

Comprehensive Self-Management System for Prevention of Risks of Asset Laundering, Financing of Terrorism and Financing and Proliferation of Weapons of Mass Destruction – SAGRILAFT

Objective

In compliance with the applicable legislation Canacol Energy LTD (hereinafter the “Company” or “Canacol”) adopts the Comprehensive Self-Management System for Prevention of Risks of LA/FT/FPADM ([Spanish acronym for] Asset Laundering, Financing of Terrorism and Financing and Proliferation of Weapons of Mass Destruction), SAGRILAFT [for its Spanish acronym], to which they are exposed in the development of their operations and activities.

Scope

The SAGRILAFT is applicable to all areas and processes of the Company, their shareholders and investors, administrators and, in general, to all their employees. Likewise, its scope extends to their allies, associates, contractors and other entities and persons with which the Company has a commercial link.

Formal Sources

In order to combat the crimes of LA/FT/FPADM, the following international conventions and covenants, were adopted in the Company’s SAGRILAFT: Vienna Convention of 1988 - United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1999 United Nations Convention for the Suppression of the Financing of Terrorism, Palermo Convention of 2000: United Nations Convention Against Transnational Organized Crime, and International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation of Weapons of Mass Destruction - 40 Recommendations of FATF [Financial Action Task Force], including their update of 9 additional recommendations in 2012.

SAGRILAFT Principles

The following principles are the basis and support of the Company’s LA/FT/FPADM risk management policies:

Materiality	Legality
Good faith	Audit
Transparency	Collaboration
Equity	Ownership
Prudence	Solidarity
Self-regulation	Self-control
Self-management	Professionalism

Corporate Governance and other instances involved in the implementation of and compliance with the SAGRILAFT

To ensure an adequate operation of the SAGRILAFT, an organizational structure has been defined in accordance with the regulatory requirements, in relation to the fight against the risks of LA/FT/FPADM, made up of the Company's shareholders' meeting, their legal representatives or administrators, the Compliance Officer, the Ethics and Compliance Committee, the statutory auditor and their internal auditors.

Each one has specific functions, which are interrelated, according to their powers, so that SAGRILAFT may be implemented, fulfilled, and monitored, thus achieving that all areas, employees and counterparties may know and comply with these policies.

SAGRILAFT General Policies

For the prevention of the Risk of LA/FT/FPADM, the following general policies must be considered:

Potential shareholders and/or administrators, employees, customers, suppliers, contractors, strategic allies, or other associates can only be linked after they have complied with the procedures established by the Company in the SAGRILAFT manual, filled out the respective forms and formats in their entirety, and attached the required supporting documents, and such information has been confirmed and verified.

Before the Company has any type of link with a third party, the third party must be fully identified to avoid having any relationship, either as a shareholder, administrator, employee, customer, supplier, contractor, strategic ally and/or any type of associate, with parties not fully identified, with fictitious names, regarding which there is no certainty about the legality of their operations or lawfulness of their resources.

All natural or legal persons linked or with the intention of being linked through operations, businesses, or contracts with the Company, must be previously validated through the Binding Lists Colombia and other lists which the Canacol has adhered to and recognized as binding. In the case of legal entities, it will be sought to validate the information of their shareholders or partners holding 5% or more of the share capital, contribution, or participation, of the members of the Board of Directors, legal representatives, statutory auditors, and Beneficial Owners. In the event of coincidences in the lists, each case must be analyzed separately to determine whether the link with that person constitutes a risk for the Company. This analysis will be carried out by the compliance area and if needed, consulted with the Ethics and Compliance Committee.

The Company will refrain from linking with shareholders and/or administrators, employees, customers, suppliers, contractors, strategic allies, and other associates that present accurate matches in the Restrictive Lists, to comply with the LA/FT/FPADM prevention, among others those of the Office of Foreign Assets, OFAC, and the United States Foreign Corrupt Practices Act (FCPA).

Commercial or business relations will only be established with financial entities that have the current licenses and permits granted by the corresponding control body, that have a recognized track record and have implemented LA/FT/FPADM prevention and control mechanisms. Likewise, their legal background and judicial proceedings of any nature in which they have been parties due to issues related to LA/FT/FPADM will be considered.

The Company will refrain from establishing commercial or business relationships with financial entities qualified as Shell Banks, which are in Offshore Financial Centers, located in countries classified as non-cooperative according to the FATF, designated as of special concern for Asset Laundering, either as an institution or as a jurisdiction, by FinCEN, which are located in countries subject to OFAC sanctions, including States that sponsor terrorism.

In the event that the Company is linked to shareholders and/or administrators, employees, customers, suppliers, contractors, strategic allies and other associates that have had or have a history of issues related to LA/FT/FPADM, either because of accidentally omitting controls, or because, having applied the controls described in the compliance policies, it has been impossible to detect them, the Company will take the appropriate measures to reduce the negative impacts due to this circumstance and will immediately report to the UIAF [Spanish acronym for Financial Information and Analysis Unit] the corresponding suspicious activities. Likewise, the possible causes that led to this situation will be analyzed to intensify and apply more stringent measures in terms of Intensified Due Diligence.

In accordance with the nature of the products provided by the Company in the market and the way in which they are traded, they do not currently make payments or investments with digital assets. Thus, for the purposes of the SAGRILAFT, everything related to the regulation of virtual assets is not applicable.

Development of the SAGRILAFT

The development of the SAGRILAFT and the processes that compose it were based on ISO 9001. Thus, the risk matrix was built based on the identification and diagnosis of the risks inherent to the Company. Also, risk factors were classified, and qualitative methodologies were applied to identify and measure LA/FT/FPADM risks.

The controls that the Company has been applying were identified and added and complemented so that it would be possible to obtain a real residual risk.

Lastly, the risk identification, measurement, evaluation, and control had the purpose of creating a risk matrix that represents a simple and intensified due diligence process, which ends up with the formalization of a commercial or labor relationship or the identification of unusual and suspicious operations.

Monitoring and updating of the SAGRILAFT

To keep the risk matrix and the due diligence processes updated, the Company carries out a six-monthly and annual monitoring, thus achieving to have an efficient and changing LA/FT/FPADM risk prevention and management system, in accordance with the market dynamism and the rules that regulate the matter.

SAGRILAFT compliance mechanisms

The Company has implemented a series of mechanisms so that the SAGRILAFT and the fight against crimes of LA/FT/FPADM may become a generalized culture and describe the bases on which the operation is founded.

In the first place, there is the mechanism for development of compliance policies in a transversal manner, thus ensuring that the Company may operate at all levels, minimizing LA/FT/FPADM risks and gaining the trust of our counterparties.

On the other hand, to inform and communicate in an accurate and effective manner the compliance policies, not only to the employees who are directly affected by the implementation of processes, but to all employees and collaborators.