



## Forced Labour and Child Labour Report 2023

### Summary and Scope

Alvopetro is engaged in the exploration for, and the acquisition, development and production of hydrocarbons in Brazil. Alvopetro is a publicly traded company listed on the TSX Venture Exchange and is also traded on the OTCQX® Best Market in the United States.

Pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") this report (the "Report") is made jointly by Alvopetro Energy Ltd. ("Alvopetro" or "the Company") and its two wholly-owned subsidiaries: 1) Alvopetro Oil and Gas Investments Inc.; and 2) Alvopetro S.A. Extração de Petróleo e Gás Natural (collectively the "Reporting Entities"). Although our governing policies, including those on forced labour and child labour, encompass all assets, the scope of this report does not include non-operated properties.

Alvopetro recognizes that forced labour and child labour exist and acknowledges that understanding and managing these risks involves a joint effort, working with our employees, suppliers and other stakeholders. This Report outlines our existing governance processes and measures as well as future initiatives to prevent and mitigate the risks of forced labour and child labour across the supply chains we utilize. This Report constitutes our forced labour and child labour reporting statement for the financial year ending December 31, 2023.

### Structure, Operations and Supply Chain

#### *Structure*

Alvopetro is headquartered in Calgary, Alberta with upstream and midstream operations in Brazil. As of December 31, 2023 Alvopetro employed 31 individuals including 24 in Brazil with the remainder in Calgary.

Alvopetro's main office in Brazil is in Salvador, a city in a well-developed industrialized region within the state of Bahia. The Company also has a small office for finance functions in Belo Horizonte (in the state of Minas Gerais) as well as field offices in the state of Bahia. Staff and contractors in these locations are predominantly oil and gas specialists, operators, finance professionals and administrative employees.

#### *Operations*

As at December 31, 2023, Alvopetro held interests in the Caburé and Murucututu natural gas fields, two exploration assets and two oil fields.

#### *Caburé Natural Gas Field*

The Caburé natural gas field is a joint development of a conventional natural gas discovery in the Recôncavo Basin in Bahia. As of December 31, 2023 Alvopetro's working interest was 49.1% with the other 50.9% held by its partner and the operator of the property. Natural gas and condensate sales volumes from this property represented 96% of total sales volumes for the year ended December 31, 2023. See above for scope limitations related to non-operated properties.



### *Murucututu Natural Gas Field*

AlvoPetro's Murucututu natural gas field consists of three wells which are tied into field production facilities and a 9-kilometre transfer pipeline connecting the field to the Caburé transfer pipeline.

### *Midstream*

Natural gas is transferred, processed and sold via AlvoPetro's 100%-owned pipelines and the natural gas processing facility (the "Facility") which is owned and operated by Enerflex Ltd. pursuant to the terms of AlvoPetro's Gas Treatment Agreement. Oil and gas professionals operate the facility and limited supplies are required for day-to-day operations. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of a long-term gas sales agreement.

### *Oil Fields*

The Company has two oil fields which together consist of three producing wells, each with a production battery equipped with testing, water separation and trucking facilities.

### *Exploration Blocks*

No wells were drilled in 2023 and future development plans for these blocks will depend on the results of a 2024 stimulation project on an existing well.

### ***Supply Chains***

Our operations require us to use a wide range of suppliers. The majority of our suppliers are domiciled in Canada and Brazil and we strive to build relationships with those who align themselves with our values and our safety and operational integrity requirements. However, the oil and gas market in Brazil can have limited options for certain specialized supplies and services, leaving reduced options and at times requiring us to source outside of Brazil (usually Canada or the United States). Furthermore, we recognize that suppliers may have sourced products originating from other jurisdictions. As we are committed to ensuring that our contracting and procurement activities are done in compliance with our policies, evaluation of health, safety, environmental and compliance is factored into our supplier selection process.

## **AlvoPetro's Role in Preventing and Reducing the Risks of Forced Labour and Child Labour**

### ***Board Oversight***

AlvoPetro's Board of Directors is responsible for the overall stewardship of the Corporation, to ensure AlvoPetro's core values are upheld and all corporate conduct is carried out in an ethical and legal manner through an appropriate system of corporate governance, disclosure processes and internal controls, encompassing all corporate policies, including but not limited to human rights.

### ***Policies***

AlvoPetro respects the human rights of all individuals impacted by our operations and strives to uphold the highest human rights standards, seeking to avoid causing or contributing to any human rights violation and working to remedy any violations to the extent they do occur. Our commitment to human rights applies not only to our own activities but also to third parties acting on our behalf or in any part of our operations. All AlvoPetro employees, including all members of the Board of Directors, are required to adhere to our Human Rights Policy which outlines our commitment to human rights.

AlvoPetro's comprehensive Human Rights Policy ("the Policy") is guided by the International Bill of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. The Policy provides that all employees must be compensated fairly and that the following conditions must be met, for both direct employees as well as suppliers and contractors:

- zero tolerance for forced or child labour; and



- no employment of individuals under the age of 18 to carry out any work that could cause harm to their health or safety.

AlvoPetro is committed to encouraging reporting of complaints and concerns regarding our business practices and violations or suspected violations of our Code of Conduct, any of our policies or any laws or regulations. As such, the Company's Whistleblower Policy provides various methods to make a Whistleblower report as follows:

- to the Chair of AlvoPetro's Audit Committee via email or phone;
- to the President and CEO by email or phone;
- to the CFO by email or phone;
- by confidential letter addressed to the Audit Committee Chair, President and CEO or CFO at the Calgary address;
- in person at the Calgary address;
- via SafeSpace, a confidential reporting system which is available seven days a week, 24 hours a day, in both English and Portuguese.

The Company's Code of Conduct stipulates that all reports will be promptly investigated and appropriate corrective action will be taken if warranted by investigation. The Code of Conduct also specifies that no individual who in good faith reports a violation or suspected violation shall suffer harassment, retaliation or adverse employment consequences.

#### **Due Diligence - Assessing and Addressing Risk Exposure**

AlvoPetro's assessment is that the Company is most exposed to potential forced labour and child labour through its suppliers, particularly those procuring goods in higher-risk geographies and sectors. Given its size, AlvoPetro does not have an extensive supply chain department or sophisticated supply chain software, however, the Company has identified other methods to screen and monitor suppliers for human rights risks including forced labour and child labour, namely screening lists such as the *Cadastro de Empregadores que Tenham Submetido Trabalhadores a condições análogas à de escravo* in Brazil, published by the Ministry of Labour, providing a list of employers, companies, and individuals responsible for keeping workers in a situation consistent with forced or child labour. No suppliers used by AlvoPetro in 2023 were on this list.

#### **Remediation Measures**

AlvoPetro has not identified any instances of forced labour or child labour in its operations or supply chains nor has AlvoPetro received any reports of forced labour or child labour with respect to any of our operations or within our supply chain. As a result, there has been no requirement for remediation measures.

#### **Training**

Upon joining AlvoPetro, all new employees must undergo training of the Code of Conduct and the Human Rights Policy. In addition, training sessions are designed and held for all existing employees to increase understanding of these policies. Such training sessions also provide a forum for additional discussions. All employees, officers and directors are required to certify annually that they understand the Code of Conduct (including the Human Rights Policy) and provide confirmation of compliance, along with confirmation that any non-compliance has been reported appropriately.



### **Assessing Effectiveness**

Based on our review of our existing policies and practices, our recruitment, remuneration and compliance measures through our operations and our supplier screening and selection processes, Alvopetro has not identified any instances of or gaps that could contribute to forced labour or child labour in our operations. Although Alvopetro is confident in the policies and procedures applied to this effort for 2023, given the Company's ongoing commitment to reduce and prevent child labour and forced labour, Alvopetro will continue to improve the transparency of our supply chain and work to obtain a more comprehensive understanding of the risks inherent in our supply chain networks. This includes:

- more rigorous supplier selection process;
- strengthened contractual terms for both existing and new contracts;
- focused employee and supplier awareness training; and
- developing scorecards to evaluate the effectiveness of our assessment of emerging risks related to the use of forced labour and child labour.

### **Approval and Attestation**

This Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of Alvopetro Energy Ltd. for all Reporting Entities.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for 2023.

I have the authority to bind Alvopetro Energy Ltd. and the Reporting Entities.

(signed) "Corey C. Ruttan"

Corey Ruttan  
President, & Chief Executive Office and a Director, Alvopetro Energy Ltd.  
May 29, 2024