

SUSTAINABILITY REPORT

III Book



Bonds of trust





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Since entering Colombia seven years ago, PAREX has been building strong foundations that have led in 2016 to valuable growth and investment opportunities in new Colombian regions as well as in the areas where the Company already has operations.

With activities expanding in Middle Magdalena, Lower Magdalena, and Arauca, PAREX seeks to bring best practices and share the benefits from its successful experience in the department of Casanare to new operating regions.

Effective operational and environmental management has produced positive results which have positioned the Company well within the oil and gas industry. Long-term relationships and continuous improvements in business practices are core elements in maintaining trust-based connections that favor the sustainable development of the Company's activities and the communities surrounding its operations.

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Sustainably growing

Letter from the President & CEO Creating shared benefits

Boasting a favorable investment environment, Colombia has proven to be a positive outcome operation for PAREX. Despite the economic and social challenges faced by the industry globally and locally, PAREX' growth outlook in Colombia is positive, strengthening our commitment to expanding operations in locations where we can share our knowledge and expertise.

Our operational and financial results in 2016, publicly-reported periodically, were the result of clear goals, effective cost management, and wellplanned and responsible resource management. We exited 2016 with no bank debt and an undrawn credit facility of COP 533,921 million (USD \$175 million).

The performance of PAREX' share price since starting operations in Colombia speaks for itself: increasing from approximately CAD \$4 to CAD \$17 by the end of 2016. This significant growth is a sign of confidence for our investors, everyone at PAREX, and our stakeholders, who have the opportunity to grow along with PAREX.

The increase in the 2P Reserve Life Index from 8 to 10 years based on the annualized 2016 fourth quarter production, and an active 2016 drilling program of 17 gross wells (11.55 net) drilled with a success rate of 81%, attest to the favorable business outlook for PAREX' strategic plan, and its medium-term and long-term goals.

Our success is possible due to the bonds of trust that we have been building with our investors, communities, employees, and authorities. Such bonds can only be achieved through transparent results, operational excellence, and positive development in the areas where the Company operates.

Sustainably growing

The Company's 2017 growth target entails the challenge of reaching an average daily oil production of approximately 35,000 barrels, continuing our drilling program in Llanos and Middle Magdalena, and expanding our activities in Arauca. To achieve these goals, we rely on our greatest asset, our Colombian

and Canadian human talent, who increasingly raise the standards on our path to higher growth.

David R. Taylor CEO of PAREX Resources



Letter from the president

Strong foundations to create new opportunities

The past few years have been challenging for the Company and, in general, for the entire hydrocarbon sector in Colombia. However, PAREX has found sufficient motivation and opportunities to continue to grow with its partners, relying on the support of its human talent and the good decisions made by a corporate team that believes in Colombia and its institutions, as well as the Company's ability to take on big challenges.

Thanks to a talented and committed team, we are growing across Colombia, a country that welcomed us seven years ago beginning in Casanare, a place where we continue to showcase the best of what we are and what we do at PAREX. In 2016, based on the Casanare experience, we extended our presence in other Colombian regions where we will have the opportunity to continue learning and showing that working together with institutions and communities is the best way to conduct our business. This step would not have been possible without the bonds of trust already in place. They have been the basis for open, constructive dialogue and cooperative implementation of different agreements in the areas where we operate. For PAREX, building trust and long-term relationships with stakeholders has been fundamental to the development of our operations in Colombia. For this reason, we always consider the requirements of our stakeholders; we strive to respond and resolve their concerns promptly and diligently.

In this report, we discuss PAREX' management and how the Company manages its relations with its stakeholders and the environment. We are committed to continuously improve, our approach is illustrated by a 37% increase in sustainability indicators reported, going from 46 in 2015 to 72 in 2016. This achievement has taken time and effort, but we believe that sustainability is fundamental to our Company's current and future goals.

Our operating results met expectations. By the end of 2016, we increased the Company's proved plus probable reserves (2P) by 37%, reaching 112 million barrels of oil equivalent (MMboe), and net production was 29,715 barrels of oil per day (bopd). Furthermore, extending our operations into new areas such as the Middle and Lower Magdalena Valleys, and Arauca has been our most significant achievement as an organization. We have not only obtained excellent results, but also demonstrated our capabilities for dependable and sustainable growth in a challenging and uncertain environment, like the one our industry is currently experiencing.

Our achievements in safety, occupational health, and environment are a good example of such capabilities. In our first audit, we achieved the international certifications ISO 14001:2004 and OHSAS 18001:2007 in oil exploration, production,



marketing, and transportation using oil tanker trucks from producing fields to several facilities in Colombia.

At PAREX, we are proud to work together with the communities that live in the areas where we operate, showing that there is a meaningful connection between succeeding in our operations and improving the quality of life and development of those communities. Our goal is and continue to be strategic partners of these areas and the country by revitalizing local economies through employment generation, goods and services procurement, and program implementation and social investment that address local needs. In 2016, approximately 22,200 individuals benefited from this commitment.

At PAREX, we are committed to creating and sharing benefits with all our stakeholders. The Company remains focused on bringing economic and social progress to regions through socially responsible management and environmentally responsible operations, meeting ongoing expectations and safeguarding the trust that has been placed in us.

2016: a year of growth

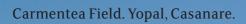


2016: a year of growth 1// Incremento en Personas hombres de la planta de colaboradores personas mujeres \$412 000 000 Generación de empleo a más de (US\$135038) invertidos en formación más que contratistas en campo en 2015 43 programas ofrecidos y tomados por el de nuestro horas en capacitación talento humano 4046 familias beneficiadas Inversión social \$5 190 284 203 (US\$1,7 millones) en inversión social personas beneficiadas **Compras** a millones proveedores (US\$19,1 millones) locales por

Certifications

In its first audit PAREX achieved the international certifications ISO 14001:2004 and OHSAS 18001:2007. These certifications confirm the Company's strong commitment to safety, occupational health, and environmental management in activities related to oil exploration, production, trading, and transportation from producing fields to several facilities in Colombia.







About PAREX

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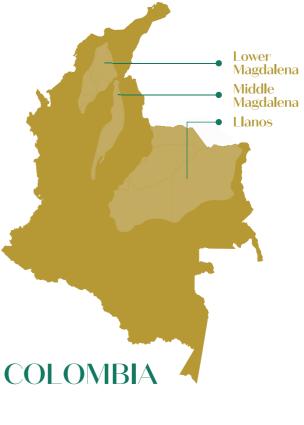
About PAREX

PAREX is an energy company that conducts oil and gas exploration, development, and production activities in Colombia. PAREX' corporate headquarters are located in Calgary, Canada, and it has an administrative office in Bogotá. Its operations in 2016 were mostly located in the Casanare and Arauca regions, as well as in the Middle and Lower Magdalena Valleys. PAREX has holdings in 22 exploration and production blocks in Colombia. The properties are located within the Llanos and Magdalena basins, totalling 1.7 million gross acres.

PAREX' common shares are publicly traded on the Toronto Stock Exchange (TSX) under the symbol "PXT".

In 7 years, PAREX grew from a start-up company to one of the largest independent oil companies in Colombia, with a net production of 29,715 barrels of oil equivalent per day (boe/d) in 2016.

In 2016, PAREX strengthened its drilling, exploration, and development opportunities for further growth, confirming its commitment to Colombia. The Company brings the benefits and opportunities that it has created in the departments of Casanare and Meta to other Colombian regions. During this new phase of growth, the Company has remained committed to establishing longterm relations with its stakeholders, operating in an environmentally sustainable manner, and creating and sharing benefits with the communities surrounding the Company's operations.



PAREX' operations in Colombia

Las Maracas Field. San Luis de Palenque, Casanare.

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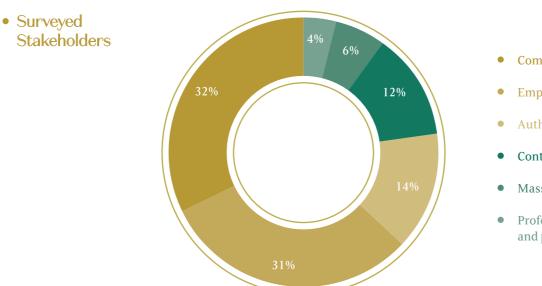
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About this report

This report outlines the economic, environmental, and social management of PAREX' exploration and production operations in Colombia during 2016. For the third consecutive year, reporting has been prepared using the Global Reporting Initiative (GRI) methodology. Information provided in this report reflects the Company's activities in all the locations where the Company operates.

LLORENTE & CUENCA, the consulting firm, conducted a series of interviews with internal and external stakeholders in Bogotá, Santander, Casanare, and Arauca. These interviews were conducted to collect information and feedback about PAREX' sustainability management and to confirm the issues that are also important to PAREX. Fifteen meetings were held with Company's directors and employees from Calgary and Bogotá. Visits were also made to seven municipalities in Colombia. In total, 84 in-depth interviews with representatives from nine stakeholder groups were conducted for this sustainability report.

During the interviews, material issues that had been identified in 2015 were discussed to prioritize those issues associated with PAREX operations that are critical not only for stakeholders but also for the Company. These material issues have been given special attention in this report.



- Communities 32%
- Employees 31%
- Authorities 14%
- Contractors and suppliers 12%
- Mass media 6%
- Professional associations and partners 4%

About this report



• PAREX' Stakeholders

PAREX has set-up communication channels such as formal meetings, a requests/complaints/claims system, as well as on-site social managers that facilitate the establishment of a two-way constructive dialogue.

Interaction with PAREX' stakeholders is a long-term activity.

The Company has set up channels of communication such as formal meetings, a request/complaint/claim system, and on-site social managers that facilitate ongoing two-way constructive dialogue.

Since 2011, PAREX has published annual reports about its Corporate Social Responsibility management. This report reports on a total of 73 indicators. They are part of the essential compliance criterion under the Global Reporting Initiative, GRI-G4, as well as the Oil & Gas Supplement.

The indicators presented for production and financial information are based on PAREX' entire operation portfolio, including the operations where the Company is only a partner and not an operator. The information provided about environmental, social, occupational health, and safety issues is related to the operations where PAREX is the operator and responsible for the operational and business activities in Colombia.

Economic data reported is calculated in Colombian pesos (COP) and converted into United States dollars (USD \$).

Any observations, inquiries or requests for further information about this report can be emailed to us to: info@PAREXresources.com. This report is publicly available at: www.PAREXresources.com.

Material Issues



Material issues were identified in sustainability reports done in previous years as well as from surveys completed by internal and external stakeholders during the inquiry and information collection stages.

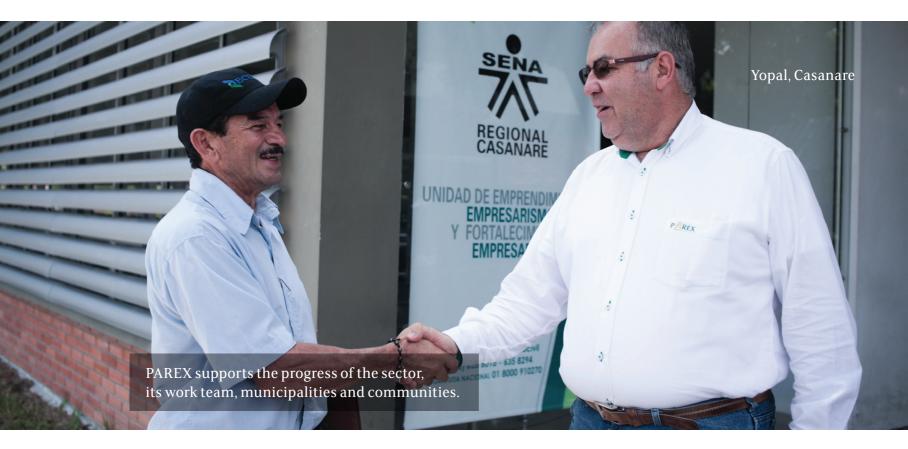
• Material Issues

	Economic performance	+	Stakeholders dialogue	Environment protection	Social investment
Corporate government		Transparency	Impact	Labour stability and quality employment	Water protection Community and institutional strengthening
		Safety		Timely communication	Local good and services
			Economic development	Value for stakeholders	



The value of working together

PAREX acknowledges that working together with stakeholders is the best way to conduct successful projects. PAREX is, therefore, committed to establishing and maintaining bonds of trust to the benefit of everyone.



PAREX' presence in the department of Casanare for the past several years has helped the Company learn about specific community needs and to actively participate in local development.

During its operations, PAREX works to improve the development of its human talent, the industry, municipalities, and communities. The Company has established communication channels to learn about stakeholders' concerns and needs.

"PAREX brings three innovative elements to its in-country management: first, senior management is in the country, listening and responding to concerns; second, the handling of and follow-up on requests, complaints, and claims; and third, the cooperation with Academia that contributes to the discussion on environmental and operational matters," highlights Rafael Herz, Vice-Chairman of the Colombian Petroleum Association.

PAREX has adhered to the Territorial Hydrocarbons Strategy Guidelines, implemented by the Colombian government. The Company supports community development by learning first-hand about their needs, acting to address concerns, and supporting collective decisions that have the most positive impact on individuals' growth and quality of life.

As stated by Andrés Camargo, Private Secretary of the Mayor's Office of Aguazul, Casanare:

"It is important to count on the support of companies like PAREX so that we can together improve the living conditions of rural populations in the municipality of Aguazul, by improving production processes, as well as housing and school infrastructure projects that encourage municipal development plans".

By establishing transparent and cooperative relationships with local authorities and engaging every stakeholder, we are able to develop multiparty projects that meet the community's needs such as housing improvement, productive projects, road, education; and community infrastructure improvements, among other areas of social investment.



PAREX brings three innovative elements to its in-country management: first, senior management is in the country, listening and responding to concerns; second, the handling of and follow-up on requests, complaints, and claims; and third, the cooperation with Academia that contributes to the discussion on environmental and operational matters," highlights Rafael Herz, Vice-Chairman of the Colombian Petroleum Association. 99

Rafael Herz Rafael Herz Vice-Chairman of the Colombian Petroleum Association

Las Maracas Field. San Luis de Palenque, Casanare.

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Corporate governance ::

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Corporate governance

At PAREX, our corporate culture is driven by a corporate governance that promotes transparency in our operations towards shareholders, markets, and key stakeholders. Through its Corporate Governance, Compensation and Human Resources (HR), Operations and Reserves, and Finance and Auditing Committees, PAREX ensures efficacy in its governance, aligning the performance of human talent with corporate goals. Effective management practices and internal controls are fundamental elements in PAREX' governance framework. The Board of Directors, through its committees, monitors these practices and ensures that the systems created, operate properly and following the legal requirements.



The Board of Directors is the highest governance body at PAREX. Its members include the following individuals:

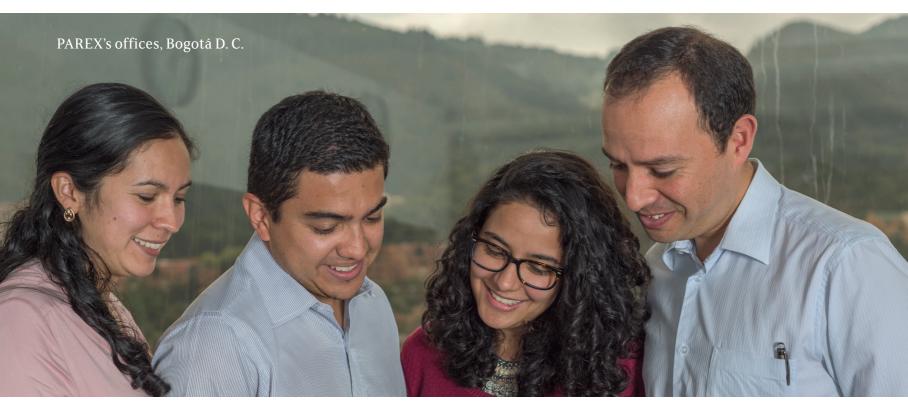
Wayne Foo Chairman of the Board of Directors
Curtis D. Barlett Member of the Corporate Governance and Nominating Committee
Lisa Colnett Chairman of the Compensation and HR Committee, Member of the HSE and Reserves Committee
Robert J. Engloom Lead Director, Chairman of the Corporate Governance and Nominating Committee
Bob MacDougall Chairman of the HSE and Reserve Committee, Member of the Compensation and HR Committee
Glenn McNamara Member of the HSE and Reserve Committee, Member of the Finance and Audit Committee
Ron Miller Member of the Finance and Audit Committee, Member of the Compensation and HR Committee
Carmen Sylvain Member of the Corporate Governance and Nominating Committee
David R. Taylor President and CEO
Paul D. Wright Chairman of the Finance and Audit Committee, Member of the Corporate Governance and Nominating Committee

In February 2017, Wayne Foo stepped down as the CEO of PAREX to become Chairman of the Board of Directors. David R. Taylor became the new President and CEO.

Senior Management is based at PAREX' head office in Calgary and the Colombian subsidiary, PAREX Resources Colombia LTD Sucursal, reports to the head office. The Calgary office is led by David R. Taylor, President and CEO of PAREX, who is responsible for creating, planning, implementing, and integrating the Company's strategic direction.

Lee DiStefano is the President of PAREX Resources Colombia Ltd. Sucursal and he is the main representative of the Company in Colombia.

Code of conduct and ethics



PAREX observes and complies with the regulations and laws of the country where the Company operates.

PAREX' Code of Conduct & Ethics serves as the guideline for directors, officers, consultants, and employees to act ethically and in strict compliance with the law. The Code of Conduct & Ethics helps maintain a culture of transparency, confidentiality, integrity, fair treatment, equity, and responsibility within the Company. It also helps to preserve stakeholders' trust. PAREX' Code of Conduct and Ethics establishes guidelines to guide the decision-making by all personnel. The Code specifically lays the foundation for providing a positive work environment, free of discrimination and harassment, and where all employees are treated with dignity and respect. Any concerns or claims a PAREX employee may have relating to these definitions and the enforcement of the Code may be reported to the Disclosure Committee.

In 2016 the Anti-Bribery and Anti-Corruption Policy was updated to prevent any acts of bribery or corruption that could affect the Company's integrity.

Strengthening Human Rights protection mechanisms

PAREX has guidelines for formulating and implementing a Human Rights Policy based on the United Nations Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights, and the Global Compact Principles.

Strict respect for human rights is guaranteed for every employee at PAREX. Proof of our assurance is that no claims related to human rights had been filed in 2016. The adoption of this policy in 2016 included on-site training attended by employees from different areas within the Company.

Through its Whistleblower Policy, the Company encourages its stakeholders to report any potential policy violations related to ethics and integrity. Stakeholders include shareholders, contractors, providers, partners, governments, community members, and the general public.





Operational excellence :+

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Las Maracas Field. San Luis de Palenque, Casanare.

Operational excellence Positive operational results

As a company listed on the Toronto Stock Exchange (TSX), PAREX' financial results are public and subject to annual auditing, promoting the transparency of the information provided to its stakeholders.

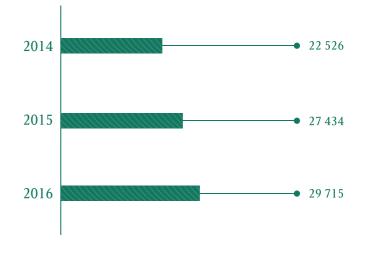
In 2016, due to a low oil price environment, PAREX rolled out a program in which capital expenditures were lower than funds flow from operations.

Throughout the year, PAREX achieved important increases in all reserve categories. Compared to 2015, proved plus probable reserves (2P) increased by 37%, to 112 million barrels of oil equivalent (MMboe), of which 98.6% were crude. PAREX exited 2015 with 82 MMboe of 2P reserves. The 2P Reserve Life Index increased from 8 to 10 years.

Annual average net daily production increased by 8% compared to 2015, reaching 29,175 barrels of oil equivalent per day (boe/d).

During the fourth quarter of 2016, net production was 31,049 boe/d, exceeding the goal of 30,000 boe/d. Forecasts for net production in 2017 are between 34,000 and 36,000 boed/d.

In 2016, PAREX carried out a successful exploration and drilling program. PAREX participated in drilling 17 gross wells (11.55 net), which resulted



• Net Production Comparison of Barrels of Oil Equivalent Per Day

in 13 oil wells, 3 abandoned wells, and 1 abandoned well before reaching target depth, for a success rate of 81%.

In addition, the assessment of the Aguas Blancas Block was accelerated. Four wells were drilled and two binding agreements were signed with Ecopetrol S.A. One of the agreements was a farmin with a working interest of 50% in the Mares and Playón Blocks, both located in the Middle Magdalena Basin.



Sustainable Economic Performance

The excellent management of our asset portfolio generated profitable results during the financially challenging environment of 2016.

Currently, PAREX has a self-funded business growth model.

By the end of 2016, the Company generated funds flow from operations of COP 439,741 million (USD \$144 million), increasing funds flow from operations from the 2015 comparative period of COP 357,384 million (USD \$130 million). This gain was due to an increase in production volumes, which partially countered low average oil prices.

Net working capital also increased, from COP 211,241 million (USD \$77 million) at the end of 2015 to COP 283,741 million (USD \$93 million) at December 31, 2016. The year ended with no bank debt and an undrawn credit facility of COP 533,921 million (USD \$175 million).

Discovery, Development, and Acquisition costs were USD \$6.47/boe for proved developed producing reserves and USD \$3.40/BOE for 2P reserves.

Environmental Management System: Quality and safety

PAREX addresses environmental protection in accordance with principles of prevention, control, mitigation, and responsible use of natural resources, aiming to keep operations clean and in compliance with environmental legislation.

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Carmentea Field. Yopal, Casanare.

Efficient operations

PAREX makes sustainable use of renewable and non-renewable resources when planning operations projects. In 2016, there was a 97% decrease in consumption of sand, gravel, and quarry materials from non-renewable sources, associated with road maintenance and construction of drilling pads. 172,632.56 m³ of these materials were used in 2015 while their use was reduced to 5,169.95 m³ in 2016. Regarding the use of wood, there was an increase compared to 2015 (118.72 m³), reaching 2,720 m³ in 2016.

As part of the Comprehensive Solid Waste and Materials Management Plan, PAREX returns chemical product packages and packaging to suppliers. In 2016, through third parties, 689 fifty-five-gallon metal trash bins and 4,852 fifty-five-gallon plastic trash bins were reused.

Raw materials	Hydrocarbons
Ancillary materials	 Renewable sources: wood Non-renewable sources: sand, gravel, and quarry materials; lubricants; fuels and chemical products

• Used raw and ancillary materials

Caring for water, caring for life

PAREX is committed to the efficient use of water by actively protecting water sources and implementing good water use practices. Our practices comply with environmental regulations and always prioritize a non-impact policy for the water supply on local communities.

PAREX sustainability report

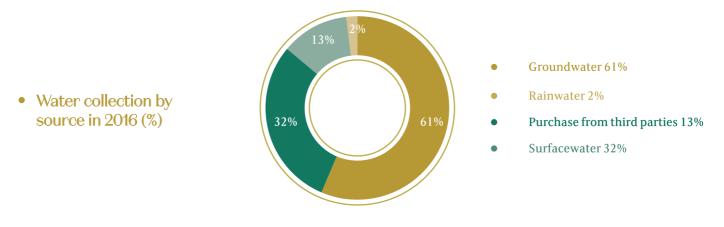
To ensure water management and balance of the ecosystems, the Company constantly monitors water sources. In 2016, we reduced water consumption by 4.7% and the use of collection points by 20%, due to roads paving and the reduction of spraying water on roads. 97,069 m³ of water were used for residential and industrial activities. Average water consumption went from 0.015 m³ per barrel in 2014 to 0.019 m³ per barrel in 2016 due to a decrease in oil production.

	Surface water	Groundwater	Rainwater	Wastewater	Purchase from third parties	Total
2014	37 263,5	71 950,1	4304	0	14 793,2	128 310,8
2015	24 427,4	62 308	5104	0	8 021,6	101 860,6
2016	13 534	59 614	2148	0	21 773,9	97 069,8

• Water collection volume by source (m³)

With respect to purchasing water for consumption from third parties, all companies have a water concession or authorization issued by the competent authorities.

Surface water sources include the Cusiana and Cabuyarito rivers. According to monitoring activities in 2016, surface water sources did not show changes in their availability and quality conditions associated with the authorized use of operations equipment. With respect to groundwater, in 2016 PAREX collected water from nine deep wells located in Llanos 32, Llanos 16, Llanos 40, and Llanos 30 Blocks. The Company also conducted monitoring activities, which reported no changes in water conditions.

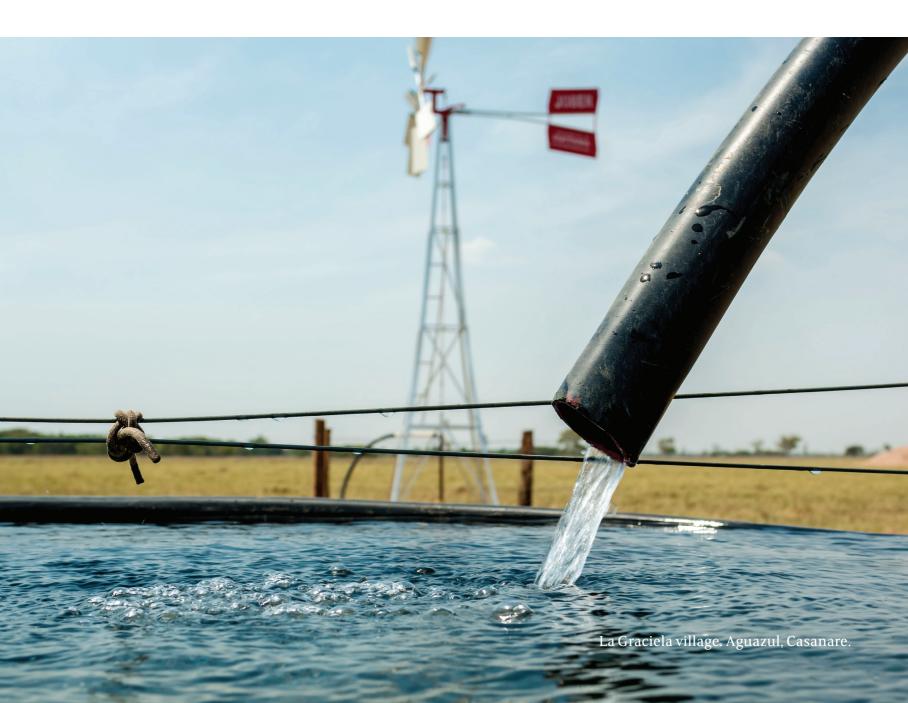


Operational excellence

Four times more recycled water

In 2016, 0.75% of the total amount of collected water was reused. Approximately 725 m3 of this water was reused, compared to 151 m3 in 2015, showing an increase of 380%.

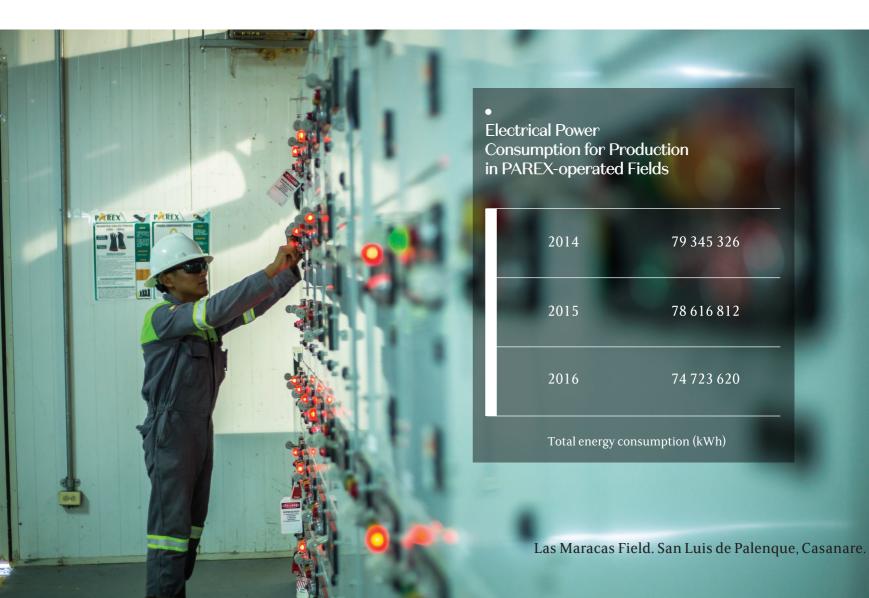
Regarding formation water, PAREX controls and conducts follow-ups according to environmental regulations and legislation. We conduct regular sampling that helps verify physical and chemical treatments, as well as disposal processes through the re-injection of 28,439,350 barrels in 2016.



Responsible energy consumption

Electrical power consumption reached 15.32 kWh per produced barrel in 2016, an increase from the rate of 12.13 kWh per produced barrel in 2015. Energy intensity in 2016 was 0.64 kW/boe, higher than the 0.33 kW/boe value reported in 2015. This increase was due to a lower production rate in similar operating conditions to 2014. PAREX uses different energy sources to meet the Company's needs, including diesel, plant-generated gas, compressed natural gas (CNG), and COESGEN.

Regarding energy consumption percentages by source, there was a considerable reduction in diesel consumption compared to 2015 that was offset by the increase in plant-generated gas consumption (self-generation) and in COESGEN consumption.



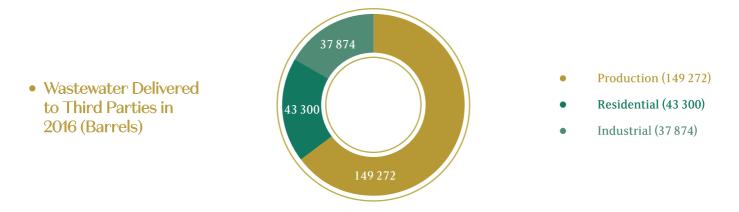
Operational excellence



• Comparative Energy Consumption by Source

Zero wastewater discharge

In 2016, the Company maintained its zero-discharge commitment. Water from producing operations that has completed its reutilization cycle is treated to remove solids, oils, and potential oil residues. Final disposal is carried out by re-injecting the wastewater into authorized wells, guaranteeing zero discharge into water and soil ecosystems. Residential, industrial, and production wastewater, which are not re-injected and require treatment before final disposal, are delivered to a third party. The contractor conducts this process effectively and responsibly, following standard procedures that comply with environmental regulations.



Disposing of hazardous substances

The disposal of hazardous waste and solid waste generated by PAREX' operations is outsourced to companies holding appropriate permits that provide collection and proper disposal services.

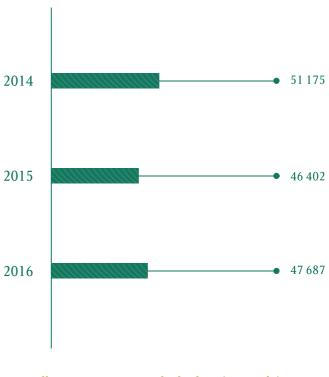
Type of waste	2014	2015	2016
Recyclable	55 323	44 616	28 909
Contaminated	585 059	510 615	172 283
Ordinary	17 500	19 234	20 864
Organic	35 456	18 671	9 094

• Solid Waste Generation (kg)

In 2016, recyclable, contaminated, and organic waste was reduced due to environmental management practices promoted by PAREX and reduced operations in certain fields. Ordinary waste volumes increased compared to 2015, caused by cleaning and maintenance of facility areas before terminating operations.

Oil waste generated during production enter the operational system through recirculation, either by adding chemicals or by other means. Other waste, such as chemical product packaging or containers, is returned to suppliers or delivered to companies specialized in treating and recovering these materials. Companies that carry out these activities reuse the materials to bottle the same substances.

PAREX monitors and implements controls for solid waste disposal to ensure compliance with regulations. In 2016, 47,689 barrels of drilling cuttings and sludge were produced, an increase over 2015 that was the result of an increase in drilling activities (17 gross drilled wells in 2016 versus 12 gross drilled wells in 2015). PAREX prohibits the use of benzene and sulfur in its operations.



• Drilling Cuttings and Sludge (Barrels)

Emissions

Atmospheric emissions generated by PAREX are managed according to the Protocol for the Control and Surveillance of Atmospheric Pollution Caused by Fixed Sources: Version Two (2010), issued by the Colombian Ministry of the Environment and Sustainable Development. Particulate matter, sulfur dioxide, nitrogen oxide, carbon, and carbon dioxide are measured and controlled, in compliance with the National Environmental Licensing Authority standards for environmental management.

Emission estimations are calculated using emission factor modelling. These estimations are in line with Colombian environmental legislation, according to the specifications of each piece of equipment, including consumption and generation. The Company annually assesses the amount of pollution that can be reduced by implementing good environmental management practices.

Based on 2016 operating conditions, the air pollution load was reduced by 27,300 tons/year by using natural gas instead of diesel in Adalia, Begonia, Kananaskis, Kitaro, Kona, Maracas, Llanos 32 Facility, and Rumba, operations located in the department of Casanare and the Middle Magdalena area.

In 2015, approximately 753 tons/year of pollution load were prevented from entering the atmosphere. In 2016, this value significantly increased.

Based on 2016 operating conditions, the air pollution load was reduced by 27,300 tons/year.



Spills

At PAREX, prevention and management of the risk of environmental accidents that may affect safety are key issues. Preventing crude, chemicals, oils or fuel spills is a permanent undertaking for the protection of the environment and public infrastructure. In 2016, there were 0.7 spilled barrels per million of produced barrels, a decrease from the 1.9 spilled barrels per million of produced barrels in 2015.

Safe transportation

Road safety is a priority at PAREX. We organize awareness sessions with contractors, comply with transportation schedules agreed upon with communities, and follow road plans agreed upon with the authorities.

To encourage safe road habits and behavior by drivers responsible for vehicles transporting crude oil, PAREX and oil carriers launched safe-driving awareness campaigns in 2016.

The most important issues addressed by these campaigns were speeding, drunk-driving, fatigue,

safe exiting, and distracted driving. The purpose of these activities was to mitigate accident risk and comply with road safety standards.

Due to the importance of contingency plans and their contribution to improving operations, 43 road safety awareness sessions were organized in 2016. Five hundred drivers participated, strengthening their knowledge and skills necessary to drive carefully on the roads and ensure their own safety as well as that of the environment.



Rumba Field' access road. Aguazul, Casanare.

Through CICLOP, PAREX monitors information in real time from drivers and vehicles which transport crude.

Collaborative management and effective support

Carriers are strategic partners for PAREX' operations. They are considered an extension of our operation chain; therefore, they are expected to comply with our principles of operational excellence.

For this reason, PAREX annually audits all its transportation contractors. The Company develops relevant collaborative training, so that the contractors' employees comply with the highest environmental, health, and safety standards while on the road. Between 2015 and 2017, a great improvement was achieved since the average audit rating increased from 58% to 73%.

Furthermore, to ensure the safety of employees and environment in transportation practices, PAREX implemented the first phase of CICLOP, a vehicle monitoring application, in 2016. This app allows PAREX to be aware of any mechanical, operating, and legal changes for the entire fleet. The system collects real-time information on drivers transporting crude oil. During this first phase, control and registration of vehicles in the app were completed for vehicles that met the legal conditions and PAREX' Standards of Transportation of Dangerous Goods.

The second phase has also started. In this phase, the system is identifying driving habits to control drivers' speed and working hours to help ensure the best conditions in their operations. All the vehicles and drivers providing transportation services for PAREX are, without exception, enrolled in and monitored by CICLOP.

Ongoing commitment to talent

Achieving excellent results means creating a work team that will not only incorporate PAREX values, but also adopt best practices to conduct high-level, effective operations.

At PAREX, every employee's contribution is appreciated, acknowledging that his or her work makes the operation possible and facilitates the implementation of the corporate strategy. As a responsible and committed employer, PAREX upholds current legal labour regulations.

PAREX values employment stability and provides competitive benefits to encourage its employees' motivation and sense of belonging, always respecting the principles of integrity and diversity, and highly regarding teamwork and openness to change.



A team for growth

During the latest financial uncertainty, PAREX not only retained all its personnel, but also added new talent. PAREX also invested in training to promote more talent development and contributions. By the end of 2016, the Company had 261 employees, an 11% increase from 2015. The employee rotation rate remained at 9.2% due to reorganization in certain areas, and improvement in the quality of PAREX' personnel.

Operational excellence

Promoting inclusion and diversity

PAREX strives to provide a positive workplace, free from discrimination and harassment. The Company is strictly committed to social inclusion and promotes respect for diverse beliefs, race, color, ethnic groups, and gender. The Company values equity and implements team exercises that encourage participation, gender equality, and professional development.

In 2016, women's participation at PAREX was as follows: 27% in management and leadership positions; 17% in supervision and professional positions; and 10% in Board of Directors positions.



Dreams come true at PAREX

Development has no limits at PAREX. Marisol Gutiérrez is living proof. After four years as part of our team, her story about her personal growth serves as an example for her children, and proves that, with determination and dedication, dreams come true.

In 2011, Marisol Gutiérrez first came to PAREX as an employee of a general cleaning and cafeteria service company. Due to her excellent performance and accountability, the Company offered her a direct job in 2013, starting with systems training and English courses.

A year later, through an internal open recruitment process, Marisol accepted a new growth opportunity as a Records Assistant in the Finance department. She was selected to take this new step and continue to develop her career.

Today, Marisol is studying Technical Management, and, as a result of her potential, she was promoted within the Finance department to Accounts Payable Filing Assistant. From that first day at PAREX, her professional development has never stopped. Her technical knowledge and skills, particularly in Excel and SAP, are continuously evolving. Marisol is grateful to every employee who has helped her rise in PAREX. Thanks to their human touch and support throughout her career, she has been able to overcome challenges, acquire knowledge, and forge new paths for growth.

"When I first came to PAREX, I didn't know how to use a computer. Taking on new challenges has helped me grow as an individual and develop my career. I feel so grateful to the Company because thanks to the opportunity I was given, I now serve as an example for my children. I can give them a better education, and I can show them that dreams can come true. Today, I receive more support from my husband who is very proud of me," says Marisol.

Marisol has a bright future at PAREX. She expects to continue to learn and be assigned new responsibilities that will further her career development in the Company.

Marisol Gutiérrez Accounts Payable Assistant

Ellectre 800

PAREX's offices, Bogotá D. C.

Ensuring welfare for the team and their families

PAREX is focused on being the best employer. With that in mind, the Company provides a competitive and equitable plan of benefits that provides for the well-being of its employees and meets their needs. This plan is part of our corporate Employee Benefit Plan policy that is provided to all direct employees.

One of the benefits of our plan is the SAR (Stock Appreciation Right) program, that rewards em-

ployee efforts and commitment to the continuous growth and success of PAREX' operations. Similarly, we pay an annual performance-based bonus, based on individual goals and Company's achievements completed during the year.

With the intention of improving employees' and their families' quality of life, PAREX develops sports and recreational activities, as well as business acknowledgment activities. These activities strengthen the organizational environment and culture.

Training for competitiveness

To promote continuous improvement in employee skills, PAREX offers formal and non-formal training programs. In 2016, we offered 43 programs, which were completed by 89% of the Company's employees. Investment in training increased by 29%, from COP 320 million (USD \$116,644) in 2015 to COP 412 million (USD \$135,038) in 2016. The reason for this increase was a higher number of employees, and the initiative to strengthen employees' interpersonal and leadership skills.

Non-formal training programs included English courses that increase bilingualism and help employees feel more integrated.

Time invested in education and training in 2016 reached 7.5 hours per month on average per at-

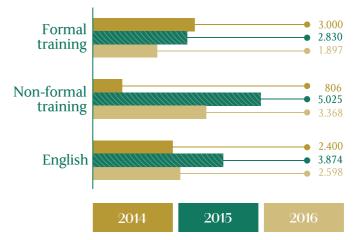
tending employee, to a total of 7,863 hours for the year. This decrease of 33% was the result of a pause in the training program during the first quarter of the year.

In 2016, PAREX focused on training leaders, coordinators, and supervisors to develop their leadership skills in addition to providing training on eight organizational competencies (quality-based achievement, innovation, teamwork, sense of urgency, adaptability to change, conflict resolution, communication and leadership).

The Company is interested in boosting the ongoing development of our human talent by providing feedback through performance reviews. Every year, each employee sets individual goals with his/her next-level manager. They also decide on the successes they want to achieve. Performance reviews allow employees to conduct self-assessment and receive their next-level manager's opinion on the achievement of their goals, skills, competencies as well as potential areas for improvement.



• Provided Training Hours by Type of Training



Performance reviews allow employees to cendate bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement of their goals, skills, component and receive their next-level managed bioinon on the achievement and receive their next-level managed bioinon on the achievement and receive their next-level managed bioinon on the achievement and receive their next-level managed bioinon on the achievement and receive thei

Talent made in Casanare



PAREX operates in areas where human talent is excellent but opportunities are not diverse. We attract that human talent by offering them a career path right where they live.



Inclusion of local human talent for better community development is not only a commitment but a conviction at PAREX. Our operations in various Colombian regions provide us with opportunities to attract competent and committed employees who help the Company define its role as a good employer.

That is the case of César Prieto, the current Corporate Social Responsibility Coordinator at PAREX. He joined the Company six years ago in his native area, Paz de Ariporo, Casanare. As a result of his dedication and excellent work ethics, he has built a high potential career and a future filled with great opportunities for his family. He is not only an example for his family, but also an example for his community. For César, "PAREX is a company that generates employment stability, allows for goal achievement, and provides a better future for our loved ones".

However, our commitment does not stop there. In addition to employment generation, boosting the skills of our employees is key. Yaneth Ramírez,

Operational excellence

an Environmental Engineer for PAREX based in Casanare, has been trained in various key areas. Yaneth has acquired new knowledge in environmental management systems, internal auditing, emergency and first-aid crew, stakeholder management, and effective public speaking. For Yaneth, "PAREX is continuously providing training opportunities and encouraging growth within the Company".

Having the support of local talent has been fundamental for PAREX' growth by allowing the Company to become closer to the community, to understand their culture, and to listen to them better. Juan José Samaniego is a Corporate Social Responsibility Manager based in Tauramena, Casanare, though he was raised in Monterrey, an hour away. His familiarity with the region and the local communities has helped him become more aware of the people's needs, faithfully transferring this to PAREX, and consolidating a channel of trust. For Juan José, "understanding the region's idiosyncrasies has been fundamental to successfully carrying out every one of the proposed projects".

Our commitment in all the regions where we conduct business consists of generating quality employment as a way of increasing the positive impact local talent can have in their communities.

⁶⁶ PAREX is a company that generates employment stability, allows for goal projection, and provides a better future for our loved ones. 99

César Prieto Current Corporate Social Responsibility Coordinator at PAREX

Safety and health in the workplace



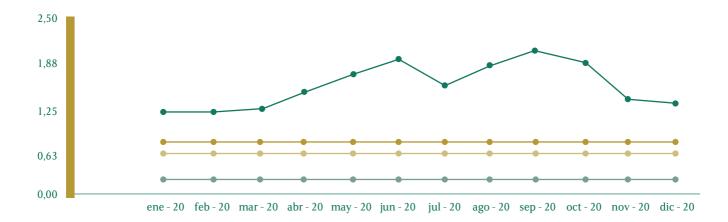
In 2016, PAREX launched industrial safety prevention campaigns with an emphasis in eye care, same-level falls, hand care, work at great heights, and chemical risk, such as Globally Harmonized System (GHS), Behavior-Based Safety (BBS) and SOS cards. Process Safety, Operational Discipline, and Critical Tasks have also been implemented.

The lost time injury frequency during this period was 1.33, based on a total of 5,257,103 worked hours.

The Company has conducted industrial hygiene assessments regarding physical agents (noise and light) and chemical pollution agents and aromatic by-products (benzene, toluene, ethylbenzene, and xylene). Regarding ergonomics, work stations were inspected, and morbidity surveys were conducted. These activities will be useful for the implementation of illness monitoring systems.

Concerning employee health, the following actions or programs were implemented: a food innocuousness program, submission of monthly reports, medevac, training for use of on Automated External Defibrillator (AED), and tobacco and alcohol consumption prevention. Job profile diagrams were updated.

PAREX' Health and Safety in the Workplace System is certified under OHSAS 18000:2007.



- Lost Time Injury Frequency (LTIF) PAREX
- Colombia OGP Indicator 2015 = 0.74
- South America OGP Indicator 2015 = 0.66
- Global OGP Indicator 2015 = 0.74



⁶⁶ Supervisors and managers always ensure we work safely to prevent any behaviors that may be harmful to us. On three occasions in 2016, we attended self-care talks. <u>99</u>

Guillermo Chaparro

Production Assistant Campo Rumba. Aguazul, Casanare.

• Lost time incident rate in 2016



Sustainable environment ::

Rumba Field. Aguazul, Casanare.

Sustainable environment Protection of biodiversity

Environmental management at PAREX is comprehensive. Caring for natural resources and ecosystem biodiversity that coexist with our operations requires special attention and environmental management strategies. We have developed an environmental baseline study of physical, biotic, and socioeconomic components to ensure environmental sustainability and compatibility with operations.

In addition, we consider the International Union for Conservation of Nature Red List, to be the most comprehensive inventory of the conservation status of plants and animals on a global scale. Resolution 383 of 2010 of the Colombian Ministry of the Environment is used for the identification of sensitive species and proper environmental management during exploration and production activities.

In 2016, we monitored and controlled the water sources of Lake Tinije, a fresh water lake in the District of Integrated Management of the Aguazul Municipality. The Aguazul Municipality is located close to the Rumba Project in Casanare. Even if the ecosystem is isolated and our project is upstream, we have set a baseline for it.

We also conduct environmental impact assessments in its exploration and production blocks.



Sustainable environment

We conduct surveys of the physical, biotic, and socioeconomic conditions of the project areas, and prepare baseline and impact assessments, which are used to establish environmental protection measures.

In 2016, 12 protected species were identified in the Company's blocks: six were mammals, one was a reptile, and five were bird species.

In Rumba, thanks to the control systems that are part of the operations in this area, there have been no environmental or pollution accidents inside or outside the location. 99

Henry Gutiérrez

Production Supervisor for Rumba Field





Cultivating balance

Since 2011, PAREX has reaffirmed its commitment to environmental protection and environmental offsetting standards by planting over 34,200 trees of 21 native species that will contribute to flora recovery and fauna protection.



Preservation of terrestrial ecosystems has become a worldwide priority. In addition to providing food security and shelter, these ecosystems are fundamental to the fight against climate change, the protection of biodiversity, and the continuation of livelihoods in rural communities.

Knowing that air, water, and food supplies are mostly supported by vegetation, actions that contribute to reforestation are key. PAREX aims to be a responsible player and take offsetting actions to promote best practices that contribute to the conservation of the environment across regions in which the Company operates.

The Reforestation Program was implemented in various municipalities of Casanare. In Trinidad, 4,491 trees were provided to the Municipal Town Hall and planted in May 2016. In Pore, 29,700 trees were scheduled to be delivered by the end of 2016.

In total, there are 21 native species such as cedars, balsas, ceibas, among other trees, which allow for the recovery, protection, and conservation of forests. To carry out the different reforestation activities, PAREX hired unskilled, 100% local labor, serving a double function: employment generation and environmental awareness, with the people of the community promoting the cause.

At PAREX, our commitment to nature and communities remains strong. Thus, we will continue to develop actions to protect biodiversity and maintain an adequate balance between our operations and the local ecosystem.

Ongoing commitment to the environment

In 2016, PAREX invested COP 503 million (USD \$164,865) in environmental management corresponding to environmental offsetting and an investment of 1%.

The implementation of activities that comply with the Company's environmental management plan include the following:

- Traffic control, irrigation, and road paving to reduce particulate matter emissions into the atmosphere.
- Daily inspection and preventive maintenance of machinery and equipment to reduce emissions and noise.
- Educational presentations about flora and fauna to all personnel, emphasizing the prohibition of hunting or capturing of species for any purpose

In 2017, we will continue our commitment to environmental management, engaging all employees and contractors to strengthen our connection with and reliance on the environment.



PAREX Sustainable Office

Based on our commitment to the environment through our Environmental Management System, the PAREX Sustainable Office program was established in 2016. Initiated in the Bogota offices, this is a permanent program that encourages all office employees to adopt an effective environmental culture and improve their work environment.

The PAREX Sustainable Office program tackles important aspects of office activities such as water consumption, waste generation, energy consumption, and paper use, putting into practice the three-R principles: Reduce, Reuse, and Recycle.

In 2016, as a result of this program, we avoided the use of 3,920 plastic garbage bags. At each work-station, garbage bins were converted to recycling

bagless bins. Additionally, green garbage bins were placed in communal areas for ordinary and non-recyclable waste. Similar actions were implemented for the efficient use of printers. For example, in 2016 we used 37 fewer toner cartridges than in 2015. In 2017, PAREX will continue to develop strategies for the effective use of resources.

The PAREX Sustainable Office program tackles important aspects of office activities such as water consumption, waste generation, energy consumption, and paper use, putting into practice the three-R principles: Reduce, Reuse, and Recycle.

• Three Rs: Implemented Actions

Reduce

- Providing tips to use less paper and disposable items, and promoting the use of materials that will help save resources.
- Reducing the use of printer cartridges.
- Providing a password for each IT officer to prevent unnecessary printing, reducing the number of printouts.

Reuse

- Placing containers for recycled paper next to printers.
- Using rechargeable batteries.
- Repurposing items.

Recycle

- Training on using recycling points at cafeterias.
- Garbage bins at workstations exclusively used for recyclable waste.
- Awareness campaign on how to sort waste at source.
- Placing garbage bins for non-recyclable waste in different work areas.

PAREX SUSTAINABLE OFFICE

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PAREX's offices, Bogotá D. C.

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PAREX

Trabajamos para generar eficios compartidos

responsible company

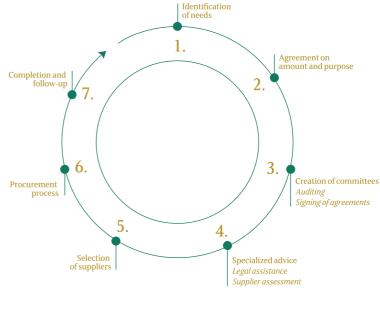
A responsible company

Social investment

PAREX believes that social responsibility is a corporate commitment based on values, principles, and good practices discussed with stakeholders with the purpose of creating and sharing benefits.

Continuous interaction with the community has shown PAREX that the path to investing in communities must start with open channels of communication that help to identify community interests and needs. For this reason, our priority regarding these communities is to provide clear and timely information, and to continuously and collaboratively ensure that programs are executed well.

At PAREX, we believe that dialogue has and always will be an essential path to building trust. This is the reason we operate in areas where communities are beneficiaries of the added value and the benefits created by our Company and our value chain.



• Execution Cycle of PAREX' Social Investment Program



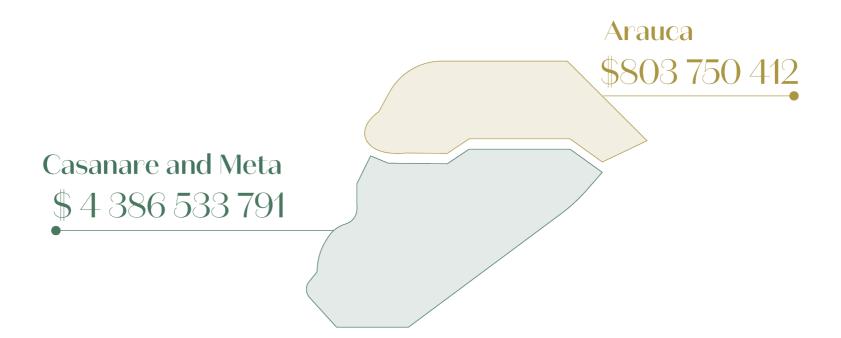
In 2016, social investment was COP 5,190 million (USD \$1.7 million) to support the implementation and audit of our social programs. Even though this investment was lower than that of 2015 as a result of the economic challenges for the oil sector (leading to the suspension of operations in certain PAREX fields), social investment resources were used for programs that benefited nearly 22,000 individuals and 4,000 families. Social investment in 2016 was extended to more areas. The first projects were implemented in Arauca based on the needs identified by the Company and stakeholders. In the Middle and Lower Magdalena areas, PAREX has also identified specific needs and use of resources to implement social investment projects during 2017.



• Social Investment by PAREX (Millions of Colombian Pesos)

Inversión social 2016

\$5 190 284 203



Interventoría de proyectos \$278 458 550

Note: The social investiment amount for department includes project audit

A responsible company



Economic development COP 911 218 131





Institutional strengthening COP 329 196 055 [↑] 5047 1 1 83



Community strengthening COP 1 213 317 278

[↑][↑] 8532 1989



Development plan support COP 2 424 630 149

∲[†] 6113 [j] 1399



Culture, recreation, and sports COP 33 464 040

136 136 1

Individuals receiving benefits Families receiving benefits

Capachos Block: A two-way commitment

PAREX aims to build bonds of trust through dialogue and fulfillment of agreements, laying the foundations for starting operations where the company has identified an opportunity. In Arauca, PAREX is committed to sharing the successful experiences gained in other regions to promote local development.

The Capachos Project, developed in partnership with Ecopetrol, has become a new milestone in our track record in Colombia. During the first year of our presence in this eastern region of Colombia, our relationships with authorities and communities became stronger. We have made good progress in finding and hiring local suppliers, which were key steps in making our relationships with stakeholders stronger regarding our operations.

We deepened our knowledge of neighboring rural and ethnic communities by working together with those communities. We created opportunities to foster trustworthy relations to encourage community growth hand in hand with the oil industry. Those opportunities have been supported by a social investment program exceeding COP 800 million (USD \$262,210) in projects to improve school and community infrastructure, recondition rural roads, and promote community-driven projects.

⁶⁶ PAREX is a company that has respected the Tame communities, and ever since they first arrived here, they have been willing to listen to the communities as many times as necessary. <u>99</u>

Alexa Milena Quirife

Secretary of Government and Citizen Coexistence of Tame.

Building trust is a progressive and ongoing enterprise. The cycle of dialogue and agreements to advance this project has involved different players who have been building trust in our stakeholderss across the region. The presence of representatives of the Embassy of Canada and delegates of the national government along with the support provided by territorial and local authorities have made possible to put into action the Capachos Project in an environment that facilitate mutual understanding.

A responsible company



Alexa Milena Quirife Secretary of Government and Citizen Coexistence of Tame.

At PAREX, we have ensured to maintain standards in our operations that consider social dynamics. In 2016, as stated by Luis Fernando Ulloa, Advisor for the Territorial Hydrocarbons Strategy of the Ministry of Mines and Energy: "PAREX is a very disciplined company in social and environmental matters, strongly aware of the need to do things well".

Albeiro Caicedo, Vice President of Asojuntas, adds: "PAREX' relationships stand out because of their respect not only for the communities located close to their operations, but also for everyone in general. After the first social investment experience, we feel grateful for their contribution to improving certain basic needs".

The Company has always had one single goal: achieve and advance under the highest principles of respect for the current legal regulations, build transparent relationships, and provide contributions that result in better conditions for community development.

In 2016, PAREX' social investment in the Capachos Block exceeded COP 800 million (USD \$262,210) in projects to improve school and community infrastructure, recondition rural roads, and promote community-driven projects.







Stories of progress

Better housing, better quality of life

"A home is the foundation to have a good quality of life; it is an improvement that allows people to live better." This is how Nancy Álvarez explains the Materials Supply for Housing Improvement Project that helped her in 2016. Over the past 20 years, she has lived in the rural district of Platanales in the municipality of San Luis de Palenque. Thanks to the building supplies she received, Nancy improved the housing conditions for herself and her family, expanding the kitchen and bedrooms.

Very close to Nancy's home, in the rural district of Barquereña, 23 other families worked together to renovate their homes using materials provided by PAREX in the amount of COP 97 million (~ USD \$31,793). For Estela Meche, who lives in this rural district, this project has meant more security for her family. She used the materials to build a fence around her house which is located near the main road; a long-term improvement that is possible thanks to the effort made by the community and PAREX.

Home improvement is part of the Development Plan Support program provided by PAREX. This program is similar to other programs implemented by municipal administrations. Projects of this nature are an immediate source of progress and social development for recipients because they have access to a better quality of life and improved housing.

PAREX' Housing Improvement Plan, part of the Development Plan Support program, was implemented in six blocks in the department of Casanare. In total, 609 families in 20 rural districts benefited from this program.



Palo Solo village. Aguazul, Casanare.

REX

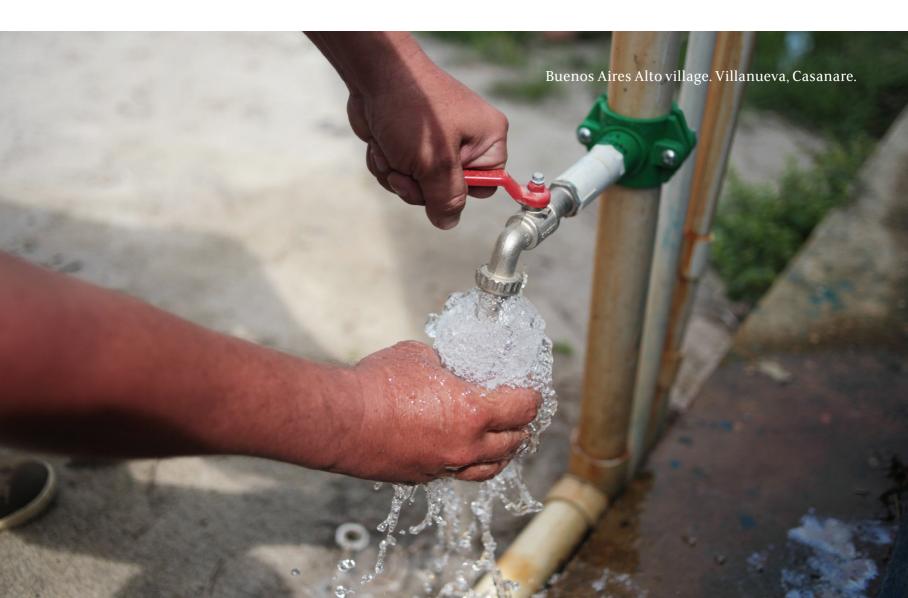
Social investment lines that PAREX has defined within the framework of its Corporate Social Responsibility strategy, are the way to support the materialization of families' plans, rural settlements or municipal projects which make PAREX's economical contribution and support, new life chapters.

Drinking water for Buenos Aires Alto

As part of the Development Plan Support program, PAREX have worked together with the Villanueva Town Hall and the Community Action Board of the rural district of Buenos Aires Alto to make their water treatment plant functional. The plant treats water from the local aqueduct, supplying this vital liquid to the homes of 50 families.

This treatment plant makes it possible for these families to have high quality water that has a

direct and positive impact on their health, especially for children and the elderly, who are more vulnerable to diseases. Flahuber Arias Buitrago, Secretary of Public Works of Villanueva, describes this project as "the main contribution provided by PAREX in cooperation with the Municipal Administration that benefits a community that was in need of a better aqueduct".



A responsible company

Alliance for the benefit of the people of Tauramena

PAREX believes that engaging all parties creates better solutions to the social problems that may arise. Together with two other companies from the sector, Geopark and Pacific (currently Frontera Energy Corporation), and the continuous support of the Municipal Town Hall, PAREX has provided the Public Service Company (Empresa de Servicios Publicos) of Tauramena with a garbage compactor vehicle. This contribution addresses a clear need of the municipality for adequate waste collection management.

The manager of Empresa de Servicios Publicos of Tauramena, Omar Morales, highlights this important contribution, as well as the benefit this represents to the community. Waste management has many direct impacts on the health and well-being of individuals.



PAREX and local partners

The value chain at PAREX is essential to the development of the areas where we conduct business. A strong value chain promotes local growth through the creation of small-sized and medium-sized enterprises in various economic activities.

Procurement processes developed by PAREX are based on best practices and the principles of legality, inclusion, and fairness. Based on these principles, the Company approaches the local market to identify ideal suppliers who are aligned with the best practices in industrial safety, environmental sustainability, social responsibility,

human rights, and ethical standards implemented at the Company.

In 2016, PAREX demonstrated its commitment to local companies, many of which have grown together with the Company, through the procurement of goods and services for COP 58,595 million (USD \$19.2 million), out of which COP 53,278 million (USD \$17.4 million) was generated in the department of Casanare.

The procurement of goods and services decreased in 2016 compared to 2015 mainly as a result of fewer activities in certain operating areas.

⁶⁶ PAREX has revitalized the economy in municipalities and rural areas through the procurement of local goods and services. In my community, there is a micro-enterprise run by a woman that used to slaughter 40 chickens per week, and today she sells up to 400. That is when you realize that it is worth having PAREX supporting local development. We are proud to see local business grow and thrive competitively. 99

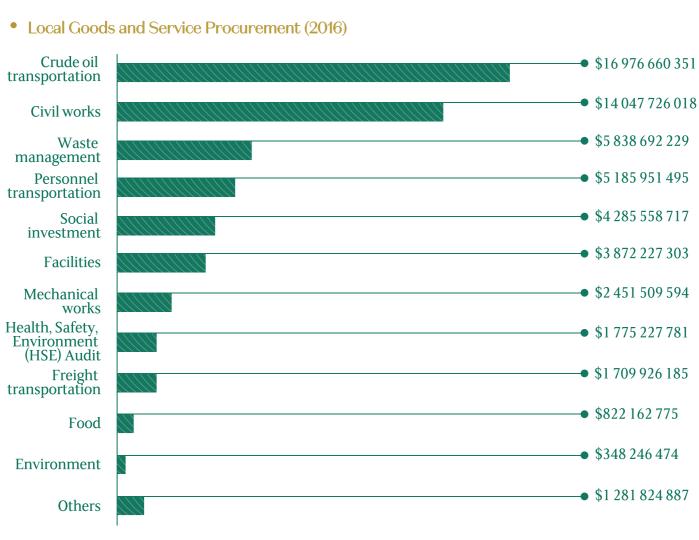
Carlos Chaparro

Food Supplier, rural district of La Graciela, Aguazul, Casanare.





A responsible company







Local competitive development together with PAREX

Several local companies contribute to PAREX' operations. This is how, in 2016, we continued to work together with suppliers and contractors boosting sustainable development, employment generation, and the industry's best practices.



Motived by sustainable business growth

PAREX' social responsibility goals, among others, are to add value to all participants of the supply chain, in which regional companies are very important because they have an impact in the local economy and help to create new opportunities in the region.

Lina Ramírez is a manager at Transpetrocar. She proudly reports that the company, which was created six years, is currently positioned among the best petroleum by-product carriers in Casanare.

She explains that working with PAREX has helped the company achieved higher standards: "We

started working with PAREX three years ago, and our company has been growing since then. PAREX' service quality standards are very high and they have helped us detect potential failures and take preventive actions to minimize road, environmental, and personal injury risks".

Today, Transpetrocar ranks among 15 Colombian companies that achieved the ISO 39001 certification of Road Safety Management System. "It was because of PAREX that Transpetrocar got this certification, which has been obtained only by a few companies in Colombia. This means innovation and safety for our clients," she says.



Suppliers creating opportunities

By supporting suppliers, PAREX helps to make companies stronger and supports employment generation locally.

Servicusiana is a company that provides crude oil transportation services. For Julieth Rojas, Manager of Servicusiana, company audits have strengthened its market competitiveness: "A few years ago, PAREX invited local freight transportation companies to participate in specific service contracts. We were audited and tasked with projects that improved our work until 2015, when we started to work directly with them".

In addition, Ms. Rojas enthusiastically says that PAREX was the first company to give them the chance to provide direct services. This opportunity has increased employment generation within the company, which currently has 27 employees.

⁶⁶ PAREX was the first company to believe in us and gave us the opportunity to provide crude oil transportation services. We are a local service provider, and we have strived to meet the high safety and quality standards required by the company. 39

Julieth Rojas Servicusiana Manager, Tauramena, Casanare.



A responsible company

Opportunities to continue growing



Ferreléctricos 2000 and Cocmoelec, companies located in Casanare that provide construction of minor civil works and electrical assembly services, are also suppliers that have grown because of their work with PAREX.

José Peñaloza, Manager of Ferreléctricos 2000, says that because of the opportunity provided by PAREX, they were able to obtain contracts with large companies and expand their business services to the rural district of La Urama, where they currently have a new point of service. In addition, Arnulfo Espitia, Manager of Cocmoelec, says that PAREX was the incentive for their incorporation as a company: "When PAREX came here to present the Kananaskis and Carmentea projects, we were told that there would be opportunities for us if we were a company. This motivated us to incorporate our company to become PAREX' direct contractors". For Arnulfo, formalizing the company did not only mean becoming engaged in different PAREX' projects, but also meant generating employment and drawing up plans to strengthen its services with the aim of being more competitive in the market.

Requests, complaints, and claims regarding comunity services

Corporate responsibility involves setting up communication channels for continuous dialogue with stakeholders. For this reason, we have developed a mechanism to appropriately receive, classify, understand, and manage requests, complaints, and claims in a timely manner.

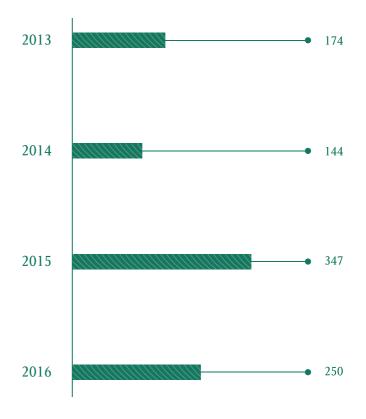
PAREX has a standard protocol for requests, complaints, and claims. Requests are submitted to social managers and, on occasion, to other officers of the Company. These requests are then sent to the Bogota offices for processing, so that a timely response can be provided.

The total number of requests, complaints, and claims decreased by 28% in 2016. There were 347 requests, complaints, and claims recorded in 2015 and 250 in 2016. Many of them (25%) were related to contractors.

Also, by the end of December 2016, 235 out of 250 requests, complaints and claims were resolved and filed, demonstrating our commitment to proper management. It is our goal to reduce response time for requests, complaints, and claims.

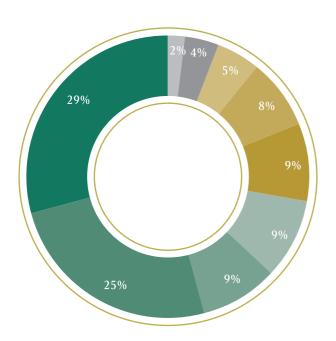
Even though they are the main reason for using this communication channel, requests, com-

plaints, and claims relating to contractors decreased by 12% compared to 2015 because of the corrective measures implemented in 2015.



Recorded Requests, Complaints and Claims

Requests, complaints, and claims regarding community services



• Complaints and Claims by Issue

⁶⁶ There is good communication between the Company and us. Whenever I have a question, I can personally talk to the social managers to try to find a solution together.
<u>Adelaida Medina</u>

Community Leader of the rural district of Santa Helena de Upia, Villanueva, Casanare.

- Petitions/Various topics (29%)
- Related to contractors (25%)
- Petitions/Job opportunity (9%)
- Health, Safety, Environment, Quality (HSEQ) (9%)
- Goods and service topics (9%)
- Land owners (8%)
- Deterioration/Road maintenance (5%)
- "Derecho de petición" (Petition for Legal Fulfillment of Rights) (4%)
- Salaries/Settlements/Service contracts (2%)

El Banco de la Cañada village. Trinidad, Casanare.





PAREX aims to build a bond between its employees and communities through a life-changing initiative with a family that lives near the Company's operating area. In 2016, PAREX Plan Padrino reached out to the Beltrans' home in Villanueva, Casanare.

Since 2011, PAREX employees and contractors have come together to make the dream of a family living in extreme poverty come true: to have their own home and improve their living conditions. Every year, PAREX Plan Padrino gives a house to a family who already owns the land, but does not have the means to build and furnish their house. In 2016, this program engaged our employees from Colombia and Canada, contractors and friends who volunteered their time, work and provided financial contribution over three months. These volunteers helped make single mother Enriqueta Beltran, her four children, and her grandson achieve their dream of having a home in Villanueva, Casanare.

On March 8, 2017, Enriqueta received the keys to her new home as an acknowledgement of her continuous effort over 20 years as the primary income earner: a house with comfortable rooms and the necessary items for the family's comfort. This is a dream come true that allows this family to set bigger goals and, more importantly, to learn that goals can be achieved.

"The change for me and my children has been huge. PAREX has given us something we never thought we could have," says Enriqueta as she receives the keys of her new home thanks to the PAREX Plan Padrino.

From a fund of COP 67 million (USD \$21,960), contributed by PAREX' employees and some contractors, Enriqueta and her family were provided with a house and a fully-equipped business establishment for a family business: "Sueños y Estilos Dylan" Hairdressing Salon. The business is named after the youngest of the family and is a symbol of a better future for the Beltrans. This micro-enterprise is managed by Omar and Nalleli, Enriqueta's son and daughter, who received skills training financed by donations.

For Sandra Tarazona, CSR Professional and Head of the 2016 PAREX Plan Padrino: "Being part of this project has been a good lesson and has given me personal satisfaction; it's a way to pay forward for the opportunities that I have had in my life. This is the result of working together to help improve the quality of life and welfare of a family, in this case, the Beltrans."

Thanks to the engagement of supportive contractors committed to this program, the initial scope of the plan was expanded by providing this family with a business project to support their progress. These contractors serve as an example for these communities.

Through our Plan Padrino, we will continue to be committed to encouraging volunteer work among our employees and to working on fulfilling dreams and hopes for other families in the areas where we conduct our business.

ANDRINO PAREX

tistas:

rencia!

⁶⁶ PAREX Plan Padrino shows that our Company, like communities in which we conduct business, are made of people who share the same values. Together we can deliver solid results. Our employees, beyond donating a house, contribute to improving the quality of life of a family in need. 99

Lee DiStefano

REV

President of PAREX RESOURCES Colombia LTD. Sucursal

REX

Plan Padrino PAREX has given 6 houses to families that are within the company's sphere of influence.

Boosting development for families in Los Llanos

Building spaces where the community can bond and build closer relationships has always been a priority at PAREX. Community spaces benefit the community as a whole. In 2016, we worked with mothers in Santa Helena de Upia, where now there is a community center for their children.



Santa Helena de Upia is a village located in the municipality of Villanueva in Casanare. Even though the presence of 58 families makes this zone of eastern Llanos look almost urban, Santa Helena did not have a space where young children who are not attending school yet could gather and play.

After identifying this specific need, villagers, the Communal Action Board, and PAREX joined forces in 2015 to plan and build a community centre. Villagers volunteered their time and labour and we contributed materials and other resources to build this community project.

By working together, we made the centre a reality in August 2016. Since then, every afternoon, a group of mothers comes with their children to pass the time together and participate in different activities.

This community centre has all the necessary resources for recreational and welfare-related activities for early childhood. Besides being a practical building, this centre is a meeting point where moms and their young children can learn, play, and explore the surroundings the little ones are beginning to discover.

Claudia, Inés, and Maria del Pilar are among the mothers from this region who have benefited over the past few months from this community centre. This place offers them an opportunity to receive support raising their children. They share information about the proper infant care and nutrition in early childhood. PAREX contributed over COP 70 million (USD \$22,943) in the construction of this community centre in Santa Helena de Upia. In 2016, PAREX' contributions toward community strengthening, as well as to culture, recreation, and sports benefited over 9,000 individuals for a total of COP 1,200 million (USD \$393,316).

For Adelaida Medina, a community leader in Santa Helena de Upia, "Having this community centre primarily for children is such a great help. The youngest kids, who do not yet go to school, can go there with their mothers and share experiences". PAREX participated as a funding partner during the first phase of construction of the centre. Later on, PAREX provided support for the improvements required for childcare and donated supplies such as chairs, tables, boards, fans, technological devices and teaching materials.

PAREX recognizes the benefits of social investments that serve the entire community. For this reason, a community strengthening program is fundamental to the Company's strategic plan. With this type of investment, communities may leverage multiple capabilities that may promote social development and improve the quality of life.

PAREX recognizes the benefits of social investments that serve the entire community. These social investments leverage multiple capabilities that promote social development and improve the quality of life.



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PAREX keeps its interest in bringing economic and social progress to the regions through a social, environmental and operational responsible management with the environment, always thinking in meeting expectations and stablishing bonds of trust.





WE WORK TO GENERATE SHARED BENEFITS