CANACOL ENERGY

Emerging Risks
Statement

Introduction

Canacol's risk management framework is the responsibility of the executive team who review policies and processes to identify, evaluate, and effectively govern the Company's risk profile. Identification of emerging risks falls under the oversight of the Audit and ESG Committees which governs climate issues and is responsible for incorporating climate-related risks, opportunities, and targets into the corporate strategy to ensure that adequate policies and procedures are in place to address the risks. The coordination of the audit and ESG committees to identify and address emerging risks is critical to our ability to develop and implement mitigation plans.

Overview

Canacol categorizes emerging risks as those that are expected to have a long term impact on the Company and its operations. These risks may manifest in the next three to five years or beyond or may already be underway. By recognizing and identifying potential long term risks, Canacol conveys to its stakeholders that it is cognizant of such risks and can devise effective mitigation strategies. The World Economic Forum (WEF) Risk Report outlines five key categories of emerging risks: environmental, social, technological, geopolitical, and economic. While a calculation or estimation of the financial impact of these emerging risks may not be viable, it is important to describe how they could potentially affect business performance, strategy, the business model, and operations.

As outlined in the WEF Risk Report for an emerging risk to be accepted it must meet six requirements:

1. The risk is new, emerging, or significantly increasing in importance.
2. The potential impact of the risk is long term.
3. The potential impact of the risk is significant, affecting large portions of the Company's business/operations or results in the Company adapting its strategy and/or business model.
4. The risk is an external risk, thus outside of the Company's control or influence.
5. The risks and their impacts on the Company are specific.
6. The risks and their impacts are publicly disclosed, i.e., in the Sustainability Report.

Emerging Risk Planning and Trend Identification

Canacol has created a well-structured risk analysis framework that facilitates decision-making, improves operational performance, and fulfills legal and regulatory requirements. Our risk management methodology adheres to the ISO 31000 Standards:

1. **Scope:** defining the scope of the activity.
2. **Context:** The internal or external process or activity's impact on the company.
3. **Communication and consultation:** Clear exchange of information to ensure that stakeholders and company employees understand the risk and/or opportunity.
4. **Criteria:** Defines the amount and type of risk that the company can burden.
5. **Assessment:** Defines the magnitude of the risk or opportunity, through an identification, analysis, and assessment approach.
6. **Treatment:** defines the most appropriate measures to prevent identified risks from occurring.
7. **Registration and reporting:** Reporting of decision-making and results allows for review and follow-up of management's response to identified risks.
8. **Monitoring and review:** Involves the planning, collecting, and analyzing of information and recording the results of the risk management process as well as provide feedback on the outcome.

Following this methodology, we implement a five-stage cyclical process in our identification of emerging risks: identification, analysis, evaluation, processing, and registration and reporting.

Further, to the five-stage process, Canacol's methodology includes the review of published reports, benchmarking against peer companies that operate in Colombia, collaboration with partners and consulting firms, analysis of the industry and geopolitics in the areas of operation, and review of publications by global institutions such as the WEF Global Risk Report. Utilizing these avenues of information collection, Canacol implements its systematic approach to identify the potential emerging risks that could impact the Company and its operations.

Emerging Risks Evaluation

Canacol reviews and evaluates the potential impact of emerging risks determining whether the risk poses a very high, high, moderate, or low risk. Once this step has been completed, the Company identifies the time frame for how long it will take the risk to emerge.

Impact	Description
Very High	• Major impact in both the short term and long term resulting in severe disruption to operations and environmental damage. • Potential reputation cost to the Company: International reputational impact/international media exposure, rejection by shareholders and public at international level. • Potential financial cost to the Company: **$50M US.** • Major impact in the short term and long term to the Company's reputation, long term corporate objectives, and business model. • Major legal/regulatory actions against the Company.
High	• Significant impact on operations in the short term and long term impacting operations and the environment. • Potential reputational cost to the Company: Loss of license to operate / medium term national media coverage / serious reputational impact. • Potential financial cost to the Company: **$10M US - $50M US .** • Major impact in the short term and significant impact in the long term to the Company's reputation, and moderate impact on corporate objectives and business model. • Moderate legal/regulatory actions against the Company.
Moderate	• Moderate impact in the short term on operations and the environment. • Potential reputation cost to the Company: International reputational impact/international media exposure, rejection by shareholders and public at international level. • Potential reputational cost to the Company: Affecting relations with regulators, industry, and suppliers at the regional level. • Potential financial cost to the Company: **$1M US- $10M US.** • Significant impact to the Company's short term reputation, and moderate impact on corporate objectives and business model. • Some legal/regulatory action against the Company.

Impact	Description
Low	• Minor impact to operations and environment. • Potential reputational cost to the Company: Non-compliance with regional third parties / event with regional media coverage. • Potential financial cost to the Company: **$100K US - $1M US.** • Minor short term impact to reputation to meet corporate objectives. • Minor legal/regulatory action against the company.

Time Frame	Starting to experience	1 - 3 years	3 - 5 years	5 - 10 years	10+ years

Emerging Risks Treatment

Following this process, Canacol can then begin to monitor and effectively plan mitigation measures to ensure that each identified risk either does not occur or the Company is able to effectively counter potential impacts.

Risk Name	Risk Category	Description/Impact	Mitigation Actions
Reduction in Traditional Investment Plans	Economic	Reduction of investment represents a significant risk that can impact Canacol's profitability and growth prospects. Reduction in investment can occur due to a range of factors, including changes in market conditions, shifts in investor sentiment, and changes in government policy. This can lead to reduced exploration and production activity, delayed projects, and decreased competitiveness in the market.	To mitigate this risk, focus can be placed on cost management, efficiency improvements, exploration of new investment opportunities, and optimization of Canacol's portfolio to focus on high-return projects. Additionally, prioritization of stakeholder engagement and communication to build trust and maintain investor confidence is crucial.
Supply Chain Crisis	Economic	Supply chain crises can pose a significant risk to Canacol's operations and profitability. These crises can be caused by a range of factors, such as natural disasters, geopolitical tensions, and pandemics, which can disrupt the flow of materials and products needed to run the business. the impact of supply chain crises can be significant, leading to delays in production, higher costs, and potential loss of customers.	Our approach includes diversifying suppliers and sources of raw materials. This involves developing new supplier relationships or expanding existing ones to include multiple suppliers. Canacol also implements contigency plans to address disruptions such as developing back-up plans for critical suppliers and establishing crisis management teams to ensure continuity of operations during a supply chain crisis. By taking these proactive steps, Canacol can mitigate the impact of supply chain crises and maintain operational resilience when unforseen disruptions occur.
Geopolitical Instability	Political	Geopolitical instability can have potentially damaging effects on the Company's operations and profitability. This risk can arise from a variety of factors including civil unrest, terrorism, and political tension between countries. This can lead to disruptions in supply chains, damage to infrastructure, regulatory uncertainty, and disruption of operations. Geopolitical instability can also increase the cost of doing business, reduce investor confidence, and negatively impact Canacol's reputation.	Canacol takes a proactive approach in mitigating risks and addressing concerns by implementing contigency plans and engaging in meaningful dialogues with stakeholders. The Company prioritizes the development of robust response plans to address potential disruptions, ensuring operational continuity and regulatory compliance. By closely monitoring geopolitical stability, Canacol maintains a competitive edge in the market and promptly adapts its strategies as needed. Furthermore, Canacol establishes regular meetings with local governments and public forces to actively track security situations in the operational areas and collaboratively establish contingency plans for enhanced security and operational resilience.

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Risk Name	Risk Category	Description/Impact	Mitigation Actions
Cyber Security	Technological	Canacol is critically dependent on information and information systems. The reputation that the Company enjoys is also directly linked to the way it manages such information. If important information were to be disclosed to third parties (which could result in inappropriate or illegal actions) or information systems were compromised, Canacol could suffer serious losses.	Canacol prioritizes cyber security by enforcing adherence to best practices, expecting all individuals associated with the Company to protect themselves and corporate assets from cyber attacks. Compliance with Canacol's Security and Data Protection Policy, as well as the relevant national cyber security laws in its countries of operation, and supported by the training program "Know Be 4". The Company raises awareness through information campaigns and complies with the ISO 27000 Standard. Canacol continues to maintain process control with ISO 27000 certification requirements, including system reviews, identifying improvement opportunities, and implementing policies such as access control, user/password management, network and communications security, operations security, and antivirus backup (XDR).
New Political Regulations	Political	Changes in political regulations may affect operations in Colombia and the financial performance of the Company's gas commercialization. In addition, changes in mining and energy regulations could result in a loss of confidence among investors and external stakeholders thus, affecting share price performance, investment plans, and operational results (exploration and production) in the short, medium, and long term. Furthermore, the Company needs to ensure the correct identification and management of new regulations risks, to avoid disruptions to the business over the long term.	Canacol maintains a proactive approach to risk management by regularly updating the corporate risk and opportunity matrix. The Company analyzes how new political trends can potentially impact operational viability and compliance with National Government contracts, which are long term and encompass binding compliance clauses. Weekly strategic and operational meetings are conducted to review progress on operational goals and develop interdisciplinary action plans to mitigate legal and financial emerging risks. Canacol collaborates with the ACP (Asociación Colombiana de Petroleo) to design strategies and propose alternatives that minimize the impact of initial legislation, ensuring a proactive response to changing regulatory environments.