
Circular Economy and Waste Management Policy

1. Objective

This policy aims to establish the guidelines of Canacol Energy Ltd. (hereinafter Canacol or the Company) and its subsidiaries for circular economy and waste management in its operations and value chain. It follows the principle of “producing while conserving and conserving while producing,” ensuring integration with the Company’s strategy and business model. This approach seeks to maximize long-term value for all stakeholders while contributing to the reduction of environmental and social impacts by promoting a more sustainable production and consumption model.

2. Scope

This policy applies to all operational areas of the Company and its subsidiaries, including:

- Direct operations: Exploration, drilling, production, and related activities.
- Supply chain: Suppliers, contractors, and business partners.
- Administrative and logistics activities: Administrative facilities, transportation systems, and logistics and distribution processes.
- Future projects: New projects that must be designed with a sustainability vision to ensure alignment with this policy.

3. Ambition and Commitments

Canacol aims to lead natural gas production and be a benchmark for excellence in sustainability, including circular economy and waste management.

As part of its efforts to contribute to the 2030 Agenda, Colombia’s National Circular Economy Strategy, and other strategic initiatives, as well as the Ellen MacArthur Foundation’s proposals and the International Zero Waste Management System Standard, the Company is committed to implementing actions that promote efficiency in the use of materials, water, and energy. This includes recognizing ecosystem and biodiversity recovery capacities, circular material flows, and extending material life cycles through technological innovation, strategic partnerships, and business models aligned with sustainable development and a fair energy transition.

Specific Commitments:

Operations:

- **Operational and resource efficiency:**
 - We commit to using resources efficiently and responsibly by implementing optimization and efficiency processes that promote conservation and regeneration of resources such as water, energy, and other inputs. This includes adopting practices for reducing, reusing, and recycling waste generated in all our processes.
 - We commit to recycling water used in well drilling processes through reverse osmosis systems, optimizing its use, and minimizing our environmental and social impact.
- **Material, waste, and by-product management:**
 - We will implement the Zero Waste System and its hierarchy to manage materials, waste, and by-products, seeking strategies for reduction, recovery, and life-cycle extension. This will include fostering functional economies beyond ownership and forming alliances with strategic partners.
 - We will ensure the biological cycle closure of organic waste through composting or other recycling processes that enable its valorization, preventing disposal in landfills or other final disposal sites.
- **Sustainable design and circularity maintenance:**
 - We will promote modular and sustainable designs in our infrastructure to facilitate dismantling and reuse at the end of their useful life.
 - Additionally, we commit to implementing preventive and predictive maintenance practices to extend the lifespan of our equipment, minimize waste generation, and enhance operational safety.
- **Energy efficiency and greenhouse gas (GHG) emissions reduction:**
 - We commit to reducing GHG emissions by integrating circular economy principles through energy efficiency and decarbonization strategies, technological reconversion, portfolio diversification, infrastructure innovation, carbon capture technologies, and renewable and alternative energy solutions.
- **Product and service innovation:**
 - We will actively seek innovations to recover value from by-products and unused elements, generating new materials that can be recirculated into the industry and/or community.
- **Impact, dependency, risk, and opportunity management:**
 - We commit to identifying and managing impacts, dependencies, opportunities, and risks in line with circular economy principles, ensuring alignment with the Company's strategic priorities and stakeholder interests.

Value Chain:

- We will foster an organizational culture based on the principle of “producing while conserving and conserving while producing.”
- We will train employees, suppliers, contractors, and business partners on the risks of a linear economy and the opportunities of a circular system.

- We will collaborate with local communities to develop projects that contribute to waste management and circular economy efforts.
- We will promote circular economy practices among contractors, suppliers, and business partners, emphasizing waste valorization, resource optimization, and operational efficiency throughout the value chain.
- We commit to identifying solutions for our customers that optimize energy use, contributing to a more sustainable energy demand.

4. Strategic Objectives

- **Waste Management:**
 - Recover at least 34% of the waste generated in our operations annually.
- **Emissions Reduction and Energy Efficiency:**
 - Reduce GHG emission intensity (Scopes 1 and 2) by at least 50% by 2035, compared to the 2022 baseline, and achieve carbon neutrality by 2050.
 - Increase energy efficiency per production unit by 25% by 2035, compared to the 2022 baseline, optimizing resource use to maximize productivity while minimizing environmental impact.
 - Increase the share of renewable energy in our energy mix by 50% by 2050.
- **Infrastructure:**
 - Ensure 100% of new wells incorporate photovoltaic technologies.

5. Management Framework

Governance

Canacol has a sustainability governance model that includes waste management and circular economy with a double materiality approach. This model defines a structure with executive and tactical roles (Figure 1) and establishes the responsibilities required to design and execute processes, controls, and procedures that enable effective supervision, management, and oversight of waste and circular economy-related impacts, dependencies, risks, and opportunities

FIGURE 1: Canacol Energy’s Sustainability Governance Model



Impact, Dependency, Risk, and Opportunity Management

Our strategic framework defines the process used to identify, evaluate, prioritize, and monitor risks, opportunities, dependencies, and impacts related to waste management and a linear economy. This process includes analyzing positive and negative impacts, as well as current and emerging risks and opportunities, extending this approach across the value chain. It also outlines how this process integrates into the Company’s global risk management framework.

Strategy

Canacol designs its circular economy and waste management strategy to efficiently respond to the most relevant impacts, risks, and opportunities for the Company and its stakeholders. This strategy includes medium- and long-term objectives (Section 4 of this policy) and is supported by a master action plan that defines the necessary resources—including material, technological, human, and financial resources—to achieve its goals.

We periodically review and analyze our strategy and progress to remain at the forefront, enhancing our competitiveness, resilience, and long-term value creation.

Metrics and Objectives

Considering our strategy and management framework, we establish metrics that include tactical and strategic indicators, allowing us to measure our performance and progress annually and cumulatively in the short, medium, and long term, including progress toward our circular economy and waste management goals.

Communication and Reporting

We communicate transparently and regularly about our progress, challenges, and achievements in circular economy and waste management to all stakeholders, including both financial and non-financial information.

External Assessment and Continuous Improvement

As part of our management framework, we participate annually in external evaluations and rankings to validate the Company's performance in circular economy and waste management, generating insights for continuous improvement in our operations, processes, and strategies.