MANAGEMENT'S DISCUSSION AND ANALYSIS

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

"Brookfield," the "company," "we," "us" or "our" refers to Brookfield Asset Management Inc. and its consolidated subsidiaries. The "Corporation" refers to our asset management business which is comprised of our asset management and corporate business segments. Our "invested capital" includes our "perpetual affiliates" 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, and also includes 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 our real estate funds, transition funds, infrastructure funds and private equity funds. Our other businesses include Residential Development and Corporate.

Please refer to the Glossary of Terms beginning on page 136 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 reflects 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 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 ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). 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 136 for all non-IFRS measures.

PART 1

OUR BUSINESS AND STRATEGY

OVERVIEW

We are a premier global alternative asset manager[1] with a history spanning over 100 years. We have approximately $690 billion of assets under management ("AUM")[1] across a broad portfolio of renewable power and transition, infrastructure, private equity, real estate and credit. Our $364 billion in fee-bearing capital[1] is invested on behalf of some of the world's largest institutional investors, sovereign wealth funds and pension plans, along with thousands of individuals.

We provide a diverse product mix of private funds[1] and dedicated public vehicles, which allow investors to invest in our five key asset classes and participate in the strong performance of the underlying portfolio. We invest in a disciplined manner, targeting returns of 12-15% over the long-term with strong downside protection, allowing our investors and their stakeholders to meet their goals and protect their financial futures.

✓ Investment Focus

We predominantly invest in real assets across renewable power and transition, infrastructure, private equity, real estate and credit.

✓ Diverse Products Offering

We offer public and private vehicles to invest across a number of product lines, including core, value-add, and opportunistic equity and credit strategies in both closed-end and perpetual vehicles.

✓ Focused Investment Strategies

We invest where we can bring our competitive advantages to bear, such as our strong capabilities as an owner-operator, our large-scale capital and our global reach.

✓ Disciplined Financing Approach

We employ leverage[1] 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 6% 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.

1. See definition in Glossary of Terms beginning on page 136.

In addition, we maintain significant invested capital[1] on the Corporation's balance sheet where we invest alongside our investors. This capital generates annual cash flows that enhance the returns we earn as an asset manager, creates a strong alignment of interest, and allows us to bring the following strengths to bear on all our investments:

1. Large-scale capital

We have approximately $690 billion in assets under management and $364 billion in fee-bearing capital.

2. Operating expertise

We have approximately 180,000 operating employees worldwide who maximize value and cash flows from our operations.

3. Global reach

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

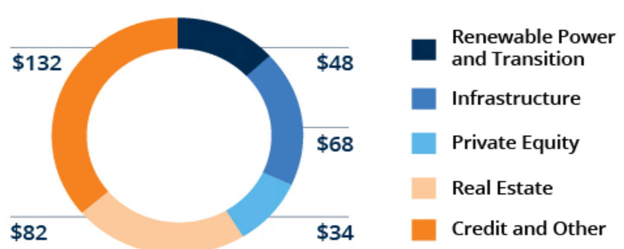
The value of the business is comprised of two key components: Our asset management activities that we refer to as Asset Management, and our balance sheet investments that we refer to as Invested Capital. Our financial returns are represented by the combination of the earnings of our Asset Management business, as well as capital appreciation and distributions from our Invested Capital. The primary performance measure we use is funds from operations ("FFO")[1] which we use to evaluate the performance of our segments.

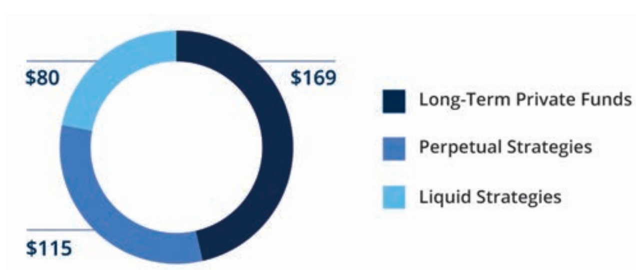
ASSET MANAGEMENT

Our Asset Management business oversees $364 billion of fee-bearing capital across a broad portfolio of renewable power and transition, infrastructure, private equity, real estate and credit. Today, we have approximately 2,100 unique institutional investors and have approximately $40 billion of additional committed capital that will be fee-bearing when invested. Within each of our investment verticals, we manage 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 strategies[1]. Products within these three strategies have similar base management fee[1] and carried interest[1] or performance fee[1] drivers.

Fee-Bearing Capital Diversification

AS AT DEC. 31, 2021 (BILLIONS)





1. See definition in Glossary of Terms beginning on page 136.

Long-term Private Funds – $169 billion fee-bearing capital

We manage and earn 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, we earn:

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 us 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 – $115 billion fee-bearing capital

We manage perpetual capital in our perpetual affiliates[1], as well as in our core and core plus private funds, which can continually raise new capital. From our perpetual strategies, we earn:

1. Long-term perpetual **base management fees**, which are based on total capitalization or net asset value ("NAV") of our perpetual affiliates and the NAV of our perpetual private funds.
2. Stable **incentive distribution[1]** 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 our perpetual private funds.

Liquid Strategies – $80 billion fee-bearing capital

We manage publicly listed funds and separately managed accounts, focused on fixed income and equity securities across real estate, infrastructure and natural resources. We earn **base management fees**, which are based on committed capital and fund NAV, and performance income based on investment returns.

INVESTED CAPITAL

We have approximately $68 billion of invested capital on our balance sheet as a result of our history as an owner and operator of real assets. This capital provides attractive financial returns and important stability and flexibility to our asset management business.

Key attributes of our invested capital:

- Transparent – a significant portion of our invested capital is in our publicly traded investments. The remainder is primarily held in our recently privatized real estate perpetual affiliate, a residential homebuilding business, and a few other directly held investments.
- Diversified, long-term, stable cash flows – received from our underlying perpetual affiliates. These cash flows are underpinned by investments in real assets which should provide inflation protection and less volatility compared to traditional equities, and higher yields compared to fixed income.
- Strong alignment of interests – we are the largest investor in each of our perpetual affiliates, and in turn, the perpetual affiliates are typically the largest investor in each of our private funds.

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 136.

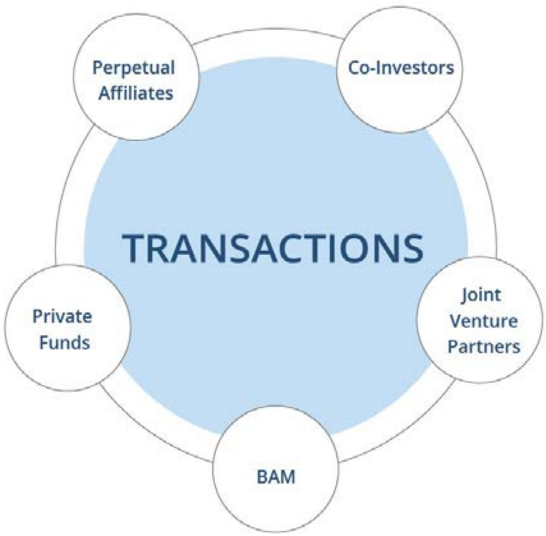
COMPETITIVE ADVANTAGES

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.

LARGE-SCALE CAPITAL

We have approximately $690 billion in assets under management.

We offer our investors a large portfolio of private funds that have global mandates and diversified strategies. Our access to large-scale, flexible capital enables us to pursue transactions of a size that lessens competition. In addition, investing significant amounts of our own capital either through our perpetual affiliates or through our own balance sheet ensures strong alignment of interest with our investors.



OPERATING EXPERTISE

We have approximately 180,000 operating employees worldwide who are instrumental in maximizing the value and cash flows from our operations.

We believe that strong operating experience is essential in maximizing efficiency and productivity – and ultimately, returns. We do this by maintaining a culture of long-term focus, alignment of interest and collaboration through the people we hire and our operating philosophy. This in-house operating expertise developed through our heritage as an owner-operator is invaluable in underwriting acquisitions and executing value-creating development and capital projects.

GLOBAL REACH

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

Our global reach allows us to diversify and identify a broad range of opportunities. We are able to invest where capital is scarce, and our scale enables us to move quickly and pursue multiple opportunities across different markets. Our global reach also allows us to operate our assets more effectively: we believe that a strong on-the-ground presence is critical to operating successfully in many of our markets, and many of our businesses are truly local. Furthermore, the combination of our strong local presence and global reach allows us to bring global relationships and operating practices to bear across markets to enhance returns.

INVESTMENT CYCLE

Raise Capital

As an asset manager, the starting point is establishing new funds and other investment products for investors. This in turn provides the capital to invest, from which we earn base management fees, incentive distributions and performance-based returns such as carried interest. Accordingly, we create value by increasing our amount of fee-bearing capital and by achieving strong investment performance that leads to increased cash flows and asset values.

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

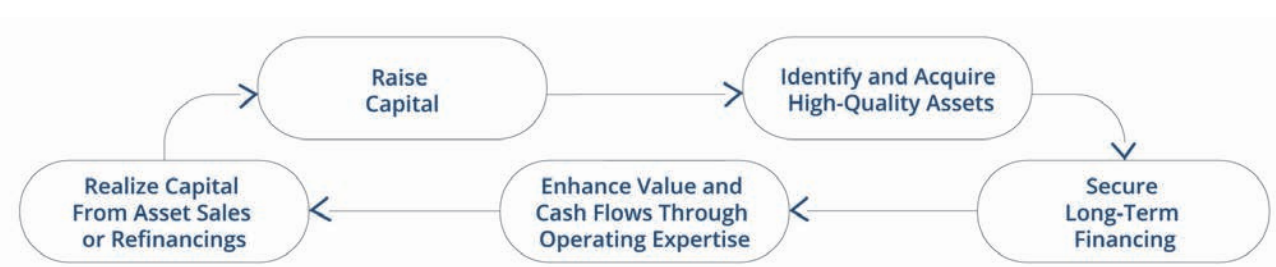
Our strong, time-tested operating capabilities enable us to increase the value of the assets within our businesses and the cash flows they produce, and they help to protect capital in adverse conditions. Our operating expertise, development capabilities and effective financing can help ensure that an 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 our limited life funds that capital is returned to investors, and in the case of our 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 our fee-bearing capital. 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 $5.1 billion of core liquidity[1] and $92.1 billion of total liquidity[1] on a group basis as at December 31, 2021. We manage our liquidity and capitalization on a group-wide basis, which we organize into three principal tiers:

i) The Corporation:

- 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 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) Managed funds, or investments, either held directly or within perpetual affiliates:

- Each underlying investment 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 private funds, 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 in our private funds 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 136.

- 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, 2021, only $10.9 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 ($5.1 billion in the form of cash and financial assets and undrawn credit facilities as at December 31, 2021) at the corporate level to bridge larger fund transactions, seed new fund products, invest in businesses alongside our fund investors or participate in equity issuances by our perpetual affiliates.
- On a group basis, we have approximately $92.1 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 our private funds.

AS AT DEC. 31, 2021 (MILLIONS)	Corporate Liquidity	Group Liquidity
Cash and financial assets, net	$ 3,522	$ 6,233
Undrawn committed credit facilities	1,618	8,778
Core liquidity	5,140	15,011
Third-party uncalled private fund commitments	—	77,079
Total liquidity	**$ 5,140**	**$ 92,090**

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 12-15% return compounded over the long-term while always maintaining excess capital 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)	**2021**	2020
Cash and cash equivalents	**$ 1,197**	$ 1,283
Other financial assets	**3,430**	3,809
Common equity in managed investments	**46,248**	33,732
Other assets and liabilities of the Corporation	**6,585**	6,321
Corporation's Capital	**$ 57,460**	$ 45,145

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

AS AT DEC. 31 (MILLIONS)	2021	2020
Common equity	**$ 42,210**	$ 31,693
Preferred shares	**4,145**	4,145
Non-controlling interest	**230**	230
Corporate borrowings	**10,875**	9,077
Corporation’s Capital	**$ 57,460**	$ 45,145

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 17% of our corporate book capitalization and equate to just 6% of our consolidated debt.

The remaining 94% 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	
	2021	2020	2021	2020
Corporate borrowings	**$ 10,875**	$ 9,077	**$ 10,875**	$ 9,077
Non-recourse borrowings				
Subsidiary borrowings	**—**	—	**13,049**	10,768
Property-specific borrowings	**—**	—	**152,008**	128,556
	10,875	9,077	**175,932**	148,401
Corporation’s Capital, excluding corporate borrowings	**46,585**	36,068	**46,585**	36,068
Accounts payable, deferred taxes and other	**5,403**	5,395	**168,486**	159,227
Total capitalization	**$ 62,863**	$ 50,540	**$ 391,003**	$ 343,696
Debt to capitalization	**17%**	18%	**45%**	43%

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:

- Fee-related earnings[1] that are supported by long-term and perpetual contractual agreements.
- Distributions from investments which are stable and backed by high-quality operating assets.

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

Distributable Earnings ("DE")[1] was $6.3 billion for 2021, and over the past five years has grown at a 32% compound annual growth rate.

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2021	2020
Fee-related earnings[1]	**$ 1,899**	$ 1,428
Distributions from investments	**2,198**	1,846
Corporate activities	**(592)**	(539)
Preferred share dividends[2]	**(157)**	(142)
	(749)	(681)
Add back: equity-based compensation costs	**119**	94
Distributable earnings before realizations	**3,467**	2,687
Realized carried interest, net[3, 4]	**715**	348
Disposition gains from principal investments	**2,100**	1,185
Distributable earnings	**$ 6,282**	$ 4,220

1. Includes $250 million (2020 – $186 million) of fee-related earnings from Oaktree at our share.
2. Includes $9 million (2020 – $1 million) of dividends paid on perpetual subordinated notes for the year ended December 31, 2021.
3. Includes our share of Oaktree's distributable earnings attributable to realized carried interest.
4. See definition in Glossary of Terms beginning on page 136.

1. See definition in Glossary of Terms beginning on page 136.

RISK MANAGEMENT

FOCUS ON RISK CULTURE	SHARED EXECUTION	OVERSIGHT & COORDINATION
Maintain an effective risk culture that aligns our business strategy and activities with our risk appetite	Business and functional groups are primarily responsible for identifying and managing risks within their business	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 such as human capital, climate change, liquidity, disruption, regulatory compliance and other strategic, financial, and operational risks. Management and mitigation approaches and practices 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 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 approaches and 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
- **Environmental, Social and Governance (ESG) Steering Committee** – oversees ESG initiatives, with a focus on health, safety, security and environmental matters
- **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 and potential conflicts of interest

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") 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 implementing robust ESG programs throughout our asset management business and underlying operations, which has always been a key priority for us.

Our approach to ESG is based on the following guiding principles:

Mitigate the impact of our operations on the environment:

– Strive to minimize the environmental impact of our 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 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 Business Conduct and Ethics

– 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

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. Each aspect of ESG is overseen by select senior executives from BAM and each of our business groups, who are charged with driving ESG initiatives based on our business imperatives, industry developments and best practices, in each case 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 industry-specific guidelines that incorporate Sustainability Accounting Standards Board guidance. In addition, we have developed a comprehensive climate change risk assessment, driven by our alignment with the Task Force on Climate-related Financial Disclosures ("TCFD") and our commitment to net zero. This risk assessment provides a framework for evaluating climate change risks and opportunities—both for physical as well as transition risks. We also have added a separate human rights and modern slavery risk assessment to our due diligence process with the objective of mitigating the risks of modern slavery and human rights violations for potential investments, including supply chains. Where required, we perform deeper due diligence, working with internal experts and third-party consultants 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 risks, health and safety risks, and environmental and social 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. This is because 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 during the holding period.

Below is a summary of some of the ESG initiatives that we undertook in 2021. For additional information, please refer to Brookfield's latest ESG report, which is available on the Responsibility page at brookfield.com.

ENVIRONMENTAL

Commitment to Net Zero

We support the goal of net zero greenhouse gas ("GHG") emissions by 2050 or sooner. We believe that the transition to net zero represents an enormous investment opportunity estimated at $3.5–$5.0 trillion annually and will require large economic adjustments and potential rewiring of virtually every industry. We are committed to doing our part to support the global decarbonization effort.

To formalize our support, in March 2021, Brookfield became a signatory to the Net Zero Asset Managers ("NZAM") initiative. As part of joining this initiative, we will (i) work on decarbonization goals, consistent with an ambition to reach net-zero emissions by 2050 or sooner across all assets under management; (ii) set an interim target of a specific proportion of our assets to be managed in line with net zero, with targeted emissions reduction by 2030; and (iii) review this interim target at least every five years, with a view to increasing the proportion of AUM covered until 100% of assets are included. As an initial step, we are working on creating a consistent GHG emissions inventory across our portfolio companies and are in the process of setting an interim target that outlines the proportion of assets to be managed in line with net zero by 2030.

We believe many of our operating businesses are well-positioned to play a critical role in the transition to net zero. We are one of the largest pure-play global owners and operators of hydroelectric, wind and solar power generation facilities, and we have a significant development portfolio. In addition, we are one of the world's largest owners of real estate, and the majority of our office and retail assets have earned green building certificates, thereby meeting stringent environmental sustainability standards. Finally, our infrastructure and private equity businesses encompass a diverse range of assets, many of which not only help form the backbone of the global economy but are well positioned to generate positive environmental outcomes.

In 2021, we launched the Brookfield Global Transition Fund, Brookfield's first dedicated impact fund, which will invest in the global transition to net zero. Specifically, the fund will focus on investments that contribute to the decarbonization of the global economy across three main themes: (i) new-build renewable power generation and related technologies that provide additional capacity to the energy mix; (ii) business transformation of companies in industries, such as steel, cement and chemicals, which require both renewable power generation to lower their carbon footprint and capital to decarbonize their production processes; and (iii) the provision of capital to electricity generators to enable them to shift from coal to gas and from gas to renewables. We are in the final stages of closing this $15 billion fund and have already started putting capital to work.

Sustainable Finance

We have continued to be active in the sustainable finance market, with issuances in 2021 reaching $8 billion across green bonds and hybrid securities, sustainability-linked debt and sustainability-linked loans, up from $3.6 billion in 2020. We also published the Brookfield Asset Management Green Bond and Preferred Securities Framework, which lays out the process for evaluating and selecting the eligible investments, the use and management of the proceeds, and the reporting frequency and format.

TCFD Alignment

In 2021, we became supporters of the TCFD, and many of the above-mentioned initiatives also relate to our continued effort to align with the TCFD recommendations. This applies to embedding climate change considerations into our strategy through our net-zero commitment, our sustainable financing efforts and the launch of our inaugural transition fund. In addition, in 2021 we also undertook a climate risk assessment to better understand the potential physical and transition risks, as well as opportunities, across all our businesses. We are leveraging those results to identify ways to improve our approach to climate change mitigation and adaptation and continue to integrate these considerations into our business and investment strategies.

Finally, we continue to align our business with the TCFD recommendations and are targeting to publish TCFD disclosures for the 2022 fiscal year in 2023.

SOCIAL

Diversity, Equity and Inclusion

We recognize that our people drive our success. Developing our 2,300 asset management employees and ensuring their continued engagement is 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 2021, 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. Specifically, over the last five years, we have more than doubled our employee population and during this period we have increased our female representation at the most senior levels of the organization by 140%; female representation among managing partners/managing directors increased from 7% to 19%, and among senior vice presidents from 15% to 33%.

Further, in 2021, we launched a global process for employees to self-identify their ethnicity. This information will assist us in identifying specific areas of focus related to increasing ethnic diversity. Our response rate in countries with more than 100 employees (U.S., Canada, Australia, the U.K. and Brazil) was 92%. These results demonstrate our current state of diversity:

Global Ethnic Diversity Metrics

White	55 %
Asian	21 %
Black	4 %
Hispanic	3 %
Two or More Races	7 %
Did Not Respond or Declined to Self-Identify	10 %

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 our 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 our 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.

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' 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

Our approach to addressing modern slavery is designed to be commensurate with the risks we face, which vary based on jurisdiction, industry and sector. In 2021, we expanded our U.K. modern slavery and human trafficking policy to a global modern slavery policy that covers all Brookfield entities and 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 modern slavery risks and the steps to be taken to mitigate these risks. These include our Code of Conduct, Vendor Management Guidelines, ESG Due Diligence Guidelines, ABC Program, Anti-Money Laundering Program and Whistleblowing Program. Our portfolio companies' senior management teams are each responsible for identifying and managing the modern slavery and human rights risks for their individual businesses.

Employees in certain jurisdictions and functions receive modern slavery training as part of the onboarding process and access ongoing training, as necessary. In particular, we regularly train employees involved in higher-risk functions, such as procurement. 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 modern slavery and human trafficking are complex and evolving, and we will continue to work on addressing these risks in our business.

COVID-19 Update

The pandemic placed high demands on all of our people, requiring close coordination across the organization, increased communication with investors and employees, and deep engagement with communities and other stakeholders around the world. Over this period, our experience reinforced for us what we consider to be the core strengths of Brookfield: adhering to a business model that supports resilience, keeping a long-term perspective—especially during periods of uncertainty and volatility—maintaining a collaborative corporate culture, and putting our assets and resources to good use for the community. It will likely take years to understand the full extent of the pandemic's global impact; however, we believe that we have emerged more resilient, more flexible and, in some ways, more connected than ever.

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.

Proxy Voting Guidelines

In 2021, Brookfield formally established Proxy Voting Guidelines, which apply when Brookfield votes proxies for its own accounts and those of its clients. These guidelines ensure that we vote 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 assets under management, 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.

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. The results of the NIST Cybersecurity Maturity Assessment conducted in 2021 validated the strength of our program. Finally, in addition to continued mandatory cybersecurity education for all employees, we enhanced our phishing simulations to include social engineering.

ESG Affiliations and Partnerships

Finally, we continue to align our business practices with leading 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. Starting on page 55 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 2021, our operating performance was strong, with most of our businesses generating solid financial results. The market environment was strong and continues to get stronger in most, if not all, of the key markets that we operate in.

Net income was $12.4 billion in the current year, with $4.0 billion attributable to common shareholders ($2.39 per share) and the remaining income attributable to non-controlling interests.

The $11.7 billion increase in consolidated net income and the $4.1 billion increase in net income attributable to common shareholders were primarily attributable to:

- fair value gains of $5.2 billion compared to a loss of $1.4 billion in the prior year, primarily driven by valuation gains on our investment properties;
- an increase in equity accounted income of $2.5 billion from valuation gains on investment properties held in our equity accounted investments; and
- contributions from acquisitions during the year and same-store[1] growth across our operations; partially offset by
- income tax expense of $2.3 billion compared to $837 million in 2020, predominantly attributable to an increase in tax rates in the U.K. and Colombia, higher taxable income relative to the prior year and the tax impact of the aforementioned fair value uplifts; 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 net valuation gains and revaluations of our investment properties and property, plant and equipment (“PP&E”) primarily within our Real Estate and Renewable Power and Transition segments. Equity accounted investments also increased due to additions and our share of comprehensive income generated in those businesses. These increases were partially offset by dispositions during the year of our West Fraser Timber Co. (“West Fraser”)[1] shares, other financial assets and a portfolio of investment properties.

1. See definition in Glossary of Terms beginning on page 136.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the company for 2021, 2020 and 2019:

FOR THE YEARS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2021	2020	2019	Change 2021 vs. 2020	Change 2020 vs. 2019
Revenues	**$ 75,731**	$ 62,752	$ 67,826	$ 12,979	$ (5,074)
Direct costs[1]	**(64,000)**	(53,177)	(57,604)	(10,823)	4,427
Other income and gains	**3,099**	785	1,285	2,314	(500)
Equity accounted income (loss)	**2,451**	(79)	2,498	2,530	(2,577)
Expenses					
Interest	**(7,604)**	(7,213)	(7,227)	(391)	14
Corporate costs	**(116)**	(101)	(98)	(15)	(3)
Fair value changes	**5,151**	(1,423)	(831)	6,574	(592)
Income tax expense	**(2,324)**	(837)	(495)	(1,487)	(342)
Net income	**12,388**	707	5,354	11,681	(4,647)
Non-controlling interests	**(8,422)**	(841)	(2,547)	(7,581)	1,706
Net income (loss) attributable to shareholders	**$ 3,966**	$ (134)	$ 2,807	$ 4,100	$ (2,941)
Net income (loss) per share[2]	**$ 2.39**	$ (0.12)	$ 1.73	$ 2.51	$ (1.85)

1. 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 an increase to direct costs by $5.8 billion and $4.9 billion for the years ended December 31, 2020 and 2019, respectively, with equal and offsetting decreases 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.

2021 vs. 2020

Revenues for the year were $75.7 billion, an increase of $13.0 billion or 21% compared to 2020, primarily due to the recovery from the pandemic related economic shutdowns in 2020, including:

- higher volumes and prices at our road fuels and our advanced energy storage operations within our Private Equity segment. Included within revenues and direct costs of our road fuels operation are import duties that are passed through to their customers;
- 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
- revenues from acquisitions during the year, net of the absence of contributions from businesses fully or partially sold; partially offset by
- 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 in our Private Equity segment.

A discussion of the impact on revenues and net income from recent acquisitions and dispositions can be found on page 45.

Direct costs increased by 20% or $10.8 billion primarily due to:

- the aforementioned higher volumes and prices at our road fuels operation in our Private Equity segment, as well as incremental costs associated with organic growth initiatives at our Infrastructure segment;
- an increase in depreciation and amortization expense due to an increase in the carrying value of our PP&E from the impact of revaluation gains as part of our year-end revaluation process; 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 $3.1 billion primarily relate to the sale of our Canadian and U.S. district energy operations in our Infrastructure segment.

Equity accounted income increased by $2.5 billion primarily due to:

- valuation gains in our retail and office portfolios held in our equity accounted investments; and
- strong operating performance at Oaktree Capital Management ("Oaktree")[1]; partially offset by
- the absence of contributions from Norbord Inc. ("Norbord")[1] after our investment was converted into West Fraser's shares as part of the West Fraser — Norbord strategic business combination. Since the first quarter of 2021, our interest in West Fraser has been accounted for as a financial asset.

Interest expense of $7.6 billion increased by $391 million due to additional borrowings associated with acquisitions, partially offset by the impact of dispositions and the refinancing of debt across our operations.

We recorded fair value gains of $5.2 billion, compared to losses of $1.4 billion in the prior year, primarily as a result of valuation gains on our LP investments, partially offset by valuation losses of certain retail portfolios across our real estate business. Refer to pages 46 and 47 for a discussion on fair value changes.

We recorded an income tax expense of $2.3 billion for the year compared to $837 million in the prior year mainly 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.

2020 vs. 2019

Revenues decreased by $5.1 billion in 2020 primarily due to the impact of the economic shutdowns, including lower volumes and lower contributions at our road fuels operations and our construction operations within our Private Equity segment, respectively. These decreases also related to lower revenues at our hospitality assets within our Real Estate segment as a result of reduced occupancy levels, partially offset by a full year of contributions from acquisitions completed in 2019, including businesses acquired within our Private Equity segment, and acquisitions completed in 2020. Furthermore, the benefits of organic growth within our Infrastructure segment, net of the foreign exchange impact, contributed to our revenues in 2020.

Direct costs decreased by $4.4 billion in 2020 due to the aforementioned lower volumes at our road fuels operations and cost saving initiatives across a number of our businesses. These decreases were partially offset by higher direct costs related to recent acquisitions, net of dispositions, incremental costs associated with organic growth initiatives at our operations and an increase in depreciation and amortization expense, due to an increase in the carrying value of our PP&E from the impact of revaluation gains as part of our year-end revaluation process.

Other income and gains of $785 million in 2020 primarily relate to the sales of our cold storage logistics business and the pathology business within our healthcare service operations in our Private Equity segment, as well as the sale of our self-storage business in our Real Estate segment.

Equity accounted income decreased from $2.5 billion to a loss of $79 million. This decrease primarily related to valuation losses in our real estate retail portfolio as a result of adjusted discounted cash flows in light of the economic shutdown, partially offset by a deferred tax recovery at our Brazilian data center operations in our Infrastructure segment and strong operating performance at Norbord.

1. See definition in Glossary of Terms beginning on page 136.

Interest expense of $7.2 billion remained consistent in 2020 versus 2019 as the benefits from lower interest rates on issued borrowings and our variable rate debt held at our real estate operations were partially offset by additional interest expense paid on new debt offerings.

We recorded fair value losses of $1.4 billion in 2020, compared to $831 million in 2019, primarily as a result of:

- valuation losses due to revised valuation assumptions, including rental growth and leasing assumptions, in our retail and office portfolios; partially offset by
- valuation gains in our LP investments portfolio, including our life sciences portfolio held within our Real Estate segment.

Income tax expense increased by $342 million to $837 million in 2020, primarily due to the absence of the 2019 deferred income tax recovery of $475 million, related to the recognition of deferred tax assets due to the projected utilization of net operating loss carryforwards.

SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

We have summarized below the impact of recent significant acquisitions and dispositions on our results for 2021:

FOR THE YEAR ENDED DEC. 31, 2021 (MILLIONS)	Acquisitions		Dispositions	
	Revenue	Net Income (Loss)	Revenue	Net Income (Loss)
Renewable Power and Transition	$ 205	$ 24	$ (89)	$ 48
Infrastructure	1,929	171	(511)	(39)
Private Equity	1,678	(12)	(1,183)	(413)
Real Estate	682	468	(478)	(907)
	$ 4,494	$ 651	$ (2,261)	$ (1,311)

ACQUISITIONS

Acquisitions in 2021 and 2020 contributed incremental revenues and net income of $4.5 billion and $651 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 $205 million and $24 million, respectively. These contributions were primarily due to the acquisitions of a distributed generation platform and a wind portfolio in the U.S. in the first quarter of 2021.

Infrastructure

Recent acquisitions contributed incremental revenues of $1.9 billion and net income of $171 million. These contributions were primarily from Inter Pipeline Ltd. ("IPL")[1] which was acquired in 2021, as well as our Indian telecom towers operation and our U.S. LNG export terminal, which were both acquired in the third quarter of 2020.

Private Equity

Within our Private Equity segment, recent acquisitions contributed to incremental revenues of $1.7 billion and net loss of $12 million. These contributions and net loss were primarily from acquisitions of a technology services operation, a solar power solutions operation and an engineered components manufacturer in the first, third and fourth quarter of 2021, respectively.

Real Estate

Recent acquisitions contributed incremental revenues of $682 million and net income of $468 million. These contributions were primarily from the acquisition of hospitality assets made through our Brookfield Strategic Real Estate Partners III fund ("BSREP III")[1].

DISPOSITIONS

Recent asset sales reduced revenues and net income by $2.3 billion and $1.3 billion, respectively, in the current year. The assets that most significantly impacted our results were the dispositions of our life science portfolio in our Real Estate segment and our North American district energy operations in our Infrastructure segment, as well as the partial dispositions of our graphite electrode operations in our Private Equity segment and our Australian export terminal in our Infrastructure segment.

1. See definition in Glossary of Terms beginning on page 136.

FAIR VALUE CHANGES

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2021**	2020	Change
Investment properties	**$ 5,073**	$ (269)	$ 5,342
Transaction related gains, net of expenses	**714**	20	694
Financial contracts	**984**	686	298
Impairment and provisions	**(654)**	(808)	154
Other fair value changes	**(966)**	(1,052)	86
Total fair value changes	**$ 5,151**	$ (1,423)	$ 6,574

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 our private funds ("LP Investments").

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2021**	2020	Change
Core	**$ (174)**	$ (345)	$ 171
Transitional and Development	**(259)**	(1,433)	1,174
LP Investments and Other	**5,506**	1,509	3,997
	$ 5,073	$ (269)	$ 5,342

We discuss the key valuation inputs of our investment properties on pages 102 and 103.

Core

Valuation losses of $174 million are mainly 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 losses were partially offset by valuation gains at our office portfolio in Canada.

Valuation losses of $345 million in the prior year were primarily due to changes to leasing assumptions as a result of the impacts from the pandemic related economic shutdowns in our downtown New York office portfolio, partially offset by gains as certain assets neared completion and met development milestones at our London and Toronto office portfolios, respectively.

Transitional and Development

Valuation losses of $259 million primarily relate to:

- valuation losses on retail assets due to updated leasing and cash flow assumptions; partially offset by
- an increase in values on certain office assets in Australia as a result of higher external appraisal values.

Valuation losses of $1.4 billion in the prior year were primarily related to changes in assumptions on a space-by-space basis to reflect the impacts of the pandemic related economic shutdowns.

LP Investments and Other

Valuation gains of $5.5 billion primarily relate to:

- an increase in values of our U.S. manufactured housing business as a result of higher external appraisals;

- capitalization rate compression in our multi-family assets mainly within our Forest City Realty Trust Inc. ("Forest City")[1] portfolio and our U.S. multi-family REIT;
- fair value uplifts at our mixed-use property in Seoul to reflect higher comparable market pricing;
- a higher valuation at our Australian senior living business due to an increase in unit prices, as well as increased market rent assumptions at our U.S. logistics portfolio; and
- an increase in operating income at our U.K. student housing business due to improved cash flows; partially offset by
- valuation losses on certain retail assets in the U.S. as a result of changes to cash flow assumptions.

In the prior year, valuation gains of $1.5 billion were primarily due to gains on our life science assets in our Forest City portfolio, our mixed-use property in China, our Brazil office portfolio, our U.K. student housing portfolio and our U.S. manufactured housing portfolio. These gains were partially offset by updated cash flow assumptions on our retail and office assets as a result of the impact of the pandemic related economic shutdown.

TRANSACTION RELATED GAINS, NET OF EXPENSES

Transaction related gains, net of expenses, totaled $714 million for the year. This was primarily due 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.

The prior year transaction related gains, net of expenses, of $20 million primarily relate to restructuring gains at our Infrastructure and Private Equity segments, partially offset by the early redemption of debt across a number of our businesses and transaction costs related to acquisitions.

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.

The gain of $984 million in 2021 is primarily attributable to gains on our toehold positions in our Infrastructure and Real Estate businesses, 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.

Unrealized gains of $686 million in the prior year primarily related to gains on our financial contracts in our Private Equity segment and mark-to-market movements on market and currency hedges, partially offset by losses on interest rate and cross-currency swaps, which did not qualify for hedge accounting.

IMPAIRMENT PROVISIONS

Impairment and provisions expense for the year of $654 million is primarily attributable to the impairment of PP&E and goodwill in our offshore oil services operations and provisions taken at our advanced energy storage operations within our Private Equity segment. In addition, legal provisions at our Brazil residential development business are included in this balance.

OTHER FAIR VALUE CHANGES

Other fair value losses of $1.0 billion were reported for the year. These losses primarily relate to accretion expenses and amortization of deferred financing fees across most operations. The remainder of the losses are various one-time charges across our segments.

1. See definition in Glossary of Terms beginning on page 136.

INCOME TAXES

We recorded an aggregate income tax expense of $2.3 billion in 2021 (2020 – $837 million), including current tax expenses of $1.1 billion (2020 – $756 million) and deferred tax expense of $1.2 billion (2020 – $81 million).

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	**2021**	2020	Change
Statutory income tax rate	**26%**	26%	—%
(Reduction) increase in rate resulting from:			
Portion of gains subject to different tax rates	**(3)**	(10)	7
Change in tax rates and new legislation	**3**	12	(9)
Taxable income attributed to non-controlling interests	**(10)**	(31)	21
International operations subject to different tax rates	**(1)**	52	(53)
Recognition of deferred tax assets	**(2)**	(10)	8
Non-recognition of the benefit of current year's tax losses	**2**	8	(6)
Other	**1**	7	(6)
Effective income tax rate	**16%**	54%	(38%)

The increase in income tax expense is primarily attributed to higher net income generated in 2021. This year, we recorded realized disposition gains[1] that were subject to tax rates that were different compared to our statutory income tax rate. This contributed to a 3% reduction in our effective tax rate. This reduction was offset by a non-recurring deferred tax expense due to an increase in tax rates in jurisdictions we operate in, which increased our effective tax rate by 3%.

As an asset manager, 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 10% 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 1% decrease in our effective tax rate this year. The difference will vary from period to period depending on the relative proportion of income in each country.

1. See definition in Glossary of Terms beginning on page 136.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the company as at December 31, 2021, 2020 and 2019:

AS AT DEC. 31 (MILLIONS)	2021	2020	2019	Change 2021 vs. 2020	Change 2020 vs. 2019
Assets					
Property, plant and equipment	**$115,489**	$100,009	$ 89,264	$ 15,480	$ 10,745
Investment properties	**100,865**	96,782	96,686	4,083	96
Equity accounted investments	**46,100**	41,327	40,698	4,773	629
Cash and cash equivalents	**12,694**	9,933	6,778	2,761	3,155
Accounts receivable and other	**21,760**	18,928	18,469	2,832	459
Intangible assets	**30,609**	24,658	27,710	5,951	(3,052)
Goodwill	**20,227**	14,714	14,550	5,513	164
Other assets	**43,259**	37,345	29,814	5,914	7,531
Total assets	**$391,003**	$343,696	$323,969	$ 47,307	$ 19,727
Liabilities					
Corporate borrowings	**$ 10,875**	$ 9,077	$ 7,083	$ 1,798	$ 1,994
Non-recourse borrowings of managed entities	**165,057**	139,324	136,292	25,733	3,032
Other non-current financial liabilities	**27,718**	28,524	23,997	(806)	4,527
Other liabilities	**52,612**	44,129	39,751	8,483	4,378
Equity					
Preferred equity	**4,145**	4,145	4,145	—	—
Non-controlling interests	**88,386**	86,804	81,833	1,582	4,971
Common equity	**42,210**	31,693	30,868	10,517	825
Total equity	**134,741**	122,642	116,846	12,099	5,796
	$391,003	$343,696	$323,969	$ 47,307	$ 19,727

2021 vs. 2020

Total assets increased by $47.3 billion since December 31, 2020 to $391.0 billion as at December 31, 2021. The increase is driven by business combinations and asset acquisitions, which added total assets of $62.8 billion during the year. Net valuation gains recognized on our PP&E during the year also contributed to the increase in total assets. These increases were partially offset by amortization and depreciation as well as assets sold during the year.

We have summarized the impact of business combinations as well as equity accounted investment, investment properties and PP&E additions for the year ended December 31, 2021 in the table below:

FOR THE YEAR ENDED DEC. 31, 2021 (MILLIONS)	Private Equity	Infrastructure	Real Estate	Renewable Power and Transition and Other	Total
Cash and cash equivalents	$ 288	$ 217	$ 78	$ 3	**$ 586**
Accounts receivable and other	826	455	104	100	**1,485**
Inventory	690	23	2	6	**721**
Equity accounted investments	1,360	—	3,104	1,505	**5,969**
Investment properties	—	106	14,408	31	**14,545**
Property, plant and equipment	3,984	11,504	4,212	4,847	**24,547**
Intangible assets	4,535	3,734	67	—	**8,336**
Goodwill	3,960	2,400	113	118	**6,591**
Deferred income tax assets	6	9	—	—	**15**
Total Assets	15,649	18,448	22,088	6,610	**62,795**
Less:					
Accounts payable and other	(1,811)	(3,271)	(131)	(188)	**(5,401)**
Non-recourse borrowings	(132)	(6,698)	(1,452)	(975)	**(9,257)**
Deferred income tax liabilities	(1,215)	(1,430)	(113)	—	**(2,758)**
Non-controlling interests[1]	(22)	(156)	(3)	(2)	**(183)**
	(3,180)	(11,555)	(1,699)	(1,165)	**(17,599)**
Net assets acquired	$ 12,469	$ 6,893	$ 20,389	$ 5,445	**$ 45,196**

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.

We have summarized below the major contributors to the year-over-year variances for the statement of financial position.

PP&E increased by $15.5 billion primarily as a result of:

- additions of $24.5 billion, primarily related to the acquisition of IPL in our Infrastructure segment; and
- revaluation surplus of $6.1 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
- dispositions and assets reclassified as held for sale of $7.1 billion, most notably from the sales of our North American district energy operations within our Infrastructure segment, wind portfolios in the U.S. and Europe within our Renewable Power and Transition segment, and mixed-use and hospitality assets within our Real Estate segment;
- depreciation of $5.0 billion in the year; and
- the adverse impact of foreign currency translation of $2.2 billion.

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

Investment properties consist primarily of the company's real estate assets. The balance as at December 31, 2021 increased by $4.1 billion, primarily due to:

- additions of $14.5 billion, mainly through the purchase of investment properties within our real estate funds; and
- net valuation gains of $5.1 billion, primarily driven by valuation gains on our LP investments; partially offset by
- asset sales and reclassifications to assets held for sale of $15.0 billion, primarily in our real estate funds; and
- the negative impact of foreign currency translation of $1.1 billion.

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

Equity accounted investments increased by $4.8 billion to $46.1 billion in the current year, mainly due to:

- additions of $4.0 billion, net of dispositions, primarily 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, as a result of the partial sale of our stake in the business in 2021; and
- our proportionate share of comprehensive income of $3.4 billion; partially offset by
- distributions and returns of capital received of $2.0 billion; and
- foreign currency translation and other items of $668 million.

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

Cash and cash equivalents increased by $2.8 billion as at December 31, 2021. 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 are comprised of inventory, deferred income tax assets, assets classified as held for sale and other financial assets. The increase of $5.9 billion is primarily a result of:

- an increase in assets held for sale of $6.0 billion largely attributable to the reclassification of our office assets and other properties within our Real Estate segment to held for sale, partially offset by the derecognition of our investment in Norbord within our Private Equity segment in the first quarter of 2021; and
- an increase in inventory of $1.1 billion mainly due to the acquisition of our engineered components manufacturer and increased prices and inventory at our advanced energy storage operations within our Private Equity segment; partially offset by
- a decrease in other financial assets of $1.2 billion as a result of the sale of a portion of our securities portfolio and toehold positions during the year.

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

Non-recourse borrowings of managed entities increased by $25.7 billion, net of borrowings reclassified to held for sale, largely attributable to recent acquisitions across our business 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 decrease of $806 million was primarily due to a decrease in insurance contract liabilities as a result of the deconsolidation of our annuities business as part of the Brookfield Asset Management Reinsurance Partners Ltd. ("BAMR")[1] spin-out in the second quarter of 2021.

The increase of $8.5 billion in other liabilities, was primarily due to the increase in deferred income tax liabilities mainly as a result of acquisitions completed in the year, the aforementioned fair value uplifts in our Real Estate segment and revaluation of PP&E in our Renewable Power and Transition segment. Refer to Part 4 – Capitalization and Liquidity for more information.

2020 vs. 2019

Consolidated assets as at December 31, 2020 were $343.7 billion, compared to $324.0 billion as at December 31, 2019. Year-over-year increases were primarily due to business combinations and asset acquisitions completed in 2020, as well as net valuation gains recognized on our PP&E. These increases were partially offset by assets sold in 2020.

PP&E increased by $10.7 billion in 2020 primarily as a result of acquisitions completed across our segments and revaluation gains largely in our Renewable Power and Transition segment. These increases were partially offset by depreciation and the deconsolidation of our hospitality investments and other businesses in 2020.

Investment properties were $96 million higher at the end of 2020 compared to 2019 primarily due to capital expenditures, the purchase of investment properties and the positive impact of foreign currency translation. These increases were partially offset by asset sales, including a self-storage portfolio and an office asset in London within our Real Estate segment, as well as reclassifications to assets held for sale.

Equity accounted investments were $41.3 billion as at December 31, 2020, an increase of $629 million compared to 2019. The increase was mainly due to the acquisition of an interest in the work access services operation and the U.S. LNG export terminal within our Private Equity and Infrastructure segments, respectively. In addition, the increase was due to our proportionate share of the comprehensive income in 2020. These increases were partially offset by the reclassification of our interest in Norbord to held for sale, as well as distributions and returns of capital received.

Cash and cash equivalents increased by $3.2 billion as at December 31, 2020 compared to 2019 primarily due to net proceeds from corporate debt issuances, the secondary offerings of BEP units, BEPC and BIPC shares, as well as cash received from asset sales. These items were partially offset by cash used in business combinations completed in 2020.

Intangible assets decreased by $3.1 billion due to the impact of foreign currency translation and amortization, partially offset by additions from acquisitions in our Infrastructure segment in 2020. Goodwill increased by $164 million due to the acquisition of new businesses, partially offset by the sale of the pathology business in our healthcare services operation in 2020.

Other assets increased by $7.5 billion primarily as a result of strategic investments acquired and opportunistic financial asset positions entered into across most of our segments in 2020, as well as an increase in assets held for sale mainly attributable to the reclassification of retail and office assets within our Real Estate segment and our equity investment in Norbord within our Private Equity segment. These items were partially offset by the sale of the Australian portion of our rail operation and a Colombian regulated distribution operation within our Infrastructure segment in 2020.

1. See definition in Glossary of Terms beginning on page 136.

Corporate borrowings increased by $2.0 billion due to issuances of a $600 million 30-year note, a $750 million 10-year note, a $500 million 31-year note and a $400 million 60-year note in 2020. These were partially offset by a repayment of a $251 million (C$350 million) note in 2020.

Non-recourse borrowings increased by $3.0 billion in 2020 as a result of an increase in subsidiary borrowings across the businesses to take advantage of the low interest rate environment to strengthen liquidity, as well as an increase in property-specific borrowings mainly related to the aforementioned acquisitions in 2020.

Other non-current financial liabilities increased by $4.5 billion in 2020 primarily due to the aforementioned acquisitions in 2020 as well as an increase in lease obligations in our Real Estate segment.

Other liabilities increased by $4.4 billion in 2020 primarily attributable to an increase in financial liabilities associated with hedges in our Infrastructure segment as well as liabilities associated with assets held for sale in our Real Estate segment.

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 year-over-year variances for common equity:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2021	2020
Common equity, beginning of year	**$ 31,693**	$ 30,868
Changes in year		
Net income (loss) attributable to shareholders	**3,966**	(134)
Common dividends	**(800)**	(726)
Common dividends - special distribution	**(538)**	—
Preferred dividends	**(148)**	(141)
Other comprehensive income	**1,844**	818
Share issuances, net of repurchases	**2,813**	(270)
Ownership changes and other	**3,380**	1,278
	10,517	825
Common equity, end of year	**$ 42,210**	$ 31,693

Common equity increased by $10.5 billion to $42.2 billion during the year. The change includes:

- net income attributable to common shareholders of $4.0 billion;
- ownership changes and other of $3.4 billion primarily related to gains recorded directly in equity associated with the privatization of BPY, a secondary offering of BEPC shares, issuances of BIPC shares, and the partial sell-down of our graphite electrode operations;
- share issuances, net of repurchases, of $2.8 billion, primarily related to the issuance of 60.9 million Class A Limited Voting Shares ("Class A shares") as part of the BPY privatization, net of the repurchase of 9.7 million Class A shares for the year;
- other comprehensive income of $1.8 billion, consisting of gains from revaluation surplus and other of $2.2 billion, primarily attributable to valuation gains on our PP&E within our Renewable Power and Transition and Infrastructure segments, partially offset by foreign currency translation of $318 million; and
- the above items were somewhat offset by distributions of $1.5 billion to shareholders as common and preferred share dividends, including the $538 million distribution as part of the spin-out of our reinsurance business in the second quarter of 2021.

NON-CONTROLLING INTERESTS

Non-controlling interests in our consolidated results primarily consist of third-party interests in 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)	2021	2020
Brookfield Renewable	**$ 19,355**	$ 17,194
Brookfield Infrastructure	**23,695**	19,753
Brookfield Business Partners	**10,197**	9,162
Brookfield Property Group	**28,064**	33,345
Other participating interests	**7,075**	7,350
	$ 88,386	$ 86,804

Non-controlling interests increased by $1.6 billion during the year, primarily due to:

- comprehensive income attributable to non-controlling interests, which totaled $11.8 billion; and
- an increase in non-controlling interests as a result of acquisitions, primarily attributable to IPL in the third quarter of 2021; partially offset by
- a decrease in non-controlling interests related to the privatization of BPY in the third quarter of 2021; and
- distributions, net of equity issuances, of $5.7 billion.

CONSOLIDATION AND FAIR VALUE ACCOUNTING

As a Canadian domiciled public corporation, we report under IFRS, while many of our alternative asset manager 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 our peers are consolidation and fair value accounting.

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

CONSOLIDATION

Our consolidation conclusions under IFRS may differ from our peers 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 our funds; and
- we generally invest significant amounts of capital alongside our investors and partners, which, in addition to our customary management fees and incentive fees, means that we earn meaningful returns as a principal investor in addition to our asset management returns compared to a manager who acts 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' 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 listed affiliates to the Corporation are eliminated from consolidated revenues and expenses. However, as the common shareholders are attributed all of the fee revenues[1] 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 136.

FAIR VALUE ACCOUNTING

Under U.S. GAAP, many of our alternative asset manager 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 asset management activities is generally not reflected on the balance sheet despite being material components of the value of these businesses.

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	
AS AT DEC. 31	2021	2020	2019	2021 vs. 2020	2020 vs. 2019	**2021**	2020	2019	2021 vs. 2020	2020 vs. 2019
Australian dollar	**0.7262**	0.7694	0.7018	**(6)%**	10 %	**0.7515**	0.6908	0.6953	**9 %**	(1)%
Brazilian real[1]	**5.5804**	5.1975	4.0306	**(7)%**	(22)%	**5.3969**	5.1546	3.9463	**(4)%**	(23)%
British pound	**1.3532**	1.3670	1.3255	**(1)%**	3 %	**1.3759**	1.2838	1.2767	**7 %**	1 %
Canadian dollar	**0.7913**	0.7853	0.7699	**1 %**	2 %	**0.7979**	0.7464	0.7538	**7 %**	(1)%
Colombian peso[1]	**4,064.9**	3,428.3	3,287.2	**(16)%**	(4)%	**3,747.7**	3,695.4	3,280.8	**(1)%**	(11)%
Euro	**1.1370**	1.2217	1.1214	**(7)%**	9 %	**1.1831**	1.1416	1.1194	**4 %**	2 %

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

Currency exchange rates relative to the U.S. dollar at the end of 2021 were lower than December 31, 2020 for all of our significant non-U.S. dollar investments with the exception of the Canadian dollar. As at December 31, 2021, our common equity of $42.2 billion was invested in the following currencies: U.S. dollars – 55% (2020 – 58%); Brazilian reais – 6% (2020 – 8%); British pounds – 16% (2020 – 12%); Canadian dollars – 7% (2020 – 7%); Australian dollars – 6% (2020 – 7%); Colombian pesos – 1% (2020 – 2%); and other currencies – 9% (2020 – 6%).

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)	**2021**	2020	Change
Australian dollar	**$ (495)**	$ 775	$ (1,270)
Brazilian real	**(391)**	(3,215)	2,824
British pound	**(127)**	370	(497)
Canadian dollar	**269**	186	83
Colombian peso	**(815)**	(103)	(712)
Euro	**(430)**	593	(1,023)
Other	**(341)**	291	(632)
Total cumulative translation adjustments	**(2,330)**	(1,103)	(1,227)
Currency hedges[1]	**441**	(228)	669
Total cumulative translation adjustments net of currency hedges	**$ (1,889)**	$ (1,331)	$ (558)
Attributable to:			
Shareholders	**$ (318)**	$ (332)	$ 14
Non-controlling interests	**(1,571)**	(999)	(572)
	$ (1,889)	$ (1,331)	$ (558)

1. Net of deferred income tax recovery of $21 million (2020 – income tax expense of $37 million).

The foreign currency translation of our equity, net of currency hedges, for the year ended December 31, 2021 generated a loss of $1.9 billion. This was primarily attributable to lower year end rates for the Colombian peso, Australian dollar and Euro, partially offset by gains on the higher year end and average rates for the Canadian 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 at year end.

CORPORATE DIVIDENDS

The dividends paid by Brookfield on outstanding securities during 2021, 2020 and 2019, 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		
	2021	2020	2019
Class A and B[1] Limited Voting Shares (“Class A and B shares”)[2]	**$ 0.52**	$ 0.48	$ 0.43
Special distribution to Class A and B shares[3]	**0.36**	—	—
Class A Preferred Shares			
Series 2	**0.34**	0.38	0.52
Series 4	**0.34**	0.38	0.52
Series 8	**0.47**	0.54	0.74
Series 9	**0.55**	0.51	0.52
Series 13	**0.34**	0.38	0.52
Series 15	**0.12**	0.24	0.46
Series 17	**0.95**	0.89	0.89
Series 18	**0.95**	0.89	0.89
Series 24	**0.62**	0.56	0.57
Series 25[4]	**0.24**	0.60	0.75
Series 26	**0.69**	0.65	0.65
Series 28	**0.54**	0.51	0.51
Series 30	**0.93**	0.87	0.88
Series 32	**1.01**	0.94	0.95
Series 34[5]	**0.89**	0.83	0.82
Series 36	**0.97**	0.90	0.91
Series 37	**0.98**	0.91	0.92
Series 38[6]	**0.71**	0.70	0.83
Series 40[7]	**0.80**	0.75	0.83
Series 42[8]	**0.71**	0.72	0.85
Series 44	**1.00**	0.93	0.94
Series 46	**0.96**	0.90	0.90
Series 48	**0.95**	0.89	0.90

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 exchangeable limited voting share of Brookfield Asset Management Reinsurance Partners Ltd. for every 145 Class A shares and Class B shares held as of the close of business of June 18, 2021.
4. 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.
5. Dividend rate reset commenced March 31, 2019.
6. Dividend rate reset commenced March 31, 2020.
7. Dividend rate reset commenced September 30, 2019.
8. Dividend rate reset commenced June 30, 2020.

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.

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. For example, seasonality affects our contract drilling and well-servicing operations as the ability to move heavy equipment safely and efficiently in western Canadian oil and gas fields is dependent on weather conditions. Within our infrastructure services, the core operating plants business of 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 residential development operations are seasonal in nature and a large portion is correlated with the ongoing strength of the U.S. housing market and, to a lesser extent, economic conditions in Brazil. Results in these businesses are typically higher in the third and fourth quarters compared to the first half of the year, as weather conditions are more favorable in the latter half of the year which tends to increase construction activity levels.

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

FOR THE PERIODS ENDED (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2021**				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**$21,787**	$19,248	$18,286	$16,410	$17,088	$16,249	$12,829	$16,586
Net income (loss)	**3,461**	2,722	2,429	3,776	1,815	542	(1,493)	(157)
Net income (loss) to shareholders	**1,118**	797	816	1,235	643	172	(656)	(293)
Per share[1]								
– diluted	**$ 0.66**	$ 0.47	$ 0.49	$ 0.77	$ 0.40	$ 0.10	$ (0.43)	$ (0.20)
– basic	**0.69**	0.49	0.51	0.79	0.41	0.10	(0.43)	(0.20)

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

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)	**2021**				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Fair value changes	**$ 1,980**	$ 700	$ 377	$ 2,094	$ 175	$ (31)	$ (1,153)	$ (414)
Income taxes	**(516)**	(717)	(547)	(544)	(243)	(225)	(5)	(364)
Net impact	**$ 1,464**	$ (17)	$ (170)	$ 1,550	$ (68)	$ (256)	$ (1,158)	$ (778)

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 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.
- In the fourth quarter of 2020, 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 a result of gains from asset sales in the quarter as well as a positive contribution from our equity accounted investments and fair value changes.
- In the third quarter of 2020, revenues increased relative to the prior quarter due to increased contributions from recent acquisitions across our businesses. We had net income in the quarter, relative to the prior quarter's net loss, as a result of improved performance across many of our businesses and a positive contribution from fair value changes within our consolidated investment properties, particularly within our BSREP III fund.

- In the second quarter of 2020, our revenues decreased in comparison to the prior quarter, due to the impact of the economic shutdown for a large part of the quarter. The higher net loss in the quarter is primarily attributed to a decline in the valuation of our investment property portfolio as cash flow assumptions were adjusted downwards to reflect the impact of the shutdown.
- The decrease of revenues in the first quarter of 2020 is primarily attributable to lower same-store growth as a result of seasonality and the impact of the economic shutdown. Contributions from acquisitions across our operating segments were partially offset by recent asset sales from our Private Equity and Renewable Power and Transition segments. Net income also decreased due to unrealized fair value changes brought about by the pandemic related economic shutdowns.

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, five operating businesses and our corporate activities, which collectively represent seven 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 interest[1] which represents carried interest generated on unrealized changes in value of our private fund investment portfolios, net of realized carried interest.

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

i. *Asset Management* business includes managing our 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 distributions 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, solar and energy transition power generating assets.

iii. *Infrastructure* business includes the ownership, operation and development of utilities, transport, midstream, data and sustainable resource assets.

iv. *Private Equity* business includes a broad range of industries, and is mostly focused on business services, infrastructure services and industrials.

v. *Real Estate* business includes the ownership, operation and development of core investments, transitional and development investments, and our share of LP investments, which sit within our private funds.

vi. *Residential Development* business consists of homebuilding, condominium development and land development.

vii. *Corporate Activities* include the investment of cash and financial assets, 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 gains 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 136.

SUMMARY OF RESULTS BY OPERATING SEGMENT

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

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Revenues[1]			FFO			Common Equity		
	2021	2020	Change	**2021**	2020	Change	**2021**	2020	Change
Asset Management	**$ 5,236**	$ 3,524	$ 1,712	**$ 2,614**	$ 1,776	$ 838	**$ 4,905**	$ 4,947	$ (42)
Renewable Power and Transition	**4,580**	4,085	495	**1,044**	1,044	—	**5,264**	5,154	110
Infrastructure	**11,947**	9,301	2,646	**797**	569	228	**3,022**	2,552	470
Private Equity	**46,683**	37,775	8,908	**2,030**	935	1,095	**3,565**	3,965	(400)
Real Estate	**9,955**	8,883	1,072	**1,185**	876	309	**32,004**	19,331	12,673
Residential Development	**2,560**	2,243	317	**258**	66	192	**2,392**	2,730	(338)
Corporate Activities	**151**	871	(720)	**(370)**	(86)	(284)	**(8,942)**	(6,986)	(1,956)
Total segments	**$81,112**	$66,682	$ 14,430	**$ 7,558**	$ 5,180	$ 2,378	**$42,210**	$31,693	$ 10,517

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.

Total revenues and FFO were $81.1 billion and $7.6 billion in the current year, compared to $66.7 billion and $5.2 billion in the prior year, respectively. FFO includes realized disposition gains of $3.1 billion, compared to $1.6 billion in the prior year. Excluding disposition gains, FFO increased by $848 million from the prior year.

Revenues increased primarily due to organic growth initiatives across our businesses and from acquisitions completed in the year across most segments. These increases were partially offset by sales of operating businesses in the year.

The increase in FFO is primarily a result of:

- increased fee-related earnings in our Asset Management segment driven by significant capital inflows and strong capital deployment efforts, as well as an increase in realized carried interest[1] from monetizations;
- increased volumes across most operations in our Infrastructure segment;
- higher contributions from our residential mortgage insurer in Canada within our Private Equity segment as a result of our increased ownership and strong business performance;
- improved contributions from our hospitality portfolio within our Real Estate segment;
- organic growth in other businesses, as well as contributions from recent acquisitions net of the impact of asset sales; and
- realized disposition gains of $3.1 billion primarily from the disposition of our stake in West Fraser, the partial sale of our graphite electrode operations within our Private Equity segment, the secondary offering of BEPC shares in our Renewable Power and Transition segment, and the sale of our Canadian and U.S. district energy operations within our Infrastructure segment; partially offset by
- the absence of contributions from Norbord within our Private Equity segment as a result of the West Fraser - Norbord strategic business combination in February 2021; and
- mark-to-market losses on our financial assets portfolio in our Corporate segment.

Common equity increased by $10.5 billion during 2021 to $42.2 billion, primarily as a result of net income attributable to shareholders, shares issued and a gain recorded directly into equity associated with the privatization of BPY and annual revaluation gains of our PP&E in our Renewable Power and Transition segment. These items were partially offset by dividends paid and foreign currency translation losses.

1. See definition in Glossary of Terms beginning on page 136.

ASSET MANAGEMENT

BUSINESS OVERVIEW

Our asset management business is a premier global alternative asset manager, with approximately $690 billion in assets under management and operations spanning more than 30 countries on five continents. We have over 1,000 investment 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.

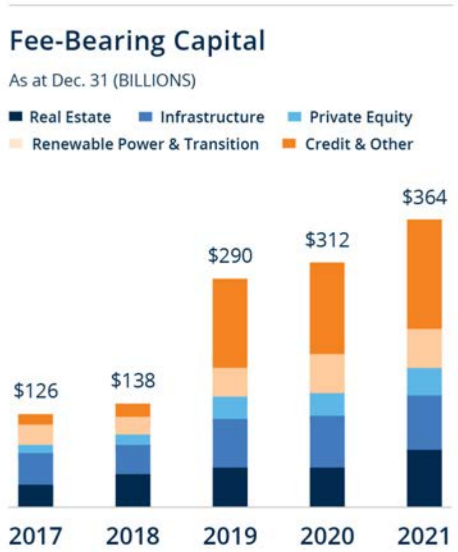
Our asset management business focuses on raising capital by establishing new investment products for our clients, identifying and acquiring high-quality assets, delivering strong underlying investment performance and executing timely monetizations or refinancings. If we execute in these areas, this should equate to growth in fee-bearing and carry eligible capital[1] and in turn higher fee revenues, fee-related earnings and realized carried interest over time.

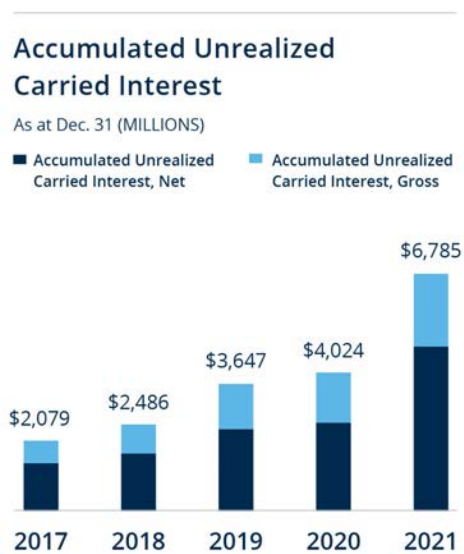
1. See definition in Glossary of Terms beginning on page 136.

FIVE-YEAR REVIEW

Our asset management business has grown considerably over the past five years, nearly tripling in size. We have scaled our flagship private funds and the capitalization or NAV of our perpetual affiliates has grown as a result of strong investment and operating performance leading to higher market prices and increased capital market activity. Our liquid credit strategies have also grown significantly, benefitting from the partnership with Oaktree in late 2019. The result has been a 30% compound annual growth rate in fee-bearing capital, which has contributed to both higher base management fee revenues and higher incentive distributions. Total fee-related earnings over the last five years have grown by a CAGR of 23% as a result.

Over that same time period, our earlier vintage funds have matured, allowing us to realize significant amounts of carried interest. Our accumulated unrealized carried interest[1] has increased from $2.1 billion to $6.8 billion over the past five years due to strong investment performance, as well as the growth in our fund sizes, the addition of new products and the aforementioned partnership with Oaktree. As our asset management business has grown and become more diversified, so has the nature of our carried interest. We expect to realize an increasing amount of carried interest as our funds continue to monetize investments and return significant capital to investors.





1. See definition in Glossary of Terms beginning on page 136.

OUTLOOK AND GROWTH INITIATIVES

Alternative assets provide an attractive investment opportunity to institutional and high net worth investors. In periods when global interest rates are low, alternatives continue to be an attractive investment as they have demonstrated the ability to provide attractive risk adjusted returns and retain their value across cycles. 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 2021, we raised $71 billion of capital across our flagship and complementary strategies, and looking forward, our business plan remains essentially unchanged. We are making good progress on our $100 billion fundraising target related to this round of our flagship funds. We have held a final close for our $16 billion opportunistic credit fund and raised $12 billion each for our inaugural transition fund and our fourth flagship real estate fund.

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

We continue to expand our investor base through existing relationships and new channels. As of the end of 2021, we have approximately 2,100 investors with a strong base in North America and a growing proportion of third-party commitments from Asia, Europe, the Middle East and Australia. Our high-net-worth channel also continues to grow and is now close to 10% of current commitments today. We have a dedicated team of 70+ people that are focused on distributing and developing catered products to the private wealth channel.

Long-term Private Funds – $169 billion fee-bearing capital

We manage and earn 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, we earn:

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 us 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 – $115 billion fee-bearing capital

We manage perpetual capital in our perpetual affiliates, as well as in our core and core plus private funds, which can continually raise new capital. From our perpetual strategies, we earn:

1. Long-term perpetual base management fees, which are based on total capitalization or NAV of our perpetual affiliates and the NAV of our 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 our perpetual private funds.

Liquid Strategies – $80 billion fee-bearing capital

We manage publicly listed funds and separately managed accounts, focused on fixed income and equity securities across real estate, infrastructure and natural resources. We earn 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	**Total 2021**	Total 2020
Renewable power and transition	$ 20,682	$ 26,843	$ —	**$ 47,525**	$ 45,440
Infrastructure	31,119	36,617	—	**67,736**	62,535
Private equity	26,079	8,316	—	**34,395**	30,931
Real estate	52,332	29,950	—	**82,282**	61,519
Credit and other	39,067	12,898	80,230	**132,195**	111,195
December 31, 2021	**$ 169,279**	**$ 114,624**	**$ 80,230**	**$ 364,133**	n/a
December 31, 2020	$ 135,462	$ 103,361	$ 72,797	n/a	$ 311,620

We have approximately $40 billion of additional committed capital that does not currently earn fees but will generate approximately $400 million in annual fees once deployed.

Fee-bearing capital increased by $52.5 billion during the year. The changes are set out in the following table:

AS AT AND FOR THE YEAR ENDED DEC. 31, 2021 (MILLIONS)	Renewable Power and Transition	Infrastructure	Private Equity	Real Estate	Credit and Other	**Total**
Balance, December 31, 2020	$ 45,440	$ 62,535	$ 30,931	$ 61,519	$ 111,195	**$ 311,620**
Inflows	10,510	4,619	2,435	16,406	28,821	**62,791**
Outflows	—	—	—	(385)	(8,970)	**(9,355)**
Distributions	(1,427)	(3,708)	(1,175)	(2,943)	(1,855)	**(11,108)**
Market valuation	(6,169)	5,426	1,922	6,707	4,921	**12,807**
Other	(829)	(1,136)	282	978	(1,917)	**(2,622)**
Change	2,085	5,201	3,464	20,763	21,000	**52,513**
Balance, December 31, 2021	**$ 47,525**	**$ 67,736**	**$ 34,395**	**$ 82,282**	**$ 132,195**	**$ 364,133**

Renewable Power and Transition fee-bearing capital increased by $2.1 billion, due to:

- $10.5 billion of inflows largely driven by the $9.3 billion of third-party capital raised for our global transition fund; partially offset by
- $6.2 billion decrease in market valuations largely 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 $5.2 billion, due to:

- $5.4 billion increase in market valuations as a result of a higher market capitalization of BIP; and
- $4.6 billion of inflows with $3.5 billion raised from capital market issuances and capital deployed in our long-term private funds within the segment; partially offset by
- $3.7 billion of distributions, including quarterly distributions paid to BIP's unitholders and capital returned to investors.

Private Equity fee-bearing capital increased by $3.5 billion, due to:

- $2.4 billion of inflows from capital deployed in our long-term private funds within the segment; and
- $1.9 billion increase in market valuations as a result of the higher market capitalization of BBU; partially offset by
- $1.2 billion of distributions, including quarterly distributions paid to BBU's unitholders and capital returned to investors.

Real Estate fee-bearing capital increased by $20.8 billion, due to:

- $16.4 billion of inflows mainly relating to capital raised for our fourth flagship fund as well as capital deployed across various other strategies; and
- $6.7 billion increase from higher valuations in our perpetual strategies during the year; partially offset by
- $2.9 billion of distributions, including quarterly distributions paid to unitholders.

Credit and Other fee-bearing capital increased by $21.0 billion, due to:

- $28.8 billion of inflows from our credit and insurance solutions strategies as a result of reinsurance agreements closed during the year, capital deployed in our closed-end credit funds, and capital raised in our open-end funds; and
- $4.9 billion increase in market valuations across our perpetual private and liquid strategies; partially offset by
- $9.0 billion of outflows primarily due to redemptions within open-end credit funds and our liquid strategies; and
- $1.9 billion of distributions largely from our credit long-term private funds.

CARRY ELIGIBLE CAPITAL

Carry eligible capital increased by $34.7 billion during the year to $174.3 billion as at December 31, 2021 (2020 – $139.6 billion). The increase was related to new commitments for our fourth flagship real estate fund, our first global transition fund, our sixth real estate debt fund, and other perpetual private funds raised during the year, partially offset by the return of capital across various funds.

As at December 31, 2021, $112.7 billion of carry eligible capital was deployed (2020 – $90.8 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 $61.6 billion of uncalled fund commitments that will begin to earn carried interest once the capital is deployed and fund preferred returns are met (2020 – $48.8 billion).

OPERATING RESULTS

Asset management FFO includes fee-related earnings 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 the Asset Management 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 year.

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues 2021	Revenues 2020	FFO 2021	FFO 2020
Fee-related earnings	i	**$ 3,523**	$ 2,840	**$ 1,899**	$ 1,428
Realized carried interest	ii	**1,713**	684	**715**	348
Asset management		**$ 5,236**	$ 3,524	**$ 2,614**	$ 1,776
Unrealized carried interest					
Generated				**$ 5,001**	$ 1,206
Foreign exchange				**(236)**	(39)
				4,765	1,167
Less: direct costs				**(1,574)**	(494)
Unrealized carried interest, net	iii			**3,191**	673
Less: unrealized carried interest not attributable to BAM				**(419)**	(117)
				$ 2,772	$ 556

i. Fee-Related Earnings

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2021	2020
Fee revenues		
Base management fees	**$ 3,040**	$ 2,509
Incentive distributions	**315**	306
Performance fees	**157**	—
Transaction and advisory fees	**11**	25
	3,523	2,840
Less: direct costs	**(1,468)**	(1,296)
	2,055	1,544
Less: fee-related earnings not attributable to BAM	**(156)**	(116)
Fee-related earnings	**$ 1,899**	$ 1,428

Fee-related earnings increased to $1.9 billion at our share, mainly due to higher base management fees driven by increased fee-bearing capital and performance fees from BBU, partially offset by lower transaction and advisory fees and increased direct costs.

Base management fees increased by $531 million to $3.0 billion, a 21% increase from 2020. The increase is broken down as follows:

- $235 million increase in our Real Estate segment largely due to fundraising for our fourth flagship fund, higher valuations across our perpetual strategies and capital deployed during the year;
- $140 million increase in our Credit and Other business due to capital deployed within our closed-end funds and market valuation increases in our perpetual and liquid strategies;
- $85 million increase from our Infrastructure segment, primarily as a result of BIP's increased market capitalization and capital market issuances;
- $52 million increase from our Renewable Power and Transition segment as a result of the increased average market capitalization of BEP during the year compared to prior year; and
- $19 million increase from our Private Equity segment due to the increased market capitalization of BBU.

Incentive distributions across our perpetual affiliates increased by $9 million to $315 million, a 3% increase from 2020 as higher incentive distributions earned from BIP and BEP due to higher distribution levels were partially offset by the absence of BPY's incentive distributions fees following its privatization in the third quarter of 2021.

Direct costs consist primarily of employee expenses and professional fees, as well as business related technology costs and other shared services. Direct costs increased $172 million or 13% from the prior year as we continue to scale our asset management franchise, including enhancing our fundraising and client service capabilities as well as developing new complementary strategies.

The margin on our fee-related earnings before performance fees, including our 62% share of Oaktree's fee-related earnings, was 59% in the current year (2020 – 57%). Our fee-related earnings margin before performance fees, including 100% of Oaktree's fee-related earnings, was 56% in the current year (2020 – 54%).

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 quarter, we realized $715 million of carried interest, net of direct costs (2020 – $348 million). Realizations during the year were primarily driven by monetization activities in our Credit and Other, Infrastructure and Real Estate 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 interest 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:

	2021			2020		
FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**Carried Interest**	**Direct Costs**	**Net**	Carried Interest	Direct Costs	Net
Accumulated unrealized, beginning of year	**$ 4,695**	**$ (1,774)**	**$ 2,921**	$ 4,212	$ (1,553)	$ 2,659
In-period change						
Unrealized in the year	**5,001**	**(1,631)**	**3,370**	1,206	(516)	690
Foreign currency revaluation	**(236)**	**57**	**(179)**	(39)	22	(17)
	4,765	**(1,574)**	**3,191**	1,167	(494)	673
Less: realized	**(1,713)**	**786**	**(927)**	(684)	273	(411)
	3,052	**(788)**	**2,264**	483	(221)	262
Accumulated unrealized, end of year	**7,747**	**(2,562)**	**5,185**	4,695	(1,774)	2,921
Carried interest not attributable to BAM shareholders	**(962)**	**496**	**(466)**	(671)	351	(320)
Accumulated unrealized, end of year, net	**$ 6,785**	**$ (2,066)**	**$ 4,719**	$ 4,024	$ (1,423)	$ 2,601

Unrealized carried interest generated in the current year before foreign exchange and associated costs was $5.0 billion, primarily related to increased valuations across our strategies.

Accumulated unrealized carried interest, net[1], totaled $6.8 billion at December 31, 2021. We estimate approximately $2.1 billion of 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 $2.4 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 136.

RENEWABLE POWER AND TRANSITION

BUSINESS OVERVIEW

- We own and operate renewable power and transition assets primarily through our 48% economic ownership interest[1] in BEP, which is listed on the NYSE and TSX and had a market capitalization of $23.3 billion at December 31, 2021.
- BEP owns one of the world's largest publicly traded renewable power portfolios.

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 8,133 megawatts ("MW") of installed capacity and annualized long-term average ("LTA")[1] generation of 19,959 gigawatt hours ("GWh") on a proportionate basis[1].

Wind

- Our wind operations include 104 wind facilities globally with 5,411 MW of installed capacity and annualized LTA generation of 6,607 GWh on a proportionate basis.

Solar

- Our solar operations include 87 solar facilities globally with 2,633 MW of installed capacity and 2,153 GWh of annualized LTA generation on a proportionate basis.

Energy Transition

- Our distributed generation operation includes 5,572 facilities with 1,447 MW of installed capacity and 861 GWh of annualized LTA generation on a proportionate basis.
- Our storage operations have 3,425 MW of installed capacity at our eleven 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 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. 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 136.

OUTLOOK AND GROWTH INITIATIVES

SAME-STORE GROWTH	DEVELOPMENT	CAPITAL ALLOCATION
Inflation/Margin Expansion	Development Pipeline	Acquisitions

Revenues in our Renewable Power and Transition segment are 90% contracted with an average contract term of 15 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 62,000 MW of potential capacity globally, of which 8,982 MW are currently under construction or are construction-ready. We expect this pipeline to contribute an incremental $102 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 2022, 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, which was previously referred to as our Renewable Power segment. We have provided additional detail, where referenced, to explain significant movements from the prior year.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2021	2020	**2021**	2020	**2021**	2020
Brookfield Renewable[1]	i	**$ 4,641**	$ 4,151	**$ 350**	$ 397	**$ 4,641**	$ 4,573
Energy contracts	ii	**(61)**	(66)	**(106)**	(126)	**623**	581
Realized disposition gains	iii	**—**	—	**800**	773	**—**	—
		$ 4,580	$ 4,085	**$ 1,044**	$ 1,044	**$ 5,264**	$ 5,154

1. Brookfield's interest in BEP consists of 194.5 million redemption-exchange units, 68.7 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.

Compared to the prior year, revenues increased by $495 million and FFO remained consistent. The increase in revenues was driven by contributions from organic growth initiatives and recent acquisitions, as well as higher realized prices across most markets. These increases were partially offset by recently completed asset sales and a lower ownership stake in BEP versus prior year. Excluding realized disposition gains, FFO decreased by $27 million primarily due to the aforementioned decreased ownership in BEP, lower generation in the U.S. and higher management fee expenses, partially offset by strong pricing across most of our operations.

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	
	2021	2020	**2021**	2020	**2021**	2020
Hydroelectric	**18,046**	18,525	**19,726**	19,658	**$ 639**	$ 662
Wind	**6,096**	5,448	**7,249**	6,355	**396**	237
Solar	**1,777**	1,284	**2,016**	1,510	**185**	139
Energy transition	**1,231**	795	**861**	475	**162**	103
Corporate	**—**	—	**—**	—	**(448)**	(334)
Attributable to unitholders	**27,150**	26,052	**29,852**	27,998	**934**	807
Non-controlling interests and other[2]					**(524)**	(386)
Segment reallocation[3]					**(60)**	(24)
Brookfield's interest					**$ 350**	$ 397

1. Proportionate to BEP; see "Proportionate basis generation" in Glossary of Terms beginning on page 136.
2. Includes incentive distributions paid to Brookfield of $80 million (2020 – $65 million) as the general partner of BEP.
3. Segment reallocation refers to 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 above table.

BEP's FFO for 2021 was $934 million, of which our share was $350 million, compared to $397 million in the prior year. Generation for the year totaled 27,150 GWh, 9% below the LTA. However, this represents a 4% increase in actual generation compared to the prior year, mainly attributable to recent acquisitions partially offset by lower hydrology levels. Key variances for our businesses are described below.

Hydroelectric

FFO in the current year was $23 million lower than the prior year due to lower generation in North America, partially offset by higher realized market prices in the U.S. and the benefit of inflation indexation.

Wind

FFO in the current year included a $104 million gain on the sale of certain development assets in Europe and the U.S. Excluding the impact of this gain, FFO increased by $55 million due to an incremental contribution from the privatization of TerraForm Power, Inc. ("TERP")[1], as well as higher market prices and generation in Europe. These increases were partially offset by lower generation in Canada.

Solar

FFO from our solar operations was $46 million higher than the prior year mainly as a result of our increased ownership in TERP, newly commissioned facilities and recently acquired solar assets.

Energy Transition

FFO from our energy transition business increased by $59 million from the prior year due to the growth of our distributed generation portfolio through our increased ownership in TERP, as well as other recent acquisitions.

Corporate

The corporate FFO deficit increased by $114 million as a result of increased management fees due to a higher average market capitalization of BEP throughout the year.

1. See definition in Glossary of Terms beginning on page 136.

ii. Energy Contracts

During the year, we purchased 3,283 GWh (2020 – 2,988 GWh) from BEP at $77 per MWh (2020 – $80 per MWh) and sold the purchased generation at an average selling price of $46 per MWh (2020 – $39 per MWh). As a result, we incurred an FFO deficit of $106 million compared to a deficit of $126 million in the prior year.

iii. Realized Disposition Gains

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

Prior year disposition gains of $773 million mainly relate to the sale of BEP units and BEPC shares.

COMMON EQUITY

Common equity in our Renewable Power and Transition segment increased to $5.3 billion as at December 31, 2021 from $5.2 billion as at December 31, 2020. Contributions from FFO and revaluation gains were partially offset by the foreign exchange impact on invested capital denominated in foreign currencies as well as our lower ownership from the secondary offering of BEPC shares in the year. Our Renewable Power and Transition PP&E is revalued annually. For further information, refer to our Revaluation Method for PP&E within Part 5 – Accounting Policies and Internal Controls.

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 $31.8 billion at December 31, 2021.
- BIP is one of the largest globally diversified owners and operators of infrastructure in the world.
- We also have direct investments in sustainable resource operations.

PRINCIPAL OPERATIONS

Utilities

- Our regulated transmission business includes ~61,000 km of operational electricity transmission and distribution lines in Australia, ~4,200 km of natural gas pipelines in North America, South America and India, and ~5,300 km of transmission lines in Brazil, of which ~3,600 km are operational.
- Our commercial and residential distribution business provides residential energy infrastructure services to ~1.9 million customers annually in the U.S., Canada, Germany, and U.K., and ~360,000 long-term contracted sub-metering services within Canada. We own and operate ~7.3 million connections, mainly electricity and natural gas in the U.K and Colombia.
- 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

- We operate ~22,000 km of railroad track in North America and Europe, ~5,500 km of railroad track in the southern half of Western Australia and ~4,800 km of railroad track in Brazil.
- Our toll road operations include ~3,800 km of motorways in Brazil, Peru and India.
- Our diversified terminals operations include 13 terminals in North America, the U.K., and Australia, and we provide ~30 million tonnes per annum in our LNG export terminal in the U.S. and ~85 million tonnes per annum in our export facility in Australia.
- 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 ~15,000 km of transmission pipelines, primarily in the U.S., and ~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 ~5.7 Bcf per day of gross processing capacity and ~3,400 km of natural gas pipelines in Canada.
- We own and operate ~3,300 km of long-haul pipelines, ~3,900 km of short-haul/gathering pipelines and a petrochemical complex in Canada.
- 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 ~148,000 operational telecom towers in India, ~8,000 multi-purpose towers and active rooftop sites in France and ~10,000 km of fiber backbone located in France and Brazil. In addition, we own ~1,600 cell sites and over 12,000 km of fiber optic cable in New Zealand as well as ~2,100 active telecom towers and 70 distributed antenna systems primarily located in the U.K.
- In our data storage business, we manage 50 data centers with ~1.4 million square feet of raised floors and 200 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	DEVELOPMENT	CAPITAL ALLOCATION
Inflation and Volumes	Capital Backlog	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 70% of FFO should benefit from inflationary tariff increases and approximately 40% of FFO should benefit from GDP growth by capturing increased volumes. 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 2021, total capital to be commissioned in the next two to three years is approximately $4.5 billion. Our backlog, coupled with inflation indexation and higher volumes from our GDP sensitive businesses, should result in another year of same-store growth at the high end of our 6 to 9% target range. For the upcoming year, we have already secured half of our $1.5 billion new investment deployment target for 2022.

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 year.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues		FFO		Common Equity	
		2021	2020	**2021**	2020	**2021**	2020
Brookfield Infrastructure[1]	i	**$ 11,709**	$ 9,068	**$ 411**	$ 358	**$ 2,696**	$ 1,920
Sustainable resources and other	ii	**238**	233	**15**	10	**326**	632
Realized disposition gains	iii	**—**	—	**371**	201	**—**	—
		$ 11,947	$ 9,301	**$ 797**	$ 569	**$ 3,022**	$ 2,552

1. Brookfield's interest consists of 129.1 million redemption-exchange units, 0.2 million limited partnership units, 1.6 million general partnership units of BIP LP, as well as 8.7 million Class A shares in Brookfield Infrastructure Corporation ("BIPC"), together representing an economic interest of approximately 27% of BIP.

Revenues and FFO generated by our Infrastructure segment increased by $2.6 billion and $228 million, respectively, compared to the prior year. Excluding realized disposition gains, FFO increased by $58 million. These increases were primarily driven by organic growth across our operations and the contribution from acquisitions completed in the current year. These increases were partially offset by recent dispositions and higher management fee expenses.

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)	**2021**	2020
Utilities	**$ 705**	$ 659
Transport	**701**	590
Midstream	**492**	289
Data	**238**	196
Corporate	**(403)**	(280)
Attributable to unitholders	**1,733**	1,454
Non-controlling interests and other[1]	**(1,301)**	(1,083)
Segment reallocation[2]	**(21)**	(13)
Brookfield's interest	**$ 411**	$ 358

1. Includes incentive distributions paid to Brookfield of $207 million (2020 – $183 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 2021 was $1.7 billion, of which our share was $411 million compared to $358 million in the prior year. Key variances for our businesses are described below and on the following page.

Utilities

FFO in our utilities operations of $705 million was $46 million higher than the prior year. The increase was primarily due to:

- a recovery in connections activity at our U.K. regulated distribution business as pandemic related restrictions impacted prior year;
- benefits of inflation indexation and capital commissioned; and
- contributions associated with the acquisition of the remaining interest in our Brazilian regulated gas transmission business, completed in the second quarter of the year; partially offset by
- the sales of our portfolio of smart meters in the U.K. and our district energy operations in North America during the year.

Transport

FFO in our transport operations of $701 million was $111 million higher than the prior year. The increase is primarily due to:

- inflationary tariff increases and a recovery in toll road volumes driven by higher activity globally; and
- contributions from our acquisition of our U.S. LNG export terminal; partially offset by
- the absence of contributions associated with the partial sale of our Australian export terminal in the prior year, as well as the sale of our Chilean toll road operation in the current quarter.

Midstream

FFO from our midstream operations of $492 million was $203 million higher than the prior year. The increase is primarily due to:

- contributions from our acquisition of IPL during the year;
- exceptional performance at our gas storage operations due to extreme cold weather conditions experienced in the U.S. in the first quarter;
- higher market sensitive revenues from elevated commodity prices; and

- the commissioning of our expansion project at our U.S. gas pipeline; partially offset by
- the absence of FFO after the monetization of a 12.5% ownership in our U.S. gas pipeline in the first quarter.

Data

FFO from our data operations of $238 million was $42 million higher than the prior year primarily due to organic growth supported by the build out of towers and contributions from our Indian telecom business acquired in the third quarter of 2020, as well as additional towers and the roll-out of our fiber-to-the-home program at our French telecom business.

Corporate

The Corporate FFO deficit of $403 million increased by $123 million from the prior year largely as a result of higher base management fees from a higher market capitalization of BIP.

ii. Sustainable Resources and Other

FFO at our sustainable resources and other operations increased by $5 million from the prior year primarily attributable to strong results at our Brazilian agricultural operation.

iii. Realized Disposition Gains

In the current year, disposition gains of $371 million mainly relate to the sales of our North American district energy operations and our portfolio of smart meters in the U.K. during the year.

The prior year disposition gains of $201 million primarily relate to the gain recognized on the secondary offering of BIPC shares and the sale of our North American electricity transmission operation in Texas.

COMMON EQUITY

Common equity in our Infrastructure segment was $3.0 billion as at December 31, 2021 (December 31, 2020 – $2.6 billion). The contributions from earnings and revaluation surplus were partially offset by the depreciation of foreign currencies against the U.S. dollar, as well as distributions to unitholders.

This equity is primarily our investment 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 64% economic ownership interest in BBU. BBU is listed on the NYSE and TSX and had a market capitalization of $6.7 billion at December 31, 2021. On March 15, 2022, BBU completed the creation of BBUC[1], which provides investors with greater flexibility to invest in our Private Equity business.
- 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. In the first quarter of 2021, Norbord was acquired by West Fraser. As part of the transaction, the company's investment in Norbord was converted into a 19% interest in West Fraser's outstanding common shares. Throughout 2021, we sold our stake in West Fraser.

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.
- We own a leading healthcare services operation in Australia that 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, whereby we take responsibility for design, program, procurement and construction at a defined price. We also provide services to residential real estate brokers through franchise arrangements under a number of brands in Canada.
- Investments also include a road fuels operation 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 operation, and we generate a majority of earnings from recurring refueling and maintenance services, primarily under long-term contracts. Our nuclear technology services operation 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 operation, operating in the North Sea, Canada and Brazil. Our offshore oil services operation 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 a work access services operation, servicing over 30,000 customers in 30 countries worldwide. Our work access services operation's scale and reputation as a leader in engineering innovation and productivity are competitive advantages in a fragmented industry.
- Our modular building leasing services operation is a leading provider of modular building leasing services in Europe and Asia-Pacific.

1. See definition in Glossary of Terms beginning on page 136.

Industrials

- Our industrials portfolio is comprised of capital-intensive businesses with significant barriers to entry that require technical operating expertise.
- We invest in an advanced energy storage operation, which is a global market leader in automotive batteries. This business' batteries power both internal combustion engine and electric 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.
- We own a leading global manufacturer of highly engineered components primarily for industrial trailers and other towable-equipment providers.
- We also own a solar power solutions operation, which is a leading distributor of solar power solutions for the distributed generation market in Brazil.

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 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 operation, our residential mortgage insurer continues to generate exceptional performance as a result of the strong Canadian housing market. Underwriting activity reached record highs for the year and the continued strength in home prices contributed to mortgage default rates remaining well below normal. The business continues to focus on optimizing labor and managing higher costs associated with operating in the current environment. In January 2021, we completed the acquisition of a technology services operation which specializes in managing customer interactions for large global healthcare and technology clients primarily in the U.S.

Within our infrastructure services operation, our nuclear technology services performed well in the year benefiting from higher volumes and activity levels during the fall outage season, strong execution on new plant projects and ongoing cost savings initiatives. The business consistently provides tremendous value to its customers, and we will continue to support its ongoing investment in new technology and research and development. In December 2021, we closed our acquisition of a modular building leasing services operation, and we are in the early stages of executing our improvement plans for the business. We plan to expand the value-added ancillary products and service offerings and leverage the scale of our relationships across the infrastructure, commercial real estate, and construction sectors to support the growth of the business.

Within our industrials operation, our advanced energy storage operation performed well and continues to make progress on our business improvement plan focused on optimizing our U.S. operations. The outlook for the business remains positive, supported by its global market leading position and initiatives underway to further enhance its positioning at the forefront of automotive electrification trends. Since we closed our acquisition of an engineered components manufacturer in October 2021, the business has completed four add-on acquisitions, including a market leading European provider of towbar solutions, which expands its product and technology portfolio and grows its aftermarket presence.

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. In October 2021, we reached an agreement to acquire a leading provider of products and services to government sponsored global lottery programs. We plan to grow the business through expanding its customer base, enhancing its service offerings to existing customers, and participating in the expected growth of digital lottery programs.

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 year.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues 2021	Revenues 2020	FFO 2021	FFO 2020	Common Equity 2021	Common Equity 2020
Brookfield Business Partners[1]	i	**$ 46,652**	$ 37,710	**$ 597**	$ 498	**$ 2,803**	$ 2,175
Other investments	ii	**31**	65	**57**	323	**762**	1,790
Realized disposition gains	iii	**—**	—	**1,376**	114	**—**	—
		$ 46,683	$ 37,775	**$ 2,030**	$ 935	**$ 3,565**	$ 3,965

1. Brookfield's interest in BBU consists of 69.7 million redemption-exchange units, 24.8 million limited partnership units and eight general partnership units together representing an economic interest of 64% of BBU.

Revenues generated from our Private Equity segment increased by $8.9 billion, primarily due to higher prices and volumes at our road fuels and our advanced energy storage operations, as well as the contributions from the acquisition of our engineered components manufacturer and our solar power solutions operations during the year. These increases were partially offset by the partial sale of our stake in our graphite electrode operations earlier this year.

FFO increased by $1.1 billion as a result of the disposition gains of $1.4 billion in the current year, which were primarily due to the sale of our stake in West Fraser and the aforementioned partial sale of our graphite electrode operations. Excluding realized disposition gains, FFO decreased by $167 million to $654 million, mainly due to the absence of contributions from Norbord subsequent to the West Fraser – Norbord strategic business combination, as well as the aforementioned partial sale of our graphite electrode operations. These decreases were partially offset by additional contributions from our residential mortgage insurer due to strong performance and our increased ownership, as well as the aforementioned higher contributions at our advanced energy storage operations.

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)	2021	2020
Business services	**$ 397**	$ 229
Infrastructure services	**396**	364
Industrials	**879**	336
Corporate	**(99)**	(59)
Attributable to unitholders	**1,573**	870
Performance fees	**(157)**	—
Non-controlling interests	**(515)**	(320)
Segment reallocation and other[1]	**(304)**	(52)
Brookfield's interest	**$ 597**	$ 498

1. Segment reallocation and other refers to 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 $1.6 billion of FFO compared to $870 million in the prior year, of which our share of BBU's FFO was $597 million, compared to $498 million in the prior year. Key variances for our businesses are described below.

Business Services

Business services' FFO in the prior year included a gain of $57 million related to the sales of our cold storage logistics business and the pathology business of our healthcare services operation in Australia. Excluding these gains, FFO increased by $225 million compared to the prior year. Contributing factors include:

- strong business performance at our residential mortgage insurer as a result of lower mortgage default rates and higher premiums earned due to the strong Canadian housing market, as well as our increased ownership in the business; and
- higher contributions from our construction operations driven by lower losses on construction projects; partially offset by
- reduced contributions from our healthcare services operation in Australia due to the aforementioned sale of our pathology business in the prior year.

Infrastructure Services

Within our infrastructure services operations, we generated $396 million of FFO, compared to $364 million in the prior year. The increase was primarily due to increased contributions at our nuclear technology services and work access services operations, partially offset by lower contributions from our offshore oil services operations.

Industrials

FFO from our industrials portfolio included a gain of $476 million related to the partial sale of our graphite electrode operations and the sale of our investment in public securities. Excluding this gain, FFO increased by $67 million to $403 million primarily due to:

- increased contributions from our advanced energy storage operations as a result of favorable pricing and product mix due to increased aftermarket demand;
- higher realized pricing at our natural gas production; and
- contributions from our acquisitions of our engineered components manufacturer and solar power solutions operation during the year; partially offset by
- lower contributions from our graphite electrode operations as a result of our decreased ownership stake.

Corporate

The Corporate FFO deficit increased by $40 million due to higher base management fees as a result of the increased market capitalization of BBU.

ii. Other Investments

FFO from other investments decreased by $266 million to $57 million as a result of the absence of contributions from Norbord after our investment was converted into West Fraser shares subsequent to West Fraser's acquisition of Norbord. Since the first quarter of 2021, our shares in West Fraser have been accounted for as a financial asset and therefore, this investment contributes to our FFO through the dividends received as opposed to our proportionate share of earnings. We sold our stake in the business throughout 2021.

iii. Realized Disposition Gains

In the current year, realized disposition gains of $1.4 billion mainly relate to the aforementioned disposition of our West Fraser shares and the partial sale of our graphite electrode operations.

Realized disposition gains were $114 million in the prior year, primarily due to the sale of our cold storage logistics business and the partial sale of our graphite electrode operations.

COMMON EQUITY

Common equity in our Private Equity segment was $3.6 billion as at December 31, 2021 (December 31, 2020 – $4.0 billion). The decrease is primarily attributable to the dispositions of our West Fraser shares, distributions to unitholders and depreciation expense. These decreases were partially offset by contributions from FFO. The depreciable assets held in these operations are recorded at amortized cost, with depreciation recorded on a quarterly basis, with the exception of investments in financial assets, which are carried at fair value based predominantly on quoted prices.

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 we manage.
- 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"). We also separately manage certain corporate activities for these underlying investments.

OPERATIONS

Core

- We own interests in and operate some of the most iconic office assets, including One Manhattan West in New York and Canary Wharf in London. We seek to maintain this irreplaceable portfolio of large-scale mixed-use complexes in global gateway cities, which provide our tenants with a 24-hour, 7-days-a-week live, work, play environment on a long-term basis. These 59 properties are located primarily in the world's leading commercial markets such as New York City, London, Toronto, Berlin, and Dubai, covering 31 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 also 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 81 properties totaling 65 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, Los Angeles, Washington, D.C., Toronto, Sydney and Rio de Janeiro.
- We also own 96 retail properties covering 91 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.

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	DEVELOPMENT	CAPITAL ALLOCATION
Rent to Market/Occupancy	Active Development	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.

Within our LP Investments, we will continue to acquire high-quality properties through our global private funds 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 year.

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Ref.	Revenues 2021	Revenues 2020	FFO 2021	FFO 2020	Common Equity 2021	Common Equity 2020
Brookfield Property Group[1]	i	**$ 9,955**	$ 8,883	**$ 747**	$ 483	**$ 32,004**	$ 19,331
Realized disposition gains	ii	**—**	—	**438**	393	**—**	—
		$ 9,955	$ 8,883	**$ 1,185**	$ 876	**$ 32,004**	$ 19,331

1. See "Economic ownership interest" in the Glossary of Terms beginning on page 136.

Revenues and FFO from our Real Estate business increased by $1.1 billion and $309 million, respectively, compared to the prior year. Excluding realized disposition gains, FFO increased by $264 million. These increases were primarily due to increased earnings from our hospitality portfolio held within our LP Investments, and same-property[1] NOI growth in our office and retail assets as a result of higher average occupancy. These increases were partially offset by higher management fee expenses.

Common equity increased to $32 billion compared to 2020 mainly due to the privatization of BPY in the third quarter of 2021 and the comprehensive income recognized during the year.

1. See definition in Glossary of Terms beginning on page 136.

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)	**2021**	2020
Core	**$ 557**	$ 566
Transitional and Development	**631**	509
LP Investments	**217**	113
Corporate	**(438)**	(303)
Attributable to BPG	**967**	885
Non-controlling interests	**(138)**	(344)
Segment reallocation and other[1]	**(82)**	(58)
Brookfield's interest	**$ 747**	$ 483

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 the year was $747 million compared to $483 million in the prior year. Key variances for our businesses are described below.

Core

FFO of $557 million was consistent compared to the prior year.

Transitional and Development

FFO of $631 million was $122 million higher than the prior year primarily due to:

- increased revenues and growth in same-property NOI within our retail and office portfolios; partially offset by
- the absence of contributions from asset sales during the year.

LP Investments

FFO of $217 million was $104 million higher than the prior year due to:

- increased earnings in our hospitality assets as the sector recovered from the pandemic related economic shutdowns; partially offset by
- higher management fees; and
- disposition activities across the portfolio.

Corporate

Corporate expenses within our Real Estate segment of $438 million, which includes interest expense, management fees and other costs, increased by $135 million from the prior year, primarily due to higher management fees and interest expense on incremental borrowings relative to the prior year.

ii. Realized Disposition Gains

Realized disposition gains of $438 million in the current year and $393 million in the prior year primarily relate to the sales of investment properties in our LP Investments and our Transitional and Development operations.

COMMON EQUITY

Common equity in our Real Estate segment increased to $32.0 billion as at December 31, 2021 compared to $19.3 billion as at December 31, 2020. The increase relates to the incremental capital invested, associated with the privatization of BPY which was completed on July 26, 2021, and comprehensive income for 2021. This increase was partially offset by distributions.

RESIDENTIAL DEVELOPMENT

BUSINESS OVERVIEW

- Our Residential Development business operates predominantly in North America and Brazil.
- Our North American business is conducted through Brookfield Residential Properties Inc., which is active in 18 principal markets in Canada and the U.S. and controls approximately 77,000 lots.
- Our Brazilian 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

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. We are well-positioned around the housing and residential land development sector in the near and medium-term, as we continue to see strong demand supported by solid underlying fundamentals and demographics and a persistent supply shortage in the markets in which we operate.

Residential real estate development in Brazil was strong in 2021 with increased launches in São Paulo and Rio de Janeiro. We expect 2022 to carry on the momentum with launches and sales remaining strong. We remain focused on developing high margin projects in select key markets and excelling in all operational areas.

SUMMARY OF OPERATING RESULTS

The following table disaggregates segment revenues, FFO and common equity into the amounts attributable to the two principal operating regions of our wholly owned residential development businesses:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Revenues		FFO		Common Equity	
	2021	2020	**2021**	2020	**2021**	2020
North America	**$ 2,290**	$ 1,904	**$ 256**	$ 76	**$ 1,892**	$ 2,119
Brazil and other	**270**	339	**2**	(10)	**500**	611
	$ 2,560	$ 2,243	**$ 258**	$ 66	**$ 2,392**	$ 2,730

North America

FFO from our North American operations increased by $180 million to $256 million. The increase is largely driven by higher housing and land margins due to additional home and acre closings, an increase in average home selling prices, as well as additional joint venture income.

As at December 31, 2021, we had 69 active housing communities (December 31, 2020 – 80) and 16 active land communities (December 31, 2020 – 22).

Brazil and Other

FFO at our Brazilian and other operations increased compared to the prior year, mainly due to cost saving initiatives during the year.

Our Brazilian operations started 2021 with 24 projects under construction and as of December 31, 2021, we have 26 projects under construction.

COMMON EQUITY

Common equity was $2.4 billion as at December 31, 2021 (December 31, 2020 – $2.7 billion) and consists largely of residential development inventory which is carried at the lower of cost and market value, notwithstanding the length of time that we may have held these assets and created value through the development process. The decrease in common equity is primarily attributable to dividends received from our North America operation as a result of strong business performance.

CORPORATE ACTIVITIES

BUSINESS OVERVIEW

- Our corporate activities support the overall business, including our asset management franchise and our invested capital, 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, the development and seeding of new fund strategies, supporting the growth in our 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	
	2021	2020	**2021**	2020	**2021**	2020
Corporate cash and financial assets, net	**$ 70**	$ 422	**$ 42**	$ 377	**$ 3,522**	$ 4,456
Corporate borrowings	**—**	—	**(438)**	(388)	**(10,875)**	(9,077)
Preferred equity[1,2]	**—**	—	**—**	—	**(4,375)**	(4,375)
Other corporate investments	**81**	449	**83**	5	**2,087**	1,268
Corporate costs and taxes/net working capital	**—**	—	**(154)**	(151)	**699**	742
Realized disposition gains	**—**	—	**97**	71	**—**	—
	$ 151	$ 871	**$ (370)**	$ (86)	**$ (8,942)**	$ (6,986)

1. FFO excludes preferred share distributions of $157 million (2020 – $142 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 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, 2021, our portfolio of corporate cash and financial assets included $1.9 billion of cash and cash equivalents (December 31, 2020 – $3.2 billion). The decrease from December 31, 2020 is largely attributable to $3.4 billion of cash deployed for the BPY privatization, $2.0 billion used to repay high coupon debt, $400 million used to purchase BIP shares, dividends paid to shareholders, funding of capital calls for fund commitments, and the repurchase of 9.7 million Class A shares. These decreases were partially offset by operating cash flow, proceeds received from the sale of West Fraser, the secondary offering of BEPC shares, as well as corporate debt issuances, and other asset sales during the year.

Our corporate cash and financial assets generated FFO of $42 million compared to $377 million in the prior year primarily due to lower unrealized mark-to-market returns on our financial asset portfolio in the current year.

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 $438 million FFO expense 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 during the year, and the impact of foreign exchange on our Canadian dollar denominated corporate debt.

Preferred equity does not revalue under IFRS and the total outstanding shares remain unchanged from year-end.

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

Other corporate investments includes our equity accounted investment in BAMR, as part of the spin-out in the second quarter of 2021. Additionally, these investments include our share of the corporate cash and financial assets of Oaktree. The increase in FFO is primarily from strong returns on Oaktree's balance sheet investments.

Corporate costs, taxes and net working capital were collectively in an asset position of $699 million as at December 31, 2021, a decrease from the prior year asset balance of $742 million. Included within this balance are net deferred income tax assets of $1.8 billion (December 31, 2020 – $1.7 billion). The FFO deficit of $154 million includes corporate costs and cash taxes, which were relatively consistent with the prior year.

Disposition gains of $97 million were primarily due to the partial sale of a financial asset, which was previously recognized through the consolidated statement of comprehensive income.

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 segment and our issued and outstanding common and preferred shares. Corporate debt includes unsecured bonds and, from time to time, draws on revolving credit facilities and the issuance of short-term commercial paper. At December 31, 2021, our corporate capitalization was $62.9 billion (December 31, 2020 – $50.5 billion) with a debt to capitalization of 17% (December 31, 2020 – 18%).

Consolidated Capitalization[1] – reflects the full capitalization of wholly owned, partially owned, and managed entities that we consolidate in our financial statements. At December 31, 2021, 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	
		2021	2020	**2021**	2020
Corporate borrowings	i	**$ 10,875**	$ 9,077	**$ 10,875**	$ 9,077
Non-recourse borrowings					
Subsidiary borrowings	i	**—**	—	**13,049**	10,768
Property-specific borrowings	i	**—**	—	**152,008**	128,556
		10,875	9,077	**175,932**	148,401
Accounts payable and other		**5,104**	4,963	**52,546**	50,682
Deferred income tax liabilities		**299**	432	**20,328**	15,913
Subsidiary equity obligations		**—**	—	**4,308**	3,699
Liabilities associated with assets classified as held for sale		**—**	—	**3,148**	2,359
Equity					
Non-controlling interests		**230**	230	**88,386**	86,804
Preferred equity	ii	**4,145**	4,145	**4,145**	4,145
Common equity	iii	**42,210**	31,693	**42,210**	31,693
		46,585	36,068	**134,741**	122,642
Total capitalization		**$ 62,863**	$ 50,540	**$391,003**	$343,696
Debt to capitalization		**17%**	18%	**45%**	43%

1. See definition in Glossary of Terms beginning on page 136.

i. Borrowings

Corporate Borrowings

AS AT DEC. 31 ($ MILLIONS)	Average Rate		Average Term (Years)		Consolidated	
	2021	2020	**2021**	2020	**2021**	2020
Term debt	**4.2%**	4.4%	**13**	14	**$ 10,039**	$ 9,147
Revolving facilities	**n/a**	—%	**4**	4	**912**	—
Deferred financing costs	**n/a**	n/a	**n/a**	n/a	**(76)**	(70)
Total					**$ 10,875**	$ 9,077

As at December 31, 2021, corporate borrowings included term debt of $10.0 billion (December 31, 2020 – $9.1 billion) which had an average term to maturity of 13 years (December 31, 2020 – 14 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 $600 million 2032 notes and a $250 million re-opening of our 2051 notes in the third quarter of 2021.

We had $912 million of commercial paper and revolving facility draws outstanding at December 31, 2021 (December 31, 2020 – $nil). Our commercial paper program is supported by our $2.6 billion revolving term credit facilities with maturities ranging from 2024 to 2026. As at December 31, 2021, $61 million of the facilities were utilized for letters of credit (December 31, 2020 – $64 million).

Subsidiary Borrowings

We endeavor to capitalize our principal affiliates to enable continuous access to the debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation. Subsidiary borrowings include principal 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	
	2021	2020	**2021**	2020	**2021**	2020
Renewable power and transition	**3.9%**	3.9%	**12**	13	**$ 2,147**	$ 2,132
Infrastructure	**3.2%**	2.7%	**10**	6	**2,719**	3,158
Private equity	**2.6%**	2.4%	**4**	3	**1,619**	310
Real estate	**3.1%**	3.1%	**4**	3	**4,782**	3,378
Residential development	**5.3%**	5.5%	**7**	6	**1,782**	1,790
Total	**3.5%**	3.5%	**7**	7	**$ 13,049**	$ 10,768

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	
	2021	2020	**2021**	2020	**2021**	2020
Renewable power and transition	**4.5%**	4.3%	**10**	10	**$ 19,893**	$ 16,353
Infrastructure	**4.3%**	4.3%	**7**	8	**28,515**	21,309
Private equity	**4.7%**	5.2%	**5**	5	**27,894**	23,333
Real estate	**3.6%**	3.8%	**3**	4	**74,978**	67,073
Residential development	**4.4%**	5.1%	**2**	3	**728**	488
Total	**4.0%**	4.2%	**5**	6	**$152,008**	$128,556

Property-specific borrowings have increased by $23.5 billion since December 31, 2020, which is largely attributable to:

- a combination of new acquisitions in our U.S. wind portfolio, follow-on investments in our Colombian renewable power business and development debt for certain property-specific assets located in North and South America within our Renewable Power and Transition segment;
- the acquisition of a petroleum transportation and natural gas liquids processing business within our Infrastructure segment;
- the acquisition of an engineered components manufacturer and a modular building leasing services operation within our Private Equity segment; and
- new investments across the office, hospitality, multifamily and student housing portfolios within our Real Estate segment.

In addition to the aforementioned acquisitions, the remainder of the increase in consolidated borrowings is driven by drawings on new or existing subscription facilities, partially offset by asset sales across the business during the year.

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, 2021, 72% 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			
	2021		2020		**2021**		2020	
	Average Rate	**Consolidated**	Average Rate	Consolidated	**Average Rate**	**Consolidated**	Average Rate	Consolidated
Corporate borrowings	**4.2%**	**$ 10,875**	4.4%	$ 9,077	**—%**	**$ —**	—%	$ —
Subsidiary borrowings	**4.0%**	**8,619**	4.3%	7,683	**2.4%**	**4,430**	1.7%	3,085
Property-specific borrowings	**4.8%**	**58,392**	5.2%	54,699	**3.6%**	**93,616**	3.4%	73,857
Total	**4.7%**	**$ 77,886**	5.0%	$ 71,459	**3.5%**	**$ 98,046**	3.4%	$ 76,942

Non-controlling interests

Non-controlling interests increased in 2021 predominantly due to comprehensive income attributable to non-controlling interests and increases from acquisitions, mainly related to IPL. These items were partially offset by a decrease in non-controlling interests as a result of the privatization of BPY and distributions, net of equity issuances.

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 **2021**	Average Rate 2020	**2021**	2020
Fixed rate-reset	Perpetual	**4.1%**	4.1%	**$ 2,901**	$ 2,875
Fixed rate	Perpetual	**4.8%**	4.8%	**739**	739
Floating rate	Perpetual	**2.3%**	1.8%	**505**	531
Total		**4.0%**	3.9%	**$ 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, 2021 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)	**2021**	2020[1]
Outstanding at beginning of year	**1,510.7**	1,509.3
Issued (repurchased)		
Issuances	**61.3**	—
Repurchases	**(9.7)**	(8.9)
Long-term share ownership plans[2]	**6.4**	10.1
Dividend reinvestment plan and others	**0.1**	0.2
Outstanding at end of year	**1,568.8**	1,510.7
Unexercised options and other share-based plans[2] and exchangeable shares of affiliate	**82.8**	63.0
Total diluted shares at end of year	**1,651.6**	1,573.7

1. Adjusted to reflect the three-for-two stock split effective April 1, 2020.
2. Includes management share option plan and restricted stock plan.

The company holds 69.7 million Class A shares (December 31, 2020 – 64.2 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 25.1 million (December 31, 2020 – 14.6 million) shares issuable in respect of these plans based on the market value of the Class A shares at December 31, 2021 and December 31, 2020, resulting in a net reduction of 44.6 million (December 31, 2020 – 49.6 million) diluted shares outstanding.

During 2021, the issuance of 61.3 million Class A shares were primarily due to the share consideration contributed as part of the BPY privatization.

During 2021, 7.4 million options were exercised, of which 2.4 million and 0.9 million were issued on a net-settled and gross basis, respectively, resulting in the cancellation of 4.1 million vested options.

The cash value of unexercised options was $1.2 billion as at December 31, 2021 (2020 – $1.2 billion) based on the proceeds that would be paid on exercise of the options.

As of March 30, 2022, the Corporation had outstanding 1,567,187,392 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 principal affiliates BEP, BIP, BBU, BPG and Oaktree because of their role in funding acquisitions both directly and through our managed funds. Overall core liquidity at year end was $15 billion, or inclusive of investor commitments to our private funds, was $92 billion.

CAPITAL REQUIREMENTS

The Corporation has very few non-discretionary capital requirements. Our largest normal course capital requirement is our debt maturities and there are no corporate debt maturities until March 2024 when approximately $1.1 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 we manage. 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. In the case of our transition, infrastructure, private equity and real estate funds, these commitments are expected to be funded by BEP, BIP, BBU and BPG. On January 31, 2019, the Corporation committed $2.75 billion to our third flagship real estate fund alongside BPG’s $1 billion commitment. As of December 31, 2021, the Corporation has funded $1.9 billion of our commitment. On May 26, 2021, the Corporation committed $2.5 billion to our fourth flagship real estate fund and has not funded any amount associated with this commitment. On August 3, 2020, the Corporation committed $750 million to our latest opportunistic credit fund. As of December 31, 2021, the Corporation has funded $187.5 million of our commitment. 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[1]	Real Estate[1]	Renewable Power and Transition	Infrastructure	Private Equity[1]	Credit and Other	**Total 2021**	Total 2020
Cash and financial assets, net	$ 3,522	$ 74	$ 691	$ 683	$ 720	$ 543	**$ 6,233**	$ 6,823
Undrawn committed credit facilities	1,618	1,515	2,062	2,532	456	595	**8,778**	9,194
Core liquidity[2]	5,140	1,589	2,753	3,215	1,176	1,138	**15,011**	16,017
Uncalled private fund commitments	—	25,831	12,278	11,643	9,863	17,464	**77,079**	60,594
Total liquidity[2]	$ 5,140	$ 27,420	$ 15,031	$ 14,858	$ 11,039	$ 18,602	**$ 92,090**	$ 76,611

1. A $1 billion two-year credit facility which was secured in April 2020 to support growth initiatives was cancelled in March 2021.
2. See definition in Glossary of Terms beginning on page 136.

As at December 31, 2021, the Corporation's core liquidity was $5.1 billion, consisting of $3.5 billion in cash and financial assets and $1.6 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 our asset management business which includes supporting the activities of our perpetual affiliates and private funds, funding strategic transactions as well as seeding new investment products.

The Corporation also has the ability to raise additional liquidity through the issuance of securities and sale of holdings of listed investments in our principal subsidiaries and other holdings including from those listed on page 98. 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 2021, we generated $6.3 billion of distributable earnings, inclusive of:

- $1.9 billion fee-related earnings;
- $2.2 billion of distributions from our perpetual affiliates and other principal investments, and yield earned on corporate cash and financial assets; and
- realizations, including $715 million of net realized carried interest and $2.1 billion of disposition gains from principal investments; partially offset by
- corporate costs, interest expense, and preferred share dividends, net of equity-based compensation costs, of $630 million.

The Corporation paid $538 million in non-cash dividends in kind as part of the BAMR spin-out, as well as $800 million in cash dividends on its common equity during the year ended December 31, 2021 (2020 – $726 million).

The following table presents distributable earnings generated by the Corporation:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2021	2020
Fee revenues	$ 3,523	$ 2,840
Direct costs	(1,468)	(1,296)
	2,055	1,544
Amounts attributable to non-Brookfield shareholders	(156)	(116)
Fee-related earnings[1]	1,899	1,428
Perpetual affiliates	1,870	1,460
Corporate cash and financial assets	42	377
Other principal investments	286	9
Distributions from investments	2,198	1,846
Corporate borrowings	(438)	(388)
Corporate costs and taxes	(154)	(151)
	(592)	(539)
Preferred share dividends[2]	(157)	(142)
Add back: equity-based compensation costs	119	94
	(630)	(587)
Distributable earnings before realizations	3,467	2,687
Realizations		
Realized carried interest, net[3]	715	348
Disposition gains from principal investments	2,100	1,185
Distributable earnings	$ 6,282	$ 4,220

1. Includes $250 million (2020 – $186 million) of fee-related earnings from Oaktree at our share.
2. Includes $9 million (2020 – $1 million) of dividends paid on perpetual subordinated notes for the year ended December 31, 2021.
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, 2021 (MILLIONS, EXCEPT PER UNIT AMOUNTS)	Ownership %	Brookfield Owned Units	Distributions Per Unit[1]	Quoted Value[2]	Current Distributions (Current Rate)[3]	Full Year Distributions (Actual)
Distributions from investments						
Perpetual affiliates						
Brookfield Renewable[4]	48%	312.0	$ 1.28	$ 11,214	$ 399	$ 384
Brookfield Infrastructure[5]	27%	139.6	2.16	8,552	301	275
Brookfield Business Partners	64%	94.5	0.25	4,351	24	24
Brookfield Property Group[6]	100%	n/a	n/a	n/a	1,398	1,062
					2,122	1,745
Corporate cash and financial assets[7]	various	various	various	3,522	282	42
Other investments[8]	various	various	various	various	4	6
Total					$ 2,408	$ 1,793

1. Based on current distribution policies.
2. Quoted value represents the value of Brookfield owned units as at market close on December 31, 2021.
3. Distributions (current rate) are calculated by multiplying units held as at December 31, 2021 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 136.
4. Brookfield owned units represent the combined units held in BEP and BEPC. On February 16, 2021, we completed the sale of 15 million class A shares of BEPC.
5. Brookfield owned units represent the combined units held in BIP and BIPC.
6. For the year ended December 31, 2021, BPG's distributions include nominal amounts of preferred share dividends received by the Corporation (2020 – nominal amounts).
7. Includes cash and cash equivalents and financial assets net of deposits.
8. Other includes cash distributions from our listed investment within our Private Equity segment.

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)	**2021**	2020
Operating activities	**$ 7,874**	$ 8,341
Financing activities	**16,261**	8,698
Investing activities	**(21,045)**	(13,873)
Change in cash and cash equivalents	**$ 3,090**	$ 3,166

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

Operating Activities

Cash flow from operating activities totaled $7.9 billion in 2021, a $467 million decrease from 2020. Excluding the net change in non-cash working capital, cash flow from operating activities increased by $2.4 billion versus the prior year mostly as a result of the same-store growth across our business and contributions from subsidiaries acquired, net of disposals, in 2021.

Financing Activities

Net cash inflows from financing activities totaled $16.3 billion in 2021 versus $8.7 billion in the prior year, and primarily related to:

- non-recourse borrowings arranged by our subsidiaries, net of repayments, of $18.5 billion;
- non-recourse credit facilities drawn, net, of $6.2 billion related to short-term borrowings backed by private fund commitments; and
- capital repaid to non-controlling interests, net of capital returned, of $2.5 billion; partially offset by
- distributions to non-controlling interests and shareholders of $9.6 billion; and
- redemption of subsidiary equity obligations of $1.3 billion.

Investing Activities

Net cash outflows from investing activities were $21.0 billion in 2021 versus $13.9 billion in the prior year, and mainly related to:

- acquisitions of investment properties, net of dispositions, of $5.1 billion;
- acquisitions of subsidiaries, net of dispositions, of $8.6 billion primarily associated with acquisitions in our Private Equity and Infrastructure segments;
- additions to PP&E, net of dispositions, of $6.2 billion; and
- dispositions of financial assets and other, net of acquisitions, of $564 million primarily as a result of investments in debt and equity securities across our operating segments as well as financial assets associated with managing currency risk.

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, 2021 (MILLIONS)	Payments Due by Period Less than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years	Total
Recourse Obligations					
Corporate borrowings	$ —	$ 1,138	$ 2,566	$ 7,171	**$ 10,875**
Accounts payable and other[1]	2,515	133	12	2,444	**5,104**
Interest expense[2]					
Corporate borrowings	420	802	659	3,652	**5,533**
Non-recourse Obligations					
Principal repayments					
Non-recourse borrowings of managed entities					
Property-specific borrowings	31,052	43,354	36,857	40,745	**152,008**
Subsidiary borrowings	631	1,832	5,061	5,525	**13,049**
Subsidiary equity obligations	546	1,563	544	1,655	**4,308**
Accounts payable and other					
Lease obligations	1,156	2,389	1,615	13,550	**18,710**
Accounts payable and other[1,3]	24,773	4,527	1,075	3,780	**34,155**
Commitments	2,456	770	203	257	**3,686**
Interest expense[2,4]					
Non-recourse borrowings	5,918	10,130	6,832	11,958	**34,838**
Subsidiary equity obligations	162	300	228	33	**723**

1. Excludes lease obligations and provisions.
2. Represents the aggregate interest expense expected to be paid over the term of the obligations.
3. Excludes insurance contract liabilities of $2 million (2020 – $1.3 billion). The decrease in insurance contract liabilities in 2021 versus 2020 is due to the deconsolidation of our annuities business as part of the BAMR spin-out in the second quarter of 2021.
4. 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 $2.9 billion (2020 – $2.3 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, BAM 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, BAM 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 $3.7 billion (2020 – $4.1 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 71.

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 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 audited December 31, 2021 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 December 31, 2021 consolidated financial statements.

CONSOLIDATED FINANCIAL INFORMATION

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.

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 89% 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 94%. 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, 77 of our properties were externally appraised, representing a gross property value of $33 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 of December 31, 2021 and December 31, 2020 are summarized below.

	Core		Transitional and Development		LP Investments		Weighted Average	
AS AT DEC. 31	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate	**5.9%**	6.0%	**7.3%**	7.2%	**9.1%**	9.4%	**7.7%**	7.7%
Terminal capitalization rate	**4.6%**	4.6%	**5.8%**	5.9%	**5.9%**	6.0%	**5.5%**	5.6%
Investment horizon (years)	**11**	11	**10**	10	**13**	14	**12**	12

The following table presents the impact on the fair value of our consolidated investment properties as at December 31, 2021 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 the consolidated financial statements of BAM 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, 2021 (MILLIONS)	Fair Value	Sensitivity
Core	$ 19,384	$ 1,941
Transitional and Development	27,669	546
LP Investments	51,620	2,183
Other investment properties	2,192	64
Total	$ 100,865	$ 4,734

ii. Revaluation Method for PP&E

Within our Renewable Power and Transition and Infrastructure segments, we revalue our PP&E using a discounted cash flow ("DCF") approach; our Real Estate hospitality assets are valued using the depreciated replacement cost 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 following 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, two years of gas 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 2025 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 those used by third-party valuators for reasonability.

Review of our models also includes assessing comparable market transactions and reviewing third-party valuator reports. 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. We also confirm the reasonability of our values through the use of a third-party valuator which provides an opinion on the valuation method and results. Each year we have a valuation report provided on approximately one-quarter of the assets, providing a reasonable opinion in the range of +/– 10%. We compare our valuations to this report, along with other inputs, ensuring that they are within the reasonable range.

In 2021, the fair value of the PP&E in our Renewable Power and Transition segment increased by $4.8 billion, primarily attributable to lower cost of capital applied across all classes of assets, as we observed a lowering of both interest rates and cost of equity in the market. 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 2021 and 2020 are summarized below:

	North America		Brazil		Colombia		Europe	
AS AT DEC. 31	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate								
Contracted	**4.1 – 4.3%**	4.1 – 4.5%	**7.2%**	7.3%	**7.9%**	8.1%	**3.9%**	3.0 – 3.6%
Uncontracted	**5.4 – 5.6%**	5.6 – 6.0%	**8.5%**	8.6%	**9.2%**	9.4%	**3.9%**	3.6 – 4.7%
Terminal capitalization rate[1]	**4.8 – 5.1%**	5.8 – 6.2%	**n/a**	n/a	**8.0%**	8.9%	**n/a**	n/a
Exit date	**2042**	2041	**2048**	2048	**2041**	2040	**2036**	2035

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 property, plant and equipment in our Renewable Power and Transition segment as at December 31, 2021 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 property, plant and equipment assets within the consolidated financial statements of BAM 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, 2021 (MILLIONS)	Fair Value	Sensitivity
25 bps change in discount and terminal capitalization rates[1]		
North America	$ 32,629	$ 2,010
Colombia	8,497	355
Brazil	3,547	100
Europe	3,935	60
5% change in electricity prices		
North America	32,629	1,100
Colombia	8,497	410
Brazil	3,547	80
Europe	3,935	—

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 at December 31, 2021, including a one-time 30-year renewal for applicable hydroelectric assets, is 31 years (2020 – 32 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 BAM 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, 2021, the contract was valued using weighted-average forward power price estimates of approximately $76/MWh in years 1-10 and $142/MWh in years 11-20, using a discount rate of approximately 5.9%.

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. Once complete, the portfolio management team presents the valuations to the infrastructure CEO, COO and CFO for approval.

As part of our process, we analyze comparable market transactions 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 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 $172 million in 2021. 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:

	Utilities		Transport		Midstream	
AS AT DEC. 31	**2021**	2020	**2021**	2020	**2021**	2020
Discount rate	**7 – 11%**	7 – 14%	**7 – 14%**	7 – 13%	**15%**	15%
Terminal capitalization multiples	**20x**	7x – 23x	**9x – 15x**	9x – 14x	**10x**	10x
Investment horizon/ Termination valuation date (years)	**10 – 20**	10	**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 $1.1 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.

iii. 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.

iv. Inventory

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

v. 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 investment, 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 JUDGEMENTS

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 property, plant and equipment requires critical judgments over the assessment of carrying value, whether certain costs are additions to the carrying amount of the property, plant and equipment 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.

CONSOLIDATED FINANCIAL INFORMATION

We report our financial results under IFRS while many of our 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 our peers 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. Our consolidation conclusions may differ from certain of our peers 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 of December 31, 2021 and based on that assessment concluded that, as of December 31, 2021, 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, 2021 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, 2021. 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, 2021 in providing reasonable assurance that material information relating to the company and our consolidated subsidiaries would be made known to them by others within those entities.

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 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 Asset Management Inc., its consolidated subsidiaries, 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 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 we manage. 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 our managed entities, making it more difficult for us to raise new capital. Investors may decline to invest in current and future managed entities and may withdraw their investments from our managed entities as a result of poor performance in the entity in which they are invested, and investors in our private funds may demand lower fees for new or existing funds, all of which would decrease our revenue.

As a global alternative asset manager with various lines of business and investment products, some of which have overlapping mandates, we 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 the Corporation.

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 like us 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 or those of our portfolio companies in which we and our managed entities invest, including historical misconduct prior to our 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 our ability 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 our removal as general partner or an acceleration of the liquidation date of the private funds that we manage. The governing agreements of our private funds provide that, subject to certain conditions (which may, particularly in the case of our 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 us as 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 we would earn from such fund, particularly if we are 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 us 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 our ability to fundraise third-party capital, deploy that capital effectively, and produce targeted investment returns.

Our ability to raise third-party capital depends on a number of factors, including many that are outside our control such as the general economic environment and the number of other investment funds being raised at the same time by our 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 our ability to compete for these sources of capital or force us to reduce our management fees. Our investors and potential investors continually assess investment performance and our ability to raise capital for existing and future funds depends on our funds' relative and absolute performance. If poor investment returns or changes in investment mandates prevent us from raising further capital from our existing partners, we may need to identify and attract new investors in order to maintain or increase the size of our private funds, and there are no assurances that we will be able to find new investors. Further, as competition and disintermediation in the asset management industry increases, we may face pressure to reduce or modify our asset management fees, including base management fees and/or carried interest, or modify other terms governing our 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 our managed entities 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 we are unable to successfully raise, retain, and deploy third-party capital into investments, we 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 our existing operations or exit from the investment on favorable terms. In addition, liabilities may exist that we or our 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 our managed entities may not be entitled to sufficient, or any, recourse against the contractual counterparties to an acquisition.

Our credit strategies, the majority of which are managed through Oaktree, offer a broad diverse range of long-term fund and perpetual strategies to our investors. Similar to our other long-term private funds, we earn base management fees and carried interest on Oaktree's fund capital in its credit strategies. Cyclicality 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, we make investments (for one or more of our 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 of our investments may be concentrated in particular asset types or geographic regions, which could exacerbate any negative performance of one or more of our managed entities to the extent those concentrated investments are in assets or regions that experience market dislocation. In addition, certain of our 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 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; COVID-19; 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 our managed investments perform poorly or experience prolonged periods of volatility, or we are unable to deploy capital effectively, our fee-based revenue, cash available for distribution and/or carried interest would decline. Moreover, we could experience losses on our capital invested in our managed entities. 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 us, our listed affiliates, or the entities that we manage 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 Securities and Exchange Commission has specifically focused on asset managers in recent enforcement actions. Regulatory investigations and/or enforcement actions by our 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 we market our managed entities 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 our managed entities, and conditions on the leverage our 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 of our 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.

We have and may become subject to additional regulatory and compliance requirements as we expand our 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 on us 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 our 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 other entities that we manage and/or 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 franchise.

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 our 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 franchise. 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 would 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. Our senior management team has a significant role in our success and oversees the execution of our 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 our 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 our managed entities and other members of the business communities and industries in which we operate and result in the reduction of our assets under management 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 our private funds, 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. Our 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 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 our 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 and also have a destabilizing effect on energy markets, as well as 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 post-Brexit relationship between the U.K. and the E.U. 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, 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, including as a result of COVID-19; (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 have imposed restrictions on business activity and travel. Refer to Catastrophic Event/Loss, Pandemics, Climate Change, War and Terrorism on pages 123 and 124.

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 our 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 our 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 made by us and our managed entities; (iii) the value or performance of the investments made by us and our managed entities; and (iv) the ability of us and our managed entities 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 our private funds have a finite life that may require us to exit an investment made in a fund 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 we will not be able to exit a private fund investment successfully. We cannot always control the timing of our private fund investment exits or our 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 assets under management 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 the 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 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, and additional actions that may be taken to contain COVID-19, such as re-imposing 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 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 which 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 our managed entities and the willingness of investors to invest in our managed entities. 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.

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 and are based on our own methodologies and assumptions, and which 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. 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 may 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 our managed entities or in Brookfield may not invest in all our 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 our 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 our clients. 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 EU. 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 which 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 the portfolio companies of our managed entities may subject us, our 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 operations.

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 on our assets. 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 which 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 our 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 our investors via capital contributions. Investors in our private funds may default on their capital commitment obligations, which could have an adverse impact on 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 our information barriers could result in the sharing of material non-public information between asset management 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 our clients, all of which could result in negative financial impact to our investment activities.

w) 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 which 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. The profitability of our investments in these industries may be adversely affected by a number of factors, many of which are outside our control. 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 which 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.

x) Renewable Power and Transition

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.

y) 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 decide 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.

z) 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, including those driven by the impact of the ongoing COVID-19 pandemic, 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.

aa) Residential Development

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.

ab) 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 Brookfield 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 the Brookfield Class A Shares.

Brookfield Reinsurance's business is presently conducted under two operating segments, which it refers to as its reinsurance business and PRT business. Going forward, Brookfield Reinsurance plans to grow both of 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 Asset Management Inc. and its consolidated subsidiaries. The "Corporation" refers to our asset management business which is comprised of our asset management and corporate business segments.

We refer to investors in the Corporation as **shareholders** and we refer to investors in our private funds 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 and real estate. These funds include core, credit, value-add and opportunistic closed-end funds and core long-life funds. We refer to these funds as our private funds.
- We refer to BEP, BEPC, BIP, BIPC, BBU 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:

- **BAMR** – Brookfield Asset Management Reinsurance Partners Ltd.
- **BBU** – Brookfield Business Partners L.P.
- **BBUC** – Brookfield Business Corporation
- **BEP** – Brookfield Renewable Partners L.P.
- **BEPC** – Brookfield Renewable Corporation
- **BIP** – Brookfield Infrastructure Partners L.P.
- **BIPC** – Brookfield Infrastructure Corporation
- **BPG** – Brookfield Property Group
- **BPY** – Brookfield Property Partners L.P.
- **BSREP III** – Brookfield Strategic Real Estate Partners III
- **Forest City** – Forest City Realty Trust, Inc.
- **IPL** – Inter Pipeline Ltd.
- **Norbord** – Norbord Inc.
- **Oaktree** – Oaktree Capital Management
- **TERP** – TerraForm Power, Inc.
- **West Fraser** – West Fraser Timber Co.

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 we manage, on a gross asset value basis, including assets for which we earn management fees and those for which we do not. AUM is calculated as follows: (i) for investments that Brookfield consolidates for accounting purposes or actively manages, including investments of 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. Brookfield'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 recent BPY privatization. Perpetual affiliate capitalization as at December 31, 2021, was as follows: BEP/BEPC – $26.8 billion; BIP/BIPC – $34.9 billion; BBU – $8.3 billion; and BPG – $20.4 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)	2021	2020
Realized carried interest[1]	**$ 1,713**	$ 684
Less: direct costs associated with realized carried interest	**(786)**	(273)
	927	411
Less: realized carried interest not attributable to BAM	**(212)**	(63)
Realized carried interest, net	**$ 715**	$ 348

1. Includes $1.2 billion of realized carried interest related to Oaktree (2020 – $339 million). 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.

Adjusted carry eligible capital excludes uncalled fund commitments and funds that have not yet reached their preferred return, as well as co-investments and separately managed accounts that are subject to lower carried interest than our standard funds.

A reconciliation from carry eligible capital to adjusted carry eligible capital is provided below:

AS AT DEC. 31 (MILLIONS)	**2021**	2020
Carry eligible capital[1]	**$115,523**	$ 85,330
Less:		
Uncalled private fund commitments	**(43,269)**	(27,624)
Co-investments and other	**(7,434)**	(7,450)
Funds not yet at target preferred return	**(15,673)**	(16,863)
Adjusted carry eligible capital	**$ 49,147**	$ 33,393

1. Excludes carry eligible capital related to Oaktree.

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, such as our investments in Canary Wharf and several other businesses.

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 quickly 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 segment as well as our issued and outstanding common and preferred shares.

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 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 our Asset Management segment FFO (i.e., fee-related earnings and realized carried interest, net); distributions from our perpetual affiliates, other investments that pay regular cash distributions and FFO from our corporate cash and financial assets; other invested capital earnings, which include FFO from our residential operations, energy contracts, sustainable resources and other real estate, private equity, corporate investments that do not pay regular cash distributions, corporate costs and corporate interest expense; excluding equity-based compensation costs and net of preferred share dividend payments. As of January 1, 2021, we now include realizations from our principal investments as these are earnings that are directly received by the Corporation and are available for distribution to common shareholders or to be reinvested into the business. Comparative figures have been revised accordingly. See below for a table which reconciles distributable earnings, fee-related earnings and total FFO to net income, the most comparable IFRS measure.

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 we manage which entitles us 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 our private funds.
- **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.

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)	2021	2020
Revenue	**$ 75,731**	$ 62,752
Add: revenues from Oaktree	**1,062**	897
Add: Inter-segment and other revenues	**2,155**	1,697
Less: external revenues from consolidated subsidiaries of other segments	**(75,425)**	(62,506)
Fee Revenues	**$ 3,523**	$ 2,840

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 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:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Total 2021	Total 2020
Net income	**$ 12,388**	$ 707
Financial statement components not included in FFO:		
Equity accounted fair value changes and other non-FFO items[1]	**1,355**	3,170
Fair value changes	**(5,151)**	1,423
Depreciation and amortization	**6,437**	5,791
Deferred income taxes	**1,210**	81
Realized disposition gains recorded as fair value changes or equity	**2,861**	1,554
Non-controlling interest in FFO[2]	**(11,542)**	(7,546)
Total FFO	**7,558**	5,180
Less: total disposition gains	**(3,082)**	(1,552)
Less: net invested capital FFO	**(1,862)**	(1,852)
Less: realized carried interest, net	**(715)**	(348)
Fee-related earnings	**1,899**	1,428
Distributions from investments	**2,198**	1,846
Corporate activities	**(592)**	(539)
Preferred share dividends	**(157)**	(142)
Add back: equity-based compensation costs	**119**	94
Distributable earnings before realizations	**3,467**	2,687
Realized carried interest, net	**715**	348
Disposition gains from principal investments	**2,100**	1,185
Distributable earnings	**$ 6,282**	$ 4,220

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 as an asset manager and separately as an investor in our assets. FFO includes the fees that we earn from 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 differences between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT are 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 us 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, 2021	Current Distribution Rate[1]	Distribution Hurdles (per unit)[2]	Incentive Distributions
Brookfield Infrastructure (BIP)[3]	$ 2.16	$ 0.73 / $ 0.79	15% / 25%
Brookfield Renewable (BEP)[4]	1.28	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 investments in our perpetual affiliates, other listed securities, unlisted investments and corporate working capital. 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 us when we exceed predetermined investment returns within BBU and on certain liquid strategies portfolios. BBU 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 after direct costs, which include employee expenses and taxes.

The following table identifies the inputs of accumulated unrealized carried interest to arrive at unrealized carried interest generated in the year:

AS AT DEC. 31 (MILLIONS)	Adjusted Carry Eligible Capital[1]	Adjusted Multiple of Capital[2]	Fund Target Carried Interest[3]	Current Carried Interest[4]
2021				
Real Estate	**$ 18,332**	**1.5x**	**20%**	**23%**
Infrastructure	**23,822**	**1.5x**	**20%**	**18%**
Private Equity	**6,993**	**1.8x**	**20%**	**17%**
	$ 49,147			
2020				
Real Estate	$ 8,950	1.5x	20%	19%
Infrastructure	19,964	1.4x	20%	17%
Private Equity	4,479	2.0x	20%	13%
	$ 33,393			

1. Excludes uncalled private fund commitments, co-investment capital and funds that have not met their preferred return.
2. Adjusted Multiple of Capital represents the ratio of total distributions plus estimates of remaining value to the equity invested, and reflects performance net of fund management fees and expenses, before carried interest. Our core, credit and value add funds pay management fees of 0.90-1.50% and our opportunistic and private equity funds pay fees of 1.50-2.00%. Funds typically incur fund expenses of approximately 0.35% of carry eligible capital annually.
3. Fund target carried interest percentage is the target carry average of the funds within adjusted carry eligible capital as at each period end.
4. When a fund has achieved its preferred return, we earn an accelerated percentage of the additional fund profit until we have earned the fund target carried interest percentage. Funds in their early stage of earning carry will not yet have earned the full percentage of total fund profit to which we are entitled.

The following table summarizes the unrealized carried interest generated in the current and prior year periods:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**Accumulated Unrealized Carried Interest**			Change	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Real Estate	**$ 2,147**	$ 855	$ 986	$ 1,292	$ (131)
Infrastructure	**2,064**	1,492	1,175	572	317
Private Equity	**1,027**	599	596	428	3
Credit and other	**1,547**	1,078	890	469	188
Accumulated unrealized carried interest	**6,785**	4,024	3,647	2,761	377
Less: associated expenses[1]	**(2,066)**	(1,423)	(1,258)	(643)	(165)
Accumulated unrealized carried interest, net	**$ 4,719**	$ 2,601	$ 2,389	2,118	212

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.