

MANAGEMENT'S DISCUSSION AND ANALYSIS

ORGANIZATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

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"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Corporation and its consolidated subsidiaries. The "Corporation" is comprised of ownership interests in our asset management, insurance solutions and operating businesses. Our "invested capital" includes Brookfield Renewable Partners L.P., Brookfield Infrastructure Partners L.P. and Brookfield Business Partners L.P., which are separate issuers included within our Renewable Power and Transition, Infrastructure and Private Equity segments, respectively, Brookfield Asset Management ULC, which is included in our Asset Management segment, and issuers in the Brookfield Property Group, which are included in our Real Estate segment. Additional discussion of their businesses and results can be found in their public filings. We use "private funds" to refer to the real estate funds, transition funds, infrastructure funds and private equity funds of our asset management business. Our other businesses include our corporate activities.

Please refer to the Glossary of Terms beginning on page 129 which defines our key performance measures that we use to measure our business.

Additional information about the company, including our Annual Information Form, is available on our website at www.brookfield.com, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

We are incorporated in Ontario, Canada, and qualify as an eligible Canadian issuer under the Multijurisdictional Disclosure System and as a "foreign private issuer" as such term is defined in Rule 405 under the U.S. Securities Act of 1933, as amended, and Rule 3b-4 under the U.S. Securities Exchange Act of 1934, as amended. As a result, we comply with U.S. continuous reporting requirements by filing our Canadian disclosure documents with the SEC; our annual report is filed under Form 40-F and we furnish our quarterly interim reports under Form 6-K.

Information contained in or otherwise accessible through the websites mentioned throughout this report does not form part of this report. All references in this report to websites are inactive textual references and are not incorporated by reference. Any other reports of the company referred to herein are not incorporated by reference unless explicitly stated otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Report contains “forward-looking information” within the meaning of Canadian provincial securities laws and “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may provide such information and make such statements in the Report, in other filings with Canadian regulators or the U.S. Securities and Exchange Commission or in other communications. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements which reflect management’s expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could.”

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information contained in this Report. The statements and information involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of the company 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: (i) investment returns that are lower than target; (ii) the impact or unanticipated impact of general economic, political and market factors in the countries in which we do business, including as a result of COVID-19 and the related global economic disruptions; (iii) the behavior of financial markets, including fluctuations in interest and foreign exchange rates; (iv) global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; (v) strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; (vi) changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); (vii) the ability to appropriately manage human capital; (viii) the effect of applying future accounting changes; (ix) business competition; (x) operational and reputational risks; (xi) technological change; (xii) changes in government regulation and legislation within the countries in which we operate; (xiii) governmental investigations; (xiv) litigation; (xv) changes in tax laws; (xvi) ability to collect amounts owed; (xvii) catastrophic events, such as earthquakes, hurricanes, or pandemics/epidemics; (xviii) the possible impact of international conflicts and other developments including terrorist acts and cyberterrorism; (xix) the introduction, withdrawal, success and timing of business initiatives and strategies; (xx) the failure of effective disclosure controls and procedures and internal controls over financial reporting and other risks; (xxi) health, safety and environmental risks; (xxii) the maintenance of adequate insurance coverage; (xxiii) the existence of information barriers between certain businesses within our asset management operations; (xxiv) risks specific to our business segments including our asset management, real estate, renewable power and transition, infrastructure, private equity, and other alternatives, including credit; and (xxv) factors detailed from time to time in our documents filed with the securities regulators in Canada and the United States, including in “Part 6 – Business Environment and Risks” of our Annual Report available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. Readers are urged to consider the foregoing risks, as well as other uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Except as required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

Past performance is not indicative nor a guarantee of future results. There can be no assurance that comparable results will be achieved in the future, that future investments will be similar to the historic investments discussed herein (because of economic conditions, the availability of investment opportunities or otherwise), that targeted returns, diversification or asset allocations will be met or that an investment strategy or investment objectives will be achieved.

STATEMENT REGARDING USE OF NON-IFRS MEASURES

We disclose a number of financial measures in this Report that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB") ("IFRS"). We utilize these measures in managing the business, including for performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures or other financial metrics may differ from the calculations disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this Report. Please refer to our Glossary of Terms beginning on page 129 for all non-IFRS measures.

PART 1

OUR BUSINESS AND STRATEGY

Overview

Competitive
Advantages

Investment
Cycle

Liquidity and
Capital Resources

Risk
Management

ESG

OVERVIEW

Our objective is to compound capital, delivering 15%+ annual returns to shareholders over the long-term. With a 100+ year heritage as an owner and operator of real assets, we have a proven track record of deploying capital to build market leading businesses that generate stable, growing cash flows and attractive long-term total returns. Today, our capital is invested across three businesses - Asset Management, Insurance Solutions, and our Operating Businesses, which generate \$5 billion of free cash flow annually and continue to grow.

Our capital is invested across businesses that help form the backbone of the global economy. The cash flows generated from our businesses are generally underpinned by stable, inflation-linked, largely contracted and growing revenue streams, and high cash margins. We leverage our global presence, the synergies of our businesses and large-scale, flexible capital to achieve strong returns across market cycles. On their own, each of our market leading businesses have a strong growth profile but together they generate synergies which significantly enhance their growth.

As a proven value investor, we remain focused on allocating the distributions we receive from our businesses to enhance value for our shareholders. We will continue to deploy the substantial free cash flows we receive towards supporting the growth of our three businesses, new strategic opportunities, and share buybacks. By leveraging the global reach and expertise of our asset management business, our goal is to identify new investment opportunities that provide strategic value for overall Brookfield and the potential for attractive returns over the long-term.

Our conservatively capitalized balance sheet provides downside protection and our scale, stability, and diversification create a differentiated business model, positioning us well as a partner of choice for the global buildout of infrastructure, the transition to a sustainable energy future, and take-private opportunities. We expect the flexibility of our capital and reputation as a good partner to create a significant proprietary pipeline of opportunities.

Sound environmental, social and governance ("ESG") principles are integral to building resilient businesses and creating long-term value for our investors and other stakeholders. As a result, we embed these principles into all our activities, including our investment process, and conduct our business in a sustainable and ethical manner. An emphasis on diversity and inclusion reinforces our culture of collaboration. It strengthens our ability to develop our people and maintain an engaged workforce focused on serving as a trusted partner and first-choice provider of investment solutions.

✓ Investment Focus

We invest in a global and diverse portfolio of high-quality assets or businesses that are predominantly long-term or perpetual in nature and have the following attributes:

- stable, largely contracted or inflation-linked, and growing revenues
- ability to drive outsized financial returns through operational excellence
- highly cash-generative
- high barriers to entry with a market leading position
- offer continuous deployment opportunities

✓ Focused Investment Strategies

We invest where we can bring our competitive advantages to bear, such as our significant and perpetual capital base, our global presence and reputation, and synergies across our strategies.

✓ Proven Capital Allocator

We are a value investor with a strong track record of allocating our capital to generate meaningful compound returns over the long term.

✓ Disciplined Financing Approach

We employ leverage¹ in a prudent manner to enhance returns while preserving capital throughout business cycles. Underlying investments are typically funded at investment-grade levels on a standalone and non-recourse basis, providing us with a stable capitalization. Only 5% of the total leverage reported in our consolidated financial statements has recourse to the Corporation.

✓ Sustainability

We are committed to ensuring that the assets and businesses in which we invest are set up for long-term success, and we seek to have a positive impact on the environment and the communities in which we operate.

We refer to the value of our business as our Invested Capital, which is calculated as the value of our 3 businesses – Asset Management, Insurance Solutions, and Operating Businesses. Our financial returns are represented by capital appreciation and distributions from our businesses. The primary performance measures that we use to evaluate the performance of our businesses are distributable earnings (“DE”)¹ and funds from operations (“FFO”)¹.

ASSET MANAGEMENT

Our **asset management business** is one of the world’s leading alternative asset managers, with approximately \$800 billion of assets under management (“AUM”)¹ as at December 31, 2022 across infrastructure, renewable power and transition, real estate, private equity and credit. The business invests client capital for the long-term with a focus on real assets and essential service businesses that form the backbone of the global economy. The business draws on our heritage as an owner and operator to invest for value and generate strong returns for clients, across economic cycles.

Within each investment vertical, our business manages capital in a variety of products that broadly fall into one of three categories: i) long-term private funds, ii) perpetual strategies and iii) liquid strategies¹. Products within these three strategies have similar base management fee¹ and carried interest¹ or performance fee¹ drivers.

Our capital in this business is via our 75% ownership interest in Brookfield Asset Management ULC (“BAM”)¹ for which we receive quarterly distributions.

INSURANCE SOLUTIONS

Our **insurance solutions business**² owns and operates a leading financial services business providing capital-based solutions to the insurance industry. Through operating subsidiaries, the business provides annuity-based reinsurance products to insurance and reinsurance companies and acts as a direct issuer of pension risk transfer products for pension plan sponsors. In doing so, the business seeks to match long-duration liabilities with a portfolio of high-quality investments in order to generate attractive, risk-adjusted returns.

As of December 31, 2022, our business has \$4 billion of equity capital and approximately \$40 billion of assets with annualized DE of \$650 million. The goal of our insurance solutions business is to create one of the world’s leading platforms for insurance solutions. It is expected that the capital base of this business will be vastly greater in the future, achieved through internal growth as well as through the addition of new capital from the Corporation and other business partners.

1. See definition in Glossary of Terms beginning on page 129.

2. Our capital in this business is predominantly via our equity accounted investment in Brookfield Reinsurance Ltd.

Our asset management business acts as the investment manager of most of the assets of our insurance solutions business.

OPERATING BUSINESSES

We have approximately \$57 billion of capital in our operating businesses as a result of our history as an owner and operator of real assets. This capital generates attractive financial returns and provides important stability and flexibility to the Corporation.

Renewable Power and Transition, Infrastructure, and Private Equity

Our investments in Renewable Power and Transition, Infrastructure, and Private Equity serve as publicly listed permanent capital vehicles that also act as our primary vehicles for making commitments to the flagship private funds of our asset management business, providing them each with a very strong pipeline for growth. Each of these businesses share key characteristics of being highly diversified by sector and geography, generating stable and often inflation linked revenue streams, high cash margins, market leading positions, high barriers to entry and opportunities to invest additional capital to enhance returns, all of which enable us to generate very attractive risk-adjusted returns on our capital.

Our **renewable power and transition business** owns diverse and high-quality assets across multiple continents and technologies including hydroelectric, wind, utility-scale solar, and distributed energy and sustainable solutions investments. Our capital in this business is primarily via our 48% ownership interest in Brookfield Renewable Partners (“BEP”)¹ for which we receive quarterly distributions. We also enter into energy contracts, which are our contractual arrangement with BEP to purchase power generated by certain North American hydro assets at a fixed price that is then resold on a contracted or uncontracted basis.

Our **infrastructure business** is one of the world’s largest infrastructure investors and owns and operates assets across the transport, data, utilities, and midstream sectors. Our capital in this business is via our 27% ownership interest in Brookfield Infrastructure Partners (“BIP”)¹ for which we receive quarterly distributions.

Our **private equity business** is a leading private equity investor with a focus on owning and operating businesses that provide essential products and services in the business services, industrials, and residential sectors. Our capital in this business is via our 65% ownership interest in Brookfield Business Partners (“BBU”)¹. We also have direct investments in various operating companies within the Private Equity segment.

Real Estate

Our **real estate business** is a diversified global real estate portfolio that owns and operates one of the largest portfolios of office, retail, multifamily residential, logistics, hospitality, triple net lease, student housing and manufactured housing assets.

Our capital in this business is via our 100% ownership stake in Brookfield Property Group (“BPG”)¹, which today consists of an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities (“Core”), a portfolio designed to maximize returns through a development or buy-fix-sell strategy (“Transitional & Development”), of which \$3 billion includes our capital invested in our North American residential business, and investments we have made in real estate private funds which own high-quality assets and portfolios with operational upside (“LP Investments”).

Our investment in BPG offers a diverse and high-quality portfolio of real estate assets in some of the best locations around the world with a history of outperforming over very long periods of time and through economic cycles.

Refer to Parts 2 and 3 of this MD&A for more information on our operations and performance.

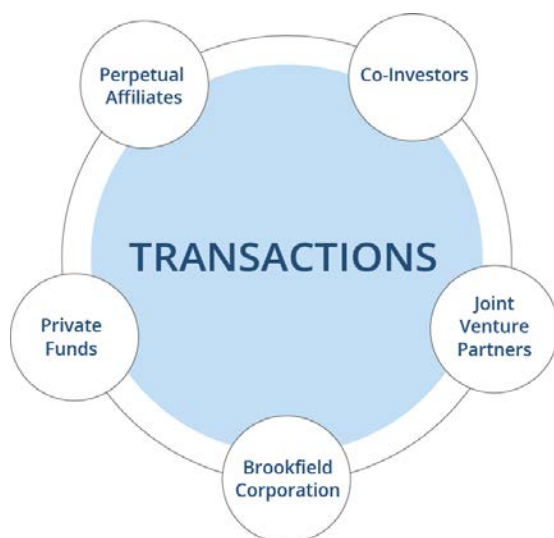
1. See definition in Glossary of Terms beginning on page 129.

COMPETITIVE ADVANTAGES

We have three distinct competitive advantages that enable us to consistently identify and acquire high-quality assets and create significant value in the assets that we own and operate.

SIGNIFICANT & PERPETUAL CAPITAL BASE

We have invested capital¹ of \$99 billion and a stable and growing annual free cash flow of \$5 billion. The access to significant resources has enabled us to (1) pursue highly accretive growth, (2) accelerate the growth of our asset management business, and (3) build and grow new businesses.



GLOBAL REACH

We operate in more than 30 countries on 5 continents around the world.

We have incubated, built, and launched market leading businesses over the past 20 years, each of which has reached global scale and enables the Corporation to pursue acquisition or growth of the next market leader. Our existing relationships and reputation as a superior partner are true differentiators and have increasingly positioned us as the capital solutions provider of choice for major global brands. We expect to leverage our resources and reputation to continue to seek opportunities that will provide total returns of over 15%+ a year over the long-term.

SYNERGIES ACROSS STRATEGIES

We believe that separation of business activities achieves efficient capital structures and focused growth opportunities and collaboration achieves higher returns and better outcomes for all of our market leading businesses. The Corporation and its market leading businesses are strategically aligned for all of them to perform and deliver strong results for stakeholders.

The collaboration between the 2,500+ investment and asset management professionals in our asset management business and the approximately 200,000 operating employees located in over 30 countries on five continents, provides Brookfield with deep investment and operating expertise across several sectors and industries, global reach and unique access to proprietary investment opportunities. The complementary skillsets of our people position us to manage operational risk, achieve operating efficiencies and enhance returns.

1. See definition in Glossary of Terms beginning on page 129.

INVESTMENT CYCLE

Identify and Acquire High-Quality Assets

We follow a value-based approach to investing and allocating capital. We believe that our disciplined approach, global reach and our operating expertise enable us to identify a wide range of potential opportunities, and allow us to invest at attractive valuations and generate superior risk-adjusted returns. We also leverage our considerable expertise in executing recapitalizations, operational turnarounds and large development and capital projects, providing additional opportunities to deploy capital.

Secure Long-Term Financing

We finance our operations predominantly on a long-term, investment-grade basis, and most of our capital consists of equity and standalone asset-by-asset financing with minimal recourse to other parts of the organization. We utilize relatively modest levels of corporate debt to provide operational flexibility and optimize returns. This provides us with considerable stability, improves our ability to withstand financial downturns and enables our management teams to focus on operations and other growth initiatives.

Enhance Value and Cash Flows Through Operating Expertise

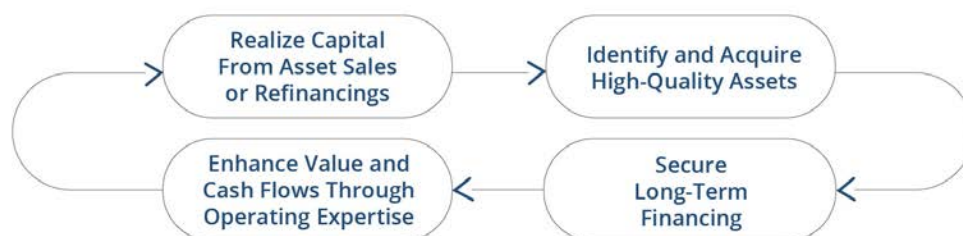
Our strong, time-tested operating capabilities enable us to increase the value of the assets within our businesses and the cash flows they produce, and they help to protect capital in adverse conditions. Our operating expertise, development capabilities and effective financing can help ensure that an investment's full value creation potential is realized, which we believe is one of our most important competitive advantages.

Realize Capital from Asset Sales or Refinancings

We actively monitor opportunities to sell or refinance assets to generate proceeds; in the limited life funds of our asset management business that capital is returned to investors, and in the case of perpetual funds, we then redeploy the capital to enhance returns. In many cases, returning capital from private funds completes the investment process, locks in investor returns and gives rise to performance income.

Our Operating Cycle Leads to Value Creation

We create value from earning robust returns on our investments that compound over time and grow the fee-bearing capital of our asset management business. By generating value for our investors and shareholders, we increase fees and carried interest received in our asset management business, and grow cash flows that compound value in our invested capital.



LIQUIDITY AND CAPITAL RESOURCES

The Corporation has \$5 billion of core liquidity¹, inclusive of our proportionate share of liquidity of our asset management business, and \$124 billion of total liquidity¹ on a group basis as at December 31, 2022. We manage our liquidity and capitalization on a group-wide basis, which we organize into three principal tiers:

- i) The Corporation, inclusive of our proportionate share of liquidity of our asset management business:
 - Strong levels of liquidity are maintained to support growth and ongoing operations.
 - Capitalization consists of a large common equity base, supplemented with perpetual preferred shares, long-dated corporate bonds and, from time to time, draws on our corporate credit facilities.
 - Negligible guarantees are provided on the financial obligations of perpetual affiliates and managed funds.
 - High levels of cash flows are available after payment of common share dividends.
- ii) Our perpetual affiliates (BEP/BEPC, BIP/BIPC, BBU/BBUC and BPG):
 - Strong levels of liquidity are maintained at each of the perpetual affiliates to support their growth and ongoing operations.
 - Perpetual affiliates are intended to be self-funding with stable capitalization through market cycles.
 - Financial obligations have no recourse to the Corporation.
- iii) Our asset management business:
 - Each underlying investment (whether held directly or within a perpetual affiliate) is typically funded on a standalone basis.
 - Fund level borrowings are generally limited to subscription facilities backed by the capital commitments to the fund.
 - Financial obligations have no recourse to the Corporation.

APPROACH TO CAPITALIZATION

We maintain a prudent level of long-dated capitalization in the form of common equity, perpetual preferred shares and corporate bonds, which provides a very stable capital structure. In addition, we maintain appropriate levels of liquidity throughout the organization to fund operating, development and investment activities as well as unforeseen requirements.

A key element of our capital strategy is to maintain significant liquidity at the corporate level, primarily in the form of cash, financial assets and undrawn credit lines.

Within our perpetual affiliates and asset management business, we strive to:

- Ensure our perpetual affiliates can finance their operations on a standalone basis without recourse to or reliance on the Corporation.
- Structure borrowings and other financial obligations associated with assets or portfolio companies to provide a stable capitalization at levels that are attractive to investors, are sustainable on a long-term basis and can withstand business cycles.
- Ensure the vast majority of this debt is at investment-grade levels; however, periodically, we may borrow at sub-investment grade levels in certain parts of our business where the borrowings are carefully structured and monitored.

1. See definition in Glossary of Terms beginning on page 129.

- Provide recourse only to the specific businesses or assets being financed, without cross-collateralization or parental guarantees.
- Match the duration of our debt to the underlying leases or contracts and match the currency of our debt to that of the assets such that our remaining exposure is on the net equity of the investment.

As at December 31, 2022, only \$11 billion of long-term debt has recourse to the Corporation. The remaining debt on our consolidated balance sheet is held within managed entities and has no recourse to the Corporation but is consolidated under IFRS.

LIQUIDITY

- The Corporation has very few capital requirements. Nevertheless, we maintain significant liquidity (\$5 billion in the form of cash and financial assets and undrawn credit facilities as at December 31, 2022) at the corporate level to further enable the growth of the broader business. This does not include our ability to issue debt at the Corporation to replenish our cash resources on an otherwise very conservatively leveraged corporate balance sheet.
- On a group basis, we have approximately \$124 billion of liquidity, which includes corporate liquidity, perpetual affiliate liquidity and uncalled private fund commitments. Uncalled private fund commitments are third-party commitments available for drawdown in the private funds of our asset management business.

AS AT DEC. 31, 2022
(MILLIONS)

	Corporate Liquidity	Group Liquidity
Cash and financial assets, net	\$ 2,893	\$ 27,440
Undrawn committed credit facilities	2,540	9,284
Core liquidity	5,433	36,724
Third-party uncalled private fund commitments	—	87,364
Total liquidity	\$ 5,433	\$ 124,088

CAPITAL MANAGEMENT

We utilize a metric we call the Corporation's Capital to manage the business in a number of ways, including operating performance, value creation, credit metrics and capital efficiency. The performance of the Corporation's Capital is closely tracked and monitored by the company's key management personnel and evaluated against management's objectives. The primary goal of the company is to earn a 15%+ return compounded over the long term while always maintaining significant liquidity to support ongoing operations.

The Corporation's Capital consists of the capital invested in its asset management activities, including investments in entities that it manages, its corporate investments that are held outside of managed entities and its net working capital, and is computed as follows:

AS AT DEC. 31
(MILLIONS)

	2022	2021
Cash and cash equivalents	\$ 1,564	\$ 1,197
Other financial assets	6,959	3,430
Common equity in managed investments	44,413	46,248
Other assets and liabilities of the Corporation	4,895	6,585
Corporation's Capital	\$ 57,831	\$ 57,460

The Corporation's Capital is funded with common equity, preferred equity and corporate borrowings issued by the Corporation.

AS AT DEC. 31 (MILLIONS)	2022	2021
Common equity.....	\$ 39,608	\$ 42,210
Preferred shares.....	4,145	4,145
Non-controlling interest.....	2,688	230
Corporate borrowings.....	11,390	10,875
Corporation's Capital.....	\$ 57,831	\$ 57,460

We maintain a prudent level of capitalization at the Corporation with 81% of our book capitalization in the form of common and preferred equity. Consistent with our conservative approach, our corporate borrowings represent only 19% of our corporate book capitalization and equate to just 5% of our consolidated debt.

The remaining 95% of our consolidated debt is non-recourse and is held within managed entities and has virtually no cross-collateralization or parental guarantees by the Corporation.

The following table presents our total capitalization on a corporate and consolidated basis. Total capitalization also includes amounts payable under long-term incentive plans, fixed annuity liabilities fully backed by financial asset portfolios, deferred tax liabilities and other working capital balances:

AS AT DEC. 31 (MILLIONS)	Corporate		Consolidated	
	2022	2021	2022	2021
Corporate borrowings.....	\$ 11,390	\$ 10,875	\$ 11,390	\$ 10,875
Non-recourse borrowings				
Subsidiary borrowings.....	—	—	15,140	12,876
Property-specific borrowings.....	—	—	187,544	152,181
	11,390	10,875	214,074	175,932
Corporation's Capital, excluding corporate borrowings.....	43,983	46,585	43,983	46,585
Accounts payable, deferred taxes and other.....	6,097	5,403	183,227	168,486
Total capitalization.....	\$ 61,470	\$ 62,863	\$ 441,284	\$ 391,003
Debt to capitalization.....	19%	17%	49%	45%

CASH FLOW GENERATION FROM OUR CAPITAL

Our Corporation's Capital generates significant, recurring cash flows at the corporate level, which may be used for (i) reinvestment into the business; or (ii) returning cash to shareholders. These cash flows are underpinned by:

- Distributions from our asset management business, which are supported by fee-related earnings¹ from predominantly long-term or perpetual contractual agreements.
- Insurance solutions operating earnings, which are backed by attractive returns earned on assets that are matched to corresponding predictable, long-duration insurance liabilities.
- Distributions from investments which are stable and backed by high-quality cash-generating real assets.

These cash flows are supplemented with carried interest and disposition gains on principal investments as we monetize mature investments and return capital to our investors.

1. See definition in Glossary of Terms beginning on page 129.

DE was \$5.2 billion for 2022, and over the past five years has grown at a 22% compound annual growth rate.

FOR THE YEARS ENDED DEC. 31
(MILLIONS)

	2022	2021
Distributions from asset management business ¹	\$ 2,061	\$ 1,892
Insurance solutions operating earnings	388	30
Distributions from investments	2,558	2,128
Corporate activities	(595)	(462)
Preferred share dividends ²	(160)	(157)
	(755)	(619)
Add back: equity-based compensation costs	62	36
Distributable earnings before realizations	4,314	3,467
Realized carried interest, net ^{3,4}	555	715
Disposition gains from principal investments	360	2,100
Distributable earnings	\$ 5,229	\$ 6,282

1. Includes \$326 million (2021 – \$632 million) of distributable earnings from Oaktree at our share.

2. Includes \$10 million (2021 – \$9 million) of dividends paid on perpetual subordinated notes for the year ended December 31, 2022.

3. Includes our share of Oaktree's distributable earnings attributable to realized carried interest.

4. See definition in Glossary of Terms beginning on page 129.

RISK MANAGEMENT

FOCUS ON RISK CULTURE

Maintain an effective risk culture that aligns our business strategy and activities with our risk appetite

SHARED EXECUTION

Business and functional groups are primarily responsible for identifying and managing risks within their business

OVERSIGHT & COORDINATION

Consistent approach and practices across business and functional groups, with coordinated management of common risks



OUR APPROACH

Managing risk is an integral and critical part of our business. We have a well-established, proactive and disciplined risk management approach that is based on clear operating methods and a strong risk management culture. We ensure that we have the necessary capacity and resilience to respond to changing environments by evaluating both current and emerging risks. We adhere to a robust risk management framework and methodology that is designed to enable comprehensive and consistent management of risk across the organization. We use a thorough and integrated risk assessment process to identify and evaluate risk areas across the business, including human capital, climate change, liquidity, disruption, regulatory compliance and other strategic, financial, and operational risks. Management and mitigation approaches are tailored to the specific risk areas and executed by business and functional groups for their businesses and areas of responsibility, with appropriate coordination and oversight through monitoring and reporting processes.

FOCUS ON RISK CULTURE

A strong risk culture is the cornerstone of our risk management program: one that promotes measured and appropriate risk-taking, addresses current and emerging risks, and ensures employees conduct business with a long-term perspective and in a sustainable and ethical manner. This culture is reinforced by strong commitment and leadership from our senior executives, as well as the policies and practices we have implemented, including our compensation approach.

SHARED EXECUTION

Given the diversified and decentralized nature of our operations, we seek to ensure that risk is managed as close to its source as possible and by the management teams that have the most knowledge and expertise in the specific

business or risk area. As such, business specific risks—such as health and safety, environmental and other operational risks—are generally managed at the operating business level, as the risks vary based on the nature of each business. At the same time, we monitor key risks organization-wide to ensure adequacy of risk management, adherence to applicable Brookfield policies, and sharing of best practices.

For risks that are more pervasive and correlated in their impact across the organization—such as liquidity, foreign exchange and interest rates or where we can bring specialized knowledge—we utilize a coordinated approach that is centralized amongst our corporate and business groups. Management of strategic, reputational and regulatory compliance risks are similarly coordinated to ensure consistent focus and implementation across the organization.

Oversight & Coordination

We have implemented strong governance practices to monitor and oversee our risk management program. Management committees bring together required expertise to manage key risk areas, ensuring appropriate application and coordination of risk management practices across our business and functional groups, and include the following:

- **Risk Management Steering Committee** – supports the overall corporate risk management program, and coordinates risk assessment and mitigation on an enterprise-wide basis
- **Investment Committees** – oversees the investment process and reviews and approves investment transactions
- **Conflicts Committee** – resolves potential conflict situations in the investment process and other corporate transactions
- **Financial Risk Oversight Committee** – reviews and monitors financial exposures
- **ESG Leadership** – oversees, coordinates and implements activities related to ESG, including current and future initiatives, and sector and market trends
- **Safety Leadership Committee** – promotes strong safety culture, monitors safety trends, and sponsors strategic initiatives related to health, safety, security and environmental matters
- **Net Zero Steering Committee** – Develop decarbonization targets, operationalize approach and share best practices across the organization
- **Disclosure Committee** – oversees the public disclosure of material information

Brookfield's Board of Directors (the "Board") oversees risk management with a focus on more significant risks, and leverages management's monitoring processes. The Board has delegated responsibility for oversight of specific risks to the following board committees:

- **Risk Management Committee** – oversees the management of Brookfield's significant financial and non-financial risk exposures, including review of risk assessment and risk management practices, and confirms that the company has an appropriate risk-taking philosophy and suitable risk capacity
- **Audit Committee** – oversees the management of risks related to Brookfield's systems and procedures for financial reporting, as well as for associated internal and external audit processes
- **Management Resources and Compensation Committee** – oversees risks related to Brookfield's management resource planning, including succession planning, executive compensation and senior executives' performance
- **Governance and Nominating Committee** – oversees risks related to Brookfield's governance structure, including the effectiveness of board and committee activities, potential conflicts of interest, and ESG governance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

ESG AT BROOKFIELD

Our business philosophy is based on our conviction that acting responsibly toward our stakeholders is foundational to operating a productive, profitable and sustainable business, and that value creation and sustainable development are complementary goals. This view has been underpinned by what we have learned throughout our 100+ year heritage as an owner and operator of long-term assets, many of which form the backbone of the global economy. Our long-term focus lends itself to robust ESG programs throughout our business and underlying operations, which has always been a key priority for us.

While ESG principles have always been embedded in how we run our business, we formalized our approach with the publication of Brookfield's ESG principles in 2016. In 2022, we developed a global ESG Policy incorporating our practices related to operationalizing our ESG principles. This document codifies our longstanding commitment to integrating ESG considerations into our decision-making and day-to-day asset management activities. This policy is reviewed annually and updated on an as-needed basis by senior executives at Brookfield as well as each of Brookfield's business groups. Our ESG policy outlines our approach to ESG which is based on the following guiding principles:

Mitigate the impact of our operations on the environment:

- Strive to minimize the environmental impact of operations and improve our efficient use of resources over time.
- Support the goal of net-zero greenhouse gas ("GHG") emissions by 2050 or sooner.

Ensure the well-being and safety of employees:

- Foster a positive work environment based on respect for human rights, valuing diversity, and having zero tolerance for workplace discrimination, violence or harassment.
- Operate with leading health and safety practices to support the goal of zero serious safety incidents.

Uphold strong governance practices:

- Operate to the highest ethical standards by conducting business activities in accordance with our Code of Conduct.
- Maintain strong stakeholder relationships through transparency and active engagement.

Be good corporate citizens:

- Ensure the interests, safety and well-being of the communities in which we operate are integrated into our business decisions.
- Support philanthropy and volunteerism by our employees.

ESG Governance

Robust ESG programs throughout our businesses and underlying operations has always been a key priority. Brookfield understands that good governance is essential to sustainable business operations. Brookfield's Board of Directors, through its Governance and Nominating Committee, has ultimate oversight of Brookfield's ESG strategy and receives regular updates on the company's ESG initiatives throughout the year.

Brookfield's ESG programs are supported by senior executives and experts within our asset management business, who are charged with primary accountability for driving ESG initiatives based on business imperatives, industry developments and best practices. This model facilitates the ability to leverage Brookfield's extensive industry and operational expertise and align our ESG priorities. In each case, our ESG initiatives are supported by asset management professionals from each of these constituencies.

ESG Integration into the Investment Process

During the initial due diligence phase of an investment, we proactively identify material ESG risks and opportunities relevant to the particular asset. We leverage our investment and operating expertise and utilize Brookfield's ESG Due Diligence Guidelines which incorporate the engagement guide published by the Sustainability Accounting Standards Board ("SASB") guidance. In 2022, we enhanced our ESG Due Diligence Guidelines with the addition of a comprehensive climate change risk assessment. We have also added a separate human rights and modern slavery risk assessment to our ESG Due Diligence Guidelines with the objective of mitigating the risks of modern slavery and human rights violations, including within supply chains. Where appropriate, we perform deeper due diligence, working with internal experts and third-party advisors as needed.

All investments made by Brookfield must be approved by the applicable Investment Committee, which makes its decision based on a set of predetermined criteria. To facilitate this, investment teams outline for the committee the merits of the transaction and material risks, mitigants and significant opportunities for improvement, including those related to ESG, such as bribery and corruption, health and safety, and climate-related risks.

As part of each acquisition, investment teams create a tailored integration plan that includes, among other things, material ESG-related matters for review or execution. Brookfield looks to advance ESG initiatives and improve ESG performance to drive long-term value creation, as well as to manage any associated risks. We have witnessed and continue to see a strong correlation between managing these considerations and enhancing investment returns. It is the responsibility of the management teams within each portfolio company to manage ESG risks and opportunities through the investment's life cycle, supported by the applicable investment team. The combination of having local accountability and expertise in tandem with Brookfield's investment and operating capabilities is important when managing a wide range of asset types across jurisdictions.

When preparing an asset for divestiture, we create robust business plans outlining potential value creation deriving from several different factors, including ESG considerations. We also prepare both qualitative and quantitative data that summarize the ESG performance of the investment and provide a holistic understanding of how Brookfield has managed the investment.

Below is a summary of some of the ESG initiatives that we undertook in 2022. For additional information, please refer to Brookfield's latest ESG report.

ENVIRONMENTAL

Climate change mitigation and adaptation continues to be a key area of focus and Brookfield has made progress in a number of areas.

TCFD Alignment

Since becoming supporters of the TCFD in 2021, Brookfield has made progress on aligning with the TCFD's recommended disclosures. Over the last year, we completed a climate risk management review to better understand the physical and transition risk and opportunities profile across our businesses. We are leveraging those results to identify improvement opportunities in approaching climate change mitigation and adaptation and continue to work to integrate those considerations into Brookfield's asset management business, as well as its operating businesses and portfolio companies. Brookfield's climate risk management methodology is aligned with the TCFD's recommendations, and we are working towards publishing our inaugural 2022 TCFD report in the first half of 2023.

Commitment to Net Zero

Brookfield has become a signatory to the Net Zero Asset Managers initiative ("NZAM"), to further our commitment to support the transition to a net zero carbon economy. NZAM is a group of international asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner. To fulfill this commitment, our asset management business is commencing to take account of emissions, prioritize emissions reductions across Brookfield's businesses, and work towards publishing disclosures in line with the recommendations of the TCFD.

In 2022, we submitted our 2030 net zero interim target, setting out our commitment to reduce emissions by two-thirds by 2030 across \$147 billion (approximately one-third) of our AUM from a 2020 base-line year¹.

An integral part of Brookfield's net zero commitment is the allocation of capital towards climate solutions. Our interim emissions target is comprised of assets across our businesses, including real estate, infrastructure, private equity, and renewable power and transition. In setting our interim target, we focused on investments where:

- a. We have control and therefore sufficient influence over the outcomes;
- b. We could identify and implement actionable initiatives in the near term, and;
- c. We assessed it to be value accretive to do so over the life of the investment.

Our intention is to increase the proportion of assets to be managed in line with net zero annually or as frequently as possible, consistent with our ambition to reach 100% over time. Our net-zero interim target includes Scope 1 and 2 emissions of Brookfield's portfolio companies or otherwise the majority of "financed emissions"².

To support our progress towards achieving our net-zero ambition, our focus over the past year has been on building teams and devoting additional resources to facilitate the development of credible decarbonization plans across all AUM. In undertaking this work, we will focus our net-zero efforts on investments where we have the best opportunity to achieve measurable positive outcomes.

In addition to the work that we are undertaking with our existing assets, we recently launched BGTF, which is the largest of its kind in the world with \$15 billion dedicated to accelerating the global transition to net zero. BGTF is an important component of our net-zero strategy and will pursue opportunities only where we can make measurable positive impact, including through the development of additional clean power capacity or decarbonizing carbon-intensive businesses.

SOCIAL

Diversity, Equity and Inclusion

We recognize that our success depends upon the quality, capabilities and commitment of our people across our businesses. Developing our over 2,500 investment and asset management employees and ensuring their continued engagement is therefore one of our top priorities. We aim to create an environment that is built on strong relationships and conducive to developing our workforce, and where individuals from diverse backgrounds can thrive. In 2022, we continued to work on ensuring that our talent attraction and retention efforts and our diversity, equity and inclusion efforts are in line with best practices.

Our approach to diversity, equity and inclusion has been deliberate and is integrated into our human capital development processes and initiatives. Having a diverse workforce reinforces our culture of collaboration and strengthens our ability to develop team members and maintain an engaged workforce. We seek to foster a diverse and inclusive workplace by ensuring leaders understand their role in creating an inclusive environment and by maintaining a focus on disciplined talent management processes that seek to mitigate the impact of unconscious bias. We believe that these priorities are foundational to our success in enhancing diversity and inclusion within the workplace, where career advancement is directly tied to performance and to alignment with our values of making decisions with intense collaboration and a long-term focus.

1. Expressed as a percentage of total AUM excluding Oaktree Capital Management.

2. Excludes Scope 3 emissions in investments where Brookfield does not have control.

Occupational Health and Safety

Occupational health and safety continues to be integral to how we manage our businesses. As health and safety risk varies across industries, sectors, and the nature of operations, we emphasize the importance of our operating businesses having direct accountability and responsibility for managing and reporting risks within their operations, with Brookfield providing support and strategic oversight at the business's board (or similarly situated governance body). For details on our health and safety framework, as it relates to our operating businesses, please refer to Brookfield's latest ESG report.

Human Rights and Modern Slavery

Brookfield is committed to conducting our business in an ethical and responsible manner. We continue to work to identify and prevent potential human rights and modern slavery violations within our business environment, including supply chains, and we look for ways to support the promotion of human rights. Our approach to addressing human rights, including modern slavery, is designed to be commensurate with the risks we face, which vary based on jurisdiction, industry and sector. Brookfield has a modern slavery and human trafficking policy that provides guidance on measures to prevent and detect modern slavery. In addition, we have several other policies and procedures that provide guidance on the identification of human rights and modern slavery risks and the steps to be taken to mitigate these risks. These include our Code of Conduct, Vendor Management Guidelines, including the Vendor Code of Conduct, ESG Due Diligence Guidelines, Anti-Bribery and Corruption Policy, Anti-Money Laundering and Trade Sanctions Policy and Whistleblowing Policy. Our portfolio companies' senior management teams are each responsible for identifying and managing the human rights risks, including modern slavery, for their individual businesses.

All employees receive modern slavery training as part of the onboarding process and access ongoing training, as necessary. Additional training relevant to applicable regions and role, particularly in higher-risk functions such as procurement is provided. We also encourage employees, suppliers and business partners to report concerns in accordance with our Whistleblowing Policy.

We are cognizant of the fact that the risks of human rights, modern slavery and human trafficking are complex and evolving, and we will continue to work on addressing these risks in our business.

GOVERNANCE

We recognize that strong governance is essential to sustainable business operations, and we aim to conduct our business according to the highest ethical and legal standards.

Stewardship and Engagement

Brookfield is one of the largest owners and operators of real assets globally. In managing our assets, we utilize our active asset management approach to collaborate directly with our portfolio companies to facilitate the implementation of sound ESG practices that are essential for resilient businesses, while creating long-term value for our investors and stakeholders.

In addition, Brookfield utilizes its Proxy Voting Guidelines to ensure that we are voting proxies in our investors' best interests, in accordance with any applicable proxy voting agreements and consistent with the investment mandate. While our public securities holdings are modest relative to our AUM, we considered it important to formally record the variety of ESG factors that we assess in determining whether voting a proxy is in the client's best interests, including gender equality, board diversity, ecology and sustainability, climate change, ethics, human rights, and data security and privacy. As part of our Proxy Voting Guidelines, Brookfield has created a Proxy Voting Committee that comprises senior executives across Brookfield and oversees proxy voting across our holdings. These guidelines also uphold our strong commitment to ESG practices, and our stance concerning climate risk, human rights, and diversity, equity and inclusion.

ESG Regulation

We aim to uphold strong governance practices, and we actively monitor proposed and evolving ESG legislation, regulation and market practices in all jurisdictions in which we operate. This includes, for example, the EU Sustainable Finance Disclosure Regulation and EU Taxonomy Regulation as well as the newly announced International Sustainability Standards Board. We seek to continuously improve and refine our processes by actively participating in the development and implementation of new industry standards and best practices.

Data Privacy and Cybersecurity

Data privacy and cybersecurity remain key ESG focus areas for us. In 2022, we undertook initiatives to further enhance our data protection and threat-intelligence capabilities, and we worked on improving our processes for third-party risk management. We review and update our cybersecurity program annually and conduct regular external-party assessments of our program maturity based on the NIST Cybersecurity Framework. Finally, in addition to continued mandatory cybersecurity education for all employees, we enhanced our phishing simulations to include more advanced simulations and social engineering.

ESG Affiliations and Partnerships

Finally, we continue to align our business practices with frameworks for responsible investing and are an active participant in industry forums and other organizations. We are a signatory to the United Nations-supported Principles for Responsible Investment ("PRI"), which demonstrates our ongoing commitment to responsible investment and ESG best practices. As a participant in organizations like the PRI, the TCFD and NZAM, we are committed to ongoing engagement and stewardship and the promotion of leading ESG practices—both with our portfolio companies and with the broader asset management industry—that are designed to enhance the value of our assets and businesses. In addition, through our membership in these organizations and other industry forums, we remain actively involved in discussions aimed at advancing ESG awareness across private and public markets and enhance our reporting and protocols in line with evolving best practices.

PART 2

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

The following section contains a discussion and analysis of line items presented within our consolidated financial statements. The financial data in this section has been prepared in accordance with IFRS unless otherwise noted. Starting on page 53, we provide an overview of our fair value accounting process and why we believe it provides useful information for investors about our performance. We also provide an overview of our application of the control-based model under IFRS used to determine whether or not an investment should be consolidated.

OVERVIEW

During 2022, our operating performance was strong despite a more challenging economic backdrop, driven by growth within our asset management franchise, the continued ramp-up in earnings from our insurance solutions business, and the resilience of our inflation-protected and highly cash-generative global portfolio of real assets.

Net income was \$5.2 billion in the current year, with \$2.1 billion attributable to common shareholders (\$1.19 per share) and the remaining income attributable to non-controlling interests.

The \$7.2 billion decrease in consolidated net income and the \$1.9 billion decrease in net income attributable to common shareholders were primarily attributable to:

- contributions from acquisitions during the current year and the second half of 2021 and same-store¹ growth across our operations;
- an increase in equity accounted income of \$162 million from organic growth;
- income tax expense of \$1.5 billion compared to \$2.3 billion in 2021, predominantly attributable to a lower taxable income and recognition of previously unrecognized tax losses; which were more than offset by
- valuation decreases of \$1.0 billion compared to an increase of \$5.2 billion in the prior year, primarily driven by lower valuations on certain assets within our Real Estate segment, and the absence of one-time gains recorded in the prior year within our Infrastructure segment;
- increase in interest expense of \$3.1 billion mainly related to incremental debt from recent acquisitions, increased interest rates on variable rate debt obligations, and asset-level financings across the business; and
- higher depreciation expense primarily as a result of recent acquisitions.

Our consolidated balance sheet primarily increased as a result of assets acquired, net of liabilities. Further increases relate to revaluations of property, plant and equipment ("PP&E") primarily within our Renewable Power and Transition and Real Estate segments. These increases were partially offset by dispositions during the year of a U.K. student housing business within our Real Estate segment and a portfolio of telecommunication towers in New Zealand within our Infrastructure segment.

1. See definition in Glossary of Terms beginning on page 129.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the company for 2022, 2021 and 2020:

FOR THE YEARS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Change				
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Revenues	\$ 92,769	\$ 75,731	\$ 62,752	\$ 17,038	\$ 12,979
Direct costs ¹	(78,511)	(64,000)	(53,177)	(14,511)	(10,823)
Other income and gains	1,594	3,099	785	(1,505)	2,314
Equity accounted income	2,613	2,451	(79)	162	2,530
Expenses					
Interest	(10,702)	(7,604)	(7,213)	(3,098)	(391)
Corporate costs	(122)	(116)	(101)	(6)	(15)
Fair value changes	(977)	5,151	(1,423)	(6,128)	6,574
Income tax expense	(1,469)	(2,324)	(837)	855	(1,487)
Net income	5,195	12,388	707	(7,193)	11,681
Non-controlling interests	(3,139)	(8,422)	(841)	5,283	(7,581)
Net income (loss) attributable to shareholders	\$ 2,056	\$ 3,966	\$ (134)	\$ (1,910)	\$ 4,100
Net income (loss) per share ²	\$ 1.19	\$ 2.39	\$ (0.12)	\$ (1.20)	\$ 2.51

1. Direct costs include \$7.7 billion of depreciation and amortization expense for the year ended December 31, 2022. During the fourth quarter of 2021, the company reclassified \$6.4 billion of depreciation and amortization, which were previously presented as a separate line item, to direct costs. Prior period amounts were also adjusted to reflect this change, which resulted in a \$5.8 billion increase to direct costs for the year ended December 31, 2020, with an equal and offsetting decrease to depreciation and amortization. This reclassification had no impact on revenues, net income, or basic and diluted earnings per share.

2. Adjusted to reflect the three-for-two stock split effective April 1, 2020.

2022 vs. 2021

Revenues for the year were \$92.8 billion, an increase of \$17.0 billion or 22% compared to 2021, primarily due to higher same-store results and the impact of recent acquisitions, net of asset sales, including:

- contributions from our Infrastructure segment as a result of inflation indexation, additions to rate base, and organic growth;
- additions to revenue from our Renewable Power and Transition segment as a result of inflation indexation, recontracting initiatives, and higher global merchant power; and
- revenues from acquisitions during the year, net of the absence of contributions from businesses fully or partially sold; partially offset by
- unfavorable currency translation in our Infrastructure and Renewable Power and Transition segments, particularly due to the weakening of the Brazilian real and Colombian peso versus the U.S. dollar.

A discussion of the impact on revenues and net income from recent acquisitions and dispositions can be found on page 44.

Direct costs increased by 23% or \$14.5 billion primarily due to:

- higher input prices and volumes at our road fuels operations within our Private Equity segment, and incremental costs associated with organic growth initiatives at our Infrastructure segment; and
- higher direct costs related to recent acquisitions, net of dispositions; partially offset by
- cost saving initiatives across our businesses.

Other income and gains of \$1.6 billion primarily relate to the sale of our Brazil power transmission and North American container terminal operations in our Infrastructure segment. The decrease compared to 2021 is primarily driven by higher gains on dispositions of certain assets in our Infrastructure segment in the prior year.

Equity accounted income increased by \$162 million primarily due to organic growth.

Interest expense of \$10.7 billion increased by \$3.1 billion compared to 2021 due to higher interest rates and additional borrowings associated with acquisitions, partially offset by the impact of dispositions.

We recorded lower valuations of \$977 million, compared to an increase in valuations of \$5.2 billion in the prior year. Valuation increases on our investment properties within our Real Estate portfolio were more than offset by transaction related and other fair value changes. Refer to pages 45 and 46 for a discussion on fair value changes.

We recorded an income tax expense of \$1.5 billion for the year compared to \$2.3 billion in the prior year mainly due to lower taxable income and the recognition of previously unrecognized tax losses.

2021 vs. 2020

Revenues increased by \$13.0 billion in 2021 due to:

- the recovery from the pandemic related economic shutdowns in 2020;
- higher volumes and prices at our road fuels and our advanced energy storage operations within our Private Equity segment;
- higher occupancy at our hospitality and core portfolios within our Real Estate segment;
- additional contributions from our wind assets and our gas storage business in our Renewable Power and Transition and Infrastructure segments, respectively, as a result of higher realized market prices and operational strength through the extreme weather conditions experienced in the U.S. during the first quarter of 2021; and
- a full year of contributions from acquisitions completed in 2020, net of lower generation at our hydroelectric facilities in North America in our Renewable Power and Transition segment, as well as lower revenues at our offshore oil services operations within our Private Equity segment.

Direct costs increased by \$10.8 billion in 2021 due to:

- the aforementioned higher volumes at our road fuels operations;
- an increase in depreciation and amortization expense, due to an increase in the carrying value of our PP&E due to acquisitions and from the impact of revaluation gains as part of our year-end revaluation process;
- higher direct costs related to recent acquisitions, net of dispositions; and
- incremental costs associated with organic growth initiatives at our operations; partially offset by
- cost saving initiatives across our businesses.

Other income and gains of \$3.1 billion in 2021 primarily relate to the sale of our Canadian and U.S. district energy operations in our Infrastructure segment.

Equity accounted income increased from a loss of \$79 million to income of \$2.5 billion. This increase primarily related to valuation increases in our Real Estate retail portfolio and strong operating performance at Oaktree Capital Management ("Oaktree")¹; partially offset by the absence of contributions from Norbord Inc. ("Norbord")¹.

Interest expense of \$7.6 billion in 2021 increased due to additional borrowings associated with acquisitions, partially offset by the impact of dispositions and the refinancing of debt across our operations.

We recorded valuation increases of \$5.2 billion in 2021, compared to decreases of \$1.4 billion in 2020, primarily as a result of valuation increases on our LP investments, partially offset by lower valuations of certain retail portfolios across our Real Estate business.

Income tax expense increased by \$1.5 billion to \$2.3 billion in 2021, primarily due to an increase in tax rates in the U.K. and Colombia, higher taxable income and the tax impact of the aforementioned fair value uplifts.

1. See definition in Glossary of Terms beginning on page 129.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

We have summarized below the impact of recent significant acquisitions and dispositions on our results for 2022:

FOR THE YEAR ENDED DEC. 31, 2022 (MILLIONS)	Acquisitions		Dispositions	
	Revenue	Net Income (Loss)	Revenue	Net (Income) Loss
Renewable Power and Transition	\$ 202	\$ 45	\$ (77)	\$ (4)
Infrastructure	2,457	212	(411)	(87)
Private Equity	8,097	(377)	(11)	(56)
Real Estate	1,296	620	(851)	(531)
	<u>\$ 12,052</u>	<u>\$ 500</u>	<u>\$ (1,350)</u>	<u>\$ (678)</u>

ACQUISITIONS

Acquisitions in 2022 and 2021 contributed incremental revenues and net income of \$12.1 billion and \$500 million, respectively, in the current year.

Renewable Power and Transition

Within our Renewable Power and Transition segment, recent acquisitions contributed to incremental revenues and net income of \$202 million and \$45 million, respectively. These contributions were primarily due to the acquisitions of a hydro asset in Columbia in the second half of 2021, and a solar developer in Germany in the first quarter of 2022.

Infrastructure

Recent acquisitions contributed incremental revenues of \$2.5 billion and net income of \$212 million. These contributions were primarily from Inter Pipeline Ltd. ("IPL")¹ which was acquired in 2021.

Private Equity

Within our Private Equity segment, recent acquisitions contributed incremental revenues of \$8.1 billion and a net loss of \$377 million. These contributions and net loss were primarily from acquisitions of our engineered components manufacturing operations and our modular building leasing services operations in 2021, as well as our lottery services operations and our dealer software and technology services operations in the current year.

Real Estate

Recent acquisitions contributed incremental revenues of \$1.3 billion and net income of \$620 million. These contributions were primarily from the acquisition of investment properties made through our Brookfield Strategic Real Estate Partners IV fund ("BSREP IV")¹.

DISPOSITIONS

Recent asset sales reduced revenues and net income by \$1.4 billion and \$678 million, respectively, in the current year. The assets that most significantly impacted our results were the dispositions of our U.S. hospitality assets, triple net lease and mixed-use portfolios in our Real Estate segment and our North American District Energy business and Chilean toll road operations in our Infrastructure segment.

1. See definition in Glossary of Terms beginning on page 129.

FAIR VALUE CHANGES

The following table disaggregates fair value changes into major components to facilitate analysis:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021	Change
Investment properties	\$ 629	\$ 5,073	\$ (4,444)
Transaction related (expenses) income	(533)	714	(1,247)
Financial contracts	(163)	984	(1,147)
Impairment and provisions	(293)	(654)	361
Other fair value changes	(617)	(966)	349
Total fair value changes	<u>\$ (977)</u>	<u>\$ 5,151</u>	<u>\$ (6,128)</u>

INVESTMENT PROPERTIES

Investment properties are recorded at fair value with changes recorded in net income. We present the investment properties of our Real Estate segment within three sub-segments. The sub-segments are based on our strategy to maintain an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities ("Core"), maximize returns through a development or buy-fix-sell strategy ("Transitional and Development"), or recycle capital from the private funds ("LP Investments") of our asset management business.

The following table disaggregates investment property fair value changes by asset type:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021	Change
Core	\$ 75	\$ (174)	\$ 249
Transitional and Development ¹	(1,700)	(50)	(1,650)
LP Investments and Other ¹	2,254	5,297	(3,043)
	<u>\$ 629</u>	<u>\$ 5,073</u>	<u>\$ (4,444)</u>

1. Valuation increases on residential assets in 2021 of \$209 million were reclassified from LP Investments and Other to Transitional and Development as a result of the inclusion of the North American and Australian Residential operations into the Real Estate segment beginning in the fourth quarter of 2022.

We discuss the key valuation inputs of our investment properties beginning on page 95.

Core

Valuation increases of \$75 million are mainly due to higher cash flows from our retail assets reflecting near term leasing outperformance and higher rent collections from luxury retail tenants. These gains were partially offset by lower valuations across numerous U.S. offices due to discount rate increases and market assumptions.

Valuations decreases of \$174 million in the prior year, primarily due to lower cash flow and leasing assumptions on certain retail assets, as well as changes in market leasing assumptions on our downtown New York office portfolio. These decreases were partially offset by increased valuations of our office portfolio in Canada.

Transitional and Development

Valuation decreases of \$1.7 billion primarily relate to unfavorable market rent and vacancy assumptions, and higher expected rent concessions based on leasing trends at our retail and office portfolios.

Valuation decreases of \$50 million in the prior year were primarily related to weaker leasing and cash flow assumptions on retail assets, partially offset by an increase in values on certain office assets in Australia as a result of higher external appraisal values.

LP Investments and Other

Valuation increases of \$2.3 billion primarily relate to:

- fair value uplifts in our U.S. logistics portfolio due to achievement of development milestones and higher market rent, and in our Brazil office portfolio due to higher occupancy and cash flow assumptions for the portfolio acquired during the year; and
- higher valuation of our Australian senior living and U.S. manufactured housing portfolios due to market price increases; partially offset by
- discount and capitalization rate expansion due to market conditions at certain assets in Europe.

In the prior year, valuation increases of \$5.3 billion were primarily due to uplifts in our U.S. manufactured housing and Australian senior living businesses, our Forest City Realty Trust Inc. and U.S. logistics portfolios, our mixed-use property in Seoul, and our U.S. multi-family REIT. These increases were partially offset by valuation decreases on certain retail assets in the U.S. as a result of changes to cash flow assumptions.

TRANSACTION RELATED (EXPENSES) INCOME

Transaction related expenses, net of income, totaled \$533 million for the year primarily due to transaction costs and restructuring charges within our Private Equity segment. The expenses also include certain legal and professional costs in our Corporate Activities segment that related to the listing and special distribution of our asset management business.

The prior year transaction related income, net of expenses, of \$714 million primarily relate to a gain on the deconsolidation of our investment in our graphite electrode operations within our Private Equity segment. This gain was partially offset by transaction costs related to recent acquisitions, as well as restructuring costs incurred in our Private Equity segment.

FINANCIAL CONTRACTS

Financial contracts include mark-to-market gains and losses related to foreign currency, interest rate and pricing exposures that are not designated as hedges.

Financial contracts drove a \$163 million decrease in fair value changes for the year, primarily attributable to lower valuations of short term-financial contracts that relate to hedges of power prices in our Renewable Power and Transition segment. The decrease also includes lower valuations of certain financial assets within our Corporate Activities segment.

Gains of \$984 million in the prior year primarily related to gains on our toehold positions in our Infrastructure and Real Estate segments, as well as fair value gains on our venture investments. These gains were partially offset by the mark-to-market movement on short-term financial contracts to hedge power prices in our Renewable Power and Transition business.

IMPAIRMENT PROVISIONS

Impairment and provisions expense of \$293 million in the year is primarily attributable to the impairment of PP&E due to weaker performance of certain hospitality assets within our Real Estate segment.

OTHER FAIR VALUE CHANGES

The decrease in other fair value changes of \$617 million in the year relates to mark-to-market fair value movements on financial assets within our Infrastructure segment, as well as accretion expenses and amortization of deferred financing fees across most segments. The remainder of the decrease is various one-time charges across our segments.

INCOME TAXES

We recorded an aggregate income tax expense of \$1.5 billion in 2022 (2021 – \$2.3 billion), including current tax expenses of \$1.3 billion (2021 – \$1.1 billion) and deferred tax expense of \$191 million (2021 – \$1.2 billion).

Our income tax provision does not include a number of non-income taxes paid that are recorded elsewhere in our consolidated financial statements. For example, a number of our operations in Brazil are required to pay non-recoverable taxes on revenue, which are included in direct costs as opposed to income taxes. In addition, we pay considerable property, payroll and other taxes that represent an important component of the tax base in the jurisdictions in which we operate, which are also predominantly recorded in direct costs.

Our effective income tax rate is different from the Canadian domestic statutory income tax rate due to the following differences:

FOR THE YEARS ENDED DEC. 31	2022	2021	Change
Statutory income tax rate	26%	26%	—%
(Reduction) increase in rate resulting from:			
Portion of gains subject to different tax rates	(2)	(3)	1
Change in tax rates and new legislation	(1)	3	(4)
Taxable income attributed to non-controlling interests	(3)	(10)	7
International operations subject to different tax rates	3	(1)	4
Recognition of deferred tax assets	(6)	(2)	(4)
Non-recognition of the benefit of current year tax losses	3	2	1
Other	2	1	1
Effective income tax rate	<u>22%</u>	<u>16%</u>	<u>6%</u>

Many of our operations are held in partially owned “flow-through” entities, such as partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only our proportionate share of the associated tax provision of these entities. In other words, we are consolidating all the net income, but only our share of the associated tax provision. This reduced our effective tax rate by 3% this year.

We operate in countries with different tax rates, most of which vary from our domestic statutory rate and we also benefit from tax incentives introduced in various countries to encourage economic activity. Differences in global tax rates resulted in a 3% increase in our effective tax rate this year. The difference will vary from period to period depending on the relative proportion of income earned in each country.

This year, the increase in deferred income tax recovery was primarily due to an increase in deferred tax assets at our nuclear technology services operations within our Private Equity segment, which reduced our effective tax rate by 6%. This was partially offset by the non-recognition of the benefit of current year tax losses, which increased our effective tax rate by 3%.

BALANCE SHEET ANALYSIS

The following table summarizes the statements of financial position of the company as at December 31, 2022, 2021, and 2020:

AS AT DEC. 31 (MILLIONS)	Change				
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Assets					
Property, plant and equipment	\$ 124,268	\$ 115,489	\$ 100,009	\$ 8,779	\$ 15,480
Investment properties	115,100	100,865	96,782	14,235	4,083
Equity accounted investments	47,094	46,100	41,327	994	4,773
Cash and cash equivalents	14,396	12,694	9,933	1,702	2,761
Accounts receivable and other	27,378	21,760	18,928	5,618	2,832
Intangible assets	38,411	30,609	24,658	7,802	5,951
Goodwill	28,662	20,227	14,714	8,435	5,513
Other assets	45,975	43,259	37,345	2,716	5,914
Total assets	\$ 441,284	\$ 391,003	\$ 343,696	\$ 50,281	\$ 47,307
Liabilities					
Corporate borrowings	\$ 11,390	\$ 10,875	\$ 9,077	\$ 515	\$ 1,798
Non-recourse borrowings of managed entities	202,684	165,057	139,324	37,627	25,733
Other non-current financial liabilities	27,679	27,718	28,524	(39)	(806)
Other liabilities	57,640	52,612	44,129	5,028	8,483
Equity					
Preferred equity	4,145	4,145	4,145	—	—
Non-controlling interests	98,138	88,386	86,804	9,752	1,582
Common equity	39,608	42,210	31,693	(2,602)	10,517
Total equity	141,891	134,741	122,642	7,150	12,099
	\$ 441,284	\$ 391,003	\$ 343,696	\$ 50,281	\$ 47,307

2022 vs. 2021

Total assets increased by \$50.3 billion from the prior year to \$441.3 billion as at December 31, 2022. The increase is due to recently completed business combinations and asset acquisitions, net of dispositions, mostly in our Private Equity and Real Estate segments. Net valuation increases recognized on our PP&E during the year also contributed to the increase in total assets. This was partially offset by amortization and depreciation of our asset base during the year.

We have summarized the impact of business combinations as well as equity accounted investments, investment properties and PP&E additions for the year ended December 31, 2022 in the table below:

FOR THE YEAR ENDED DEC. 31, 2022 (MILLIONS)	Renewable Power and Transition	Infrastructure and Other	Private Equity	Real Estate	Total
Cash and cash equivalents	\$ 85	\$ 7	\$ 953	\$ 605	\$ 1,650
Accounts receivable and other	379	10	1,446	302	2,137
Other financial assets	12	11	4,558	188	4,769
Inventory	31	2	485	5	523
Equity accounted investments	524	4,209	499	747	5,979
Investment properties	—	144	—	21,260	21,404
Property, plant and equipment	5,496	2,777	3,627	4,345	16,245
Intangible assets	—	302	11,594	82	11,978
Goodwill	691	279	8,155	456	9,581
Deferred income tax assets	10	1	62	—	73
Total Assets	<u>7,228</u>	<u>7,742</u>	<u>31,379</u>	<u>27,990</u>	<u>74,339</u>
Less:					
Accounts payable and other	(1,201)	(55)	(2,300)	(795)	(4,351)
Non-recourse borrowings	(424)	(52)	(4,924)	(3,707)	(9,107)
Deferred income tax liabilities	(50)	(18)	(1,911)	(878)	(2,857)
Non-controlling interests ¹	(32)	(64)	(96)	(1,788)	(1,980)
	<u>(1,707)</u>	<u>(189)</u>	<u>(9,231)</u>	<u>(7,168)</u>	<u>(18,295)</u>
Net assets acquired	<u>\$ 5,521</u>	<u>\$ 7,553</u>	<u>\$ 22,148</u>	<u>\$ 20,822</u>	<u>\$ 56,044</u>

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the identifiable assets and liabilities on the date of acquisition.

Summarized below are the key contributors to the year-over-year variances for the statement of financial position.

PP&E increased by \$8.8 billion primarily as a result of:

- additions of \$16.2 billion, which includes the acquisition of a portfolio of U.S. hospitality assets within our Real Estate segment, our lottery services operations and fleet management and car rental services business within our Private Equity segment, and our solar operations of our Renewable Power and Transition segment; and
- revaluation surplus of \$5.4 billion with the majority of the increase attributable to our Renewable Power and Transition segment, which benefited from higher power prices across most markets in which we operate and the expected growth in demand for renewable power; partially offset by
- the impact of foreign currency translation of \$6.2 billion;
- depreciation of \$5.6 billion during the year; and
- dispositions and assets reclassified as held for sale of \$1.1 billion.

We provide a continuity of PP&E in Note 12 of the consolidated financial statements.

Investment properties predominantly consist of the company's real estate assets. The balance as at December 31, 2022 increased by \$14.2 billion, mostly due to:

- acquisitions and additions of \$21.4 billion, primarily associated with the purchase of hospitality assets in the U.S. in our Real Estate segment, enhancement or expansion of properties through capital expenditures, and the purchase of investment properties during the year; and

- net valuation increases of \$629 million, mainly of our LP Investments in the Real Estate segment; partially offset by
- asset sales and reclassifications to assets held for sale of \$4.4 billion; and
- the impact of foreign currency translation and other of \$3.1 billion.

We provide a continuity of investment properties in Note 11 of the consolidated financial statements.

Equity accounted investments increased by \$994 million in the current year to \$47.1 billion due to:

- additions, net of disposals, and acquisitions of \$2.0 billion; and
- our proportionate share of comprehensive income of \$2.5 billion; partially offset by
- distributions and returns of capital received of \$2.8 billion; and
- the impact of foreign currency translation and other items of \$671 million.

We provide a continuity of equity accounted investments in Note 10 of the consolidated financial statements.

Cash and cash equivalents increased by \$1.7 billion. For further information, refer to our Consolidated Statements of Cash Flows and to the Review of Consolidated Statements of Cash Flows within Part 4 – Capitalization and Liquidity.

The increases of \$7.8 billion and \$8.4 billion in our intangible assets and goodwill balances, respectively, primarily relate to the acquisitions of our dealer software and technology services operations, our lottery services operations, and our Australian residential mortgage lender in our Private Equity segment, partially offset by amortization expense.

Other assets are comprised of inventory, deferred income tax assets, assets classified as held for sale and other financial assets. The increase of \$2.7 billion is primarily a result of:

- an increase in other financial assets of \$10.4 billion primarily due to the acquisition of an Australian residential mortgage lender in our Private Equity segment; and
- an increase in inventory of \$1.4 billion mainly due to higher inventory on hand at our solar power solutions operations and higher prices at our road fuels operations within our Private Equity segment; partially offset by
- a decrease in assets held for sale of \$9.1 billion largely attributable to the dispositions of our automotive dealership properties and various assets during the year within our Real Estate segment, partially offset by the reclassification of certain assets from our Real Estate segment and road portfolios within our Infrastructure segment to held for sale.

Corporate borrowings increased by \$515 million from the C\$1 billion (\$738 million) 10-year bond issuance, \$400 million green bond issuance and \$400 million re-opening of our 2028 notes, partially offset by the repayment of outstanding commercial paper during the year.

Non-recourse borrowings of managed entities increased by \$37.6 billion, net of borrowings reclassified to held for sale, largely attributable to recent acquisitions in our Private Equity and Real Estate segments.

Other non-current financial liabilities consist of our subsidiary equity obligations, non-current accounts payable and other long-term financial liabilities that are due after one year. The balance remained consistent with the prior year.

The increase of \$5.0 billion in other liabilities was primarily due to acquisitions completed in the year and an increase in deferred income tax liabilities mainly as a result of revaluation of PP&E within our Renewable Power and Transition and Real Estate segments. Refer to Part 4 – Capitalization and Liquidity for more information.

2021 vs. 2020

Consolidated assets as at December 31, 2021 were \$391.0 billion, compared to \$343.7 billion as at December 31, 2020. Year-over-year increases were primarily due to business combinations and asset acquisitions completed in 2021, as well as net valuation gains recognized on our PP&E. These increases were partially offset by amortization and depreciation as well as assets sold in 2021.

PP&E increased by \$15.5 billion in 2021 primarily as a result of acquisitions completed across our segments and revaluation surplus largely in our Renewable Power and Transition segment. These increases were partially offset by depreciation and the deconsolidation of businesses sold in 2021.

Investment properties were \$4.1 billion higher at the end of 2021 compared to 2020 primarily due to the purchase of investment properties and valuation gains in our Real Estate segment. These increases were partially offset by asset sales, reclassifications to assets held for sale, and the impacts of foreign currency translation.

Equity accounted investments were \$46.1 billion as at December 31, 2021, an increase of \$4.8 billion compared to 2020. The increase was mainly due to the acquisition of an additional interest in our German Office portfolio within our Real Estate segment, the spin-out of our reinsurance business, and the change in accounting basis of our interest in our graphite electrode operations within our Private Equity segment. In addition, the increase was due to our proportionate share of the comprehensive income in 2021. These increases were partially offset by distributions and returns of capital received, and the impact of foreign currency translation.

Cash and cash equivalents increased by \$2.8 billion as at December 31, 2021 compared to 2020. For further information, refer to our Consolidated Statements of Cash Flows and to the Review of Consolidated Statements of Cash Flows within Part 4 – Capitalization and Liquidity.

Increases of \$6.0 billion and \$5.5 billion in our intangible assets and goodwill balances, respectively, are related to additions from acquisitions, net of dispositions, primarily in our Infrastructure and Private Equity segments, partially offset by the amortization of certain intangible assets.

Other assets increased by \$5.9 billion primarily as a result of the reclassification to assets held for sale of certain office and other assets within our Real Estate segment, and an increase in inventory within our Private Equity segment driven by the acquisition of our engineered components manufacturing operations and increased prices and inventory at our advanced energy storage operations. These were partially offset by decreases in assets held for sale from the derecognition of our investment in Norbord within our Private Equity segment, and a decrease in other financial assets following the sale of a portion of our securities portfolio and toehold positions during 2021.

Corporate borrowings increased by \$1.8 billion in 2021 due to the \$600 million green bond issuance and \$250 million re-opening of our 2051 notes, in addition to net draws of \$912 million of commercial paper issuances and credit facility draws.

Non-recourse borrowings increased by \$25.7 billion in 2021, net of borrowings reclassified to held for sale, largely attributable to recent acquisitions across our business segments.

Other non-current financial liabilities decreased by \$806 million in 2021 primarily due to a decrease in insurance contract liabilities as a result of the deconsolidation of our annuities business as part of the Brookfield Reinsurance Ltd. ("BNRE")¹ spin-out in the second quarter of 2021.

Other liabilities increased by \$8.5 billion in 2021 primarily attributable to the increase in deferred income tax liabilities mainly as a result of acquisitions completed in the year, fair value uplifts in our Real Estate segment and revaluation of PP&E in our Renewable Power and Transition segment.

1. See definition in Glossary of Terms beginning on page 129.

EQUITY

The significant variances in common equity and non-controlling interests are discussed below. Preferred equity is discussed in Part 4 – Capitalization and Liquidity.

COMMON EQUITY

The following table presents the major contributors to the period-over-period variances for common equity:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021
Common equity, beginning of year	\$ 42,210	\$ 31,693
Changes in period		
Net income attributable to shareholders	2,056	3,966
Common dividends	(879)	(800)
Common dividends - special distribution	(2,356)	(538)
Preferred dividends	(150)	(148)
Other comprehensive (loss) income	(263)	1,844
Share repurchases, net of issuances	(565)	2,813
Ownership changes and other	(445)	3,380
	(2,602)	10,517
Common equity, end of year	\$ 39,608	\$ 42,210

Common equity decreased by \$2.6 billion to \$39.6 billion during the year. The change includes:

- net income attributable to common shareholders of \$2.1 billion; more than offset by
- distributions of \$3.4 billion to shareholders as common and preferred share dividends, including the \$2.4 billion special distribution of a 25% interest in our asset management business;
- other comprehensive losses of \$263 million consisting of revaluation surplus gains of \$884 million, more than offset by other reserves of \$605 million, and foreign currency translation of \$542 million;
- share repurchases, net of issuances, of \$565 million, mainly related to the repurchase of 17 million Class A Limited Voting Shares ("Class A shares") for the year; and
- ownership changes and other of \$445 million primarily attributable to losses recorded directly in equity on the step-up acquisition of a German office portfolio by our Real Estate business in the first quarter of 2022.

NON-CONTROLLING INTERESTS

Non-controlling interests in our consolidated results primarily consist of third-party interests in BAM, BEP, BIP, BBU, BPG, and their consolidated entities as well as co-investors and other participating interests in our consolidated investments as follows:

AS AT DEC. 31 (MILLIONS)	2022	2021
Brookfield Asset Management	\$ 2,377	\$ —
Brookfield Renewable	21,651	19,355
Brookfield Infrastructure	23,030	23,695
Brookfield Business Partners	16,026	10,197
Brookfield Property Group	29,321	28,115
Other participating interests	5,733	7,024
	\$ 98,138	\$ 88,386

Non-controlling interests increased by \$9.8 billion during the year, primarily due to:

- comprehensive income attributable to non-controlling interests, which totaled \$6.4 billion; and
- ownership changes of \$3.6 billion, including the impact of the \$2.4 billion distribution of a 25% interest in our asset management business; partially offset by
- distributions, net of equity issuances, of \$316 million.

CONSOLIDATION AND FAIR VALUE ACCOUNTING

As a Canadian domiciled public corporation, we report under IFRS, while many other issuers that may be considered peers report under U.S. GAAP. There are many differences between U.S. GAAP and IFRS, but the two principal differences affecting our consolidated financial statements compared to those of other issuers are consolidation and fair value accounting.

In particular, U.S. GAAP allows some issuers to report certain investments, which qualify as variable interest entities, at fair value on one line on their balance sheet on a net basis as opposed to consolidating the underlying funds that the investment is held in. This approach is not available under IFRS. This can create significant differences in the presentation of our financial statements as compared to other issuers.

CONSOLIDATION

Our consolidation conclusions under IFRS may differ from other issuers who report under U.S. GAAP for two primary reasons:

- U.S. GAAP uses a voting interest model or a variable interest model to determine consolidation requirements, depending on the circumstances, whereas IFRS uses a control-based model. We generally have the contractual ability to unilaterally direct the relevant activities of the funds managed by our asset management business; and;
- we generally invest significant amounts of capital alongside clients of our asset management business and partners, which means that we earn meaningful returns as a principal investor in addition to our share of asset management returns compared to others who may act solely as an agent.

As a result, in many cases, we control entities in which we hold only a minority economic interest. For example, a Brookfield-sponsored private fund to which we have committed 30% of the capital may acquire 60% of the voting interest in an investee company. The contractual arrangements generally provide us with the irrevocable ability to direct the funds' relevant activities. Based on these facts, we would control the investment because we exercise decision-making power over a controlling interest of that business and our 18% economic interest provides us with exposure to the variable returns of a principal.

All entities that we control are consolidated for financial reporting purposes. As a result, we include 100% of these entities' revenues and expenses in our Consolidated Statements of Operations, even though a substantial portion of their net income is attributable to non-controlling interests. Furthermore, we include all of the assets, liabilities, including non-recourse borrowings, of these entities in our Consolidated Balance Sheets, and include the portion of equity held by others as non-controlling interests.

Intercompany revenues and expenses between Brookfield and its subsidiaries, such as asset management fees, are eliminated in our Consolidated Statements of Operations; however, these items affect the attribution of net income between shareholders and non-controlling interests. For example, asset management fees paid by our perpetual affiliates to our asset management business are eliminated from consolidated revenues and expenses. However, as the common shareholders are attributed all of the fee revenues¹ while only attributed their proportionate share of the listed affiliates' expenses, the amount of net income attributable to common shareholders is increased with a corresponding decrease in net income attributable to non-controlling interests.

1. See definition in Glossary of Terms beginning on page 129.

FAIR VALUE ACCOUNTING

Under U.S. GAAP, many issuers who may be considered our peers account for their funds as investment companies and reflect their investments at fair value.

Under IFRS, as a parent company, we are required to look through our consolidated and equity accounted investments and account for their assets and liabilities under the applicable IFRS guidance. We reflect a large number of assets at fair value, namely our commercial properties, renewable power facilities and certain infrastructure assets which are typically recorded at amortized cost under U.S. GAAP. However, there are other assets that are not subject to fair value accounting under IFRS and are therefore carried at amortized cost, which would be more consistent with U.S. GAAP.

Under both IFRS and U.S. GAAP, the value of the activities of our asset management business is generally not reflected on the balance sheet despite being a material component of the value of our business.

For additional details on the valuation approach for the relevant segments, critical assumptions and related sensitivities, refer to Part 5 – Accounting Policies and Internal Controls.

FOREIGN CURRENCY TRANSLATION

Approximately half of our capital is invested in non-U.S. currencies and the cash flows generated from these businesses, as well as our equity, are subject to changes in foreign currency exchange rates. From time to time, we utilize financial contracts to adjust these exposures. The most significant currency exchange rates that impact our business are shown in the following table:

	Year End Spot Rate			Change		Average Rate			Change	
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
AS AT DEC. 31										
Australian dollar...	0.6813	0.7262	0.7694	(6)%	(6)%	0.6949	0.7515	0.6908	(8)%	9 %
Brazilian real ¹	5.2165	5.5804	5.1975	7 %	(7)%	5.1644	5.3969	5.1546	5 %	(4)%
British pound.....	1.2083	1.3532	1.3670	(11)%	(1)%	1.2372	1.3759	1.2838	(10)%	7 %
Canadian dollar....	0.7382	0.7913	0.7853	(7)%	1 %	0.7690	0.7979	0.7464	(4)%	7 %
Colombian peso ¹ ...	4,852.5	4,064.9	3,428.3	(16)%	(16)%	4,260.5	3,747.7	3,695.4	(12)%	(1)%
Euro	1.0705	1.1370	1.2217	(6)%	(7)%	1.0538	1.1831	1.1416	(11)%	4 %

1. Using Brazilian real and Colombian peso as the price currency.

Currency exchange rates relative to the U.S. dollar at the end of the current year were lower than December 31, 2021 for all of our significant non-U.S. dollar investments with the exception of the Brazilian real. As at December 31, 2022, our common equity of \$39.6 billion was invested in the following currencies: U.S. dollars – 48% (December 31, 2021 – 55%); British pounds – 15% (December 31, 2021 – 16%); Canadian dollars – 7% (December 31, 2021 – 7%); Australian dollars – 7% (December 31, 2021 – 6%); Brazilian reais – 7% (December 31, 2021 – 6%); Colombian pesos – 1% (December 31, 2021 – 1%); and other currencies – 15% (December 31, 2021 – 9%).

The following table disaggregates the impact of foreign currency translation on our equity by the most significant non-U.S. currencies:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)				2022	2021	Change
Australian dollar	\$	(685)	\$	(495)	\$	(190)
Brazilian real		783		(391)		1,174
British pound		(1,613)		(127)		(1,486)
Canadian dollar		(1,015)		269		(1,284)
Colombian peso		(772)		(815)		43
Euro		(422)		(430)		8
Other		(1,129)		(341)		(788)
Total cumulative translation adjustments		(4,853)		(2,330)		(2,523)
Currency hedges ¹		2,834		441		2,393
Total cumulative translation adjustments net of currency hedges	\$	(2,019)	\$	(1,889)	\$	(130)
Attributable to:						
Shareholders	\$	(542)	\$	(318)	\$	(224)
Non-controlling interests		(1,477)		(1,571)		94
	\$	(2,019)	\$	(1,889)	\$	(130)

1. Includes deferred income tax expense of \$87 million (2021 – recovery of \$21 million).

The foreign currency translation of our equity, net of currency hedges, for the year ended December 31, 2022 lowered consolidated equity by \$2.0 billion of which our share was \$542 million. This was primarily attributable to the lower year-end rates across most currencies relative to the U.S. dollar.

We seek to hedge foreign currency exposure where the cost of doing so is reasonable. Due to the high historical costs associated with hedging the Brazilian real, Colombian peso and other emerging market currencies, hedge levels against those currencies were low as at December 31, 2022.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during 2022, 2021 and 2020, are summarized in the following table. Dividends to the Class A and B Limited Voting Shares have been adjusted to reflect a three-for-two stock split on April 1, 2020.

	Distribution per Security		
	2022	2021	2020
Class A and B ¹ Limited Voting Shares ("Class A and B shares") ²	\$ 0.56	\$ 0.52	\$ 0.48
Special distribution to Class A and B shares ^{3,4}	8.00	0.36	—
Class A Preferred Shares			
Series 2	0.51	0.34	0.38
Series 4	0.51	0.34	0.38
Series 8	0.75	0.47	0.54
Series 9	0.58	0.55	0.51
Series 13	0.51	0.34	0.38
Series 15	0.45	0.12	0.24
Series 17	0.91	0.95	0.89
Series 18	0.91	0.95	0.89
Series 24	0.62	0.62	0.56
Series 25 ⁵	—	0.24	0.60
Series 26 ⁶	0.72	0.69	0.65
Series 28 ⁷	0.70	0.54	0.51
Series 30	0.90	0.93	0.87
Series 32	0.97	1.01	0.94
Series 34	0.85	0.89	0.83
Series 36	0.93	0.97	0.90
Series 37	0.94	0.98	0.91
Series 38 ⁸	0.69	0.71	0.70
Series 40	0.77	0.80	0.75
Series 42 ⁹	0.63	0.71	0.72
Series 44	0.96	1.00	0.93
Series 46 ¹⁰	1.01	0.96	0.90
Series 48	0.91	0.95	0.89

1. Class B Limited Voting Shares ("Class B shares").

2. Adjusted to reflect the three-for-two stock split effective April 1, 2020.

3. Distribution of one Class A and one Class B share of Brookfield Asset Management Ltd. for every four Corporation Class A Shares and Corporation Class B Shares held as of the close of business of December 2, 2022, valued based on the share price of \$32.00 per share of Brookfield Asset Management Ltd. on the date of the special distribution of the asset management business.

4. Distribution of one Class A exchangeable limited voting share of Brookfield Asset Management Reinsurance Partners Ltd. (now Brookfield Reinsurance Ltd.) for every 145 Class A shares and Class B shares held as of the close of business of June 18, 2021.

5. Dividend rate reset commenced the last day of each quarter. All Series 25 shares were converted into Series 24 on a one-for-one basis effective June 30, 2021.

6. Dividend rate reset commenced March 31, 2022.

7. Dividend rate reset commenced June 30, 2022.

8. Dividend rate reset commenced March 31, 2020.

9. Dividend rate reset commenced June 30, 2020.

10. Dividend rate reset commenced March 31, 2022.

Dividends on the Class A and B shares are declared in U.S. dollars whereas Class A Preferred share dividends are declared in Canadian dollars.

SUMMARY OF QUARTERLY RESULTS

The quarterly variances in revenues over the past two years are due primarily to acquisitions and dispositions. Variances in net income to shareholders relate primarily to the timing and amount of non-cash fair value changes and deferred tax provisions, as well as seasonality and cyclical influences in certain businesses. Changes in ownership have resulted in the consolidation and deconsolidation of revenues from some of our assets, particularly in our Real Estate and Private Equity businesses. Other factors include the impact of foreign currency on non-U.S. revenues, net income attributable to non-controlling interests, and the global economic shutdown in 2021 and 2020.

Our Real Estate business typically generates consistent results on a quarterly basis due to the long-term nature of contractual lease arrangements subject to the intermittent recognition of disposition and lease termination gains. Our retail properties typically experience seasonally higher retail sales during the fourth quarter, and our resort hotels tend to experience higher revenues and costs as a result of increased visits during the first quarter. We fair value our real estate assets on a quarterly basis which results in variations in net income based on changes in the value.

Renewable power hydroelectric operations are seasonal in nature. Generation tends to be higher during the winter rainy season in Brazil and spring thaws in North America; however, this is mitigated to an extent by prices, which tend not to be as strong as they are in the summer and winter seasons due to the more moderate weather conditions and reductions in demand for electricity. Water and wind conditions may also vary from year to year. Our Infrastructure operations are generally stable in nature as a result of regulation or long-term sales contracts with our investors, certain of which guarantee minimum volumes.

Revenues and direct costs in our Private Equity operations vary from quarter to quarter primarily due to acquisitions and dispositions of businesses, fluctuations in foreign exchange rates, business and economic cycles, and weather and seasonality in underlying operations. Broader economic factors and commodity market volatility may have a significant impact on a number of our businesses, in particular within our industrials portfolio. Within our infrastructure services, our service provider to the power generation industry generates the majority of its revenue during the fall and spring when power plants go offline to perform maintenance and replenish their fuel. Some of our business services operations will typically have stronger performance in the latter half of the year whereas others, such as our fuel marketing and road fuel distribution businesses, will generate stronger performance in the second and third quarters. Net income is impacted by periodic gains and losses on acquisitions, monetization and impairments.

Our condensed statements of operations for the eight most recent quarters are as follows:

FOR THE PERIODS ENDED (MILLIONS, EXCEPT PER SHARE AMOUNT)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$24,213	\$23,418	\$23,256	\$21,882	\$21,787	\$19,248	\$18,286	\$16,410
Net income	44	716	1,475	2,960	3,461	2,722	2,429	3,776
Net (loss) income to shareholders	(316)	423	590	1,359	1,118	797	816	1,235
Per share								
– diluted	\$ (0.23)	\$ 0.24	\$ 0.34	\$ 0.81	\$ 0.66	\$ 0.47	\$ 0.49	\$ 0.77
– basic	(0.23)	0.25	0.35	0.84	0.69	0.49	0.51	0.79

The following table shows fair value changes and income taxes for the last eight quarters, as well as their combined impact on net income:

FOR THE PERIODS ENDED (MILLIONS)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Fair value changes	\$ (1,811)	\$ (549)	\$ (397)	\$ 1,780	\$ 1,980	\$ 700	\$ 377	\$ 2,094
Income taxes	(95)	(525)	(141)	(708)	(516)	(717)	(547)	(544)
Net impact	<u>\$ (1,906)</u>	<u>\$ (1,074)</u>	<u>\$ (538)</u>	<u>\$ 1,072</u>	<u>\$ 1,464</u>	<u>\$ (17)</u>	<u>\$ (170)</u>	<u>\$ 1,550</u>

Over the last eight quarters, the factors discussed below caused variations in revenues and net income to shareholders on a quarterly basis:

- In the fourth quarter of 2022, revenues increased in comparison to the prior quarter mainly due to contributions from recent acquisitions across our operating segments, primarily in our Private Equity Segment. The lower net income in the quarter is primarily attributable to fair value decreases on our Transitional and Development properties within our Real Estate segment.
- In the third quarter of 2022, revenues increased compared to the prior quarter mainly due to contributions from recent acquisitions, primarily in our Private Equity segment. The lower net income in the quarter is primarily attributable to fair value decreases in our Transitional and Development properties in our Real Estate segment.
- In the second quarter of 2022, revenue increased compared to the prior quarter mainly due to contributions from recent acquisitions and same-store growth across our businesses. The lower net income in the quarter is primarily attributable to the one-time reduction in valuations of certain properties within our Real Estate segment.
- In the first quarter of 2022, revenues increased compared to the prior quarter mainly due to increased contributions from recent acquisitions and same-store growth across our businesses. The higher net income in the quarter is primarily attributable to increased valuations of our LP Investments within our Real Estate segment, partially offset by higher income taxes.
- In the fourth quarter of 2021, revenues increased relative to the prior quarter due to increased contributions from recent acquisitions across our operating segments as well as same-store growth in most of our businesses. The higher net income in the quarter is primarily attributable to higher fair value gains in our Real Estate segment and lower income taxes, partially offset by lower gains from asset sale activities.
- In the third quarter of 2021, revenues increased in comparison to the prior quarter due to same-store growth in most of our businesses. The higher net income in the quarter is primarily attributable to higher fair value gains in our Real Estate segment partially offset by higher income taxes.
- In the second quarter of 2021, revenues increased in comparison to the prior quarter due to same-store growth in most of our businesses. The lower net income in the quarter as compared to the first quarter of 2021, is a result of lower fair value gains partially offset by asset sale activity within our Infrastructure segment.
- In the first quarter of 2021, revenues decreased in comparison to the prior quarter primarily due to lower same-store results due in part to seasonality across certain operating segments. The higher net income in the quarter is a result of gains from asset sale activities.

PART 3

OPERATING SEGMENT RESULTS

BASIS OF PRESENTATION

HOW WE MEASURE AND REPORT OUR OPERATING SEGMENTS

Our operations are organized into our asset management business, our four primary operating businesses and our corporate activities, which collectively represent six operating segments for internal and external reporting purposes. We measure operating performance primarily using FFO generated by each operating segment and the amount of capital invested by the Corporation in each segment using common equity. Common equity relates to invested capital allocated to a particular business segment, which we use interchangeably with segment common equity. To further assess operating performance for our Asset Management segment, we also provide unrealized carried interest¹ which represents carried interest generated on unrealized changes in the fair value of our private fund investment portfolios, net of realized carried interest¹.

Our operating segments are global in scope and are as follows:

- i. *Asset Management* business includes managing long-term private funds, perpetual strategies and liquid strategies on behalf of our investors and ourselves, as well as our share of the asset management activities of Oaktree. We generate contractual base management fees for these activities as well as incentive distributions¹ and performance income, including performance fees, transaction fees and carried interest.
- ii. *Renewable Power and Transition* business includes the ownership, operation and development of hydroelectric, wind, utility-scale solar power generating assets and distributed energy & sustainable solutions.
- iii. *Infrastructure* business includes the ownership, operation and development of utilities, transport, midstream, and data assets.
- iv. *Private Equity* business includes a broad range of industries, and is mostly focused on the ownership and operation of business services, infrastructure services and industrials.
- v. *Real Estate* business includes the ownership, operation and development of core investments, transitional and development investments (including residential development properties), and our share of LP investments, which sit within the private funds of our asset management business.
- vi. *Corporate Activities* include the investment of cash and financial assets, our share of the investment in our insurance solutions business, as well as the management of our corporate leverage, including corporate borrowings and preferred equity, which fund a portion of the capital invested in our other operations. Certain corporate costs such as technology and operations are incurred on behalf of our operating segments and allocated to each operating segment based on an internal pricing framework.

In assessing operating performance and capital allocation, we separately identify the portion of FFO and common equity within our segments that relate to our perpetual affiliates (BEP, BIP, BBU, BPG). We believe that identifying the FFO and common equity attributable to our perpetual affiliates enables investors to understand how the results of these entities are integrated into our financial results and is helpful in analyzing variances in FFO between reporting periods. Additional information with respect to these perpetual affiliates is available in their public filings. We also separately identify the components of our asset management FFO and realized disposition gains¹ included within the FFO of each segment in order to facilitate analysis of variances in FFO between reporting periods.

1. See definition in Glossary of Terms beginning on page 129.

SUMMARY OF RESULTS BY OPERATING SEGMENT

The following table presents revenues, FFO and common equity by segment on a period-over-period basis for comparative purposes:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Revenues ¹			FFO ²			Common Equity		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Asset Management.....	\$4,048	\$3,523	\$ 525	\$1,963	\$1,809	\$ 154	\$ 6,884	\$4,905	\$ 1,979
Renewable Power and Transition.....	5,198	4,580	618	379	244	135	5,274	5,264	10
Infrastructure.....	14,728	11,947	2,781	501	426	75	2,784	3,022	(238)
Private Equity.....	58,432	46,883	11,549	945	655	290	4,486	3,996	490
Real Estate.....	13,835	12,315	1,520	953	1,004	(51)	31,868	33,965	(2,097)
Corporate Activities.....	125	151	(26)	(123)	(377)	254	(11,688)	(8,942)	(2,746)
Total segments.....	96,366	79,399	16,967	4,618	3,761	857	39,608	42,210	(2,602)
Realized carried interest, net.....	894	1,713	(819)	555	715	(160)	—	—	—
Realized disposition gains.....	—	—	—	1,121	3,082	(1,961)	—	—	—
Total.....	\$97,260	\$81,112	\$16,148	\$6,294	\$7,558	\$ (1,264)	\$39,608	\$42,210	\$ (2,602)

1. Revenues include inter-segment revenues which are adjusted to arrive at external revenues for IFRS purposes. Please refer to Note 3(c) of the consolidated financial statements for further details.

2. FFO includes operating FFO by segment, realized carried interest, net, and disposition gains.

Total revenues and FFO were \$97.3 billion and \$6.3 billion in the current year, compared to \$81.1 billion and \$7.6 billion in the prior year, respectively. FFO includes realized disposition gains of \$1.1 billion, compared to \$3.1 billion in the prior year. Excluding realized disposition gains, FFO increased by \$697 million from the prior year.

Revenues increased primarily due to acquisitions, net of dispositions, within our Private Equity segment, as well as organic growth initiatives across our business.

The increase in FFO is primarily a result of:

- increased fee-related earnings driven by strong fundraising, including contributions from our latest round of flagship funds and continued capital deployment across various complementary products;
- improved performance at our dealer software and technology services, Australian residential mortgage lender and payment processing services operations within our Private Equity segment;
- higher revenues resulting from inflation indexation at our Infrastructure and Renewable Power and Transition segments;
- incremental contributions from our insurance solutions business, which benefitted from the acquisition of American National Group (“American National”)¹ in May 2022 and higher yields on re-deployed assets; and
- strong performance from increased occupancy within our Real Estate segment; partially offset by
- rising interest rates during the year, predominantly associated with the impact on floating rate debt within our Real Estate segment;
- the absence of contributions from recent dispositions, primarily in our Real Estate segment, partially offset by contributions from recent acquisitions across our business segments; and
- lower volumes and activity at our nuclear technology services operations within our Private Equity business.

Common equity decreased by \$2.6 billion during the year to \$39.6 billion, as net income was more than offset by the impact of the special distribution of our asset management business, distributions to common and preferred equity holders, and share repurchases, net of issuances. Refer to Part 2 – Review of Consolidated Financial Results for details.

1. See definition in Glossary of Terms beginning on page 129.

ASSET MANAGEMENT

BUSINESS OVERVIEW

Our asset management business is one of the world's leading alternative asset managers, with approximately \$800 billion in assets under management and operations spanning more than 30 countries on 5 continents. We have over 2,500 investment and asset management professionals that employ a disciplined investment approach to create value and deliver strong risk-adjusted returns for our clients across market cycles.

With an over 100-year heritage as a global owner and operator of real assets, we focus on investing in the backbone of the global economy across renewable power and transition, infrastructure, private equity, real estate and credit.

We put our own capital to work alongside our investors' in virtually every transaction, aligning interests and bringing the strengths of our operational expertise, global reach and large-scale capital to bear on everything we do.

We offer our clients a large and growing number of investment products to assist them in achieving their financial goals, providing a diverse set of long-term and perpetual private funds and dedicated public vehicles across each of the asset classes in which we invest and spanning various investment strategies.

As the asset manager of these investment products, we earn base management fees in addition to incentive distributions, performance fees, or carried interest depending on the product offering.

Our asset management business focuses on raising capital by establishing new investment products for our clients, identifying and acquiring high-quality assets, delivering strong underlying investment performance and executing timely monetizations or refinancings. If we execute in these areas, this should equate to growth in fee-bearing and carry eligible capital¹ and in turn higher fee revenues, fee-related earnings and realized carried interest over time.

OUTLOOK AND GROWTH INITIATIVES

Alternative assets provide an attractive investment opportunity to institutional and high net worth investors. These asset classes also provide investors with alternatives to fixed income investments by providing a strong, inflation-linked return profile. Institutional investors, in particular pension funds, must earn and generate returns to meet their long-term obligations while protecting their capital. As a result, inflows to alternative asset managers are continuing to grow and managers are focused on new product development to meet this demand.

Our business model has proven to be resilient through economic cycles, due to our strong foundation and discipline. Overall, our business is stronger and more diversified than ever and well positioned to deliver continued growth.

During 2022, we raised a record \$93 billion of capital commitments across our flagship and complementary strategies, and looking forward, our business plan remains essentially unchanged. We are making good progress on our fundraising for the next round of our flagship funds. We held closes of our fifth flagship infrastructure and sixth flagship private equity fund, which stand at \$22 billion and \$9 billion of capital commitments, respectively. We had a final close for our flagship transition fund, with over half of our \$15 billion strategy already invested or committed.

In addition to our flagship funds, we are actively progressing our growth strategies, including insurance solutions, secondaries and technology. These new initiatives, in addition to our five flagship funds and new, innovative products are expected to have a meaningful impact on our growth trajectory in the long term.

We continue to expand our investor base through existing relationships and new channels. As at December 31, 2022, we have over 2,000 clients with a strong base in North America, Asia, the Middle East and Australia and a growing proportion of third-party commitments from Europe. Our high-net-worth channel also continues to grow and over 5% of current commitments. We have a dedicated team of over 100 people that are focused on distributing and developing catered products to the private wealth channel.

1. See definition in Glossary of Terms beginning on page 129.

Long-term Private Funds – \$219 billion fee-bearing capital¹

Our asset management business manages and earns fees on a diverse range of renewable power and transition, infrastructure, private equity, real estate and credit funds. These funds have a long duration, are closed-end and include opportunistic, value-add, core and core plus investment strategies.

On long-term private fund capital, our asset management business earns:

1. Diversified and long-term base management fees on capital that is typically committed for 10 years with two one-year extension options.
2. Carried interest, which enables our business to receive a portion of overall fund profits provided that investors receive a minimum prescribed preferred return. Carried interest is recognized when a fund's cumulative returns are in excess of preferred returns and when it is highly probable that a significant reversal will not occur.
3. Transaction and advisory fees are one-time fees earned on co-investment capital related to the close of transactions, and vary based on transaction agreements.

Perpetual Strategies – \$127 billion fee-bearing capital

Our asset management business manages the perpetual capital in our perpetual affiliates, as well as in its core and core plus private funds, which can continually raise new capital. From these perpetual strategies, our business earns:

1. Long-term perpetual base management fees, which are based on total capitalization or NAV of our perpetual affiliates and the NAV of its perpetual private funds.
2. Stable incentive distribution fees which are linked to cash distributions from perpetual affiliates (BEP/BEPC and BIP/BIPC) that exceed pre-determined thresholds. These cash distributions have a historical track record of growing annually and each of these perpetual affiliates target annual distribution growth rates within a range of 5-9%.
3. Performance fees based on unit price performance (BBU) and carried interest on its perpetual private funds.

Liquid Strategies – \$72 billion fee-bearing capital

Our asset management business manages publicly listed funds and separately managed accounts, focused on fixed income and equity securities across real estate, infrastructure and natural resources. Our business earns base management fees, which are based on committed capital and fund NAV, and performance income based on investment returns.

FEE-BEARING CAPITAL

The following table summarizes fee-bearing capital:

AS AT DEC. 31 (MILLIONS)	Long-Term Private Funds	Perpetual Strategies	Liquid Strategies	2022	2021
Renewable Power and Transition	\$ 26,708	\$ 20,510	\$ —	\$ 47,218	\$ 47,525
Infrastructure	44,512	41,375	—	85,887	67,736
Private Equity	31,501	7,816	—	39,317	34,395
Real Estate	69,473	33,552	—	103,025	82,282
Credit and other	46,663	23,902	71,851	142,416	132,195
December 31, 2022	\$ 218,857	\$ 127,155	\$ 71,851	\$ 417,863	n/a
December 31, 2021	\$ 169,279	\$ 114,624	\$ 80,230	n/a	\$ 364,133

We have approximately \$40.0 billion of additional committed capital that does not currently earn fees but will generate approximately \$400 million in annual fees once deployed.

1. See definition in Glossary of Terms beginning on page 129.

Fee-bearing capital increased by \$53.7 billion during the year. The changes are set out in the following table:

AS AT AND FOR THE YEAR ENDED DEC 31, 2022 (MILLIONS)	Renewable Power and Transition	Infrastructure	Private Equity	Real Estate	Credit and Other	Total
Balance, December 31, 2021	\$ 47,525	\$ 67,736	\$ 34,395	\$ 82,282	\$ 132,195	\$ 364,133
Inflows	6,823	26,974	9,135	18,850	45,887	107,669
Outflows	—	—	—	(394)	(21,648)	(22,042)
Distributions	(1,428)	(3,794)	(810)	(4,556)	(1,573)	(12,161)
Market valuation	(5,873)	(5,053)	(2,534)	1,645	(8,432)	(20,247)
Other	171	24	(869)	5,198	(4,013)	511
Change	(307)	18,151	4,922	20,743	10,221	53,730
Balance, December 31, 2022	\$ 47,218	\$ 85,887	\$ 39,317	\$ 103,025	\$ 142,416	\$ 417,863

Renewable Power and Transition fee-bearing capital decreased by \$307 million, due to:

- \$6.8 billion of inflows largely driven by additional capital raised for our flagship fund; more than offset by
- \$5.9 billion decrease as a result of the lower market capitalization of BEP; and
- \$1.4 billion of distributions, including quarterly distributions paid to BEP's unitholders.

Infrastructure fee-bearing capital increased by \$18.2 billion, due to:

- \$27.0 billion of inflows mainly relate to capital raised for our fifth flagship infrastructure fund; partially offset by
- \$5.1 billion decrease in market valuations as a result of the lower market valuations of BIP; and
- \$3.8 billion of distributions, including quarterly distributions paid to BIP's unitholders.

Private Equity fee-bearing capital increased by \$4.9 billion, due to:

- \$9.1 billion of inflows from capital raised for our sixth flagship private equity fund and capital raised and deployed in other strategies; partially offset by
- \$2.5 billion decrease as a result of the lower market capitalization of BBU; and
- \$810 million of distributions, including capital returned to investors and quarterly distributions paid to BBU's unitholders.

Real Estate fee-bearing capital increased by \$20.7 billion, due to:

- \$18.9 billion of inflows from capital raised for our fourth flagship real estate fund and capital deployed across various other private funds;
- \$1.6 billion increase from higher valuations within our perpetual strategies in the year; partially offset by
- \$4.6 billion of distributions across our perpetual strategies and capital returned to investors.

Credit and Other fee-bearing capital increased by \$10.2 billion, due to:

- \$45.9 billion of inflows primarily as a result of BNRE acquisition of American National and capital deployed within our credit strategies; partially offset by
- \$21.6 billion of outflows due to redemptions within our liquid strategies;
- \$8.4 billion of impact from lower market valuations, primarily from our liquid strategies; and
- \$1.6 billion of distributions within its long-term private funds.

CARRY ELIGIBLE CAPITAL

Carry eligible capital¹ increased by \$43.8 billion during the year to \$218.1 billion as at December 31, 2022 (December 31, 2021 – \$174.3 billion). The increase was primarily related to additional capital raised for our fifth flagship infrastructure fund, our sixth flagship private equity fund, our fourth flagship real estate fund and our flagship transition fund.

As at December 31, 2022, \$149.3 billion of carry eligible capital was deployed (December 31, 2021 – \$112.7 billion). This capital is either currently earning carried interest or will begin earning carried interest once its related funds have reached their preferred return threshold. There are currently \$68.8 billion of uncalled fund commitments that will begin to earn carried interest once the capital is deployed and fund preferred returns are met (December 31, 2021 – \$61.6 billion).

OPERATING RESULTS

FFO from our asset management business includes fee-related earnings, net of corporate costs, and realized carried interest earned by us in respect of capital managed for our investors. Fee-related earnings also include fees earned on the capital invested by us in the perpetual affiliates. This is representative of how we manage the business and measure the returns from our asset management activities.

To facilitate analysis, the following table disaggregates our Asset Management segment revenues and FFO into fee-related earnings and realized carried interest, net, as these are the measures that we use to analyze the performance of this segment. We also analyze unrealized carried interest, net, to provide insight into the value our investments have created in the period.

We have provided additional detail, where referenced, to explain significant variances from the prior period.

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO	
		2022	2021	2022	2021
Operating FFO	i	\$ 4,048	\$ 3,523	\$ 1,963	\$ 1,809
Realized carried interest	ii	894	1,713	555	715
		<u>\$ 4,942</u>	<u>\$ 5,236</u>	<u>\$ 2,518</u>	<u>\$ 2,524</u>
Unrealized carried interest					
Generated				\$ 2,475	\$ 5,001
Foreign exchange				(185)	(236)
				<u>2,290</u>	<u>4,765</u>
Less: direct costs				(743)	(1,574)
Unrealized carried interest, net	iii			1,547	3,191
Less: unrealized carried interest not attributable to the Corporation				(129)	(419)
				<u>\$ 1,418</u>	<u>\$ 2,772</u>

1. See definition in Glossary of Terms beginning on page 129.

i. Operating FFO

FOR THE YEARS ENDED DEC. 31
(MILLIONS)

	2022	2021
Fee revenues ¹		
Base management fees	\$ 3,620	\$ 3,040
Incentive distributions	335	315
Performance fees	—	157
Transaction and advisory fees	93	11
	<u>4,048</u>	<u>3,523</u>
Less: direct costs	<u>(1,792)</u>	<u>(1,540)</u>
	<u>2,256</u>	<u>1,983</u>
Less: fee-related earnings not attributable to the Corporation	<u>(148)</u>	<u>(156)</u>
Fee-related earnings	<u>2,108</u>	<u>1,827</u>
Cash taxes	(98)	(58)
Other (expense) income	(14)	40
Amounts not attributable to the Corporation	(33)	—
Operating FFO	<u>\$ 1,963</u>	<u>\$ 1,809</u>

1. See definition in Glossary of Terms beginning on page 129.

Fee-related earnings increased to \$2.1 billion at our share, mainly due to higher base management fees driven by increased fee-bearing capital, and higher transaction and advisory fees from co-investment capital and growth in incentive distributions from BIP and BEP, partially offset by increased direct costs and the absence of performance fees that were earned in the prior year from BBU.

Base management fees increased by \$580 million to \$3.6 billion, representing a 19% increase from the prior year. The increase is broken down as follows:

- \$196 million increase in our Real Estate segment primarily attributable to capital raised for the fourth flagship real estate fund, deployments across other fund strategies and market valuation increases in perpetual strategies;
- \$133 million increase from our Infrastructure segment, primarily as a result of capital raised for the fifth flagship fund and super core perpetual fund, as well as incremental fees earned on the higher average market capitalization of BIP;
- \$122 million increase in our Credit and Other business due to due to capital deployed for its latest opportunistic credit flagship fund;
- \$76 million increase from our Renewable Power and Transition segment due to capital raised for our flagship funds, partially offset by a lower market capitalization for BEP compared to the prior year; and
- \$53 million increase from our Private Equity segment largely due to capital raised for our sixth flagship private equity fund and capital raised and deployed in other strategies.

Incentive distributions across our perpetual affiliates increased by \$20 million to \$335 million, due to higher distributions paid by BIP and BEP in 2022 versus the prior year.

The margin on our fee-related earnings, including our 64% share of Oaktree's fee-related earnings, increased to 58% in the current year (2021 – 56%). Our fee-related earnings margin before performance fees, including 100% of Oaktree's fee-related earnings, was 56% in the current year (2021 – 56%).

Direct costs consist primarily of employee expenses and professional fees, as well as business related technology costs and other shared services. Direct costs increased by \$252 million from the prior year as we continue to scale our asset management franchise, including new product development and the broadening of our distribution capabilities.

Cash taxes and other income (expense) comprise of corporate costs of our asset management business. Amounts not attributable to the Corporation relate to non-controlling interest ("NCI") of our asset management business.

ii. Realized Carried Interest

We realize carried interest when a fund's cumulative returns are in excess of preferred returns and are no longer subject to future investment performance (e.g., subject to "clawback"). During the year, we realized \$555 million of carried interest, net of direct costs (2021 – \$715 million), which were primarily driven by distribution and monetization activities across our businesses.

We provide supplemental information and analysis below on the estimated amount of unrealized carried interest (see Section iii) that has accumulated based on fund performance up to the date of the consolidated financial statements.

iii. Unrealized Carried Interest

The amounts of accumulated unrealized carried interest¹ and associated costs are not included in our Consolidated Balance Sheets or Consolidated Statements of Operations as they are still subject to clawback. These amounts are shown in the following table:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022			2021		
	Carried Interest	Direct Costs	Net	Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of year	\$ 7,747	\$ (2,562)	\$ 5,185	\$ 4,695	\$ (1,774)	\$ 2,921
In-period change						
Unrealized in period	2,475	(783)	1,692	5,001	(1,631)	3,370
Foreign currency revaluation	(185)	40	(145)	(236)	57	(179)
	2,290	(743)	1,547	4,765	(1,574)	3,191
Less: realized	(894)	284	(610)	(1,713)	786	(927)
	1,396	(459)	937	3,052	(788)	2,264
Accumulated unrealized, end of year	9,143	(3,021)	6,122	7,747	(2,562)	5,185
Carried interest not attributable to the Corporation	(1,060)	547	(513)	(962)	496	(466)
Accumulated unrealized, end of year, net	<u>\$ 8,083</u>	<u>\$ (2,474)</u>	<u>\$ 5,609</u>	<u>\$ 6,785</u>	<u>\$ (2,066)</u>	<u>\$ 4,719</u>

Unrealized carried interest generated in the current year before foreign exchange and associated costs was \$2.5 billion lower than the prior year primarily due to lower increases in the valuations of infrastructure, real estate and credit and other funds versus 2021.

Accumulated unrealized carried interest, net¹, totaled \$8.1 billion as at December 31, 2022. We estimate approximately \$2.5 billion in associated costs related to the future realization of the accumulated amounts to date, predominantly related to employee long-term incentive plans and taxes that will be incurred. We expect to recognize \$4.5 billion of this carry at our share, before costs, within the next three years; however, realization of this carried interest is dependent on future investment performance and the timing of monetizations.

1. See definition in Glossary of Terms beginning on page 129.

RENEWABLE POWER AND TRANSITION

BUSINESS OVERVIEW

- We own and operate renewable power, sustainable solutions and transition assets primarily through our 48% economic ownership interest¹ in BEP, which is listed on the NYSE and TSX and had a market capitalization of \$16.8 billion as at December 31, 2022.
- BEP owns one of the world's largest publicly traded renewable power portfolios.
- We also enter into energy contracts, which are our contractual arrangement with BEP to purchase power generated by certain North American hydro assets at a fixed price that is then resold on a contracted or uncontracted basis.

OPERATIONS

Hydroelectric

- We operate and invest in 229 hydroelectric generating stations on 87 river systems in North America, Brazil and Colombia. Our hydroelectric operations have 8,159 megawatts ("MW") of installed capacity and annualized long-term average ("LTA")¹ generation of 20,085 gigawatt hours ("GWh") on a proportionate basis¹.

Wind

- Our wind operations include 125 wind facilities globally with 6,935 MW of installed capacity and annualized LTA generation of 7,141 GWh on a proportionate basis.

Solar

- Our solar operations include 149 solar facilities globally with 3,957 MW of installed capacity and 2,756 GWh of annualized LTA generation on a proportionate basis.

Energy Transition

- Our distributed generation operation includes 6,238 facilities with 2,055 MW of installed capacity and 912 GWh of annualized LTA generation on a proportionate basis.
- Our storage operations have 4,271 MW of installed capacity at our 23 facilities and two river systems in North America and Europe.

Energy Contracts

- Based on LTA, we purchase approximately 3,600 GWh of power from BEP each year pursuant to a long-term contract at a predetermined price, which represents 12% of BEP's power generation.
- The fixed price that we are required to pay BEP began gradually stepping down in 2022 by \$3/MWh a year. This will continue until 2025, followed by a \$5/MWh reduction in 2026 resulting in an approximate \$20/MWh total reduction. The contract expires in 2046. Refer to Part 5 – Accounting Policies and Internal Controls for additional information.
- We sell the power into the open market and also earn ancillary revenues, such as capacity fees and renewable power credits. This provides us with increased participation in future increases or decreases in power prices.

1. See definition in Glossary of Terms beginning on page 129.

OUTLOOK AND GROWTH INITIATIVES

SAME-STORE GROWTH

Inflation/Margin
Expansion

DEVELOPMENT

Development
Pipeline

CAPITAL ALLOCATION

Acquisitions

Revenues in our Renewable Power and Transition segment are 92% contracted with an average contract term of 14 years, on a proportionate basis, with pricing that is inflation linked. By combining this with a stable, low cost profile, we are able to achieve consistent growth year over year within our existing business. In addition, we consistently identify capital development projects that provide an additional source of growth. Our development pipeline represents approximately 110,000 MW of potential capacity globally, of which 13,071 MW are currently under construction or are construction-ready. We expect this pipeline to contribute an incremental approximately \$175 million to BEP's FFO when commissioned. We also have a strong track record of expanding our business through accretive acquisitions and will continue to seek out these opportunities.

We believe that the growing global demand for low-carbon energy, especially amongst corporate off takers, will lead to continued growth opportunities for us in the future. In 2023, we intend to remain focused on progressing our key priorities, which include surfacing margin expansion opportunities, progressing our development pipeline and assessing select contracting opportunities across the portfolio. We believe the investment environment for renewable power remains favorable and we expect to continue to advance our pipeline of acquisition opportunities.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Renewable Power and Transition segment. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Renewable ¹	i	\$ 5,116	\$ 4,641	\$ 432	\$ 350	\$ 4,635	\$ 4,641
Energy contracts	ii	82	(61)	(53)	(106)	639	623
Realized disposition gains	iii	—	—	22	800	—	—
		<u>\$ 5,198</u>	<u>\$ 4,580</u>	<u>\$ 401</u>	<u>\$ 1,044</u>	<u>\$ 5,274</u>	<u>\$ 5,264</u>

1. Brookfield's interest in BEP consists of 194.5 million redemption-exchange units, 68.8 million Class A limited partnership units, 4.0 million general partnership units, as well as 44.8 million Class A shares in Brookfield Renewable Corporation ("BEPC"), together representing an economic interest of 48% of BEP.

Revenues and FFO, excluding realized disposition gains, increased by \$618 million and \$135 million, respectively, compared to the prior year, primarily driven by contributions from organic growth initiatives, higher realized prices across most markets on the back of inflation-linked revenues, favorable hydroelectric generation across all regions and strong asset availability. This was partially offset by the impact of foreign exchange movement, recently completed asset sales and increased interest expense.

i. Brookfield Renewable

The following table disaggregates BEP's generation and FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE YEARS ENDED DEC. 31 (GIGAWATT HOURS AND MILLIONS)	Actual Generation (GWh) ¹		Long-Term Average (GWh) ¹		FFO	
	2022	2021	2022	2021	2022	2021
Hydroelectric	19,524	18,046	20,023	19,726	\$ 667	\$ 668
Wind	5,959	6,096	6,804	7,249	326	396
Utility-scale solar	1,882	1,777	2,410	2,016	253	185
Distributed energy & sustainable solutions	1,304	1,231	889	861	154	133
Corporate	—	—	—	—	(395)	(448)
Attributable to unitholders	28,669	27,150	30,126	29,852	1,005	934
Non-controlling interests and other ²					(565)	(524)
Segment reallocation ³					(8)	(60)
Brookfield's interest					\$ 432	\$ 350

1. Proportionate to BEP; see "Proportionate basis generation" in Glossary of Terms beginning on page 129.

2. Includes incentive distributions paid to Brookfield of \$96 million (2021 – \$80 million) as the general partner of BEP.

3. Segment reallocation refers to realized disposition gains, net of NCI, included in BEP's operating FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BEP in the table above.

BEP's FFO for 2022 was \$1.0 billion, of which our share was \$432 million compared to \$350 million in the prior year. Generation for the year totaled 28,669 GWh, a 6% increase compared to the prior year, and relatively consistent with the LTA. Key variances for our operations are described below.

Hydroelectric

FFO remained stable relative to the prior year mainly due to:

- benefits from higher generation and strong pricing environment in North and South America; and
- inflation indexation of cash flows globally and recontracting initiatives in Colombia; offset by
- overall weakening of the Brazilian real and Colombian peso versus the U.S. dollar and increased financing expenses.

Wind

FFO in the current year increased by \$34 million relative to the prior year, when excluding the impact of a \$104 million gain on the sale of certain development assets in Europe and the U.S. The FFO increase was driven by:

- growth from an increased ownership in TerraForm Power and other acquisitions; and
- a combination of favorable resources and higher power prices as a result of inflation indexation and generation mix within North and South America, Europe and Asia; partially offset by
- the absence of contribution from North American and Irish wind business assets sold in the prior year.

Utility-Scale Solar

FFO in the current year increased by \$68 million relative to the prior year primarily due to a gain on sale of a solar development project in North America, higher market prices in Spain and newly acquired and commissioned facilities, partially offset by lower resources.

Distributed Energy & Sustainable Solutions

FFO from our distributed energy and sustainable solutions operation increased by \$21 million relative to the prior year. The increase is mainly attributable to the growth of our distributed generation portfolio and transition

investments, and higher pricing for grid stability services provided by our pumped storage facilities on the back of higher power prices.

Corporate

The corporate FFO deficit decreased by \$53 million due to higher other income and lower management fees, partially offset by higher interest expense.

ii. Energy Contracts

During the year, we purchased 3,241 GWh (2021 – 3,283 GWh) from BEP at \$64 per MWh (2021 – \$77 per MWh) and sold the purchased generation at an average selling price of \$55 per MWh (2021 – \$46 per MWh). As a result, we incurred an FFO deficit of \$53 million, a decrease of \$53 million compared to \$106 million in the prior year.

iii. Realized Disposition Gains

Realized disposition gains of \$22 million for the year are attributable to the sale of hydro assets in Brazil and solar assets in Mexico.

Realized disposition gains of \$800 million for the prior year largely relate to the sale of BEPC shares through a secondary offering, as well as the sale of certain wind assets.

COMMON EQUITY

Common equity in our Renewable Power and Transition segment remained flat at \$5.3 billion as at December 31, 2022 as net income was offset by distributions paid during the year.

1. See definition in Glossary of Terms beginning on page 129.

INFRASTRUCTURE

BUSINESS OVERVIEW

- We own and operate infrastructure assets primarily through our 27% economic ownership interest in BIP, which is listed on the NYSE and TSX and had a market capitalization of \$24.8 billion as at December 31, 2022.
- BIP is one of the largest globally diversified owners and operators of infrastructure in the world.
- During the year, we sold our direct investments in sustainable resource operations.

PRINCIPAL OPERATIONS

Utilities

- Our regulated transmission business includes approximately 60,000 km of operational electricity transmission and distribution lines in Australia, approximately 4,200 km of natural gas pipelines in North America, South America and India, and approximately 2,900 km of transmission lines in Brazil, of which approximately 2,000 km are operational.
- Our commercial and residential distribution business provides residential energy infrastructure services to approximately 2.3 million customers annually in the U.S., Canada, Germany, and U.K., and approximately 540,000 long-term contracted sub-metering services within Canada and the United States. We own and operate approximately 7.8 million connections, predominantly electricity and natural gas and have approximately 1.7 million installed smart meters across Australia and New Zealand. We provide home repair services to approximately 8.2 million customers with 16.1 million policies in North America and EMEA.
- These businesses typically generate long-term returns on a regulated or contractual asset base which increase with capital we invest to upgrade and/or expand our systems.

Transport

- Our diversified terminals operations include 11 terminals in North America, the U.K., and Australia, and we provide approximately 30 million tonnes per annum in our liquefied natural gas export terminal in the U.S. and approximately 85 million tonnes per annum in our export facility in Australia.
- We operate approximately 22,000 km of railroad track in North America and Europe, approximately 5,500 km of railroad track in the southern half of Western Australia and approximately 4,800 km of rail in Brazil.
- Our toll road operations include approximately 3,800 km of motorways in Brazil, Peru and India.
- These operations are comprised of networks that provide transportation for freight, commodities and passengers. This includes businesses with price ceilings as a result of regulation, such as our rail and toll road operations, as well as unregulated businesses, such as our diversified terminals.

Midstream

- We own and operate approximately 15,000 km of transmission pipelines, primarily in the U.S., and approximately 600 billion cubic feet of natural gas storage in the U.S. and Canada. There are 17 natural gas and natural gas liquids processing plants with approximately 5.7 Bcf per day of gross processing capacity in Canada.
- We own and operate approximately 10,600 km of pipelines in Canada which include long-haul, conventional and natural gas gathering pipelines and a petrochemical complex.
- These operations are comprised of businesses, typically unregulated or subject to price ceilings, that provide transmission and storage services, with profitability based on the volume and price achieved for the provision of these services.

Data

- We own and operate approximately 207,000 operational telecom towers in India, France, Germany, Austria, the U.K. and New Zealand, approximately 46,600 km of fiber optic cable located in France, Brazil and New Zealand, and over 70 distributed antenna systems primarily located in the U.K. In addition, we have approximately 880,000 fiber-to-the-premise connections in France and Australia and 2 semiconductor manufacturing foundries in the United States.
- In our data storage business, we manage 50 data centers with approximately 230 MW of critical load capacity.
- These businesses provide critical infrastructure and essential services to media broadcasting and telecom sectors and are secured by long-term inflation-linked contracts.

OUTLOOK AND GROWTH INITIATIVES

SAME-STORE GROWTH

**Inflation and
Volumes**

DEVELOPMENT

**Capital
Backlog**

CAPITAL ALLOCATION

**Active
Acquisitions**

Our infrastructure business owns and operates assets that are critical to the global economy. Our expertise in managing and developing such assets make us ideal partners for our stakeholders. Our goal is to continue to demonstrate our stewardship of critical infrastructure which should enable us to participate in future opportunities to acquire high-quality infrastructure businesses.

Approximately 90% of FFO is supported by regulated or long-term contracted revenues which benefit from inflationary tariff increases, GDP growth and cashflow reinvestment. As a result, we are able to achieve consistent growth year over year within our existing business. In addition, we have been able to identify capital development projects that provide an additional source of growth. At the end of 2022, total capital to be commissioned in the next two to three years is approximately \$6.3 billion. Our backlog, coupled with inflation indexation and higher volumes from our GDP sensitive businesses, should result in another year of strong same-store growth. Since year end, we successfully completed two acquisitions for a total equity requirement of \$1.9 billion which will contribute to our FFO per unit growth in 2023.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Infrastructure segment. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Infrastructure ¹	i	\$ 14,664	\$ 11,709	\$ 497	\$ 411	\$ 2,524	\$ 2,696
Sustainable resources and other	ii	64	238	4	15	260	326
Realized disposition gains	iii	—	—	139	371	—	—
		\$ 14,728	\$ 11,947	\$ 640	\$ 797	\$ 2,784	\$ 3,022

1. Brookfield's interest consists of 193.6 million redemption-exchange units, 0.4 million limited partnership units, 2.4 million general partnership units of BIP LP, as well as 13.0 million Class A shares in Brookfield Infrastructure Corporation ("BIPC"), together representing an economic interest of 27% of BIP.

Revenues and FFO, excluding realized disposition gains, increased by \$2.8 billion and \$75 million, respectively, compared to the prior year. The increases were primarily as a result of contributions from recent acquisitions, capital commissioned into the rate base in the current high inflationary environment. This was partially offset by higher base management fees and higher financing costs.

i. Brookfield Infrastructure

The following table disaggregates BIP's FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021
Utilities.....	\$ 739	\$ 705
Transport.....	794	701
Midstream.....	743	492
Data.....	239	238
Corporate.....	(428)	(403)
Attributable to unitholders.....	2,087	1,733
Non-controlling interests and other ¹	(1,574)	(1,301)
Segment reallocation ²	(16)	(21)
Brookfield's interest.....	<u>\$ 497</u>	<u>\$ 411</u>

1. Includes incentive distributions paid to Brookfield of \$240 million (2021 – \$207 million) as the general partner of BIP.

2. Segment reallocation refers to certain items, net of NCI, included in BIP's FFO that we reclassify. This allows us to present FFO attributable to unitholders on the same basis as BIP in the table above.

BIP's FFO for 2022 was \$2.1 billion, of which our share was \$497 million compared to \$411 million in the prior year. Key variances for our operations are described below and on the following page.

Utilities

FFO in our utilities operations of \$739 million was \$34 million higher than the prior year. The increase is mainly attributable to:

- benefits of inflation indexation, capital commissioned into the rate base in 2022, and contributions from acquisitions of two Australian utilities; partially offset by
- higher borrowing costs from higher interest rates and incremental debt at our Brazilian assets.

Transport

FFO from our transport operations of \$794 million was \$93 million higher than the prior year. The increase is mainly attributable to:

- inflationary tariff increases across all of our businesses, higher volumes and the commissioning of ~\$400 million in capital expansion projects during the year; partially offset by
- the absence of contributions associated with our North American container terminal sold halfway through this year and our Chilean toll road operation sold in the prior year.

Midstream

FFO in our midstream operations of \$743 million was \$251 million higher than the prior year. The increase is primarily due to the contributions from our acquisition of IPL in the second half of 2021 and strong performance at the base businesses from elevated commodity prices.

Data

FFO from our data operations of \$239 million was consistent compared to the prior year. Results benefitted from strong underlying growth from additional points-of-presence and inflationary tariff escalators, offset by weakening of the Indian rupee exchange rate compared to the prior year.

Corporate

The Corporate FFO deficit of \$428 million increased by \$25 million from the prior year, largely attributable to higher base management fees resulting from a higher average unit price and unit count.

ii. Sustainable Resources and Other

FFO at our sustainable resources and other operations decreased by \$11 million relative to the prior year, due to the sale of the portfolio over the prior and current year.

iii. Realized Disposition Gains

There were \$139 million realized disposition gains during the year which related to the sale of our Brazilian electricity transmission operation. Prior period realized disposition gains of \$371 million primarily related to the sale of our U.S. district energy operation and portfolio of smart meters in the U.K.

COMMON EQUITY

Common equity in our Infrastructure segment was \$2.8 billion as at December 31, 2022 (December 31, 2021 – \$3.0 billion). Contributions from earnings were more than offset by distributions to unitholders.

This equity is primarily comprised of our investments in PP&E and certain concessions, which are recorded as intangible assets. Our PP&E is recorded at fair value and revalued annually while concessions are considered as intangible assets under IFRS, and therefore recorded at historical cost and amortized over the life of the concession. Accordingly, a smaller portion of our equity is impacted by revaluation compared to our Real Estate and Renewable Power and Transition segments, where a larger portion of the balance sheet is subject to revaluation.

PRIVATE EQUITY

BUSINESS OVERVIEW

- We own and operate private equity assets primarily through our 65% economic ownership interest in BBU. BBU is listed on the NYSE and TSX and had a market capitalization of \$3.8 billion as at December 31, 2022.
- BBU focuses on owning and operating high-quality businesses that benefit from barriers to entry and/or low production costs.
- We also own certain businesses directly such as our Brazilian residential development business, which includes construction, sales and marketing of a broad range of residential and commercial office units, with a focus on middle income residential units in São Paulo and Rio de Janeiro.

OPERATIONS

Business Services

- Our residential mortgage insurer is the largest private sector residential mortgage insurer in Canada, providing mortgage default insurance to Canadian residential mortgage lenders.
- Our leading healthcare services operations in Australia provides doctors and patients with access to operating theaters, nursing staff, accommodations, and other critical care and consumables.
- We provide construction operations with a focus on high-quality construction of large-scale and complex landmark buildings and social infrastructure. Construction projects are generally delivered through contracts for design and construction, including procurement for a defined price and program. We also provide services to residential real estate brokers through franchise arrangements under a number of brands in Canada.
- Our dealer software and technology services operations is a leading provider of cloud-based business operations software to dealerships and original equipment manufacturers across automotive and related industries.
- Investments also include our road fuels operations with significant import and storage infrastructure, an extensive distribution network, and long-term diversified customer relationships.

Infrastructure Services

- We are the leading supplier of infrastructure services to the power generation industry, through our investment in our nuclear technology services operations, and we generate a majority of earnings from recurring refueling and maintenance services, primarily under long-term contracts. Our nuclear technology services operations is the original equipment manufacturer or technology provider for approximately 50% of global commercial nuclear power plants, and services approximately two thirds of the world's operating fleet.
- We also provide services to the offshore oil production industry through our investment in our offshore oil services operations, operating in the North Sea, Canada and Brazil. Our offshore oil services operations provides marine transportation, offshore oil production, facility storage, long-distance towing and offshore installation, maintenance and safety services to the offshore oil production industry.
- We provide scaffolding and related services to the industrial and commercial markets, through our investment in our work access services operations, servicing over 30,000 customers in 30 countries worldwide. Our work access services operations' scale and reputation as a leader in engineering innovation and productivity are competitive advantages in a fragmented industry.
- Our modular building leasing services operations is a leading provider of modular workspaces in Europe and Asia-Pacific.

- We own lottery services operations that is a leading provider of products, services, and technology across the lottery ecosystem in over 50 countries.

Industrials

- Our industrials portfolio is comprised of capital-intensive businesses with significant barriers to entry that require technical operating expertise.
- We invest in advanced energy storage operations, which is a global market leader in automotive batteries that power both electric and internal combustion engine vehicles.
- We invest in a leading manufacturer of a broad range of high-quality graphite electrodes. This operating entity is a capital-intensive business with significant barriers to entry and requires technical expertise to build and profitably operate.
- Our waste and wastewater operations in Brazil provide water and wastewater collection, treatment and distribution services to a broad range of residential and governmental customers.
- We own a leading global manufacturer of highly engineered components primarily for industrial trailers and other towable-equipment providers.
- We also own solar power solutions operations, which is a leading distributor of solar power solutions for the distributed generation market in Brazil.

Residential

- Our Brazilian residential development business includes construction, sales and marketing of a broad range of residential and commercial office units, with a primary focus on middle income residential units in Brazil's largest markets of São Paulo and Rio de Janeiro.

OUTLOOK AND GROWTH INITIATIVES



Our Private Equity segment seeks to increase the cash flows from our operations through acquisitions and organic growth opportunities. We believe our global scale and industry leading operations allow us to efficiently allocate capital around the world toward those sectors and geographies where we see the greatest opportunities to realize our targeted returns. We also actively seek to monetize business interests as they mature and reinvest the proceeds into higher yielding investment strategies, further enhancing returns.

Within our business services operations, our residential mortgage insurer had a strong year. Claims on losses have remained low as a result of low Canadian unemployment rates and the ability of borrowers to self-cure mortgage delinquencies following several years of strong home price appreciation. Within our dealer software and technology services, we are focused on executing value creation plans to improve the efficiency and effectiveness of its operations and enhance its go-to-market strategy. Our Australian healthcare services face waitlists for elective surgeries that are at historic highs and we expect this to contribute to improved earnings.

Within our infrastructure services operations, our nuclear technology services generated strong performance during the year driven by increased outage and maintenance volumes, ongoing cost savings initiatives and contribution from recent add-on acquisitions. Within our modular building leasing services, utilization levels remained stable during the year as strong demand in Germany and Asia Pacific offset softer market conditions in the U.K. and other parts of Europe. Overall demand at our lottery services technology operations remained stable. Recent customer wins support an improving growth outlook and the business is executing on initiatives to offset inflationary cost headwinds.

Within our industrials operations, our advanced energy storage operation benefited from increased demand of higher margin advanced batteries and a recovery in original equipment manufacturer demand as auto production challenges eased during the year. Overall volumes were in line with the prior year, while progress on our operational improvement plans helped offset the impact of inflationary headwinds. Our engineered components manufacturing operations had a strong year in 2022. The impact of pricing actions and cost reductions contributed to performance despite volumes softening in North America and Europe. Since we acquired the business, it has completed 10 add-on acquisitions, the continued integration of which should contribute to meaningful value creation in the business.

Geographically, we continue to be committed to taking a long-term view on the regions where Brookfield has an established presence and we are focusing efforts on accelerating growth initiatives and surfacing value opportunities within our key regions.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Private Equity segment. We have provided additional detail, where referenced, to explain significant movements from the prior period.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Business Partners ¹	i	\$ 57,590	\$ 46,652	\$ 820	\$ 597	\$ 2,439	\$ 2,803
Other investments	ii	842	231	125	58	2,047	1,193
Realized disposition gains	iii	—	—	81	1,376	—	—
		<u>\$ 58,432</u>	<u>\$ 46,883</u>	<u>\$ 1,026</u>	<u>\$ 2,031</u>	<u>\$ 4,486</u>	<u>\$ 3,996</u>

1. Brookfield's interest in BBU consists of 69.7 million redemption-exchange units, 24.8 million limited partnership units, eight general partnership units, as well as 47.2 million Class A shares in Brookfield Business Corporation ("BBUC"), together representing an economic interest of 65% of BBU.

Revenues generated from our Private Equity segment increased by \$11.5 billion, as a result of contributions from recent acquisitions, including from add-on acquisitions at our operating subsidiaries. The increase was partially offset by foreign exchange movements in our road fuels operations.

Excluding realized disposition gains, FFO increased by \$290 million, mainly due to the factors noted above, partially offset by increased interest expense and higher operating expenses across certain of our segments.

i. Brookfield Business Partners

The following table disaggregates BBU's FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021
Business services	\$ 508	\$ 397
Infrastructure services	513	396
Industrials	473	879
Corporate	(178)	(99)
Attributable to unitholders	1,316	1,573
Performance fees	—	(157)
Non-controlling interests	(474)	(515)
Segment reallocation and other ¹	(22)	(304)
Brookfield's interest	<u>\$ 820</u>	<u>\$ 597</u>

1. Segment reallocation and other refers to realized disposition gains, net of NCI, included in BBU's FFO that we reclassify to realized disposition gains. This allows us to present FFO attributable to unitholders on the same basis as BBU.

BBU generated \$1.3 billion of FFO compared to \$1.6 billion in the prior year, with our share being \$820 million compared to \$597 million in the prior year. Key variances are described on the following page.

Business Services

Business services' FFO increased by \$111 million compared to the prior year. Contributing factors include:

- contributions from the acquisitions of a dealer software and technology services operations, an Australian residential mortgage lender operations and payment processing service operations; partially offset by
- higher interest expense related to the acquisitions during the year.

Infrastructure Services

Within our infrastructure services operations, we generated \$513 million of FFO, an increase of \$117 million compared to the prior year, largely driven by:

- a full year of contributions from the 2021 acquisition of our modular building leasing services operations and contributions from the 2022 acquisition of our lottery service operations; partially offset by
- higher interest expense as a result of acquisitions during the year and a full year of interest from 2021 acquisitions, and higher tax expense.

Industrials

Industrials' FFO decreased by \$406 million as the prior year included gains of \$476 million on the partial disposition of our investment in graphite electrode operations and the sale of our investment in public securities. The current year's FFO included a gain of \$18 million on the partial disposition of our investment in public securities. Excluding the impact of disposition gains, FFO increased by \$52 million compared to the prior year, primarily due to:

- contributions from the acquisition of our engineered components manufacturing operations; and
- improved margin performance as a result of cost reductions, commercial initiatives, and cost savings; partially offset by
- inflationary headwinds and reduced volumes.

Corporate

The Corporate FFO deficit increased by \$79 million due to increased management fees due to a higher average market capitalization of BBU relative to the prior period.

ii. Other Investments

FFO from other investments increased by \$67 million to \$125 million, mainly related to contributions from the acquisition of our roofing products manufacturer in the prior year, and higher gross margin earned on projects at our Brazilian residential operations.

iii. Realized Disposition Gains

Realized disposition gains of \$81 million in the year is primarily attributable to the partial sale of our interests in certain public equities. Realized disposition gains of \$1.4 billion in the prior year were due to the sale of our interests in West Fraser Timber Co.

COMMON EQUITY

Common equity in our Private Equity segment was \$4.5 billion as at December 31, 2022 (December 31, 2021 – \$4.0 billion). The increase was mainly attributable to contributions from FFO that were partially offset by the impact of depreciation.

REAL ESTATE

BUSINESS OVERVIEW

- We own and operate real estate assets through our 100% economic ownership interest in BPG.
- BPG owns real estate assets directly as well as through private funds that are managed by our asset management business. Included in directly held assets is our North American residential development business, which is conducted through Brookfield Residential Properties ULC.
- We present the operating results of our Real Estate segment within three sub-segments. The sub-segments are based on our strategy to maintain an irreplaceable portfolio of trophy mixed-use precincts in global gateway cities (“Core”), maximize returns through a development or buy-fix-sell strategy (“Transitional and Development”), or recycle capital from vintage funds (“LP Investments”).

OPERATIONS

Core

- We own interests in and operate some of the most iconic office assets globally, including One Manhattan West in New York and Canary Wharf in London. We focus on high-quality real estate assets in some of the best locations around the world because we have found that these outperform over very long periods of time and through economic cycles. These 64 properties are located primarily in the world’s leading commercial markets such as New York City, London, Toronto, Berlin, and Dubai, covering 33 million square feet.
- We also own interests in and operate 19 irreplaceable malls totaling 24 million square feet of retail space. We intend to retain long-term ownership interests in these trophy assets, such as Ala Moana in Hawaii and Fashion Show in Las Vegas.
- We develop properties on a selective basis; active development and redevelopment projects consist of three office sites, several multifamily sites and two hotel sites, totaling approximately 4 million square feet.

Transitional and Development

- We own interests in and operate office assets in gateway markets around the globe, consisting of 68 properties totaling 59 million square feet of space. These assets represent properties with transitional operational uplift and realization potential. They earn attractive short-term rates of return, as we acquire underperforming assets and improve their operations. We add significant value during this transitional period before ultimately monetizing them and reinvesting the proceeds.
- The office properties are located primarily in the world’s leading commercial markets such as New York City, London, Toronto, Sydney and Rio de Janeiro.
- We also own 90 retail properties covering 86 million square feet of space, where we seek to maximize return through leasing, redevelopment of existing retail, or in some cases through the addition of a mixed-use component like multifamily or office. We add significant value during this transitional period before ultimately monetizing them.
- Our North American business is conducted through Brookfield Residential Properties ULC, which is active in 18 principal markets in Canada and the U.S. and controls approximately 81,000 lots.

LP Investments

- We own and operate global portfolios of real estate investments through our real estate funds, which are targeted to achieve higher returns than our office and retail portfolios within our Core and Transitional and Development operations.
- Our LP Investments business strategy is to acquire high quality assets at a discount to replacement cost or

intrinsic value, to execute clearly defined strategies for operational improvement and to achieve opportunistic returns through net operating income (“NOI”) growth and realized gains on exit.

- Our LP Investments portfolio consists of high-quality assets with operational upside across the multifamily, triple net lease, hospitality, office, retail, mixed-use, logistics, life science, senior living, manufactured housing and student housing sectors.

OUTLOOK AND GROWTH INITIATIVES

SAME-STORE GROWTH

Rent to
Market/Occupancy

DEVELOPMENT

Active
Development

CAPITAL ALLOCATION

Capital
Recycling

Our real estate group remains focused on increasing the value of our properties through proactive leasing and select redevelopment initiatives, as well as recycling capital from mature properties, primarily from our transitional and development assets, to fund new higher yielding investments, particularly in our LP Investments. We deploy additional capital throughout our portfolio for planned capital expansion that should continue to increase earnings for the next several years as these projects are completed. Our development track record reflects on-time and on-budget completions. This includes development projects in progress across our premier office buildings, retail malls and mixed-use complexes located primarily in North America and Europe.

We have a positive outlook for our North American residential business, reflecting strong housing demand in North America and the significant progress we have made on strategic initiatives in recent years to scale and reposition the business to enhance our returns over the long-term.

Within our LP Investments, we will continue to acquire high-quality properties through the global private funds of our asset management business as these generally produce higher returns relative to core strategies. These funds have a wide scope in terms of real estate asset classes and geographic reach. We target to earn opportunistic returns in our portfolio. These investments have a defined hold period and typically generate the majority of profits from gains recognized from realization events, including the sale of an asset or portfolio of assets, or exit of the entire investment. Funding for these transactions will continue to include proceeds from asset sales as part of our capital recycling program.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues and our share of FFO and common equity of entities in our Real Estate segment. We have provided additional detail, where referenced, to explain significant movements from the prior period. We present the operating results of our Real Estate segment, which include our investment in Brookfield Property Partners L.P. (“BPY”)¹ and in other directly held real estate investments, within three sub-segments—Core, Transitional and Development, and LP Investments. We also separately manage certain corporate activities for these underlying investments.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2022	2021	2022	2021	2022	2021
Brookfield Property Group ¹	i	\$ 13,835	\$ 12,315	\$ 953	\$ 1,004	\$ 31,868	\$ 33,965
Realized disposition gains	ii	—	—	791	438	—	—
		<u>\$ 13,835</u>	<u>\$ 12,315</u>	<u>\$ 1,744</u>	<u>\$ 1,442</u>	<u>\$ 31,868</u>	<u>\$ 33,965</u>

Revenues and FFO from our Real Estate business increased by \$1.5 billion and \$302 million, respectively, compared to the prior year.

1. See definition in Glossary of Terms beginning on page 129.

Excluding realized disposition gains, FFO decreased by \$51 million, primarily due to increased interest expense, foreign exchange losses and the absence of FFO from assets sold over the last year. This was partially offset by continued recovery in our hospitality, retail and office portfolios.

i. Brookfield Property Group

The following table disaggregates BPG's FFO by business line to facilitate analysis of the year-over-year variances:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021
Core.....	\$ 471	\$ 558
Transitional and Development.....	820	868
LP Investments.....	200	234
Corporate.....	(494)	(439)
Attributable to BPG.....	997	1,221
Non-controlling interests.....	—	(138)
Segment reallocation and other ¹	(44)	(79)
Brookfield's interest.....	<u>\$ 953</u>	<u>\$ 1,004</u>

1. Reflects preferred dividend distributions as well as fee-related earnings, net carried interest and associated asset management expenses not included in FFO reclassified to the Asset Management segment.

BPG's FFO for 2022 was \$953 million compared to \$1.0 billion in the prior year. Key variances for our operations are described below.

Core

FFO of \$471 million was \$87 million lower than the prior year. The main contributors are:

- continued recovery from the pandemic in our retail assets; more than offset by
- higher interest expense due to increased floating interest rates on variable debt obligations coupled with an increase in debt obligations as a result of financing activity; and
- impact of foreign currency translation.

Transitional and Development

FFO of \$820 million was \$48 million lower than the prior year mainly attributable to:

- increased earnings from equity accounted investments; and
- continued recovery of retail businesses from the prior year, resulting in improving occupancy rates.

LP Investments

FFO of \$200 million was \$34 million lower than the prior year, mainly attributable to:

- increased performance driven by growth in all asset classes resulting from increased occupancy and higher daily rates earned at certain of our hospitality assets; more than offset by
- the impact of foreign currency translation and higher interest expense.

Corporate

Corporate expenses within our Real Estate segment increased by \$55 million to \$494 million, driven by increased asset management fees partially offset by lower interest expense due to the maturity of certain preferred shares.

ii. Realized Disposition Gains

Realized disposition gains were \$791 million and \$438 million in the current and the prior year, respectively. Current year realized disposition gains primarily related to dispositions of our U.K. student housing portfolio and other holdings within our LP Investments portfolio.

COMMON EQUITY

Common equity in our Real Estate segment decreased to \$31.9 billion as at December 31, 2022 compared to \$34.0 billion as at December 31, 2021. The decrease is mainly attributable to contributions from FFO and valuation increases, which were more than offset by the aforementioned dispositions across the segment during 2022.

CORPORATE ACTIVITIES

BUSINESS OVERVIEW

- Our corporate activities support the overall business with a focus on prudent capital allocation that will compound value for our shareholders over the long-term.
- Corporate activities include, but are not limited to, supporting the growth in our asset management business and perpetual affiliates, and providing capital throughout the organization, when needed. In addition, we will make direct investments on an opportunistic basis.
- We also hold cash and financial assets as part of our liquidity management operations and enter into financial contracts to manage residual foreign exchange and other risks, as appropriate.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues, FFO and common equity into the principal assets and liabilities within our corporate operations and associated FFO to facilitate analysis:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Revenues		FFO		Common Equity	
	2022	2021	2022	2021	2022	2021
Insurance solutions	\$ —	\$ —	\$ 388	\$ 30	\$ 3,996	\$ 988
Corporate cash and financial assets, net	125	70	77	42	477	3,522
Other corporate investments	—	81	30	53	548	1,099
Corporate costs and taxes/ net working capital	—	—	(114)	(64)	(944)	699
Corporate borrowings	—	—	(504)	(438)	(11,390)	(10,875)
Preferred equity ^{1,2}	—	—	—	—	(4,375)	(4,375)
Realized disposition gains	—	—	88	97	—	—
	\$ 125	\$ 151	\$ (35)	\$ (280)	\$ (11,688)	\$ (8,942)

1. FFO excludes preferred share distributions of \$160 million (2021 – \$157 million).

2. Includes \$230 million of perpetual subordinated notes issued in November 2020 by a wholly owned subsidiary of Brookfield, included within non-controlling interest.

Our insurance solutions business generated FFO of \$388 million for the year with the growth in earnings primarily driven by strong performance of its investment portfolio and the acquisition of American National in May 2022, as well as the re-deployment of its highly liquid and short-duration portfolio into higher yielding investments.

Our portfolio of corporate cash and financial assets is generally recorded at fair value with changes recognized through net income, unless the underlying financial investments are classified as fair value through other comprehensive income, in which case changes in value are recognized in other comprehensive income. Loans and receivables are typically carried at amortized cost. As at December 31, 2022, our portfolio of corporate cash and financial assets included \$1.3 billion of cash and cash equivalents (December 31, 2021 – \$1.9 billion). The decrease from December 31, 2021 is largely attributable to cash deployed to fund BNRE's acquisition of American National, dividends paid to shareholders, funding of capital calls and investments, net repayment of commercial paper and the repurchase of 17.2 million Class A shares, partially offset by \$5.2 billion of distributable earnings¹.

Our corporate cash and financial assets generated FFO of \$77 million compared to FFO of \$42 million in the prior year primarily due to gains on our financial asset portfolio in the current year.

Other corporate investments include our share of the corporate cash and financial assets of Oaktree that were not transferred to our asset management business. The decrease in FFO from the prior year is primarily due to lower returns on Oaktree's balance sheet investments.

1. See definition in Glossary of Terms beginning on page 129.

Corporate costs, taxes and net working capital were collectively in a liability position of \$944 million as at December 31, 2022, compared to the prior year asset position of \$699 million. Included within this balance are net deferred income tax assets of \$363 million (December 31, 2021 – \$1.8 billion). The decline in our deferred tax assets was primarily due to the special distribution of our asset management business in which certain subsidiaries and their respective deferred tax balances were transferred at book value to our asset management business. The FFO deficit of \$114 million includes corporate costs and cash taxes, which were higher compared to the prior year primarily due to higher tax expense.

Corporate borrowings are generally issued with fixed interest rates. Some of these borrowings are denominated in Canadian dollars and therefore the carrying value fluctuates with changes in the foreign exchange rate. A number of these borrowings have been designated as hedges of our Canadian dollar net investments within our other segments, resulting in the majority of the currency revaluation being recognized in other comprehensive income. The \$504 million FFO deficit reported through corporate borrowings reflects the interest expense on all of our corporate borrowings. The increase from the prior year was primarily attributable to corporate debt issuances completed over the last twelve months.

Preferred equity is not revalued under IFRS and is consistent with year-end.

Realized disposition gains of \$88 million were primarily due to the sale of a financial asset during the year.

We describe cash and financial assets, corporate borrowings and preferred equity in more detail within Part 4 – Capitalization and Liquidity.

PART 4

CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

We review key components of our capitalization in the following sections. In several instances we have disaggregated the balances into the amounts attributable to our operating segments in order to facilitate discussion and analysis.

*Corporate Capitalization*¹ – reflects the amount of debt held in the Corporate Activities segment and our issued and outstanding common and preferred shares. Corporate debt includes unsecured bonds and excludes draws on revolving credit facilities and the issuance of short-term commercial paper. As at December 31, 2022, our corporate capitalization was \$61.5 billion (December 31, 2021 – \$62.9 billion) with a debt to capitalization¹ of 19% (December 31, 2021 – 17%).

*Consolidated Capitalization*¹ – reflects the aggregate capitalization of wholly owned, partially owned, and managed entities that we consolidate in our financial statements. As at December 31, 2022, consolidated capitalization increased compared to the prior year largely due to acquisitions, which resulted in additional associated borrowings, working capital balances and non-controlling interests. Much of the borrowings issued within our managed entities are included in our consolidated balance sheet notwithstanding that virtually none of this debt has any recourse to the Corporation.

The following table presents our capitalization on a corporate and consolidated basis:

AS AT DEC. 31 (MILLIONS)	Ref.	Corporate		Consolidated	
		2022	2021	2022	2021
Corporate borrowings	i	\$ 11,390	\$ 10,875	\$ 11,390	\$ 10,875
Non-recourse borrowings					
Subsidiary borrowings	i	—	—	15,140	12,876
Property-specific borrowings	i	—	—	187,544	152,181
		<u>11,390</u>	<u>10,875</u>	<u>214,074</u>	<u>175,932</u>
Accounts payable and other		5,985	5,104	57,065	52,546
Deferred income tax liabilities		112	299	23,190	20,328
Subsidiary equity obligations		—	—	4,188	4,308
Liabilities associated with assets classified as held for sale		—	—	876	3,148
Equity					
Non-controlling interests		230	230	98,138	88,386
Preferred equity	ii	4,145	4,145	4,145	4,145
Common equity	iii	39,608	42,210	39,608	42,210
		<u>43,983</u>	<u>46,585</u>	<u>141,891</u>	<u>134,741</u>
Total capitalization		<u>\$ 61,470</u>	<u>\$ 62,863</u>	<u>\$441,284</u>	<u>\$391,003</u>
Debt to capitalization		<u>19%</u>	<u>17%</u>	<u>49%</u>	<u>45%</u>

1. See definition in Glossary of Terms beginning on page 129.

i. Borrowings

Corporate Borrowings

AS AT DEC. 31 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Term debt	4.2%	4.2%	13	13	\$ 11,467	\$ 10,039
Commercial paper	n/a	0.4%	n/a	<1	—	462
Revolving facilities	n/a	1.1%	n/a	4	—	450
Deferred financing costs	n/a	n/a	n/a	n/a	(77)	(76)
Total					\$ 11,390	\$ 10,875

As at December 31, 2022, corporate borrowings included term debt of \$11.5 billion (December 31, 2021 – \$10.0 billion) which had an average term to maturity of 13 years (December 31, 2021 – 13 years). Term debt consists of public and private bonds, all of which are fixed rate and have maturities ranging from 2024 to 2080. These financings provide an important source of long-term capital and are appropriately matched to our long-term asset profile.

The increase in term debt compared to the prior year is mainly driven by the issuance of \$400 million of 2052 green notes and a \$400 million re-opening of our 2028 notes in the first quarter of 2022, along with the issuance of C\$1 billion notes in the fourth quarter of 2022.

We had no commercial paper outstanding and no draws on our revolving facility as at December 31, 2022 (December 31, 2021 – \$912 million of commercial paper and revolving facility draws outstanding). As at December 31, 2022, \$50 million of the facilities were utilized for letters of credit (December 31, 2021 – \$61 million).

Subsidiary Borrowings

We endeavor to capitalize our perpetual affiliates to enable continuous access to debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation. Subsidiary borrowings include perpetual affiliates' recourse term debt and credit facility draws. These borrowings have no recourse to the Corporation.

AS AT DEC. 31 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Renewable Power and Transition	3.7%	3.9%	10	12	\$ 2,546	\$ 2,147
Infrastructure	4.4%	3.2%	10	10	3,666	2,719
Private Equity	6.8%	2.6%	4	4	2,226	1,745
Real Estate	5.6%	3.1%	4	5	6,702	6,265
Total	5.2%	3.5%	6	6	\$ 15,140	\$ 12,876

Property-Specific Borrowings

As part of our financing strategy, the majority of our debt capital is in the form of property-specific borrowings and project financings and is denominated in local currencies that have recourse only to the assets being financed and have no recourse to the Corporation or the relevant perpetual affiliate.

AS AT DEC. 31 (\$ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2022	2021	2022	2021	2022	2021
Renewable Power and Transition	5.3%	4.5%	9	10	\$ 22,826	\$ 19,893
Infrastructure	6.5%	4.3%	6	7	29,881	28,515
Private Equity	7.3%	4.7%	6	5	48,787	27,966
Real Estate	6.1%	3.6%	3	3	86,050	75,807
Total	6.4%	4.0%	5	5	\$187,544	\$152,181

Property-specific borrowings have increased by \$35.4 billion since December 31, 2021, which is largely attributable to:

- the acquisitions of a technology services provider, an Australian residential mortgage lender, and a technology and global lottery services business within our Private Equity segment; and
- new investments across multiple European office REITs and mixed-use properties within our Real Estate segment.

Fixed and Floating Interest Rate Exposure

Many of our borrowings, including all corporate borrowings recourse to the Corporation, are fixed rate, long-term financings. The remainder of our borrowings are at floating rates; however, from time to time, we enter into interest rate contracts to swap our floating rate exposure to fixed rates.

As at December 31, 2022, 65% of our share of debt outstanding, including the effect of swaps, was fixed rate. Accordingly, changes in interest rates are typically limited to the impact of refinancing borrowings at prevailing market rates or changes in the level of debt as a result of acquisitions and dispositions.

The following table presents the fixed and floating rates of interest expense:

AS AT DEC. 31 (\$ MILLIONS)	Fixed Rate				Floating Rate			
	2022		2021		2022		2021	
	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated	Average Rate	Consolidated
Corporate borrowings	4.2%	\$ 11,390	4.2%	\$ 10,875	—%	\$ —	—%	\$ —
Subsidiary borrowings	4.5%	9,346	4.0%	8,619	6.3%	5,794	2.4%	4,430
Property-specific borrowings	4.9%	57,908	4.8%	58,392	7.1%	129,637	3.6%	93,616
Total	4.7%	\$ 78,644	4.7%	\$ 77,886	7.0%	\$ 135,431	3.5%	\$ 98,046

ii. Preferred Equity

Preferred equity represents permanent non-participating preferred shares that provide leverage to our common equity. The shares are categorized by their principal characteristics in the following table:

AS AT DEC. 31 (\$ MILLIONS)	Term	Average Rate		Amount	
		2022	2021	2022	2021
Fixed rate-reset	Perpetual	4.3%	4.1%	\$ 2,901	\$ 2,901
Fixed rate	Perpetual	4.8%	4.8%	739	739
Floating rate	Perpetual	4.3%	2.3%	505	505
Total		4.4%	4.0%	\$ 4,145	\$ 4,145

Fixed rate-reset preferred shares are issued with an initial fixed rate coupon that is reset after an initial period, typically five years, at a predetermined spread over the Canadian five-year government bond yield. The average reset spread as at December 31, 2022 was 279 basis points.

iii. Common Equity

Issued and Outstanding Shares

Changes in the number of issued and outstanding Class A and Class B shares during the years are as follows:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2022	2021
Outstanding at beginning of year	1,568.8	1,510.7
Issued (repurchased)		
Issuances	1.4	61.3
Repurchases	(17.2)	(9.7)
Long-term share ownership plans ¹	19.1	6.4
Dividend reinvestment plan and others	1.3	0.1
Outstanding at end of period	1,573.4	1,568.8
Unexercised options and other share-based plans ¹ and exchangeable shares of affiliate	55.5	82.8
Total diluted shares at end of period	1,628.9	1,651.6

1. Includes management share option plan and restricted stock plan.

The company holds 62.9 million Class A shares (December 31, 2021 – 69.7 million) purchased by consolidated entities in respect of long-term share ownership programs, which have been deducted from the total amount of shares outstanding at the date acquired. Diluted shares outstanding include nil (December 31, 2021 – 25.1 million) shares issuable in respect of these plans based on the market value of the Class A shares as at December 31, 2022 and December 31, 2021, resulting in a net reduction of 62.9 million (December 31, 2021 – 44.6 million) diluted shares outstanding.

During 2022, 3.3 million options were exercised, of which 1.2 million and 0.2 million were issued on a net-settled and gross basis, respectively, resulting in the cancellation of 1.8 million vested options.

The cash value of unexercised options was \$1.1 billion as at December 31, 2022 (December 31, 2021 – \$1.2 billion) based on the proceeds that would be paid on exercise of the options.

As at March 21, 2023, the Corporation had outstanding 1,566,105 Class A shares and 85,120 Class B shares. Refer to Note 21 of the consolidated financial statements for additional information on equity.

LIQUIDITY

CORPORATE LIQUIDITY

We maintain significant liquidity at the corporate level. Our primary sources of liquidity, which we refer to as core liquidity, consist of:

- cash and financial assets, net of other associated liabilities; and
- undrawn committed credit facilities.

We further assess overall liquidity inclusive of our perpetual affiliates BEP, BIP, BBU, BPG and our insurance solutions business because of their role in funding acquisitions both directly and through funds managed by our asset management business. On a group basis, we had \$37 billion of core liquidity, including liquidity from corporate and perpetual affiliates, and \$124 billion of total liquidity, including third-party commitments available for drawdown in the private funds of our asset management business, as at December 31, 2022.

CAPITAL REQUIREMENTS

The Corporation has very few non-discretionary capital requirements. Our largest normal course capital requirement are our debt maturities and there are no corporate debt maturities until March 2024 when approximately \$1 billion is due. Periodically, we will fund acquisitions and seed new investment strategies.

At the perpetual affiliate level, the largest normal course capital requirements are debt maturities and the pro-rata share of private fund capital calls. New acquisitions are primarily funded through the private funds or perpetual affiliates that are managed by our asset management business. We endeavor to structure these entities so that they are self-funding, preferably on an investment-grade basis, and in almost all circumstances do not rely on financial support from the Corporation.

In the case of private funds, the necessary equity capital is obtained by calling on commitments made by the limited partners in each fund, which include commitments made by our perpetual affiliates as well as the Corporation. As at December 31, 2022, the Corporation has funded \$1.8 billion of our \$2.75 billion commitment to our third flagship real estate fund alongside BPG's \$1 billion commitment. The Corporation has committed \$3.5 billion to our fourth flagship real estate fund of which \$690 million has been funded. The Corporation has committed \$750 million to our latest opportunistic credit fund of which \$375 million has been funded. In the case of perpetual affiliates, capital requirements are funded through their own resources and access to capital markets, which may be supported by us from time to time through participation in equity offerings or bridge financings.

At the asset level, we schedule ongoing capital expenditure programs to maintain the operating capacity of our assets at existing levels. We refer to this as sustaining capital expenditures. The sustaining capital expenditure programs are typically funded by, and represent a relatively small proportion of, the operating cash flows within each business. The timing of these expenditures is discretionary; however, we believe it is important to maintain the productivity of our assets in order to optimize cash flows and value accretion.

CORE AND TOTAL LIQUIDITY

The following table presents core liquidity of the Corporation, perpetual affiliates and managed funds:

AS AT DEC. 31 (MILLIONS)	Corporate Liquidity ¹		Group Liquidity	
	2022	2021	2022	2021
Cash and financial assets, net	\$ 2,893	\$ 3,522	\$ 27,440	\$ 6,233
Undrawn committed credit facilities	2,540	1,618	9,284	8,778
Core liquidity²	5,433	5,140	36,724	15,011
Uncalled private fund commitments	—	—	87,364	77,079
Total liquidity³	\$ 5,433	\$ 5,140	\$ 124,088	\$ 92,090

1. Corporate cash and financial assets in 2022 includes our proportionate share of the asset management business's cash and financial assets (\$2.4 billion).

2. See definition in Glossary of Terms beginning on page 129.

3. Includes \$22 billion of liquidity held through our insurance portfolio.

As at December 31, 2022, the Corporation's core liquidity was \$5.4 billion, consisting of \$2.9 billion in cash and financial assets, inclusive of our proportionate share of our asset management business's cash and financial assets, and \$2.5 billion in undrawn credit facilities. The Corporation's liquidity is readily available for use without any material tax consequences. We utilize this liquidity to support the activities of our perpetual affiliates and funding strategic transactions.

The Corporation has the ability to raise additional liquidity through the issuance of securities and the sale of holdings of listed investments within our perpetual affiliates and other investments on the following page. However, this is not included in our core liquidity as we are generally able to finance our operations and capital requirements through other means.

During 2022, we generated \$5.2 billion of distributable earnings, inclusive of:

- \$2.1 billion of distributions from our asset management business;
- \$388 million of operating earnings from our insurance solutions business;
- \$2.6 billion of distributions from our perpetual affiliates and other principal investments, and yield earned on corporate cash and financial assets; and
- realizations, including \$555 million of net realized carried interest and \$360 million of realized disposition gains from principal investments; partially offset by
- corporate costs, interest expense, and preferred share dividends, net of equity-based compensation costs, of \$693 million.

The Corporation paid a non-cash special distribution of \$2.4 billion as part of the listing and special distribution of a 25% interest in our asset management business, as well as \$879 million in cash dividends on its common equity during the year ended December 31, 2022 (2021 – \$538 million of non-cash dividends for the BNRE spin-off and \$800 million cash dividends).

The following table presents distributable earnings generated by the Corporation:

FOR THE YEARS ENDED DEC. 31
(MILLIONS)

	2022	2021
Distributions from asset management business¹	\$ 2,061	\$ 1,892
Insurance solutions operating earnings	388	30
Perpetual affiliates	2,434	2,127
Corporate cash and financial assets	77	42
Other principal investments	47	(41)
Distributions from investments	2,558	2,128
Corporate borrowings	(504)	(438)
Corporate costs and taxes	(91)	(24)
	(595)	(462)
Preferred share dividends ²	(160)	(157)
Add back: equity-based compensation costs	62	36
	(693)	(583)
Distributable earnings before realizations	4,314	3,467
Realizations		
Realized carried interest, net ³	555	715
Disposition gains from principal investments	360	2,100
Distributable earnings	\$ 5,229	\$ 6,282

1. Includes \$258 million (2021 - \$250 million) of fee-related earnings from Oaktree at our share.
2. Includes \$10 million (2021 - \$9 million) of dividends paid on perpetual subordinated notes.
3. Includes our share of Oaktree's distributable earnings attributable to realized carried interest.

The following table shows the quoted market value of the company's listed securities and annual cash distributions of the company's invested capital based on current distribution policies for each entity:

AS AT DEC. 31, 2022 (MILLIONS, EXCEPT PER UNIT AMOUNTS)	Ownership %	Brookfield Owned Units	Distributions Per Unit ¹	Quoted Value ²	Current Distributions (Current Rate) ³	YTD Distributions (Actual)
Distributions from investments						
Brookfield Renewable ⁴	48%	312.0	\$ 1.28	\$ 8,005	\$ 400	\$ 400
Brookfield Infrastructure ⁵	27%	209.4	1.44	6,591	302	300
Brookfield Business Partners ⁶	65%	141.7	0.25	2,491	35	33
Brookfield Property Group ⁷	100%	n/a	n/a	n/a	1,644	1,701
					2,381	2,434
Corporate cash and financial assets ^{8,9}	various	various	various	477	38	78
Total					\$ 2,419	\$ 2,512

1. Based on current distribution policies.
2. Quoted value represents the value of Brookfield owned units as at market close on December 31, 2022.
3. Distributions (current rate) are calculated by multiplying units held as at December 31, 2022 by distributions per unit. Actual dividends may differ due to timing of dividend increases and payment of special dividends, which are not factored into the current rate calculation. See definition in Glossary of Terms beginning on page 129.
4. Brookfield owned units represent the combined units held in BEP and BEPC.
5. Brookfield owned units represent the combined units held in BIP and BIPC.
6. Brookfield owned units represent the combined units held in BBU and BBUC.
7. BPG's distributions include \$64 million of preferred share dividends received by the Corporation for the year ended December 31, 2022 (2021 - nominal amounts).
8. Includes cash and cash equivalents and financial assets net of deposits.
9. YTD distributions relate to a decrease in valuations of certain of our corporate financial assets.

REVIEW OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the consolidated statements of cash flows within our consolidated financial statements:

FOR THE YEARS ENDED DEC. 31
(MILLIONS)

	2022	2021
Operating activities.....	\$ 8,751	\$ 7,874
Financing activities.....	32,460	16,261
Investing activities.....	(39,650)	(21,045)
Change in cash and cash equivalents.....	<u>\$ 1,561</u>	<u>\$ 3,090</u>

This statement reflects activities within our consolidated operations and therefore excludes activities within non-consolidated entities.

Operating Activities

Cash flows from operating activities totaled \$8.8 billion in 2022, a \$877 million increase from the prior year. Excluding the net change in non-cash working capital, cash flow from operating activities increased by \$920 million versus the prior year period due to contributions from assets acquired, net of dispositions, and same-store growth across our business in 2022.

Financing Activities

Net cash flows from financing activities totaled \$32.5 billion in 2022 versus \$16.3 billion in the prior year, and primarily related to:

- non-recourse borrowings arranged by our subsidiaries, net of repayments, of \$28.4 billion;
- capital provided from non-controlling interests, net of capital repaid, of \$10.8 billion; and
- non-recourse credit facilities drawn, net, of \$6.9 billion; partially offset by
- cash distributions to non-controlling interests and shareholders of \$12.1 billion.

Investing Activities

Net cash flows used by investing activities were \$39.7 billion in 2022 versus \$21.0 billion in the prior year, and mainly related to:

- acquisitions of subsidiaries, net of dispositions, of \$20.0 billion primarily associated with acquisitions in our Private Equity segment;
- acquisitions and additions to PP&E, net of dispositions, of \$6.6 billion;
- acquisitions and additions to investment properties, net of dispositions, of \$5.8 billion; and
- acquisitions of financial assets and other, net of dispositions, of \$4.0 billion mainly as a result of investments in debt and equity securities across our operating segments as well as financial assets acquired in our Private Equity segment.

Refer to Note 5 Acquisitions of Consolidated Entities and Note 10 Equity Accounted Investments in the consolidated financial statements for further details.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

AS AT DEC. 31, 2022 (MILLIONS)	Payments Due by Period				
	Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years	Total
Recourse Obligations					
Corporate borrowings.....	\$ —	\$ 1,608	\$ 1,486	\$ 8,296	\$ 11,390
Accounts payable and other ¹	3,011	114	52	2,808	5,985
Interest expense ²					
Corporate borrowings.....	484	863	728	3,916	5,991
Non-recourse Obligations					
Principal repayments					
Non-recourse borrowings of managed entities					
Property-specific borrowings	41,421	56,633	37,470	52,020	187,544
Subsidiary borrowings	1,462	2,093	6,649	4,936	15,140
Subsidiary equity obligations	1,187	746	553	1,702	4,188
Accounts payable and other					
Lease obligations	1,186	1,855	1,540	13,192	17,773
Accounts payable and other ¹	28,428	4,840	1,231	4,485	38,984
Commitments	1,737	540	192	308	2,777
Interest expense ^{2,3}					
Non-recourse borrowings	10,597	16,016	11,432	18,320	56,365
Subsidiary equity obligations	152	273	182	563	1,170

1. Excludes lease obligations and provisions.

2. Represents the aggregate interest expense expected to be paid over the term of the obligations.

3. Variable interest rate payments have been calculated based on current rates.

The recourse obligations, those amounts that have recourse to the Corporation, which are due in less than one year totaled \$3.5 billion (2021 – \$2.9 billion).

In 2014, BPY issued \$1.8 billion of exchangeable preferred equity units in three \$600 million tranches redeemable in 2021, 2024 and 2026, respectively. The preferred equity units were originally exchangeable into equity units of BPY at \$25.70 per unit, at the option of the holder, at any time up to and including the maturity date. Following the privatization of BPY ("BPY privatization"), the preferred equity units became exchangeable into cash equal to the value of the consideration that would have been received upon the BPY privatization (a combination of cash, BN shares and New LP Preferred Units), based on the value of that consideration on the date of exchange. BPY also has the option of delivering the actual consideration (a combination of cash, BN shares and New LP Preferred Units). Following the BPY privatization, we have agreed with the holder to grant the company the right to purchase all or any portion of the preferred equity units of the holder at maturity, and to grant the holder the right to sell all or any portion of the preferred equity units of the holder at maturity, in each case at a price equal to the issue price for such preferred equity units plus accrued and unpaid distributions. On December 30, 2021, the company acquired the tranche redeemable in 2021 from the holder and subsequently exchanged such units for Redemption-Exchange Units. The preferred equity units were subsequently cancelled.

Commitments of \$2.8 billion (2021 – \$3.7 billion) represent various contractual obligations assumed in the normal course of business by our various operating subsidiaries. These included commitments to provide bridge financing and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. These commitments shall be funded through the cash flows of the company's subsidiaries.

The company and its consolidated subsidiaries execute agreements that provide for indemnifications and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements and underwriting and agency agreements. 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 prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases the agreements do not 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. Neither the company nor its consolidated subsidiaries have made significant payments in the past, nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

The company periodically enters into joint venture, consortium or other arrangements that have contingent liquidity rights in favor of the company or its counterparties. These include buy sell arrangements, registration rights and other customary arrangements. These agreements generally have embedded protective terms that mitigate the risk to us. The amount, timing and likelihood of any payments by the company under these arrangements is, in most cases, dependent on either future contingent events or circumstances applicable to the counterparty and therefore cannot be determined at this time.

We have also committed to purchase power produced by certain of BEP's hydroelectric assets as previously described on page 67.

EXPOSURES TO SELECTED FINANCIAL INSTRUMENTS

As discussed elsewhere in this MD&A, we utilize various financial instruments in our business to manage risk and make better use of our capital. The fair values of these instruments that are reflected on our balance sheets are disclosed in Note 6 to our consolidated financial statements.

PART 5

ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

OVERVIEW

We are a publicly held Canadian corporation and, as such, we prepare our consolidated financial statements in accordance with IFRS.

We present our consolidated balance sheets on a non-classified basis, meaning that we do not distinguish between current and long-term assets or liabilities. We believe this classification is appropriate given the nature of our business strategy.

The preparation of the consolidated financial statements requires management to select appropriate accounting policies and to make judgments and estimates that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

In making judgments and 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 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 report. As we update the fair values of our investment property portfolios quarterly, with gains reflected in net income, we discuss judgments and estimates relating to the key valuation metrics in Note 11 of the 2022 audited consolidated financial statements and below.

For further reference on accounting policies, including new and revised standards issued by the IASB and judgments and estimates, see our significant accounting policies contained in Note 2 of the 2022 audited consolidated financial statements.

CONSOLIDATED FINANCIAL INFORMATION

i. Investment Properties

We classify the majority of the property assets within our Real Estate segment as investment properties. Our valuations are prepared at the individual property level by internal investment professionals with the appropriate expertise in the respective industry, geography and asset type. These valuations are updated at each balance sheet date with gains or losses recognized in net income.

The majority of underlying cash flows in the models are comprised of contracted leases, many of which are long term, with our office assets within our Core and Transitional and Development portfolios having a combined 87% occupancy level and an average 8 year lease life, while our retail assets within our Core and Transitional and Development portfolios have a combined occupancy rate of 95%. The models also include property-level assumptions for renewal probabilities, future leasing rates and capital expenditures. These are reviewed as part of the business planning process and external market data is utilized when determining the cash flows associated with lease renewals.

We test the outcome of our process by having a number of our properties externally appraised each year, including appraisals for core office properties, at least on a three-year rotating basis. We compare the results of the external appraisals to our internally prepared values and reconcile significant differences when they arise. In the current year, 80 of our properties were externally appraised, representing a gross property value of \$31 billion of assets; external appraisals were within 1% of management's valuations.

The valuations are most sensitive to changes in cash flows, which include assumptions relating to lease renewal probabilities, downtime, capital expenditures, future leasing rates and associated leasing costs, discount rates and terminal capitalization rates. The key valuation metrics of our real estate assets as at December 31, 2022 and December 31, 2021 are summarized below.

	Core		Transitional and Development		LP Investments		Weighted Average	
AS AT DEC. 31	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	6.2%	5.9%	7.6%	7.3%	8.4%	9.1%	7.7%	7.7%
Terminal capitalization rate	4.6%	4.6%	5.9%	5.8%	5.7%	5.9%	5.5%	5.5%
Investment horizon (years)	11	11	10	10	13	13	12	12

The following table presents the impact on the fair value of our consolidated investment properties as at December 31, 2022 from a 25-basis point change to the relevant unobservable inputs. For properties valued using the discounted cash flow method, the basis point change in valuation metrics relates to a change in discount and terminal capitalization rates. For properties valued using the direct capitalization approach, the basis point change in valuation metrics relates to a change in the overall capitalization rate. These amounts represent the effect on all consolidated investment property assets within our consolidated financial statements on a pre-tax basis, including amounts attributed to non-controlling interests in our perpetual affiliates and private fund investments. The amounts attributable to shareholders may be significantly less than shown depending on ownership levels in the individual assets.

AS AT DEC. 31, 2022 (MILLIONS)	Fair Value	Sensitivity
Core	\$ 19,267	\$ 1,142
Transitional and Development	25,434	1,100
LP Investments	69,501	3,957
Other investment properties	898	23
Total	\$ 115,100	\$ 6,222

ii. Revaluation Method for PP&E

We revalue PP&E within our Renewable Power and Transition segment using the discounted cash flow ("DCF") method and our Infrastructure segment using DCF and the depreciated replacement cost ("DRC") methods. Our Real Estate hospitality assets are valued using the DRC method. PP&E within our Private Equity segment is recorded at cost less accumulated depreciation and impairment losses.

Assets subject to the revaluation approach are revalued annually using a bottom-up approach, starting at the operating level with local professionals, and involving multiple levels of review, including by senior management. Changes in fair value are reported through other comprehensive income as revaluation surplus. Underlying cash flows used in DCF models are subject to detailed reviews as part of business planning, with discount rates and other key variable inputs reviewed for reasonability and the models reviewed for mathematical accuracy. Key inputs are frequently compared to third-party reports commissioned by the respective entities to assess reasonability. In addition, comparable market transactions are analyzed to consider for benchmarking. Additional information about the revaluation methodology and current year results is provided below.

When determining the carrying value of PP&E using the revaluation method, the company uses the following assumptions and estimates: the timing of forecasted revenues; future sales prices and associated expenses; future sales volumes; future regulatory rates; maintenance and other capital expenditures; discount rates; terminal capitalization rates; terminal valuation dates; useful lives; and residual values. Determination of the fair value of PP&E under development includes estimates in respect of the timing and cost to complete the development. This process is further discussed in Part 2 – Review of Consolidated Financial Results.

Renewable Power and Transition

Perpetual renewable power assets, such as many of our hydroelectric facilities, are revalued using 20-year discounted cash flow models with a terminal value that is determined, where appropriate, using the Gordon Growth Model. For assets with finite lives, such as wind and solar farms, the cash flow model is based on the estimated remaining service life and the residual asset value is used to represent the terminal value.

Key inputs into the models, which include forward merchant power prices, energy generation estimates, operating and capital expenditures, tax rates, terminal capitalization rates and discount rates are assessed on an asset-by-asset basis as part of the bottom-up preparation and review process.

The key inputs that affect cash flow projections are outlined below:

- Pricing forecasts consist of the following inputs:
 - Where power purchase agreements are in place, contracted power prices are utilized for the remaining term of these agreements.
 - Thereafter, or to the extent that the underlying renewable power asset is not contracted, we estimate merchant pricing based on a mix of external data and our own estimates. Short-term merchant pricing is based on four years of externally sourced broker quotes in North America, regulated market operator pricing in Europe, and local market pricing in South America. We ensure to link our short-term pricing by linear extrapolation to our view of long-term power pricing below.
 - Long term pricing is driven by the economics required to support new entrants into the various power markets in which we operate. 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 Europe, and overall increasing demand in Colombia and Brazil. Once the year of new entrant is determined, data from industry sources, as well as inputs from our development teams, is used to model the all-in cost of the expected technology mix of new construction, and the resulting market price required to support its development. Our long-term pricing 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, by 2029 in Colombia and by 2026 in Brazil. For the North American businesses, we have estimated our renewable power assets will contract at a discount to new-build wind, solar and battery prices (the most likely source of new renewable generation in those regions). 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.
- Energy generation forecasts are based on LTA for which we have significant historical data. LTA for hydroelectric facilities is based on third-party engineering reports commissioned during asset acquisitions and financing activities. These studies are based on statistical models supported by decades of historical river flow data. Similarly, LTA for wind facilities is based on third-party wind resource studies completed prior to construction or acquisition. LTA for solar facilities is based on third-party irradiance level studies at the location of our project sites during construction or acquisition.
- Capital expenditure forecasts rely on independent engineering reports commissioned from reputable third-party firms during underwriting or financings.

Our discount rates, which are adjusted based on asset level and regional considerations, are compared to implied rates from recent market transactions where possible for reasonability.

Review of our models also includes assessing comparable market transactions. We compare EBITDA multiples and value per megawatt at the asset level to recent market transactions, and on a portfolio basis, we compare the valuation multiples to our most comparable competitors in the market and the resulting book value of our equity after revaluation to our share price in the market. Specifically, we have noted from reviews of market transactions in the U.S. northeast that the multiples paid for the asset indicate that market participants likely share our view on escalating power prices in the region.

In 2022, the fair value of the PP&E in our Renewable Power and Transition segment increased by \$3.9 billion, primarily attributable to higher power prices across most markets and the expected growth in demand for renewable power. Valuations also benefited from our continued cost savings and revenue enhancing initiatives.

The key valuation metrics of our hydroelectric, wind and solar generating facilities at the end of 2022 and 2021 are summarized below:

	North America		Brazil		Colombia		Europe	
AS AT DEC. 31	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate								
Contracted	4.9 – 5.4%	4.1 – 4.4%	8.2%	7.2%	8.5%	7.9%	4.4%	3.9%
Uncontracted	6.2 – 6.7%	5.4 – 5.6%	9.5%	8.5%	9.7%	9.2%	4.4%	3.9%
Terminal capitalization rate ¹ ...	4.3 – 4.9%	4.8 – 5.1%	n/a	n/a	7.7%	8.0%	n/a	n/a
Investment horizon	2044	2042	2051	2048	2042	2041	2036	2036

1. The terminal capitalization rate applies only to hydroelectric assets in North America and Colombia.

The following table presents the impact on fair value of PP&E in our Renewable Power and Transition segment as at December 31, 2022 from a 25-basis point change in discount and terminal capitalization rates, as well as a 5% change in electricity prices. These amounts represent the effect on all consolidated PP&E assets within the consolidated financial statements of BN on a pre-tax basis, including amounts attributed to non-controlling interests in our listed affiliates and private fund investments. The amounts attributable to shareholders may be significantly less than shown depending on ownership levels in the individual assets.

AS AT DEC. 31, 2022 (MILLIONS)	Fair Value	Sensitivity
25 bps change in discount and terminal capitalization rates¹		
North America	\$ 37,016	\$ 2,155
Colombia	8,264	361
Brazil	4,708	112
Europe	3,396	49
5% change in electricity prices		
North America	37,016	1,480
Colombia	8,264	444
Brazil	4,708	122
Europe	3,396	—

1. The terminal capitalization rate applies only to hydroelectric assets in North America and Colombia.

Terminal values are included in the valuation of hydroelectric assets in the U.S. and Canada. 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 as at December 31, 2022, including a one-time 30-year renewal for applicable hydroelectric assets, is 35 years (2021 – 31 years). Consequently, there is no terminal value attributed to the hydroelectric assets in Brazil.

Energy Contracts

The New York power contract is the only power contract that remains in place between the Corporation and BEP. Under the contract, we are required to purchase power that BEP generates at certain of its New York assets at a fixed price. Based on LTA, we purchase approximately 3,600 GWh of power each year. The fixed price that BN is required to pay BEP began gradually stepping down in 2021 by \$3/MWh a year. This will continue until 2025, followed by a \$5/MWh reduction in 2026 resulting in an approximate \$20/MWh total reduction. The contract expires in 2046.

The contract is valued annually based on price curves as at year end incorporating revised discount rates as required. As at December 31, 2022, the contract was valued using weighted-average forward power price estimates of approximately \$80/MWh in years 1-10 and \$165/MWh in years 11-20, using a discount rate of approximately 6.9%.

Infrastructure

Our infrastructure assets, revalued using DCF models, are generally subject to contractual and regulatory frameworks that underpin the cash flows. We also include the benefits of development projects for existing in-place assets to the extent that they have been determined to be feasible, typically by external parties, and have received the appropriate approvals. We are unable to include the benefits of development projects within our business that are not considered improvements to existing PP&E.

The underlying cash flow models supporting the revaluation process include a number of different inputs and variables with risks mitigated through controls incorporated in the bottom-up preparation and review process. Inputs are reviewed for qualitative and quantitative considerations and the mechanical accuracy is tested by appropriate finance and investment professionals.

As part of our process, we analyze comparable market transactions and comparable public company multiples that we can consider for the purposes of benchmarking our analysis. Metrics such as the implied current year or forward-looking EBITDA multiples are reviewed against market transactions and public companies to assess whether our valuations are appropriate. On an overall segment level, we also assess whether the inputs used in the models are consistent amongst asset classes and geographies, where applicable, or that asset specific differences are supportable considering transactions in a given asset class or market.

We obtain third-party appraisals on the assets that are held through private funds on a three-year rotating basis. These appraisals are not directly utilized in the financial statements, rather they are used to confirm that management's assumptions in determining fair value are within a reasonable range.

On an aggregate basis, the value of the appraised assets is greater than the book value because a significant portion of our infrastructure operations assets such as public service concessions are classified as intangible assets. These intangible assets are carried at amortized cost, subject to impairment tests, and are amortized over their useful lives. In addition, we have contracted growth projects within our businesses that cannot be included in IFRS fair value unless these relate to improvements on existing PP&E.

Within our Infrastructure segment, we reported valuation gains of \$406 million in 2022. The gain was primarily due to revaluation gains reflecting growing cash flows and strong underlying performance at a number of businesses.

The key valuation metrics of our utilities, transport and midstream operations are summarized below:

AS AT DEC. 31	Utilities		Transport		Midstream	
	2022	2021	2022	2021	2022	2021
Discount rate	7% – 11%	7% – 11%	8% – 14%	7% – 14%	15%	15%
Terminal capitalization multiples	18x	20x	9x – 15x	9x – 15x	10x	10x
Investment horizon (years)	10 – 20	10 – 20	10	10	5 – 10	5 – 10

Real Estate

Fair values of our hospitality properties, primarily hotel and resort operations, are assessed annually using the depreciated replacement cost method, which factors in age, physical condition and construction costs of the properties. Fair values of hospitality properties are also reviewed in reference to each asset's enterprise value which is determined using a discounted cash flow model. These valuations are generally prepared by external valuation professionals using information provided by management of the operating business. The fair value estimates for hospitality properties represent the estimated fair value of the PP&E of the hospitality business only and do not include, for example, any associated intangible assets.

Revaluation of our PP&E in our Real Estate segment increased the fair value of our hospitality assets by \$1.0 billion. The gain was due to improved cash flows to reflect higher occupancy at our hospitality assets, as a result of continued recovery as mandated closures and restrictions are lifted and demand for leisure travel has increased.

i. Financial Instruments

Financial assets, financial contracts and other contractual arrangements that are treated as derivatives are recorded at fair value in our financial statements and changes in their value are recorded in net income or other comprehensive income, depending on their nature and business purpose. The more significant and more common financial contracts and contractual arrangements employed in our business that are fair valued include: interest rate contracts, foreign exchange contracts and agreements for the sale of electricity. Financial assets and liabilities may be classified as Level 1, 2 or 3 in the fair value hierarchy. Refer to Note 6 Fair Value of Financial Instruments within the notes to the consolidated financial statements for additional information.

Estimates and assumptions used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit worthiness of the company relative to its counterparties; the credit risk of the company's counterparties; estimated future cash flows; the amount of the liability and equity components of compound financial instruments; discount rates and volatility utilized in option valuations.

ii. Inventory

The company estimates the net realizable value of its inventory using estimates and assumptions about future selling prices and future development costs.

iii. Other

Other estimates and assumptions utilized in the preparation of the company's consolidated financial statements are: the assessment or determination of net recoverable amount; oil and gas reserves; depreciation and amortization rates and useful lives; estimation of recoverable amounts of cash-generating units for impairment assessments of goodwill and intangible assets; ability to utilize tax losses and other tax measurements; fair value of assets held as collateral and the percentage of completion for construction contracts. Equity accounted investments, which follow the same accounting principles as our consolidated operations, include amounts recorded at fair value and amounts recorded at amortized cost or cost, depending on the nature of the underlying assets.

ACCOUNTING JUDGMENTS

Management is required to make critical judgments when applying its accounting policies. The following judgments have the most significant effect on the consolidated financial statements:

i. Control or Level of Influence

When determining the appropriate basis of accounting for the company's investees, the company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities. This may include the ability to elect investee directors or appoint management. Control is obtained when the company has the power to direct the relevant investing, financing and operating decisions of an entity and does so in its capacity as principal of the operations, rather than as an agent for other investors. Operating as a principal

includes having sufficient capital at risk in any investee and exposure to the variability of the returns generated as a result of the decisions of the company as principal. Judgment is used in determining the sufficiency of the capital at risk or variability of returns. In making these judgments, the company considers the ability of other investors to remove the company as a manager or general partner in a controlled partnership. Refer to Part 2 – Review of Consolidated Financial Results for additional information.

ii. Investment Properties

When applying the company's accounting policy for investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

iii. Property, Plant and Equipment

The company's accounting policy for its PP&E requires critical judgments over the assessment of carrying value, whether certain costs are additions to the carrying amount of the PP&E as opposed to repairs and maintenance, and for assets under development the identification of when the asset is capable of being used as intended and identifying the directly attributable borrowing costs to be included in the asset's carrying value.

For assets that are measured using the revaluation method, judgment is required when estimating future prices, volumes, discount and capitalization rates. Judgment is applied when determining future electricity prices considering broker quotes for the years in which there is a liquid market available and, for the subsequent years, our best estimate of electricity prices from renewable sources that would allow new entrants into the market.

iv. Identifying Performance Obligations for Revenue Recognition

Management is required to identify performance obligations relating to contracts with customers at the inception of each contract. IFRS 15 requires a contract's transaction price to be allocated to each distinct performance obligation when, or as, the performance obligation is satisfied. Judgment is used when assessing the pattern of delivery of the product or service to determine if revenue should be recognized at a point in time or over time. For certain service contracts recognized over time, judgment is required to determine if revenue from variable consideration such as incentives, claims and variations from contract modifications has met the required probability threshold to be recognized.

Management also uses judgment to determine whether contracts for the sale of products and services have distinct performance obligations that should be accounted for separately or as a single performance obligation. Goods and services are considered distinct if: (1) a customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (2) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Additional details about revenue recognition policies across our operating segments are included in Note 3 of the consolidated financial statements.

v. Common Control Transactions

The purchase and sale of businesses or subsidiaries between entities under common control are not specifically addressed in IFRS and accordingly, management uses judgment when determining a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The company's policy is to record assets and liabilities recognized as a result of transfers of businesses or subsidiaries between entities under common control at carrying value. Differences between the carrying amount of the consideration given or received and the carrying amount of the assets and liabilities transferred are recorded directly in equity.

vi. Indicators of Impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the company's assets, including: the determination of the company's ability to hold financial assets; the estimation of a cash-generating unit's future revenues and direct costs; the determination of discount and capitalization rates; and when an asset's carrying value is above the value derived using publicly traded prices which are quoted in a liquid market.

vii. Income Taxes

The company makes judgments when 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 period when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. The company measures deferred income taxes associated with its investment properties based on its specific intention with respect to each asset at the end of the reporting period. Where the company has a specific intention to sell a property in the foreseeable future, deferred taxes on the building portion of an investment property are measured based on the tax consequences that would follow the disposition of the property. Otherwise, deferred taxes are measured on the basis that the carrying value of the investment property will be recovered substantially through use.

viii. Classification of Non-Controlling Interests in Limited-Life Funds

Non-controlling interests in limited-life funds are classified as liabilities (subsidiary equity obligations) or equity (non-controlling interests) depending on whether an obligation exists to distribute residual net assets to non-controlling interests on liquidation in the form of cash or another financial asset or assets delivered in kind. Judgment is required to determine what the governing documents of each entity require or permit in this regard.

ix. Other

Other critical judgments include the determination of effectiveness of financial hedges for accounting purposes, the likelihood and timing of anticipated transactions for hedge accounting and the determination of functional currency.

CONSOLIDATION UNDER IFRS

As a Canadian domiciled public corporation, we report under IFRS, while other issuers that may be considered peers report under U.S. GAAP. These GAAPs are aligned in many areas, but as it relates to asset management and investment companies, there is a significant difference between IFRS and U.S. GAAP. Under IFRS, while investment companies can account for their investments at fair value and report them on one line in their balance sheet on a net basis, a parent of an investment company cannot maintain that accounting and must look to whether it controls the underlying investments individually. For issuers under U.S. GAAP, investment companies can use the same treatment as in IFRS but the parent of an investment company would keep the same reporting as the subsidiary investment company. Therefore, the same investment could be fully consolidated under IFRS or shown as one line on a net basis under U.S. GAAP.

IFRS uses a control-based model to determine if consolidation is required. Therefore, we are deemed to control an investment if we: (1) exercise power over the investee; (2) are exposed to variable returns from our involvement with the investee; and (3) have the ability to use our power to affect the amount of the returns. Due to the ownership structure of many of our subsidiaries, we control entities in which we hold only a minority economic interest. Please refer to Part 2 – Review of Consolidated Financial Results for additional information. Our consolidation conclusions may differ from certain other issuers who report under U.S. GAAP as they are required to evaluate consolidation requirements using a voting interest model or a variable interest model depending on the circumstances.

MANAGEMENT REPRESENTATIONS AND INTERNAL CONTROLS

ASSESSMENTS AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the company's internal control over financial reporting (as defined in the applicable U.S. and Canadian securities laws) as of December 31, 2022 and based on that assessment concluded that, as of December 31, 2022, our internal control over financial reporting was effective. Refer to Management's Report on Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter or year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the applicable U.S. and Canadian securities laws) as of December 31, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2022.

RELATED PARTY TRANSACTIONS

In the normal course of operations, we enter into transactions on market terms with related parties, including consolidated and equity accounted entities, which have been measured at the exchange value and are recognized in the consolidated financial statements, including, but not limited to: manager or partnership agreements; base management fees, performance fees and incentive distributions; loans, interest and non-interest bearing deposits; power purchase and sale agreements; capital commitments to private funds; the acquisition and disposition of assets and businesses; derivative contracts; and the construction and development of assets.

Refer to Note 27 Related Party Transactions in the consolidated financial statements for further details.

PART 6

BUSINESS ENVIRONMENT AND RISKS

For purposes of Part 6 of this Report, references to the “company”, “we”, “us” or “our” refers to Brookfield Corporation, its consolidated subsidiaries (including our asset management business), and Oaktree.

This section contains a review of certain aspects of the business environment and risks that could materially adversely impact our business, performance, financial condition, results of operations, cash flows and the value of our securities. Additional risks and uncertainties not previously known to the company, or that the company currently deems immaterial, may also impact our operations and financial results.

a) Volatility in the Trading Price of Our Class A Shares

The trading price of our Class A shares is subject to volatility due to market conditions and other factors and cannot be predicted.

Our shareholders may not be able to sell their Class A shares at or above the price at which they purchased such shares due to trading price fluctuations in the capital markets. The trading price could fluctuate significantly in response to factors both related and unrelated to our operating performance and/or future prospects, including, but not limited to: (i) variations in our operating results and financial condition; (ii) actual or prospective changes in government laws, rules or regulations affecting our businesses; (iii) material announcements by us, our affiliates or our competitors; (iv) the general state of the securities markets; (v) market conditions and events specific to the industries in which we operate; (vi) changes and developments in general economic, political, or social conditions, including as a result of COVID-19 or other pandemics and related economic disruptions; (vii) changes in the values of our investments (including in the market price of our listed affiliates) or changes in the amount of distributions, dividends or interest paid in respect of investments; (viii) differences between our actual financial and operating results and those expected by investors and analysts; (ix) changes in analysts’ recommendations or earnings projections; (x) changes in the extent of analysts’ interest in covering the Corporation and its listed affiliates; (xi) the depth and liquidity of the market for our Class A shares; (xii) dilution from the issuance of additional equity, including as a result of exchanges or additional issuances of shares exchangeable for Class A Shares such as exchanges of class A exchangeable limited voting shares of Brookfield Reinsurance; (xiii) investor perception of our businesses and the industries in which we operate; (xiv) investment restrictions; (xv) our dividend policy; (xvi) the departure of key executives; (xvii) sales of Class A shares by senior management or significant shareholders; and (xviii) the materialization of other risks described in this section.

b) Reputation

Actions or conduct that have a negative impact on investors’ or stakeholders’ perception of us could adversely impact our ability to attract and/or retain investor capital and generate fee revenue.

The growth of our asset management business relies on continuous fundraising for various private and public investment products, and retention of capital raised from third-party investors. We depend on our business relationships and our global reputation for integrity and high-caliber asset management services to attract and retain investors and advisory clients, and to pursue investment opportunities for us and the public and private entities managed by our asset management business. Our business relationships and reputation could be negatively impacted by a number of factors including poor performance; actual, potential or perceived conflicts of interest that are not adequately addressed; misconduct or alleged misconduct by employees; rumors or innuendos; or failed or ineffective implementation of new investments or strategies. If we are unable to continue to raise and retain capital from third-party investors, either privately, publicly or both, or otherwise are unable to pursue our investment opportunities, this could materially reduce our revenue and cash flows and adversely affect our financial condition.

Poor performance of any kind could damage our reputation with current and potential investors in managed entities, making it more difficult to raise new capital. Investors may decline to invest in current and future managed

entities and may withdraw their investments from managed entities as a result of poor performance in the entity in which they are invested, and investors in private funds may demand lower fees for new or existing funds, all of which would decrease our revenue.

Our asset management business, as a global alternative asset manager with various lines of business and investment products, some of which have overlapping mandates, may be subject to a number of actual, potential or perceived conflicts of interest. These conflicts may be magnified for an asset manager that has many different capital sources available to pursue investment opportunities, including investor capital and the Corporation's own capital. In addition, the senior management team of the Corporation and its affiliates have their own capital invested in Class A shares, directly and indirectly, and may have financial exposures with respect to their own investments which could lead to potential conflicts if such investments are similar to those made by the Corporation or on behalf of investors in entities managed by our asset management business.

In addressing these conflicts, we have implemented a variety of policies and procedures; however, there can be no assurances that these will be effective at mitigating actual, potential or perceived conflicts of interest in all circumstances, or will not reduce the positive synergies that we seek to cultivate across our businesses. It is also possible that actual, potential or perceived conflicts of interest, if not properly addressed, could give rise to investor dissatisfaction, litigation, regulatory enforcement actions or other detrimental outcomes.

Appropriately dealing with conflicts of interest for an asset manager is a priority and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with actual, potential or perceived conflicts of interest. Asset manager conflicts are subject to enhanced regulatory scrutiny in the markets in which we operate and in the U.S. in particular. Such regulatory scrutiny can lead to fines, penalties and other negative consequences. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, business, financial condition or results of operations in a number of ways, including an inability to adequately capitalize existing managed entities or raise new managed entities, including private funds, and a reluctance of counterparties to do business with us. For information regarding conflicts of interests between the businesses within our asset management operations that operate on opposite sides of an information barrier, see Item (v) herein.

Our reputation could also be negatively impacted if there is misconduct or alleged misconduct by our personnel, the personnel of our asset management business or those of our listed affiliates or portfolio companies in which we and managed entities invest, including historical misconduct prior to the investment. Risks associated with misconduct at our portfolio companies is heightened in cases where we do not have legal control or significant influence over a particular portfolio company or are not otherwise involved in actively managing a portfolio company. In such situations, given our ownership position and affiliation with the portfolio company, we may still be negatively impacted from a reputational perspective through this association. In addition, even where we have control over a portfolio company, if it is a newly acquired portfolio company that we are in the process of integrating then we may face reputational risks related to historical or current misconduct or alleged misconduct at such portfolio company for a period of time. We may also face increased risk of misconduct to the extent our capital allocated to emerging markets and distressed companies increases. If we face allegations of improper conduct by private litigants or regulators, whether the allegations are valid or invalid or whether the ultimate outcome is favorable or unfavorable to us, such allegations may result in negative publicity and press speculation about us, our investment activities or the asset management industry in general, which could harm our reputation and may be more damaging to our business than to other types of businesses.

We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees may adversely affect our partners and our business and reputation. Our business often requires that we deal with confidential matters of great significance to the companies in which we may invest and to other third parties. If our employees were to improperly use or disclose confidential information, or a security breach results in an inadvertent disclosure of such information, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct or security breaches, and the precautions we take in this regard may not be effective.

Implementation of new investment and growth strategies involves a number of risks that could result in losses and harm to our professional reputation, including the risk that the expected results are not achieved, that new strategies are not appropriately planned for or integrated, that new strategies may conflict with, detract from or compete against our existing businesses, and that the investment process, controls and procedures that we have developed will prove insufficient or inadequate. Furthermore, our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our complete control or under the control of another.

In addition to impacting the ability of our asset management business to raise and retain third-party capital and pursue investment opportunities, certain of the risks identified herein that may have a negative impact on our reputation also could, in extreme cases, result in the removal of our asset manager as general partner or an acceleration of the liquidation date of the private funds that are managed by it. The governing agreements of the private funds provide that, subject to certain conditions (which may, particularly in the case of a removal as general partner, include final legal adjudications of the merits of the particular issue), third-party investors in these funds will have the right to remove the asset manager as the general partner or to accelerate the liquidation date of the fund. Additionally, at any time, investors may terminate a fund and accelerate the liquidation date upon the vote of a super-majority of investors in such fund. A significant negative impact to our reputation would be expected to increase the likelihood that investors could seek to terminate a private fund. This effect would be magnified if, as is often the case, an investor is invested in more than one fund. Such an event, were it to occur, would result in a reduction in the fees earned from such fund, particularly if our asset management business is unable to maximize the value of the fund's investments during the liquidation process or in the event of the triggering of a "clawback" for fees already paid out to it as general partner.

c) Asset Management

Growth in fee-bearing capital could be adversely impacted by poor product development or marketing efforts. In addition, investment returns could be lower than target returns due to inappropriate allocation of capital or ineffective investment management.

Our asset management business depends on its ability to fundraise third-party capital, deploy that capital effectively, and produce targeted investment returns.

The ability to raise third-party capital depends on a number of factors, including many that are outside the control of the asset manager, such as the general economic environment and the number of other investment funds being raised at the same time by competitors. Investors may reduce (or even eliminate) their investment allocations to alternative investments, including closed-ended private funds. Investors that are required to maintain specific asset class allocations within their portfolio may be required to reduce their investment allocations to alternative investments, particularly during periods when other asset classes such as public securities are decreasing in value. In addition, investors may prefer to insource and make direct investments; therefore, becoming competitors and ceasing to be clients and/or make new capital commitments.

Competition from other asset managers for raising public and private capital is intense, with competition based on a variety of factors, including investment performance, the quality of service provided to investors, the quality and availability of investment products, marketing efforts, investor liquidity and willingness to invest, and reputation. Poor investment performance could hamper the ability of our asset management business to compete for these sources of capital or force it to reduce management fees. Existing investors and potential investors continually assess investment performance and the ability to raise capital for existing and future funds depends on the relative and absolute performance of funds managed by our asset management business. If poor investment returns or changes in investment mandates prevent our asset manager from raising further capital from existing partners, it may need to identify and attract new investors in order to maintain or increase the size of private funds, and there are no assurances that it will be able to find new investors. Further, as competition and disintermediation in the asset management industry increases, our asset management business may face pressure to reduce or modify asset management fees, including base management fees and/or carried interest, or modify other terms governing its current asset management fee structure, in order to attract and retain investors.

The successful execution of our investing strategy is uncertain as it requires suitable opportunities, careful timing and business judgment, as well as the resources to complete asset purchases and restructure them, if required, notwithstanding difficulties experienced in a particular industry.

There is no certainty that we will be able to identify suitable or sufficient opportunities that meet our investment criteria and be able to acquire additional high-quality assets at attractive prices to supplement our growth in a timely manner, or at all. In pursuing investment opportunities and returns, we and the entities managed by our asset manager face competition from other investment managers and investors worldwide. Each of our businesses is subject to competition in varying degrees and our competitors may have certain competitive advantages over us when pursuing investment opportunities. Some of our competitors may have higher risk tolerances, different risk assessments, lower return thresholds, a lower cost of capital, or a lower effective tax rate (or no tax rate at all), all of which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments. We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by our competitors, some of whom may have synergistic businesses which allow them to consider bidding a higher price than we can reasonably offer. While we attempt to deal with competitive pressures by leveraging our asset management strengths and operating capabilities and compete on more than just price, there is no guarantee these measures will be successful, and we may have difficulty competing for investment opportunities, particularly those offered through auction or other competitive processes. If our asset management business is unable to successfully raise, retain, and deploy third-party capital into investments, it may be unable to collect management fees, carried interest or transaction fees, which would materially reduce our revenue and cash flows and adversely affect our financial condition.

Our approach to investing often entails adding assets to our existing businesses when the competition for assets is weakest; typically, when depressed economic conditions exist in the market relating to a particular entity or industry. Such an investing style carries with it inherent risks when investments are made in either markets or industries that are undergoing some form of dislocation. We may fail to value opportunities accurately or to consider all relevant factors that may be necessary or helpful in evaluating an opportunity, may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position, may be exposed to unexpected risks and costs associated with our investments, including risks arising from alternative technologies that could impair or eliminate the competitive advantage of our business in a particular industry, and/or may be unable to quickly and effectively integrate new acquisitions into existing operations or exit from the investment on favorable terms. In addition, liabilities may exist that we or managed entities do not discover in due diligence prior to the consummation of an acquisition, or circumstances may exist with respect to the entities or assets acquired that could lead to future liabilities and, in each case, we or the managed entities may not be entitled to sufficient, or any, recourse against the contractual counterparties to an acquisition.

The credit strategies of our asset management business, the majority of which are managed through Oaktree, offer a broad diverse range of long-term fund and perpetual strategies to investors. Similar to other long-term private funds, our asset manager earns base management fees and carried interest on Oaktree's fund capital in its credit strategies. Cyclicity is important to credit strategies and weak economic environments have tended to afford the best investment opportunities and best relative investment performance to such strategies. Any prolonged economic expansion or recession could have an adverse impact on certain credit strategies and materially affect the ability to deliver superior investment returns for clients or generate incentive or other income in respect of those strategies.

We generally pursue investment opportunities that involve business, regulatory, legal and other complexities. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute, and have a higher risk of execution failure. It can also be more difficult to manage or realize value from the assets acquired in such transactions and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities.

At times, our asset manager makes investments (for one or more of funds or managed entities) in companies that we do not control. These investments are subject to the risk that the company in which the investment is made may

make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests.

Certain investments may be concentrated in particular asset types or geographic regions, which could exacerbate any negative performance of one or more managed entities to the extent those concentrated investments are in assets or regions that experience market dislocation. In addition, certain funds hold publicly traded securities the price of which will be volatile and are likely to fluctuate due to a number of factors beyond our asset manager's control, including actual or anticipated changes in the profitability of the issuers of such securities; general economic, social, or political developments; changes in industry conditions; changes in governance regulation; inflation; the general state of the securities markets; and other material events.

The failure of a newly acquired business to perform according to expectations could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flows. Alternatively, we may be required to sell a business before it has realized our expected level of returns for such business.

If any of the investments managed by our asset manager perform poorly or experience prolonged periods of volatility, or if the capital is not deployed effectively, its fee-based revenue, cash available for distribution and/or carried interest would decline, negatively impacting our earnings. Moreover, we could experience losses on our capital invested in funds managed by our asset manager. Accordingly, our expected returns on these investments may be less than we have assumed in forecasting the value of our business.

d) Laws, Rules and Regulations

We are subject to numerous laws, rules, and regulatory requirements which may impact our business, including resulting in financial penalties, loss of business, and/or damage to our reputation in instances of non-compliance.

There are many laws, governmental rules and regulations and listing exchange rules that apply to us, our affiliates, our assets and our businesses. Changes in these laws, rules and regulations, or their interpretation by governmental agencies or the courts, could adversely affect our business, assets or prospects, or those of our affiliates, customers, clients or partners. The failure of the company, our listed affiliates, or entities managed by our asset management company to comply with these laws, rules and regulations, or with the rules and registration requirements of the respective stock exchanges on which we and they are listed, could adversely affect our reputation and financial condition.

Our asset management business, including our investment advisory and broker-dealer business, is subject to substantial and increasing regulatory compliance obligations and oversight, and this higher level of scrutiny may lead to more regulatory enforcement actions. There continues to be uncertainty regarding the appropriate level of regulation and oversight of asset management businesses in a number of jurisdictions in which we operate. The financial services industry has been the subject of heightened scrutiny, and the SEC has specifically focused on asset managers in recent enforcement actions. Regulatory investigations and/or enforcement actions by regulators could have a material adverse effect on our business and/or reputation. In addition, the introduction of new legislation and increased regulation may result in increased compliance costs and could materially affect the manner in which we conduct our business and adversely affect our profitability. Although there may be some areas where governments in certain jurisdictions propose deregulation, it is difficult to predict the timing and impact of any such deregulation, and we may not materially benefit from any such changes.

Our asset management business is not only regulated in the U.S., but also in other jurisdictions where we conduct operations including the E.U., the U.K., Canada, Brazil, Australia, India, South Korea and China. Similar to the environment in the U.S., the current environment in jurisdictions outside the U.S. in which we operate has become subject to further regulation. Governmental agencies around the world have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our asset management business, and governmental agencies may propose or implement further rules and regulations in the future. These rules and regulations may impact how managed entities are marketed in these jurisdictions and introduce compliance obligations with respect to disclosure and transparency, as well as restrictions on investor participation and distributions. Such regulations may also prescribe certain capital requirements on managed entities, and conditions on the leverage managed entities may employ and the liquidity these managed entities must have. Compliance with

additional regulatory requirements will impose additional restrictions and expenses for us and could reduce our operating flexibility and fundraising opportunities.

Our broker-dealer business is regulated by the SEC, the various Canadian provincial securities commissions, as well as self-regulatory organizations, including the Financial Industry Regulatory Authority in the U.S. These regulatory bodies may conduct administrative or enforcement proceedings that can result in censure, fine, suspension or expulsion of a broker-dealer, its directors, officers or employees. Such proceedings, whether or not resulting in adverse findings, can require substantial expenditures and can have an adverse impact on the reputation of a broker dealer.

The advisors of certain managed entities are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act of 1940, which grants U.S. supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with laws or regulations. If such powers are exercised, the possible sanctions that may be imposed include the suspension of individual employees, limitations on the activities in which the investment adviser may engage, suspension or revocation of the investment adviser's registration, censure and fines. Compliance with these requirements and regulations results in the expenditure of resources, and a failure to comply could result in investigations, financial or other sanctions, and reputational damage.

The Investment Company Act of 1940 (the "40 Act") and the rules promulgated thereunder provide certain protections to investors and impose certain restrictions on entities that are deemed "investment companies" under the 40 Act. We are not currently, nor do we intend to become, an investment company under the 40 Act. To ensure that we are not deemed to be an investment company, we may be required to materially restrict or limit the scope of our operations or plans and the types of acquisitions that we may make, and we may need to modify our organizational structure or dispose of assets that we would not otherwise dispose of. If we were required to register as an investment company, we would face severe limitations on the operation of our business. Among other things, we would be prohibited from engaging in certain business activities (or have conditions placed on our business activities), face restrictions on engaging in transactions with affiliated entities and issuing certain securities or engaging in certain types of financings, be restricted with respect to the amount and types of borrowings we are permitted to obtain, be required to limit the amount of investments that we make as principal, and face other limitations on our activities.

Our asset management business has and may become subject to additional regulatory and compliance requirements as it expands its product offerings and investment platform which likely will carry additional legal and compliance costs, as well as additional operating requirements that may also increase costs.

We acquire and develop primarily real estate, renewable power, infrastructure, business services and industrial assets. In doing so, we must comply with extensive and complex municipal, state or provincial, national and international laws and regulations. These laws and regulations can result in uncertainty and delays, and impose additional costs, which may adversely affect our results of operations. Changes in these laws and regulations may negatively impact us and our businesses or may benefit our competitors and their businesses.

Additionally, liability under such laws, rules and regulations may occur without our fault. In certain cases, parties can pursue legal actions against us to enforce compliance as well as seek damages for non-compliance or for personal injury or property damage. Our insurance may not provide sufficient coverage in the event that a successful claim is made against us.

e) Governmental Investigations and Anti-Bribery and Corruption

Our policies and procedures designed to ensure compliance with applicable laws, including anti-bribery and corruption laws, may not be effective in all instances to prevent violations and as a result we may be subject to related governmental investigations.

We are from time to time subject to various governmental investigations, audits and inquiries, both formal and informal. These investigations, regardless of their outcome, can be costly, divert management attention and damage our reputation. The unfavorable resolution of such investigations could result in criminal liability, fines,

penalties or other monetary or non-monetary sanctions and could materially affect our business or results of operations.

There is a continued global focus on the enforcement of anti-bribery and corruption legislation, and this focus has heightened the risks that we face in this area, particularly as we continue to expand our operations globally. We are subject to a number of laws and regulations governing payments and contributions to public officials or other third parties, including restrictions imposed by the U.S. Foreign Corrupt Practices Act and similar laws in non-U.S. jurisdictions, such as the U.K. Bribery Act, the Canadian Corruption of Foreign Public Officials Act and the Brazilian Clean Company Act. This global focus on anti-bribery and corruption enforcement may also lead to more investigations, both formal and informal, in this area, the results of which cannot be predicted.

Different laws and regulations that are applicable to us may contain conflicting provisions, making our compliance more difficult. If we fail to comply with such laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could negatively affect our operating results and financial condition. In addition, we may be subject to successor liability for violations under these laws and regulations or other acts of bribery committed by entities in which we or managed entities invest.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, in particular when conducting due diligence in connection with acquisitions, and fraud and other deceptive practices can be widespread in certain jurisdictions. We invest in emerging market countries that may not have established stringent anti-bribery and corruption laws and regulations, where existing laws and regulations may not be consistently enforced, or that are perceived to have materially higher levels of corruption according to international rating standards. Due diligence on investment opportunities in these jurisdictions is frequently more challenging because consistent and uniform commercial practices in such locations may not have developed or do not meet international standards. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations. When acquiring assets in distress, the quality of financial information of the target may also make it difficult to identify irregularities.

f) Financial Obligations and Liquidity

Cash must be available to meet our financial obligations when due and enable us to capitalize on investment opportunities when they arise.

We employ debt and other forms of leverage in the ordinary course of business to enhance returns to our investors and finance our operations. We are therefore subject to the risks associated with debt financing and refinancing, including but not limited to the following: (i) our cash flow may be insufficient to meet required payments of principal and interest; (ii) payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses and dividends; (iii) if we are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at high interest rates or on other unfavorable terms, we may have difficulty completing acquisitions or may generate profits that are lower than would otherwise be the case; (iv) we may not be able to refinance indebtedness at maturity due to company and market factors such as the estimated cash flow produced by our assets, the value of our assets, liquidity in the debt markets, and/or financial, competitive, business and other factors; and (v) if we are able to refinance our indebtedness, the terms of a refinancing may not be as favorable as the original terms for such indebtedness. If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to utilize available liquidity, which would reduce our ability to pursue new investment opportunities, or we may need to dispose of one or more of our assets on disadvantageous terms, or raise equity, thereby causing dilution to existing shareholders. Regulatory changes may also result in higher borrowing costs and reduced access to credit.

The terms of our various credit agreements and other financing documents require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, adequate insurance coverage and certain credit ratings. These covenants may limit our flexibility in conducting our operations and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, even if we have satisfied and continue to satisfy our payment obligations.

A large proportion of our capital is invested in physical assets and securities that can be hard to sell, especially if market conditions are poor. Further, because our investment strategy can entail our having representation on public portfolio company boards, we may be restricted in our ability to effect sales during certain time periods. A lack of liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, if financial or operating difficulties of other owners result in distress sales, such sales could depress asset values in the markets in which we operate. The restrictions inherent in owning physical assets could reduce our ability to respond to changes in market conditions and could adversely affect the performance of our investments, our financial condition and results of operations.

Because there is significant uncertainty in the valuation of, or in the stability of the value of illiquid or non-public investments, the fair values of such investments do not necessarily reflect the prices that would actually be obtained when such investments are realized. Realizations at values significantly lower than the values at which investments have been recorded would result in losses, a decline in asset management fees and the potential loss of carried interest and incentive fees.

We enter into financing commitments in the normal course of business, which we may be required to fund. Additionally, from time to time, we may guarantee the obligations of entities managed by our asset management business or that we invest in. If we are required to fund these commitments and are unable to do so, this could result in damages being pursued against us or a loss of opportunity through default under contracts that are otherwise to our benefit.

g) Foreign Exchange and Other Financial Exposures

Foreign exchange rate fluctuations could adversely impact our aggregate foreign currency exposure and hedging strategies may not be effective.

We have pursued and intend to continue to pursue growth opportunities in international markets, and often invest in countries where the U.S. dollar is not the local currency. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the currency utilized in one or more countries where we have a significant presence may have a material adverse effect on the results of our operations and financial position. In addition, we are active in certain markets where economic growth is dependent on the price of commodities and the currencies in these markets can be more volatile as a result.

Our businesses are impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. We selectively utilize financial instruments to manage these exposures, including credit default swaps and other derivatives to hedge certain of our financial positions. However, a significant portion of these risks may remain unhedged. We may also choose to establish unhedged positions in the ordinary course of business.

There is no assurance that hedging strategies, to the extent they are used, will fully mitigate the risks they are intended to offset. Additionally, derivatives that we use are also subject to their own unique set of risks, including counterparty risk with respect to the financial well-being of the party on the other side of these transactions and a potential requirement to fund mark-to-market adjustments. Our financial risk management policies may not ultimately be effective at managing these risks.

The Dodd-Frank Act and similar laws in other jurisdictions impose rules and regulations governing oversight of the over-the-counter derivatives market and its participants. These regulations may impose additional costs and regulatory scrutiny on us. If our derivative transactions are required to be executed through exchanges or regulated facilities, we will face incremental collateral requirements in the form of initial margin and require variation margin to be cash settled on a daily basis. Such an increase in margin requirements (relative to bilateral agreements) or a more restricted list of securities that qualify as eligible collateral, would require us to hold larger positions in cash and treasuries, which could reduce income. We cannot predict the effect of changing derivatives legislation on our hedging costs, our hedging strategy or its implementation, or the risks that we hedge. Regulation of derivatives may increase the cost of derivative contracts, reduce the availability of derivatives to protect against operational risk and reduce the liquidity of the derivatives market, all of which may reduce our use of derivatives and result in the increased volatility and decreased predictability of our cash flows.

h) Temporary Investments and Backstop Commitments

We may be unable to syndicate, assign or transfer financial commitments entered into in support of our asset management business.

We periodically enter into agreements that commit us to acquire or stand in place of another entity to acquire assets or securities in order to support our asset management franchise with the expectation that our commitment is temporary. For example, we may acquire an asset suitable for a particular managed entity that is fundraising and warehouse that asset through the fundraising period before transferring the asset to the managed entity for which it was intended. As another example, we may commit capital for a particular acquisition transaction as part of a consortium alongside certain of managed entities with the expectation that we will syndicate or assign all or a portion of our own commitment to other investors prior to, at the same time as, or subsequent to, the anticipated closing of the transaction. In all of these cases, our support is intended to be of a temporary nature and we engage in this activity in order to further the growth and development of our asset management business. By leveraging the Corporation's financial position to make temporary investments and backstop commitments, we can execute on investment opportunities prior to obtaining all third-party equity financing that we seek, and these opportunities may otherwise not be available without the Corporation's initial equity participation.

While it is often our intention in these arrangements that the Corporation's direct participation be of a temporary nature, we may be unable to syndicate, assign or transfer our interest or commitment as we intended and therefore may be required to take or keep ownership of assets or securities for an extended period. This would increase the amount of our own capital deployed to certain assets and could have an adverse impact on our liquidity, which may alter our asset concentration outside of our desired parameters, may reduce our ability to pursue further acquisitions, or negatively impact our ability to meet other financial commitments.

i) Interest Rates

Rising interest rates could increase our interest costs and adversely affect our financial performance.

A number of our long-life assets are interest rate sensitive. Increases in interest rates will, other things being equal, decrease the value of an asset by reducing the present value of the cash flows expected to be produced by such asset. As the value of an asset declines as a result of interest rate increases, certain financial and other covenants under credit agreements governing such asset could be breached, even if we have satisfied and continue to satisfy our payment obligations thereunder. Such a breach could result in negative consequences on our financial performance and results of operations.

Additionally, any of our debt or preferred shares that are subject to variable interest rates, either as an obligation with a variable interest rate or as an obligation with a fixed interest rate that resets into a variable interest rate in the future, are subject to interest rate risk. Further, the value of any debt or preferred share that is subject to a fixed interest rate will be determined based on the prevailing interest rates and, accordingly, this type of debt or preferred share is also subject to interest rate risk.

Although interest rates have remained at relatively low levels on a historical basis, in many jurisdictions in which we operate, a period of sharply rising interest rates may cause certain market dislocations that could negatively impact our financial performance, increase the cost and availability of debt financing and thereby negatively impact the ability of our businesses to obtain attractive financing or refinancing and could increase the cost of such financing if obtained. Interest rate increases also increase the amount of cash required to service our obligations and our earnings could be adversely impacted as a result.

The Financial Conduct Authority (the "FCA") in the United Kingdom ceased compelling banks to submit rates for the calculation of LIBOR in 2021. In response, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to USD-LIBOR in derivatives and other financial contracts. In November 2020, the ICE Benchmark Administration Limited, the benchmark administrator for USD LIBOR rates, proposed extending the publication of certain commonly-used USD LIBOR settings until June 30, 2023 and the FCA issued a statement supporting such proposal. It is not possible to predict the effect of these changes, including when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets.

We have outstanding debt and derivatives with variable rates that are indexed to LIBOR. The discontinuance of, or changes to, benchmark interest rates may require adjustments to agreements to which we and other market participants are parties, as well as to related systems and processes. In the transition from the use of LIBOR to SOFR or other alternatives, uncertainty exists as to the extent and manner of which future changes may result in interest rates and/or payments that are higher than or lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR was available in its current form. Use of alternative interest rates or other LIBOR reforms could result in increased volatility or a tightening of credit markets which could adversely affect our ability to obtain cost-effective financing. In addition, the transition of our existing LIBOR financing agreements to alternative benchmarks may result in unanticipated changes to the overall interest rate paid on our liabilities.

j) *Human Capital*

Ineffective maintenance of our culture, or ineffective management of human capital could adversely impact our asset management business and financial performance.

Our ability to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees, across our and our affiliates' businesses. The senior management team across our businesses has a significant role in our success and oversees the execution of our business and investment strategies. If we are unable to attract and retain qualified employees this could limit our ability to compete successfully and achieve our business objectives, which could negatively impact our business, financial condition and results of operations.

Our ability to retain and motivate our management team, attract suitable replacements should any members of our management team leave, or attract new investment professionals as our business grows, is dependent on, among other things, the competitive nature of the employment market and the career opportunities and compensation that we can offer. In all of our markets, we face intense competition in connection with the attraction and retention of qualified employees.

We may experience departures of key professionals in the future. We cannot predict the impact that any such departures will have on our ability to achieve our objectives. Our senior management team possesses substantial experience and expertise and has strong business relationships with investors in managed entities and other members of the business communities and industries in which we operate. As a result, the loss of these personnel could jeopardize our relationships with investors in managed entities and other members of the business communities and industries in which we operate and result in the reduction of our AUM or fewer investment opportunities. Accordingly, the loss of services from key professionals or a limitation in their availability could adversely impact our financial condition and cash flow. Furthermore, such a loss could be negatively perceived in the capital markets.

Additionally, the departure of certain individuals could trigger certain "key person" provisions in the documentation governing certain of the private funds managed by our asset manager, which would permit the limited partners of those funds to suspend or terminate the funds' investment periods or withdraw their capital prior to the expiration of the applicable lock-up date. Key person provisions vary by both strategy and fund and, with respect to each strategy and fund, are typically tied to multiple individuals, meaning that it would require the departure of more than one individual to trigger the key person provisions. Our human capital risks may be exacerbated by the fact that we do not maintain any key person insurance.

The conduct of our businesses and the execution of our strategy rely heavily on the synergies across our businesses and teamwork. Our continued ability to respond promptly to opportunities and challenges as they arise depends on co-operation and co-ordination across our organization and our team-oriented management structure, which may not materialize in the way we expect.

A portion of the workforce in some of our businesses is unionized. If we are unable to negotiate acceptable collective bargaining agreements with any of our unions as existing agreements expire we could experience a work stoppage, which could result in a significant disruption to the affected operations, higher ongoing labor costs and

restrictions on our ability to maximize the efficiency of our operations, all of which could have an adverse effect on our financial results.

k) Geopolitical

Political instability, changes in government policy, or unfamiliar cultural factors could adversely impact the value of our investments.

We are subject to geopolitical uncertainties in all jurisdictions in which we operate. We make investments in businesses that are based outside of North America and we may pursue investments in unfamiliar markets, which may expose us to additional risks not typically associated with investing in North America. We may not properly adjust to the local culture and business practices in such markets, and there is the prospect that we may hire personnel or partner with local persons who might not comply with our culture and ethical business practices; either scenario could result in the failure of our initiatives in new or existing markets and lead to financial losses for us and managed entities. There are risks of political instability in several of our major markets and in other parts of the world in which we conduct business from factors such as political conflict, income inequality, refugee migration, terrorism, the potential break-up of political-economic unions and political corruption; the materialization of one or more of these risks could negatively affect our financial performance.

For example, recent military tensions and conflict in Eastern Europe could contribute to global economic uncertainty and could significantly disrupt the free movement of goods, services and people, have a destabilizing effect on energy markets and result in potential higher costs of conducting business in Europe. Similarly, an inability of local and national governments to effectively manage ongoing political disputes could result in local, regional and/or global instability. The materialization of one or more of these risks could negatively affect our financial performance and adversely impact our business.

The transition period following the U.K.'s formal departure from the E.U. ended on December 31, 2020, and E.U. law no longer applies in the U.K. There remains uncertainty related to the relationship between the U.K. and the E.U. following the U.K.'s formal departure from the E.U. ("Brexit") and it is difficult to predict what the future economic, tax, fiscal, legal, regulatory and other implications of Brexit will be for the asset management industry and the broader European and global financial markets generally. While we have not experienced any material financial impact from Brexit on our business to date, future impacts could include increased legal and regulatory complexities, as well as potentially higher costs of conducting business in Europe, which could have an adverse effect on our business.

Any existing or new operations may be subject to significant political, economic and financial risks, which vary by country, and may include: (i) changes in government policies and regulations, including protectionist policies, or personnel; (ii) changes in general economic or social conditions; (iii) restrictions on currency transfer or convertibility; (iv) changes in labor relations; (v) military conflict, political instability and civil unrest; (vi) less developed or efficient financial markets than in North America; (vii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; (viii) less government supervision and regulation; (ix) a less developed legal or regulatory environment; (x) heightened exposure to corruption risk; (xi) political hostility to investments by foreign investors; (xii) less publicly available information in respect of companies in non-North American markets; (xiii) adversely higher or lower rates of inflation; (xiv) higher transaction costs; (xv) difficulty in enforcing contractual obligations and expropriation or confiscation of assets; and (xvi) fewer investor protections.

In addition to the risks noted above, as a result of the rapid spread of COVID-19, many governments imposed restrictions on business activity and travel. Refer to Catastrophic Event/Loss, Pandemics, Climate Change, War and Terrorism on pages 115 and 116.

Unforeseen political events in markets where we have significant investors and/or where we own and operate assets or may look to for further growth of our businesses, such as the U.S., Canadian, Brazilian, Australian, European, Middle Eastern and Asian markets, may create economic uncertainty that has a negative impact on our financial performance. Such uncertainty could cause disruptions to our businesses, including affecting the business of and/or our relationships with investors, customers and suppliers, as well as altering the relationship among

tariffs and currencies, including the value of the British pound and the Euro relative to the U.S. dollar. Disruptions and uncertainties could adversely affect our financial condition, operating results and cash flows. In addition, political outcomes in the markets in which we operate may also result in legal uncertainty and potentially divergent national laws and regulations, which can contribute to general economic uncertainty. Economic uncertainty impacting us and managed entities could be exacerbated by supply chain disruptions, trade policy and geopolitical tensions.

l) Economic Conditions

Unfavorable economic conditions or changes in the industries in which we operate could adversely impact our financial performance.

We are exposed to local, regional, national and international economic conditions and other events and occurrences beyond our control, including, but not limited to, the following: short-term and long-term interest rates; inflation; credit and capital market volatility; business investment levels; government spending levels; sovereign debt risks; consumer spending levels; changes in laws, rules or regulations; trade barriers; supply chain disruptions; commodity prices; currency exchange rates and controls; national and international political circumstances (including wars, terrorist acts or security operations); catastrophic events (including pandemics/epidemics such as COVID-19, earthquakes, tornadoes or floods); the rate and direction of economic growth; and general economic uncertainty. On a global basis, certain industries and sectors have created capacity that anticipated higher growth, which has caused volatility across all markets, including commodity markets, which may have a negative impact on our financial performance. Unfavorable economic conditions could affect the jurisdictions in which our entities are formed and where we own assets and operate businesses, and may cause a reduction in: (i) securities prices; (ii) the liquidity of investments; (iii) the value or performance of the investments; and (iv) the ability to raise or deploy capital, each of which could adversely impact our financial condition.

In general, a decline in economic conditions, either in the markets or industries in which we participate, or both, will result in downward pressure on our operating margins and asset values as a result of lower demand and increased price competition for the services and products that we provide. In particular, given the importance of the U.S. to our operations, an economic downturn in this market could have a significant adverse effect on our operating margins and asset values.

Many of the private funds of our asset manager have a finite life that may require an investment exit to be made at an inopportune time. Volatility in the exit markets for these investments, increasing levels of capital required to finance companies to exit and rising enterprise value thresholds to go public or complete a strategic sale can all contribute to the risk that a private fund investment cannot be exited successfully. Our asset manager cannot always control the timing of private fund investment exits or realizations upon exit.

If global economic conditions deteriorate, our investment performance could suffer, resulting in, for example, the payment of less or no carried interest to us. The payment of less or no carried interest to us could cause our cash flow from operations to decrease, which could materially adversely affect our liquidity position and the amount of cash we have on hand to conduct our operations. A reduction in our cash flow from operations could, in turn, require us to rely on other sources of cash such as the capital markets, which may not be available to us on acceptable terms, or debt and other forms of leverage.

In addition, in an economic downturn, there is an increased risk of default by counterparties to our investments and other transactions. In these circumstances, it is more likely that such transactions will fail or perform poorly, which may in turn have a material adverse effect on our business, results of operation and financial condition.

m) Catastrophic Event/Loss, Pandemics, Climate Change, War and Terrorism

Catastrophic events (or combination of events), such as earthquakes, tornadoes, floods, fires, pandemics/epidemics such as COVID-19, climate change, military conflict/war or terrorism/sabotage, could adversely impact our financial performance.

Our AUM could be exposed to effects of catastrophic events, such as severe weather conditions, natural disasters, major accidents, pandemics/epidemics such as COVID-19 (including the emergence and progression of new

variants), acts of malicious destruction, climate change, war/military conflict or terrorism, which could materially adversely impact our operations.

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, which spread across the globe at a rapid pace impacting global commercial activity and travel, or future public health crises, epidemics or pandemics, could materially and adversely affect our results of operations and financial condition due to disruptions to commerce, reduced economic activity and other unforeseen consequences that are beyond our control.

The ongoing prevalence of COVID-19, the emergence and progression of new variants and the actions taken in response to COVID-19 by government authorities across various geographies in which the company owns and operates investments have interrupted business activities and supply chains, disrupted travel, contributed to significant volatility in the financial markets, impacted social conditions and adversely affected local, regional, national and international economic conditions as well as the labor market. There can be no assurance that strategies that we employ to address potential disruptions in operations will mitigate the adverse impacts of any of these factors.

The longer-term economic impacts of COVID-19 will depend on future developments, which are highly uncertain, constantly evolving and difficult to predict. These developments may include the risk of new and potentially more severe variant strains of COVID-19, additional actions that may be taken to contain COVID-19, such as reimposing previously lifted measures or putting in place additional restrictions and the pace, availability, distribution, acceptance and effectiveness of vaccines. Such developments, depending on their nature, duration and intensity, could have a material adverse effect on our business, financial position, results of operations or cash flows.

In addition, the potential effects of COVID-19 on our employees, the employees of our subsidiaries, reinsurers, if any, or the employees of other companies with which we and they do business could disrupt our business operations. The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of the pandemic could have a material impact on the adverse effects we experience. These events, which are beyond our control, could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Natural disasters and ongoing changes to the physical climate in which we operate may have an adverse impact on our business, financial position, results of operations or cash flows. Changes in weather patterns or extreme weather (such as floods, droughts, hurricanes and other storms) may negatively affect our businesses' operations or damage assets that we may own or develop. Further, rising sea levels could, in the future, affect the value of any low-lying coastal real assets that we may own or develop. Climate change may increase the frequency and severity of severe weather conditions and may change existing weather patterns in ways that are difficult to anticipate. Responses to these changes could result in higher costs, such as the imposition of new property taxes, increases in insurance rates or additional capital expenditures.

Our commercial office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be threatened by terrorist attacks or acts of war. Furthermore, many of our properties consist of high-rise buildings that may also be subject to this actual or perceived threat. The perceived threat of a terrorist attack or outbreak of war could negatively impact our ability to lease office space in our real estate portfolio. Renewable power and infrastructure assets such as roads, railways, power generation facilities and ports, may also be targeted by terrorist organizations or in acts of war. Any damage or business interruption costs as a result of uninsured or underinsured acts of terrorism or war could result in a material cost to us and could adversely affect our business, financial condition or results of operation. Adequate terrorism insurance may not be available at rates we believe to be reasonable in the future. These risks could be heightened by foreign policy decisions of the U.S. (where we have significant operations) and other influential countries or general geopolitical conditions.

Additionally, our businesses rely on free movement of goods, services, and capital from around the globe. Any slowdown in international investment, business or trade as a result of catastrophic events could also have a material adverse effect on our business, financial position, results of operations or cash flows.

n) *Tax*

Reassessments by tax authorities or changes in tax laws could create additional tax costs for us.

Our structure is based on prevailing taxation law and practice in the local jurisdictions in which we operate. Any change in tax policy, tax legislation (including in relation to taxation rates), the interpretation of tax policy or legislation or practice in these jurisdictions could adversely affect the return we earn on our investments, the level of capital available to be invested by us or managed entities and the willingness of investors to invest in them. This risk would include any reassessments by tax authorities on our tax returns if we were to incorrectly interpret or apply any tax policy, legislation or practice.

Taxes and other constraints that would apply to our operating entities in such jurisdictions may not apply to local institutions or other parties such as state-owned enterprises, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing acquisitions. There are a number of factors that could increase our effective tax rates, which would have a negative impact on our net income, including, but not limited to, changes in the valuation of our deferred tax assets and liabilities and any reassessment of taxes by a taxation authority.

Governments around the world are increasingly seeking to regulate multinational companies and their use of differential tax rates between jurisdictions. This effort includes a greater emphasis by various nations to co-ordinate and share information regarding companies and the taxes they pay. Governmental taxation policies and practices could adversely affect us and, depending on the nature of such policies and practices, could have a greater impact on us than on other companies. As a result of this increased focus on the use of tax planning by multinational companies, our tax planning could be subject to negative media coverage which may adversely impact our reputation.

The Corporation endeavors to be considered a “qualified foreign corporation” for U.S. federal income tax purposes and for the Corporation’s dividends to therefore be considered generally eligible for “qualified dividend” treatment in the U.S. Whether dividends paid by the Corporation will in fact be treated as “qualified dividends” for U.S. federal income tax purposes for a particular shareholder of the Corporation will depend on that shareholder’s specific circumstances, including, but not limited to, the shareholder’s holding period for shares of the Corporation on which dividends are received. The Corporation provides no assurances that any or all of its dividends paid to shareholders will be treated as “qualified dividends” for U.S. federal income tax purposes.

To preserve the intended Canadian federal income tax treatment of the arrangement undertaken to implement the special distribution of the asset management business (“Arrangement”), the company agreed to certain restrictions that may significantly reduce its strategic and operating flexibility.

The company engaged in various restructuring transactions in connection with the Arrangement (the “Pre-Arrangement Reorganization”). To preserve the intended Canadian federal income tax treatment of these transactions as generally tax deferred under the *Income Tax Act* (Canada), the company, the asset manager and its subsidiaries are prohibited for a period of two years following the effective date of the Arrangement, except in specific circumstances, from taking any action, omitting to take any action or entering into any transaction that could cause the Pre-Arrangement Reorganization, the Arrangement or certain other transactions occurring in conjunction therewith to be taxed in a manner that is inconsistent with that provided for in an opinion of counsel addressed to the board of directors of the company and the board of directors of the asset manager confirming the Canadian federal income tax consequences of certain aspects of the Pre-Arrangement Reorganization and the Arrangement to the parties thereto. The foregoing restrictions may limit for a period of time the company’s ability to pursue certain strategic transactions or other transactions that it believes to be in the best interests of our shareholders or that might increase the value of our business.

o) *Financial Reporting and Disclosures*

Deficiencies in our public company financial reporting and disclosures could adversely impact our reputation.

As we expand the size and scope of our business, there is a greater susceptibility that our financial reporting and other public disclosure documents may contain material misstatements and that the controls we maintain to

attempt to ensure the complete accuracy of our public disclosures may fail to operate as intended. The occurrence of such events could adversely impact our reputation and financial condition. In addition, we disclose certain metrics that do not have standardized meaning, are based on our own methodologies and assumptions and may not properly convey the information they purport to reflect.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to give our stakeholders assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the process for establishing and maintaining adequate internal controls over financial reporting has inherent limitations, including the possibility of human error. In addition, we may exclude recently acquired companies from our evaluation of internal controls. Our internal controls over financial reporting may not prevent or detect misstatements in our financial disclosures on a timely basis, or at all. Some of these processes may be new for certain subsidiaries in our structure and in the case of acquisitions may take time to be fully implemented.

Our disclosure controls and procedures are designed to provide assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified. Our policies and procedures governing disclosures may not ensure that all material information regarding us is disclosed in a proper and timely fashion, or that we will be successful in preventing the disclosure of material information to a single person or a limited group of people before such information is generally disseminated.

p) Environment, Social and Governance Management

Ineffective management of environmental and sustainability issues, including climate change, and inadequate or ineffective health and safety programs could damage our reputation, adversely impact our financial performance and lead to regulatory action.

There is increasing stakeholder interest in environment, social and governance (“ESG”) considerations and how they are managed. ESG considerations include climate change, human capital and labor management, corporate governance, diversity and privacy and data security, among others. Increasingly, investors and lenders are incorporating ESG considerations into their investment or lending process, respectively, alongside traditional financial considerations. Investors or potential investors in managed entities or in Brookfield may not invest in all products given certain industries in which we operate. If we are unable to successfully integrate ESG considerations into our practices, we may incur a higher cost of capital, lower interest in our debt securities and/or equity securities or otherwise face a negative impact on our business, operating results and cash flows and result in reputational damage.

Certain of our subsidiaries and affiliates may be subject to compliance with laws, regulations, regulatory rules and/or guidance relating to ESG, and any failure to comply with these laws, regulations, regulatory rules or guidance could expose us to material adverse consequences, including loss, limitations on our ability to undertake licensable business, legal liabilities, financial and non-financial sanctions and penalties, and/or reputational damage. New ESG requirements imposed by jurisdictions in which we do business, such as the EU Sustainable Finance Disclosure Regulation (2019/2088), could (a) result in additional compliance costs, disclosure obligations or other implications or restrictions; and/or (b) impact our established business practices, cost base and, by extension, our profitability. ESG-related requirements and market practices differ by region, industry and issue and are evolving dynamically, and the sustainability requirements applicable to us, our investments, or our assessment of such requirements or practices may change over time. Under emerging sustainability requirements, we may be required to classify our businesses against, or determine the alignment of underlying investments under, ESG-related legislative and regulatory criteria and taxonomies, some of which can be open to subjective interpretation. Our view on the appropriate classifications may develop over time, including in response to statutory or regulatory guidance or changes in industry approach to classification. A change to the relevant classification may require further actions to be taken, for example it may require further disclosures, or it may require new processes to be set up to capture data, which may lead to additional cost, disclosure obligations or other implications or restrictions.

The transition to a lower-carbon economy has the potential to be disruptive to traditional business models and investment strategies. Efforts to limit global warming may give rise to changes in regulations, reporting and consumer sentiment that could have a negative impact on our existing operations by increasing the costs of operating our business or reducing demand for our products and services. The adverse effects of climate change and related regulation at state, provincial, federal or international levels could have a material adverse effect on our business, financial position, results of operations or cash flows.

The ownership and operation of some of the assets held in our portfolio companies carry varying degrees of inherent risk or liability related to worker health and safety and the environment, including the risk of government-imposed orders to remedy unsafe conditions and contaminated lands and potential civil liability. Compliance with health, safety and environmental standards and the requirements set out in the relevant licenses, permits and other approvals obtained by the portfolio companies is crucial.

Our portfolio companies have incurred and will continue to incur significant capital and operating expenditures to comply with ESG requirements, including health and safety standards, to obtain and comply with licenses, permits and other approvals, and to assess and manage potential liability exposure. Nevertheless, they may be unsuccessful in obtaining or maintaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters, any of which could have a material adverse effect on us.

Health, safety and environmental laws and regulations can change rapidly and significantly, and we and/or our portfolio companies may become subject to more stringent laws and regulations in the future. The occurrence of any adverse health, safety or environmental event, or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards, licenses, permits or other approvals could have a significant impact on operations and/or result in material expenditures.

Owners and operators of real assets may become liable for the costs of removal and remediation of certain hazardous substances released or deposited on or in their properties, or at other locations regardless of whether the owner and operator caused the release or deposit of such hazardous materials. These costs could be significant and could reduce cash available for our businesses. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our assets or to borrow using these assets as collateral, and could potentially result in claims or other proceedings.

Certain of our businesses are involved in using, handling or transporting substances that are toxic, combustible or otherwise hazardous to the environment and may be in close proximity to environmentally sensitive areas or densely populated communities. If a leak, spill or other environmental incident occurred, it could result in substantial fines or penalties being imposed by regulatory authorities, revocation of licenses or permits required to operate the business, the imposition of more stringent conditions in those licenses or permits or legal claims for compensation (including punitive damages) by affected stakeholders.

Global ESG challenges, such as carbon emissions, privacy and data security, demographic shifts and regulatory pressures are introducing new risk factors for us that we may not have dealt with previously. If we are unable to successfully manage our ESG compliance, this could have a negative impact on our reputation and our ability to raise future public and private capital and could be detrimental to our economic value and the value of managed entities.

q) Data Security, Privacy, and Cyber-Terrorism

Failure to maintain the security of our information and technology systems could have a material adverse effect on us.

We rely on certain information and technology systems, including the systems of others with whom we do business, which may be subject to security breaches or cyber-terrorism intended to obtain unauthorized access to proprietary information or personally identifiable information, destroy data or disable, degrade or sabotage these systems, through the introduction of computer viruses, fraudulent emails, cyber-attacks or other means. Such acts of cyber-terrorism could originate from a variety of sources including our own employees or unknown third parties. In the ordinary course of our business, we collect and store sensitive data, including personally identifiable information of

our employees and clients of our asset management business. Data protection and privacy rules have become a focus for regulators globally. For instance, the European General Data Protection Regulation ("GDPR") amended data protection rules for individuals that are residents of the E.U. GDPR imposes stringent rules and penalties for non-compliance, which could have an adverse effect on our business.

Although we take various measures to ensure the integrity of our systems and to safeguard against failures or security breaches, there can be no assurance that these measures will provide adequate protection, and a compromise in these systems could go undetected for a significant period of time. If these information and technology systems are compromised, we could suffer a disruption in one or more of our businesses and experience, among other things, financial loss; a loss of business opportunities; misappropriation or unauthorized release of confidential or personal information; damage to our systems and those with whom we do business; violations of privacy and other laws, litigation, regulatory penalties or remediation and restoration costs (particularly in light of increased regulatory focus on cyber-security by regulators around the world); as well as increased costs to maintain our systems. This could have a negative impact on our operating results and cash flows and result in reputational damage.

r) Dependence on Information Technology Systems

The failure of our information technology systems, or those of our third-party service providers, could adversely impact our reputation and financial performance.

We operate in businesses that are dependent on information systems and technology, and we rely on third-party service providers to manage certain aspects of our businesses, including for certain information systems and technology, data processing systems, and the secure processing, storage and transmission of information. In particular, our financial, accounting and communications processes are all conducted through data processing systems. Our information technology and communications systems and those of our third-party service providers are vulnerable to damages or disruption from fire, power loss, telecommunications failure, system malfunctions, natural disasters, acts of war or terrorism, employee errors or malfeasance, computer viruses, cyber-attacks or other events that are beyond our control.

Our information systems and technology and those of our third-party vendors may not continue to be able to accommodate our growth and the cost of maintaining such systems may increase from its current level, either of which could have a material adverse effect on us.

Any interruption or deterioration in the performance or failures of the information systems and technology that are necessary for our businesses, including for business continuity purposes, could impair the quality of our operations and could adversely affect our business, financial condition and reputation.

s) Litigation

We and our affiliates may become involved in legal disputes in Canada, the U.S. and internationally that could adversely impact our financial performance and reputation.

In the normal course of our operations, we become involved in various legal actions, including claims relating to personal injury, property damage, property taxes, land rights and contract and other commercial disputes. The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies and managed entities may subject us, managed entities and our portfolio companies to the risk of third-party litigation. Further, we have significant operations in the U.S. which may, as a result of the prevalence of litigation in the U.S., be more susceptible to legal action than certain of our other competitors.

Management of our litigation matters is generally handled by legal counsel in the business unit most directly impacted by the litigation, and not by a centralized legal department. As a result, the management of litigation that we face may not always be appropriate or effective.

The final outcome with respect to outstanding, pending or future litigation cannot be predicted with certainty, and the resolution of such actions may have an adverse effect on our financial position or results of our operations in a

particular quarter or fiscal year. Any litigation may consume substantial amounts of our management's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. Even if ultimately unsuccessful against us, any litigation has the potential to adversely affect our business, including by damaging our reputation.

t) Insurance

Losses not covered by insurance may be large, which could adversely impact our financial performance.

We carry various insurance policies in relation to our assets and business activities. These policies contain policy specifications, limits and deductibles that may mean that such policies do not provide coverage or sufficient coverage against all potential material losses. We may also self-insure a portion of certain of these risks, and therefore the company may not be able to recover from a third-party insurer in the event that the company, if it had asset insurance coverage from a third party, could make a claim for recovery. There are certain types of risk (generally of a catastrophic nature such as war or environmental contamination) that are either uninsurable or not economically insurable. Further, there are certain types of risk for which insurance coverage is not equal to the full replacement cost of the insured assets. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations.

We also carry directors' and officers' liability insurance ("D&O insurance") for losses or advancement of defense costs in the event a legal action is brought against the company's directors, officers or employees for alleged wrongful acts in their capacity as directors, officers or employees. Our D&O insurance contains certain customary exclusions that may make it unavailable for the company in the event it is needed; and in any case our D&O insurance may not be adequate to fully protect the company against liability for the conduct of its directors, officers or employees. We may also self-insure a portion of our D&O insurance, and therefore the company may not be able to recover from a third-party insurer in the event that the company, if it had D&O insurance from a third-party insurer, could make a claim for recovery.

For economic efficiency and other reasons, the Corporation and its affiliates may enter into insurance policies as a group that are intended to provide coverage for the entire group. Where group policies are in place, any payments under such policy could have a negative impact on other entities covered under the policy as they may not be able to access adequate insurance in the event it is needed. While management attempts to design coverage limits under group policies to ensure that all entities covered under a policy have access to sufficient insurance coverage, there are no guarantees that these efforts will be effective in obtaining this result.

u) Credit and Counterparty Risk

Inability to collect amounts owing to us could adversely impact financial performance.

Third parties may not fulfill their payment obligations to us, which could include money, securities or other assets, thereby impacting our operations and financial results. These parties include deal and trading counterparties, governmental agencies, portfolio company customers and financial intermediaries. Third parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, general economic conditions or other reasons.

We have business lines that loan money to distressed companies, either privately or via an investment in publicly traded debt securities. As a result, we actively take heightened credit risk in other entities from time to time and whether we realize satisfactory investment returns on these loans is uncertain and may be beyond our control. If some of these debt investments fail, our financial performance could be negatively impacted.

Investors in private funds make capital commitments to these vehicles through the execution of subscription agreements. When a private fund makes an investment, these capital commitments are then satisfied by such investors via capital contributions. These investors may default on their capital commitment obligations, which could have an adverse impact on our asset management business and in turn our earnings or result in other negative implications to our businesses such as the requirement to redeploy our own capital to cover such obligations. This impact would be magnified if the investor that does so is in multiple funds.

v) *Information Barriers*

Information barriers may give rise to certain conflicts and risks and investment teams managing the activities of businesses that operate on opposite sides of an information barrier will not be aware of, and will not have the ability to manage, such conflicts and risks.

Certain businesses within our asset management operations operate largely independently of one another pursuant to an information barrier. The information barrier restricts businesses on opposite sides from coordinating or consulting with one another with respect to investment activities and/or decisions. Accordingly, these businesses manage their investment operations independently of each other. The investment activities and decisions made by a business on one side of an information barrier are not expected to be subject to any internal approvals by any person who would have knowledge and/or decision-making control of the investment activities and decisions made by a business on the other side of the information barrier. This absence of coordination and consultation will give rise to certain conflicts and risks in connection with the activities of the businesses within our asset management operations and their portfolio companies, and make it more difficult to mitigate, ameliorate or avoid such situations. These conflicts (and potential conflicts) of interests may include: (i) competing from time to time for the same investment opportunities, (ii) the pursuit by a business on one side of the information barrier of investment opportunities suitable for a business on the other side of the information barrier, without making such opportunities available to such business, and (iii) the formation or establishment of new strategies or products that could compete or otherwise conduct their affairs without regard as to whether or not they adversely impact the strategies or products of our businesses operating on the other side of the information barrier. Investment teams managing the activities of businesses that operate on opposite sides of an information barrier are not expected to be aware of, and will not have the need or ability to manage, such conflicts which may impact the investment strategy, performance and investment returns of certain businesses within our asset management operations and their portfolio companies.

The asset management businesses that operate on opposite sides of an information barrier are likely to be deemed affiliates for purposes of certain laws and regulations notwithstanding that such businesses may be operationally independent from one another. The information barrier does not eliminate the requirement that such businesses aggregate certain investment holdings for certain securities laws and other regulatory purposes. This may result in, among other things, earlier public disclosure of investments; restrictions on transactions (including the ability to make or dispose of certain investments at certain times); potential short-swing profit disgorgement; penalties and/or regulatory remedies; or adverse effects on the prices of investments for our asset management businesses that operate on the other side of such information barrier.

Although these information barriers were implemented to address the potential conflicts of interests and regulatory, legal and contractual requirements applicable to our asset management business, we may decide, at any time and without notice to our company or our shareholders, to remove or modify the information barriers within our asset management business. In addition, there may be breaches (including inadvertent breaches) of the information barriers and related internal controls. In the event that the information barrier is removed or modified, it would be expected that we will adopt certain protocols designed to address potential conflicts and other considerations relating to the management of the investment activities of those businesses that previously operated on opposite sides of an information barrier.

The breach or failure of such information barriers could result in the sharing of material non-public information between businesses that operate on opposite sides of an information barrier, which may restrict the acquisition or disposition activities of one of our businesses and ultimately impact the returns generated for our investors. In addition, any such breach or failure could also result in potential regulatory investigations and claims for securities laws violations in connection with our direct and/or indirect investment activities. Any inadvertent trading on material non-public information, or perception of trading on material non-public information by one of our businesses or our personnel, could have a significant adverse effect on our reputation, result in the imposition of regulatory or financial sanctions and negatively impact our ability to raise third-party capital and provide investment management services to clients, all of which could result in negative financial impact to our investment activities.

We face risks specific to our renewable power and transition activities.

Our renewable power and transition operations are subject to changes in the weather, hydrology and price, but also include risks related to equipment or dam failure, counterparty performance, water rental costs, land rental costs, changes in regulatory requirements and other material disruptions.

The revenues generated by our power facilities are correlated to the amount of electricity generated, which in turn is dependent upon available water flows, wind, irradiance and other elements beyond our control. Hydrology, wind and irradiance levels vary naturally from year to year and may also change permanently because of climate change or other factors. It is therefore possible that low water, wind and irradiance levels at certain of our power generating operations could occur at any time and potentially continue for indefinite periods.

A portion of our renewable power and transition revenue is tied, either directly or indirectly, to the wholesale market price for electricity, which is impacted by a number of external factors beyond our control. Additionally, a portion of the power we generate is sold under long-term power purchase agreements, shorter-term financial instruments and physical electricity contracts which are intended to mitigate the impact of fluctuations in wholesale electricity prices; however, they may not be effective in achieving this outcome. Certain of our power purchase agreements will be subject to re-contracting in the future. If the price of electricity in power markets is declining at the time of such re-contracting, it may impact our ability to re-negotiate or replace these contracts on terms that are acceptable to us. Conversely, what appears to be an attractive price at the time of recontracting could, if power prices rise over the power purchase agreement's term, result in us having committed to sell power in the future at below market rate. If we are unable to re-negotiate or replace these contracts, or unable to secure prices at least equal to the current prices we receive, our business, financial condition, results of operation and prospects could be adversely affected.

In our renewable power and transition operations, there is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things. The occurrence of such failures could result in a loss of generating capacity and repairing such failures could require the expenditure of significant capital and other resources. Failures could also result in exposure to significant liability for damages due to harm to the environment, to the public generally or to specific third parties. Equipment that our renewable power and transition operations need, including spare parts and components required for project development, may become unavailable or difficult to procure, inhibiting our ability to maintain full availability of existing plants and also our ability to complete development projects on scope, schedule and budget.

In certain cases, some catastrophic events may not excuse us from performing our obligations pursuant to agreements with third parties and we may be liable for damages or suffer further losses as a result.

Our ability to develop greenfield renewable power projects in our development pipeline may be affected by a number of factors, including the ability to secure approvals, licenses and permits and the ability to secure a long-term power purchase agreement or other sales contracts on reasonable terms. The development of our pipeline of greenfield renewable power projects is also subject to environmental, engineering and construction risks that could result in cost-overruns, delays and reduced performance.

New regulatory initiatives related to ESG could adversely impact our business. While we believe that regulatory initiatives and market trends towards an increased focus on ESG are generally beneficial to our renewable power and transition group, any such regulatory initiatives also have the potential to adversely impact us. For example, regulatory initiatives seeking to reorient investment toward sustainability by regulating green financial products could have the effect of increasing burdensome disclosure requirements around ESG and prescribing approaches to ESG policies that are inconsistent with our current practices. If regulators disagree with the ESG disclosures that we make, or with the categorization of our financial products, we may face regulatory enforcement action, and our business or reputation could be adversely affected.

x) Infrastructure

We face risks specific to our infrastructure activities.

Our infrastructure operations include utilities, transport, midstream, data, timberlands and agriculture operations. Our infrastructure assets include toll roads, telecommunication towers, electricity transmission systems, terminal operations, electricity and gas distribution companies, rail networks, ports and data centers. The principal risks facing the regulated and unregulated businesses comprising our infrastructure operations relate to government regulation, general economic conditions and other material disruptions, counterparty performance, capital expenditure requirements and land use.

Many of our infrastructure operations are subject to forms of economic regulation, including with respect to revenues. If any of the respective regulators in the jurisdictions in which we operate decides to change the tolls or rates we are allowed to charge, or the amounts of the provisions we are allowed to collect, we may not be able to earn the rate of return on our investments that we had planned, or we may not be able to recover our initial cost.

General economic conditions affect international demand for the commodities handled and services provided by our infrastructure operations and the goods produced and sold by our timberlands and agriculture businesses. A downturn in the economy generally or specific to any of our infrastructure businesses, may lead to a reduction in volumes, bankruptcies or liquidations of one or more large customers, which could reduce our revenues, increase our bad debt expense, reduce our ability to make capital expenditures or have other adverse effects on us.

Some of our infrastructure operations have customer contracts as well as concession agreements in place with public and private sector clients. Our operations with customer contracts could be adversely affected by any material change in the assets, financial condition or results of operations of such customers. Protecting the quality of our revenue streams through the inclusion of take-or-pay or guaranteed minimum volume provisions into our contracts is not always possible or fully effective.

Our infrastructure operations may require substantial capital expenditures to maintain our asset base. Any failure to make necessary expenditures to maintain our operations could impair our ability to serve existing customers or accommodate increased volumes. In addition, we may not be able to recover investments in capital expenditures based upon the rates our operations are able to charge.

y) Private Equity

We face risks specific to our private equity activities.

The principal risks for our private equity businesses are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital. Our private equity platform is exposed to industrial, business services and infrastructure services businesses, many of which can be cyclical and/or illiquid and therefore may be difficult to monetize at our discretion, limiting our flexibility to react to changing economic or investment conditions. In addition, increasingly we have certain private equity businesses that provide goods and services directly to consumers across a variety of industries. These businesses are prone to greater liabilities, as well as reputational, litigation and other risks by virtue of being more public-facing and reliant on their ability to develop and preserve consumer relationships and achieve consumer satisfaction.

Unfavorable economic conditions could negatively impact the ability of investee companies to repay debt. Even with our support, such adverse economic conditions facing our investee companies may adversely impact the value of our investments or deplete our financial or management resources. These investments are also subject to the risks inherent in the underlying businesses, some of which are facing difficult business conditions and may continue to do so for the foreseeable future. These risks are compounded by recent growth, as new acquisitions have increased the scale and scope of our operations, including in new geographic areas and industry sectors, and we may have difficulty managing these additional operations.

We may invest in companies that are experiencing significant financial or business difficulties, including companies involved in work-outs, liquidations, spin-outs, reorganizations, bankruptcies and similar transactions. Such an investment entails the risk that the transaction will be unsuccessful, will take considerable time or will result in a

distribution of cash or new securities, the value of which may be less than the purchase price of the securities in respect of which such distribution is received. In addition, if an anticipated transaction does not occur, we may be required to sell our investment at a loss. Investments in businesses we target may become subject to legal and/or regulatory proceedings and our investment may be adversely affected by external events beyond our control, leading to legal, indemnification or other expenses.

We have several companies that operate in the highly competitive service industry. A wide variety of micro and macroeconomic factors affecting our clients and over which we have no control can impact how these companies operate. For example, our Canadian residential mortgage insurance services business is subject to significant regulation and may be adversely affected by changes in government policy. In addition, the majority of the revenue from our healthcare services business is derived from private health insurance funds, which may be affected by a deterioration in the economic climate, a change in economic incentives, increases in private health insurance premiums and other factors. In addition, alternative technologies in the health care industry could impact the demand for, or use of, our services and could impair or eliminate the competitive advantage of our businesses in this industry.

Our infrastructure services operations include companies in nuclear technology services, marine transportation and scaffolding services. The nuclear fuel and power industries are heavily regulated and could be significantly impacted by changes in government policies and priorities such as increased regulation and/or more onerous operating requirements that negatively impact our nuclear technology services. A future accident at a nuclear reactor could result in the shutdown of existing plants or impact the continued acceptance by the public and regulatory authorities of nuclear energy and the future prospects for nuclear generators. Accidents, terrorism, natural disasters or other incidents occurring at nuclear facilities or involving shipments of nuclear materials could reduce the demand for nuclear technology services. Marine transportation and oil production is inherently risky, particularly in the extreme conditions in which many of our vessels operate. An incident involving significant loss of product or environmental contamination by any of our vessels could harm our reputation and business. Our scaffolding services business is subject to the risks inherent to construction operations, including risks relating to seasonal fluctuations in the demand for our services, a dependence on labor and performance being materially impacted by a lack of availability of labor force or increases in the cost of labor available, and operational hazards that could result in personal injury or death, work stoppage or serious property and equipment damage.

z) Real Estate

We face risks specific to our real estate activities.

We invest in commercial properties and are therefore exposed to certain risks inherent in the commercial real estate business. Commercial real estate investments are subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage capital), local conditions (such as an oversupply of space or a reduction in demand for real estate in the markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords and our ability to provide adequate maintenance at an economical cost.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made whether or not a property is producing sufficient income to service these expenses. Our commercial properties are typically subject to mortgages that require debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Continuation of rental income is dependent on favorable leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. It is possible that we may face a disproportionate amount of space expiring in any one year. Additionally, rental rates could decline, tenant bankruptcies could increase and tenant renewals may not be achieved, particularly in the event of an economic slowdown.

Our real estate business operates in industries or geographies impacted by COVID-19. Many of these are facing financial and operational hardships due to COVID-19 and responses to it. Adverse impacts on our business may include:

- a complete or partial closure of, or other operational issues at, one or more of our properties resulting from government or tenant action;
- a slowdown in business activity may severely impact our tenants' businesses, financial condition and liquidity and may cause one or more of our tenants to be unable to fund their business operations, meet their obligations to us in full, or at all, or to otherwise seek modifications of such obligations;
- an increase in re-leasing timelines, potential delays in lease-up of vacant space and the market rates at which such lease will be executed;
- reduced economic activity could result in a prolonged recession, which could negatively impact consumer discretionary spending; and
- expected completion dates for our development and redevelopment projects may be subject to delay as a result of local economic conditions that may continue to be disrupted as a result of the COVID-19 pandemic.

Our retail real estate operations are susceptible to any economic factors that have a negative impact on consumer spending. Lower consumer spending would have an unfavorable effect on the sales of our retail tenants, which could result in their inability or unwillingness to make all payments owing to us, and on our ability to keep existing tenants and attract new tenants. Significant expenditures associated with each equity investment in real estate assets, such as mortgage payments, property taxes and maintenance costs, are generally not reduced when there is a reduction in income from the investment, so our income and cash flow would be adversely affected by a decline in income from our retail properties. In addition, low occupancy or sales at our retail properties, as a result of competition or otherwise, could result in termination of or reduced rent payable under certain of our retail leases, which could adversely affect our retail property revenues.

Our hospitality and multifamily businesses are subject to a range of operating risks common to these industries, many of which are outside our control, and the profitability of our investments in these industries may be adversely affected by these factors. For example, our hospitality business faces risks relating to climate change hurricanes, earthquakes, tsunamis and other natural and man-made disasters; the potential spread of contagious diseases such as COVID-19; and insect infestations more common to rental accommodations. Such factors could limit or reduce the demand for or the prices our hospitality properties are able to obtain for their accommodations or could increase our costs and therefore reduce the profitability of our hospitality businesses. There are numerous housing alternatives that compete with our multifamily properties, including other multifamily properties as well as condominiums and single-family homes. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present properties or any newly developed or acquired real estate, as well as on the rents realized.

We face risks specific to our residential development and mixed-use activities.

Our residential homebuilding and land development operations are cyclical and significantly affected by changes in general and local economic, political and industry conditions, such as consumer confidence, employment levels, inflation levels, availability of financing for homebuyers, household debt, levels of new and existing homes for sale, demographic trends and housing demand. Competition from rental properties and resale homes, including homes held for sale by investors and foreclosed homes, may reduce our ability to sell new homes, depress prices and reduce margins for the sale of new homes.

COVID-19 has also resulted in a lack of availability or increased costs of required materials, utilities and resources which could delay or increase the cost of home construction and which could adversely affect our business and results of operations. For example, in 2020 and 2021 there was extreme volatility in the price of lumber as a result of curtailed production from lumber mill closures due to COVID-19, forest fires in California and the Pacific Northwest followed by a surge in demand for single family homes in the latter half of 2021. Similar events in the future could result in construction delays and increased costs which may not be fully passed on to our buyers.

Virtually all of our homebuilding customers finance their home acquisitions through mortgages. Even if potential customers do not need financing, changes in interest rates or the unavailability of mortgage capital could make it

harder for them to sell their homes to potential buyers who need financing, resulting in a reduced demand for new homes. Rising mortgage rates or reduced mortgage availability could adversely affect our ability to sell new homes and the prices at which we can sell them. Notwithstanding relatively low interest rates, our Canadian markets continue to be impacted by changes to mortgage qualification rules that introduced stress tests for homebuyers and government policies relating to the Ontario real estate market and the Alberta energy sector surrounding pipeline approval. In the U.S., significant expenses incurred for purposes of owning a home, including mortgage interest expense and real estate taxes, generally are deductible expenses for an individual's U.S. federal and, in some cases, state income taxes.

COVID-19 and the current economic environment also continues to impact the industry for retail and office properties in our mixed-use projects. As we depend on office, retail, and apartment tenants to generate income from these mixed-use projects, our results of operations and cash flows may be adversely affected by vacancies and tenant defaults or bankruptcy in our mixed-use properties, and we may be unable to renew leases or re-lease space in our mixed-use properties as leases expire.

We hold land for future development and may in the future acquire additional land holdings. The risks inherent in purchasing, owning and developing land increase as the demand for new homes decreases. Real estate markets are highly uncertain, and the value of undeveloped land has fluctuated significantly and may continue to fluctuate. In addition, land carrying costs can be significant and can result in losses or reduced profitability. As a result, we hold certain land, and may acquire additional land, in our development pipeline at a cost we may not be able to fully recover or at a cost which precludes profitable development.

Our residential development and mixed-use business is susceptible to adverse weather conditions, other environmental conditions, and natural disasters, as well as pandemics/epidemics such as COVID-19, each of which could adversely affect our business and results of operations. For example, while none of our U.S. properties were materially adversely affected by the recent significant wildfires throughout Southern California, we could experience labor shortages, construction delays, or utility company delays, which in turn could impact our results.

aa) Reinsurance

We face risks specific to Brookfield Reinsurance and its reinsurance activities.

We completed the spin-out of Brookfield Reinsurance in 2021 to own and operate a leading reinsurance business focused on providing capital-based and annuity solutions to insurance and reinsurance companies and pension risk transfer (PRT) products for pension plan sponsors and we continue to hold a significant economic interest in Brookfield Reinsurance.

Brookfield Reinsurance class A exchangeable shares have been structured with the intention of providing an economic return equivalent to our Class A shares. Each Brookfield Reinsurance class A exchangeable share is exchangeable on a one-for-one basis at the option of the holder for our Class A shares (or its cash equivalent) and distributions on Brookfield Reinsurance class A exchangeable shares are expected to be paid at the same time and in the same amount as cash dividends are paid on our Class A shares. In addition, we have entered into a number of important agreements with Brookfield Reinsurance to support the economic equivalence between our Class A shares and Brookfield Reinsurance class A exchangeable shares, including: (i) a support agreement pursuant to which we have agreed to, among other things, take all actions reasonably necessary to enable Brookfield Reinsurance to pay quarterly distributions and the liquidation amount or amount payable on a redemption of Brookfield Reinsurance class A exchangeable shares; and (ii) the provision of certain equity capital and debt financing to Brookfield Reinsurance on an as-needed basis to fund the growth of and maximize flexibility for Brookfield Reinsurance. While Brookfield Reinsurance and its operating businesses will generally be required to satisfy their own working capital requirements and service any debt obligations, in the event Brookfield Reinsurance is unable to meet its financial obligations, it will be required to rely on us for support pursuant to the support agreement and our equity capital and debt financing. Further, we or Brookfield Reinsurance may issue additional shares in the future in the public markets, including to fund future growth of Brookfield Reinsurance or in lieu of incurring indebtedness, which could depress the market price or dilute the percentage interest of existing holders of our Class A Shares and Brookfield Reinsurance class A exchangeable shares in aggregate. Additionally, any

Brookfield Reinsurance class A exchangeable shares issued by Brookfield Reinsurance in the future will be exchangeable on the same terms as the Brookfield Reinsurance class A exchangeable shares and any future exchanges satisfied by the delivery of our Class A Shares would dilute the percentage interest of existing holders of our Class A Shares.

Brookfield Reinsurance's business is presently conducted under three operating segments, which it refers to as its reinsurance business, PRT business and direct insurance business. Going forward, Brookfield Reinsurance plans to grow these businesses; however, there is no guarantee that it will be successful in doing so. A key part of Brookfield Reinsurance's growth strategy will involve executing new PRT arrangements and reinsurance contracts and may also include the acquisition of, or material investments in, existing reinsurance and insurance platforms. Such initiatives, if successful, would significantly increase the scale, scope and diversity of Brookfield Reinsurance. While Brookfield Reinsurance has reviewed and has successfully executed transactions in the past to facilitate its growth, competition exists in the market for profitable reinsurance and PRT arrangements and businesses and Brookfield Reinsurance may not be successful in executing on future opportunities.

Brookfield Reinsurance makes and relies on certain assumptions and estimates in order to make decisions regarding pricing, target returns, reserve levels and other factors affecting its business operations. Its underwriting results depend upon the extent to which actual claims experience and benefit payments under its reinsurance contracts are consistent with the assumptions used in setting prices and establishing liabilities for such contracts. Such amounts are established based on actuarial estimates of how much Brookfield Reinsurance will need to pay for future benefits and claims based on data and models that include many assumptions and projections, which are inherently uncertain and involve significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits and investment results (including equity and other market returns). If the assumptions and estimates of Brookfield Reinsurance differ significantly from the actual outcomes and results, its business, financial condition, results of operations, liquidity and cash flows may be materially and adversely affected, which in turn may negatively impact the value of our interest in the business.

Brookfield Reinsurance's business prospects must be considered in light of the risks and uncertainties encountered by an early-stage company. Some of these risks relate to the potential inability of Brookfield Reinsurance to effectively manage its business and operations, recruit and retain key personnel, contain costs with expansion in the scale of the business, navigate a complex regulatory environment, manage growth in personnel and operations, develop new products that complement its existing business and successfully address the other risks faced by Brookfield Reinsurance.

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A and it defines IFRS performance measures, non-IFRS performance measures and key operating measures that we use to analyze and discuss our results.

REFERENCES

"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Corporation and its consolidated subsidiaries. The "Corporation" refers to our business which is comprised of our asset management, insurance solutions and operating businesses.

We refer to investors in the Corporation as **shareholders** and we refer to investors in the private funds of our asset management business and perpetual affiliates as **investors**.

We use **asset manager** to refer to our Asset Management segment which offers a variety of investment products to our investors:

- We have over 40 active funds across major asset classes: renewable power and transition, infrastructure, private equity, real estate and credit. These funds include core, credit, value-add and opportunistic closed-end funds and core long-life funds. We refer to these funds as the private funds of our asset management business.
- We refer to BEP, BEPC, BIP, BIPC, BBU, BBUC and BPG, as our perpetual affiliates.
- We refer to our public securities group as liquid strategies. This group manages fee-bearing capital through numerous funds and separately managed accounts, focused on fixed income and equity securities.

Throughout the MD&A and consolidated financial statements, the following operating companies, joint ventures and associates, and their respective subsidiaries, will be referenced as follows:

- | | |
|--|--|
| • American National – American National Group | • BPG – Brookfield Property Group |
| • BAM – Brookfield Asset Management ULC | • BPY – Brookfield Property Partners L.P. |
| • BBU – Brookfield Business Partners L.P. | • BNRE – Brookfield Reinsurance Ltd. |
| • BBUC – Brookfield Business Corporation | • BSREP IV – Brookfield Strategic Real Estate Partners IV |
| • BEP – Brookfield Renewable Partners L.P. | • IPL – Inter Pipeline Ltd. |
| • BEPC – Brookfield Renewable Corporation | • Norbord – Norbord Inc. |
| • BIP – Brookfield Infrastructure Partners L.P. | • Oaktree – Oaktree Capital Management |
| • BIPC – Brookfield Infrastructure Corporation | |

PERFORMANCE MEASURES

Definitions of performance measures, including IFRS, non-IFRS and operating measures, are presented below in alphabetical order. We have specifically identified those measures which are IFRS or non-IFRS measures; the remainder are operating measures.

Assets under management ("AUM") refers to the total fair value of assets that our asset management business manages, on a gross asset value basis, including assets for which this business earns management fees and those for which they do not. AUM is calculated as follows: (i) for investments that Brookfield consolidates for accounting purposes or actively manages, including investments in which Brookfield or a controlled investment vehicle is the largest shareholder or the primary operator or manager, at 100% of the investment's total assets on a fair value basis; and (ii) for all other investments, at Brookfield's or its controlled investment vehicle's, as applicable, proportionate share of the investment's total assets on a fair value basis. Our asset management business's methodology for determining AUM may differ from the methodology employed by other alternative asset managers and Brookfield's AUM presented herein may differ from our AUM reflected in other public filings and/or our Form ADV and Form PF.

Base management fees, which are determined by contractual arrangements, are typically equal to a percentage of fee-bearing capital and are accrued quarterly. Base management fees, including private fund base fees and perpetual affiliate base fees, are IFRS measures.

Private fund base fees are typically earned on fee-bearing capital from third-party investors only and are earned on invested and/or uninvested fund capital, depending on the stage of the fund life.

Perpetual affiliate base fees are earned on the total capitalization or net asset value of our perpetual affiliates, which includes our investment. Base fees for BEP include a quarterly fixed fee amount of \$5 million, with additional fees of 1.25% on the increase in capitalization above their initial capitalization of \$8 billion. Base fees for BIP and BBU are 1.25% of total capitalization. Base fees for BPG are 1.05% of net asset value, excluding its interests in private funds and investments which were held directly by Brookfield prior to the BPY privatization. Perpetual affiliate capitalization as at December 31, 2022, was as follows: BEP/BEPC – \$20.5 billion; BIP/BIPC – \$29.2 billion; BBU/BBUC – \$7.8 billion; and BPG – \$20.8 billion.

Carried interest is a contractual arrangement whereby we receive a fixed percentage of investment gains generated within a private fund provided that the investors receive a pre-determined minimum return. Carried interest is typically paid towards the end of the life of a fund after the capital has been returned to investors and may be subject to “clawback” until all investments have been monetized and minimum investment returns are sufficiently assured.

Realized carried interest is an IFRS measure and represents our share of investment returns based on realized gains within a private fund. Realized carried interest earned is recognized when an underlying investment is profitably disposed of and the fund’s cumulative returns are in excess of preferred returns, in accordance with the respective terms set out in the fund’s governing agreements, and when the probability of clawback is remote. We include realized carried interest when determining our Asset Management segment results within our consolidated financial statements.

Realized carried interest, net is a non-IFRS measure and represents realized carried interest after direct costs, which include employee expenses and cash taxes. A reconciliation of realized carried interest to realized carried interest, net, is shown below:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)		2022	2021
Realized carried interest ¹	\$	894	\$ 1,713
Less: direct costs associated with realized carried interest		(284)	(786)
		610	927
Less: realized carried interest not attributable to Corporation		(55)	(212)
Realized carried interest, net	\$	555	\$ 715

1. Includes \$316 million of realized carried interest related to Oaktree (2021 – \$1.2 billion). For segment reporting, Oaktree’s revenue is shown on a 100% basis.

Carry eligible capital represents the capital committed, pledged or invested in the private funds that we manage and which entitle us to earn carried interest. Carry eligible capital includes both invested and uninvested (i.e., uncalled) private fund amounts as well as those amounts invested directly by investors (co-investments) if those entitle us to earn carried interest. We believe this measure is useful to investors as it provides additional insight into the capital base upon which we have potential to earn carried interest once minimum investment returns are sufficiently assured.

Consolidated capitalization reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements. Our consolidated capitalization includes 100% of the debt of the consolidated entities even though in many cases we only own a portion of the entity and therefore our pro-rata exposure to this debt is much lower. In other cases, this basis of presentation excludes the debt of partially owned entities that are accounted for following the equity method.

Core liquidity represents the amount of cash, financial assets and undrawn credit lines at the Corporation, perpetual affiliates and directly held investments. We use core liquidity as a key measure of our ability to fund future transactions and capitalize on opportunities as they arise. Our core liquidity also allows us to backstop the transactions of our various businesses as necessary and fund the development of new activities that are not yet suitable for our investors.

Total liquidity represents the sum of core liquidity and uncalled private fund commitments and is used to pursue new transactions.

Corporate capitalization represents the amount of debt issued by the Corporation, accounts payable and deferred tax liability in our Corporate Activities segment as well as our issued and outstanding common and preferred shares.

Debt to capitalization is determined as the aggregate of corporate borrowings and non-recourse borrowings divided by total capitalization. Draws on revolving facilities and commercial paper issuances are excluded from the debt to capitalization ratios as they are not permanent sources of capital.

Distributions (current rate) represents the distributions that we would receive during the next twelve months based on the current distribution rates of the investments that we currently hold. The dividends from our listed investments are calculated by multiplying the number of shares held by the most recently announced distribution policy. The yield on cash and financial assets portfolio is equal to an estimated 8% on the ending balance as of the end of the current year. Distributions on our unlisted investments are calculated based on the distributions received in the most recent fiscal year.

Distributable earnings ("DE") is a non-IFRS measure that provides insight into earnings received by the Corporation that are available for distribution to common shareholders or to be reinvested into the business. It is calculated as the sum of distributions from our Asset Management business, operating earnings from our insurance solutions business, distributions received from our ownership of investments, realized carried interest and disposition gains from principal investments, net of Corporate Activities FFO, preferred share dividends and equity-based compensation costs.

Economic ownership interest represents the company's proportionate equity interest in our listed partnerships which can include redemption-exchange units ("REUs"), Class A limited partnership units, special limited partnership units and general partnership units in each subsidiary, where applicable, as well as any units or shares issued in subsidiaries that are exchangeable for units in our listed partnerships ("exchange units"). REUs and exchange units share the same economic attributes as the Class A limited partnership units in all respects except for our redemption right, which the listed partnership can satisfy through the issuance of Class A limited partnership units. The REUs, general partnership units and exchange units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the Class A limited partnership units of the subsidiary.

Fee-bearing capital represents the capital committed, pledged or invested in the perpetual affiliates, private funds and liquid strategies that are managed by our asset management business which entitles that business to earn fee revenues. Fee-bearing capital includes both called (“invested”) and uncalled (“pledged” or “committed”) amounts. When reconciling period amounts, we utilize the following definitions:

- **Inflows** include capital commitments and contributions to our private and liquid strategies funds and equity issuances in our perpetual affiliates.
- **Outflows** represent distributions and redemptions of capital from within the liquid strategies capital.
- **Distributions** represent quarterly distributions from perpetual affiliates as well as returns of committed capital (excluding market valuation adjustments), redemptions and expiry of uncalled commitments within the private funds of our asset management business.
- **Market valuation** includes gains (losses) on portfolio investments, perpetual affiliates and liquid strategies based on market prices.
- **Other** includes changes in net non-recourse leverage included in the determination of perpetual affiliate capitalization and the impact of foreign exchange fluctuations on non-U.S. dollar commitments.

Long-term private funds are long duration and closed-end in nature and include value-add and opportunistic strategies. Capital is typically committed for 10 years from the inception of the fund with two one-year extension options.

Perpetual strategies include capital in our perpetual affiliates and perpetual private funds, which includes core and core plus strategies that can continually raise new capital.

Liquid strategies represent publicly listed funds and separately managed accounts, focused on fixed income and equity securities across a number of difference sectors.

Fee-related earnings is a non-IFRS measure and is comprised of fee revenues less direct costs associated with earning those fees, which include employee expenses and professional fees as well as business related technology costs, other shared services and taxes. We use this measure to provide additional insight into the operating profitability of our asset management activities. See below for a table which reconciles fee-related earnings and total FFO to net income, the most comparable IFRS measure.

Fee revenues is a non-IFRS measure and includes base management fees, incentive distributions, performance fees and transaction fees presented within our Asset Management segment. Many of these items do not appear in consolidated revenues because they are earned from consolidated entities and are eliminated on consolidation. The following table reconciles fee revenues to revenue, the most comparable IFRS measure:

FOR THE YEARS ENDED DEC. 31
(MILLIONS)

	2022	2021
Revenue	\$ 92,769	\$ 75,731
Add: revenues from Oaktree	1,165	1,062
Add: inter-segment and other revenues	2,230	2,155
Less: external revenues from consolidated subsidiaries of other segments	(92,116)	(75,425)
Fee Revenues	\$ 4,048	\$ 3,523

Funds from operations ("FFO") is a key measure of our financial performance. We use FFO to assess operating results and the performance of our businesses on a segmented basis. While we use segment FFO as our segment measure of profit and loss (see Note 3 to our consolidated audited financial statements), the sum of FFO for all our segments, or total FFO, is a non-IFRS measure.

The following table reconciles total FFO, fee-related earnings, and distributable earnings to net income:

	Total	
	2022	2021
FOR THE YEARS ENDED DEC. 31 (MILLIONS)		
Net income	\$ 5,195	\$ 12,388
Financial statement components not included in FFO:		
Equity accounted fair value changes and other non-FFO items ¹	1,840	1,355
Fair value changes	977	(5,151)
Depreciation and amortization	7,683	6,437
Deferred income taxes	191	1,210
Realized disposition gains in fair value changes or equity	903	2,861
Non-controlling interests in FFO ²	(10,495)	(11,542)
Total FFO	6,294	7,558
Less: total disposition gains	(1,121)	(3,082)
Less: net invested capital FFO	(2,655)	(1,952)
Less: FFO from asset management business	(1,963)	(1,809)
Less: realized carried interest, net	(555)	(715)
Corporate activities	(595)	(462)
Insurance solutions operating earnings	388	30
Distributions from investments	2,558	2,128
Distributions from asset management business	2,061	1,892
Add back: equity-based compensation costs	62	36
Preferred share dividends	(160)	(157)
Distributable earnings before realizations	4,314	3,467
Realized carried interest, net	555	715
Disposition gains from principal investments	360	2,100
Distributable earnings	\$ 5,229	\$ 6,282

1. Other non-FFO items correspond to amounts that are not directly related to revenue earning activities and are not normal or recurring items necessary for business operations. In addition, this adjustment is to back out non-FFO expenses (income) that are included in consolidated equity accounted income including depreciation and amortization, deferred taxes and fair value changes from equity accounted investments.
2. Amounts attributable to non-controlling interests are calculated based on the economic ownership interests held by non-controlling interests in consolidated subsidiaries. By adjusting FFO attributable to non-controlling interests, we are able to remove the portion of FFO earned at non-wholly owned subsidiaries that is not attributable to Brookfield.

We use FFO to assess our performance. FFO includes the fees that we earn from our asset management business managing capital as well as our share of revenues earned and costs incurred within our operations, which include interest expense and other costs. Specifically, FFO includes the impact of contracts that we enter into to generate revenue, including asset management agreements, power sales agreements, contracts that our operating businesses enter into such as leases and take or pay contracts and sales of inventory. FFO also includes the impact of changes in borrowings or the cost of borrowings as well as other costs incurred to operate our business.

We use realized disposition gains and losses within FFO 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 FFO, and believe it is useful to investors to better understand variances between reporting periods. We exclude depreciation and amortization from FFO as we believe that the value of most of our assets typically increases over time, provided we make the necessary maintenance expenditures, the timing and magnitude of which may differ from the amount of depreciation recorded in any given period. In addition, the depreciated cost base of our assets is reflected in the ultimate realized

disposition gain or loss on disposal. As noted above, unrealized fair value changes are excluded from FFO until the period in which the asset is sold. We also exclude deferred income taxes from FFO because the vast majority of the company's deferred income tax assets and liabilities are a result of the revaluation of our assets under IFRS.

Our definition of FFO differs from the definition used by other organizations, as well as the definition of FFO 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. The key difference between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT is that we include the following: realized disposition gains or losses and cash taxes payable or receivable on those gains or losses, if any; foreign exchange gains or losses on monetary items not forming part of our net investment in foreign operations; and foreign exchange gains or losses on the sale of an investment in a foreign operation. We do not use FFO as a measure of cash generated from our operations.

Incentive distributions is an IFRS measure and is determined by contractual arrangements; incentive distributions are paid to our asset management business by BEP and BIP and represent a portion of distributions paid by perpetual affiliates above a predetermined hurdle. Incentive distributions are accrued on the record date of the associated distributions of the entity.

A summary of our distribution hurdles and current distribution rates is as follows:

AS AT DEC. 31, 2022	Current Distribution Rate ¹	Distribution Hurdles (per unit) ²	Incentive Distributions
Brookfield Infrastructure (BIP) ³	\$ 1.44	\$ 0.49 / \$ 0.53	15% / 25%
Brookfield Renewable (BEP) ⁴	1.35	0.80 / 0.90	15% / 25%

1. Current rate based on most recently announced distribution rates.

2. Incentive distributions equate to 18% and 33% of limited partner distribution increases over the first and second hurdles, respectively.

3. Incentive distributions from Brookfield Infrastructure are earned on distributions made by BIP and BIPC.

4. Incentive distributions from Brookfield Renewable are earned on distributions made by BEP and BEPC.

Invested capital consists of our perpetual investments, which include our interests in BAM and perpetual affiliates, other investments and corporate activities. Our invested capital provides us with FFO and cash distributions.

Invested capital, net consists of invested capital and leverage.

Leverage represents the amount of corporate borrowings and perpetual preferred shares held by the company.

Long-term average ("LTA") generation is used in our Renewable Power and Transition segment and is determined based on expected electrical generation from its assets in commercial operation during the year. For assets acquired or reaching commercial operation during the year, LTA generation is calculated from the acquisition or commercial operation date. In Brazil, assured generation levels are used as a proxy for LTA. We compare LTA generation to actual generation levels to assess the impact on revenues and FFO of hydrology, wind generation levels and irradiance, which vary from one period to the next.

Performance fees is an IFRS measure. Performance fees are paid to our asset management business when it exceeds predetermined investment returns within BBU and BBUC and on certain liquid strategies portfolios. BBU and BBUC performance fees are accrued quarterly based on the volume-weighted average increase in BBU unit price over the previous threshold, whereas performance fees within liquid strategies funds are typically determined on an annual basis. Performance fees are not subject to clawback.

Proportionate basis generation is used in our Renewable Power and Transition segment to describe the total amount of power generated by facilities held by BEP, at BEP's respective economic ownership interest percentage.

Realized disposition gains/losses is a component of FFO and includes gains or losses arising from transactions during the reporting period together with any fair value changes and revaluation surplus recorded in prior periods, presented net of cash taxes payable or receivable. Realized disposition gains include amounts that are recorded in net income, other comprehensive income and as ownership changes in our consolidated statements of equity, and exclude amounts attributable to non-controlling interests unless otherwise noted. We use realized disposition

gains/losses to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in prior periods and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods.

Same-store or same-property represents the earnings contribution from assets or investments held throughout both the current and prior reporting period on a constant ownership basis. We utilize same-store analysis to illustrate the growth in earnings excluding the impact of acquisitions or dispositions.

Unrealized carried interest is the change in accumulated unrealized carried interest from prior period and represents the amount of carried interest generated during the period. We use this measure to provide insight into the value our investments have created in the period.

Accumulated unrealized carried interest is based on carried interest that would be receivable under the contractual formula at the period end date as if a fund was liquidated and all investments had been monetized at the values recorded on that date. We use this measure to provide insight into our potential to realize carried interest in the future. Details of components of our accumulated unrealized carried interest are included in the definition of unrealized carried interest below.

Accumulated unrealized carried interest, net is accumulated unrealized carried interest after direct costs, which include employee expenses and taxes.

The following table summarizes the accumulated unrealized carried interest in the current and prior years:

	Accumulated Unrealized Carried Interest			Change	
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
FOR THE YEARS ENDED DEC. 31 (MILLIONS)					
Real Estate.....	\$ 2,573	\$ 2,147	\$ 855	\$ 426	\$ 1,292
Infrastructure	2,777	2,064	1,492	713	572
Private Equity.....	851	1,027	599	(176)	428
Credit and other.....	1,882	1,547	1,078	335	469
Accumulated unrealized carried interest.....	8,083	6,785	4,024	1,298	2,761
Less: associated expenses ¹	(2,474)	(2,066)	(1,423)	(408)	(643)
Accumulated unrealized carried interest, net.....	\$ 5,609	\$ 4,719	\$ 2,601	\$ 890	\$ 2,118

1. Carried interest generated is subject to taxes and long-term incentive expenses to investment professionals. These expenses are typically 30-35% of carried interest generated.