



INAUGURAL  
TCFD REPORT  
**December 20, 2021**





# ABOUT PAREX

Parex Resources Inc. (“Parex”, or the “Company”) (TSX: PXT) is a publicly traded company focused on sustainable, and profitable conventional oil and gas production. Parex was established in 2009 and is headquartered in Calgary, Alberta, Canada with operating offices in Bogota, Colombia. Through its subsidiaries, the Company holds interests in several onshore exploration and production blocks in the Magdalena and Llanos Basins of Colombia, where all the Company’s reserves and production are located.

Parex aspires to become one of the world’s least greenhouse gas (“GHG”) emissions-intensive oil and gas exploration and production companies while delivering shareholder value and helping to meet ongoing global energy demand. For more information visit [parexresources.com](http://parexresources.com).

Parex aspires to become one of the world’s least GHG emissions-intensive oil and gas exploration and production companies.



RUMBA FIELD  
AGUAAZUL / CASANARE - COLOMBIA



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ABOUT THIS REPORT

This report provides an overview of Parex’ progress on its climate-related commitments, governance, risk management processes, strategic planning and targets. Parex is committed to providing transparent and decision-useful information to its stakeholders regarding the Company’s climate-related risks and opportunities. This report has been prepared based on the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (“TCFD”)¹.



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¹ The TCFD was established by the Financial Stability Board to increase and improve reporting of climate-related financial information. The TCFD’s disclosure recommendations fall under four pillars: Governance, Strategy, Risk Management and Metrics and Targets. For more information, visit <https://www.fsb-tcfd.org/>.

This report is intended to support the decision-making processes of Parex’ stakeholders including investors and insurers and is part of Parex’ suite of corporate disclosures which includes our:

- Sustainability Report and Scorecard (annual)
- CDP Climate Change and Water Security Responses
- Financial Statements
- Management’s Discussion and Analysis
- Annual Information Form
- Management Information Circular
- Extractive Sector Transparency Measures Act (ESTMA) Report

While this report is intended to be read alongside Parex’ response to the 2021 CDP Climate Change Survey, it was prepared following the completion of Parex’ first qualitative climate-related scenario analysis and therefore includes some updated and additional information. While such scenario analysis represents a key step forward in the Company’s ESG and climate change strategy, Parex recognizes there is more work to be done and looks forward to further enhancing its disclosures on climate-related risk and opportunity governance, strategy, management, and targets in the coming reporting cycles.

All data presented in this report reflects Parex’ position as of December 31, 2020 unless otherwise stated.

INTRODUCTION

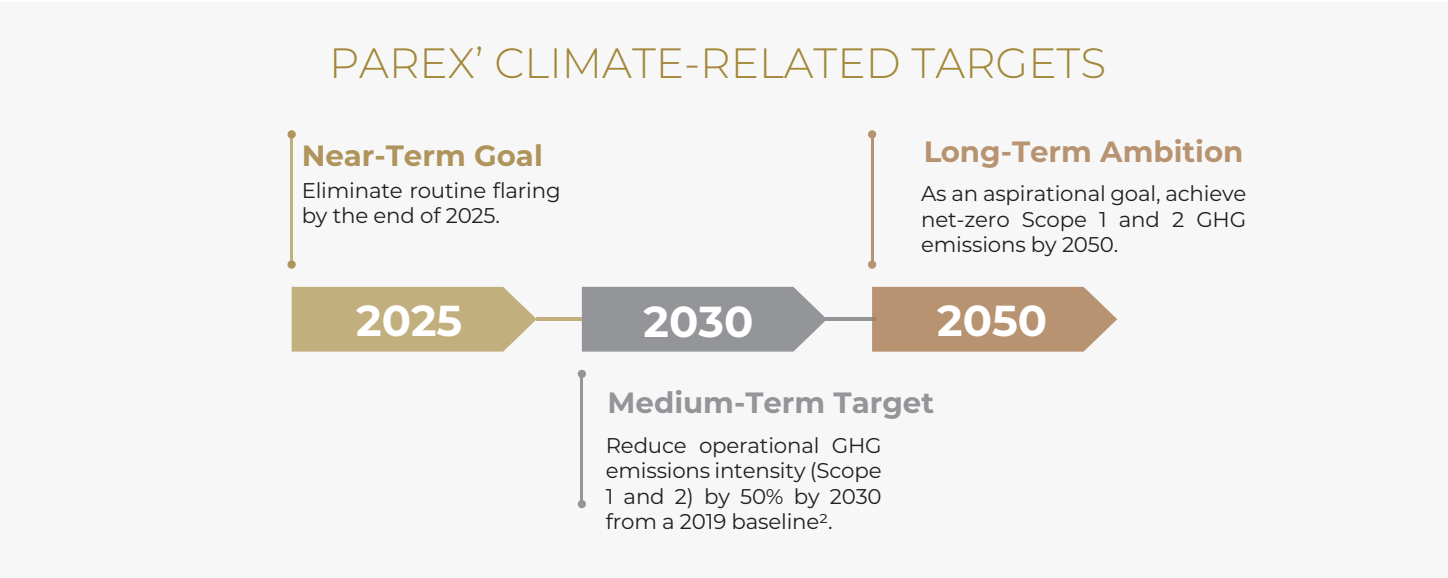
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Parex believes that to benefit all stakeholders, the delivery of shareholder value must be coupled with the pursuit of lower carbon-intensity. Parex’ Board of Directors (the “Board”) is responsible for preparing the Company to overcome anticipated challenges and capture emerging opportunities, including those related to physical climatic changes and the global transition to a lower carbon economy. Direct management of climate-related risks and opportunities is primarily executed by Parex’ Environmental, Social and Governance Management Steering Committee (“ESG Steering Committee”), chaired by the Company’s President and CEO. Among the responsibilities of the ESG Steering Committee is to present to the Board, the Committees of the Board (each a “Committee” and together the “Committees”) and Parex Management, insights on how different future climate-related scenarios could impact Parex.

In late 2021, for the first time, Parex undertook an extensive qualitative climate-related scenario analysis in order to prioritize climate-related risks and opportunities with the greatest potential to

impact Parex between 2021 and 2040. The validated climate scenario analysis outputs were used to inform Parex’ assessment of key climate-related risks in alignment with the Company’s Enterprise Risk Management (“ERM”) program. This milestone highlights Parex’ efforts to further integrate considerations of climate-related risks and opportunities into its long-term strategic planning efforts and objectives.

Parex is actively progressing on its ambition to become one of the least GHG emissions-intensive oil and gas exploration and production companies by advancing the implementation of geothermal energy, flowlines to reduce transportation needs, gas plants to reduce flaring and energy efficiency initiatives across the Company’s equipment and infrastructure. Between 2019 and 2020, Parex reduced its operational GHG emissions intensity by 23%². To guide continuous improvement in the Company’s GHG emissions intensity, short-, medium- and long-term climate-related targets were announced in 2021:



The key next steps in Parex’ climate management journey are to evaluate in more detail where and how Parex’ business and strategy could be affected by the climate-related risks and opportunities identified and consider how the Company can leverage its capital allocation process, research and

development, and value chain to address the potential risks and opportunities. Throughout this process, Parex will remain transparent, providing regular disclosure on performance related to GHG emissions intensity targets and updates on its evolving climate strategy.

² Operational GHG emissions include gross combined Scope 1 and 2 emissions. Intensity is measured as metrics tons CO<sub>2</sub>e/barrel of oil equivalent.



# CLIMATE GOVERNANCE

Parex has taken steps to outline the Board and its Committees' responsibilities related to sustainability practices and preparing the Company to face emerging challenges, including those related to physical climatic changes as well as the global transition to a lower carbon economy. ESG and climate

governance at Parex requires regular communication and collaboration between the Board; four of its Committees; the ESG Steering Committee; and the Sustainability Working Group ("SWG"), each with specific mandates and roles.



For more information on Parex' governance structure and to view the Board and its Committees' mandates, refer to section C1 Governance within Parex' 2021 CDP Climate Change Response and Parex' governance webpage.

The Board is ultimately responsible for the oversight of climate-related risks and opportunities faced by the Company. The Board reviews and approves procedures and processes to identify, manage, measure, and assess risks and opportunities, including those related to climate change.

Actual and potential climate-related risks and opportunities with the potential to impact Parex' business and strategy are presented to the Board semi-annually. Management responsibility for the top enterprise and business risks identified, which may include climate-related risks, is assigned by the Board to Executive Management, the Committees and the ESG Steering Committee, as applicable.

The Company's performance against metrics, targets, and goals, including the short-, medium- and long-term climate related targets disclosed by Parex in 2021, is reviewed by the Board quarterly. Climate-related targets and annual objectives are considered by the Board when reviewing and approving operating and capital plans and budgets as well as organizational performance objectives and executive scorecards.

The ESG Steering Committee, chaired by the President and CEO of Parex, is primarily responsible for managing Parex' climate-related performance and disclosures. The ESG Steering Committee is currently comprised of Parex'

President and CEO; Chief Financial Officer; Senior Vice President, Capital Markets & Corporate Planning; Chief Operating Officer; Senior Vice President, Corporate Services; Corporate Controller; and Senior Sustainability Advisor. This Committee assists and supports the Board, the Committees and Management with identifying, assessing, and managing current and emerging climate-related risks and with understanding how different future climate-related scenarios could impact Parex. The ESG Steering Committee is educated on climate-related issues through engagement in conferences, training, desktop research and consultations with external subject matter specialists. Climate scenario analysis and planning is led by Parex' Chief Financial Officer and supported by the ESG Steering Committee.

Climate-related trends and opportunities relevant to the Company's production, reserves, and exploration and development activities are also assessed and managed by the ESG Steering Committee in collaboration with the Health, Safety & Environment ("HS&E") and Reserves Committee. Members of the ESG Steering Committee regularly review and report to the Board on the Company's initiatives and opportunities to optimize climate-related performance, including processes to reduce greenhouse gas emissions and reduce or substitute energy use across operations. The SWG supports the ESG Steering Committee and provides an operational-level perspective on climate-related risks and opportunities. Several members of the SWG participated in Parex' inaugural climate scenario analysis performed in 2021.





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# CLIMATE RISK AND OPPORTUNITY MANAGEMENT

## PAREX’ APPROACH TO ENTERPRISE RISK MANAGEMENT

Risk management at Parex is guided by a Board approved Enterprise Risk Management (“ERM”) program that includes processes and procedures for identifying, measuring, prioritizing, and managing risk. The ERM program incorporates principles and key attributes of the International Standards Organization’s (“ISO”) 31000: 2017 Risk Management – Guidelines. Parex’ ERM process aims to identify all business and operational risks, some of which are climate-related.

Parex’ Corporate Controller, through consultation with Management, reviews and updates the enterprise risk register on a semi-annual basis. Risks are prioritized based on likelihood and impact.

### Likelihood

Considers over a dozen factors, including for example, number of past occurrences of the risk event, whether the risk event has been experienced by other companies in Colombia as well as degree of interdependency with other identified risks. Likelihood is assessed on a scale of 1 to 5, ranging from rare (1) to almost certain (5).

### Impact

Considers five key dimensions. Financial (impact on market capitalization), access to assets/ operational (impact on ability to gain access to assets or to continue operation of producing assets), health and safety (impact on wellbeing of any stakeholder, including employees or community members), community support (impact on the way communities regard Parex), and reputational (impact on the way employees, government, and other stakeholders regard Parex). Impact is assessed on a scale of 1 to 5, ranging from negligible (1) to severe (5).

Refer to section C2.1b within [Parex’ 2021 CDP Climate Change Response](#) for details on how Parex defines substantive financial and strategic impact.

Identified risks and risk assessments, including those related to climate change, are reported by Management to the Committee having oversight of the respective risk type on a bi-annual basis. The top five risks with the greatest combined likelihood and impact scores are submitted by the Committees to the Board for full review. For each of the top five enterprise and business risks identified, which may include climate-related risks, responsibility for management is assigned to an executive and responses and, in some cases, action plans are developed.



## CLIMATE SCENARIO ANALYSIS

In 2021, for the first time, Parex engaged a third-party to support the Company with the identification and assessment of climate-related risks and opportunities. A thorough list of potentially material climate-related risks and opportunities was developed by performing a desktop literature review and peer analysis and leveraging a proprietary climate-related risk inventory.

In late 2021, Parex undertook an extensive qualitative climate-related scenario analysis in order to prioritize climate-related risks and opportunities with the greatest potential to impact Parex between 2021 and 2040. Parex explored a low emissions scenario and a moderate emissions scenario<sup>3</sup>. Research was conducted to assess how the climate-related risks identified may change under each of the selected scenarios. Potential impacts on Parex were assessed and described qualitatively as well as current or potential mitigation measures and strategies. A workshop to obtain input on and validation of the outputs of the climate scenario analysis was conducted with employees and managers from Parex’ Finance, Operations, Corporate Planning, HS&E, and Sustainability departments with key knowledge of the financial, physical, legal, operational and regulatory environments in which Parex operates. Outputs of the scenario analysis were refined based on feedback received in the workshop and subsequently presented to Parex’ ESG Steering Committee for additional feedback and validation.

## CLIMATE RISK MANAGEMENT

The validated climate scenario analysis outputs were used to inform Parex’ assessment of climate-related risks using the ERM likelihood and impact criteria described above. By applying the same assessment criteria, Parex can determine the relative significance of climate-related risks compared to other business and operational risks faced by the Company.

Upon obtaining a more detailed and quantified understanding of the potential impacts of the key climate-related risks identified, Parex plans to use these insights to inform corporate strategic planning and objective-setting as well as the development of a climate strategy, mitigation plans and associated management accountabilities. Managing climate-related risks may include identifying and implementing strategies to mitigate, transfer or control the risk. Where no opportunities to mitigate, transfer or control the risk are identified, the risk is accepted and where possible, organizational processes are adapted to reduce the associated or potential impact.



<sup>3</sup> For details of the climate-related scenarios explored, refer to Section 4. Climate Strategy.



# CLIMATE STRATEGY

## DECARBONIZING OUR OPERATIONS

In line with Parex’ ambition to become one of the least carbon-intensive oil and gas exploration and production companies, the Company is dedicated to lowering GHG emissions intensity per barrel of oil equivalent (“BOE”) from operated assets. In 2021, the Company announced three new targets to guide this action:

Recent initiatives and programs deployed to reduce Parex’ operational emissions intensity include the installation of a geothermal power generation unit to reduce fossil fuel usage, construction of pipelines to replace trucking, investment in more energy efficient equipment, installation of methane gas exhaust detectors in facilities, and switching from diesel to gas as fuel in the Company’s vehicles.

### Near-Term Goal

Eliminate routine flaring by the end of 2025, supporting the World Bank’s “Zero Routine Flaring by 2030” initiative.

### Long-Term Ambition

As an aspirational goal, achieve net-zero Scope 1 and 2 GHG emissions.



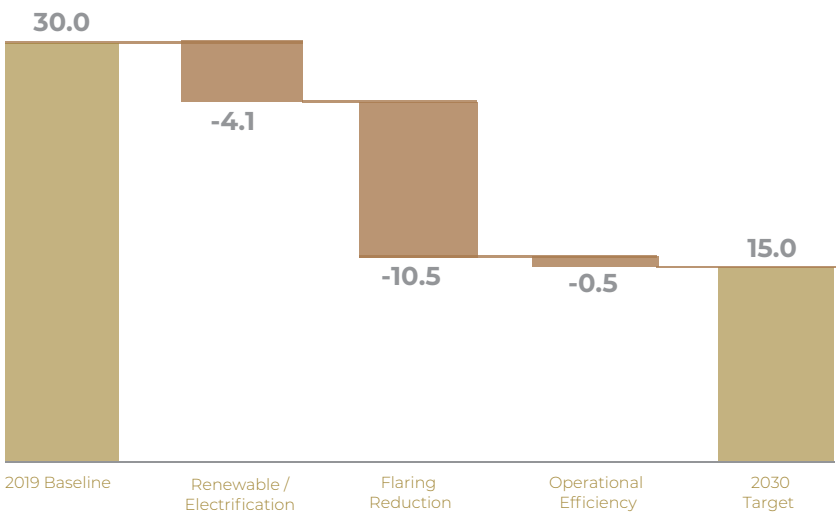
### Medium-Term Target

Reduce operational GHG emissions intensity (Scope 1 and 2) by 50% by 2030 from a 2019 baseline.

Based on Parex’ ongoing evaluations of additional potential initiatives to reduce operational emissions intensity, the graph below captures the estimated breakdown of target emissions intensity reductions between now and 2030, by initiative type. The pathway to achieving a 50% reduction in operational GHG emissions intensity by 2030 will continue to be articulated and refined as further evaluation-based information and insights become available.

In addition to operational emissions management efforts, for its 2020 GHG emissions inventory, Parex worked with third parties to expand the coverage of its Scope 3 emissions. Going forward, Parex will work with third parties where possible to identify and evaluate opportunities for Parex to contribute to the reduction of its Scope 3 emissions intensity.

Intensity Reduction  
(Kg CO<sub>2</sub>e/BOE)



INAUGURATION OF THE GEOTHERMAL POWER GENERATION UNIT  
President of Parex Resources Colombia and Minister of Energy of the Colombian Government

## BUILDING PAREX’ STRATEGIC RESILIENCE

To better understand the potential impacts of different climate-related futures and the uncertainties related to the global transition to a

lower carbon economy, Parex conducted a qualitative climate scenario analysis. Two distinct scenarios were selected for analysis:

### Low emissions scenario:

Aligned with the International Energy Agency’s (“IEA”) Net Zero Emissions by 2050 (“NZE2050”) scenario and the Intergovernmental Panel on Climate Change’s (“IPCC”) Shared Socioeconomic Pathways (“SSP”) 1.9 scenario. Explores a rapid and deep transformation of the global energy sector and meets the Paris Agreement goal of holding the rise in global temperatures to well below 2°C without an overshoot through to the end of this century.

- Key assumptions applied: Global temperatures rise above pre-industrial levels by 1.5°C or less by 2100, without an overshoot. Global oil demand falls by more than 4% each year between 2021 and 2040. Carbon prices average \$205/tCO<sub>2</sub> in advanced economies<sup>4</sup> by 2040.

### Moderate emissions scenario:

Aligned with the IEA’s Stated Policies scenario (“STEPS”) and IPCC’s SSP4.5 scenario. Explores all of today’s climate-related policies as well as announced policy intentions, insofar as they are supported by detailed plans for realisation. Global temperature increase exceeds the critical 2°C by the end of this century.

- Key assumptions applied: Global temperatures rise above pre-industrial levels by 2.7°C to 3.4°C by 2100. Global oil demand growth stabilizes between 2030 and 2040 at 104mb/d. Carbon prices average \$37/tCO<sub>2</sub> in selected regions<sup>5</sup> by 2040.

<sup>4</sup> OECD regional grouping and Bulgaria, Croatia, Cyprus, Malta and Romania  
<sup>5</sup> Canada, European Union, Chile, China, Korea and South Africa.



TIME HORIZONS

Parex defines short-, medium- and long-term time horizons as follows:

0-5 years

Short-term

Aligned with Parex’ capital allocation, operational planning and impact measurement horizons. The potential short-term impacts of climate-related risks and opportunities are assessed to support the development of a climate strategy and are factored into annual capital allocation and operational planning processes.

5-10 years

Medium-term

Considers macro-economic and geo-political trends and conditions and their potential impacts.

10-20 years

Long-Term

Aligned with the productive horizons of Parex’ asset bases, exploration of long-term impacts of climate-related risks and opportunities is intended to enhance Parex’ understanding of the Company’s long-term viability.

Parex’ ERM program is designed to help the organization focus its efforts on key enterprise risk events up to a 7-year horizon that could significantly impact the Company’s success. However, Parex anticipates the likelihood and impact of climate-related risks to increase over time. Therefore, the scenario analysis performed over Parex’ key climate-related risks considered potential impacts out to 2040.



GAS PLANT - CAPACHOS’ FIELD  
DIRECTORS VISIT

CLIMATE RISKS AND MITIGATION MEASURES

As part of the scenario analysis, research was performed on a series of climate-change related risks to understand the potential impacts to Parex under each of the scenarios. The risks presented in the tables

below represent those considered to have the greatest potential impact. For each identified risk, key internal stakeholders at Parex helped identify and articulate mitigation measures currently in place.



INSTALLATION OF METEOROLOGICAL RADAR  
META - COLOMBIA

PHYSICAL RISKS

Risk	Potential Impacts on Parex	Current Mitigation Measures
Extreme weather events	<ul style="list-style-type: none"><li>• Stalled or reduced production and/or sales flow resulting from restricted access to operations and disruptions to Parex’ supply chain and transportation networks</li><li>• Higher energy costs due to power supply system failures</li><li>• Repair and replacement costs associated with infrastructural and equipment damage</li><li>• Higher ongoing operating expenses due to insurance premiums</li><li>• Delays in payback and/or increased costs associated with exploration, development, and construction activities</li><li>• Obligations to ensure community access to essential resources</li></ul>	<ul style="list-style-type: none"><li>• Robust environmental studies and impact assessments (“EIA”) to identify key vulnerabilities within Parex’ operational environment and supply chain, and opportunities to improve infrastructure and equipment resiliency</li><li>• Social programming to avoid risk of resource competition and retain social license to operate</li><li>• Programs aimed at promoting efficient use of water</li><li>• Emergency response plans</li></ul>
Increased variability in precipitation patterns	<ul style="list-style-type: none"><li>• Higher costs of exploration, development and construction due to longer execution times in wet conditions and/or disrupted supply chains</li><li>• Lost revenue potential resulting from operational shut-downs due to heavy rainfall and/or shorter operating seasons due to drought</li><li>• Higher water input costs due to baseline water stress</li><li>• Higher energy costs due to power supply system failures</li><li>• Repair and replacement costs associated with infrastructural and equipment damage</li></ul>	
Increased average temperatures and frequency of extreme heat waves	<ul style="list-style-type: none"><li>• Higher operating expenses due to increased energy consumption for space cooling</li><li>• Compromised health, safety and wellbeing of Parex’ workers resulting from extreme heat exposure</li><li>• Social unrest and/or competition for resources in surrounding communities resulting from water, energy, or food scarcity</li></ul>	



TRANSITION RISKS

Risk	Potential Impacts on Parex	Current Mitigation Measures
Changes in demand for oil and gas products	<ul style="list-style-type: none"><li>• Decreased revenue and/or volatility due to fewer and/or shorter-term purchasing contracts</li><li>• Projected return on investment for lower carbon energy investments become more attractive than for investments in oil and gas projects, reducing the availability of capital for future oil and gas related projects</li><li>• Reduced skilled candidate pool due to sector stigmatization</li><li>• Long-term asset devaluation</li></ul>	<ul style="list-style-type: none"><li>• Considering increasing the proportion of natural gas in Parex' product mix to capture a portion of growing demand for lower carbon fuels</li></ul>
Restrictive decarbonization mandates from investors, credit rating agencies, lenders and insurers	<ul style="list-style-type: none"><li>• Reduced access to existing or prospective capital and insurance due to misaligned strategic priorities and objectives</li><li>• Increased human and financial capital requirements to articulate concrete decarbonization plans and meet other climate-related disclosure requirements and expectations</li><li>• Higher costs of debt due to debt interest rates being tied to environmental performance</li></ul>	<ul style="list-style-type: none"><li>• Reporting on short- and long-term climate-related strategies</li><li>• Operational level energy source switching:<ul style="list-style-type: none"><li>◦ Geothermal power generation unit at the Las Maracas Field; expected to meaningfully contribute to GHG emissions intensity reductions</li><li>◦ Upcoming installation of two additional geothermal power generation units</li><li>◦ Upcoming installation of solar power system to reduce operational GHG emissions through the displacement of diesel fuel for power generation</li></ul></li><li>• Collaboration with suppliers and business partners, such as drilling and transportation partners, to identify and implement carbon reduction initiatives</li><li>• Review of renewable energy implementation opportunities on an on-going basis</li></ul>
Changes to policies and/or regulations	<ul style="list-style-type: none"><li>• Decreased demand for products due to reduced competitiveness of oil and gas in the energy market resulting from regulations and/or incentives that favour low carbon energy sources</li><li>• Increased human and financial capital requirements to meet additional licensing, reporting, and GHG abatement/offsetting requirements</li><li>• Exposure to higher carbon taxes and higher direct and indirect energy costs</li><li>• Reduced levels of government support due to misaligned strategic priorities and objectives</li></ul>	<ul style="list-style-type: none"><li>• On-going engagement with regulatory agencies and experts to remain aware of upcoming changes</li><li>• Application of shadow carbon prices in project planning</li><li>• Operational level energy source switching:<ul style="list-style-type: none"><li>◦ Geothermal power generation unit at the Las Maracas Field; expected to meaningfully contribute to GHG emissions intensity reductions</li><li>◦ Upcoming installation of two additional geothermal power generation units</li><li>◦ Upcoming installation of solar power system to reduce operational GHG emissions through the displacement of diesel fuel for power generation</li></ul></li><li>• Review of renewable energy implementation opportunities on an on-going basis</li></ul>
Increased legal action on climate-related grounds	<ul style="list-style-type: none"><li>• Increased legal fees/fines associated with third-parties seeking compensation for losses, claims against Parex of inadequate disclosure of climate risks, public nuisance, etc.</li><li>• Legal action against key stakeholders impacting Parex' supply and value chain</li><li>• Higher ongoing operating expenses due to liability insurance premiums</li></ul>	<ul style="list-style-type: none"><li>• Robust EIA</li><li>• TCFD-aligned reporting of climate-related risks and short- and long-term climate-related strategies</li></ul>

For more information and estimations of associated financial impact of climate-related risks, please see Parex' 2021 CDP Climate Change Response.

IMPACT OF RISKS AND OPPORTUNITIES ON CLIMATE STRATEGY AND PLANNING

The Board has the responsibility to consider ESG related issues as identified by Committees, the ESG Steering Committee and Management when reviewing and approving the Company's strategic plan, risk management policies, annual operating and capital plans and budgets, acquisition and divestiture activities and investor relations activities. Annual operating and capital plans and budgets are reviewed at least quarterly by the Board, considering climate-related targets and annual objectives. In the absence of a carbon tax in Colombia, Parex performs sensitivity analysis of funds flow to a potential carbon price during its long-term planning processes. Starting in 2023, a price of USD \$30/ton CO<sub>2</sub> is applied, and the price increases annually by \$15/ton CO<sub>2</sub> to a cap of \$140/ton CO<sub>2</sub>.

In annual budgeting, the Board considers the financial investment required for reducing Parex' carbon footprint in line with goals and targets. The Chief Operating Officer and Senior Vice President of Capital Markets present the Board with annual budget forecasts, including dedicated budgets for climate-related initiatives (including acquisitions, investment in emissions reducing technologies, organic capital investment). Going forward, Parex plans to invest annually, at the Board's and Management's discretion, up to 5% of its annual Capex in initiatives aimed at reducing Parex' operational carbon footprint. Future quantitative climate scenario analysis will inform the prioritization and strategic direction of Parex' investment into mitigation efforts including research and development opportunities.



ARTICULATING OUR LONG-TERM LOW-CARBON STRATEGY

The key next steps in Parex' climate-related risk and opportunity management journey are to evaluate in more detail where and how Parex' business and strategy could be affected by the key climate-related risks and opportunities identified and consider how the Company could leverage its capital allocation process, research and development, and value chain to address the potential risks and opportunities.

Parex plans to quantify the potential financial impacts associated with the key climate-related risks identified to further inform strategic planning efforts and enhance Parex' ability to measure the effectiveness of climate-related risk and opportunity management strategies. As Parex matures its

approach to identifying and managing climate-related risks and opportunities, the Company will strive to reflect the potential financial and strategic impacts of such risks and opportunities in its public disclosures.

The Company's long-term low-carbon strategy will gradually emerge as Parex continues to evaluate the potential impacts of various climate-related futures and uncertainties related to the global transition towards a lower carbon economy. Throughout this process, Parex will remain transparent, providing regular disclosure on performance related to GHG emissions intensity targets and updates on the evolving climate strategy.



# METRICS AND TARGETS

## LINKING EMISSION REDUCTIONS AND COMPENSATION

The Company’s annual incentive plan is based on a balanced scorecard that applies to all employees, including the Chief Operating Officer, Chief Financial Officer, Chief Executive Officer and Corporate executive team. Included in the 2021 Company scorecard is a short-term interim target to reduce Scope 1 and 2 GHG emission intensity year-over-year to support Parex medium-term emission reduction targets.

The Board considers climate-related issues when setting organizational performance objectives and when reviewing and signing off on the Executives’ annual goals intended to support the achievement of those objectives.

For more information on the incentives provided, refer to section C1.3 within Parex’ 2021 CDP Climate Change Response.

GHG emission metrics can be found in the table below:

Greenhouse Gas Emissions	Metric <sup>6</sup>	2020	2019	2018
Scope 1: Gross direct GHG emissions	MT of CO <sub>2</sub> e	140,720	190,410	125,352
Combustion emissions	MT of CO <sub>2</sub> e	60,443	83,276	66,794
Flare emissions	MT of CO <sub>2</sub> e	72,339	96,410	51,299
Fugitive emissions	MT of CO <sub>2</sub> e	1,548	1,925	997
Process emissions	MT of CO <sub>2</sub> e	24.5	8.92	7.2
Venting emissions	MT of CO <sub>2</sub> e	6,366	8,790	6,255
Flared gas	Ft <sup>3</sup> *10 <sup>^3</sup> /year	1,117,035	1,488,719	785,266
Scope 2: Gross indirect GHG emissions (location based)	MT of CO <sub>2</sub> e	150	83	95
Scope 1 & 2: GHG emission intensity ratio	CO <sub>2</sub> e/BOE	0.023	0.030	0.028
	CO <sub>2</sub> e/annual revenue (tCO <sub>2</sub> e/USD)	0.00024	0.00017	0.00013
Scope 3: Gross indirect GHG emissions*	MT of CO <sub>2</sub> e	2,695.995	38,194	37,079
Purchase goods and services	MT of CO <sub>2</sub> e	3	14	42
Fuel and energy-related activities	MT of CO <sub>2</sub> e	11,854	20,012	24,109
Upstream transportation and distribution	MT of CO <sub>2</sub> e	7,182	12,531	10,800
Waste generated in operations	MT of CO <sub>2</sub> e	193	1,056	371
Business travel		741	4,581	1,757
Processing of sold products	MT of CO <sub>2</sub> e	215,458	n.a	n.a
Use of sold products	MT of CO <sub>2</sub> e	2,460,564	n.a	n.a

\* Scope 3 emissions associated with the processing and use of sold products were not accounted for in 2019 and 2018. Therefore, the total Scope 3 emissions value presented for calendar year 2020 is not comparable to the values provided for 2019 and 2018.

For details on Parex’ GHG emissions and assurance statements, refers to sections C5, C6, C7 and C10 within [Parex’ 2021 CDP Climate Change Response](#), Parex’ [Sustainability Scorecard](#), and the [Reasonable Assurance Report on the 2020 GHG Inventory Statement](#)

<sup>6</sup> MT refers to metric tons

## SCOPE 1, 2 AND 3 GHG EMISSIONS

Parex prepares and analyzes many metrics to track climate-related risks and opportunities in a [Sustainability Scorecard](#). This Scorecard tracks values for 2018-2020 including:

- Oil and gas production;
- Number of drilled wells;
- Energy consumption and intensity ratio;
- Scope 1, 2 and 3 GHG emissions;
- Scope 1 and 2 GHG emission intensity ratio;
- Direct emissions by source; and
- Additional sustainability metrics.

## TARGETS AND PERFORMANCE

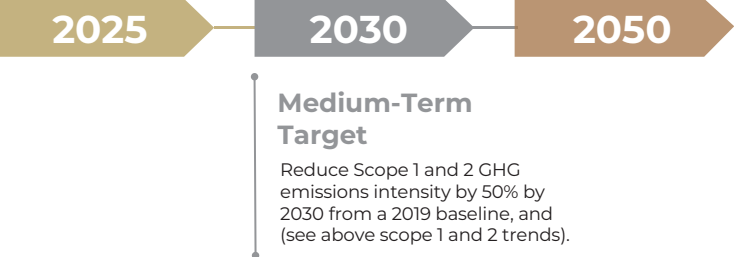
To meet its operational GHG emission reduction goals, Parex is developing new models and processes, and assessing the viability of implementing various technologies with the objectives of increasing power generation from renewable sources, reducing flaring volumes and working towards net-zero by 2050. The following targets are being used to address climate-related risks and opportunities:

### Near-Term Goal

Eliminate routine flaring by the end of 2025, supporting the World Bank’s Zero Routine Flaring by 2030 initiative, (see above flaring trends).

### Long-Term Ambition

As an aspirational goal, achieve net-zero Scope 1 and 2 GHG emissions by 2050, (see above scope 1 and 2 trends).



### In 2020, year over year,

Scope 1 emissions were reduced by 26% (49,650 tonnes co2),

Scope 3 emissions, excluding emissions from processing and use of sold products, declined by 48% (18,421 tonnes co2), and

Flaring decreased by 25% (371,684 \* 10<sup>3</sup> ft<sup>3</sup>/year).

Parex’ emission reduction strategy, in the short-to medium-term, will focus on achieving operational efficiencies, reducing flaring, displacing carbon-intensive power sources and increasing the proportion of power generated from renewable energy sources. Parex is continuously exploring and implementing opportunities to reduce the carbon intensity of its product development activities.



# FORWARD-LOOKING STATEMENTS

Certain information regarding Parex set forth in this document contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate", "forecast", "guidance", "budget", "goal" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Parex' internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, production, future capital and other expenditures, environmental matters, business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although the Company's management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political, environmental and social uncertainties and contingencies. Many factors could cause Parex' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Parex.

In particular, forward-looking statements contained in this document include, but are not limited to, statements with respect to the Company's focus, plans, priorities and strategies; the Company's evolving strategies and its ability to further enhance disclosures on climate-related risk and opportunity governance, strategy, management and targets in the coming reporting cycles; the Company's belief that to benefit all stakeholders, the delivery of shareholder value must be coupled with the pursuit of lower carbon-intensity; timing of greatest potential impact on emissions between 2021 and 2040; implementation of initiatives and the benefits to be derived therefrom; the Company's short-, medium- and long-term climate related targets and the timing to achieve such targets; the next steps in Parex' climate management journey; Parex' ERM strategy and process and its purposes; plans for managing climate-related risks; the estimated

breakdown of target emissions intensity reductions to 2030; Parex plans to work with third parties where possible on a go-forward basis to identify and evaluate opportunities for Parex to contribute to the reduction of its Scope 3 emissions intensity; emission scenarios and the key assumptions underlying such scenarios; the likelihood and impact of climate-related risks increasing over time; identified climate-change related risks and the potential impacts of such risks on Parex; Parex sensitivity analysis of funds flow to carbon prices and the underlying assumptions starting in 2023; and Parex' plans to invest annually up to 5% of its annual Capex initiatives aimed at reducing Parex operational carbon footprint.

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; liabilities inherent in oil and natural gas operations and environmental risks, including risks related to failure to reduce emissions, inability to achieve net-zero emissions on timeline anticipated, etc. Additional information on these and other factors that could affect Parex' operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) and in other parts of this report.

Although the forward-looking statements contained in this document are based upon assumptions which Management believes to be reasonable, the Company cannot assure investors 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: current and anticipated commodity prices; availability of skilled labour; timing and amount of capital expenditures; conditions in general economic and financial markets; effects of regulation by governmental agencies; future operating costs; uninterrupted access to areas of Parex' operations and infrastructure; that Parex will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating

expenditures and requirements as needed; that Parex' conduct and results of operations will be consistent with its expectations; that Parex will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the GHG reduction estimates of Parex' and the assumptions related thereto are accurate in all material respects; ability to achieve GHG reductions; and other matters.

These forward-looking statements are made as of the date of this document and Parex disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

## GHG EMISSIONS INFORMATION

GHG emissions and emissions savings estimates that are provided herein have been calculated with a third party's assistance, as is further described below. These measures do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Parex quantifies and reports its GHG emissions using the operational control approach. Its organizational boundary includes the Company's Calgary & Bogota offices and all operated oil & gas exploration and productions facilities. Parex has elected to report Scope 1, 2 and 3 GHG emissions. For the purposes of the Company's GHG emissions reporting:

Scope 1 emissions are defined as direct emissions from GHG sources that it owns or controls

Scope 2 emissions are defined as indirect GHG emissions that result from Parex' consumption of

energy in the form of purchased electricity from the Colombian national grid and Canadian power grid

Scope 3 emissions are defined as Parex' indirect emissions other than those covered in Scope 2. They are from sources not owned or controlled by Parex, but which occur as a result of the Company's activities. Particularly, Parex' drilling and completions activities conducted by third parties are deemed to be Scope 3.

Parex used a third party to help quantify its GHG emissions. For the 2020 reporting year, Parex retained Conservación & Carbono S.A.S to evaluate GHG emissions from all operated facilities located in Colombia in accordance with IPCC (2006) Guidelines for National Greenhouse Gas Inventories and Colombia's Technical Standard ISO 14064-1 ("NTC ISO 14064-1"). Verification of Scope 1, 2 & 3 GHG emissions is currently being conducted by PricewaterhouseCoopers in Colombia in accordance with International Standard on Assurance Engagement 3410, Assurance on Greenhouse Gas Statements ("ISAE3410") issued by the International Auditing and Assurance Standards Board.

## OIL & GAS MATTERS ADVISORY

BOE: The term "BOE" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 barrel of oil ("bbl"). BOEs may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading as an indication of value.



INAUGURAL TCFD REPORT



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