



Emerging Risks Statement 2024

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 govern climate issues and are responsible for incorporating 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 for our ability to develop and implement mitigation plans.



Overview

Canacol categorizes emerging risks as those that are new or unexpected and are likely, if they materialize, 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) Global 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 risk and its impact on the Company are specific.
6. The risk and its impact are publicly disclosed.

Canacol's internal efforts, conducted through its risk management framework, are aligned with best practices outlined in the Global Risk Report¹ produced by the World Economic Forum (WEF). Canacol recognizes and seeks to assess its exposure to various types of risk, considering their interdependencies, commonly referred to as "Polycrisis."

Canacol has identified risks congruent with those highlighted in the Global Risk Report over both the two-year and ten-year time horizons.

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 systematic planning, collecting, and analysis of information, culminating in the documentation of outcomes derived from the risk management process. Furthermore, the process also includes the provision of 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.

Canacol’s prioritization of emerging risks

Name of the emerging risk	Misinformation & disinformation	Unexpected extreme weather events
Category	Technological	Environmental
Description	Persistent false information (deliberate or otherwise) widely spread through media networks, shifting public opinion in a significant way towards distrust in facts and authority. Includes, but is not limited to false, manipulated and fabricated content ² .	Loss of human life, damage to ecosystems, destruction of property and/or financial loss due to extreme weather events. Inclusive of land-based (e.g. wildfires), water-based (e.g. floods), and atmospheric and temperature-related (e.g. heatwaves) events, including those exacerbated by climate change ³ .
Impact	<p>This risk can influence multiple aspects of the business:</p> <p>Corporate reputation: The spread of false information about Canacol, its operations, or its environmental impact can damage its image and credibility among investors, customers, and regulators.</p> <p>Regulation and compliance: Disinformation about the energy sector can influence government policies and regulations, potentially leading to operational restrictions or market changes.</p> <p>Stakeholder trust: Public perception of the Company may be affected by inaccurate narratives about its sustainability practices, environmental impact, or community relations.</p> <p>Market volatility: Rumors or fake news can impact stock value and the Company’s financial stability.</p>	<p>Extreme weather events can severely impact in the Company’s, operations, finances, and reputation.</p> <p>Operational: Damage to Canacol’s operational infrastructure (gas processing facilities, platforms, transportation systems) and disruptions in production and distribution.</p> <p>Financial: Economic losses due to temporary shutdowns, rising insurance costs, and repair expenses.</p> <p>Safety: Risks to workers due to extreme conditions and technical failures that may lead to accidents.</p> <p>Environmental and regulatory: Increased risk of spills and penalties for non-compliance with environmental regulations.</p> <p>Strategy and future actions: Need for investment in resilient infrastructure and energy transition to reduce vulnerabilities.</p>

2 [WEF_The_Global_Risks_Report_2024.pdf](#) – page 98

3 [WEF_The_Global_Risks_Report_2024.pdf](#) – page 96

Name of the emerging risk	Misinformation & disinformation	Unexpected extreme weather events
Mitigation actions	<p>To reduce the impact of misinformation and disinformation, Canacol implements various strategies:</p> <p>Monitoring and rapid response: Using digital tools and data analysis to detect and quickly respond to false or misleading information.</p> <p>Transparency and proactive communication: Regularly publishing reports, data, and updates on the Company's performance to ensure official information is accessible and reliable.</p> <p>Collaboration with media and stakeholders: Working with journalists, regulators, and key actors to ensure the dissemination of accurate and objective information.</p> <p>Education and awareness: Initiatives to improve digital literacy and enhance employees' and partners' ability to identify and counter disinformation.</p>	<p>To minimize the impact of extreme weather events, Canacol implements preventive measures and rapid response strategies:</p> <p>Resilient infrastructure⁴: Durable construction, sensor monitoring, drainage systems, and backup power sources.</p> <p>Risk management: Vulnerability assessments, business continuity plans, and emergency protocols.</p> <p>Environmental protection and safety: Spill containment systems, fire prevention, and proper drainage solutions.</p> <p>Financial and regulatory strategies: Specialized insurance, regulatory compliance, and sustainability investments.</p>



4 To achieve and sustain progress in development, it is essential to make a significant investment in the resilience of infrastructure systems. This will ensure that they can withstand impacts and respond effectively to extreme weather events such as floods, droughts, and high temperatures.