# PART 7 – BUSINESS RISKS AND RISK MANAGEMENT

## RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Management's objectives are to protect Brookfield Renewable against material economic exposures and variability of results from various financial risks that include electricity price risk, foreign currency risk, interest rate risk, credit risk, and liquidity risk. These risks are further discussed in Note 5 – Risk management and financial instruments in the audited annual consolidated financial statements.

The following table outlines Brookfield Renewable's financial risks and how they are managed:

| Financial Risk | Description of Risk | Management of Risk |
|---|---|---|
| Electricity price | We have exposure to movements in the market price of electricity. | - Enter into long-term contracts that specify the price at which electricity is sold<br><br>- Maintain a portfolio of short, medium, and long-term financial contracts to mitigate our exposure to fluctuations in electricity prices<br><br>- Ensure limits and controls are in place for trading activities<br><br>- As of December 31, 2023, we had, on a proportionate basis, approximately 88% of 2024 generation (2022: 92% of 2023 generation) contracted under power purchase agreements and financial contracts, excluding Brazil and Colombia. In Brazil and Colombia, on a proportionate basis, we had approximately 93% and 70% of 2024 (2022: 90% and 67%, of 2023, respectively) generation under power purchase agreements, respectively. See "Part 4 – Financial Performance Review on Proportionate Information" |
| Foreign currency | We are exposed to foreign currency risk – including Canadian dollar, Brazilian real, Euro, British pound sterling, Colombian peso, Indian rupee, and Chinese yuan – related to operations, anticipated transactions, and certain foreign currency debt. | - Enter into foreign currency contracts designed to minimize the exposure to foreign currency fluctuations<br><br>- 30% of cash flow is generated in the United States while Canadian Dollar and Euro exposure, representing 40% of our portfolio, is proactively managed through foreign currency contracts<br><br>- Limited foreign currency contracts to hedge our exposure to currencies in South America and Asia – representing 30% of our portfolio – due to the high costs associated with hedging certain currencies. However, these specific exposures are mitigated by the annual inflation-linked escalations in our power purchase agreements |