Canacol's Approach to Tax

Introduction

Canacol Energy is an international oil and gas company headquartered in Calgary, Alberta, Canada with its operations focused on onshore production in South America.

Canacol is the largest independent onshore conventional natural gas exploration and production company in Colombia, supplying approximately 30% of the domestic gas needs. The company has two main goals; the first is to continue the growth of the gas production business in a manner that maximizes the return to shareholders. The second is to focus on becoming a leader in its commitment to environmental, social, and governance ("ESG") disciplines.

Tax strategy

Canacol has implemented corporate governance best practices in all its business strategies, fostering transparency, and displaying ethics and integrity. Implementation of these practices' positions Canacol's tax strategy as a high-agenda item for the C-Suite and the Board of Directors. The Company and its subsidiaries file all required income tax returns in compliance with the applicable tax laws of the countries in which the company operates. Canacol's tax strategy is based on five principles – the respect of jurisdictional law and OECD guidelines, tax responsibility, transparency, relationships with authorities, and the minimization of risk. These principles seek to protect the interests of the investors by managing the Company's tax affairs in a transparent way.

Canacol's tax strategy is designed with the recognition of the responsibility towards all stakeholders including investors, governments, employees, suppliers, and communities. The taxes the Company pays are essential for the economic and social impact in the countries where Canacol operates.

- **Respect of jurisdictional law and OECD Guidelines:** Canacol is committed to compliance with the tax laws and regulations and the payment of the appropriate amount of tax in the countries in which Canacol operates. Moreover, the Company has internal control processes related to tax and a whistleblower policy and channel to ensure compliance, fully supporting the OECD and its Domestic Tax Base Erosion and Profit-Sharing framework to end tax avoidance amongst multinational enterprises, to align profits to where value is created, and to enhance transparency for tax authorities across the global landscape.

  As a company with business in multiple jurisdictions, Canacol has frequent intercompany transactions, all of which are governed in accordance with OECD transfer pricing guidelines and the arm's length principle.

- **Tax transparency:** Canacol provides real information to its external stakeholders, including investors and authorities, about the amount of taxes paid and the tax approach to ensure transparency and foster public trust.

  Moreover, Canacol discloses accurate and complete information on our transactions and as a matter of policy does not use artificial corporate structures to hide activities.

- **Relationships with authorities:** Canacol seeks relationships with tax authorities and regulatory institutions based on respect and transparency. The company promotes open and transparent working relationships with all regulators.

- **Minimization of risk:** The Company contemplates tax risks and opportunities throughout all levels of the company, from the operational level to the Board, to guarantee that these risks are identified and managed. Canacol carefully monitors the possibility of emerging tax risks and considers the management of these risks within the company's global risk management policy.

  Furthermore, Canacol's tax positions are based on business operations and commercial transactions or commonly accepted practices, never on aggressive tax planning schemes or measures. The Company does not use tax structures that are intended for tax avoidance, have no business purpose or commercial substance, and are not in the spirit of the intended law.

- **Tax responsibility:** Canacol considers its tax approach as integral to corporate governance with the Board responsible for its oversight and strategy.

Since 2013, the Company supports the Extractive Industries Transparency Initiative (EITI) principles which is a global standard to promote the open and accountable management of oil and gas companies, elevating the governance and transparency to all external and internal stakeholders. Canacol is also aligned with UN Global Compact, Sustainable Development Goals (SDG), and the World Economic Forum Guide: Measuring Stakeholder Capitalism.

Additionally, Canacol supports the Extractive Sector Transparency Measures Act (ESTMA) for the public disclosure of payments made to governments in Canada and abroad. ESTMA addresses Canacol's commitment to raise transparency and reduce corruption in the global oil and gas industry.

Tax Guidelines:

Canacol adheres to the principles of transparency and fairness when engaging in tax matters. The tax guidelines consist of:

- Tax compliance with laws and regulations in all countries in which the company operates, accessing legitimately available incentives where possible.
- A clear commitment to not transferring value created to low tax jurisdictions.
- An obligation to not use tax structures without commercial substance.
- A responsibility to undertake transfer pricing using the arm's length principle.
- A commitment to not utilizing tax-havens.
- The completion of quarterly income tax rate reconciliations and deferred tax analysis.
- Retainment of all corresponding documentation as required by the various tax authorities and corporate law.

Tax Governance

The CFO and CEO, along with the Vice President of Tax and Corporate Affairs, are responsible for the review and approval of the tax strategy and policies and procedures that support the Company's approach. All material uncertain tax positions are reviewed and approved by the Vice President of Tax and Corporate Affairs, the CFO and the CEO.
Moreover, the Board of Directors, through the Audit Committee, reviews corporate performance in tax matters during quarterly board meetings. Canacol is in constant communication with external tax

advisors as well as tax authorities in all the jurisdictions in which the company operates. Tax returns are prepared and/or reviewed by external accounting firms.

In summary, the Company is transparent and compliant and conducts the tax planning with the goal to balance the responsibility to pay its fair share with the duty to its shareholders to manage the tax risk, control tax cost, and maximize shareholder value.