

Energy that Generates
Wellness

Sustainability Report

2019

Executive Summary





The year 2019 was one of significant progress for Canacol, of which we are very proud. We advanced in realizing our ambition, which is to improve the quality of life of millions of Colombians through natural gas exploration, production, and distribution. We surpassed major milestones in gas sales, operational capacity, and financial strength while consolidating our position as the largest independent natural gas producer in Colombia.

As a leader in the production of the cleanest-burning hydrocarbon, we fully support the global initiative to meet the goals of the Paris Agreement. We are committed to contributing to Colombian energy self-sufficiency, as well as to Colombia's energy matrix transition plans in which gas is expected to supply 30% of the total energy consumed while reducing emissions 20% by 2050.

We firmly believe that the world needs a more sustainable energy sector. Our goal is to become a sustainability and ESG benchmark, and we are focused on realizing this. Thus, our annual report includes the GRI methodology, the Principles for Responsible Investment, the Carbon Disclosure Project, the Dow Jones Sustainability Index, the Principles of the Global Compact, and the Sustainable Development Goals.

In 2019, we reaffirmed our commitment to generating value for all our stakeholders through a sustainable, collaborative, co-responsible, respectful, and transparent approach. Canacol will continue implementing this commitment in the years and decades to come.

Charle Gamba
President, CEO and Director of Canacol Energy Ltd

Message from Our

President



We are the leading independent natural gas production and exploration firm in Colombia. We currently operate 8 gas blocks in the Magdalena Valley as well as a crude oil block in the Eastern Llanos Basin.

Our contractual natural gas sales in 2019 increased to an average of 143 million cubic feet of gas per day, 615% more than the daily average in 2013.

- **623.8 BCF** of 2P natural gas reserves.
- **112% annual growth rate** in 2P conventional natural gas reserves.
- **28% of increase** in annual production.

Overall Performance



Concept	2017	2018	2019	Variation %
Employees	322	300	405	35.0%
Employees by Gender (Number)	W 122 / M 200	W 119 / M 181	W 188 / M 217	W 58.0% / M 19.9%
Employees by Gender (W%) (M%)	W 37.9% / M 62.1%	W 39.7% / M 60.3%	W 46.4% / M 53.6%	W +6.7% / M -6.7%
Officers by Gender (W%) (M%)	W 30.3% / M 69.7%	W 26.9% / M 73.1%	W 28.8% / M 71.2%	W +1.9% / M -1.9%
Investment in Training (USD)	\$46,780	\$159,378	\$377,055	136.6%
Natural Gas Production (BOE / Day)	13,765	19,667	25,100	27.6%
CAPEX (Millions of USD)	\$121.2	\$127.6	\$100.5	-21.2%
Economic Value Generated (Millions of USD)	\$251.2	\$251.1	\$278.1	10.8%
Economic Value Distributed (Millions of USD)	\$255.0	\$275.6	\$255.0	-7.5%

Energy that Generates
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Corporate Governance: Performance Catalyst

The ultimate authority in Canacol is the Board of Directors that oversees four specialist committees providing direct oversight on economic, social, ethical, and legal issues. The Board is also responsible to protect, preserve, and enhance the Company's assets while promoting sustainability in all aspects of operations.

Internationally recognized certifications:

- **OHSAS 18001:** Occupational health and safety.
- **ISO 9001:** Quality management.
- **ISO 14001:** Environmental management.

Leading through Ethics and Transparency

- Code of Ethics and Business Conduct.
- Corporate Anti-Money Laundering and Anti-Terrorist Financing Policy.
- Disclosure & Confidentiality.
- Insider Trading Prohibition.
- Whistleblower and Non-retaliation.
- Reporting Policy for Improper Acts.

Maintaining Responsible and Transparent Stakeholders' Relations

Our Concerns, Requests, Complaints, and/or Claims (CRCC) system ensures quality and continuity in the processes and communication channels used to receive, organize, prioritize, investigate, and respond appropriately.

In 2019 we received 219 CRCC notifications, compared to 221 in 2018 and 238 in 2017. The declining trend is encouraging and of note during a year of greatly increased drilling, seismic, and construction project activity compared to 2017-18 (>50%).



Wellness and Prosperity for All

Human Talent: Our Energy Source

Canacol creates dignified and quality employment that stimulates regional and national economic growth and development.

Employee Distribution by Gender		
	2019	Variation (%)
Women	188	58.0%
Men	217	19.9%

Total Workforce		
	Canacol	Industry Average
Women	46.4%	24.0%
Men	53.6%	76.0%

Development and Growth Opportunities

We promote the personal and professional growth of our employees through a variety of technical and non-technical training programs both in-house and with industry-focused providers.

- **US\$ 377,055 invested** in training programs during 2019.
- **1,633 training hours** presented to multiple employees.
- **88.5% of our employees** participated in the training.
- **183 vacancies covered** by internal candidates.
- **91% satisfaction** regarding support factors for success, culture, leadership, etc.
- **In 2019, we received zero reports** regarding discrimination within the Company.

Equitable Compensation

We use a performance-based compensation model. The model includes the following elements:

- Assessment of Positions and Classification of Compensation Bands.
- Assessment of performance against objects and skill development.
- Annual Compensation Increase.
- Extraordinary Compensation Adjustments.

Allowances and Benefits

Beyond salary, we provide extralegal benefits targeting employee efficiency, commitment, and happiness with employees able to select the mix that optimizes received value for them.

Occupational Health and Safety

The organization, by implementing risk management and accident and illness prevention plans.

	2019	
	Target	Performance
Lost-time injuries frequency rate (LTIFR)	2.71	2.29
Total Recordable Injury Frequency Rate TRIR	2.71	2.62
Severe Vehicle Incident Frequency Rate SVIR	0.3	0.00

Note: The calculation of the accident rate indicators uses the constant of 1,000,000 hours worked. These indicators include employees and contractors.

In 2019 Canacol achieved its second consecutive year without an employee recordable incident. Our primary metric is total TRIR trend including contractors, which remains well below industry average.

Promotion of Safe Behavior

Occupational Health and Safety training modules are coordinated annually to increase awareness and promote risk prevention.

- **450 direct employees and contractors** participated.
- **1,200 training hours** were delivered to multiple participants.



Accident Management

The GTC 45 Guide provides a framework to define dangers and solutions to mitigate them effectively.

- **We implemented** an occupational health and safety closing gaps management indicator with a goal of over 80%.
- **+3 million of man-hours** worked in 2019.

Energy that Moves Society

We firmly believe that it is our responsibility to safeguard, respect and promote Human Rights within Canacol and local communities.

Human Rights

Our Human Rights policy and internal practices are based upon the United Nations Universal Declaration of Human Rights, the Conventions of the World Trade Organization, and they are aligned to the Voluntary Principles on Security and Human Rights initiative.

Safeguarding the Rights of Indigenous Communities

We fully comply with all applicable domestic and international legislation related to indigenous groups, including Free Prior and Informed Consent (FPIC) and the UN Declaration on the Rights of Indigenous peoples.

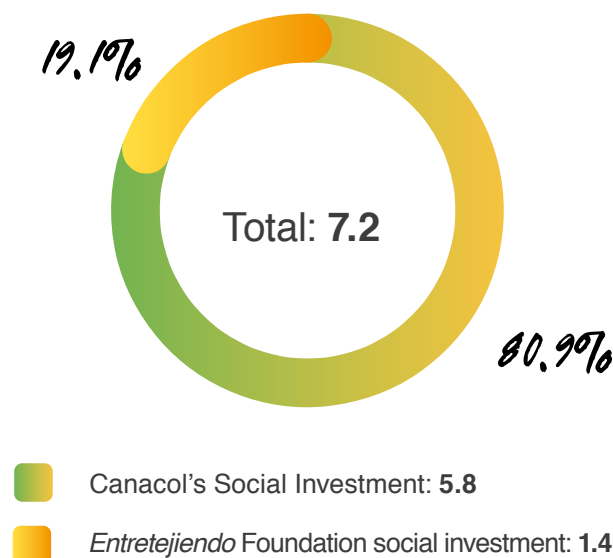
- **Two Prior Consultation Processes** were developed in 2019.
- **No complaints** regarding violations of the Human Rights of Indigenous Communities were received.

Effective Community Engagement

We are committed to engaging with all neighboring communities by promoting open and fluid dialog to discuss our policies and projects. In line with our Comprehensive Social Responsibility Policy, our community engagement is based on:

- Open and Continuous Dialog.
- Information and Communication Program.
- Social Investment.
- Compliance and Claims Program.
- Local employment opportunities.
- Local goods and services.
- Training.

2019 Canacol's Social Investment (Million USD)



- **More than 40,000** beneficiaries.

The Entretejiendo Foundation

The *Entretejiendo* Foundation improves the quality of life in our neighboring communities.

The foundation has five investment priorities: Human Development, Sustainable Growth, Institutional Strengthening, Environmental Protection, and Humanitarian Aid.

- **US\$ 982.8 thousand** leveraged (62% of the total invested during the year) with matching funds from third parties.
- **8,145** beneficiaries.

A Cleaner Energy Future

Canacol's management system evaluates and monitors our activities with the objectives of reducing greenhouse gas emissions, promoting operational eco-efficiency and water management, minimizing waste streams, and safeguarding biodiversity by protecting ecosystems.

- **We invested US\$ 2.7 million in 2019** for reforestation, biodiversity protection, creation and maintenance of ecosystem services, and residual water initiatives, among others.
- **Canacol's energy matrix** is made up of 75% generation from natural gas, 10% from Diesel, 12% from hydroelectric plants, and 3% from solar.

Environmental Compliance

Our Sustainability Policy (HSQE) acts as our public commitment to protect the environment, mitigate impact, and manage risks associated with our operations. We monitor and control the environmental impacts and risks of our contractors using a Criticality Map, which defines activity requirements for them.

Energy Use

We source natural gas from our production to generate and supply internal power needs. Solar

power is used in remote locations and for other applications as feasible. We have coordinated loads and generation capacity to improve efficiency and reduce fuel consumption.

Total Energy Use (GJ) *		
	2018	2019
Total	14,903	9,610

Constantly reducing our carbon footprint.

Our transition in production focus from crude oil to natural gas and focus on energy efficiency/emissions reduction initiatives, have reduced our carbon footprint and demonstrate our commitment to provide cleaner sources of energy.

Total Annual GHG Emissions (Metric Tons) *		
	2018	2019
Scope 1	23,441	26,949
Scope 2	43	52
Total	23,484	27,001

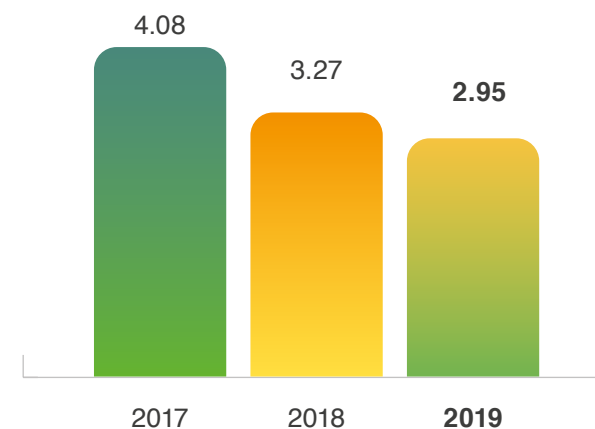
* Increase in emissions derived from the growth in gas processed and burned in operation.

Our total gas production volume increased by 27.7%, from 19,667 BOEPD in 2018 to 25,100 BOEPD in 2019. We boosted our natural gas processing and transportation capacity by

approximately 110 MMscfpd in the third quarter of 2019. This increase was a direct result of the new Jobo 3 natural gas processing facility as well as gas pipeline the connecting facility to Cartagena.

Although this increase in production, we have put a lot of effort to reduce our emissions. Thus, we have reduced our emissions intensity by 27.7% since 2017.

Emission Intensity (KG CO₂ eq/BBL-eq)



Our emission rate of 2.95 kg CO₂ / BOE is substantially lower than average for the hydrocarbon sector, which is over 10 kg CO₂ / BOE.

Water Management

We manage water usage carefully and continue to implement initiatives to minimize consumption and to recycle where feasible.



Water withdrawal (Megaliters)

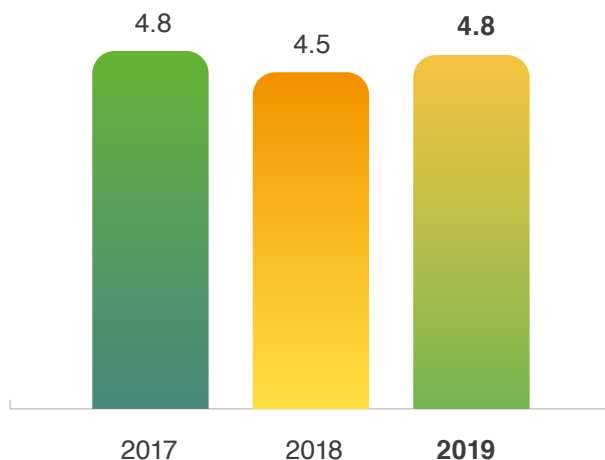
	2017	2018	2019*
Total	15.5	15.7	34.5

* The year 2019 is taken as the base year, since the coverage in the measurement of water consumption in the Company's operations, and the activities of contractors that have an impact on its life cycle, such as civil works, drilling, operations of compressor stations, construction of flow lines and infrastructure adaptations or expansions.

Reused and Recycled Water

We use reverse osmosis to recycle wastewater produced in drilling and operating activities. We have reduced our dependence on local water resources by 25%. In 2019, we recycled 90% of the wastewater generated in drilling activities.

Reused and Recycled Water from Drilling Activities (Megaliters)



Solid Waste Management and Disposal

Waste generated is stored in designated collection points located within each of our facilities. It is then transferred to licensed waste operators who manage, treat, and dispose of it appropriately.

Total waste generated

126,680 kg

Total waste used / sold

42,800 kg

Biodiversity

Site Assessment and Monitoring

We use Environmental Impact Studies to identify and establish conservation zones within our area of operations.

Biodiversity Protection Plan of Action

Each of our project's potential footprint is reviewed using environmental impact studies and environmental zoning information to determine possible impacts on biodiversity.

Identification of protected species

At Canacol, we carry out forest inventories in areas where we are going to undertake projects, which allows us to implement action plans for the protection of wild flora and fauna.

Reforestation

Our goal for reforestation is to promote conservation and biodiversity by restoring forest ecosystems, contributing to the permanence of the fauna populations and improving the quality of the life of the local inhabitants.

- **In 2019, we continued** to monitor and maintain the 25.5 hectares reforested in 2018.
- **1,240 hours worked of reforestation** maintenance with 100% by local workforce.

1% Investment and compensation

In compliance with the 2018 – 2022 “Pact for Equity” National Development Plan, Canacol invested \$ 1,251,867 (+15.4% vs. 2018).

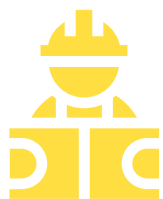
How We Drive Our Value Chain

Our supplier contracts incorporate best-practice sustainability principles that are regularly audited and jointly reviewed by management representatives of both, Canacol and Suppliers.

- **Local Supplier Development:** In Q1 2019, we implemented a local supplier development program in which 62 companies participated in.
- **Supplier and Contractor Assessments:** We require our contractors to abide by robust social, environmental, and corporate governance (ESG) standards.
- **SQM Corporate Performance Assessment:** During 2019, we hosted 25 Service Quality Meetings (SQM), where Canacol evaluated strategic contractors' operational, administrative, HSEQ, and financial performance.

Procurement of Goods and Services

In 2019, we procured 97.1% of all goods and services from within Colombia and only 2.9% from international sources. Over \$9.1 million of products and services were sourced from regional and local businesses.



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local and regional contractors from Canacol's supply chain.



Results that Generate Wellness

Economic Performance

Net natural gas revenues (not including transportation costs) increased 26.0%, from US\$ 195.7 million in 2018 to US\$ 246.6 million in 2019.

In 2019, we registered an EBITDAX 22.4% higher than in the previous year, a rise of US\$ 30.6 million, from US\$ 136.9 million in 2018 to US\$ 167.5 million in 2019.

Operational Performance

We operate on over 1.4 million acres of land through eight exploration and production gas contracts in Colombia. Our gas assets are comprised of 623.8 billion cubic feet of 2P (proven + probable) gas reserves, with a pre-tax value of US\$ 2.1 billion, and 162 identified future exploration and development drilling locations.

Our total gas production volume increased by 27.7%, from 19,667 BOEPD in 2018 to 25,100 BOEPD in 2019. We boosted our natural gas processing and transportation capacity by approximately 110 MMscf/d in the third quarter of 2019. This increase was a direct result of the new Jobo 3 natural gas processing facility as well as gas pipeline the connecting facility to Cartagena.

Production evolution Beopd			
	2018	2019	Variation
Gas	19,667	25,100	27.6%
Crude	1,688	315	-81.3%



Closing Statement and Contact Details

At Canacol, we will continue investing and working to generate value for our stakeholders utilizing an ESG-focused approach.

To see the full version of our 2019 Sustainability Report Energy That Generates Wellness visit:

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