

A silhouette of an industrial facility, likely an oil refinery or processing plant, against a sunset sky. The sun is low on the horizon, creating a bright glow and long shadows. The facility includes tall distillation columns with spiral ladders, various pipes, and a tall antenna tower.

# Modern Slavery

## 2023 Report

May 16, 2024

# Fighting Against Forced Labour and Child Labour in Supply Chains Act

## Parex Resources Inc. – 2023 Modern Slavery Report

### 1. Introduction

This report is made pursuant to section 11 of Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Modern Slavery Act) by Parex Resources Inc. (the “Reporting Entity”, “Corporation”, the “Company”, Parex”, or “It”) for the reporting period of January 1, 2023 to December 31, 2023. Statements regarding our operations, assets, and values apply only to our operated assets, unless stated otherwise.

### 2. Steps to prevent and reduce risks of forced labour and child labour

Parex makes all reasonable efforts to prevent the Company’s activities from causing, contributing, or being linked to adverse impacts on human rights, including forced labour and child labour; and, if they occur, endeavors to mitigate or repair the impacts. In 2023, the Company took the following steps to prevent and reduce the risk of potential adverse human rights impacts, which may include the use of forced labour and child labour in the business and its supply chains. The Company:

- provided annual mandatory awareness and compliance training to all employees on corporate policies, including the Company’s Code of Conduct and the Human Rights Policy. In Colombia, employees participated in an additional 1-hour training on business and human rights.
- worked with local Chambers of Commerce in Colombia to improve contractor and vendor training and awareness on responsible business conduct and human rights due diligence in the supply chain.
- began communicating expectations about human rights to contractors and vendors through Parex’s newly developed Suppliers and Contractors Guidelines, which include key commitments regarding human rights, specifically regarding labour conditions, that third parties in Parex’s supply chain must observe.
- enhanced labour audit processes for Parex’s contractors to surveil compliance with labour laws and employment welfare standards.
- completed a human rights risk assessment pilot in some of our operations in the Middle Magdalena region following a human rights gap analysis performed in 2022.
- improved the visibility and accessibility of the Whistleblower reporting mechanism.

The above steps are discussed in detail in subsequent sections of this report.

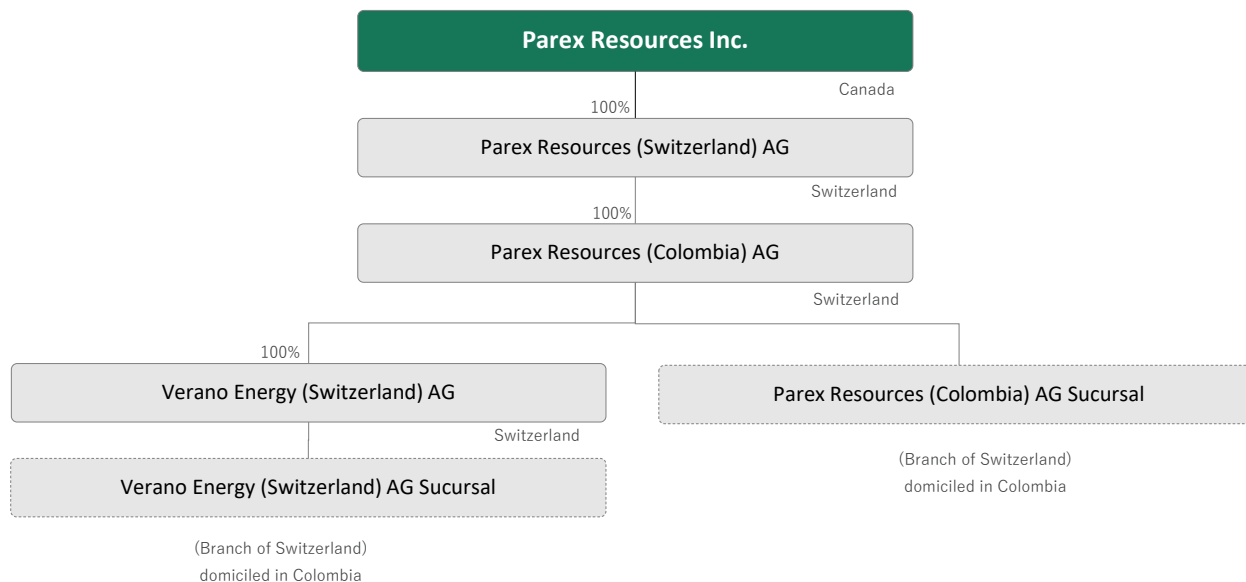
### 3. Structure, activities and supply chains

#### 3.1. Parex’s structure

Parex, through its indirect Switzerland subsidiaries, is the largest independent oil and gas company in Colombia, focusing on sustainable, conventional oil and gas exploration, development, and production. Parex’s corporate headquarters are in Calgary, Canada, and the Company has an operating office in Bogotá, Colombia. Parex is listed on the Toronto Stock Exchange (TSX:PXT) and is widely held with no shareholder holding more than 10% of outstanding common shares. On December 31, 2023, Parex’s workforce comprised 449 employees, of which 91 were based in Canada and 358 were based in Colombia.

Parex has six direct or indirect wholly-owned subsidiaries. The following chart illustrates the organizational structure of the Company, including only material subsidiaries and its Colombian branches.

**Exhibit A: Parex Resources Inc.’s Corporate Structure**



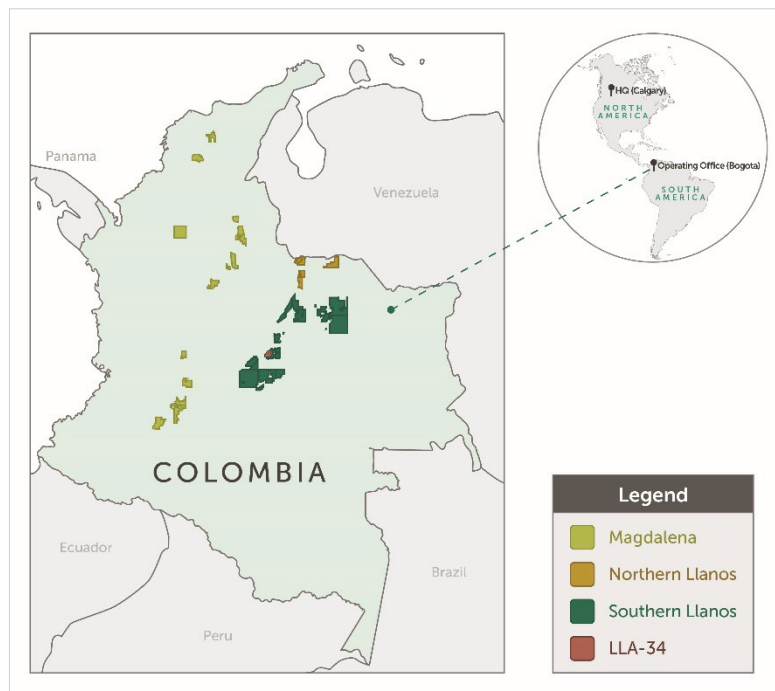
The above organizational structure facilitates Parex’s business as a multi-jurisdictional company whose operations are located outside of Canada. The Company has two subsidiaries in Switzerland whose activities are each conducted in Colombia through Colombian branches. Conducting business through a Colombian branch minimizes the corporate organizational burden in Colombia. The Company currently has two Colombian branches, through which all the Company’s activities in Colombia are conducted.

*3.2. Parex’s operations and activities*

Parex is a sustainable oil and gas producer, responsibly developing the resources needed to fuel social and economic development. The Company leverages industry-proven, but new-to-Colombia technology in support of its growth strategy to deliver sustainable, reliable energy to the world. Parex does this while targeting best-in-class shareholder returns and partnering with community stakeholders to achieve long-term local benefits. It holds itself accountable through leading governance and environmental standards, and is committed to engaging local communities and building a reputation as an operator of choice for current and future projects.

With a land position of approximately 5.4 million net acres, Parex is the operator on all, but one, of its 39 oil and gas blocks located in Colombia’s Llanos and Magdalena basins (see Exhibit B). As of December 31, 2023, the Company had US\$ 2.4 billion in total assets, US\$ 1.4 billion in oil & gas sales, 54,356<sup>1</sup> barrels of oil equivalent per day in oil & gas natural gas production, and 112.5 million barrels of oil equivalent of proved reserves. Most of Parex’s produced oil and natural gas is sold in Colombia but destined for international markets.

**Exhibit B: Parex’s Operations in Colombia  
(December 31, 2023)**



<sup>1</sup> Consisting of 8,417 bbl/d of light crude oil and medium crude oil, 45,163 bbl/d of heavy crude oil, and 4,656 Mcf/d of conventional natural gas

### 3.3. Parex's supply chain

As a company, Parex is dedicated to sourcing goods and services from local partners in order to stimulate the local economy, foster local employment, promote community development, and secure its social license to operate. Throughout its operating activities, Parex relies on local and global contractors and vendors to gain access to raw materials, equipment, unskilled and skilled labour, and technical and professional expertise and services. This reliance on third parties may link the Company to the risk of forced labour and child labour within its operations and supply chain. To proactively mitigate against such risk, Parex undertakes due diligence to ensure it only conducts business with well established companies that demonstrate a strong history of compliance with labour laws and the Company's corporate policies, standards, procedures, and practices.

In 2023, Parex's supply chain included approximately 1,300 contractors and vendors from across the globe, of which approximately 90% were Colombian-based or Colombian subsidiaries of international companies and the remaining were international companies. The Company's procurement team in Colombia oversees the majority of the bidding and purchasing activities.

## 4. Policies and due diligence processes

### 4.1. Policies

Parex is committed to respecting and promoting human rights in line with the Universal Declaration of Human Rights and the International Labour Organization's (ILO) Fundamental Principles and Rights at Work. Parex's contractors and suppliers all play a role in the Company's endeavor to carry out its business activities in an ethical, legal, and responsible manner. As part of the Company's commitment, contractors and suppliers are expected to uphold Parex's corporate policies and values.

Parex's Human Rights Policy outlines the Company's commitments to respect individual human rights across its operations, with a strong focus on labour rights, supply chain, and access to grievance mechanisms. The Policy clearly states that Parex rejects and strives to prevent all forms of forced labour and child labour in its activities as well as those carried out by its contractors and vendors. Other relevant policies, governing corporate behaviours and outlining expectations of third parties pertaining to respecting individual human rights, are outlined below.

**Code of Conduct** establishes the specific principles of business conduct and ethics, including respecting human rights. The Code of Conduct applies to all Parex's directors, officers, employees, consultants, and contractors while performing their responsibilities related to the Company's business.

**Suppliers and Contractors Guidelines**, developed in 2023, sets out the standards to which Parex holds its contractors and vendors accountable, including the respect for human rights and dignity of all individuals in compliance with labour regulations and the Company's employment policy and decent labour conditions. As mentioned thereof, Parex expects its suppliers and contractors to reject and prevent all forms of forced labour, child exploitation, and child labour in all their activities. These Guidelines were communicated to third parties in 2023, an activity that continues into 2024. They are available on the vendors portal and, along with all Parex's corporate policies, have been integrated in the Company's contracting process.

**Whistleblower Policy** outlines the anonymous mechanism for Parex's stakeholders to report their concerns regarding possible violations of Parex's corporate Code of Conduct, policies, values, and applicable laws to the Board of Directors without fear of reprisal. The policy was updated in November 2023 to improve overall process and accessibility, and to better align with best practices and encourage all stakeholders to report any concern they deem necessary.

**Violence and Harassment Prevention Policy** recognizes that workers have the right to a workplace that is free of violence and harassment; and sets out Parex's commitment to provide a work environment in which all workers are treated with respect and dignity. In 2023, 100% of employees located in Canada and Colombia completed a mandatory anti-sexual harassment training.

In addition, as a signatory of the United Nations Global Compact (UNGC), Parex is committed to managing its activities in a manner that observes the 10 UNGC's fundamental principles related to human rights, labour rights, environmental protection, and anti-corruption.

#### 4.2. Due Diligence Process

Parex has a rigorous due diligence process that includes carrying out risk assessments on its counterparts.

- **Pre-contract:** The Company completes a credit risk analysis and conducts screening of fraud, bribery, corruption, money laundering, and the financing of terrorism risks, through a specialized third party, as part of its compliance process. When contracting high-risk activities, business units in charge of those activities conduct additional health and safety verifications at counterpart's facilities.
- **During contract execution:** Parex's contract and agreement templates include standard clauses on audit, ethics, and compliance, as well as the commitment that contractors abide by the Company's policies and comply with all applicable laws, rules, and standards.

Business units assess contractors' practices and performance. During the initial audit at the beginning of the contract, Parex collects information about contractors' compliance with labour laws, employment welfare standards and specific local requirements to hire or contract local people and/or procure goods and services at the local level. Although these risk assessments do not directly screen for the use of forced labour or child labour, they include a review of certain labour practices, such as minimum wage compliance, payment practices, and community grievances, which may represent indicators for assessing human rights impacts. In addition, Parex requires its contractors to hire their personnel through the National Public Recruitment System (SPE), an official recruitment channel for local citizens, to prevent job seekers from being charged recruitment fees to gain employment with the Company's contractors. As part of the Company's commitment on assessing labour risks in its operations, in 2023 Parex enhanced and increased the frequency of labour audits to identify improvement opportunities and promote labour-related best practices with contractors.

### 5. Forced labour and child labour risks

In 2023, a third party conducted a human rights risk assessment pilot for Parex's operations in the Middle Magdalena region of Colombia. This pilot did not reveal any risk or impact related to child labour. However, it highlighted some labour related practices where third-party contractors could take proactive measures to reduce potential risks within Parex's supply chain. The Company's 2024 Human Rights Work Plan is proactively addressing these risks and potential impacts.

### 6. Remediation measures

As a Company, Parex makes all reasonable efforts to prevent its activities from causing, contributing, or being linked to adverse human rights impacts (including forced labour and child labour) and, if they occur, the Company endeavors to mitigate or repair the impact. In 2023, Parex did not assess nor identify any adverse and actual human rights impacts resulting in forced labour or child labour linked to its activities and supply chain; consequently, no remediation measures were taken.

Parex encourages all its stakeholders to report their concerns and raise their grievances, through the Company's Whistleblower Ethics Hotline and/or the Company's operational-level grievance mechanism ("PQR"). The Whistleblower Hotline provides an anonymous mechanism for stakeholders to report their concerns to the Board of Directors about misconducts within Parex and/or along its value chain without fear of reprisal. All reports are promptly reviewed, with appropriate actions, including investigations, taken as necessary. In 2023, Parex improved the accessibility and visibility of this reporting mechanism; and actively encouraged employee utilization to raise a concern.

In addition, Parex has an operational-level grievance mechanism ("PQR"), which stakeholders can use to report potential impacts of the Company's activities on their rights. This mechanism is a source for identifying potential impacts, including impacts on human rights, directly or indirectly linked to the Company's operations or supply chain. The PQR mechanism is also used to manage and mitigate identified impacts.

## 7. Remediation of loss of income

Parex has not yet identified any loss of income affecting vulnerable families that could be linked to its efforts to prevent and reduce the risk of forced labour and child labour. Thus, the Company has not taken any measures for remediating such loss.

## 8. Training

During employee onboarding, and annually, as part of mandatory compliance and policy signoff requirements, all employees take part in training that assesses their knowledge and understanding of key corporate policies, including the Code of Conduct and the Human Rights Policy. The Company's self-directed mandatory online training was developed internally by Parex's Human Resources and/or Legal Departments and comprises a review of corporate policies followed by a **brief test** on each policy. This training lasts 30 minutes or more depending on each individual's abilities. In 2023:

- 100% of Parex employees signed-off on the corporate human rights policy after being assessed.
- 100% of Parex's employees participated in self-directed training on Anti-Sexual Harassment, including a review of the Violence and Harassment Prevention Policy followed by a short test.
- 98% of Parex's Colombian-based employees participated in a 1-hour mandatory online training course on Business and Human Rights. This course is available on the Company's learning platform and includes a) the basics of business and human rights UN framework, b) Parex's Corporate Policy and Human Rights, c) Human Rights Due diligence rationale and standards, and d) Parex's Human Rights Work Plan for 2024.

The Company also encourages contractors to attend training provided by strategic partners (e.g., local Colombian Chambers of Commerce), on responsible business conduct and human rights due diligence in the supply chain.

## 9. Assessing effectiveness in ensuring that forced labour and child labour are not used

No actions have been taken to assess Parex's effectiveness in preventing and reducing the risks of forced labour and child labour in its activities and supplies chains.

## 10. Looking forward

Preventing and addressing modern slavery risks in the Company's operations and supply chain is an ongoing process that requires continued monitoring, evaluation, and improvement. Parex is committed to conducting business in a manner that prohibits modern slavery. Parex will continue to respect and promote human rights and act with integrity in its operations and business dealings.

## Approval & Attestation

This report was approved pursuant to subparagraph 11(4)(a) of Canada's Fighting Against Forced Labour and Child Labour Act by the Board of Directors of Parex Resources Inc.

"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 for the entity listed above. 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 the reporting year listed above."

I have the authority to bind Parex Resources Inc.



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Imad Mohsen  
President & Chief Executive Officer  
May 16, 2024



### Cautionary Note Regarding Forward-Looking Information

This report contains certain statements that may constitute forward-looking statements and information within the meaning of applicable securities laws. Forward-looking statements may be identified by words like "intends", "may", "could", "should", "would", "plans", "will", "seek" and similar expressions. This information includes, but is not limited to: Parex's plans and strategy with respect to protecting human rights, evaluating and assessing its processes regarding modern slavery (including its reporting process, due diligence activities and policies), and mitigating the risk of forced labour and child labour within its operations and supply chain; its plans with respect to employee training and awareness; its intention to source goods and services from local partners in the jurisdictions that it operates in to stimulate the local economy; and its business plans and strategy, including its intention to utilize industry-proven, but new-to-Colombia technology to deliver sustainable, reliable energy to the world while targeting best-in-class shareholder returns and partnering with community stakeholders to achieve long-term local benefits.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions in Canada and Colombia; industry conditions including changes in laws and regulations and including adoption of new environmental and/or human rights related laws and regulations, and changes in how they are interpreted and enforced in Canada and Colombia; lack of availability of qualified personnel and/or goods at the local level; the results of exploration and development drilling and related activities; risks associated with the estimation of reserves; the risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; risks associated with receiving untruthful or inaccurate responses or information from suppliers and/or other partners; and risks regarding changes in Parex's supply chain due to operating requirements or the availability of materials, goods and services. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parex's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR+ website ([www.sedarplus.ca](http://www.sedarplus.ca)).

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, Parex cannot assure readers that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this document, Parex has made assumptions regarding, among other things: that Parex will be able to conduct its operations as planned; the availability of skilled labour; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the estimates of Parex's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Parex will receive truthful and accurate answers or information from suppliers and/or other partners; and that any potential changes in Parex's supply chain will not affect its plans and strategy as described herein.

The forward-looking statements contained in this report are made as of the date hereof and Parex undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

### Reserve advisory

Certain reserves information contained in this report is based upon an evaluation (the "GLJ Report") prepared by GLJ Ltd. ("GLJ") dated February 29, 2024 and effective December 31, 2023. The report was prepared in accordance with the definitions, standards, and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and the National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). All December 31, 2023 reserves presented are based on GLJ's forecast pricing effective January 1, 2024.

**Parex Resources Inc.**

2700 Eighth Avenue Place, West Tower  
585 8 Avenue SW, Calgary AB T2P 1G1 Canada

[www.parexresources.com](http://www.parexresources.com)

