining the fair value of the Company's power generating assets. Significant assumptions included within the discounted cash flow models are future electricity prices, discount rates, anticipated long-term average generation and estimated operating and capital expenditures.

Auditing the measurement of power generating assets is complex due to the highly judgmental nature of the significant assumptions described above, which required the involvement of specialists. Changes in these assumptions can have a material effect on the fair value of the power generating assets.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's processes in determining the fair value of power generating assets. We tested controls over management's review of the valuation models, including the controls over the review and approval of all significant assumptions.

To test the fair value of the power generating assets, our audit procedures included, among others, evaluating the Company's valuation methodology, the significant assumptions used, and testing the completeness and accuracy of the underlying data supporting the significant assumptions. For each power generating asset, we analyzed the significant drivers of the change in fair value including the future electricity prices and discount rates. With the support of our valuation specialists, we inspected management's valuation analysis and assessed the estimates of future electricity prices by reference to shorter-term broker price quotes and management's longer-term market forecasts specific to each region and power generating asset. We also involved our valuation specialists in the evaluation of the discount rates which included consideration of benchmark interest rates, geographic location, contracted versus uncontracted assets and type of technology.

For a sample of power generating assets, we performed audit procedures that included, among others, agreeing contracted power prices to executed power purchase agreements and assessing the anticipated long-term average generation through corroboration with third party engineering reports and historical trends. Further, we assessed the estimated operating and capital expenditures by comparison to historical data and to third party data for a selection of assets and tested the computational accuracy of the fair value model. With the assistance of our valuation specialists for the same samples, we also performed a sensitivity analysis over the future electricity prices and discount rates to evaluate the fair value of power generating assets. We also evaluated the fair values using other market-based evidence by comparing the portfolio as a whole to recent similar transactions and by calculating the revenue and EBITDA multiples of a sample of power generating assets and comparing them to multiples of comparable public companies.

Furthermore, we evaluated the adequacy of the Company's disclosures regarding the significant assumptions and sensitivity analysis around the fair value of power generating assets.

Significant acquisition

Description of the Matter

During 2020, the Company completed the acquisition of the Spanish CSP Portfolio, for total consideration of \$121 million. As described in Notes 1(p) and 3, this business combination is accounted for using the acquisition method, and the results of operations have been included in the consolidated financial statements since the date of acquisition.

Auditing the above noted acquisition is complex given that significant estimation is required in determining the fair value of the power generating assets acquired. The significant assumptions include replacement cost per megawatt, discount rates, future power pricing in the regulated market and estimated future generation volume. These assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

To test the fair value of the power generating assets, our audit procedures included, among others, assessing the significant assumptions described above and testing the completeness and accuracy of the underlying data. For example, we evaluated the estimated cash flows by comparing the estimated generation volume to third party engineering reports and to generation assumptions used for other assets within the Company's portfolio in the region, as well as comparing the forward power pricing to regulatory rates. We involved our valuation specialists to assist in evaluating the valuation methodologies and the significant assumptions, including replacement cost and discount rates, used in the Company's models.

The logo for Ernst & Young LLP is written in a black, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2020.

Toronto, Canada

February 26, 2021

BROOKFIELD RENEWABLE CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31
(MILLIONS)

Assets

Current assets

Cash and cash equivalents	18	\$	355	\$	304
Restricted cash	19		154		161
Trade receivables and other current assets	20		623		675
Financial instrument assets	4		40		41
Due from related parties	26		412		182

1,584 1,363

Financial instrument assets	4		68		59
Equity-accounted investments	17		372		360
Property, plant and equipment, at fair value	10		36,097		32,647
Intangible assets	11		233		241
Goodwill	15		970		949
Deferred income tax assets	9		40		4
Other long-term assets	21		109		134

\$ 39,473 \$ 35,757

Total Assets

Liabilities

Current liabilities

Accounts payable and accrued liabilities	22	\$	450	\$	443
Financial instrument liabilities	4		198		125
Due to related parties	26		694		201
Non-recourse borrowings	12		886		605
Provisions	25		292		50
BEPC exchangeable and class B shares	14		7,430		—

9,950 1,424

Financial instrument liabilities	4		498		444
Non-recourse borrowings	12		11,936		11,353
Deferred income tax liabilities	9		4,200		3,590
Provisions	23, 25		633		525
Other long-term liabilities	24		531		547

Equity

Non-controlling interests

Participating non-controlling interests – in operating subsidiaries	13		10,290		10,258
Participating non-controlling interests – in a holding subsidiary held by the partnership	13		258		268
The partnership			1,177		7,348

\$ 11,725 \$ 17,874

\$ 39,473 \$ 35,757

Total Liabilities and Equity

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of Brookfield Renewable Corporation.:



Patricia Zuccotti
Director



David Mann
Director

BROOKFIELD RENEWABLE CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

YEAR ENDED DECEMBER 31
(MILLIONS)

	Notes	2020	2019	2018
Revenues.....	26	\$ 3,087	\$ 3,226	\$ 2,979
Other income.....		99	79	41
Direct operating costs.....	6	(1,061)	(1,053)	(1,053)
Management service costs.....	26	(152)	(109)	(71)
Interest expense.....	12	(816)	(701)	(670)
Share of (loss) earnings from equity-accounted investments.....	17	(4)	12	17
Foreign exchange and financial instruments gain.....	4	74	5	57
Depreciation.....	10	(1,065)	(983)	(862)
Other.....	7	(493)	(197)	(172)
Remeasurement of BEPC exchangeable and class B shares.....	14	(2,561)	—	—
Income tax (expense) recovery				
Current.....	9	(61)	(64)	(28)
Deferred.....	9	134	(3)	340
		73	(67)	312
Net income (loss).....		<u>\$ (2,819)</u>	<u>\$ 212</u>	<u>\$ 578</u>
Net income (loss) attributable to:				
Non-controlling interests				
Participating non-controlling interests – in operating subsidiaries....	13	\$ (92)	\$ 36	\$ 502
Participating non-controlling interests – in a holding subsidiary held by the partnership.....	13	11	11	4
The partnership.....		(2,738)	165	72
		<u>\$ (2,819)</u>	<u>\$ 212</u>	<u>\$ 578</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROOKFIELD RENEWABLE CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

YEAR ENDED DECEMBER 31
(MILLIONS)

	Notes	2020	2019	2018
Net income (loss).....		\$ (2,819)	\$ 212	\$ 578
Other comprehensive income that will not be reclassified to net income				
Revaluations of property, plant and equipment.....	10	3,674	1,921	4,608
Actuarial gain (loss) on defined benefit plans.....		(1)	(8)	6
Deferred income taxes on above items.....	9	(828)	(388)	(1,037)
Equity-accounted investments.....	17	26	51	97
Total items that will not be reclassified to net income.....		2,871	1,576	3,674
Other comprehensive income (loss) that may be reclassified to net income				
Foreign currency translation.....	8	(692)	(138)	(664)
Losses arising during the year on financial instruments designated as cash-flow hedges.....	4	(22)	(7)	(16)
Unrealized gain on foreign exchange swaps – net investment hedge..	4	6	14	15
Reclassification adjustments for amounts recognized in net income ..	4	(44)	(3)	20
Deferred income taxes on above items.....	9	10	5	(2)
Total items that may be reclassified subsequently to net income.....		(742)	(129)	(647)
Other comprehensive income.....		2,129	1,447	3,027
Comprehensive income (loss).....		\$ (690)	\$ 1,659	\$ 3,605
Comprehensive income (loss) attributable to:				
Non-controlling interests				
Participating non-controlling interests – in operating subsidiaries....	13	\$ 1,290	\$ 948	\$ 2,658
Participating non-controlling interests – in a holding subsidiary held by the partnership.....	13	(11)	31	40
The partnership.....		(1,969)	680	907
		\$ (690)	\$ 1,659	\$ 3,605

The accompanying notes are an integral part of these consolidated financial statements.

BROOKFIELD RENEWABLE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31 (MILLIONS)	Accumulated other comprehensive income (loss)					Non-controlling interests		
	The partnership	Foreign currency translation	Revaluation surplus	Other	Total	Participating non-controlling interests – in a holding subsidiary held by the partnership	Participating non-controlling interests – in operating subsidiaries	Total equity
Balance, as at December 31, 2019	\$ 1,452	\$ (956)	\$ 6,853	\$ (1)	\$ 7,348	\$ 268	\$ 10,258	\$ 17,874
Net income (loss)	(2,738)	—	—	—	(2,738)	11	(92)	(2,819)
Other comprehensive income (loss)	—	(410)	1,185	(6)	769	(22)	1,382	2,129
Capital contributions (Note 16)	102	—	—	—	102	—	336	438
Return of capital	—	—	—	—	—	—	(82)	(82)
Distributions or dividends declared	(276)	—	—	—	(276)	—	(513)	(789)
Special distribution/TerraForm Power acquisition	(4,371)	20	392	(21)	(3,980)	—	(1,026)	(5,006)
Other	5	(4)	(49)	—	(48)	1	27	(20)
Change in year	(7,278)	(394)	1,528	(27)	(6,171)	(10)	32	(6,149)
Balance, as at December 31, 2020	<u>\$ (5,826)</u>	<u>\$ (1,350)</u>	<u>\$ 8,381</u>	<u>\$ (28)</u>	<u>\$ 1,177</u>	<u>\$ 258</u>	<u>\$ 10,290</u>	<u>\$ 11,725</u>
Balance, as at December 31, 2018	\$ 1,901	\$ (881)	\$ 6,274	\$ (9)	\$ 7,285	\$ 273	\$ 9,666	\$ 17,224
Net income	165	—	—	—	165	11	36	212
Other comprehensive income (loss)	—	(72)	579	8	515	20	912	1,447
Capital contributions	—	—	—	—	—	—	294	294
Dividends declared, return of capital and preferred share redemption	(609)	—	—	—	(609)	(37)	(673)	(1,319)
Other	(5)	(3)	—	—	(8)	1	23	16
Change in year	(449)	(75)	579	8	63	(5)	592	650
Balance, as at December 31, 2019	<u>\$ 1,452</u>	<u>\$ (956)</u>	<u>\$ 6,853</u>	<u>\$ (1)</u>	<u>\$ 7,348</u>	<u>\$ 268</u>	<u>\$ 10,258</u>	<u>\$ 17,874</u>
Balance, as at December 31, 2017	\$ 1,950	\$ (566)	\$ 5,130	\$ (13)	\$ 6,501	\$ 240	\$ 6,870	\$ 13,611
Net income	72	—	—	—	72	4	502	578
Other comprehensive income (loss)	—	(315)	1,146	4	835	36	2,156	3,027
Capital contributions	355	—	—	—	355	—	650	1,005
Dividends declared and return of capital	(469)	—	—	—	(469)	(24)	(509)	(1,002)
Other	(7)	—	(2)	—	(9)	17	(3)	5
Change in year	(49)	(315)	1,144	4	784	33	2,796	3,613
Balance, as at December 31, 2018	<u>\$ 1,901</u>	<u>\$ (881)</u>	<u>\$ 6,274</u>	<u>\$ (9)</u>	<u>\$ 7,285</u>	<u>\$ 273</u>	<u>\$ 9,666</u>	<u>\$ 17,224</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROOKFIELD RENEWABLE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31
(MILLIONS)

	Notes	2020	2019	2018
Operating activities				
Net income (loss)		\$ (2,819)	\$ 212	\$ 578
Adjustments for the following non-cash items:				
Depreciation	10	1,065	983	862
Unrealized financial instrument (gain) loss	4	(78)	12	(66)
Share of loss (earnings) from equity-accounted investments	17	4	(12)	(17)
Deferred income tax (recovery) expense	9	(134)	3	(340)
Other non-cash items		409	109	118
Remeasurement of BEPC exchangeable and class B shares	14	2,561	—	—
Dividends received from equity-accounted investments	17	3	7	3
Changes in due to or from related parties		(9)	66	88
Net change in working capital balances	27	(10)	(24)	(33)
		<u>992</u>	<u>1,356</u>	<u>1,193</u>
Financing activities				
Proceeds from non-recourse borrowings	12	2,927	3,323	2,326
Repayment of non-recourse borrowings	12	(2,890)	(2,713)	(2,076)
Repayment of lease liabilities		(24)	(26)	—
Capital contributions from non-controlling interests	13	329	294	650
Capital repaid to participating non-controlling interests – in operating subsidiaries		(82)	—	—
Capital contributions from the partnership		102	13	229
Exchangeable share issuance costs		(44)	—	—
Distributions paid and return of capital:				
To participating non-controlling interests	13	(513)	(673)	(509)
To the partnership	14	(235)	(628)	(495)
Related party borrowings, net	26	(45)	122	(185)
		<u>(475)</u>	<u>(288)</u>	<u>(60)</u>
Investing activities				
Acquisitions net of cash and cash equivalents in acquired entity	3	(105)	(732)	(927)
Investment in property, plant and equipment	10	(373)	(406)	(207)
Proceeds from disposal of assets		17	—	—
Restricted cash and other		(17)	36	92
		<u>(478)</u>	<u>(1,102)</u>	<u>(1,042)</u>
Foreign exchange gain (loss) on cash		<u>12</u>	<u>(4)</u>	<u>(11)</u>
Cash and cash equivalents				
Increase (Decrease)		51	(38)	80
Balance, beginning of year		304	342	262
Balance, end of year		<u>\$ 355</u>	<u>\$ 304</u>	<u>\$ 342</u>
Supplemental cash flow information:				
Interest paid		\$ 737	\$ 668	\$ 601
Interest received		\$ 19	\$ 16	\$ 14
Income taxes paid		\$ 49	\$ 54	\$ 63

The accompanying notes are an integral part of these consolidated financial statements.

BROOKFIELD RENEWABLE CORPORATION

NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

Brookfield Renewable Corporation (“BEPC” or the “company”) and its subsidiaries, own and operate a portfolio of renewable energy power generating facilities primarily in North America, Europe, Colombia and Brazil. BEPC was formed as a corporation established under the British Columbia Business Corporation Act on September 9, 2019 and is a subsidiary of Brookfield Renewable Partners L.P. (“BEP”), or, collectively with its controlled subsidiaries, including BEPC (“Brookfield Renewable”, or, collectively with its controlled subsidiaries, excluding BEPC, (the “partnership”). Brookfield Asset Management Inc. (“Brookfield Asset Management” or together with its controlled subsidiaries, excluding Brookfield Renewable, “Brookfield”) is our company’s ultimate parent.

The class A exchangeable subordinate voting shares (“BEPC exchangeable shares”) of Brookfield Renewable Corporation are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol “BEPC”.

The registered head office of Brookfield Renewable Corporation is 250 Vesey Street, New York, NY, United States.

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1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies used in the consolidated financial statements are based on the IFRS applicable as at December 31, 2020, which encompass individual IFRS, International Accounting Standards (“IAS”), and interpretations made by the International Financial Reporting Interpretations Committee (“IFRIC”) and the Standard Interpretations Committee (“SIC”). The policies set out below are consistently applied to all periods presented, unless otherwise noted.

These consolidated financial statements have been authorized for issuance by the Board of Directors of the company on February 26, 2021.

Certain comparative figures have been reclassified to conform to the current year’s presentation.

References to \$, €, R\$, and COP are to United States (“U.S.”) dollars, euros, Brazilian reais and Colombian pesos, respectively.

All figures are presented in millions of U.S. dollars unless otherwise noted.

(b) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS as issued by the International Accounting Standards Board, or IASB using the historical books and records of Brookfield. The assets and liabilities in the consolidated financial statements have been presented on a historical cost basis, except for the revaluation of property, plant and equipment and certain assets and liabilities which have been measured at fair value. Cost is recorded based on the fair value of the consideration given in exchange for assets.

On December 11, 2020, the company completed a three-for-two share split (the “Share Split”) of its outstanding BEPC exchangeable shares by way of a subdivision of shares, whereby shareholders received an additional one-half of a BEPC exchangeable share for each BEPC exchangeable share held, resulting in the issuance of 57.4 million BEPC exchangeable shares. The BEPC class B shares and BEPC class C shares were concurrently split to reflect the Share Split, resulting in the issuance of 55 BEPC class B shares and 63.2 million BEPC class C shares. All share count and per share disclosures are presented on a post-split basis.

(c) Special distribution

On July 30, 2020, the partnership completed the “special distribution” whereby holders of non-voting publicly traded limited partnership units (“LP units”) as of July 27, 2020 (the “Record Date”) received one BEPC exchangeable share for every four LP units held. Immediately prior to the special distribution, the partnership received BEPC exchangeable shares through a distribution by Brookfield Renewable Energy L.P. (“BRELP”), or the BRELP Distribution, of the BEPC exchangeable shares to all the holders of its equity units and to its general partners. As a result of the BRELP Distribution, (i) Brookfield and its subsidiaries (other than entities within Brookfield Renewable) received approximately 49.6 million BEPC exchangeable shares and (ii) the partnership received approximately 67.2 million BEPC exchangeable shares, which it subsequently distributed to unitholders pursuant to the special distribution. Immediately following the special distribution, but prior to the TerraForm Power acquisition (as defined below), (i) holders of LP units held approximately 42.8% of the issued and outstanding BEPC exchangeable shares of the company, (ii) Brookfield and its affiliates held approximately 57.2% of the issued and outstanding BEPC exchangeable shares, and (iii) a subsidiary of the partnership owned all of the issued and outstanding BEPC class B multiple voting shares, or BEPC class B shares, which represent a 75.0% voting interest in the company, and all of the issued and outstanding BEPC class C non-voting shares, or BEPC class C shares, of the company, which entitle the partnership to all of the residual value in the company after payment in full of the amount due to holders of the BEPC exchangeable shares and BEPC class B shares. Holders of BEPC exchangeable shares hold an aggregate 25.0% voting interest in the company.

Prior to the completion of the special distribution on July 30, 2020, BEPC acquired the United States, Colombian and Brazilian Operations of the partnership (the “Business”), excluding a 10% interest in the Colombian and certain Brazilian operations of the Business owned through BRP Bermuda Holdings I Limited (“LATAM holdco”) that the partnership retained post-closing.

Prior to the completion of the special distribution, BEPC entered into the following agreements:

i) Credit Support

Two direct and indirect wholly-owned subsidiaries of BEPC fully and unconditionally guaranteed (i) any and all present and future unsecured debt securities issued by Brookfield Renewable Partners ULC, in each case as to payment of principal, premium (if any) and interest when and as the same will become due and payable under or in respect of the trust indenture under which such securities are issued, (ii) all present and future senior preferred shares of Brookfield Renewable Power Preferred Equity Inc. (“BRP Equity”) as to the payment of dividends when due, the payment of amounts due on redemption and the payment of amounts due on the liquidation, dissolution or winding up of BRP Equity, (iii) certain of BEP’s preferred units, as to payment of distributions when due, the payment of amounts due on redemption and the payment of amounts due on the liquidation, dissolution or winding up of BEP, (iv) the obligations of all present and future bilateral credit facilities established for the benefit of Brookfield Renewable, and (v) notes issued by Brookfield BRP Holdings (Canada) Inc. under its U.S. commercial paper program. These arrangements do not have or are not reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ii) Subordinated Credit Facilities

BEPC entered into two credit agreements with the partnership, one as borrower and one as lender, which we refer to as the Subordinated Credit Facilities, each providing for a ten-year revolving \$1.75 billion credit facility to facilitate the movement of cash within Brookfield Renewable. One credit facility will permit BEPC to borrow up to \$1.75 billion from the partnership and the other will constitute an operating credit facility that will permit the partnership to borrow up to \$1.75 billion from BEPC. The Subordinated Credit Facilities are available in U.S. or Canadian dollars, and advances are made by way of LIBOR, base rate, bankers’ acceptance rate or prime rate loans.

iii) Equity Commitment Agreement

The partnership provided BEPC an equity commitment in the amount of \$1 billion. The equity commitment may be called by BEPC in exchange for the issuance of a number of BEPC class C shares to the partnership, corresponding to the amount of the equity commitment called divided by the volume-weighted average of the trading price for one BEPC exchangeable share on the principal stock exchange on which BEPC exchangeable shares are listed for the five (5) days immediately preceding the date of the call. The equity commitment will be available in minimum amounts of \$10 million and the amount available under the equity commitment will be reduced permanently by the amount so called. Before funds may be called on the equity commitment, a number of conditions precedent must be met, including that the partnership continues to control BEPC and has the ability to elect a majority of the BEPC board of directors. The rationale for the equity commitment is to provide the company with access to equity capital on an as-needed basis and to maximize our flexibility. Pursuant to the equity commitment, the partnership has also agreed not to declare or pay any distribution on the LP units if on such date the company does not have sufficient funds or other assets to enable the declaration and payment of an equivalent dividend on the BEPC exchangeable shares.

iv) Management Services Agreement

Wholly-owned subsidiaries of Brookfield (“Service Providers”) provide management services to the company pursuant to the partnership’s existing master services agreement, (the “Master Services Agreement”), which was amended in connection with the completion of the special distribution. There is no increase to the Base Management Fee (as defined below) and incentive distribution fees currently paid by the partnership, though BEPC will be responsible for reimbursing the partnership or its subsidiaries, as the case may be, for BEPC’s proportionate share of the Base Management Fee (as defined below). BEPC’s proportionate share of the Base Management Fee (as defined below) will be calculated on the basis of the value of BEPC’s business relative to that of the partnership. Pursuant to the Master Services Agreement, in exchange for the management services provided to Brookfield Renewable by the

Service Provider, Brookfield Renewable pays an annual management fee (the “Base Management Fee”) to the Service Provider of \$20 million (adjusted annually for inflation at an inflation factor based on year-over-year United States consumer price index) plus 1.25% of the amount by which the total capitalization value of Brookfield Renewable exceeds an initial reference value. In the event that the measured total capitalization value of Brookfield Renewable in a given period is less than the initial reference value, the Service Providers will receive only the Base Management Fee of \$20 million annually (subject to an annual escalation by the specified inflation factor described above). The Base Management Fee is calculated and paid on a quarterly basis.

v) BEPC Voting Agreements

BEPC entered into voting agreements with Brookfield (“BEPC Voting Agreements”) to provide BEPC with control over certain of the entities through which BEPC holds interests in its operating subsidiaries. Pursuant to the BEPC Voting Agreements, voting rights with respect to any of the applicable entities will be voted in accordance with the direction of BEPC with respect to certain matters, including the election of directors. As a result, BEPC controls and consolidates the applicable entities from an accounting point of view.

vi) Registration Rights Agreement

BEPC entered into a Registration Rights Agreement with BEP and Brookfield, pursuant to which BEPC agreed that, upon the request of Brookfield Asset Management, BEPC will file one or more registration statements or prospectuses to register for sale and qualify for distribution under applicable securities laws any BEPC exchangeable shares held by Brookfield. BEPC has agreed to pay certain expenses in connection with such registration and sales and will indemnify Brookfield for material misstatements or omissions in the registration statement or prospectus.

(d) Acquisition of TerraForm Power

On July 31, 2020, Brookfield Renewable completed the acquisition of TerraForm Power, Inc. (“TerraForm Power”) pursuant to which Brookfield Renewable acquired all of the Class A common stock of TerraForm Power not owned by Brookfield Renewable or its affiliates (“public TerraForm Power shares”), representing a 38% interest in TerraForm Power (the “TerraForm Power acquisition”). Pursuant to the TerraForm Power acquisition, each holder of public TerraForm Power shares received 0.47625 of a BEPC exchangeable share or of a partnership unit for each public TerraForm Power share held by such holder. The TerraForm Power acquisition was completed in exchange for 55,552,862 BEPC exchangeable shares and 6,051,704 LP units.

After giving effect to the special distribution and the TerraForm Power acquisition, Brookfield and its affiliates, including Brookfield Renewable, through its ownership of BEPC exchangeable shares and BEPC class B shares, holds an approximate 84.7% voting interest in BEPC. Holders of BEPC exchangeable shares, excluding Brookfield and its affiliates and Brookfield Renewable, hold an approximate 15.3% aggregate voting interest in BEPC.

Concurrent with the closing of the TerraForm Power acquisition, Brookfield and the partnership entered into voting agreements with BEPC, giving BEPC a number of voting rights with respect to the TerraForm Power common stock held by the partnership and its affiliates, other than BEPC, including the authority to direct the election of the directors of TerraForm Power. As a result, BEPC controls TerraForm Power and consolidates TerraForm Power from an accounting point of view.

(e) Continuity of interest

The partnership directly and indirectly controlled the Business prior to the special distribution and will continue to control the Business subsequent to the special distribution through its interests in the company. Accordingly, BEPC and its financial position and results of operations have been reflected using Brookfield Renewable’s carrying values prior to the special distribution.

To reflect this continuity of interests, these consolidated financial statements provide comparative information of the company for the periods prior to the special distribution, as previously reported by Brookfield Renewable. The economic and accounting impact of contractual relationships created or modified in conjunction with the special distribution (see Note 1(c) – Special distribution for more details) have been reflected prospectively from the date of the special distribution as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to July 30, 2020 are presented based on the historical financial information for the company as previously reported by Brookfield Renewable. The consolidated financial statements include the

combined carve-outs of the assets, liabilities, revenues, expenses, and cash flows of the United States, Brazilian and Colombian businesses controlled by the partnership that were contributed to the company on July 30, 2020. All intercompany balances, transactions, revenues and expenses within the company have been eliminated. Additionally, certain corporate costs have been allocated on the basis of direct usage where identifiable, with the remainder allocated based on management's best estimate of costs attributable to the company. Management believes the assumptions underlying the historical financial information, including the assumptions regarding allocated expenses, reasonably reflect the utilization of services provided to or the benefit received by the company during the periods presented. However, due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, the historical financial information may not necessarily reflect the company's financial position, operations and cash flow for future periods, nor do they reflect the financial position, results of operations and cash flow that would have been realized had the company been a stand-alone entity during the periods presented. For the period after completion of the special distribution, the results will be based on the actual results of the company, including the adjustments associated with the special distribution and the execution of several new and amended agreements. As Brookfield Renewable holds all of the BEPC class C shares of the company, which is the only class of shares presented as equity, net income and equity attributable to common equity have been allocated to the partnership prior to and after the special distribution.

Simultaneously with the completion of the TerraForm Power acquisition (See 1(d) – Acquisition of TerraForm Power for more details), the company entered into voting agreements with the partnership and certain indirect subsidiaries of Brookfield to transfer the power to vote their respective shares held in TerraForm Power to the company. As a result, the company controls and consolidates TerraForm Power. The transfer of control of TerraForm Power to the company is considered to be a transaction between entities under common control and was valued based on Brookfield's carrying value in TerraForm Power. The portion of TerraForm Power that was not owned by the company is presented as non-controlling interests to the company retrospectively to October 17, 2017, corresponding to all historical periods that TerraForm Power were under common control. All intercompany balances, transactions, revenues and expenses within the company have been eliminated.

(f) Foreign currency translation

All figures reported in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in millions of U.S. dollars, which is the functional currency of the company. Each of the foreign operations included in these consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at the rate of exchange prevailing at the dates of the transactions during the period. Gains or losses on translation of foreign subsidiaries are included in OCI. Gains or losses on foreign currency denominated balances are reported in the same manner

In preparing the consolidated financial statements of the company, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the closing rate at the applicable consolidated statement of financial position dates. Non-monetary assets and liabilities, denominated in a foreign currency and measured at fair value, are translated at the rate of exchange prevailing at the date when the fair value was determined and non-monetary assets measured at historical cost are translated at the historical rate. Revenues and expenses are measured in the functional currency at the rates of exchange prevailing at the dates of the transactions with gains or losses included in income.

(g) Cash and cash equivalents

Cash and cash equivalents include cash, term deposits and money market instruments with original maturities of less than 90 days.

(h) Restricted cash

Restricted cash includes cash and cash equivalents, where the availability of funds is restricted primarily by credit agreements.

(i) Property, plant and equipment and revaluation method

Power generating assets are classified as property, plant and equipment and are accounted for using the revaluation method under IAS 16, Property, Plant and Equipment (“IAS 16”). Property, plant and equipment are initially measured at cost and subsequently carried at their revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

The company generally determines the fair value of its property, plant and equipment by using a 20-year discounted cash flow model for the majority of its assets. This model incorporates future cash flows from long-term power purchase agreements that are in place where it is determined that the power purchase agreements are linked specifically to the related power generating assets. The model also includes estimates of future electricity prices, anticipated long-term average generation, estimated operating and capital expenditures, and assumptions about future inflation rates and discount rates by geographical location. Construction work-in-progress (“CWIP”) is revalued when sufficient information exists to determine fair value using the discounted cash flow method. Revaluations are made on an annual basis as at December 31 to ensure that the carrying amount does not differ significantly from fair value. For power generating assets acquired through business combinations, the company initially measures the assets at fair value consistent with the policy described in Note 1(p) – Business combinations, with no revaluations at year-end in the year of acquisition unless there is external evidence specific to those assets that would indicate the carrying value of the asset has either increased or decreased materially.

Where the carrying amount of an asset increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized decrease recorded through income, with the remainder of the increase recognized in OCI and accumulated in equity under revaluation surplus and non-controlling interest. When the carrying amount of an asset decreases, the decrease is recognized in OCI to the extent that a balance exists in revaluation surplus with respect to the asset, with the remainder of the decrease recognized in income.

Depreciation on power generating assets is calculated on a straight-line basis over the estimated service lives of the assets, which are as follows:

	Estimated service lives
Dams.....	Up to 115 years
Penstocks.....	Up to 60 years
Powerhouses.....	Up to 115 years
Hydroelectric generating units.....	Up to 115 years
Wind generating units.....	Up to 30 years
Solar generating units.....	Up to 35 years
Gas-fired cogenerating (“Cogeneration”) units.....	Up to 40 years
Other assets.....	Up to 60 years

Costs are allocated to significant components of property, plant and equipment. When items of property, plant and equipment have different useful lives, they are accounted for as separate items (significant components) and depreciated separately. To ensure the accuracy of useful lives and residual values, a review is conducted annually.

Depreciation is calculated based on the fair value of the asset less its residual value. Depreciation commences when the asset is in the location and conditions necessary for it to be capable of operating in the manner intended by management. It ceases at the earlier of the date the asset is classified as held-for-sale and the date the asset is derecognized. An item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use. Other assets include equipment, buildings and leasehold improvements. Buildings, furniture and fixtures, leasehold improvements and office equipment are recorded at historical cost, less accumulated depreciation. Land and CWIP are not subject to depreciation.

The depreciation of property, plant and equipment in Brazil is based on the duration of the authorization or the useful life of a concession asset. The weighted-average remaining duration at December 31, 2020 is 32 years (2019: 32 years). Since land rights are part of the concession or authorization, this cost is also subject to depreciation.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is applied to the revalued amount of the asset.

Gains and losses on disposal of an item of property, plant and equipment are recognized in Other income in the consolidated statements of income (loss). The revaluation surplus is reclassified within the respective components of equity and not reclassified to net income when the assets are disposed.

(j) Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:

- the contract specified explicitly or implicitly the use of an identified asset, and that is physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset. The company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decisions about how and for what purpose the asset is used are predetermined, the company has the right to direct the use of the asset if either:
 - The company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - The company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the company has elected not to separate non-lease components and, therefore, accounts for the lease and non-lease components as a single lease component.

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewable period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made either to the carrying amount of the right-of-use asset or, when the adjustment is a reduction to the right-of-use asset, is recorded in the consolidated statements of income (loss) if the carrying amount of the right-of-use asset has been reduced to nil.

The company presents right-of-use assets in property, plant and equipment and lease liabilities in other long-term liabilities in the consolidated statements of financial position.

The company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On January 1, 2019 the company adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 – Leases (“IAS 17”) and IFRIC 4 – Determining Whether an Arrangement Contains a Lease (“IFRIC 4”).

(k) Asset impairment

At each statement of financial position date, management assesses whether there is any indication that assets are impaired. For non-financial tangible and intangible assets (including equity-accounted investments), an impairment is recognized if the recoverable amount, determined as the greater of the estimated fair value, less costs to sell, and the discounted future cash flows generated from use and eventual disposal of an asset or cash-generating unit, is less than its carrying value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(l) Trade receivables and other current assets

Trade receivables and other current assets are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method, less any provision for expected credit losses.

(m) Financial instruments

Initial recognition

Under IFRS 9 – Financial Instruments (“IFRS 9”), regular purchases and sales of financial assets are recognized on the trade date, being the date on which the company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value. In the case of a financial asset not categorized as fair value through profit and loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset are included at initial recognition. Transaction costs of financial assets carried at FVPL are expensed in income.

Classification and measurement

Subsequent measurement of financial assets depends on the company's business objective for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its financial assets:

Amortized cost – Financial assets held for collection of contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. Interest income is recognized as other income in the financial statements, and gains/losses are recognized in income when the asset is derecognized or impaired.

FVOCI – Financial assets held to achieve a particular business objective other than short-term trading are designated at fair value through other comprehensive income (“FVOCI”). For equity instruments designated at FVOCI, there is no recycling of gains or losses through income. Upon derecognition of the asset, accumulated gains or losses are transferred from OCI directly to retained earnings.

FVPL – Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. Gains or losses on these types of assets are recognized in income.

The company assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its assets carried at amortized cost and FVOCI. For trade receivables and contract assets, the company applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the asset. The simplified approach to the recognition of ECL does not require entities to track the changes in credit risk; rather, entities recognize a loss allowance at each reporting date based on the lifetime ECL since the date of initial recognition of the asset.

Evidence of impairment may include:

- Indications that a debtor or group of debtors is experiencing significant financial difficulty;
- A default or delinquency in interest or principal payments;
- Probability that a debtor or a group of debtors will enter into bankruptcy or other financial reorganization;
- Changes in arrears or economic conditions that correlate with defaults, where observable data indicates that there is a measurable decrease in the estimated future cash flows.

Trade receivables are reviewed qualitatively on a case-by-case basis to determine if they need to be written off.

ECL are measured as the difference in the present value of the contractual cash flows that are due under contract and the cash flows expected to be received. ECL is measured by considering the risk of default over the contract period and incorporates forward looking information into its measurement.

Financial liabilities are classified as financial liabilities at fair value through profit and loss, amortized cost, or derivatives designated as hedging instruments in an effective hedge. The company determines the classification of its financial liabilities at initial recognition. The company’s financial liabilities include accounts payable and accrued liabilities, corporate borrowings, non-recourse borrowings, derivative liabilities, due to related party balances, and tax equity. Financial liabilities are initially measured at fair value, with subsequent measurement determined based on their classification as follows:

FVPL – Financial liabilities held for trading, such as those acquired for the purpose of selling in the near term, derivative financial instruments entered into by the company that do not meet hedge accounting criteria, and tax equity are classified as fair value through profit and loss. Gains or losses on these types of liabilities are recognized in income.

The company owns and operates certain projects in the U.S. under tax equity structures to finance the construction of solar and wind projects. Such structures are designed to allocate renewable tax incentives, such as investment tax credits (“ITCs”), production tax credits (“PTCs”) and accelerated tax depreciation, to tax equity investors. Generally, tax equity structures grant the tax equity investors the majority of the project’s U.S. taxable earnings and renewable tax incentives, along with a smaller portion of the projects’ cash flows, until a contractually determined point at which the allocations are adjusted (the “Flip Point”). Subsequent to the Flip Point the majority of the project’s U.S. taxable earnings, renewable tax incentives and cash flows are allocated to the sponsor. The Flip Point dates are generally dependent on the underlying projects’ reaching an agreed upon after tax investment return, however, from time to time, the Flip Point dates may be dates specified within the contract. At all times, both before and after the projects’ Flip Point, the company retains control over the projects financed with a tax equity structure. In accordance with the substance of the contractual agreements, the amounts paid by the tax equity investors for their equity stakes are classified as financial instrument liabilities on the consolidated statements of financial position and at each reporting date are remeasured to their fair value in accordance with IFRS 9.

The fair value of the tax equity financing is generally comprised of the following elements:

Elements affecting the fair value of the tax equity financing	Description
Production tax credits (PTCs)	Allocation of PTCs to the tax equity investor are derived from the power generated during the period. The PTCs are recognized in foreign exchange and financial instrument gain (loss) with a corresponding reduction to the tax equity liability.
Taxable loss, including tax attributes such as accelerated tax depreciation	Under the terms of the tax equity agreements, Brookfield Renewable is required to allocate specified percentages of taxable losses to the tax equity investor. As amounts are allocated, the obligation to deliver them is satisfied and a reduction to the tax equity liability is recorded with a corresponding amount recorded within foreign exchange and financial instrument gain (loss) on the consolidated statements of income (loss).
Pay-go contributions	Certain of the contracts contain annual production thresholds. When the thresholds are exceeded, the tax equity investor is required to contribute additional cash amounts. The cash amounts paid increase the value of the tax equity liability.
Cash distributions	Certain of the contracts also require cash distributions to the tax equity investor. Upon payment, the tax equity liability is reduced in the amount of the cash distribution.

Amortized cost – All other financial liabilities are classified as amortized cost using the effective interest rate method. Gains and losses are recognized in income when the liabilities are derecognized as well as through the amortization process. Remeasurement gains and losses on financial liabilities classified as amortized cost are presented in the consolidated statements of income (loss). Amortized cost is computed using the effective interest method less any principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. This category includes trade and other payables, dividends payable, interest-bearing loans and borrowings, and corporate credit facilities.

Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The company designates its derivatives as hedges of:

- Foreign exchange risk associated with the cash flows of highly probable forecast transactions (cash flow hedges);
- Foreign exchange risk associated with net investment in foreign operations (net investment hedges);
- Commodity price risk associated with cash flows of highly probable forecast transactions (cash flow hedges); and
- Floating interest rate risk associated with highly probable payments of debts (cash flow hedges).

At the inception of a hedge relationship, the company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an ‘economic relationship’ between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship; and

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item.

The fair values of various derivative financial instruments used for hedging purposes and movements in the hedge reserve within equity are shown in Note 4 – Risk management and financial instruments.

When a hedging instrument expires, is sold, is terminated, or no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remain in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging are immediately reclassified to income.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in income at the time of the hedge relationship rebalancing.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in income, within foreign exchange and financial instruments gain (loss).

Gains and losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the period when the hedged item affects income.

(ii) Net investment hedges that qualify for hedge accounting

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit and loss within Foreign exchange and financial instruments gain (loss). Gains and losses accumulated in equity will be reclassified to income when the foreign operation is partially disposed of or sold.

(iii) Hedge ineffectiveness

The company's hedging policy only allows for the use of derivative instruments that form effective hedge relationships. Sources of hedge effectiveness are determined at the inception of the hedge relationship and measured through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Where the critical terms of the hedging instrument match exactly with the terms of the hedged item, a qualitative assessment of effectiveness is performed. For other hedge relationships, the hypothetical derivative method to assess effectiveness is used.

(n) Revenue and expense recognition

The majority of revenue is derived from the sale of power and power related ancillary services both under contract and in the open market, sourced from the company's power generating facilities. The obligations are satisfied over time as the customer simultaneously receives and consumes benefits as the company delivers electricity and related products. Revenue is recorded based upon the output delivered and capacity provided at rates specified under either contract terms or prevailing market rates. The revenue reflects the consideration the company expects to be entitled to in exchange for those goods or services. Costs related to the purchases of power or fuel are recorded upon delivery. All other costs are recorded as incurred.

Details of the revenue recognized per technology are included in Note 5 – Segmented information.

Where available, the company has elected the practical expedient available under IFRS 15 – Revenue from contracts with customers ("IFRS 15") for measuring progress toward complete satisfaction of a performance obligation and for disclosure requirements of remaining performance obligations. The practical expedient allows an entity to

recognize revenue in the amount to which the entity has the right to invoice such that the entity has a right to the consideration in an amount that corresponds directly with the value to the customer for performance completed to date by the entity.

If the consideration in a contract that does not apply the practical expedient available under IFRS 15 for measuring progress toward complete satisfaction of a performance obligation includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The company also sells power and related products under bundled arrangements. Energy, capacity and renewable credits within power purchase agreements are considered to be distinct performance obligations. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied under IFRS 15. The company views the sale of energy and capacity as a series of distinct goods that is substantially the same and has the same pattern of transfer measured by the output method. The company views renewable credits to be performance obligations satisfied at a point in time. During the year ended December 31, 2020, revenues recognized at a point in time corresponding to the sale of renewable credits were \$157 million (2019: \$112 million). Measurement of satisfaction and transfer of control to the customer of renewable credits in a bundled arrangement coincides with the pattern of revenue recognition of the underlying energy generation.

Revenues recognized that are outside the scope of IFRS 15 include realized gains and losses from derivatives used in the risk management of the company's generation activities related to commodity prices. From time to time, our company also enters into commodity contracts to hedge all or a portion of its estimated revenue stream when selling electricity to an independent system operated market and there is no PPA available. These commodity contracts require periodic settlements in which our company receives a fixed-price based on specified quantities of electricity and pays the counterparty a variable market price based on the same specified quantity of electricity. As these derivatives are accounted for under hedge accounting, the changes in fair value are recorded in operating revenues in the consolidated statements of income (loss). Financial transactions included in revenues for the year ended December 31, 2020 increased revenues by \$53 million (2019: increased revenues by \$9 million and 2018: decreased revenues by \$13 million).

(o) Income taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the statement of financial position dates. Current income tax assets and liabilities are included in trade receivables and other current assets and accounts payable and accrued liabilities, respectively.

Deferred tax is recognized on taxable temporary differences between the tax basis and the carrying amounts of assets and liabilities. Deferred tax is not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Deferred income tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

Current and deferred income taxes relating to items recognized directly in OCI are also recognized directly in OCI.

(p) Business combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of

the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business combinations (“IFRS 3”), are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12 – Income taxes (“IAS 12”), share-based payments which are measured in accordance with IFRS 2 – Share-based payment and non-current assets that are classified as held-for-sale which are measured at fair value less costs to sell in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations. The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized or when applicable, at the fair value of the shares outstanding.

To the extent that the aggregate of the fair value of consideration paid, the amount of any non-controlling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets acquired, goodwill is recognized. To the extent that this difference is negative, the amount is recognized as a gain in income. Goodwill is not amortized and is not deductible for tax purposes. However, after initial recognition, goodwill will be measured at cost less any accumulated impairment losses. An impairment assessment will be performed at least annually, and whenever circumstances such as significant declines in expected revenues, earnings or cash flows indicate that it is more likely than not that goodwill might be impaired. Goodwill impairment charges are not reversible.

When a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in income. Amounts arising from interests in the acquired business prior to the acquisition date that have previously been recognized in OCI are reclassified to income. Upon disposal or loss of control of a subsidiary, the carrying amount of the net assets of the subsidiary (including any OCI relating to the subsidiary) are derecognized with the difference between any proceeds received and the carrying amount of the net assets recognized as a gain or loss in income.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as liabilities will be recognized in the consolidated statements of income (loss), whereas changes in the fair values of contingent consideration classified within equity are not subsequently re-measured.

(q) Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification subject to limited exceptions.

When the company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group are presented separately from other assets in the consolidated statements of financial position and are classified as current. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position and are classified as current.

Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortized.

(r) Other items

(i) Capitalized costs

Capitalized costs related to CWIP include all eligible expenditures incurred in connection with acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to prepare for its intended use. Interest and borrowing costs related to CWIP are capitalized when activities that are necessary to prepare the asset for its intended use or sale are in progress, expenditures for the asset have been incurred and funds have been used or borrowed to fund the construction or development. Capitalization of costs ceases when the asset is ready for its intended use.

(ii) Pension and employee future benefits

Pension and employee future benefits are recognized in the consolidated financial statements in respect of employees of the operating entities within the company. The costs of retirement benefits for defined benefit plans and post-employment benefits are recognized as the benefits are earned by employees. The projected unit credit method, using the length of service and management's best estimate assumptions, is used to value pension and other retirement benefits. All actuarial gains and losses are recognized immediately through OCI in order for the net pension asset or liability recognized in the consolidated statements of financial position to reflect the full value of the plan deficit or surplus. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability. Changes in the net defined benefit obligation related to service costs (comprising of current service costs, past services costs, gains and losses on curtailments and non-routine settlements), and net interest expense or income are recognized in the consolidated statements of income (loss).

Re-measurements, comprising of actuarial gains or losses, the effect of the asset ceiling, and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to income in subsequent periods. For defined contribution plans, amounts are expensed based on employee entitlement.

(iii) Decommissioning, restoration and environmental liabilities

Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured at the present value of the expected costs to settle the liability, using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The liability is accreted up to the date the liability will be settled with a corresponding charge to operating expenses. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

(iv) Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(v) Interest income

Interest income is earned with the passage of time and is recorded on an accrual basis.

(vi) Government grants

The company becomes eligible for government grants by constructing or purchasing renewable power generating assets, and by bringing those assets to commercial operation, coupled with a successful application to the applicable program or agency. The assessment of whether or not a project has complied with the conditions and that there is reasonable assurance the grants will be received will be undertaken on a case-by-case basis. The company reduces

the cost of the asset by the amount of the grant. The grant amounts are recognized in income on a systematic basis as a reduction of depreciation over the periods, and in the proportions, in which depreciation on those assets is charged.

With respect to grants related to income, the government assistance (in the form of the difference between market price and guaranteed fixed price) typically becomes payable once electricity is produced and delivered to the relevant grid. It is at this point that the receipt of the grant becomes reasonably assured, and therefore the grant is recognized as revenue in the month that delivery of the electricity occurs.

(s) Critical estimates

The company makes estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of income and OCI for the year. Actual results could differ from these estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Property, plant and equipment

The fair value of the company's property, plant and equipment is calculated using estimates and assumptions about future electricity prices from renewable sources, anticipated long-term average generation, estimated operating and capital expenditures, future inflation rates and discount rates, as described in Note 10 – Property, plant and equipment, at fair value. Judgment is involved in determining the appropriate estimates and assumptions in the valuation of the company's property, plant and equipment. See Note 1(t)(iii) – Critical judgments in applying accounting policies – Property, plant and equipment for further details.

Estimates of useful lives and residual values are used in determining depreciation and amortization. To ensure the accuracy of useful lives and residual values, these estimates are reviewed on an annual basis.

(ii) Financial instruments

The company makes estimates and assumptions that affect the carrying value of its financial instruments, including estimates and assumptions about future electricity prices, long-term average generation, capacity prices, discount rates, the timing of energy delivery and the elements affecting fair value of the tax equity financings. The fair value of interest rate swaps is the estimated amount that another party would receive or pay to terminate the swap agreements at the reporting date, taking into account current market interest rates. This valuation technique approximates the net present value of future cash flows. See Note 4 – Risk management and financial instruments for more details.

(iii) Deferred income taxes

The consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated statement of financial position dates. Operating plans and forecasts are used to estimate when the temporary difference will reverse based on future taxable income.

(iv) Decommissioning liabilities

Decommissioning costs will be incurred at the end of the operating life of some of the company's assets. These obligations are typically many years in the future and require judgment to estimate. The estimate of decommissioning costs can vary in response to many factors including changes in relevant legal, regulatory, and environmental requirements, the emergence of new restoration techniques or experience at other power generating facilities. Inherent in the calculations of these costs are assumptions and estimates including the ultimate settlement amounts, inflation factors, discount rates, and timing of settlements.

(t) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the accounting policies used in the consolidated financial statements that have the most significant effect on the amounts in the consolidated financial statements:

(i) Preparation of consolidated financial statements

These consolidated financial statements present the financial position, results of operations and cash flows of the company. The company exercises judgment in determining whether non-wholly owned subsidiaries are controlled by the company. The company's judgment included the determination of (i) how the relevant activities of the subsidiary are directed; (ii) whether the rights of shareholdings are substantive or protective in nature; and (iii) the company's ability to influence the returns of the subsidiary.

(ii) Common control transactions

Common control business combinations specifically fall outside of scope of IFRS 3 and as such management has used its judgment to determine an appropriate policy to account for these transactions by considering other relevant accounting guidance that is within the framework of principles in IFRS and that reflects the economic reality of the transactions. The company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of cash flows reflect the results of the combined entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place. Differences between the consideration given and the assets and liabilities received are recorded directly to equity.

(iii) Property, plant and equipment

The accounting policy relating to the company's property, plant and equipment is described in Note 1(i) – Property, plant and equipment and revaluation method. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance that are expensed when incurred. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable costs to be included in the carrying value of the development asset. The useful lives of property, plant and equipment are determined by independent engineers periodically with an annual review by management.

Annually, the company determines the fair value of its property, plant and equipment using a methodology that it has judged to be reasonable. The methodology for hydroelectric assets is generally a twenty-year discounted cash flow model. Twenty years is the period considered reasonable as the company has twenty-year capital plans and it believes a reasonable third party would be indifferent between extending the cash flows further in the model versus using a discounted terminal value. The methodology for wind, solar and other assets is to align the model length with the expected remaining useful life of the subject assets.

The valuation model incorporates future cash flows from long-term power purchase agreements that are in place where it is determined that the power purchase agreements are linked specifically to the related power generating assets. With respect to estimated future generation that does not incorporate long-term power purchase agreement pricing, the cash flow model uses estimates of future electricity prices using broker quotes from independent sources for the years in which there is a liquid market. The valuation of generation not linked to long-term power purchase agreements also requires the development of a long-term estimate of future electricity prices. In this regard the valuation model uses a discount to the all-in cost of construction with a reasonable return to secure energy from a new renewable resource with a similar generation profile to the asset being valued as the benchmark that will establish the market price for electricity for renewable resources.

The company's long-term view is anchored to the cost of securing new energy from renewable sources to meet future demand growth by the years 2026 to 2035 in North America, 2028 in Colombia and 2024 in Brazil. The year of new entry is viewed as the point when generators must build additional capacity to maintain system reliability and provide an adequate level of reserve generation with the retirement of older coal-fired plants and rising environmental compliance costs in North America, and overall increasing demand in Colombia and Brazil. For the North American business, the company has estimated a discount to these new-build renewable asset prices to determine renewable electricity prices for hydroelectric, solar and wind facilities. In Brazil and Colombia, the estimate of future electricity prices is based on a similar approach as applied in North America using a forecast of the all-in cost of development.

Terminal values are included in the valuation of hydroelectric assets in North America and Colombia. For the hydroelectric assets in Brazil, cash flows have been included based on the duration of the authorization or useful life of a concession asset with consideration of a one-time thirty-year renewal on qualifying hydroelectric assets.

Discount rates are determined each year by considering the current interest rates, average market cost of capital as well as the price risk and the geographical location of the operational facilities as judged by management. Inflation rates are also determined by considering the current inflation rates and the expectations of future rates by economists. Operating costs are based on long-term budgets escalated for inflation. Each operational facility has a twenty-year capital plan that it follows to ensure the maximum life of its assets is achieved. Foreign exchange rates are forecasted by using the spot rates and the available forward rates, extrapolated beyond the period available. The inputs described above to the discounted cash flow model require management to consider facts, trends and plans in making its judgments as to what derives a reasonable fair value of its property, plant and equipment.

(iv) Financial instruments

The accounting policy relating to the company's financial instruments is described in Note 1(m) – Financial instruments. In applying the policy, judgments are made in applying the criteria set out in IFRS 9 to record financial instruments at fair value through profit and loss, fair value through other comprehensive income and the assessments of the effectiveness of hedging relationships.

(v) Deferred income taxes

The accounting policy relating to the company's income taxes is described in Note 1(o) – Income taxes. In applying this policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

(u) Future changes in accounting policies

Amendments to IFRS 9 and IFRS 7: Disclosures

Interbank offered rates (“IBOR”) reform refers to the global reform of interest reference rates, which includes the replacement of specified IBORs with alternative benchmark rates. It is currently expected that Secured Overnight Financing Rate (“SOFR”) will replace US\$ LIBOR, Sterling Overnight Index Average (“SONIA”) will replace £ LIBOR, and Euro Short-term Rate (“€STR”) will replace € EURIBOR. The company adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, and IFRS 7, issued by the IASB in September 2019 (“Phase I Amendments”), effective October 1, 2019 in advance of its mandatory effective date. The Phase I Amendments provided clarity where uncertainty could arise in the lead-up to transition. The IBOR Phase I Amendments have been applied retrospectively to hedging relationships existing at the start of the reporting period or designated subsequently, and to the amount accumulated in the cash flow hedge reserve at that date.

The IBOR Phase I Amendments provide temporary relief from applying specific hedge accounting requirements to the company's hedging relationships that are directly affected by IBOR reform, which primarily include US\$ LIBOR, £ LIBOR, and € EURIBOR. The relief provided has the effect that the company should not have to discontinue hedging relationships solely due to the uncertainty arising from IBOR reform. In assessing whether a hedge is expected to be highly effective on a forward-looking basis, the company assumes the interest rate benchmarks associated with the company's hedges are generally not altered by IBOR reform. These reliefs cease to apply to a hedged item or hedging instrument, as applicable, at the earlier of (i) when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the interest rate benchmark based future cash flows, and (ii) when the hedging relationship is discontinued. The Phase I Amendments had no impact on the company since these amendments enable the company to continue hedge accounting for hedging relationships which have been previously designated.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Disclosures

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Phase II Amendments”), effective January 1, 2021, with early adoption permitted. The Phase II Amendments provide additional guidance to address issues that will arise during the transition of benchmark interest rates. The Phase II Amendments primarily relate to the modification of financial assets, financial liabilities and lease liabilities where the basis for determining the contractual cash flows changes as a result of IBOR

reform, allowing for prospective application of the applicable benchmark interest rate and to the application of hedge accounting, providing an exception such that changes in the formal designation and documentation of hedge accounting relationships that are needed to reflect the changes required by IBOR reform do not result in the discontinuation of hedge accounting or the designation of new hedging relationships.

The company has completed an assessment and implemented its transition plan to address the impact and effect changes as a result of amendments to the contractual terms of IBOR referenced floating-rate borrowings, interest rate swaps, and updating hedge designations. The adoption is not expected to have a significant impact on the company's financial reporting.

Amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”)

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The company is currently assessing the impact of these amendments.

There are currently no other future changes to IFRS with potential impact on the company.

2. PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the company which, in the opinion of management, significantly affect its financial position and results of operations as at December 31, 2020:

	Jurisdiction of Incorporation or Organization	Percentage of voting securities owned or controlled (%)
BP Brazil US Subco LLC.....	Delaware	100
Brookfield Power US Holding America Co.....	Delaware	100
Isagen S.A. E.S.P. ⁽¹⁾	Colombia	99.67
TerraForm Power NY Holdings, Inc.....	New York	100

⁽¹⁾ Voting control held through voting agreements with Brookfield.

3. ACQUISITIONS

Spanish CSP Portfolio

On February 11, 2020, the company, through its investment in TerraForm Power, completed the acquisition of 100% of a portfolio of two concentrated solar power facilities (together, “Spanish CSP Portfolio”) located in Spain with a combined nameplate capacity of approximately 100 MW. The purchase price of this acquisition, including working capital adjustments, was €111 million (\$121 million). The total acquisition costs of \$1 million were expensed as incurred and have been classified under Other in the consolidated statement of income (loss).

This investment was accounted for using the acquisition method, and the results of operations have been included in the audited annual consolidated financial statements since the date of the acquisition. If the acquisition had taken place at the beginning of the year, the revenue from the Spanish CSP Portfolio would have been \$99 million for the year ended December 31, 2020.

The purchase price allocation, at fair value, with respect to the acquisition is as follows:

(MILLIONS)	Spanish CSP Portfolio
Cash and cash equivalents	\$ 22
Restricted cash	27
Trade receivables and other current assets	33
Property, plant and equipment, at fair value	661
Deferred tax assets	14
Other non-current assets	8
Current liabilities	(17)
Financial instruments	(148)
Non-recourse borrowings	(475)
Decommissioning liabilities	(23)
Other long-term liabilities	(22)
Fair value of identifiable net assets acquired	80
Goodwill	41
Purchase price	<u>\$ 121</u>

Completed in 2019

United States Distributed Generation Portfolio (“DG Portfolio”)

On September 26, 2019, the company acquired a 100% interest in a 320 MW distributed generation portfolio of renewable energy facilities in the United States, for total consideration of \$735 million. The total acquisition costs of \$5 million were expensed as incurred and have been classified under Other in the consolidated statement of income (loss).

This investment was accounted for using the acquisition method, and the results of operations have been included in the consolidated financial statements since the date of the acquisition. If the acquisition had taken place at the beginning of the year, the revenue from the DG Portfolio would have been \$67 million for the year ended December 31, 2019.

The purchase price allocations, at fair value, with respect to the acquisition is as follows:

(MILLIONS)	DG Portfolio
Cash	\$ 3
Trade receivables and other current assets	47
Property, plant and equipment, at fair value	753
Current liabilities	(8)
Decommissioning liabilities	(33)
Other long-term liabilities	(27)
Fair value of net assets acquired	<u>\$ 735</u>

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

RISK MANAGEMENT

The company's activities expose it to a variety of financial risks, including market risk (i.e., commodity price risk, interest rate risk, and foreign currency risk), credit risk and liquidity risk. The company uses financial instruments primarily to manage these risks.

The sensitivity analysis discussed below reflect the risks associated with instruments that the company considers are market sensitive and the potential loss resulting from one or more selected hypothetical changes. Therefore, the discussion below is not intended to fully reflect the company's risk exposure.

(a) Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices.

The company faces market risk from foreign currency assets and liabilities, the impact of changes in interest rates, and floating rate liabilities. Market risk is managed by funding assets with financial liabilities in the same currency and with similar interest rate characteristics and holding financial contracts, such as interest rate swaps and foreign exchange contracts, to minimize residual exposures. Financial instruments held by the company that are subject to market risk include borrowings and financial instruments, such as interest rate, currency and commodity contracts. The categories of financial instruments that can give rise to significant variability are described below:

(i) Electricity price risk

The company aims to sell electricity under long-term contracts to secure stable prices and mitigate its exposure to wholesale markets. Electricity price risk arises from the sale of the company's uncontracted generation and is mitigated by entering into short-term energy derivative contracts. Electricity price risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in electricity prices.

The table below summarizes the impact of changes in the market price of electricity as at December 31. The impact is expressed in terms of the effect on net income and OCI. The sensitivities are based on the assumption that the market price changes by 5% with all other variables held constant.

Impact of a 5% change in the market price of electricity, on outstanding energy derivative contracts, for the year ended December 31:

(MILLIONS)	Effect on net income ⁽¹⁾			Effect on OCI ⁽¹⁾		
	2020	2019	2018	2020	2019	2018
5% increase	\$ (9)	\$ (21)	\$ (16)	\$ (11)	\$ (12)	\$ (15)
5% decrease	9	8	6	11	12	15

⁽¹⁾ Amounts represent the potential annual net pretax impact.

(ii) *Foreign currency risk*

Foreign currency risk is defined for these purposes as the risk that the fair value of a financial instrument held by the company will fluctuate because of changes in foreign currency rates.

The company has exposure to the Canadian dollar, euro, Brazilian real, and Colombian peso through its investments in foreign operations. Consequently, fluctuations in the U.S. dollar exchange rate against these currencies increase the volatility of net income and other comprehensive income. The company holds foreign currency contracts primarily to mitigate this exposure.

The table below summarizes the impact to the company's financial instruments of changes in the exchange rate as at December 31. The impact is expressed in terms of the effect on income and OCI. The sensitivities are based on the assumption that the currency exchange rate changes by five percent with all other variables held constant.

Impact of a 5% change in U.S. dollar exchange rates, on outstanding foreign exchange swaps, for the year ended December 31:

(MILLIONS)	Effect on net income ⁽¹⁾			Effect on OCI ⁽¹⁾		
	2020	2019	2018	2020	2019	2018
5% increase	\$ 56	\$ 39	\$ 45	\$ 26	\$ 9	\$ 20
5% decrease	(54)	(26)	(45)	(26)	(9)	(21)

⁽¹⁾ Amounts represent the potential annual net pretax impact.

(iii) *Interest rate risk*

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate, because of changes in interest rates.

The company's assets largely consist of long duration physical assets. The company's financial liabilities consist primarily of long-term fixed-rate debt or variable-rate debt that has been swapped to fixed rates with interest rate financial instruments. All non-derivative financial liabilities are recorded at their amortized cost. The company also holds interest rate contracts to lock-in fixed rates on certain anticipated future debt issuances.

The company will enter into interest rate swaps designed to minimize the exposure to interest rate fluctuations on its variable-rate debt. Fluctuations in interest rates could impact the company's cash flows, primarily with respect to the interest payable against the company's variable rate debt, which is limited to certain non-recourse borrowings with a total principal value of \$5,035 million (2019: \$5,228 million). Of this principal value, \$2,918 million (2019: \$2,467 million) has been fixed through the use of interest rate contracts. The fair values of the recognized liability for the interest rate swaps were calculated using a valuation model with observable interest rates.

The table below summarizes the impact of changes in the interest rate as at December 31. The impact is expressed in terms of the effect on income and OCI. The sensitivities are based on the assumption that the interest rate changes by 1% with all other variables held constant.

Impact of a 1% change in interest rates, on outstanding interest rate swaps, variable rate debt and tax equity, for the year ended December 31:

(MILLIONS)	Effect on net income ⁽¹⁾			Effect on OCI ⁽¹⁾		
	2020	2019	2018	2020	2019	2018
1% increase	\$ 2	\$ (14)	\$ 10	\$ 119	\$ 64	\$ 36
1% decrease	(3)	13	(5)	(126)	(64)	(39)

⁽¹⁾ Amounts represent the potential annual net pretax impact.

(b) *Credit risk*

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. The company's exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations

regarding energy contracts, interest rate swaps, forward foreign exchange contracts and physical electricity transactions.

The company minimizes credit risk with counterparties through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, and other credit risk mitigation techniques. In addition, the company's power purchase agreements are reviewed regularly and the majority are with customers having long standing credit histories or investment grade ratings, which limit the risk of non-collection. See Note 20 – Trade receivables and other current assets, for additional details regarding the company's trade receivables balance.

The maximum credit exposure at December 31 was as follows:

(MILLIONS)	2020	2019
Trade receivables and other short-term receivables	\$ 556	\$ 575
Financial instrument assets	108	100
Due from related parties	414	189
	<u>\$ 1,078</u>	<u>\$ 864</u>

(c) Liquidity risk

Liquidity risk is the risk that the company cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by the company's cash and cash equivalent balances and its access to undrawn credit facilities. Details of the available portion of credit facilities are included in Note 12 – Borrowings. The company also ensures that it has access to public capital markets and maintains a strong investment grade credit rating.

The company is also subject to the risk associated with debt financing. This risk is mitigated by the long-term duration of debt instruments and the staggered maturity dates over an extended period of time.

CASH OBLIGATIONS

The table below classifies the cash obligations related to the company's liabilities into relevant maturity groupings based on the remaining period from the statement of financial position dates to the contractual maturity date. As the amounts are the contractual undiscounted cash flows (gross of unamortized financing fees and accumulated amortization, where applicable), they may not agree with the amounts disclosed in the consolidated statements of financial position.

AS AT DECEMBER 31, 2020
(MILLIONS)

	< 1 year	2-5 years	> 5 years	Total
Accounts payable and accrued liabilities	\$ 450	\$ —	\$ —	\$ 450
Financial instrument liabilities ⁽¹⁾⁽²⁾	198	358	140	696
Due to related parties	694	1	—	695
Other long-term liabilities – concession payments	1	5	12	18
Lease liabilities ⁽¹⁾	30	99	264	393
Non-recourse borrowings ⁽¹⁾	886	3,892	8,081	12,859
Interest payable on borrowings ⁽³⁾	598	1,924	1,708	4,230
Total	<u>\$ 2,857</u>	<u>\$ 6,279</u>	<u>\$ 10,205</u>	<u>\$ 19,341</u>

AS AT DECEMBER 31, 2019
(MILLIONS)

	< 1 year	2-5 years	> 5 years	Total
Accounts payable, accrued liabilities, and provisions	\$ 493	\$ —	\$ —	\$ 493
Financial instrument liabilities ⁽¹⁾⁽²⁾	125	304	140	569
Due to related parties	201	—	2	203
Other long-term liabilities – concession payments	1	6	15	22
Lease liabilities ⁽¹⁾	31	98	299	428
Non-recourse borrowings ⁽¹⁾	605	3,926	7,429	11,960
Interest payable on borrowings ⁽³⁾	510	2,135	2,053	4,698
Total	<u>\$ 1,966</u>	<u>\$ 6,469</u>	<u>\$ 9,938</u>	<u>\$ 18,373</u>

(1) Includes both the current and long-term amounts.

(2) Includes tax equity liabilities that will be partially settled by the delivery of non-cash tax attributes.

(3) Represents aggregate interest payable expected to be paid over the entire term of the obligations, if held to maturity. Variable rate interest payments have been calculated based on estimated interest rates.

Fair value disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, management looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, commodity prices and, as applicable, credit spreads.

A fair value measurement of a non-financial asset is the consideration that would be received in an orderly transaction between market participants, considering the highest and best use of the asset.

Assets and liabilities measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – inputs, other than quoted prices in Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The following table presents the company's assets and liabilities measured and disclosed at fair value classified by the fair value hierarchy as at December 31:

(MILLIONS)	Level 1	Level 2	Level 3	2020	2019
Assets measured at fair value:					
Cash and cash equivalents.....	\$ 355	\$ —	\$ —	\$ 355	\$ 304
Restricted cash ⁽¹⁾	229	—	—	229	265
Financial instrument assets ⁽²⁾					
Energy derivative contracts.....	—	36	68	104	92
Foreign exchange swaps.....	—	4	—	4	8
Property, plant and equipment.....	—	—	36,097	36,097	32,647
Liabilities measured at fair value:					
Financial instrument liabilities ⁽²⁾					
Energy derivative contracts.....	—	(27)	—	(27)	(8)
Interest rate swaps.....	—	(244)	—	(244)	(138)
Foreign exchange swaps.....	—	(23)	—	(23)	(11)
Tax equity.....	—	—	(402)	(402)	(412)
Liabilities for which fair value is disclosed:					
BEPC exchangeable and class B shares ⁽³⁾	(7,430)	—	—	(7,430)	—
Non-recourse borrowings.....	(2,065)	(12,530)	—	(14,595)	(12,604)
Total.....	<u>\$ (8,911)</u>	<u>\$ (12,784)</u>	<u>\$ 35,763</u>	<u>\$ 14,068</u>	<u>\$ 20,143</u>

(1) Includes both the current amount and long-term amount included in Other long-term assets.

(2) Includes both current and long-term amounts.

(3) BEPC class C shares are also classified as financial liabilities due to their cash redemption feature. As discussed in Note 1(m) – Basis of presentation and significant accounting policies, the BEPC class C shares meet certain qualifying criteria and are presented as equity. See Note 14 – BEPC exchangeable shares, BEPC class B shares and BEPC class C shares.

There were no transfers between levels during the year ended December 31, 2020.

Financial instruments disclosures

The aggregate amount of the company's net financial instrument positions as at December 31 are as follows:

(MILLIONS)	2020			2019
	Assets	Liabilities	Net Assets (Liabilities)	Net Assets (Liabilities)
Energy derivative contracts.....	\$ 104	\$ 27	\$ 77	\$ 84
Interest rate swaps.....	—	244	(244)	(138)
Foreign exchange swaps.....	4	23	(19)	(3)
Tax equity.....	—	402	(402)	(412)
Total.....	108	696	(588)	(469)
Less: current portion.....	40	198	(158)	(84)
Long-term portion.....	<u>\$ 68</u>	<u>\$ 498</u>	<u>\$ (430)</u>	<u>\$ (385)</u>

The following table presents the change in the company's total net financial instrument asset position as at and for the year ended December 31:

(MILLIONS)	Note	2020	2019
Balance, beginning of year		\$ (469)	\$ (482)
Increases (decreases) in the net financial instrument liability position:			
Unrealized (loss) gain through income on tax equity	(a)	(12)	26
Unrealized (loss) through income on energy derivative contracts	(b)	1	(19)
Unrealized (loss) through OCI on energy derivative contracts	(b)	(5)	29
Unrealized gain (loss) through income on interest rate swaps	(c)	12	(28)
Unrealized gain (loss) through OCI on interest rate swaps	(c)	(51)	(37)
Unrealized gain (loss) through income on foreign exchange swaps	(d)	23	20
Unrealized gain (loss) through OCI on foreign exchange swaps	(d)	—	14
Acquisitions, settlements and other		(87)	8
Balance, end of year		<u>\$ (588)</u>	<u>\$ (469)</u>
Financial instrument liabilities designated at fair value through profit and loss			
Tax equity	(a)	\$ (402)	\$ (412)
Derivative assets not designated as hedging instruments:			
Energy derivative contracts	(b)	\$ 54	\$ 35
Foreign exchange swaps	(d)	4	8
		<u>\$ 58</u>	<u>\$ 43</u>
Derivative assets designated as hedging instruments:			
Energy derivative contracts	(b)	\$ 50	\$ 57
		<u>\$ 50</u>	<u>\$ 57</u>
Derivative liabilities not designated as hedging instruments:			
Energy derivative contracts	(b)	\$ (27)	\$ (8)
Interest rate swaps	(c)	(18)	(77)
Foreign exchange swaps	(d)	(20)	(10)
		<u>\$ (65)</u>	<u>\$ (95)</u>
Derivative liabilities designated as hedging instruments:			
Interest rate swaps	(c)	(226)	(61)
Foreign exchange swaps	(d)	(3)	(1)
		<u>\$ (229)</u>	<u>\$ (62)</u>
Total financial instruments, net		<u>\$ (588)</u>	<u>\$ (469)</u>

(a) Tax equity

The company owns and operates certain projects in the United States under tax equity structures to finance the construction of solar and wind projects. In accordance with the substance of the contractual agreements, the amounts paid by the tax equity investors for their equity stakes are classified as financial instrument liabilities on the consolidated statements of financial position.

Gain or loss on the tax equity liabilities are recognized within foreign exchange and financial instruments (loss) gain in the consolidated statements of income (loss).

(b) Energy derivative contracts

The company has entered into long-term energy derivative contracts primarily to stabilize or eliminate the price risk on the sale of certain future power generation. Certain energy contracts are recorded in the company's consolidated financial statements at an amount equal to fair value, using quoted market prices or, in their absence, a valuation model using both internal and third-party evidence and forecasts.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the energy derivative contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). The company has established a hedge ratio of 1:1 for the hedging relationship. To measure the hedge effectiveness, the company uses the hypothetical derivative method and compares changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The hedge ineffectiveness can arise from different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.

Certain subsidiaries that the company controls, through a voting agreement, have entered into agreements appointing the partnership as their agent in entering into certain derivative transactions with external counterparties. Pursuant to each Agreement, the partnership was entitled to be reimbursed for any third party costs incurred in connection with these derivative transactions. Substantially all of the company's energy contract derivatives are entered into pursuant to these agreements.

For the year ended December 31, 2020, gains of \$53 million relating to energy derivative contracts were realized and reclassified from OCI to revenues in the consolidated statements of income (loss) (2019: \$9 million gains and 2018: \$13 million losses).

Based on market prices as of December 31, 2020, unrealized gains of \$13 million (2019: \$22 million gains and 2018: \$15 million losses) recorded in accumulated other comprehensive income ("AOCI") on energy derivative contracts are expected to be settled or reclassified into income in the next twelve months. The actual amount reclassified from AOCI, however, could vary due to future changes in market prices.

The following table summarizes the energy derivative contracts designated as hedging instruments:

Energy derivative contracts	December 31, 2020	December 31, 2019
Carrying amount (asset/(liability)).....	50	57
Notional amount – millions of U.S. dollars.....	273	328
Notional amount – GWh.....	8,657	10,010
Weighted average hedged rate for the year (\$/MWh).....	32	33
Maturity dates.....	2021 - 2027	2020 - 2027
Hedge ratio.....	1:1	1:1
Change in discounted spot value of outstanding hedging instruments.....	15	21
Change in value of hedged item used to determine hedge effectiveness.....	(17)	(22)

There is \$2 million of hedge ineffectiveness gains recognized in Foreign exchange and financial instruments gain (loss) in the consolidated statements of income (loss) related to energy derivative contracts (cash flow hedges) for the year ended December 31, 2020 (2019: nil and 2018: \$2 million gain).

(c) Interest rate hedges

The company has entered into interest rate hedge contracts primarily to minimize exposure to interest rate fluctuations on its variable rate debt or to lock in interest rates on future debt refinancing. All interest rate hedge contracts are recorded in the consolidated financial statements at fair value.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate hedges match the terms of the respective fixed rate loans (i.e., notional amount, maturity, payment and reset dates). The company established a hedge ratio of 1:1 for the hedging relationship. To measure the hedge effectiveness, the company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curves being applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk having an asymmetrical impact on the fair value movements of the hedging instrument and hedged item

At December 31, 2020, agreements with a total notional exposure of \$2,974 million were outstanding (2019: \$2,246 million) including \$428 million (2019: \$996 million) associated with agreements that are not formally designated as hedging instruments. The weighted-average fixed interest rate resulting from these agreements is 2.8% (2019: 2.7%).

For the year ended December 31, 2020, net movements relating to cash flow hedges realized and reclassified from OCI to interest expense in the consolidated statements of income (loss) were \$5 million losses (2019: \$6 million losses and 2018: \$7 million losses).

Based on market prices as of December 31, 2020, unrealized losses of \$30 million (2019: \$3 million and 2018: \$1 million) recorded in AOCI on interest rate swaps are expected to be settled or reclassified into income in the next twelve months. The actual amount reclassified from AOCI, however, could vary due to future changes in market rates.

The following table summarizes the interest rate hedges designated as hedging instruments:

Interest rate hedges	December 31, 2020	December 31, 2019
Carrying amount (asset/(liability)).....	(225)	(61)
Notional amount – \$.....	546	567
Notional amount – COP ⁽¹⁾	619	227
Notional amount – C\$ ⁽¹⁾	102	107
Notional amount – € ⁽¹⁾	1,279	349
Maturity dates.....	2021 - 2039	2021 - 2039
Hedge ratio.....	1:1	1:1
Change in discounted spot value of outstanding hedging instruments.....	(46)	(6)
Change in value of hedged item used to determine hedge effectiveness.....	47	7

⁽¹⁾ Notional amounts of foreign currency denominated interest rate hedges are presented at the U.S. dollar equivalent value based on the December 31, 2020 foreign currency spot rate

The hedge ineffectiveness gain recognized within foreign exchange and financial instrument gain (loss) in the consolidated statements of income (loss) related to interest rate contracts (cash flow hedges) for the year ended December 31, 2020 was \$2 million (2019: nil).

(d) Foreign exchange swaps

The company has entered into foreign exchange swaps to minimize its exposure to currency fluctuations impacting its investments and earnings in foreign operations, and to fix the exchange rate on certain anticipated transactions denominated in foreign currencies.

There is an economic relationship between the hedged item and the hedging instrument as the net investment or anticipated foreign currency transaction creates a translation risk that will match the respective hedging instrument. The company established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component.

Certain Brookfield subsidiaries that the company controls, through a voting agreement, have entered into Master Hedge Agreements appointing Brookfield as their agent in entering into certain derivative transactions with external counterparties to hedge against fluctuations in foreign exchange. Pursuant to each Agreement, Brookfield was entitled to be reimbursed for any third party costs incurred in connection with these derivative transactions. Substantially all of the company's foreign exchange swaps are entered into pursuant to a Master Hedge Agreement.

At December 31, 2020, agreements with a total notional exposure of \$1,199 million were outstanding (2019: \$1,319 million) including \$921 million (2019: \$1,013 million) associated with agreements that are not formally designated as hedging instruments.

There are no unrealized gains or losses recorded in AOCI on foreign exchange swaps that are expected to be settled or reclassified into income in the next twelve months (2019: nil and 2018: \$1 million gain). The actual amount reclassified from AOCI, however, could vary due to future changes in market rates.

The following table summarizes the foreign exchange swaps designated as hedging instruments:

Foreign exchange swaps	December 31, 2020	December 31, 2019
Carrying amount (asset/(liability)).....	(3)	(1)
Notional amount for hedges of the Canadian dollar ⁽¹⁾	—	72
Notional amount for hedges of the Euro ⁽¹⁾	185	234
Notional amount for hedges of the Brazilian real ⁽¹⁾	73	—
Notional amount for hedges of other currencies ⁽¹⁾	20	—
Maturity date.....	2021 - 2022	2020 - 2022
Hedge ratio.....	1:1	1:1
Weighted average hedged rate for the year:		
C\$/ \$ foreign exchange forward contracts.....	—	1.30
€/\$ foreign exchange forward contracts.....	0.82	0.85
BRL/\$ foreign exchange forward contracts.....	5.38	—

⁽¹⁾ Notional amounts expressed in millions of U.S. dollars

5. SEGMENTED INFORMATION

The company's Chief Executive Officer and Chief Financial Officer (collectively, the chief operating decision maker or "CODM") review the results of the operations, manage the operations, and allocate resources based on the type of technology, in conjunction with other segments of Brookfield Renewable.

The reporting to the CODM was revised during the year to incorporate the energy transition business of the company. The energy transition business corresponds to a portfolio of multi-technology assets and investments that support the broader strategy of decarbonization of electricity grids around the world. The financial information of operating segments in the prior periods has been restated to present the corresponding results of the energy transition business.

The operations of the company are segmented by – 1) hydroelectric, 2) wind, 3) solar, 4) energy transition and 5) corporate. This best reflects the way in which the CODM reviews the results of our company.

In accordance with IFRS 8, Operating Segments ("IFRS 8"), the company discloses information about its reportable segments based upon the measures used by the CODM in assessing performance. The accounting policies of the reportable segments are the same as those described in Note 1 – Basis of preparation and significant accounting policies.

Reporting to the CODM on the measures utilized to assess performance and allocate resources is provided on a proportionate basis. Information on a proportionate basis reflects the company's share from facilities which it accounts for using consolidation and the equity method whereby the company either controls or exercises significant influence or joint control over the investment, respectively. Proportionate information provides shareholders perspective that the CODM considers important when performing internal analyses and making strategic and operating decisions. The CODM also believes that providing proportionate information helps investors understand the impacts of decisions made by management and financial results allocable to the company's shareholders.

Proportionate financial information is not, and is not intended to be, presented in accordance with IFRS. Tables reconciling IFRS data with data presented on a proportionate consolidation basis have been disclosed. Segment revenues, other income, direct operating costs, interest expense, depreciation, current and deferred income taxes, and other are items that will differ from results presented in accordance with IFRS as these items include the company's proportionate share of earnings from equity-accounted investments attributable to each of the above-noted items, and exclude the proportionate share of earnings (loss) of consolidated investments not held by the company apportioned to each of the above-noted items.

The company does not control those entities that have not been consolidated and as such, have been presented as equity-accounted investments in its consolidated financial statements. The presentation of the assets and liabilities and revenues and expenses does not represent the company's legal claim to such items, and the removal of financial statement amounts that are attributable to non-controlling interests does not extinguish the company's legal claims or exposures to such items.

The company reports its results in accordance with these segments and presents prior period segmented information in a consistent manner.

The company analyzes the performance of its operating segments based on revenues, Adjusted EBITDA, and Funds From Operations. Adjusted EBITDA and Funds From Operations are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Adjusted EBITDA and Funds From Operations used by other entities.

The company uses Adjusted EBITDA to assess the performance of its operations before the effects of interest expense, income taxes, depreciation, management service costs, non-controlling interests, gain or loss on financial instruments, non-cash gain or loss from equity-accounted investments and other typical non-recurring items. The company includes realized disposition gains and losses on assets that we did not intend to hold over the long-term within Adjusted EBITDA in order to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in equity and not otherwise reflected in current period Adjusted EBITDA.

The company uses Funds From Operations to assess the performance of its operations and is defined as Adjusted EBITDA less management service costs, interest and current income taxes, which is then adjusted for the cash portion of non-controlling interests.

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2020:

(MILLIONS)	Attributable to the partnership						Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Solar	Energy Transition	Corporate	Total			
Revenues	\$ 856	\$ 130	\$ 71	\$ 81	\$ —	\$ 1,138	\$ (40)	\$ 1,989	\$ 3,087
Other income	52	2	3	—	—	57	(1)	43	99
Direct operating costs	(340)	(47)	(17)	(40)	—	(444)	20	(637)	(1,061)
Share of Adjusted EBITDA from equity-accounted investments	—	—	—	—	—	—	21	—	21
Adjusted EBITDA	568	85	57	41	—	751	—	1,395	
Management service costs	—	—	—	—	(126)	(126)	—	(26)	(152)
Interest expense ⁽¹⁾	(135)	(34)	(24)	(11)	—	(204)	9	(505)	(700)
Current income taxes	(16)	(3)	—	—	—	(19)	—	(42)	(61)
Share of interest and cash taxes from equity-accounted investments	—	—	—	—	—	—	(9)	—	(9)
Share of Funds From Operations attributable to non-controlling interests	—	—	—	—	—	—	—	(822)	(822)
Funds From Operations	417	48	33	30	(126)	402	—	—	
Depreciation	(232)	(80)	(19)	(30)	—	(361)	11	(715)	(1,065)
Foreign exchange and financial instrument gain (loss)	6	20	—	(6)	(9)	11	4	59	74
Deferred income tax recovery (expense)	27	18	6	3	22	76	—	58	134
Other	(20)	(18)	(2)	(12)	(137)	(189)	1	(305)	(493)
Dividends on BEPC exchangeable shares ⁽¹⁾	—	—	—	—	(116)	(116)	—	—	(116)
Remeasurement of BEPC exchangeable and BEPC class B shares	—	—	—	—	(2,561)	(2,561)	—	—	(2,561)
Share of earnings from equity-accounted investments	—	—	—	—	—	—	(16)	—	(16)
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	903	903
Net income (loss) attributable to the partnership	<u>\$ 198</u>	<u>\$ (12)</u>	<u>\$ 18</u>	<u>\$ (15)</u>	<u>\$ (2,927)</u>	<u>\$ (2,738)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,738)</u>

⁽¹⁾ Share of loss from equity-accounted investments of \$4 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net loss attributable to participating non-controlling interests of \$81 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests. Total interest expense of \$816 million is comprised of amounts on Interest expense and Dividends on BEPC exchangeable shares.

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2019:

(MILLIONS)	Attributable to the partnership					Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Energy Transition	Corporate	Total			
Revenues	\$ 1,043	\$ 60	\$ 64	\$ —	\$ 1,167	\$ (52)	\$ 2,111	\$ 3,226
Other income	21	—	—	—	21	(1)	59	79
Direct operating costs	(374)	(22)	(34)	—	(430)	21	(644)	(1,053)
Share of Adjusted EBITDA from equity-accounted investments	—	—	—	—	—	32	—	32
Adjusted EBITDA	690	38	30	—	758	—	1,526	
Management service costs	—	—	—	(78)	(78)	—	(31)	(109)
Interest expense	(150)	(16)	(10)	—	(176)	10	(535)	(701)
Current income taxes	(22)	(1)	(1)	—	(24)	—	(40)	(64)
Share of interest and cash taxes from equity-accounted investments	—	—	—	—	—	(10)	—	(10)
Share of Funds From Operations attributable to non-controlling interests	—	—	—	—	—	—	(920)	(920)
Funds From Operations	518	21	19	(78)	480	—	—	
Depreciation	(241)	(39)	(21)	—	(301)	10	(692)	(983)
Foreign exchange and financial instrument gain (loss)	10	—	—	—	10	—	(5)	5
Deferred income tax recovery (expense)	(11)	5	—	—	(6)	—	3	(3)
Other	(23)	6	(1)	—	(18)	—	(179)	(197)
Share of earnings from equity-accounted investments	—	—	—	—	—	(10)	—	(10)
Net income attributable to non-controlling interests	—	—	—	—	—	—	873	873
Net income (loss) attributable to the partnership	\$ 253	\$ (7)	\$ (3)	\$ (78)	\$ 165	\$ —	\$ —	\$ 165

⁽¹⁾ Share of earnings from equity-accounted investments of \$12 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net income attributable to participating non-controlling interests of \$47 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests.

The following table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance and reconciles the company's proportionate results to the consolidated statements of income (loss) on a line-by-line basis by aggregating the components comprising the earnings from the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests for the year ended December 31, 2018:

(MILLIONS)	Attributable to the partnership					Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials ⁽¹⁾
	Hydroelectric	Wind	Energy Transition	Corporate	Total			
Revenues.....	\$ 979	\$ 70	\$ 71	\$ —	\$ 1,120	\$ (58)	\$ 1,917	\$ 2,979
Other income.....	12	1	(3)	—	10	—	31	41
Direct operating costs.....	(374)	(22)	(31)	—	(427)	21	(647)	(1,053)
Share of Adjusted EBITDA from equity-accounted investments.....	—	—	—	—	—	37	—	37
Adjusted EBITDA.....	617	49	37	—	703	—	1,301	
Management service costs.....	—	—	—	(53)	(53)	—	(18)	(71)
Interest expense.....	(163)	(17)	(12)	—	(192)	11	(489)	(670)
Current income taxes.....	(13)	(1)	—	—	(14)	—	(14)	(28)
Share of interest and cash taxes from equity-accounted investments.....	—	—	—	—	—	(11)	—	(11)
Share of Funds From Operations attributable to non-controlling interests.....	—	—	—	—	—	—	(780)	(780)
Funds From Operations.....	441	31	25	(53)	444	—	—	
Depreciation.....	(278)	(35)	(23)	—	(336)	10	(536)	(862)
Foreign exchange and financial instrument gain (loss).....	(10)	—	1	—	(9)	(1)	67	57
Deferred income tax recovery (expense).....	(6)	2	—	—	(4)	—	344	340
Other.....	(27)	3	1	—	(23)	—	(149)	(172)
Share of earnings from equity-accounted investments.....	—	—	—	—	—	(9)	—	(9)
Net income attributable to non-controlling interests.....	—	—	—	—	—	—	274	274
Net income (loss) attributable to the partnership.....	<u>\$ 120</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ (53)</u>	<u>\$ 72</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 72</u>

⁽¹⁾ Share of earnings from equity-accounted investments of \$17 million is comprised of amounts found on the share of Adjusted EBITDA, share of interest and cash taxes and share of earnings lines. Net income attributable to participating non-controlling interests of \$506 million is comprised of amounts found on Share of Funds From Operations attributable to non-controlling interests and Net Income attributable to non-controlling interests.

The following table presents information on a segmented basis about certain items in the company's consolidated statements of financial position and reconciles our proportionate balances to the consolidated statements of financial position basis by aggregating the components comprising the company's investments in associates and reflecting the portion of each line item attributable to non-controlling interests:

(MILLIONS)	Attributable to the partnership						Contribution from equity-accounted investments	Attributable to non-controlling interests	As per IFRS financials
	Hydroelectric	Wind	Solar	Energy Transition	Corporate	Total			
As at December 31, 2020									
Cash and cash equivalents	\$ 32	\$ 42	\$ 39	\$ 21	\$ —	\$ 134	\$ (3)	\$ 224	\$ 355
Property, plant and equipment, at fair value	11,542	2,093	1,709	1,151	—	16,495	(517)	20,119	36,097
Total assets	12,414	2,329	1,867	1,207	9	17,826	(173)	21,820	39,473
Total borrowings	2,690	1,043	1,302	488	—	5,523	(164)	7,463	12,822
Other liabilities	2,844	396	200	108	7,577	11,125	(10)	3,811	14,926
For the year ended December 31, 2020									
Additions to property, plant and equipment ⁽¹⁾	349	37	70	17	—	473	(9)	401	865
As at December 31, 2019									
Cash and cash equivalents	\$ 21	\$ 3	\$ —	\$ 1	\$ —	\$ 25	\$ (1)	\$ 280	\$ 304
Property, plant and equipment, at fair value	10,490	649	—	596	—	11,735	(517)	21,429	32,647
Total assets	11,197	672	—	633	—	12,502	(204)	23,459	35,757
Total borrowings	2,447	238	—	174	—	2,859	(168)	9,267	11,958
Other liabilities	2,016	105	—	40	—	2,161	(39)	3,803	5,925
For the year ended December 31, 2019									
Additions to property, plant and equipment	117	7	—	18	—	142	(12)	301	431

⁽¹⁾ The company exercised the option to buyout the lease on its 192 MW hydroelectric facility in Louisiana and recognized a \$247 million adjustment (\$185 million net to the company) to its corresponding right-of-use asset.

Geographical Information

The following table presents consolidated revenue split by technology for the year ended December 31:

(MILLIONS)	2020	2019	2018
Hydroelectric	\$ 1,778	\$ 2,076	\$ 1,989
Wind	581	571	689
Solar	698	545	273
Energy transition	30	34	28
	<u>\$ 3,087</u>	<u>\$ 3,226</u>	<u>\$ 2,979</u>

The following table presents consolidated property, plant and equipment and equity-accounted investments split by geographical region:

(MILLIONS)	December 31, 2020	December 31, 2019
North America	\$ 21,242	\$ 19,643
Colombia	8,150	7,353
Brazil	2,711	2,897
Europe	4,366	3,114
	<u>\$ 36,469</u>	<u>\$ 33,007</u>

6. DIRECT OPERATING COSTS

The company's direct operating costs for the year ended December 31 are comprised of the following:

(MILLIONS)	Notes	2020	2019	2018
Operations, maintenance and administration		\$ (547)	\$ (571)	\$ (601)
Water royalties, property taxes and other		(159)	(155)	(132)
Fuel and power purchases ⁽¹⁾		(338)	(301)	(281)
Energy marketing & other services	26	(17)	(26)	(39)
		<u>\$ (1,061)</u>	<u>\$ (1,053)</u>	<u>\$ (1,053)</u>

⁽¹⁾ Fuel and power purchases are primarily attributable to our portfolio in Colombia.

7. OTHER

The company's other for the year ended December 31 is comprised of the following:

(MILLIONS)	Notes	2020	2019	2018
Transaction costs		\$ (12)	\$ (6)	\$ (15)
Change in fair value of property, plant and equipment		(43)	(49)	(44)
Loss on debt extinguishment		—	(23)	(25)
Amortization of service concession assets		(8)	(20)	(9)
Legal provisions	25	(231)	—	—
Share-settlement liability		(158)	—	—
Other		(41)	(99)	(79)
		<u>\$ (493)</u>	<u>\$ (197)</u>	<u>\$ (172)</u>

8. FOREIGN CURRENCY TRANSLATION

The company's foreign currency translation for the year ended December 31 shown in the consolidated statements of comprehensive income (loss) is comprised of the following:

(MILLIONS)	Notes	2020	2019	2018
Foreign currency translation on:				
Property, plant and equipment, at fair value	10	\$ (624)	\$ (174)	\$ (915)
Borrowings	12	(87)	25	262
Deferred income tax liabilities and assets	9	60	19	101
Other assets and liabilities		(41)	(8)	(112)
		<u>\$ (692)</u>	<u>\$ (138)</u>	<u>\$ (664)</u>

9. INCOME TAXES

The major components of income tax recovery (expense) for the year ended December 31 are as follows:

(MILLIONS)	2020	2019	2018
Income tax recovery (expense) applicable to:			
Current taxes			
Attributed to the current period	\$ (61)	\$ (64)	\$ (28)
Deferred taxes			
Origination and reversal of temporary differences	104	42	15
Relating to change in tax rates / imposition of new tax laws	(7)	1	94
Relating to unrecognized temporary differences and tax losses	37	(46)	231
	<u>134</u>	<u>(3)</u>	<u>340</u>
Total income tax recovery (expense)	<u>\$ 73</u>	<u>\$ (67)</u>	<u>\$ 312</u>

The major components of deferred income tax (expense) recovery for the year ended December 31 recorded directly to other comprehensive income are as follows:

(MILLIONS)	2020	2019	2018
Deferred income taxes attributed to:			
Financial instruments designated as cash flow hedges	\$ 13	\$ 5	\$ (2)
Other	(3)	—	—
Revaluation surplus			
Origination and reversal of temporary differences	(828)	(388)	(1,091)
Relating to changes in tax rates / imposition of new tax laws	—	—	54
	<u>\$ (818)</u>	<u>\$ (383)</u>	<u>\$ (1,039)</u>

The company's effective income tax recovery (expense) for the year ended December 31 is different from its recovery at its statutory income tax rate due to the differences below:

(MILLIONS)	2020	2019	2018
Statutory income tax (expense) recovery ⁽¹⁾	\$ 809	\$ (80)	\$ (78)
Reduction (increase) resulting from:			
Decrease (increase) in tax assets not recognized	37	(46)	231
Differences between statutory rate and future tax rate	(7)	1	94
Subsidiaries' income taxed at different rates	10	54	63
Non-deductible expenses	(763)	—	—
Other	(13)	4	2
Effective income tax recovery (expense)	\$ 73	\$ (67)	\$ 312

⁽¹⁾ Statutory income tax expense is calculated using domestic rates applicable to the profits in the relevant country.

The above reconciliation has been prepared by aggregating the information for all of the company's subsidiaries using the domestic rate in each tax jurisdiction.

The company's effective income tax rate was 2.5% for the year ended December 31, 2020 (2019: 24.0% and 2018: (117.3%)). The effective tax rate is different than the statutory rate primarily due to rate differentials, legislative changes in tax rates during the year, changes in tax assets not recognized, non-deductible expenses, and non-controlling interests' income not subject to tax.

The following table details the expiry date, if applicable, of the unrecognized deferred tax assets as at December 31:

(MILLIONS)	2020	2019	2018
Less than four years	\$ —	\$ —	\$ —
Thereafter	139	286	109

The deferred tax assets and liabilities of the following temporary differences have been recognized in the consolidated financial statements for the year ended December 31:

(MILLIONS)	Non-capital losses	Difference between tax and carrying value	Net deferred tax (liabilities) assets
As at January 1, 2018	\$ 346	\$ (2,786)	\$ (2,440)
Recognized in net income (loss)	276	64	340
Recognized in equity	—	(1,039)	(1,039)
Business combination	—	(172)	(172)
Foreign exchange	—	101	101
As at December 31, 2018	622	(3,832)	(3,210)
Recognized in net income (loss)	16	(19)	(3)
Recognized in equity	—	(383)	(383)
Business combination	—	(9)	(9)
Foreign exchange	—	19	19
As at December 31, 2019	638	(4,224)	(3,586)
Recognized in net income (loss)	255	(121)	134
Recognized in equity	(52)	(766)	(818)
Business combination	30	20	50
Foreign exchange	(2)	62	60
As at December 31, 2020	\$ 869	\$ (5,029)	\$ (4,160)

The deferred income tax liabilities include \$3,516 million (2019: \$2,755 million and 2018: \$2,362 million) of liabilities which relate to property, plant and equipment revaluations included in equity.

The unrecognized taxable temporary difference attributable to the company's interest in its subsidiaries, branches, associates, and joint ventures is \$2,633 million (2019: \$3,392 million and 2018: \$3,293 million).

10. PROPERTY, PLANT AND EQUIPMENT, AT FAIR VALUE

The following table presents a reconciliation of property, plant and equipment at fair value:

(MILLIONS)	Notes	Hydroelectric	Wind	Solar	Other ⁽¹⁾	Total ⁽²⁾
As at December 31, 2018		\$ 19,798	\$ 6,137	\$ 4,229	\$ 257	\$ 30,421
IFRS 16 adoption		60	182	100	2	344
Additions		140	9	278	4	431
Acquisitions through business combinations	3	—	—	753	—	753
Items recognized through OCI:						
Change in fair value		1,336	348	241	(4)	1,921
Foreign exchange	8	(137)	(24)	(6)	(7)	(174)
Items recognized through net income:						
Change in fair value		(13)	(21)	(31)	(1)	(66)
Depreciation		(419)	(291)	(256)	(17)	(983)
As at December 31, 2019		20,765	6,340	5,308	234	32,647
Additions		445	153	266	1	865
Acquisitions through business combinations	3	—	—	661	—	661
Items recognized through OCI:						
Change in fair value		2,840	292	563	(21)	3,674
Foreign exchange	8	(808)	(87)	315	(44)	(624)
Items recognized through net income:						
Change in fair value		7	(7)	(53)	(8)	(61)
Depreciation		(403)	(375)	(274)	(13)	(1,065)
As at December 31, 2020 ⁽³⁾		<u>\$ 22,846</u>	<u>\$ 6,316</u>	<u>\$ 6,786</u>	<u>\$ 149</u>	<u>\$ 36,097</u>

⁽¹⁾ Includes biomass and cogeneration.

⁽²⁾ Includes assets under construction of \$452 million (2019: \$187 million).

⁽³⁾ Includes right-of-use assets not subject to revaluation of \$55 million (2019: \$50 million) in hydroelectric, \$159 million (2019: \$177 million) in wind, \$149 million (2019: \$131 million) in solar and \$2 million (2019: \$2 million) in other.

The fair value of the company's property, plant and equipment is calculated as described in Notes 1(i) – Property, plant and equipment and revaluation method and 1(s)(i) – Critical estimates – Property, plant and equipment. Judgment is involved in determining the appropriate estimates and assumptions in the valuation of the company's property, plant and equipment. See Note 1(t)(iii) – Critical judgments in applying accounting policies – Property, plant and equipment. The company has classified its property, plant and equipment under level 3 of the fair value hierarchy.

Discount rates, terminal capitalization rates and exit dates used in the valuation methodology are provided in the following table:

	North America		Colombia		Brazil		Europe	
	2020	2019	2020	2019	2020	2019	2020	2019
Discount rate ⁽¹⁾								
Contracted	3.8% - 4.5%	4.1% - 4.9%	8.1 %	9.0 %	7.3 %	8.2 %	3.6 %	4.0 %
Uncontracted	5.1% - 6.0%	5.4% - 6.4%	9.4 %	10.3 %	8.6 %	9.5 %	3.6 %	4.0 %
Terminal capitalization rate ⁽²⁾	6.2 %	6.7 %	8.9 %	9.8 %	N/A	N/A	N/A	N/A
Exit date ⁽³⁾	2041	2040	2040	2039	2050	2049	2036	2035

(1) Discount rates are not adjusted for asset specific risks.

(2) The terminal capitalization rate applies only to hydroelectric assets in the United States and Colombia.

(3) For hydroelectric assets, exit date refers to the valuation date of the terminal value.

The following table summarizes the impact of a change in discount rates, electricity prices and terminal capitalization rates on the fair value of property, plant and equipment:

	2020				
(MILLIONS)	North America	Colombia	Brazil	Europe	Total
25 bps increase in discount rates	\$ (860)	\$ (230)	\$ (50)	\$ (70)	\$ (1,210)
25 bps decrease in discount rates	940	310	50	80	1,380
5% increase in future energy prices	710	430	70	—	1,210
5% decrease in future energy prices	(710)	(430)	(70)	—	(1,210)
25 bps increase in terminal capitalization rate	(180)	(60)	—	—	(240)
25 bps decrease in terminal capitalization rate	190	60	—	—	250

	2019				
(MILLIONS)	North America	Colombia	Brazil	Europe	Total
25 bps increase in discount rates	\$ (740)	\$ (190)	\$ (80)	\$ (50)	\$ (1,060)
25 bps decrease in discount rates	750	250	50	50	1,100
5% increase in future energy prices	670	400	70	—	1,140
5% decrease in future energy prices	(670)	(400)	(70)	—	(1,140)
25 bps increase in terminal capitalization rate	(120)	(40)	—	—	(160)
25 bps decrease in terminal capitalization rate	130	40	—	—	170

Terminal values are included in the valuation of hydroelectric assets in the United States and Colombia. For the hydroelectric assets in Brazil, cash flows have been included based on the duration of the authorization or useful life of a concession asset plus a one-time 30-year renewal term for the majority of the hydroelectric assets. The weighted-average remaining duration of the authorization or useful life of a concession asset at December 31, 2020, including a one-time 30-year renewal for applicable hydroelectric assets, is 32 years (2019: 32 years). Consequently, there is no terminal value attributed to the hydroelectric assets in Brazil at the end of the authorization term.

The following table summarizes the percentage of total generation contracted under power purchase agreements as at December 31, 2020:

	North America	Colombia	Brazil	Europe
1 - 5 years	62 %	49 %	73 %	100 %
6 - 10 years	55 %	5 %	53 %	93 %
11 - 20 years	31 %	0 %	29 %	63 %

The following table summarizes average power prices from long-term power purchase agreements that are linked specifically to the related power generating assets:

Per MWh ⁽¹⁾	North America		Colombia		Brazil		Europe
1 - 10 years	\$	88	COP	220,000	R\$	294	€ 181
11 - 20 years		80		N/A		389	256

⁽¹⁾ Assumes nominal prices based on weighted-average generation.

The following table summarizes the estimates of future electricity prices:

Per MWh ⁽¹⁾	North America		Colombia		Brazil		Europe
1 - 10 years	\$	68	COP	265,000	R\$	245	€ 45
11 - 20 years		117		384,000		322	42

⁽¹⁾ Assumes nominal prices based on weighted-average generation.

The company's long-term view is anchored to the cost of securing new energy from renewable sources to meet future demand growth between 2024 and 2035. A further one year change would increase or decrease the fair value of property, plant and equipment by approximately \$191 million (2019: \$170 million).

Had the company's revalued property, plant and equipment been measured on a historical cost basis, the carrying amounts, net of accumulated depreciation would have been as follows at December 31:

(MILLIONS)	2020		2019	
Hydroelectric	\$	10,156	\$	10,436
Wind		5,015		5,057
Solar		5,419		4,623
Other ⁽¹⁾		174		231
	\$	20,764	\$	20,347

⁽¹⁾ Includes biomass and cogeneration.

11. INTANGIBLE ASSETS

The following table provides a reconciliation of intangible assets:

(MILLIONS)	Total
Balance, as at December 31, 2018	\$ 261
Amortization ⁽¹⁾	(20)
Balance, as at December 31, 2019	241
Amortization ⁽¹⁾	(8)
Balance, as at December 31, 2020	<u>\$ 233</u>

⁽¹⁾ Included in Other within the consolidated statements of income (loss).

Intangible assets relate to certain of our power generating facilities that operate under service concession arrangements in Latin America. We primarily benefit from a government promoted concession agreement and a long-term PPA with UTE - Administracion Nacional de Usinas y Transmisiones Electricas, the Republic of Uruguay's state-owned electricity company. Under this PPA, we are required to deliver power at a fixed rate for the contract period, in all cases inflation adjusted.

The company's service concession assets operate as authorizations that expire between 2031 and 2038. The remaining intangible assets are amortized straight-line over 17 to 20 years.

Under these arrangements, the company recognized \$35 million of revenue for the year ended December 31, 2020 (2019: \$36 million and 2018: \$23 million).

12. BORROWINGS

Non-recourse borrowings

Non-recourse borrowings are typically asset-specific, long-term, and non-recourse borrowings denominated in the domestic currency of the subsidiary. Non-recourse borrowings in the United States and Europe consist of both fixed and floating interest rate debt indexed to the London Interbank Offered Rate (“LIBOR”) and the Euro Interbank Offered Rate (“EURIBOR”). The company uses interest rate swap agreements in the United States to minimize its exposure to floating interest rates. Non-recourse borrowings in Brazil consist of floating interest rates of Taxa de Juros de Longo Prazo (“TJLP”), the Brazil National Bank for Economic Development’s long-term interest rate, or Interbank Deposit Certificate rate (“CDI”), plus a margin. Non-recourse borrowings in Colombia consist of both fixed and floating interest rates indexed to Indicador Bancario de Referencia rate (“IBR”), the Banco Central de Colombia short-term interest rate, and Colombian Consumer Price Index (“IPC”), Colombia inflation rate, plus a margin.

It is currently expected that Secured Overnight Financing Rate (“SOFR”) will replace US\$ LIBOR, Sterling Overnight Index Average (“SONIA”) will replace £ LIBOR, and Euro Short-term Rate (“€STR”) will replace € LIBOR. £ LIBOR and € LIBOR replacement is expected to be effective prior to December 31, 2021. US\$ LIBOR replacement is expected to become effective prior to June 30, 2023. As at December 31, 2020, none of the company’s floating rate borrowings have been impacted by these reforms.

The composition of non-recourse borrowings as at December 31 is presented in the following table:

(MILLIONS EXCEPT AS NOTED)	December 31, 2020				December 31, 2019			
	Weighted-average				Weighted-average			
	Weighted-average interest rate (%)	Term (years)	Carrying value	Estimated fair value	Weighted-average interest rate (%)	Term (years)	Carrying value	Estimated fair value
Non-recourse borrowings								
Hydroelectric.....	4.9	8	\$ 5,412	\$ 6,108	6.1	9	\$ 5,153	\$ 5,525
Wind.....	3.8	10	3,041	3,428	4.1	10	2,982	3,095
Solar.....	3.4	12	3,480	4,038	5.0	12	2,813	2,953
Energy transition.....	3.8	12	926	1,021	4.0	5	1,012	1,031
Total.....	4.1	10	12,859	\$ 14,595	5.2	10	11,960	\$ 12,604
Add: Unamortized premiums ⁽¹⁾			56				84	
Less: Unamortized financing fees ⁽¹⁾			(93)				(86)	
Less: Current portion.....			(886)				(605)	
			<u>\$ 11,936</u>				<u>\$ 11,353</u>	

⁽¹⁾ Unamortized premiums and unamortized financing fees are amortized over the terms of the borrowing.

Future repayments of the company’s non-recourse borrowings for each of the next five years and thereafter are as follows:

(MILLIONS)	2021	2022	2023	2024	2025	Thereafter	Total
Non-recourse borrowings							
Hydroelectric.....	\$ 213	\$ 526	\$ 381	\$ 380	\$ 363	\$ 3,549	\$ 5,412
Wind.....	207	207	423	180	180	1,844	3,041
Solar.....	397	161	468	164	170	2,120	3,480
Energy transition.....	69	63	146	43	37	568	926
	<u>\$ 886</u>	<u>\$ 957</u>	<u>\$ 1,418</u>	<u>\$ 767</u>	<u>\$ 750</u>	<u>\$ 8,081</u>	<u>\$ 12,859</u>

The following table outlines the change in the unamortized financing fees of non-recourse borrowings for the year ended December 31:

(MILLIONS)	<u>2020</u>	<u>2019</u>
Non-recourse borrowings		
Unamortized financing fees, beginning of year.....	\$ (86)	\$ (66)
Additional financing fees.....	(15)	(27)
Amortization of financing fees.....	5	5
Foreign exchange translation and other.....	3	2
Unamortized financing fees, end of year.....	<u>\$ (93)</u>	<u>\$ (86)</u>

In March 2020, the company completed a refinancing of COP 200 billion (\$50 million). The debt, drawn in two tranches, bears interest at the applicable base rate plus an average margin of 2.36% and matures in March 2027.

In March 2020, the company completed a financing totaling \$246 million associated with a wind portfolio in the United States. The debt bears interest at a fixed rate of 3.28% and matures in 2037.

In May 2020, the company completed a bridge financing totaling R\$250 million (\$46 million) associated with a solar development project in Brazil. The loan bears a variable interest rate at the applicable rate plus 3.15% and matures in 2021.

In June 2020, the company completed a refinancing of €463 million (\$517 million) associated with a solar portfolio in Spain. The debt is comprised both fixed and variable interest rate tranches and bears an average interest rate of 2.66%. The debt matures in 2037.

In August 2020, the company completed a bond financing associated with the Colombian business totaling COP 450 billion (\$120 million). The bonds are comprised of a fixed rate bond bearing interest at 6.26% and matures in 2028 and a variable rate bond bearing interest at the applicable base plus 3.9% and matures in 2045.

In September 2020, the company completed a refinancing of \$296 million associated with a solar portfolio in the United States. The debt bears interest at a fixed rate of 3.38% of the applicable base rate and matures in 2043.

In November 2020, Brookfield Renewable completed a financing of \$560 million associated with a lease buyout in the United States. The debt bears interest at a fixed rate of 4% and matures in 2029.

In November 2020, Brookfield Renewable completed a financing of \$189 million associated with a solar portfolio in the United States. The loan bears a variable interest at the applicable rate plus 1.60% and matures in 2027.

In December 2020, Brookfield Renewable completed an up-financing in Brazil of R\$120 million (\$23 million) associated with a mixed technology portfolio in Brazil. The loan bears variable interest at the applicable rate plus 3.60% and mature in 2023.

In December 2020, Brookfield Renewable completed a financing of \$43.5 million associated with a repowering project in the United States. The loan bears variable interest at the applicable rate plus 1.4% and matures in 2023.

In December 2020, Brookfield Renewable completed a refinancing of R\$330 million (\$65 million) associated with a hydroelectric facility in Brazil. The loan bears variable interest at the applicable rate plus 2.9% and mature in 2027.

In December 2020, Brookfield Renewable completed an up-financing of €110 million (\$130 million) associated with a Solar portfolio in Spain. The loan bears a fixed rate interest of 2.1% and matures in 2040.

Supplemental Information

The following table outlines changes in the company's borrowings for the year ended December 31:

(MILLIONS)	January 1	Net cash flows from financing activities	Non-cash		December 31
			Acquisition	Other ⁽¹⁾⁽²⁾	
2020					
Non-recourse borrowings.....	\$ 11,958	37	475	352	\$ 12,822
2019					
Non-recourse borrowings.....	\$ 11,372	610	—	(24)	\$ 11,958

⁽¹⁾ Includes foreign exchange and amortization of unamortized premium and financing fees.

⁽²⁾ Includes a \$247 million adjustment related to the buyout of the lease on a 192 MW hydroelectric facility in Louisiana.

13. NON-CONTROLLING INTERESTS

The company's non-controlling interests are comprised of the following as at December 31:

(MILLIONS)	2020	2019
Participating non-controlling interests – in operating subsidiaries.....	\$ 10,290	\$ 10,258
Participating non-controlling interests – in a holding subsidiary held by the partnership.....	258	268
	<u>\$ 10,548</u>	<u>\$ 10,526</u>

Participating non-controlling interests – in operating subsidiaries

The net change in participating non-controlling interests – in operating subsidiaries is as follows:

(MILLIONS)	Brookfield Americas Infrastructure Fund	Brookfield Infrastructure Fund II	Brookfield Infrastructure Fund III	Brookfield Infrastructure Fund IV	Isagen institutional investors	Isagen public non-controlling interests	The Catalyst Group	TerraForm Power	Other	Total
As at December 31, 2017.....	\$ 850	\$ 1,499	\$ 1,643	\$ —	\$ 1,701	\$ 9	\$ 134	\$ 876	\$ 158	\$ 6,870
Net income.....	1	12	161	—	174	1	14	136	3	502
Other comprehensive income.....	66	234	809	—	504	5	(18)	549	7	2,156
Capital contributions.....	—	—	230	—	—	—	—	420	—	650
Dividends declared and return of capital.....	(17)	(58)	(163)	—	(167)	—	(6)	(88)	(10)	(509)
Other.....	—	8	(13)	—	—	—	—	2	—	(3)
As at December 31, 2018.....	900	1,695	2,667	—	2,212	15	124	1,895	158	9,666
Net income (loss).....	—	—	—	—	154	1	17	(135)	(1)	36
Other comprehensive income.....	46	114	324	—	266	2	(41)	200	1	912
Capital contributions.....	—	2	—	—	—	(2)	—	292	2	294
Dividends declared and return of capital.....	(24)	(57)	(180)	—	(259)	(1)	(11)	(121)	(20)	(673)
Other.....	—	2	23	—	2	(2)	—	(2)	—	23
As at December 31, 2019.....	922	1,756	2,834	—	2,375	13	89	2,129	140	10,258
Net income (loss).....	(13)	(17)	(64)	1	130	—	16	(142)	(3)	(92)
Other comprehensive income.....	100	189	528	2	325	2	27	176	33	1,382
Capital contributions.....	—	4	—	71	—	—	—	—	261	336
Return of capital.....	—	—	(41)	—	—	—	—	(41)	—	(82)
Dividends declared.....	(8)	(29)	(139)	—	(180)	—	(35)	(86)	(36)	(513)
Special distribution/TerraForm Power acquisition.....	—	—	—	—	—	—	—	(1,026)	—	(1,026)
Other.....	1	(1)	(36)	—	—	(1)	—	(49)	113	27
As at December 31, 2020.....	<u>\$ 1,002</u>	<u>\$ 1,902</u>	<u>\$ 3,082</u>	<u>\$ 74</u>	<u>\$ 2,650</u>	<u>\$ 14</u>	<u>\$ 97</u>	<u>\$ 961</u>	<u>\$ 508</u>	<u>\$ 10,290</u>
Interests held by third parties....	75% - 80%	43% - 60%	23% - 71%	75 %	53 %	0.3 %	25 %	33 %	21% - 30%	

The following tables summarize certain financial information of operating subsidiaries that have non-controlling interests that are material to the company:

(MILLIONS)	Brookfield Americas Infrastructure Fund	Brookfield Infrastructure Fund II	Brookfield Infrastructure Fund III ⁽¹⁾	Brookfield Infrastructure Fund IV	Isagen ⁽²⁾	The Catalyst Group	TerraForm Power ⁽³⁾	Other	Total
Interests held by third parties.....	75% - 80%	43% - 60%	71%	75 %	76 %	25 %	66 %	21% - 30%	
Place of business.....	North America, Brazil	North America, Brazil	North America	Brazil	Colombia	North America	North America, South America, Europe	North America, Brazil	
Year ended December 31, 2018:									
Revenue.....	\$ 157	\$ 322	\$ 58	\$ —	\$ 896	\$ 142	\$ 815	\$ 15	\$ 2,405
Net income.....	2	21	12	—	331	56	215	(1)	636
Total comprehensive income (loss).....	95	445	416	—	1,290	(16)	1,063	19	3,312
Net income allocated to non-controlling interests.....	1	12	8	—	251	14	215	1	502
Year ended December 31, 2019:									
Revenue.....	\$ 155	\$ 331	\$ 46	\$ —	\$ 971	\$ 145	\$ 991	\$ 24	\$ 2,663
Net income (loss).....	2	2	(1)	—	293	67	(205)	7	165
Total comprehensive income (loss).....	61	282	155	—	1,007	(99)	90	9	1,505
Net income (loss) allocated to non-controlling interests.....	—	—	1	—	220	17	(205)	3	36
As at December 31, 2019:									
Property, plant and equipment, at fair value.....	\$ 1,713	\$ 4,619	\$ 1,468	\$ —	\$ 7,352	\$ 696	\$ 10,350	\$ 141	\$ 26,339
Total assets.....	1,754	4,746	1,478	—	8,403	794	11,420	147	28,742
Total borrowings.....	509	1,399	346	—	1,865	325	6,297	40	10,781
Total liabilities.....	569	1,565	352	—	3,928	342	8,155	59	14,970
Carrying value of non-controlling interests.....	922	1,756	806	—	3,395	89	3,265	25	10,258
Year ended December 31, 2020:									
Revenue.....	\$ 137	\$ 261	\$ 41	\$ 5	\$ 874	\$ 141	\$ 1,161	\$ 15	\$ 2,635
Net income (loss).....	(15)	(29)	(11)	1	258	65	(360)	4	(87)
Total comprehensive income (loss).....	109	329	287	4	877	173	238	—	2,017
Net income allocated to non-controlling interests.....	(13)	(17)	(8)	1	195	16	(268)	2	(92)
As at December 31, 2020:									
Property, plant and equipment, at fair value.....	\$ 1,785	\$ 4,837	\$ 1,745	\$ 172	\$ 8,150	\$ 1,037	\$ 11,606	\$ 134	\$ 29,466
Total assets.....	1,833	4,968	1,754	212	9,130	1,045	12,767	140	31,849
Total borrowings.....	483	1,356	346	64	1,822	549	6,890	41	11,551
Total liabilities.....	550	1,509	350	113	4,131	557	9,365	57	16,632
Carrying value of non-controlling interests.....	1,002	1,902	1,003	74	3,794	97	2,395	23	10,290

⁽¹⁾ Excludes information relating to Isagen and TerraForm Power which is presented separately.

⁽²⁾ The total third parties ownership interest in Isagen as of December 31, 2020 was 75.9% and comprised of Brookfield Infrastructure Fund III: 23.0%, Isagen Institutional investors 52.6% and other non-controlling interests: 0.3%.

⁽³⁾ The total third parties ownership interest in TerraForm Power as of December 31, 2020 was 65.6% and comprised of Brookfield Infrastructure Fund III: 32.8% and the remainder is held by the partnership.

On June 11, 2018, a subsidiary of Brookfield Renewable purchased 60,975,609 shares of TerraForm Power's common stock at a price per share of \$10.66 in a private placement ("2018 Private Placement"). Immediately upon completion of the 2018 Private Placement, Brookfield and its institutional partners held an approximately 65% interest in TerraForm Power. The remaining approximately 35% ownership interest was held by TerraForm Power's public shareholders.

On August 3, 2018, TerraForm Power issued 80,084 shares of its common stock to a controlled affiliate of Brookfield Renewable and shareholder of Terraform Power in connection with the net losses incurred as a result of the final resolution of a securities class action under federal securities law. Immediately upon completion of this issuance, Brookfield Renewable and its institutional partners held an approximately 65% interest in TerraForm Power. The remaining approximately 35% ownership interest was held by TerraForm Power's public shareholders.

On October 8, 2019, a subsidiary of Brookfield Renewable purchased 2,981,514 shares of TerraForm Power's common stock at a price per share of \$16.77 in a private placement ("2019 Private Placement"). This was completed concurrent with TerraForm Power registered public offering of \$250 million. Upon completion of the public offering and the 2019 Private Placement, as of December 31, 2019, Brookfield Renewable and its institutional partners held an approximately 61.5% interest in TerraForm Power. The remaining approximately 38.5% ownership interest was held by TerraForm Power's public shareholders.

On July 31, 2020, the company completed the TerraForm Power acquisition. See Note 1(d) – Acquisition of TerraForm Power for more details. As at December 31, 2020, TerraForm Power is 100% owned by Brookfield Renewable and its institutional partners.

The following table summarizes certain financial information regarding *Participating non-controlling interests – in a holding subsidiary held by the partnership*:

(MILLIONS)	2020	2019	2018
For the year ended December 31:			
Revenue	\$ 1,069	\$ 1,303	\$ 1,251
Net income	472	350	324
Comprehensive income	550	944	1,412
Net income allocated to participating non-controlling interests – in a holding subsidiary held by the partnership	11	11	4
As at December 31:			
Property, plant and equipment, at fair value	\$ 9,801	\$ 10,213	
Total assets	11,527	11,567	
Total borrowings	2,440	2,641	
Total liabilities	4,968	4,971	
Carrying value of participating non-controlling interests – in a holding subsidiary held by the partnership	258	268	

14. BEPC EXCHANGEABLE SHARES, BEPC CLASS B SHARES AND BEPC CLASS C SHARES

On December 11, 2020, the company completed the three-for-two Share Split of its outstanding BEPC exchangeable shares by way of a subdivision of shares, whereby shareholders received an additional one-half of a BEPC exchangeable share for each BEPC exchangeable share held, resulting in the issuance of 57.4 million BEPC exchangeable shares. The BEPC class B shares and BEPC class C shares were concurrently split to reflect the Share Split, resulting in the issuance of 55 BEPC class B shares and 63.2 million BEPC class C shares. All share count and per share disclosures are presented on a post-split basis.

The BEPC exchangeable shares and the BEPC class B shares are classified as liabilities due to their exchange and cash redemption features. The BEPC exchangeable shares and the BEPC class B shares issued pursuant to the special distribution and the TerraForm Power acquisition were recognized at their fair value of \$28.28 per share. Subsequent to initial recognition, the BEPC exchangeable shares and the BEPC class B shares are recognized at amortized cost and remeasured to reflect changes in the contractual cash flows associated with the shares. These contractual cash flows are based on the price of one BEP unit. As at December 31, 2020, the BEPC exchangeable shares and the BEPC class B shares were remeasured to \$43.15 per share to reflect the NYSE closing price of a BEP unit. Remeasurement gains or losses associated with these shares are recorded in the consolidated statements of income (loss). During the year ended December 31, 2020, our shareholders exchanged 136,520 BEPC exchangeable shares for an equal number of BEP units resulting in a decrease of \$4 million to our financial liability. The company paid dividends of \$100 million on its BEPC exchangeable shares outstanding during the year ended December 31, 2020. Dividends on BEPC exchangeable shares are presented as interest expense in the statement of operating results.

The following table provides a continuity schedule of outstanding BEPC exchangeable shares and BEPC class B shares along with the corresponding liability and remeasurement gains and losses.

	BEPC exchangeable shares outstanding (shares)	BEPC class B shares outstanding (shares)	BEP unit price (\$)	BEPC exchangeable shares and BEPC class B shares (\$ million)
As at December 31, 2019:	—	—	\$ —	\$ —
Share issuance	172,316,937	165	28.28	4,873
Share exchanges ⁽¹⁾	(136,520)	—	30.83	(4)
Remeasurement of liability	—	—	—	2,561
As at December 31, 2020:	<u>172,180,417</u>	<u>165</u>	<u>\$ 43.15</u>	<u>\$ 7,430</u>

⁽¹⁾ The unit price reflected here represents the weighted-average price of the BEP units exchanged during the period and is calculated based on the NYSE closing price per unit on the date of exchange.

Similar to BEPC exchangeable shares and BEPC class B shares, BEPC class C shares are classified as liabilities due to their cash redemption feature. However, BEPC class C shares, the most subordinated class of all common shares, meet certain qualifying criteria and are presented as equity instruments given the narrow scope presentation exceptions existing in IAS 32. There are 189.6 million BEPC class C shares issued and outstanding as at December 31, 2020.

In December 2020, the company entered into a normal course issuer bid for its outstanding BEPC exchangeable shares. The company is authorized to repurchase up to 8.6 million BEPC exchangeable shares, representing 5% of its issued and outstanding BEPC exchangeable shares. The bids will expire on December 15, 2021, or earlier should the company complete its repurchases prior to such date. There were no BEPC exchangeable shares repurchased during the year ended December 31, 2020.

15. GOODWILL

The following table provides a reconciliation of goodwill:

(MILLIONS)	Notes	Total
Balance, as at December 31, 2018.....		\$ 948
Foreign exchange and other ⁽¹⁾		1
Balance, as at December 31, 2019.....		949
Acquired through acquisition.....	3	41
Foreign exchange.....		(20)
Balance, as at December 31, 2020 ⁽²⁾		\$ 970

⁽¹⁾ Represents adjustments to the purchase price allocation of the assets acquired and liabilities assumed from the Saeta acquisition.

⁽²⁾ Includes goodwill of \$784 million (2019: \$821 million) in the hydroelectric segment, \$72 million (2019: \$66 million) in the wind segment and \$114 million (2019: \$62 million) in the solar segment.

The goodwill related to the hydroelectric segment was created as a result of recording the deferred tax liabilities assumed in the purchase price allocations of business combinations. The deferred tax liabilities are measured in accordance with IAS 12 in the purchase price allocations rather than at fair value. As a result, the goodwill recorded does not represent ‘core’ goodwill, but rather goodwill created as a result of accounting concepts or ‘non-core’ goodwill. In order to avoid an immediate impairment of this ‘non-core’ goodwill, the company removed from the carrying value any ‘non-core’ goodwill supported by the existence, as of the impairment testing date, of the original deferred tax liability that created the goodwill. As at December 31, 2020, we performed an impairment test at the level that goodwill is monitored by management. In performing this impairment test, management removed the ‘non-core’ goodwill that continued to be supported by the existence of the original deferred tax liability that gave rise to the goodwill from the carrying value of the applicable assets. The remaining goodwill relating to the wind and solar segments is not significant compared to the total balance as at December 31, 2020 and no impairment of the goodwill was recorded during the year.

16. CAPITAL MANAGEMENT

The company’s primary capital management objectives are to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities and provide stable distributions. The company’s capital is monitored through the debt-to-total capitalization ratio on a consolidated basis. As at December 31, 2020 this ratio was 36% (2019: 36%).

Subsidiaries of the company have provided covenants to certain of their lenders for their non-recourse borrowings. These covenants vary from one credit agreement to another and include ratios that address debt-service coverage. Certain lenders have also put in place requirements that oblige the company and its subsidiaries to maintain debt and capital expenditure reserve accounts. The consequences to the subsidiaries as a result of failure to comply with their covenants could include a limitation of distributions from the subsidiaries to the company, as well as repayment of outstanding debt.

The company's strategy is to maintain the measures set out in the following schedule as at December 31:

(MILLIONS)	2020	2019
Non-recourse borrowings ⁽¹⁾	\$ 12,859	\$ 11,960
Deferred income tax liabilities, net ⁽²⁾	4,160	3,586
BEPC exchangeable and class B shares	7,430	—
Equity		
Participating non-controlling interest – in operating subsidiaries	10,290	10,258
Participating non-controlling interest – in a holding subsidiary held by Brookfield Renewable	258	268
The partnership	1,177	7,348
Total capitalization	\$ 36,174	\$ 33,420
Debt-to-total capitalization	36 %	36 %

⁽¹⁾ Excludes \$37 million (2019: \$2 million) of deferred financing fees, net of unamortized premiums.

⁽²⁾ Deferred income tax liabilities less deferred income tax assets.

17. EQUITY-ACCOUNTED INVESTMENTS

The following table outlines the changes in the company's equity-accounted investments:

(MILLIONS)	2020	2019	2018
Balance, beginning of year	\$ 360	\$ 304	\$ 184
Investment	—	—	13
Share of net (loss) income	(4)	12	17
Share of other comprehensive income	26	51	97
Dividends received	(3)	(7)	(3)
Foreign exchange translation and other	(7)	—	(4)
Balance, end of year	\$ 372	\$ 360	\$ 304

18. CASH AND CASH EQUIVALENTS

The company's cash and cash equivalents as at December 31 are as follows:

(MILLIONS)	2020	2019
Cash	\$ 347	\$ 282
Short-term deposits	8	22
	\$ 355	\$ 304

19. RESTRICTED CASH

The company's restricted cash as at December 31 is as follows:

(MILLIONS)	2020	2019
Operations	\$ 123	\$ 125
Credit obligations	72	119
Capital expenditures and development projects	34	21
Total	229	265
Less: non-current	(75)	(104)
Current	\$ 154	\$ 161

20. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

The company's trade receivables and other current assets as at December 31 are as follows:

(MILLIONS)	2020	2019
Trade receivables.....	\$ 471	\$ 453
Prepays and others.....	45	63
Inventory.....	22	37
Income tax receivables.....	5	37
Other short-term receivables.....	80	85
	<u>\$ 623</u>	<u>\$ 675</u>

As at December 31, 2020, 95% (2019: 81%) of trade receivables were current. The company does not expect issues with collectability of these amounts. Accordingly, as at December 31, 2020 and 2019 an allowance for doubtful accounts for trade receivables was not deemed necessary. Trade receivables are generally on 30-day terms and credit limits are assigned and monitored for all counterparties. In determining the recoverability of trade receivables, management performs a risk analysis considering the type and age of the outstanding receivables and the credit worthiness of the counterparties. Management also reviews trade receivable balances on an ongoing basis.

21. OTHER LONG-TERM ASSETS

The company's other long-term assets as at December 31 are as follows:

(MILLIONS)	Note	2020	2019
Restricted cash.....	19	\$ 75	\$ 104
Non-current receivables.....		28	10
Due from related parties.....	26	2	7
Other.....		4	13
		<u>\$ 109</u>	<u>\$ 134</u>

At December 31, 2020 and 2019, restricted cash was held primarily to satisfy operations and maintenance reserve requirements, lease payments and credit agreements.

22. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The company's accounts payable and accrued liabilities as at December 31 are as follows:

(MILLIONS)	2020	2019
Accounts payable.....	\$ 114	\$ 118
Operating accrued liabilities.....	203	218
Interest payable on non-recourse borrowings.....	65	65
BEPC exchangeable shares distributions payable ⁽¹⁾	11	—
Current portion of lease liabilities.....	30	18
Other.....	27	24
	<u>\$ 450</u>	<u>\$ 443</u>

⁽¹⁾ Includes amounts payable only to external shareholders. Amounts payable to Brookfield and the partnership are included in due to related parties.

23. PROVISIONS

The following table presents the change in the decommissioning liabilities for the company:

(MILLIONS)	2020	2019
Balance, beginning of the year	\$ 442	\$ 341
Acquisitions through business combinations	23	33
Reduction arising from payments/derecognition	—	(1)
Accretion	13	15
Changes in estimates	80	55
Foreign exchange	9	(1)
Balance, end of the year	<u>\$ 567</u>	<u>\$ 442</u>

The company has recorded decommissioning retirement obligations associated with certain power generating assets. The decommissioning retirement obligation has been established for hydroelectric, wind and solar operation sites that are expected to be restored between the years 2031 to 2054. The estimated cost of decommissioning activities is based on a third-party assessment.

For details on other legal provisions, please refer to Note 25 – Commitments, contingencies and guarantees.

24. OTHER LONG-TERM LIABILITIES

The company's other long-term liabilities as at December 31 are comprised of the following:

(MILLIONS)	Note	2020	2019
Lease liabilities		\$ 362	\$ 327
Pension obligations		75	77
Concession payment liability		11	13
Due to related parties	26	1	2
Other		82	128
		<u>\$ 531</u>	<u>\$ 547</u>

25. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

In the course of its operations, the company has entered into agreements for the use of water, land and dams. Payment under those agreements varies with the amount of power generated. The various agreements can be renewed and are extendable up to 2089.

In the normal course of business, the company will enter into capital expenditure commitments which primarily relate to contracted project costs for various growth initiatives. As at December 31, 2020, the company had \$491 million (2019: \$36 million) of capital expenditure commitments outstanding, of which \$340 million is payable in less than one year, and \$146 million in two years, and \$5 million thereafter.

The company, alongside institutional partners, entered into a commitment to invest approximately R\$54 million (\$10 million) to acquire a 270 MW development wind portfolio in Brazil. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with Brookfield Renewable expected to hold a 25% interest.

The company, alongside institutional partners, entered into a commitment to investment \$700 million to acquire an 845 MW wind portfolio in United States. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 25% interest.

The company, alongside institutional partners, entered into a commitment to invest approximately \$810 million to acquire a distributed generation development platform comprising 360 MW of operating and under construction assets across nearly 600 sites throughout the United States and 700 MW of development assets. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 24% interest.

Subsequent to year-end, the company, alongside institutional partners, entered into a commitment to invest COP 411 billion (\$111 million) to acquire a 40 MW hydroelectric portfolio in Colombia. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 24% interest.

Subsequent to year-end, the company, alongside institutional partners, entered into a commitment to invest COP 153 billion (\$41 million) to acquire a 38 MW portfolio of solar development projects in Colombia. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions, with the company expected to hold a 24% interest.

Contingencies

Our company and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on our company's consolidated financial position or results of operations.

On December 22, 2020, our subsidiary, TerraForm Power, received an adverse summary judgment ruling in connection with litigation relating to a historical contractual dispute. This litigation predates the 2017 acquisition of an initial 51% interest in TerraForm Power by Brookfield Renewable and its institutional partners. The dispute relates to an allegation that TerraForm Power was obligated to make earn-out payments in connection with the acquisition of certain development assets by TerraForm Power's former parent company from a third party. The court's ruling in favor of the plaintiffs awarded approximately \$231 million plus 9% annual non-compounding interest that has accrued at the New York State statutory rate since May 2016, of which a surety bond was posted with the court for the judgment amount plus one year of additional 9% interest on the judgment amount. While we have appealed the ruling, we cannot predict with certainty the ultimate resolution of the appeal or any other proceedings brought in connection with these claims. In connection to this matter, the company has recognized a provision of \$231 million on its consolidated statement of financial position. A partially-owned subsidiary of the partnership and shareholder of TerraForm Power is contractually entitled to be issued additional TerraForm Power shares as compensation for the cost of the litigation, which may result in an immaterial dilution of Brookfield Renewable's interest in TerraForm Power. Refer to Note 26 – Related party transactions for additional information.

The company's subsidiaries themselves have provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance.

The company, along with institutional investors, has provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance as it relates to interests in the Brookfield Americas Infrastructure Fund, the Brookfield Infrastructure Fund II, Brookfield Infrastructure Fund III and Brookfield Infrastructure Fund IV. Brookfield Renewable's subsidiaries have similarly provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance.

Letters of credit issued by the company's subsidiaries as at December 31, 2020 were \$687 million (2019: \$639 million).

Guarantees

In the normal course of operations, the company executes agreements that provide for indemnification and guarantees to third-parties of transactions such as business dispositions, capital project purchases, business acquisitions, sales and purchases of assets and services, and the transfer of tax credits or renewable energy grants from tax equity partnerships. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings and guarantee agreements prevents the company from making a reasonable estimate of the maximum potential amount that the company could be

required to pay third parties as the agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

Two subsidiaries of the company fully and unconditionally guaranteed (i) the medium term notes issued and payable by Brookfield Renewable Partners ULC, a finance subsidiary of Brookfield Renewable, (ii) the senior preferred shares of Brookfield Renewable Power Preferred Equity Inc., (iii) certain preferred units of Brookfield Renewable, (iv) the obligations of Brookfield Renewable under its bilateral credit facilities and (v) notes issued by Brookfield BRP Holdings (Canada) Inc. under its U.S. commercial paper program. These arrangements do not have or are not reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.. These arrangements do not have or are not reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

26. RELATED PARTY TRANSACTIONS

The company's related party transactions are recorded at the exchange amount and are primarily with the partnership and Brookfield.

In addition to the related party agreements disclosed in Note 1 – Basis of preparation and significant accounting policies, the company has entered into other related party agreements described below.

Management Agreements

Master Services Agreement

Since inception, our parent company has had a management agreement (the "Master Services Agreement") with certain service providers (the "Service Provider"), which are wholly-owned subsidiaries of Brookfield Asset Management. The Master Services Agreement was amended in connection with the completion of the special distribution to include BEPC as a service recipient.

The company's consolidated financial statements include general corporate expenses of the partnership which were not historically allocated to the company's operations. These expenses relate to management fees payable to Brookfield Asset Management and direct operating costs incurred by a subsidiary of the partnership. These allocated expenses have been included as appropriate in the company's consolidated statements of income (loss). Key decision makers of the company are employees of the ultimate parent company who provide management services under the company's Master Services Agreement. However, the financial statements may not include all of the expenses that would have been incurred and may not reflect the company's consolidated results of operations, financial position and cash flows had it been a standalone company during the periods presented. It is not practicable to estimate the actual costs that would have been incurred had the company been a standalone business during the periods presented as this would depend on multiple factors, including organizational structure and infrastructure.

Pursuant to the Master Services Agreement, on a quarterly basis, Brookfield Renewable pays a management fee, referred to as the management service costs, to the Service Provider equal to a fixed quarterly component of \$5 million per quarter, adjusted for inflation, and a variable component calculated as a percentage of the increase in the total capitalization value of Brookfield Renewable over an initial reference value (subject to an annual escalation by a specified inflation factor beginning on January 1, 2013)(the "Base Management Fee"). For purposes of calculating the management service costs, the market value of Brookfield Renewable is equal to the aggregate value of all the outstanding units and other securities issued by the service recipients, plus all outstanding third-party debt with recourse to a recipient of services under the Master Services Agreement, less all cash held by such entities. The company will be responsible for reimbursing the partnership or its subsidiaries, as the case may be, for BEPC's proportionate share of the Base Management Fee. The company's proportionate share of the Base Management Fee will be calculated on the basis of the value of the company's business relative to that of the partnership.

Relationship Agreement

Since inception, Brookfield Renewable has had a Relationship Agreement with Brookfield pursuant to which Brookfield has agreed, subject to certain exceptions, that Brookfield Renewable will serve as its primary vehicle through which it will directly or indirectly, acquire renewable power assets on a global basis. The company, being a controlled subsidiary of Brookfield Renewable is entitled to the benefits and subject to certain obligations under the Relationship Agreement.

TERP Brookfield Master Services Agreement

TerraForm Power was party to a management agreement (“TERP Brookfield Master Services Agreement”) with Brookfield and certain of its affiliates, dated as of October 16, 2017. Pursuant to the TERP Brookfield Master Services Agreement, TerraForm Power paid management service costs on a quarterly basis calculated as follows:

- For each of the first four quarters following October 16, 2017, a fixed component of \$2.5 million per quarter (subject to proration for the quarter including October 16, 2017) plus 0.3125% of the market capitalization value increase for such quarter;
- For each of the next four quarters, a fixed component of \$3.0 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter; and
- Thereafter, a fixed component of \$3.75 million per quarter adjusted annually for inflation plus 0.3125% of the market capitalization value increase for such quarter.

For purposes of calculating its management service costs, the term market capitalization value increase meant, for any quarter, the increase in value of TerraForm Power’s market capitalization for such quarter, calculated by multiplying the number of outstanding shares of TerraForm Power’s common stock as of the last trading day of such quarter by the difference between (x) the volume weighted average trading price of a share of common stock for the trading days in such quarter and (y) \$9.52. If the difference between (x) and (y) in the market capitalization value increase calculation for a quarter was a negative number, then the market capitalization value increase was deemed to be zero. TerraForm Power’s management service costs have been included in the company’s consolidated statements of income (loss) based on its historical records.

The TERP Brookfield Master Services Agreement was terminated upon the completion of the TerraForm Power acquisition.

Governance Agreement

TerraForm Power was party to a governance agreement, referred to as the Governance Agreement, dated October 16, 2017 with Orion Holdings and any controlled affiliate of Brookfield Asset Management (other than TerraForm Power and its controlled affiliates) that by the terms of the Governance Agreement from time to time becomes a party thereto, collectively referred to as the sponsor group.

The Governance Agreement established certain rights and obligations of TerraForm Power and controlled affiliates of Brookfield Asset Management that owned voting securities of TerraForm Power relating to the governance of TerraForm Power and the relationship between such affiliates of Brookfield and TerraForm Power and its controlled affiliates.

On June 11, 2018, Orion Holdings, NA HoldCo and TerraForm Power entered into a Joinder Agreement pursuant to which NA HoldCo became a party to the Governance Agreement. On June 29, 2018, a second Joinder Agreement was entered into among Orion Holdings, NA HoldCo, BBHC Orion and TerraForm Power pursuant to which BBHC Orion became a party to the Governance Agreement.

The Governance Agreement was terminated after the completion of the TerraForm Power acquisition.

Power Services Agreements

Energy Marketing Internalization

In 2018, Brookfield Renewable and Brookfield entered into an agreement (the “Power Marketing Purchase Agreement”) to internalize all energy marketing capabilities in North America into the partnership. The Power Marketing Purchase Agreement provides for the transfer of Brookfield’s existing marketing business to the

partnership, which includes the marketing, purchasing and trading of energy and energy related products in North America, providing energy marketing services and all matters incidental thereto (the “Energy Marketing Internalization”). The Energy Marketing Internalization also included the transfer of all third party power purchase agreements and, subject to certain exceptions, related party power purchase and revenue support agreements as described in further detail below.

The Energy Marketing Internalization was completed during the third quarter of 2019. The Power Agency Agreements, Energy Marketing Agreement and certain revenue agreements discussed below were transferred by Brookfield to the partnership in connection to the Energy Marketing Internalization.

Power Agency Agreements

Certain subsidiaries of the company entered into Power Agency Agreements appointing Brookfield as their exclusive agent in respect of the sale of electricity, including the procurement of transmission and other additional services. In addition, Brookfield scheduled, dispatched and arranged for transmission of the power produced and the power supplied to third-parties in accordance with prudent industry practice. Pursuant to each Agreement, Brookfield was entitled to be reimbursed for any third party costs incurred, and, in certain cases, received an additional fee for its services in connection with the sale of power and for providing the other services.

On closing of the Energy Marketing Internalization, all Power Agency Agreements were transferred by Brookfield to the partnership.

Energy Marketing Agreement

Brookfield had agreed to provide energy marketing services to the company. Under this Agreement, the company paid an annual energy marketing fee commensurate to the services received. See Note 6 – Direct operating costs. On closing of the Energy Marketing Internalization, the Energy Marketing Agreement was transferred from Brookfield to the partnership.

Other Agreements

Energy Revenue Agreement

In 2011, an agreement was entered into between Brookfield and several entities in the United States owned by the company. Brookfield supported the price that the company receives for energy generated by certain facilities in the United States at a price \$75 per MWh. This price increased annually on January 1 by an amount equal to 40% of the increase in the CPI during the previous calendar year, but not exceeding an increase of 3% in any calendar year. In 2018, the parties entered into a further agreement which effectively amends the term to automatically renew until 2046 and provides Brookfield the right to terminate the agreement in 2036.

Other Agreements

Pursuant to a 20-year power purchase agreement, Brookfield purchases all energy from several power facilities in Maine and New Hampshire held by Great Lakes Holding America (“GLHA”) at \$37 per MWh, subject to an annual adjustment equal to 20% of the increase in the CPI during the previous year. On closing of the Energy Marketing Internalization, the power purchase agreement with GLHA was transferred to the partnership.

In 2011, on formation of Brookfield Renewable, Brookfield transferred certain development projects to the company for no upfront consideration but is entitled to receive variable consideration on commercial operation or sale of these projects.

Sponsor Line Agreement

TerraForm Power entered into the Sponsor Line with Brookfield Asset Management and one of its affiliates (the “Lenders”) on October 16, 2017. The Sponsor Line establishes a \$500 million secured revolving credit facility and provides for the Lenders to commit to making LIBOR loans to the company during a period not to exceed three years from the effective date of the Sponsor Line (subject to acceleration for certain specified events). TerraForm Power may only use the revolving Sponsor Line to fund all or a portion of certain funded acquisitions or growth capital expenditures. The Sponsor Line terminates, and all obligations thereunder become payable, no later than October 16, 2022. Borrowings under the Sponsor Line bear interest at a rate per annum equal to a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, in each case plus 3% per annum. In addition to paying interest on outstanding principal under the Sponsor Line, the company is required to pay a standby fee of 0.5% per annum in respect of the unutilized commitments thereunder, payable quarterly in arrears.

TerraForm Power is permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the Sponsor Line at any time without premium or penalty, other than customary “breakage” costs. Under certain circumstances, TerraForm Power may be required to prepay amounts outstanding under the Sponsor Line.

During the year ended December 31, 2018, TerraForm Power made two draws on the Sponsor Line totaling \$86 million that were used to fund part of the purchase price of the acquisition of Saeta and repaid such amounts in full. As of December 31, 2020, and December 31, 2019, respectively, there were no amounts drawn under the Sponsor Line.

The sponsor line was terminated upon the completion of the TerraForm Power acquisition.

TERP Relationship Agreement

TerraForm Power entered into a relationship agreement, referred to as the TERP Relationship Agreement, dated October 16, 2017 with Brookfield, which governed certain aspects of the relationship between Brookfield and TerraForm Power. Pursuant to the TERP Relationship Agreement, Brookfield agreed that TerraForm Power will serve as the primary vehicle through which Brookfield and certain of its affiliates will own operating wind and solar assets in North America and Western Europe and that Brookfield will provide, subject to certain terms and conditions, TerraForm Power with a right of first offer on certain operating wind and solar assets that are located in such countries and developed by persons sponsored by or under the control of Brookfield. The rights of TerraForm Power under the TERP Relationship Agreement are subject to certain exceptions and consent rights set out therein.

TerraForm Power did not acquire any renewable energy facilities pursuant to the TERP Relationship Agreement from Brookfield during the years ended December 31, 2020, 2019 and 2018.

The TERP Relationship Agreement was terminated upon the completion of the TerraForm Power acquisition.

TERP Registration Rights Agreement

TerraForm Power also entered into a registration rights agreement, referred to as the TERP Registration Rights Agreement, on October 16, 2017 with Orion Holdings. The TERP Registration Rights Agreement governed the rights and obligations of TerraForm Power, on the one hand, and Brookfield and its affiliates, on the other hand, with respect to the registration for resale of all or a part of TerraForm Power's common stock held by Brookfield or any of its affiliates that become party to the TERP Registration Rights Agreement.

On June 11, 2018, Orion Holdings, NA HoldCo and TerraForm Power entered into a Joinder Agreement pursuant to which NA HoldCo became a party to the TERP Registration Rights Agreement. On June 29, 2018, a second Joinder Agreement was entered into among Orion Holdings, NA HoldCo, BBHC Orion and TerraForm Power pursuant to which BBHC Orion became a party to the TERP Registration Rights Agreement.

The TERP Registration Rights Agreement was terminated upon the completion of the TerraForm Power acquisition.

New Terra LLC Agreement

TerraForm Power and BRE Delaware Inc. entered into an amended and restated limited liability company agreement of TerraForm Power, LLC, referred to as the New Terra LLC Agreement, dated October 16, 2017. The New Terra

LLC Agreement, among other things, reset the incentive distribution right, or IDR, thresholds of TerraForm Power, LLC to establish a first distribution threshold of \$0.93 per share of TerraForm Power's common stock and a second distribution threshold of \$1.05 per share of TerraForm Power's common stock. As a result of the New Terra LLC Agreement, amounts distributed from TerraForm Power, LLC were to be distributed on a quarterly basis as follows:

- first, to TerraForm Power in an amount equal to TerraForm Power's outlays and expenses for such quarter;
- second, to holders of TerraForm Power, LLC Class A units, referred to as Class A units, until an amount has been distributed to such holders of Class A units that would result, after taking account of all taxes payable by TerraForm Power in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of TerraForm Power's common stock of \$0.93 per share (subject to further adjustment for distributions, combinations or subdivisions of shares of TerraForm Power's common stock) if such amount were distributed to all holders of shares of TerraForm Power's common stock;
- third, 15% to the holders of the IDRs pro rata and 85% to the holders of Class A units until a further amount has been distributed to holders of Class A units in such quarter that would result, after taking account of all taxes payable by TerraForm Power in respect of the taxable income attributable to such distribution, in a distribution to holders of shares of TerraForm Power common stock of an additional \$0.12 per share (subject to further adjustment for distributions, combinations or subdivisions of shares of TerraForm Power's common stock) if such amount were distributed to all holders of shares of TerraForm Power's common stock; and
- thereafter, 75% to holders of Class A units pro rata and 25% to holders of the IDRs pro rata.

TerraForm Power made no IDR payments during the years ended December 31, 2020, 2019 and 2018.

The New Terra LLC Agreement was amended upon the completion of the TerraForm Power acquisition to remove TerraForm Power, LLC's obligations to make IDR payments.

Credit Facilities

Brookfield Asset Management has provided a \$400 million committed unsecured revolving credit facility maturing in December 2021 and the interest rate applicable on the borrowed amounts is LIBOR plus up to 1.8%. As at December 31, 2020, there were no draws on the committed unsecured revolving credit facility provided by Brookfield Asset Management.

The following table reflects the related party agreements and transactions in the consolidated statements of income (loss), for the years ended December 31:

(MILLIONS)	2020	2019	2018
Revenues			
Power purchase and revenue agreements.....	\$ 361	\$ 387	\$ 300
Direct operating costs			
Energy purchases.....	\$ (10)	\$ (10)	\$ (11)
Energy marketing & other services.....	(17)	(26)	(39)
Insurance expense ⁽¹⁾	(21)	(18)	(17)
	<u>\$ (48)</u>	<u>\$ (54)</u>	<u>\$ (67)</u>
Interest expense.....			
Borrowings.....	\$ (1)	\$ (4)	\$ (9)
Management service costs.....			
Management service agreement.....	\$ (152)	\$ (109)	\$ (71)

⁽¹⁾ Insurance services were paid to a subsidiary of Brookfield Asset Management that brokers external insurance providers on behalf of the company. The fees paid to the subsidiary of Brookfield Asset Management for the year ended December 31, 2020 were nil (2019: less than \$1 million and 2018: less than \$1 million). Beginning in 2020, insurance services are paid for directly to external insurance providers.

The following table reflects the impact of the related party agreements and transactions on the consolidated statements of financial position as at December 31:

(MILLIONS)	Related party	2020	2019
Current assets			
Due from related parties			
Amounts due from			
Brookfield.....	\$	13	\$ 20
The partnership.....		392	156
Equity-accounted investments and other.....		7	6
	\$	412	\$ 182
Non-current assets			
Due from related parties			
Amounts due from			
Equity-accounted investments and other.....	\$	2	\$ 7
Current liabilities			
Due to related parties			
Amounts due to			
Brookfield.....	\$	18	\$ 19
The partnership.....		513	179
Equity-accounted investments and other.....		5	3
	\$	536	\$ 201
Share-settlement liability ⁽¹⁾			
The partnership.....	\$	158	\$ —
	\$	694	\$ 201
Non-current liabilities			
Due to related parties			
Amounts due to			
Equity-accounted investments and other.....	\$	1	\$ 2

⁽¹⁾ Refer to Note 25 – Commitments, contingencies and guarantees for additional information on the company's litigation matters.

Current assets

Amounts due from Brookfield and the partnership are non-interest bearing, unsecured and due on demand.

Current liabilities

Amounts due to Brookfield and the partnership are unsecured, payable on demand and relate to recurring transactions.

27. SUPPLEMENTAL INFORMATION

The net change in working capital balances for the year ended December 31 shown in the consolidated statements of cash flows is comprised of the following:

(MILLIONS)	2020	2019	2018
Trade receivables and other current assets.....	\$ 42	\$ (44)	\$ (20)
Accounts payable and accrued liabilities.....	8	(6)	—
Other assets and liabilities.....	(60)	26	(13)
	<u>\$ (10)</u>	<u>\$ (24)</u>	<u>\$ (33)</u>

BROOKFIELD RENEWABLE CORPORATION

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