



Sustainable Management Report 2022

Separate Financial
Statements



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Board of Directors

Principals

Luis Orlando Álvarez Betancur
Mauricio Rodríguez Múnera
Mauricio Hernando Amador Andrade
Gabriel Mesa Zuleta
Javier Díaz Molina

Alternates

Sandra Patricia Solórzano Daza
Luz Piedad Rugeles Ardila
Germán Michelsen Cuéllar
Mauricio Fernández Fernández
Diego Fernando Solano Saravia

General Directorate

Carlos Eduardo Upegui Cuartas
President

Juan Felipe Vásquez Mora
Financial Vice-President

Orlando Lemus Gonzalez
Legal Vice President - General
Secretary

Luis Fernando Gomez Falla
Vice President of Personal and Small
Business Banking

Sergio Restrepo Alvarez
Vice President of Business and
Government Banking

Gabriel Jose Nieto Moyano
Vice President of Credit

Jorge Enrique Jaimes Jaimes
Vice President of Operations

Nubia Ines Sanabria Nieto
Vice President of Human Talent
Experience

Joaquin Eduardo Uribe Franco
Vice President of Business
Innovation

Ricardo Quijano Rueda

Vice President of Technology

Maria Paula Wittich Borrero

Experience, Brand and Sustainability
Manager

Yibrán Ortegón Botello

Comprehensive Risk Manager

Mario Javier Montalvo Sanchez

Manager of the ADL Digital

Laboratory of Banco Popular

Control bodies

Walter Saldaña Vergara

Controller manager

Tax inspection

KPMG S.A.S.

Represented by

Alba Rocío Estupiñán Sandoval



Business name

Banco Popular S.A.



Main office

Calle 17 No. 7 - 35 Banco Popular Building.



Web site

www.bancopopular.com.co



Social networks



BcopopularBancoPopular



Bco_popular



Bancopopularco



Bancopopularcol



Bancopopularcol



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About this report

[GRI 2-2; 2-3; 2-4]

Banco Popular's Sustainable Management Report presents its stakeholders with the progress and results of the management carried out in 2022 regarding its main corporate governance, economic, social and environmental issues.

This Management Report is structured into five large chapters. The first presents the organization and its main figures, and the following four chapters correspond to the strategic fronts of Banco Popular's Sustainability Model: "*Seamos más*", "*Aportemos más*", "*Aprendamos más*" and "*Cuidemos más*". This structure allows visualizing the way in which the organization generates value for its stakeholders and contributes to the development of the country. Likewise, the financial statements of the Bank are revealed in the second section of the document, which includes the report of the fiscal auditor, the certification of the separate financial statements and the accounting notes.

The financial information included in this document has been prepared in accordance with the Colombian Financial Reporting Standards (NCIF), promulgated by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Said information is expressed in millions of Colombian pesos (COP).

If you want to know more about this Report or have any concerns regarding the information presented, you can contact the Shareholder and Investor Relations Office on the Bank's website or by email at sostenibilidad@bancopopular.com.co.



1. About Banco Popular

[GRI 2-1; 2-6]

Banco Popular S.A. is a Colombian anonymous commercial company, of a private nature, with a history of more than 70 years in the financial market, throughout which it has been committed to providing financial support and accompaniment to all its clients to help them achieve their purposes. The Bank is part of the Aval Financial Conglomerate, one of the most representative financial groups in Colombia, as well as one of the leading banking groups in Central America by asset level.

Banco Popular has established itself as a customer-focused organization that builds trust, shares knowledge, develops its human talent and creates spaces for innovation and transformation. These characteristics have allowed it to offer a great value offer, aimed at its customers, in the Personal Banking, Small and Medium Enterprise (SME), Business and Government segments. Thus, the entity has built its leadership in the care of pensioners, educators, formal workers and public forces, in addition to building a solid relationship with public and private entities in the country.

In this way, the Bank, leveraging its business model and the 2025 strategy, continues to work to honor its purpose of being a sustainable company that creates experiences that positively transform people's lives and thus continue to be chosen, loved and recommended by people.

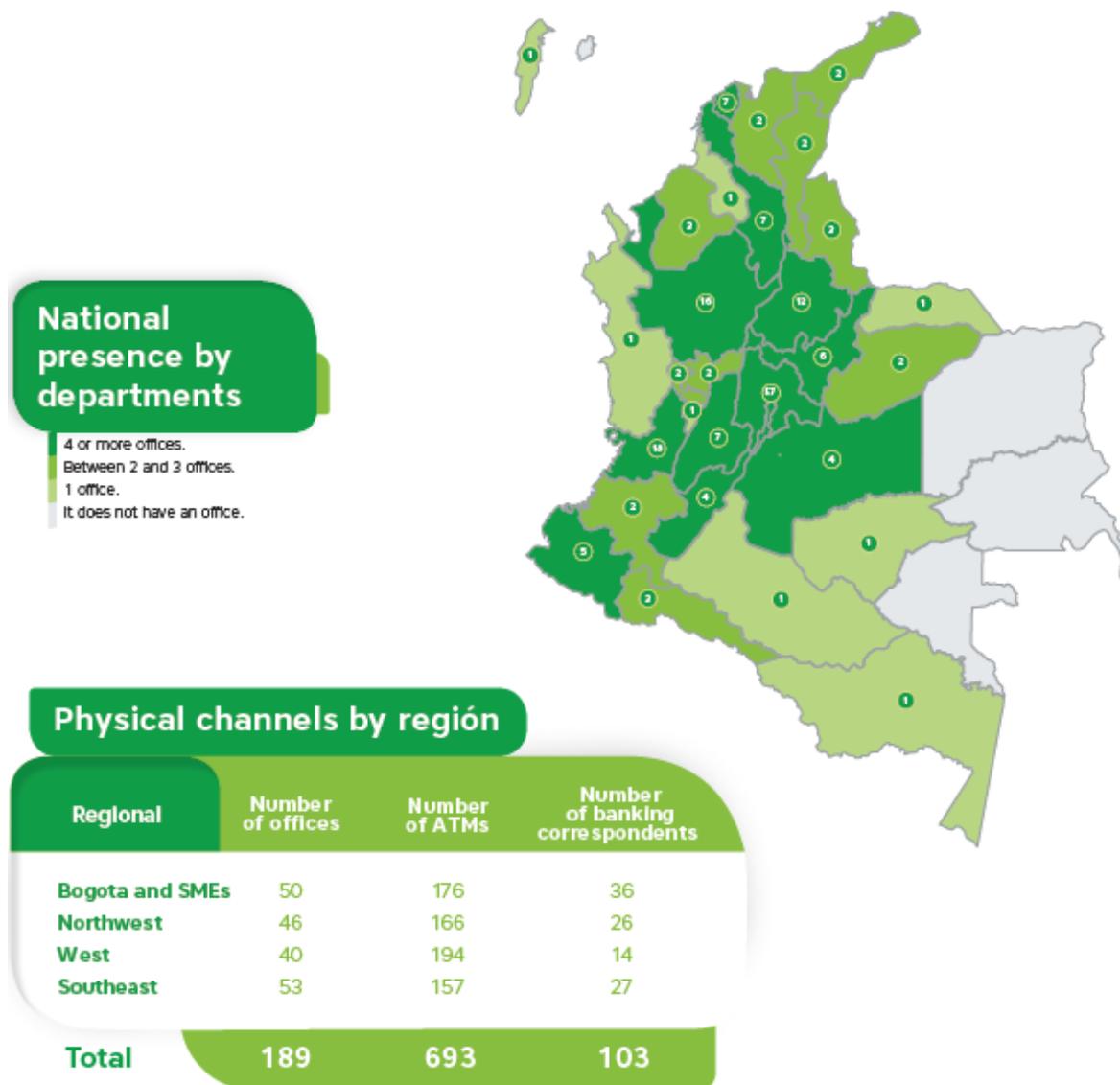
In September 2022, the organization received the following risk ratings from BRC Standard & Poor's and Value & Risk Rating:

- AAA (Triple A), with a stable outlook for long-term debt.
- BRC 1+ (one more) and VrR 1+ (one more) to short-term debt.
- AAA for ordinary bonds and AA+ for subordinated bonds, by BRC Standard & Poor's.



1.1. Banco Popular in figures

The organization has a presence of physical service channels in 29 Colombian departments to provide its financial services. Additionally, the Bank has digital channels that guarantee access to its services anywhere with an Internet connection.





Physical channels by region
Composition of the gross portfolio

(Figures expressed in millions of Colombian pesos)

Consumer portfolio	\$	16.377.261
Commercial portfolio	\$	7.097.436
Housing portfolio	\$	1.037.595
Financial leasing	\$	408.117
Microcredit portfolio	\$	1.705
Repos and interbank	\$	9.653

Total \$ 24.931.767

Filiales

alpopular
Logística Especializada

fiduciaria popular



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1.2. Subsidiaries of Banco Popular

Banco Popular has two subsidiaries, which are Alpopular - Almacén General de Depósitos S.A. and Fiduciaria Popular S.A., about which a review is presented, as well as their main figures and results for 2022.

Alpopular

The General Warehouse of Deposit S.A. (Alpopular) is a company with national coverage that develops its social activity as a logistics integrator and document manager with specialized standards, certified in ISO 9001, ISO/IEC 27001, ISO 45001, IQNET and BASC, certified as an authorized economic operator (AEO) and monitored by the Financial Superintendence of Colombia (SFC).

Main figures

- More than 900 clients in the financial, public, industrial, agricultural, mining-energy, educational, automotive, chemical, telecommunications, and health sectors, among others.
- 97% was the average service level in 2022.
- 74% in the NPS (Net Promoter Score).
- Execution of more than 75,000 logistics operations, close to 3,000 foreign trade operations and 42 million physical and electronic document management operations.
- Work team made up of 506 direct employees, with a presence in 10 branches throughout the national territory.
- To attend to the projects, it has 320 employees through temporary links.
- During 2022, 253 employee trainings were carried out, for a monthly average of 252 people trained.

When looking at the results obtained during the year, it can be seen that Alpopular had a net profit of \$3.3 billion and that its income grew by 12% compared to the previous year. On the other hand, the figures for assets, liabilities and equity each present a variation of 10%, compared to those of the year 2021.

During this term, Alpopular received accreditation as an authorized economic operator (AEO) for the type of customs agency user in the security and facilitation category, as well as the ISO/IEC 27001:2013 certification in



information security for the provision of services. document management service.

Fidupopular

Fiduciaria Popular (Fidupopular) was created in August 1991 as a financial services entity, subject to the inspection and surveillance of the Financial Superintendency of Colombia (SFC). The organization enters into, develops, and executes commercial trust, public trust, and trust commission contracts; In addition, it manages a voluntary pension fund and three collective investment funds.

Fidupopular offers a portfolio of products that allows achieving the savings and investment goals of its clients, as well as providing operational support in the management of their projects.

Recognitions

In 2022, Fidupopular obtained the award given to the Rentar 30 Collective Investment Fund (FIC), a product that was consolidated as the best fund in the "Short-term peso fixed income" category, according to the recognition granted at the Prixtar awards, that highlight excellence in investment.

This achievement is complemented by the ratification of the highest rating in "Credit Risk" for the FIC Rentar 30, granted by Value & Risk Rating in March 2022. With these awards, the organization strengthens its efforts to be a fiduciary that creates experiences to positively transform the lives of their clients.

Main figures

More than 9,500 clients, of which close to 92% are segmented into collective investment funds and another 7% into trust businesses that are part of various sectors of the economy, such as financial, public, industrial, commercial, agricultural, mining-energy, education, automotive, chemical, telecommunications, health, construction, infrastructure and transportation, public services and culture.

- The net satisfaction index (INS) was 77%, much better than the 60% obtained in 2021, which reflects Fidupopular's commitment to its clients.



- More than COP 600,000 million managed in collective investment funds (FIC) and more than COP 35,000 million in the voluntary pension fund.
- Work team made up of 252 direct employees and 16 temporary collaborators, distributed at different levels of the organization.
- Investment of 415 total hours of training in 2022. The indicator of compliance with the Annual Training Plan was 84% in the Skills Strengthening School, exceeding the goal established for 2022 by 4%.

Regarding the financial situation of the trustee as of December 31, 2022, assets for a total value of more than COP 55 billion are registered, and liabilities for close to COP 5 billion, a result that represents a growth of 5% compared to the previous year. Fidupopular closes the year with assets of close to COP 50 billion in 2022.

Finally, it should be noted that in 2022 the company has implemented initiatives with an environmental purpose and positive impact, such as the installation of ecological points, changing lighting to LED in different areas and some physical interventions and adaptations of work positions, which improved the Space conditions and work environment for employees, in accordance with the defined maintenance program.

1.3. Strategic direction

Main purpose

Being a sustainable company that generates experiences that positively transform people's lives.

Vision

Being chosen, loved and recommended by our people.

Corporate Strategy 2025

Banco Popular has defined seven strategic priorities, with which it seeks to continue positively transforming people's lives.

1. **Service with a positive attitude:** Live a culture based on positivism that is reflected in the attitudes and actions of the human team, so that, with



empathy, willingness and proactivity, the Bank generates experiences that add value and strengthen its relationship with customers over time through easy solutions, timely and effective.

2. **Bank in pocket:** Facilitate customer interactions with the Bank and with those ecosystems that generate value for them, through digital capabilities and an extraordinary experience.
3. **Smart bank:** Integrate and complement people's value offer based on data associated with their interactions, relationships and environment, for timely, intelligent and integrated decision-making at different levels of the organization, in order to generate value.
4. **Shared value:** Distribute with customers the quantifiable benefits obtained from their relationship with the Bank to build long-term relationships.
5. **Sustainability:** Contribute to making a better country by leaving a positive mark for tomorrow and promoting sustainable projects that generate value for customers and profitability for the business.
6. **Efficiency and controlled risk:** Automate and digitize the Bank's internal processes from end to end, guaranteeing an adequate balance between risk and profitability and generating positive experiences for people.
7. **Organizational health:** Ability to align, execute and renew faster than its competitors, ensuring a memorable work experience in order to maintain excellent results over time.

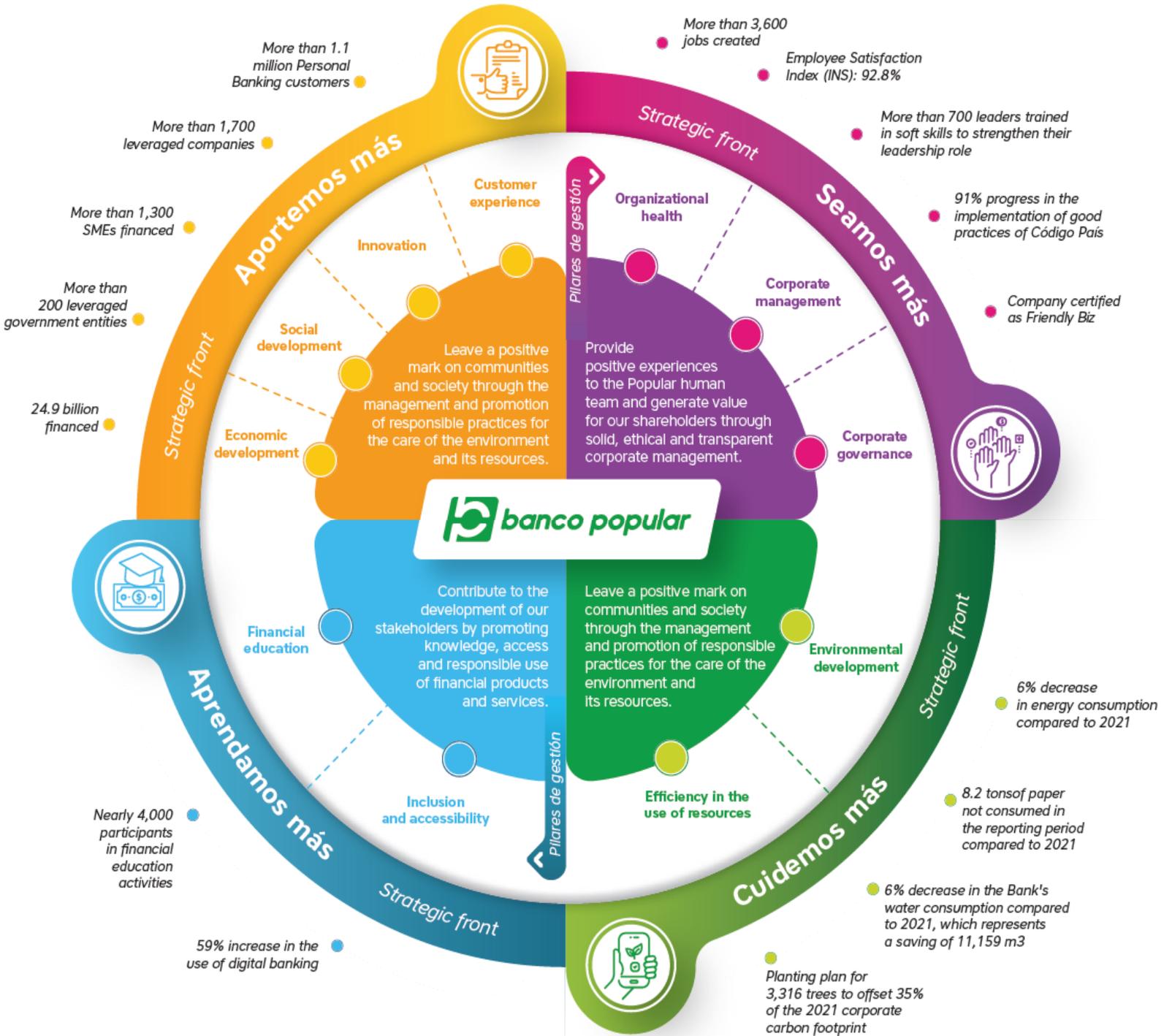
Sustainability strategy

Banco Popular has integrated sustainability into its main purpose and into the 2025 strategy to consolidate its commitment to the sustainable development of the country through the provision of financial services that leverage economic growth, as well as the well-being of people and organizations in the territories where the entity has a presence.

In this context, the organization has developed its sustainability strategy with a management model that contemplates four strategic fronts, from which the material issues for the Bank and its stakeholders are addressed: "*Seamos más*", "*Cuidemos más*", "*Aprendamos más*" and "*Aportemos más*". This model was built based on the materiality analysis of 2020, which was updated in 2022, within the framework of double materiality. Next, the process of building and updating the model is presented.



Sustainability model [GRI 3-3]





Double materiality analysis

[GRI 2-29] [GRI 3-1]

The evolution of sustainability standards has allowed organizations to know and deepen their contributions to the Sustainable Development Goals (SDGs) from the economic activity they carry out and the context in which they operate. In this sense, double materiality has become a highly relevant analysis framework within the framework of business sustainability, since it allows us to understand both the impacts that the organization generates on the environment, and the impacts that the environment can have on the environment. Development and operation of the business and its generation of value.

In this order of ideas, Banco Popular carried out the double materiality exercise with the following steps. First, the progress of the Sustainability Model was reviewed, with the main achievements in the two years of its implementation, along with the internally consolidated strategic documents and the associated regulatory framework.

Secondly, the review and alignment of applicable sustainability standards were carried out, in order to update the list of relevant issues in terms of sustainability; For this, reporting frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the Principles of Responsible Banking of the Financial Initiative of the United Nations Environment Program (UNEP FI, for its acronym in Spanish) were analyzed. English), the Dow Jones Sustainability Index and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This made it possible to identify relevant issues from the economic, social, environmental and corporate governance perspectives.

Third, a dialogue process was carried out with the stakeholders to learn and update their expectations towards the Bank and their points of view regarding the relevant issues, identified from the perspective of double materiality. To this end, 20 interviews were conducted with the following stakeholders:

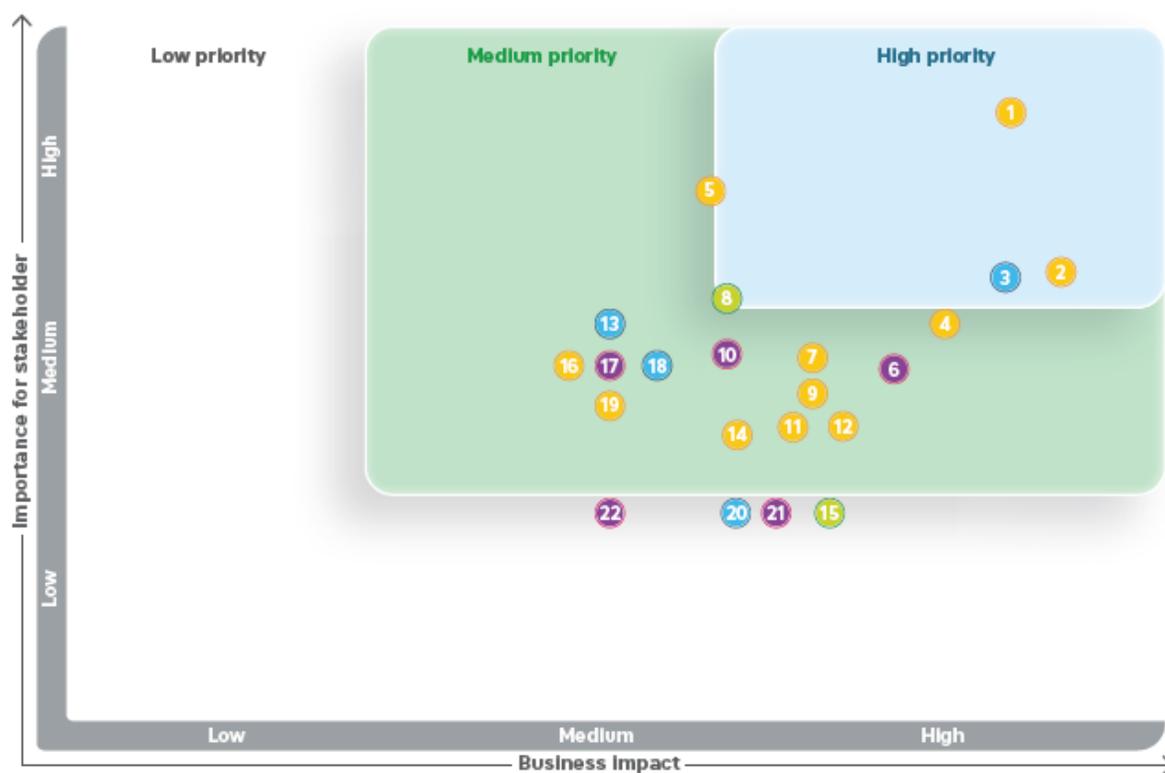
- Bank's human team
- Board of Directors.
- Shareholders.
- Customers.
- Subsidiaries.
- Suppliers and contractors.
- Government and regulators.
- Associations.
- Public opinión.



- Risk ratings.

Finally, the results of the analysis process were consolidated, and the relevant issues were prioritized, in accordance with the criteria proposed in the framework of double materiality; The following results were presented, validated by the stakeholders.

Dual materiality matrix [GRI 3-2]



Economic

- 1. Management of the relationship with stakeholders.
- 2. Innovation management
- 4. Transformation
- 5. Sustainable lines, products and services
- 7. Business strategy
- 9. Customer relationship management
- 11. Quality of products and services
- 12. Digitization
- 14. Sustainable finance
- 16. Efficiency

Social

- 3. Labor practices
- 13. Development of human capital
- 18. Financial inclusion
- 20. Attraction and retention of talent

Governance

- 6. Management of the Legal and Regulatory Environment
- 10. Corporate Governance
- 17. Risk and crisis management
- 21. Business ethics
- 22. Supply chain management

Environmental

- 8. Climate strategy
- 15. Climate-related opportunities



19. Sustainable construction

This prioritization made it possible to identify high-priority issues to integrate and update the Sustainability Model. This is how the results were structured as follows, based on which this Management and Sustainability Report is built, in which each of the material issues is addressed on the respective strategic fronts.

1.4. Initiatives and recognitions

[GRI 2-28]

External initiatives:



Recognitions:

Great Place to Work



Banco Popular is certified as a Great Place to Work thanks to the results obtained regarding the culture and work environment evaluated with the Great Place to Work Institute methodology.

Great Place to Work for Women



Banco Popular received this recognition, which honors a fair, equitable and inclusive company that values and contributes to the empowerment of women. For the Bank, it is a source of pride to be certified by Great Place to Work as one of the best places to work in Colombia for women, in the year 2022.

Empresa Friendly Biz



In 2022, Banco Popular received the renewal of its Certification as a Friendly Biz Company, granted by the LGBTI Chamber of Merchants of Colombia (CCLGBTCO) and the auditing firm Future Builders. This certification reflects the organization's commitment to the implementation of practices for the recognition and protection of human rights,



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in the consolidation of environments that promote the safety and well-being of all people in their interactions with the Bank.



2. Seamos más

The power to inspire is essential to strengthen Banco Popular's culture and provide positive experiences to all the organization's stakeholders. For this reason, in the strategic front "*Seamos más*" actions are generated to consolidate a solid, ethical, transparent and agile corporate management, which leverages the construction of trust and well-being in the development of the main purpose of the Bank.

In this way, in the year 2022 important results have been achieved in each of the pillars that make up this front, contributing not only to the execution of the 2025 Strategy, but also to the fulfillment of the Sustainable Development Goals (SDGs), as presented below.

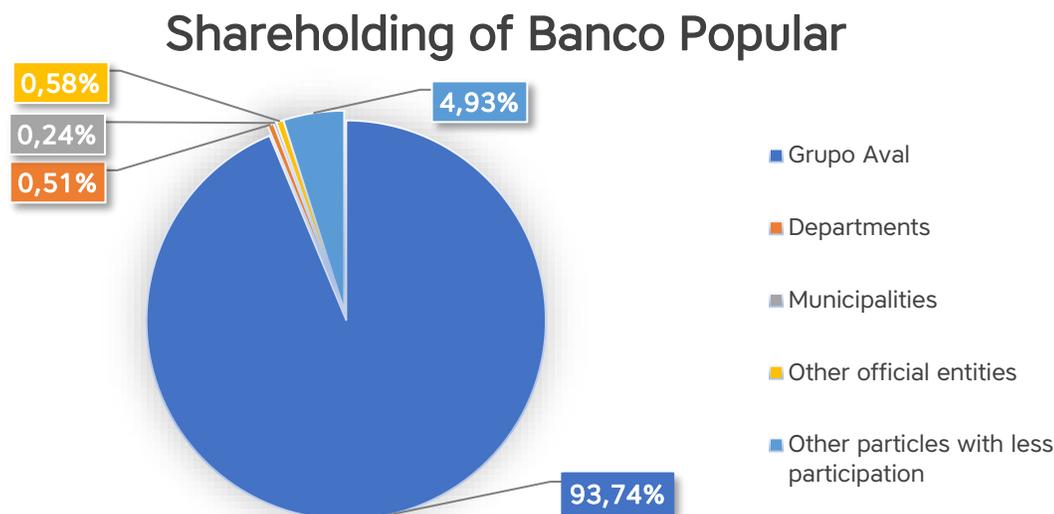
2.1. Corporate governance

I. Ownership structure

[CE21]

The Bank's capital at the end of December 2022 is represented by a total of 7,725,326,503 ordinary shares in circulation, with a nominal value of \$10.00 pesos each, of which 7,621,941,403 shares, representing 98.66% of the Entity's capital stock are held by private shareholders and 103,385,100 shares, representing 1.34% of the Entity's capital stock, are held by some departments, municipalities and other official entities.

At the aforementioned closing, the shareholder Grupo Aval Acciones y Valores S.A. it owns a significant participation of 93.74% in the capital of the Bank, being the parent company of the Bank and financial holding company of the Aval Financial Conglomerate.



The members of the Board of Directors of the Bank, directly or indirectly, do not own shares of Banco Popular, and during 2022 there were no share negotiations in which the members of the Board of Directors, senior management and other administrators of the Bank were part.

In the period evaluated, no agreement was presented between shareholders of the Bank and no treasury shares held by this Entity were registered.

II. Administration structure

Board of Directors

[GRI 2-10] [CE27]

The Board of Directors is made up of five main members and their personal alternates, proposed on a sheet presented by the shareholder Grupo Aval Acciones y Valores S.A. and approved by the General Assembly of Shareholders, in which the name and line are indicated, as well as the fees that will accrue for attending the sessions of the Board of Directors or its Support Committees. Three lines of the Board of Directors, both principals and substitutes, are independent, as will be evidenced in the structure of its conformation. The functions of the Board of Directors can be consulted in the [Statutes](#) and [Internal Regulations of Operation of the Board of Directors](#).



The General Assembly of Shareholders, in compliance with legal and statutory regulations, has adopted guidelines through the [Appointment and Remuneration Policy](#) of the Board of Directors, in order to review the suitability, professional profile and experience of each of its members. The possession of the directors is authorized by the Financial Superintendency, entity that issues its approval for the respective possession, based on the information provided by the Bank. After the Board of Directors was elected by the General Assembly of Shareholders, on March 18, 2022, the Financial Superintendence authorized the possession of the designated directors. The supporting documents, including the resume, are kept in the files of the Legal Vice Presidency - General Secretary of the Bank.

Some of the Members of the Board of Directors participate as Directors in the Boards of Directors of subordinate entities of the Bank, such as Alpopular S.A. and Fiduciaria Popular S.A.

Independence criteria

[CE29]

The independence criteria adopted by the Bank for the appointment of the members of the Board of Directors and the Support Committees are established in the Internal Regulations for the Operation of the Board of Directors.

In 2022, the Bank modified these regulations, in order to establish additional requirements to those required by law for a member of the Board of Directors to be considered independent.

Main reports and approvals

[GRI 2-12]

The Bank's Board of Directors, committed to fulfilling the entity's strategic objectives, actively participated in the deliberation of the issues presented and in the definition of strategic plans related to the sustainability model, alliances and commercial strategies, digital ecosystems, strategies of channels, segments and means of digital payments, innovation model, agility and technological renewal, human talent strategies, lines of succession and high potentials, evolution and brand positioning, as well as defined relevant risks, financial figures, budget monitoring, projections and indicators. Likewise, reports were



made to the Board of Directors on the risk management systems, periodic reports by the subsidiaries about their management and periodic presentations on the draft standards, as well as regulations issued by the National Government and territorial entities in various subjects.

Apart from the presentations for the approval of operations, acts and contracts, in accordance with the attributions established for the Board of Directors, the approvals, adjustments or updates of the manuals, policies, codes and regulations were submitted for consideration of this body, with the purpose of to comply with current regulations and contribute to the sustainable development of the Bank. The most relevant developments are highlighted below:

The Board of Directors approved the Diversity and Inclusion Policy, with the purpose of strengthening the promotion of constructive, respectful and discrimination-free environments in the Bank.

In addition, the Board of Directors authorized adjustments to the Anti-Corruption and Anti-Bribery Policy (ABAC) and the procedural guidelines that are part of the ABAC Manual, in accordance with corporate guidelines related to definitions and procedures of conflict of interest, corrupt practice, third parties' intermediaries (TPI's) and gifts and invitations.

Finally, it approved the modification of the Good Corporate Governance Code, in the sense of including guidelines for the proper management of conflicts of interest that arise during the application, appointment and development of the functions of the Financial Consumer Ombudsman, in accordance with the instruction given in External Circular 013 of 2022, issued by the SFC.

External advice

[GRI 2-17]

The Directors received both internal and external advice throughout the year 2022, with the purpose of guaranteeing that their knowledge and skills are updated on matters relevant to the financial sector. The following formations stand out:



- “Environmental, social, corporate governance (ASG) and climate risk management”, led by the Experience, Brand and Sustainability Management of Banco Popular S.A.
- “SARLAFT and ABAC Training”, by Dr. Juan Pablo Rodríguez Cárdenas, anti-laundersing, anti-fraud and anti-corruption consultant, partner of the firm Rics Management Colombia and Director and partner of Rics Management Panama.
- “Comprehensive Risk Management System (SIAR)”, by doctors Eduardo Saavedra Calero, from the Risk Consulting Services practice, and Óscar Espinosa León, Manager of the Risk Advisory Services practice, from PriceWaterhouseCoopers PwC Colombia.
- "Business Continuity", by Dr. Tomás Gatti Marano, partner of the Management Solutions firm.

Similarly, the presentations of the National Association of Financial Institutions (ANIF) on economic analyzes and specific sectors at the national and international level were highlighted.

High Management

Management of the performance of High Management

The evaluation process for Senior Management executives is carried out in accordance with corporate guidelines. This begins with the definition of the indicators for the members of senior management, establishing minimum and maximum compliance goals for each of them, in accordance with the strategy. It is carried out periodically during the year, through the procedure established by the Bank called positive meetings, which are carried out between the President and each one of his direct reports.

The objective of these meetings is to review the progress of the indicators, as well as to recognize and provide feedback regarding soft skills and competencies.

The Strategic Planning Management guards what corresponds to the control of indicators, while the information on the competencies of each leader is guarded by the Human Talent Management and Development Management.



III. Risk Management System

Internal Control System

[CE35]

The Bank's Internal Control System (SCI) is made up of the set of policies, principles, standards, procedures, and verification and evaluation mechanisms established by the Board of Directors, senior management, and other Bank employees, to provide a degree of security reasonable in terms of achieving the following objectives:

- Improve the efficiency and effectiveness of the Bank's operations.
- Prevent and mitigate the occurrence of fraud, originated both inside and outside the entity.
- Perform adequate risk management.
- Increase the reliability and timeliness of the information generated by the Bank.
- Provide adequate compliance with the rules and regulations applicable to the organization.

In this sense, the Bank has a control system integrated by principles of self-control, self-regulation and self-management, and identifies the elements of the Internal Control System in the entire structure of the organization, based on COSO, through the three lines of defense of the Bank that are part of the Internal Control model based on the five components and its seventeen principles as follows:

IV. Implementation of corporate best practices

Banco Popular is committed to the continuous implementation of good practices in Corporate Governance, in the development of its sustainability model, established as a strategic objective, through the strengthening of its governing bodies and practices that seek to guarantee rights and equitable treatment. of shareholders, as well as an adequate control architecture and transparency of financial and non-financial information.

The Board of Directors, through the Corporate Governance Committee, have contributed positively to the development of the strategy for the implementation of good governance measures.

Report on the implementation of best corporate practices – Código País



In compliance with the provisions of External Circular 028 of 2014, issued by the Financial Superintendency, the Bank completed and sent to that entity, on January 30, 2023, the best corporate practices implementation report (Country Code), which it was structured observing the guidelines set forth in the aforementioned circular and subsequently, it was published on the Bank's website.

In this context, the Bank accepted eight new measures in 2022, in development of the purpose of advancing in the implementation of the recommendations of the Country Code. The following graph reflects the evolution that the Bank has had regarding the implementation of this code in the last five years, in accordance with the plan defined by the administration. 134 of the 148 recommendations have been accepted.

V. Social contribution

In 2022, the General Assembly of Shareholders, as the competent corporate body in accordance with the Bank's Bylaws, determined the maximum amount to make donations during that year, as well as the specific sectors to which the resources will be directed, which were health, education, culture, religion, the exercise of democracy, sports, scientific and technological research, ecology and environmental protection, the defense, protection and promotion of human rights, access to justice, social development programs, and support in situations of disasters and calamities.

The Board of Directors, within the framework of its statutory competence, and in development of the Bank's commitment to social causes, authorized donations to the following foundations during the year 2022:

- **Fund for the Promotion of Culture:** it is a non-profit entity whose purpose is to promote the conservation and dissemination of the cultural, artistic, and archaeological heritage of the country, likewise it oversees the administration of museums and collaborates in archaeological investigations.
- **Fundación Servicio Jurídico Popular:** it is a non-profit entity, whose objective is, among other things, the provision of legal assistance services to low-income individuals, through consultations and judicial representation. Likewise, it oversees managing its center for conciliation and dissemination of the regulations issued.
- **Luis Carlos Sarmiento Angulo Cancer Treatment and Research Center (CTIC):** is a non-profit entity whose purpose is to develop the



construction and operation of a hospital center specialized in cancer treatment and research located in the north of Bogotá, which seeks to provide health services with up-to-date technology and qualified human resources.

2.2 Corporate management

Ethics and transparency

[SASB FN-CB-510a.2.] [GRI 2-23]

Banking activity involves risks that are always present. For this reason, the Bank promotes in its employees the culture and organizational practices that transmit ethical and transparent management to all stakeholders, both from personal and work life, supported by respect for the law and the regulations that regulate the banking activity.

In this sense, there is a Code of Ethics and Conduct, which contains the behavioral frameworks, actions, rules, and regulations in addition to those contained in the Internal Labor Regulations, Code of Good Governance and internal regulations, tools aimed at facilitating decision-making and the development of the Bank's activities, as well as increasing public confidence in the entity and its employees.

Likewise, the Bank's Ethics and Conduct Committee is responsible for managing and monitoring situations that violate the rules and regulations contained in said code, in addition to guaranteeing the confidentiality and security of the information for each case, as well as the respective actions.

By the year 2023, the Code of Ethics and Conduct will continue to be updated, and the correct application and strict compliance with what is established therein will continue to be ensured.

The disclosure of the Code of Ethics and Conduct is done in "Virtual Link", the Bank's internal page that all workers can consult; likewise, it is found on the Bank's website, which establishes the procedure for reporting irregularities.



Ethical principles of the Bank:

- **Loyalty.** Act always seeking the benefit of the Bank, its customers and shareholders, acting in an upright, frank, faithful and objective manner.
- **Respect.** Accept, understand and value others and ourselves, recognizing interests, needs and feelings to generate an environment of personal and professional growth that positively impacts the organization, clients and the environment in general.
- **Honesty.** Act fairly, observing impeccable conduct, strictly subject to moral principles and the rules that regulate the Bank's activity.
- **Responsibility.** Ability to recognize and assume the consequences of one's own acts and decisions.
- **Commitment.** Identification and sense of belonging to the values and objectives of the Bank.

Risk Management System

Since 2021, Banco Popular has proactively implemented the Integrated Risk Model (MIR), anticipating the regulatory project at the time that later materialized in Circular 018 of 2021, issued by the Financial Superintendence of Colombia against the SIAR. This has allowed it to contribute to the improvement of the integral management of the risks inherent to the development of the business, through the adoption of methodologies that provide the Bank's administration with strategic information, such as a comprehensive vision of risk, to facilitate decision-making. In this way, the model contributes to the achievement of the organization's objectives, within the framework of regulatory compliance and the requirements of control entities.

In line with the foregoing, during 2022, based on the Conglomerate Risk Management Framework project, the Bank stabilized and implemented a centralized tool, which contains the entire set of indicators of the Risk Appetite Statement, with a broad set of indicators and specific governance within its Risk Appetite Framework (MAR), which includes primary, secondary, and complementary risk indicators.

In this order of ideas, the alignment of the MIR with the regulatory requirements of the SIAR circular that must be in production as of June 2023 has had a



significant advance and above the expected schedule, where, since the first quarter of 2022, the Risk Committee was implemented with members of the Board of Directors, thus giving early compliance with one of the requirements established in the circular for the year 2023.

Integral Risk Strategy

Aligned with the business agility model, the Bank has led the authorization process of the Risk Center of Excellence (Risk COE). In the year 2022, different phases have been completed to consolidate this stage, among which the following stand out:

- Training in ways of working.
- Definition of the mission of Comprehensive Risk Management.
- Risks on a page.
- Creation of the catalog of services.
- Creation of value streams.
- Definition of roles.
- Construction of the first backlog.
- Formation of working groups.

Thus, the Bank has managed to make notable progress in risk management during 2022, with projects that contribute to the care of customers, workers and society in general. The projects for the reporting period and the benefiting interest group are highlighted below.

Emerging risks

[CE19]

Since 2019, Banco Popular analyzes emerging risks every six months, which, by July 2022, correspond to the following:



Materialization of LAFT risks due to weaknesses in the country's immigration policies, which lead financial entities to inadequate knowledge of the client.



Legalization and growth of crypto asset trading platforms and the emergence of related businesses, generating financial destabilization.



Threats in the technological field, such as phishing, smishing, telephone spoofing, ransomware, social engineering, through email, and security vulnerabilities in technological platforms.



Spread or sanitary outbreaks that impact the normal development of the Bank and its subsidiaries



Third party risk events contracted by financial institutions can result in significant financial loss and reputational damage.



Environmental risks, impacts from climate change and natural disasters.



Potential increase in illicit activities to promote the underground economy, taking into account the financial blow to the formal economy.



Protest situations.



Regulatory non-compliance with the new requirements of the SFC (CE 018 of 2021).



Global inflationary pressure and monetary policies.



Third party risk events contracted by financial institutions can result in significant financial loss and reputational damage.



Macroeconomic volatility, including fluctuations in GDP, unemployment, and inflation.





Risk Culture

Banco Popular manages the risk management function, considering the applicable regulations and internal policies. The management and results from the Bank's risk systems are presented below, including risk of money laundering and financing of terrorism, anti-corruption program, fraud prevention, cybersecurity risk, information security and privacy, operational risk, business continuity, financial risk and bank security risk.

Money laundering and terrorist financing risk

Money laundering, terrorist financing and the proliferation of weapons of mass destruction generate significant social, environmental and economic damage, and represent a great threat to the stability of the financial system and the integrity of the markets due to their global nature and the networks used to manage such resources. This circumstance highlights the importance and urgency of combating them, which is why the Bank's commitment to properly manage it through SARLAFT is essential.

Anti-Corruption Program

[GRI 205-3]

The Bank has an Anti-Corruption Program that ensures compliance with the internal control system through the methodology of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission, with the purpose of facilitating control and management of possible corruption events. which responds to the regulatory requirements FCPA (Foreign Corrupt Practices Act) of the legislation of the United States of America. The commitment of the administration, and of the employees in general, has led to the strengthening of the institutional culture regarding compliance with the guidelines for the prevention of bribery and corruption, as well as the maintenance of a control environment regarding the processes that they could be more exposed.

Fraud prevention

The Bank has fraud risk management and administration in line with current regulations and the policies and methodologies defined by the organization. For this reason, the transactional monitoring rules are defined considering the dynamics of fraud and applying the necessary modifications to detect new



cases, maintaining a high level of detection, a low false positive and a volume of alerts that generates an adequate balance between risk control, customer experience and the attention capacity of the monitoring area.

Cybersecurity risk, information security and privacy

Banco Popular is aware that information is a vital asset for the development of its activities and the provision of financial services. For this reason, it established as one of its main goals the protection of the information of its clients, shareholders, employees, strategic suppliers, and other stakeholders.

By virtue of the foregoing, from these front actions have been implemented to protect financial consumers against cyber threats of data theft, computer crimes and possible associated fraud. This has been done with the aim of providing an excellent service in offering financial products that, apart from being safe, provide customers with complete confidence and peace of mind.

In this context, senior management declares the commitment to develop the skills and allocate the necessary resources for the design, approval, and implementation of individual policies that support the general policy and define the guidelines for the protection and safeguarding of information.

Operational risk

Operational risk is inherent to all activities through which the Bank develops its corporate purpose; its administration and management are a fundamental part of the risk management program and an integral part of its business activity. In this sense, the Bank has an Operational Risk Management System (SARO) implemented in accordance with the guidelines established by the Financial Superintendence of Colombia.

In 2022, the Bank continued with the implementation of the projects that support the corporate strategy, which implied updating its processes and, therefore, the risk matrices and operational control associated with this. Improvements were made to the assessment of the higher-level inherent risks, as well as to the associated controls, and the updating of the processes that presented changes in their execution due to the covid-19 health emergency continued, to adopt the changes of definitively or repeal them.



Training to manage operational risk

During the year 2022, the virtual course on the Operational Risk Management System (SARO) continued, which was given both to employees who joined the Bank and to those already linked; In addition, virtual training was carried out for employees of the areas that own the process and the office network to strengthen the fundamental concepts of SARO and reinforce the changes defined for its update. This work was accompanied by internal communications, to better appropriate the defined changes. Third parties linked to the Bank received training through *Asobancaria*.

Business continuity

Banco Popular has defined a Business Continuity Management System (SGCN), made up of the Crisis Management Plan, Emergency Plan, Disaster Recovery Plan (DRP), Process Recovery Plan (BCP) and the Plan Communication in Crisis, to ensure the ability to operate in the face of material or reputational impacts that affect the availability of critical business processes, or in the face of events that could affect the ordinary course of business.

2.3. Human Talent and Organizational Culture

Banco Popular has a human team of more than 3,600 workers in 29 departments of the country, who have managed to promote a collaborative, agile, innovative, diverse and inclusive culture, which contributes to the creation of experiences that positively transform people's lives. and allow the organization to fulfill its main purpose, reaching the objectives set to bring the positive effect to all its stakeholders.

For this reason, the Bank has developed strategies to attract, develop and retain the best human talent, with a work approach based on inspiring leadership and the promotion of organizational health, which has allowed building spaces based on trust, respect, transparency, and equality.

As a result of this work, in 2022 Banco Popular ranked ninth among the best companies to work for in Colombia, according to the Great Place to Work ranking for the large companies' category, and tenth place in the Great Place to Work



ranking. Women, thanks to the fact that it is an organization that provides growth opportunities for women through inclusion, recognition, training and development policies.

Distribution by age of Bank employees

[GRI 405-1]

55% of the Bank's direct employees are in an age range greater than 30 years and less than 50. Likewise, employees under 30 years of age make up 28% of the Bank's working population, while 17% are people older than 50 years. The behavior of the statistics indicates a greater hiring of young personnel and a career plan for middle-aged personnel.

New talents at the Bank

[GRI 401-1] [CE17]

In 2022, 360 new talents joined the entity, of which 47% are women and 53% are men. The rate of new hires is 9.9%, which increased compared to 2021, whose rate was 6.6%. In line with this point, the turnover rate went from -1.77% in 2021 to 0.03% in 2022. The turnover behavior for the year 2022 was favorable due to the strategic hiring of new talents.

Of the 360 contracts, 60% correspond to people between the ages of 18 and 30, and 40% are people between the ages of 31 and 50.

Practices to promote organizational health

In the year 2022, initiatives have been developed that have strengthened the sense of pride and the experience of the human team with Banco Popular, among which the following are worth mentioning:



Development programs

Among the development programs that have been put into practice are "Positive People" —university apprenticeship program— and "Crecer está en TI" —incubator program for digital/IT areas—. In addition, career plans have been implemented.



Talent Network Program

This program has been developed to allow employees to become allies of the business, in a recognition framework that exalts Popular culture and DNA.



Platform "We are Popular"

In this communication and recognition platform, called "Somos Popular", a two-way contact with workers has been promoted to recognize outstanding achievements and behaviors in the organization.



Teleworking modality

Implementation of the initiative called "Positive Wave", thanks to which the modalities of teleworking are formalized.



Renovation of work spaces

During 2022, the Bank's physical spaces were remodeled and transformed to improve the experience of the human team with the new work modalities. In this sense, the administrative headquarters now have spaces for co-creation and collaboration that are closer and friendlier, as well as cubicles for individual concentration and wellness spaces, which can be reserved from mobile or fixed devices in the We Care® app. This has encouraged teams to work more efficiently and productively, with a better balance between their family, personal and work lives.

Knowledge and formation

[GRI 404-1]

In the organizational culture of Banco Popular, the appropriation and exchange of knowledge among collaborators is valued and managed to promote their development and contribute to the effective performance of their role, mobilizing the teams to live the main purpose of the organization and generate positive experiences. In it. For this reason, from the organizational health strategy, the competencies, knowledge, and abilities of the workers are strengthened and promoted through the self-management of learning from different fronts.



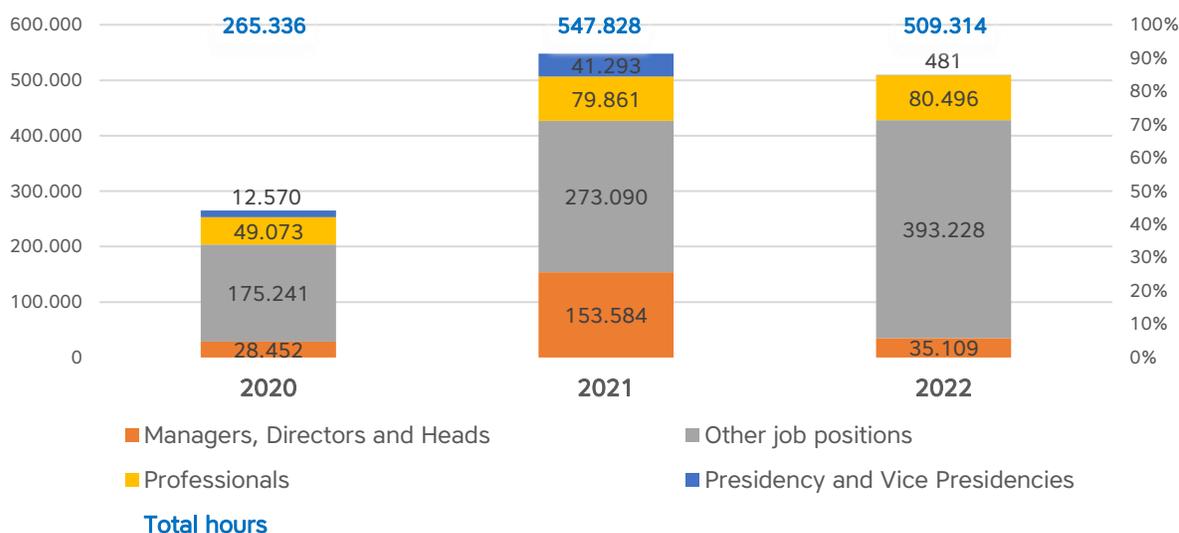
Popular campus

The Bank has the Campus Popular Corporate University, which has a wide range of training on key topics related to commercial aspects, operations, leadership, culture and values, organizational agility, risk management, customer experience and technology hotbeds, among others.

For the development of training programs, there is a team of internal experts, including some leaders who play the role of teachers, who guide the training sessions and share their knowledge and experience. Some programs have the participation of external consultants. Face-to-face learning, on-the-job learning and online learning are the main methodologies for accessing updated and relevant content.



Human team training hours in 2022





Training for the health and well-being of employees

Strategies and activities have been carried out for workers and their children, redoubling efforts to achieve the well-being and health of families in a post-pandemic context. In this sense, the following actions carried out throughout the year 2022 are highlighted:

- Personal and work growth podcast.
- Classes for personal growth and family topics, as well as zumba, rumba and aerobics sessions through synchronous virtual sessions.
- Recreational vacations for employees' children in the month of June and celebration of Children's Day in April and October.
- "We are with you" psychological helpline.
- Mourning workshops.

Additionally, face-to-face activities have been resumed in the new work context, with gyms, participation in marathons, extension courses and attendance at cultural shows.

Inspiring leadership

Leaders play a fundamental role in accompanying, directing and managing teams to consolidate a collaborative, innovative, service-oriented, positive and committed culture in terms of results. From this strategic approach, it is highly relevant to attract, develop and maintain leaders who inspire, live and are an example of the culture of "Being Popular".

In this order of ideas, in recent years the Bank has worked to strengthen its inspiring leadership model, with which it seeks to contribute to the achievement of the strategy and transformation, with a comprehensive approach to training, development and learning, aimed at enabling leaders to perform their role successfully, and mobilizing and inspiring their work teams to understand, engage and put into action this process of transformation in the organization.

In 2022, training programs were promoted to strengthen the role of the leader in the organization, among which the following stand out:

- "Coffee in the morning."
- Commercial coaching to inspire and develop, in its version 2.0.
- Hybrid and remote leadership.



Measurement of work experience in the Bank

For the Bank, it is essential to know the perception that the human team has about their work experience in the organization, with the purpose of generating strategies and initiatives to improve it, and thus ensure that each member of the team lives positive and memorable experiences in their day to day. day in the organization and feel the pride of Being Popular.

In this sense, there are two relevant indicators for this measurement:

- Employee satisfaction index (INS).
- Employee recommendation index (ENPS).

In the first, there is a result of 92.8%, which reflects a small variation with respect to the year 2021, whose result was 94%. On the other hand, the ENPS was 78.4%, only 0.6 percentage points less than the recommendation of 79% obtained in 2021. Although there was a decrease in both indicators, the results obtained are outstanding and continue to reflect that Banco Popular is a company that manages to make an emotional connection with its workers, with such a high sense of fidelity and loyalty, that they are willing to recommend it to their friends and family.

Performance evaluation

The process of evaluating the performance of the human team makes it possible to strengthen the alignment of talent with the Bank's strategy. Thanks to this, performance standards can be improved, employee development opportunities can be identified, and the organization's sustainable growth can be ensured.

In this structured, continuous, and shared process between each member of the human team and the leaders, permanent communication and feedback is maintained in relation to the expected results and behaviors; In addition, the teams are accompanied so that they can obtain the best results, identifying strengths and opportunities.

Annually, the Bank carries out the "Human Talent Performance Evaluation", with the measurement model of objectives and competencies, which is aimed at all Bank employees and closes in the first quarter of 2023.



Diversity and inclusion

[GRI 2-24]

Banco Popular recognizes diversity and inclusion as strategic principles that contribute to strengthening the organizational culture and, in turn, foster innovation and transformation towards a more just and equitable society.

In this order of ideas, the Board of Directors of the Bank approved in 2022 the Diversity and Inclusion Policy, which establishes the principles and guidelines that will guide the organizational processes, aligned with the Corporate Policy of Diversity and Inclusion of Grupo Aval and with the Guide to Responsible Business Conduct of the Organization for Economic Cooperation and Development (OECD).

The diversity and inclusion work plan for the year 2023 is focused mainly on three axes: human talent, suppliers and customers. Thus, concrete actions will be carried out, related to the strengthening of internal capacities, the creation of the case management protocol, the promotion of practices for diversity in human talent, the training of suppliers on diversity and inclusion issues, and the adaptation of inclusive designs in office facilities.

Culture transformation

To achieve the main purpose of the organization, within the framework of the 2025 Strategy, Banco Popular's Cultural Transformation Model has been implemented, which has two edges: the first focuses on "Being agile" and the second, on "Doing agile". Both provide valuable tools to the human team, in order to mobilize positive changes in the organization. In this order of ideas, initiatives have been managed that favor the adoption of change and the development of skills and competencies in employees to scale business agility. Some of the implemented programs are highlighted below.

In this way, the Bank led the authorization and stabilization of the new work archetypes defined in the 2022 escalation path, as well as the design and implementation of the new specialized model and the "Agile Facilitator" program on the Campus +*ágiles* + that will make it possible to generate the necessary capacities to give sustainability to the Bank's operating model.



Likewise, from the change management front, the social maneuver was designed and implemented, in order to take care of the employee experience during the transformation path towards business agility.

Safety and health at work

The well-being of the Bank's human team is a fundamental aspect to fulfill the purpose of the organization, which is why the Bank promotes healthy and safe work environments. The Occupational Health and Safety Management System (SGSST) has directed measures for physical and mental health that contribute to the quality of life of workers, through training, review and adjustment of conditions locative, as well as the implementation of safety and health aspects in the selection, evaluation and hiring of people, and in the supply.

Thus, occupational risks are managed in the Bank's processes to prevent the occurrence of accidents at work and occupational diseases, promoting the well-being and productivity of the working population.

During the year 2022, activities focused mainly on maintaining and developing the continuous improvement of the SGSST at the national level, including the analysis and implementation of measures for face-to-face work and the flexible work modalities that have been implemented, as well as preventive actions to avoid covid-19 and address the path to the new post-pandemic normality.

Collective bargaining agreements

[GRI 2-30]

On November 20, 2020, the direct negotiation of the Collective Bargaining Agreement was carried out with the National Union of Bank Employees (UNEB), which is valid for three years from January 1, 2021, to December 31, 2023.

The Bank has a remuneration and benefits policy, defined in accordance with the legal framework, for those workers who are not covered by collective bargaining agreements. This makes it possible to establish fair and competitive compensation for said employees, in accordance with the Bank's strategy and objectives.



3. Aportemos más



The economic, profitable, and sustainable performance of Banco Popular is essential for the generation of value for all its stakeholders since this allows it to provide financial support and accompaniment to its clients to help them achieve their goals and purposes. For this reason, the Bank has developed a business model focused on its customers, with financial products and services that leverage economic growth and contribute to the development and improvement of the quality of life and experiences of individuals, companies, and regions from the country.

In this order of ideas, from the strategic front "*Aportemos más*" of the Sustainability Model, notable progress has been made in the generation of value for customers of Business Banking, Government, SMEs, and Individuals, with products and services that respond to the needs and motivations of these, through innovation, digitalization and the management of a quality service.

Thus, in the management and results achieved in the "*Aportemos más*" front, the Bank contributes to the fulfillment of the Sustainable Development Goals (SDGs).

3.1 Corporate economic performance

Financial situation

The year 2022 was characterized by the high level of growth shown by the Colombian economy. In fact, household consumption (which represents 70% of GDP) increased by more than 8.5% at the end of the third quarter of the year, driven by strong growth in credit and remittances that entered the country. In this way, the annual growth of the GDP in 2022 is projected at 8% at the end of the year, well above the growth of the region, which barely increased by 2.5% per year on average.

However, Colombian inflation stood at 13.12% at the end of 2022, which meant the highest year-end in the 21st century. The high level of inflation is explained,



to a large extent, by the behavior of food, which had a growth of 27.3% as of November 2022 and is at its highest level of inflation in the last 30 years. Faced with the historic increase in inflation, the Banco de la República reacted by rapidly increasing the intervention rate, with the purpose of cooling demand in the economy and curbing inflation. Thus, the Bank increased its intervention rate from 4% to 12% throughout the year.

The foregoing has resulted in the strongest interest rate rise in the last 3 decades, and because of this macroeconomic context, Banco Popular has experienced an increase in its concept of interest expenses and income. However, this impact has not been the same for both items; In the case of interest income, the increase has been less, because most of its portfolio is at fixed rates (payroll). The opposite is experienced from spending, since the cost of deposits is repriced more quickly, which impacted the financial results during 2022.

Likewise, thanks to the management and solidity of Banco Popular, throughout 2022 the risk rating agencies BRC Standard & Poor's and Value & Risk Rating confirmed the highest ratings of the entity, valid for one year:

- **BRC Standard & Poor's** affirmed its ratings of AAA for ordinary bonds and AA+ for subordinated bonds, for AAA long-term debt and for BRC 1+ short-term debt. Air date: August 30, 2021.
- **Value & Risk Rating** maintained AAA ratings for long-term debt and VrR 1+ for short-term debt. Air date: September 16, 2022.

To analyze the financial evolution, the results obtained in the year 2022 are presented, compared to those of the year 2021, through figures recorded according to the Accounting and Financial Information Standards (NCIF) accepted in Colombia for the separate financial statements.

Financial situation

(Amounts in millions of pesos)

Concept	December 2022	December 2021
Assets	\$ 32.238.856	\$ 29.405.783
Cash and cash equivalents	\$ 1.713.215	\$ 1.682.827



Hoy se puede. **Siempre se puede.**

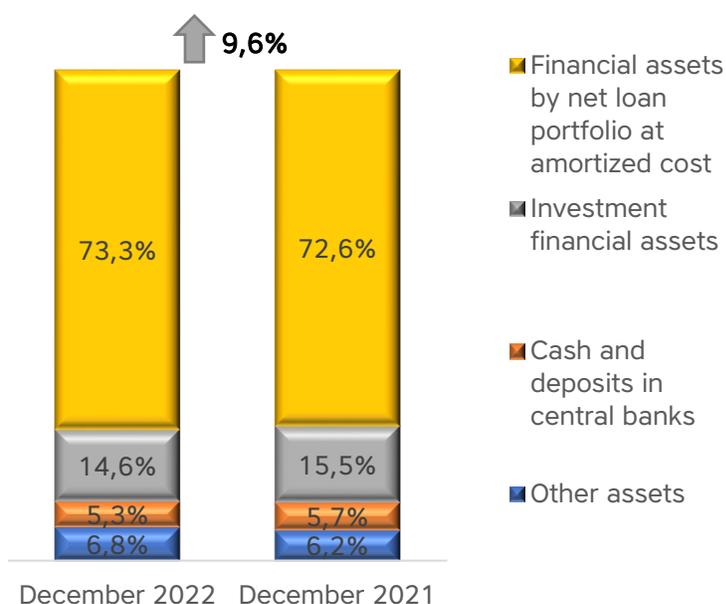


Concept	December 2022	December 2021
Loan portfolio and financial leasing, net (1)	\$ 23.627.729	\$ 21.348.468
Investment financial assets	\$ 4.700.734	\$ 4.560.811
Other assets (2)	\$ 2.197.178	\$ 1.813.677
Passives	\$ 29.339.141	\$ 26.342.312
Deposits	\$ 24.345.227	\$ 20.877.452
Other passives	\$ 4.993.914	\$ 5.464.860
Heritage	\$ 2.899.715	\$ 3.063.471

(1) Includes repos and interbanks.

(2) Includes other accounts receivable, net, investments in subsidiaries, associates and joint ventures, net, tangible and intangible assets, net, income tax assets and other assets, net.

Composition of the asset



Total assets grew by \$2,829,060 million, which represents an annual increase of 9.6%, reaching a total of \$32,234,843 million as of December 2022. The assets are made up of 73.3% by net loan portfolio, 14.6% by net investment financial assets, 5.3% by cash and deposits in central banks, and 6.8% by other assets, mainly assets intangibles and accounts receivable.

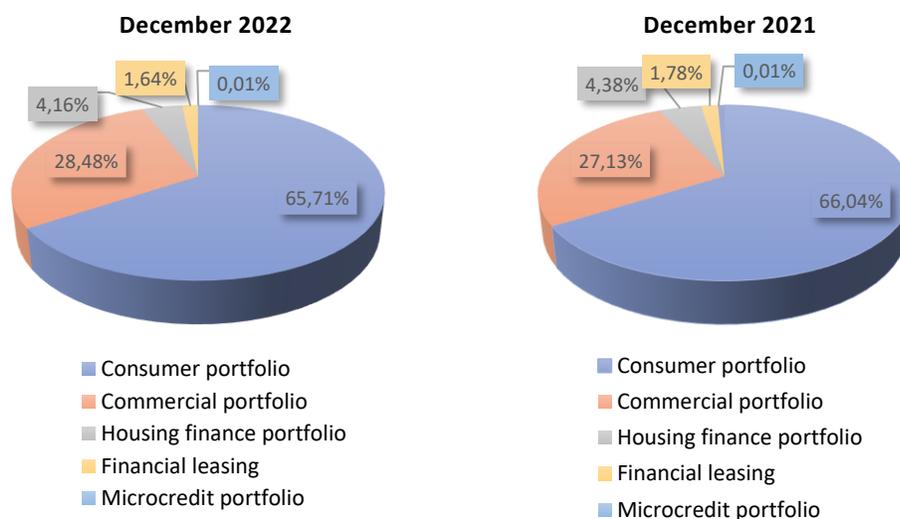


Credit portfolio

(Amounts in millions of pesos)

Concept	December 2022	December 2021
Consumer portfolio	\$ 16.377.261	\$ 14.913.873
Commercial portfolio	\$ 7.097.436	\$ 6.126.209
Housing portfolio	\$ 1.037.595	\$ 989.323
Financial leasing	\$ 408.117	\$ 402.539
Microcredit portfolio	\$ 1.705	\$ 2.833
Repos and interbank	\$ 9.653	\$ 147.163
Total gross portfolio	\$ 24.931.767	\$ 22.581.940

Composition of the portfolio, years 2021 and 2022



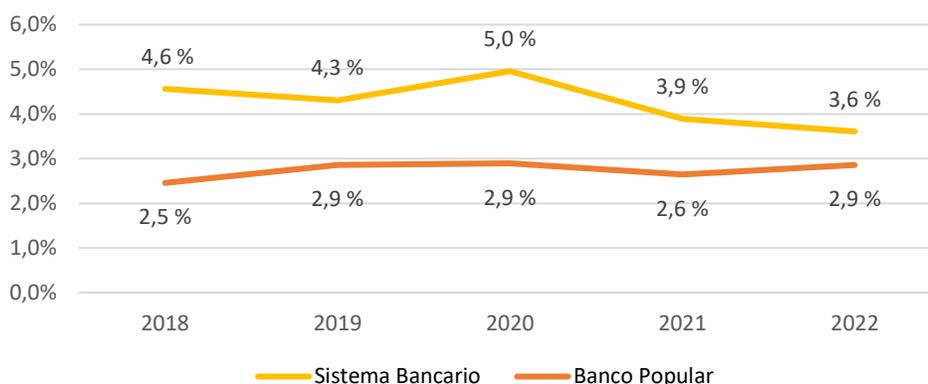
At the end of December 2022, the gross portfolio registered a growth of 10.4%, largely driven by the commercial portfolio, which had a growth of 15.9% (\$971,227 million), mainly leveraged in the Corporate Banking segments. and Government, which presented growth of \$470,000 million and \$317,000 million, respectively, at the end of 2022.

Regarding the client's portfolio, a growth of 9.8% was registered, in which all its products show a positive annual variation; The performance of the free destination product stands out, which almost tripled in its balance, and that of the credit card, which presented an increase of 23% at the end of the year,



thanks to the portfolio diversification strategy that the Bank has adopted. has raised. With reference to the housing and financial leasing portfolios, a positive growth of 4.9% and 1.9%, in that order, is also reported during 2022.

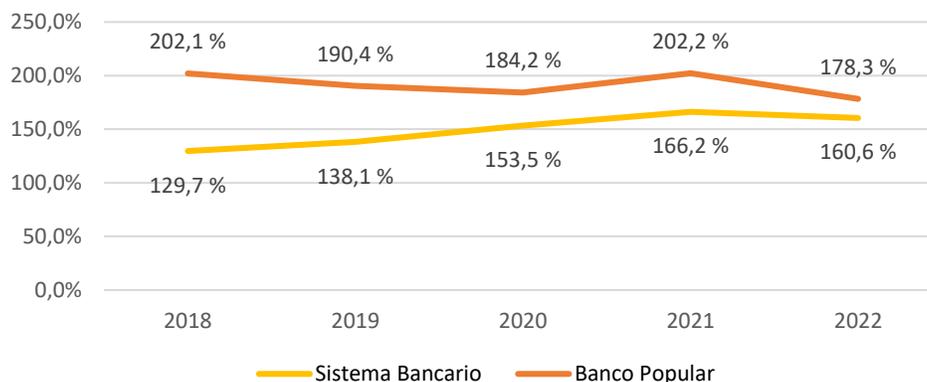
Portfolio quality



The total portfolio quality indicator, which is calculated as the ratio between the overdue portfolio and the total portfolio, was 2.9%, and for the commercial and customer modality it was located at 2.5% and 3.1 %, respectively, a lower impairment than that registered by the system, according to a report from the Colombian Banking and Financial Institutions Association (Asobancaria) (3.6% for the total portfolio, 2.7% for the commercial portfolio and 5.4% for the customer portfolio as of December 2022).

These results were achieved thanks to the evolution of credit policies in line with economic reality and applied in accordance with the business model.

Portfolio coverage

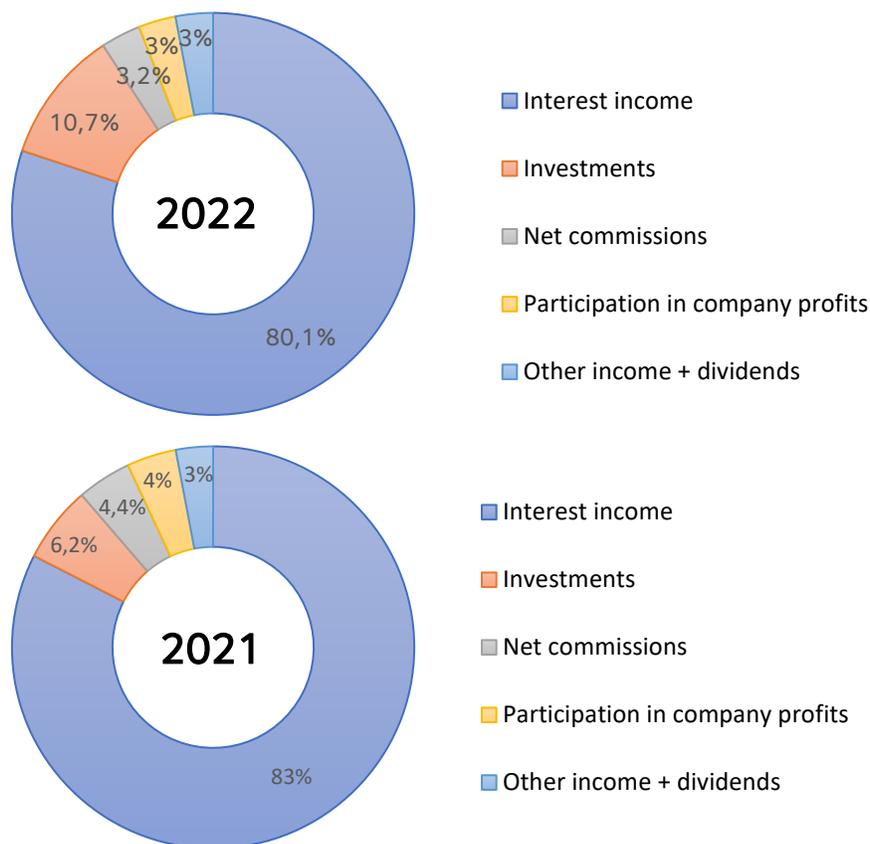




The Bank continued presenting notable levels of coverage of the overdue portfolio, higher than those of the banking system, with an indicator that reached 178.3%, compared to 160.6% of the banking system as of December 2022.

Statement of income

Revenue share



Revenue share

Interest and similar income were \$2,955,426 million, \$736,780 million more than that obtained in 2021 (33.2% increase in income). 87.6% of said income came from the loan portfolio, interest income and repos and interbank, with a growth of 25.8%. According to the structure of the portfolio, 70.6% of interest income is made up of the customers portfolio, 23.7% the commercial portfolio, 4.0% the housing portfolio and 1.8% repos and interbank and microcredit. Regarding the evolution of interest income from the portfolio, there is evidence of a recovery



in the commercial portfolio modality with a growth of 110.7% during 2022, while the consumption and housing modalities continue with their rhythm of positive growth, with variations of 8.9% and 9.2%, respectively.

Income from interest on investments in debt securities increased by 128.4%, closing at \$349,034 million; This is due to the fact that 45% of the structural portfolio of investments available for sale is indexed to the UVR, which, in an inflationary scenario, has resulted in better income for said item. Likewise, the interest generated by repos and interbank transactions amounted to a total value of \$45,723, while the income from net commissions reached \$105,329 million at the end of the year.

Likewise, during 2022, \$13,198 million were received for dividends from related entities and \$96,481 million were recorded for the Bank's participation in the profits of subsidiary and associated companies, as well as in joint ventures.

Expenses

Interest and similar expenses in the 2022 period were \$1,748,801 million, with a growth of 184.4% compared to 2021. The behavior of interest expenses is due to the increase in the intervention rate of Banco de la República, as a reaction to the inflation evidenced during 2022. Regarding the expenses for loan portfolio provisions and interest receivable, these decreased by 14.5% compared to the year 2021. The total of other expenses, which corresponds to expenses operational (personal and administrative) was \$1,284,462 million, an increase of 5.9%. Of these expenses, \$419,512 million were for personnel, which increased by 2.1%, and the remaining \$864,951 million corresponded to administrative expenses, depreciation and amortization expenses, and other operating expenses, with a growth of 7.8%.

Utility

Profit before taxes reached \$46,048 million and net income reached \$73,035 million, \$260,524 million less than at the end of 2021. This decrease in the Bank's profit is due to the increase in market rates, which is reflected in a higher interest expense; however, this impact has not been translated in the same proportion into interest income, due to the fact that the largest proportion of the portfolio is tied to fixed rates (payroll).



Dividends

During the year 2022, dividends for \$146,472 million were declared, corresponding to profits from previous years.

Taxes, contributions and other legal expenses

For taxes, contributions and other legal expenses, an expense of \$80,678 million originated, of which \$40,688 million corresponded to municipal taxes (industry and commerce, property, surcharges and vehicles); however, it is worth highlighting a tax recovery for the sum of \$26,987 million, within the tax heading for financing the national budget (income and complementary taxes, non-deductible VAT, financial transaction tax and consumption taxes). On the other hand, \$69,435 million were caused by contributions and other legal expenses, such as deposit insurance and maintenance rights in the National Registry of Securities and Issuers of the Financial Superintendence of Colombia (SFC).

Direct economic value generated and distributed

The distribution of the Bank's economic value, in accordance with the methodology established by the Global Reporting Initiative (GRI 201-1), shows how the entity's management benefits all its stakeholders; the contributions to its collaborators, capital providers and public administration stand out.

The Bank generated economic value for a total of \$357,653 million, 29.9% less than that achieved in 2021, a decrease derived from the increase in interest expenses.

Economic value distribution table

Item	Information required	2022	2021		
A	Direct economic value generated (COP) (1)	3.254.460	2.485.183		
	(Sum of Income)				
B	Distributed economic value (COP)	3.181.611	2.243.426		
	(Sum of the following points)				
	· Operational costs			1.954.974	957.436*
	· Employee wages and benefits			419.512	410.710
	· Capital providers (2)			284.804	268.680*
	· Payments to the government (3)			235.065	336.051
· Investments in the community (4)	2.452	1.869			



Item	Information required	2022	2021
C	retained economic value		
	= (Direct economic value generated) - (economic value distributed)	72.849	241.757
	Provisions, depreciation and amortization	324.760	298.097
	Bookings	32.893	212.341

Grades:

(1) Total revenue.

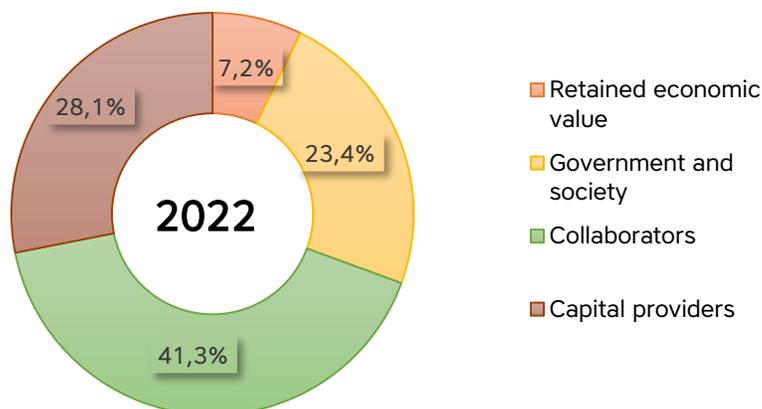
(2) Calculation according to the preliminary profit distribution project.

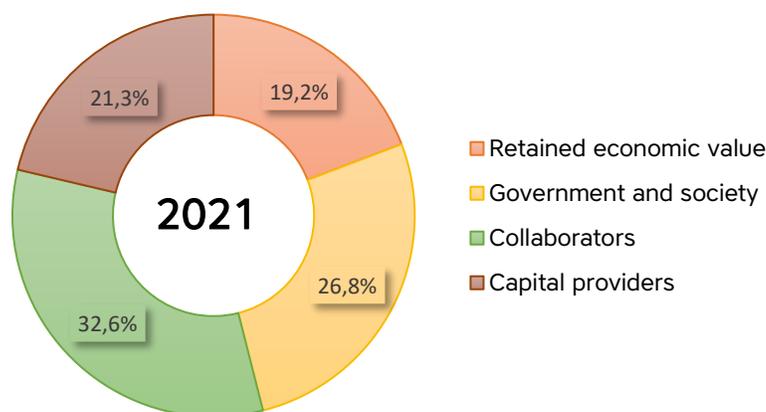
(3) (Income tax + taxes and fees + contribution to the Superfinanciera + deposit insurance + other contributions).

***Fe de errata:** In search of a better adjustment to the definition of the GRI 201-1 standard, the reported values of the items of operational costs and capital providers for the year 2021 are modified; In the same way, this modification affects the final calculation of totals and subtotals of the categories.

(4) Donations.

Distribution of economic value generated





Investment portfolio

In 2022, the Bank closed the available-for-sale investment portfolio with a nominal amount of COP 2.99 trillion, and recomposed the TES due to maturity in May 2022 and replaced them with fixed-rate paper for the part short-medium of the curve, taking advantage of the sharp rise in rates in the TES curve, as a consequence of the contractive policy that was seen this year in most of the world's central banks; The Banco de la República was no exception, since it raised its rates from 3% in January to 12% in December to offset the inflationary effect. In this portfolio a distribution is maintained: 44% in UVR TES and 56% in fixed rate TES.

On the other hand, the portfolio of negotiable investments was closed in 2022 with a nominal value of COP 165,000 million and a duration of 0.36 years, leaving liquid titles, in private debt and 73% indexed to inflation and the IBR; This was done as a protection measure against the high volatility that was registered in the year and the strong pressure exerted by the net stable funding ratio (CFEN) on bank deposit rates, in addition to all the political uncertainty that lived throughout the year and that it will continue to be so in 2023.

Bond issue

In 2022, the eighteenth issuance of ordinary bonds was made, as follows:

- **Issue date:** March 10, 2022.
- **Value placed:** COP 490.7 billion.



- **Value demanded:** COP 554.7 billion (1.58 times the initial amount offered of COP 350,000 million).
- **Series:** maturity in 2, 3 and 5 years.

Series	Term	Court
B	36 mouths	10,20 % E.A.
C	60 mouths	IPC + 3,84 % E.A.
D	24 mouths	IBR + 2,68 % M.V.

Finally, it is worth mentioning that addendum No. 5 to the Bond Issuance and Placement Program was carried out, with which the Financial Superintendence of Colombia (SFC) authorized Banco Popular, through official communication No. 2022084114-009 of July 26, 2022, to issue specific destination bonds (Green Bonds, Social Bonds, Sustainable Bonds and Orange Bonds), which will allow the entity to participate in this important market in the very near future.

3.2 Contribution to the development of our clients

Business Banking

Banco Popular's objective is to be the strategic ally of its clients in the business segment and to manage the relationship with its clients in the corporate segment. To achieve this, the entity offers specialized products and services that allow companies to expand and develop their business, a value offer that is complemented and strengthened by the services of the subsidiaries in logistics and document management matters with Alpopular and in fiduciary products and investment with Fiduciaria Popular.

In this way, the comprehensive portfolio that the Bank offers to its business and corporate clients seeks to satisfy their liquidity and financing requirements in local currency, as well as financing in foreign currency for the export and import of products. Likewise, there is a Construction Loan and structured loans for financing projects in alliance with Corficolombiana, along with other financial solutions for investment and profitability, Treasury management, and currency and hedging negotiations. As a complement, solutions are provided for the



commercialization of unproductive assets through the Electronic Hammer and its auction mechanism.

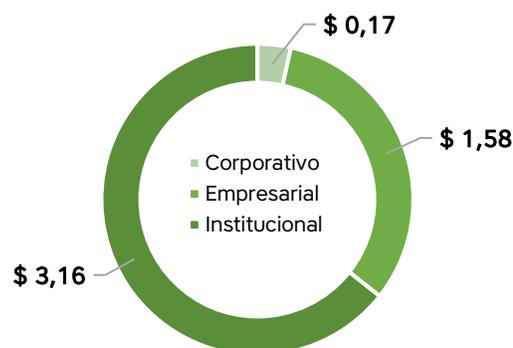
Commercial portfolio 2022

Thanks to the management carried out to consolidate a close and solid relationship with its customers, Banco Popular has a total of 1,750 customers from the business and corporate segments, which represents an increase of 1.2% compared to 2021.

Financing by economic sectors
2022



Financing for Companies 2022
(Figures in COP trillions)



At the end of 2022, the business, corporate and institutional segments, which correspond to the Vice Presidency of Business and Government, budgeted a growth in commercial portfolio balances for a value of COP 410,476 MM, which will be 100% fulfilled and will contribute a 55.30% of the total goal of the commercial portfolio.

To comply with the results obtained, a work plan was implemented with initiatives that allowed focusing commercial management, achieving growth in portfolio balances and contributing to strategic objectives. These initiatives, which will be maintained and will continue to meet the 2023 objectives, are the expansion of the value offer, real estate businesses and sustainable finance.

Savings Balances

The biggest challenge throughout 2022 was to comply with the adjustments in the funding indicators required by the Financial Superintendence of Colombia,



and made efforts focus on making the business and corporate segments protagonists of the Bank's funding. As of December 2022, these segments are meeting 133% of the acquisition goals established in the year for the CDT product, which shows a change in the culture of the commercial force; This allowed Banco Popular to become not only a provider of liquidity and financing, but also an interesting alternative in investment products, mainly CDT, and thus contribute to the entity's stable funding.

Cash Management resource management

This portfolio of transactional services allows clients to efficiently manage their treasury and liquidity strategy, through the entity's payment and collection lines. Cash Management products allow for the diversification of commission income and fundraising, as well as the possibility of establishing a long-term relationship with the Bank's customers.

During 2022, a 21% growth of customers with active Cash Management agreements was achieved, and the year closed with nearly 2,500 customers.

Government Banking

In 2022, the Bank continued working on various initiatives to continue building relationships of trust and value with public entities; Currently, it contributes to an adequate and efficient management of State resources with the strengthening of the master accounts product, working together with the ministries and guaranteeing compliance with all established regulatory aspects.

In terms of placement, the government segment portfolio achieved growth of 20% compared to 2021, with an increase in balance of around COP 325,000 million, a favorable behavior for 2022 thanks to the work that has been carried out in recent years, strengthening the commercial relationship with territorial entities and their decentralized entities, the channeling of development resources, as well as the implementation of a strategy with Corficolombiana for the structuring and financing of new investment banking projects.

Development Bank

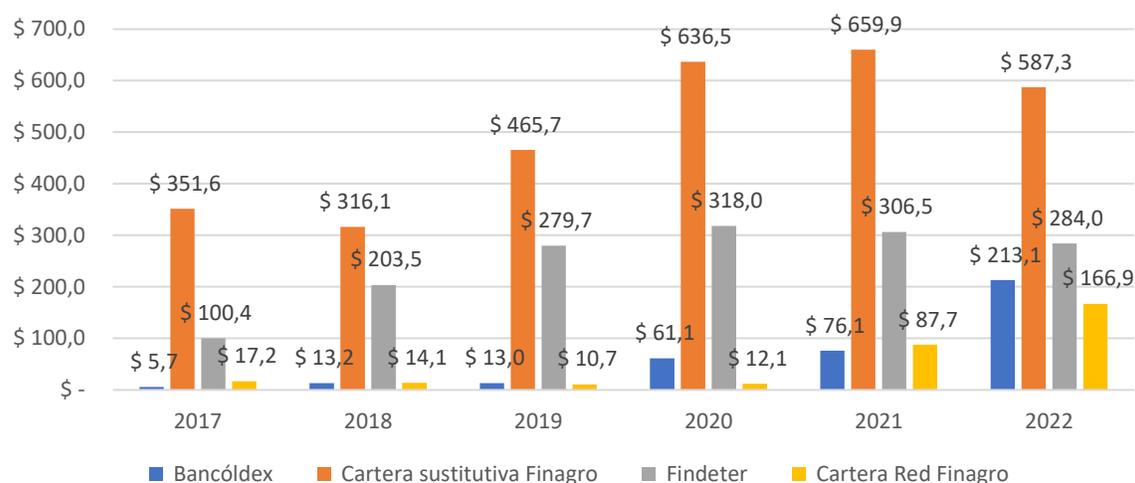
Through the use of development lines, we contribute to the economic reactivation of the country, aligned with public policy on the health, education, and rural development fronts, as well as climate change.



The Development Banking portfolio had a growth of 1.10% compared to the previous year, reaching a balance of COP 1.25 trillion at the end of 2022. This behavior was framed by the restrictions on the replacement portfolio imposed by *Finagro*, due to the increases in interest rates by the Banco de la República and, in general, due to the behavior of the national and international economy.

Below is the detail of the evolution of the promotion portfolio by entity and type of portfolio.

Mobilization of resources through development banks
(figures in billions)



Tax collection

Banco Popular maintains its objective of becoming an important player in the matter of tax collection, focusing on opening more markets with the subscription of collection agreements to territorial entities, always oriented towards electronic channels.

The strategy is aimed at increasing the collection of national taxes, such as Income, VAT, Withholdings and Customs, while in the territorial area taxes, Predial, ICA, RetelICA and Vehicles are prioritized.

Banco Popular's tax collection during the year 2022 registers a growing behavior, maintaining the positive trend observed in recent years.



SME Banking

During the year 2022, the entity carried out campaigns specifically aimed at customers in the SME segment, in order to meet their needs, including financing for the payment of severance pay, the consolidation of liabilities, the comprehensive offer of Cash solutions Management for companies belonging to strategic ecosystems, as well as the offer of financing solutions to potential clients.

In the same way, actions were carried out focused on the offer of lines of promotion for the reactivation, internationalization and business modernization, and the registration in the Accompaniment Program for the Strengthening of Entrepreneurial Skills, with the support of an external consultant, more than 20 spaces between talks with experts and webinars on opportunities in strategic clusters and current topics of value for SMEs.

Evolution of SME customers

Banco Popular began 2022 with more than 1,100 active clients in this segment, and by the end of the year it reached almost 1,300 active clients, that is, a growth of 12.9% compared to 2021.

Evolution of the SME portfolio

The portfolio of Banco Popular's SME segment closed \$121 billion for the year 2022, with a decrease of 4.4% compared to 2021, whose result was \$126 billion. The management carried out by the entity in the supply of development lines stands out, however, factors such as inflation and interest rates affected the growth levels of the portfolio.

Personal Banking

The Bank serves four target segments in Retail Banking, to which it offers a special value offer, designed to generate positive and memorable experiences.



Pensioners

Diamond Offer

For pensioners, Banco Popular designed the Diamond Offer, which integrates financial products to easily manage the pension and finance any purpose with exclusive benefits, thinking about the specific needs of the segment.

Public force

Offer Our cause

Banco Popular provides savings, payroll, credit, home financing and protection products to members of the Military Forces and the National Police, with exclusive benefits designed especially for their needs, in agreement with Caja Honor and Nuestra causa.

Teachers

Sapphire Offer

With this offer, teachers have financial products that allow them to manage their income easily and safely, in addition to financing any purpose with the support and exclusive benefits provided by Banco Popular.

Formal public and private worker

Progress

Banco Popular provides formal workers with savings, payroll, credit, home financing and protection products with benefits and exclusive alliances, specially designed to meet their needs.

Thanks to the work carried out for each of the natural person target segments, the Bank managed to have more than 1.1 million customers in 2022.

Within this framework, the Bank has savings products, including different types of accounts, such as savings, payroll and pension accounts. In the same way, it offers CDT for clients to invest their money in a safe, stable and simple way.

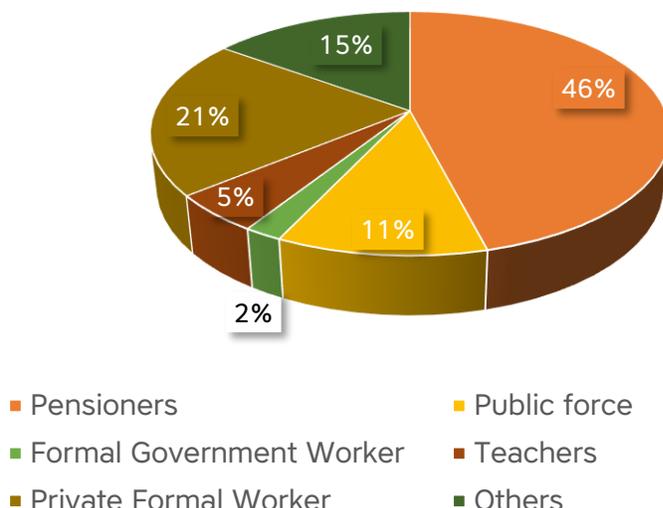
Within the line of credit, the Bank includes payroll, free investment and housing loans to help its clients achieve short, medium and long-term objectives. Likewise, it has credit cards designed for each of the segments, with exclusive and differential benefits.

A bank close to people

During 2022, the number of Banco Popular clients grew by more than 50,000, including pensioners, members of the Public Force, teachers and formal workers, distributed as follows according to their participation:



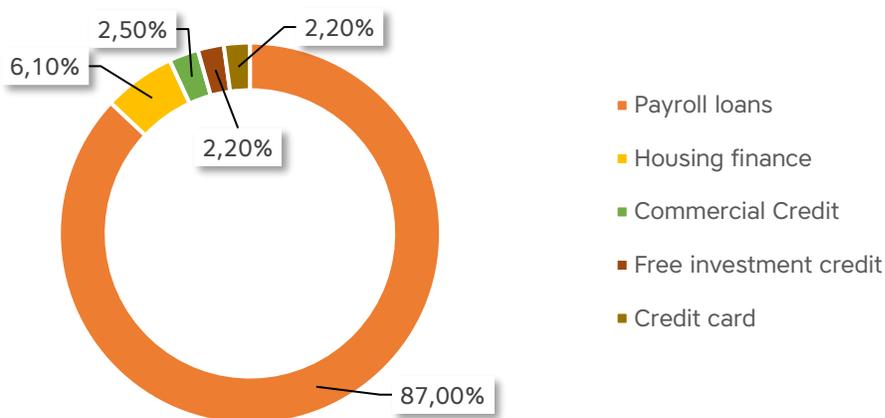
Customer Participation by Target Segments



Throughout the year 2022, Banco Popular directed its efforts to the fronts of attraction, deepening, loyalty and experience, with which the necessary leverage has been consolidated to increase the number of clients, maintain market participation, increase the recruitment and placement, and build trust, long-term relationships and strong ties with customers.

At the end of 2022, the Bank has a portfolio of more than COP 17 trillion. Portfolio share by business line is distributed as follows:

Participation of the portfolio by business line





The payroll loans have an important participation within the Banco Popular portfolio, with a percentage higher than 90% during 2022. In these terms, an increase of one percentage point can be seen in the free destination line and a decrease of two tenths in housing loans compared to 2021.

Bancarization

(SASB FN-CB-240a.3.)

Banking is essential for social inclusion, since this process seeks to make it easier for people to access the financial system and make greater use of it, reducing fiscal risks and improving the formalization of the economy. For this, Banco Popular is working on different fronts, such as digital products and bancarization management.

Digital products

Currently, the organization has developed several digital and self-management products, such as the payroll account, pension account, credit card, CDT and *Prestayá* payroll; This allows customers in the personal segment to more easily access the financial products offered by the Bank, since the entity makes optimized applications available to them with less documentation.

Bancarization management

On the dates of pension payments throughout 2022, the main offices provided users with support and information on the financial products offered by the Bank, in order to generate their adoption in an easy and informed manner. In addition, the Bank contributes with the massive opening of accounts for the new members of the Public Force, to facilitate their payments.

Banco Popular and the access to banking services for pensioners in Colombia

For more than seven years, the Bank has focused its efforts on banking the segments, holding annual events that involve financial education talks, talks on topics of interest to the segment, and activities that bring them closer to digitality, seeking that retirees access the different benefits of the Diamond Offer. Today, the digitization trend continues and the number of banked people in the country is increasing more and more. During the pandemic, the use of digital banking applications increased by 59%, and in the specific case of Banco Popular, the use of digital channels increased by 50% in the pensioner segment. In this sense, the Bank has adapted to these new realities, offering a wide range



of products through digital channels. Currently, pensioners and workers can open their pension account or the other accounts in the portfolio without having to leave home, all from the Bank's website.

In 2023, the work for the pensioner segment will continue stronger than ever and will be focused on attracting new clients and offering them the benefits of the Diamond Offer in savings, credit and protection products, thinking of supporting them financially so that they can achieve their dreams.

3.3 Innovation and Transformation

As part of Banco Popular's strategy, it seeks to make banking a more humane service that generates value that contributes to people's lives. One of the fundamental pillars for enabling this strategy is innovation, understood as the ability to generate solutions in a different way to cause an impact not only on the customer experience, but also on the perception of stakeholders.

The Bank has been carrying out a transformation process towards business agility since 2017, in order to respond to the challenges derived from relationships with customers and users, the incorporation of new technologies and adjustments in the social and economic environments. This process represents the reinvention, adaptation, evolution and learning in the operating model, value streams, technology, tools and engineering practices, as well as the use of data, in order to improve offerings to customers. through agile practices that generate value through the incremental delivery of solutions.

With this in mind, in 2022 the Vice Presidency of Business Innovation was consolidated, with the purpose of promoting innovation at Banco Popular through the continuous exploration of new opportunities, both in the field of internal efficiency and in the promotion of new business initiatives, thus dedicating himself to discovering an uncertain future and trying to change the present for the better. In this sense, during 2022 outstanding results were achieved in different areas, as presented below.



Operational excellence

Work was done on generating value through operational efficiency and processes that impact the customer experience, all focused on strategy management. This is how the BETO (Bank, Efficient, Transformed & Optimized) process improvement and automation program was implemented, from which four transformation cores were defined, leveraged on data and analytics. Each of these components generated results in terms of:

Process Improvement and Automation Program (*BETO*)

- **Management of value chains.** End-to-end functions, processes, activities, equipment and events were optimized to obtain the maximum speed and quality of the products and services offered, ensuring traceability in enabling new business opportunities from their identification to the delivery of the solution.
- **Strengthening of the Bank's agility and transformation.** Progress is being made in the process of evolving the value stream practice, ensuring that work in *CETA* and *CoE* is more fluid and efficient.
- **Construction of value streams.** More than 160 value streams were built, which allowed the identification of improvement opportunities addressed with Lean and Agile methodologies.
- **Improvement and automation.** Banco Popular made important advances in the improvement and redesign of processes and in their automation, enabling technical, technological and skills capacities. This allowed the execution of projects with positive results.

Operating model

The Bank is in search of efficiencies, to respond to the changes required by the environment; In 2022, the simplification of the business continued through changes in the operating model, which is why some components have been reconsidered and new ways of working have been put into practice through:

- The establishment of self-organized multidisciplinary teams, with sufficient experience to generate value for clients.



- The definition of new roles with different knowledge from the traditional ones, depending on the vision of the business.
- The creation and compliance with new metrics that ensure the delivery of value to the customer, with the quality and speed that customers demand.
- The reorganization of the Bank's capacities, optimizing work teams to increase productivity.

3.4 Customer experience

Banco Popular is a customer-oriented organization that builds relationships based on trust and demonstrates its commitment to generating memorable and positive experiences throughout its strategic management.

From the customer value proposition, the strategic service priority is managed with a positive attitude. This translates into living a culture based on positivism, which is reflected in the attitudes and actions of the human team so that, with empathy, willingness and proactivity, experiences are generated that add value and strengthen the bond with customers over time. through easy, timely and effective solutions.

In this sense, the Bank has led its work teams to harmonize the organizational efforts in listening to and learning about customer segments, delving into what they value, want, need and expect from the Bank throughout its cycle. of life, as well as their levels of satisfaction, the identification of points for improvement and their management to surprise them and provide them with a differential experience.

In order to materialize the value proposition, a route has been drawn up to eliminate the identified gaps and honor the customer value offer, which implies, within the strategic plan, the prioritization of initiatives focused on addressing loyalty mobilisers, what values the customer and that has an impact on their recommendation, as well as channeling organizational efforts to manage customer problems in sales, use, cancellation and loyalty interactions, as well as in customer service channels.



Customer Experience Management System

This system, which was implemented with the aim of guaranteeing a quality service, is structured around three fundamental principles: listen, learn and transform.

- **Listen**, because what is not heard cannot be improved. In addition, it is necessary to obtain a constant source of information on the current performance of the experience and analyze how it affects the Customer Journey.
- **Learn**, which means analyzing, interpreting and understanding the drivers that generate conversion and loyalty, as well as the action points in the relationship with the client to make a differentiation through improvement and innovation.
- **Transform**, because it is useless to measure if changes or improvements are not made, if actions that impact the experience are not implemented.

Satisfaction indicator (INS)

The Bank's INS was 73.3% in 2022, which improved compared to the previous period, in which the result was 69.3%. This reflects that the percentage of dissatisfied customers has decreased considerably. Among the factors that customers highlight the most are aspects associated with the care and service provided by Bank employees, as well as the ease of accessing its value offer.

Customer Recommendation Index (NPS)

The NPS has shown an upward trend in recent years. In 2022, a result of 44.3 was obtained, which improves on the 40.5 of 2021. This reflects the result of the initiatives implemented within the Bank to improve customer satisfaction. Thus, in 2022, 59% of customers are promoters of the brand, that is, customers who love and speak well of the Bank, who have expressed their intention to remain with Popular and feel that their expectations have been exceeded.

Financial Consumer Service System

Banco Popular seeks to consolidate a culture of attention, respect and service to customers and users through the Financial Consumer Service System (SAC), a system with which actions are directed to ensure the creation of memorable



experiences that are framed in the financial well-being. For this, the Bank genuinely and committedly accompanies customers and users in the understanding and use of the products and services it offers, with a view to promoting responsible and informed decision-making.

Management of requests, complaints and claims (PQR)

The Bank has implemented a PQR management model that establishes the procedure that must be followed for the reception, management and resolution of requests, complaints and claims (PQR), in order to guarantee compliance with existing regulations and the promise Customer service. With the analysis of typologies and monthly statistics, aligned with the customer experience model, it seeks to alert product owners so that action plans are generated that eliminate the root causes in situations that generate customer and user dissatisfaction, as well as permanently improve the customer experience.

Compared to the immediately previous year, there is a 19% reduction in filed complaints, with a positive effect on root cause management in payroll and credit card products.

Likewise, there was an impact on the radiation of PQR, originated mainly by the migration of the banking core and by intermittencies in the transactional systems. The historical evolution of requests, petitions, complaints and claims is illustrated below.



4. Aprendamos más



Education and knowledge contribute not only to the development of people, but also to inclusion and the generation of new opportunities to continue living the positive effect together. In this sense, Banco Popular has implemented financial education, inclusion and accessibility strategies, through which it provides knowledge on the responsible use of the financial products and services it offers and encourages the development of strategies to guarantee access to these, with the aim of contributing to the development of its stakeholders.

In 2022, the Bank made significant progress in the strategic front "*Aprendamos más*" of the Sustainability Model, with the development of activities that have allowed it to accompany users and customers genuinely and committedly in the use of their finances, with the purpose of achieving their growth and financial well-being. In this way, the management carried out on this front contributes to the fulfillment of the Sustainable Development Goals (SDGs) to generate experiences full of positivism.

4.1 Financial education

Within the framework of the policies and guidelines of the Financial Consumer Service System (SAC), "*Aprendamos más*" was developed, a financial education program in which the necessary information, tools and knowledge are provided so that both clients and users can make informed decisions regarding the planning and administration of their finances. Thus, it seeks to raise awareness among financial consumers to encourage better use of banking services, with the purpose of building financial well-being for them and their families, and positively impacting their quality of life.

This financial education program is aimed at people and companies of different characteristics, who have received information and content focused on the following thematic axes:

- Knowledge of financial products.
- Bank security and data protection.



- Family finances.
- Digital channels and money management.

These contents have been designed and developed through audiovisual proposals and conceptual and methodological tools that allow the development of skills around making responsible financial decisions. Its disclosure was made through emails, social networks and the Bank's web portal, as well as in face-to-face and virtual conferences, participation in union initiatives and delivery of school kits with financial information.

In 2022, an 18% increase was observed in the number of participants in these activities, a percentage that is expected to improve in the coming years with innovation in the campaigns, tools, and content developed for these activities.

Financial education and wellness events

The Bank has participated in educational and financial well-being events aimed at its stakeholders, especially the following segments:

- Pensioners.
- Teachers.
- Public force.
- Formal workers.

Additionally, the entity has given conferences to its business clients on budgeting, investment and finance issues in business. Below are the events in 2022 in which the Bank actively participated.

4.2 Diversity and inclusion

[FS14]

For Banco Popular, diversity and inclusion are highly relevant in the creation of safe spaces, the promotion of organizational health and the strengthening of a service with a positive attitude. Because of this, the organization has genuinely worked to progressively overcome the barriers that exist so that people can access the products and services offered by the entity.

In this order of ideas, projects have been developed to promote the diversity and inclusion approach in the management of human talent and in the attention to



clients and users, contemplating the dynamics of diversity of gender, ethnicity, physical condition, sexual orientation, religion and age, with the purpose of continuing to provide positive experiences to all its stakeholders.

Within this framework, the Corporate Diversity and Inclusion Policy has been implemented, which establishes the principles and guidelines to promote a diverse, equitable, inclusive, and respectful organizational culture that values differences. Likewise, actions have been developed from the Inclusive Care Model and the mainstreaming of the diversity and inclusion approach through initiatives such as the Friendly Biz certification.

Inclusive Care Model

This model integrates the development of transversal projects in the organization, which focus on generating greater accessibility for people with disabilities to the Bank's service and communication channels. To this end, the following initiatives have been progressively carried out:

- Implementation and maintenance of the BeFriend service, which allows the interpretation of Colombian sign language in real time for deaf people in physical offices.
- Implementation of reasonable adjustments in the physical, virtual and informative channels.
- Massification of inclusive signage for the office channel.
- Inclusion of communication alternatives for informative pieces, according to the type of disability.
- Design and implementation of the Inclusive Brand Manual to ensure inclusive designs in the facilities.
- Updating, implementation and promotion of the Inclusive Care Guide to ensure exceptional service.

Friendly Biz Company

In 2022, Banco Popular renewed its certification as a Friendly Biz company, which highlights its commitment to the implementation of good practices for the recognition and protection of human rights in the service and experience that the company provides to all its clients and users, progressively generating dynamic environments that promote inclusion, safety and well-being for all the people who interact with the entity.



The recertification process was carried out with the Colombian Chamber of LGBT Merchants (CCLGBT) and the auditing firm Future Builders, which guided the awareness-raising exercise, process review, auditing and identification of opportunities for Aval entities to continue strengthening the management of safe, diverse and discrimination-free living environments.

At the end of this process, the renewal of the Friendly Biz certification was received, which recognizes Banco Popular, together with the other entities of Grupo Aval, as friendly companies with the LGBTIQ+ community. At the Group we are committed to diversity and inclusion, convinced that "there is more that unites us than what sets us apart" with our stakeholders.



5. Cuidemos más



A positive footprint for tomorrow is built with every decision and action we take today. For this reason, Banco Popular manages and promotes responsible practices for caring for the environment that allow the organization to be eco-efficient in its operations and, at the same time, promote culture and environmental development throughout its supply chain. worth.

In this sense, during the year 2022, important advances have been consolidated in the strategic front called "*Cuidemos más*" of the Sustainability Model, related to the issues of eco-efficiency, carbon footprint and sustainability in the supply chain, as will be seen in this chapter.

Each of the actions carried out by the Bank to improve its environmental performance contributes to the fulfillment of the Sustainable Development Goals (SDGs), in order to together leave a positive footprint for tomorrow.

5.1 Eco-efficiency and carbon footprint

One of Banco Popular's priorities in its 2025 Strategy is to promote sustainability, from which sustainable projects are promoted, as part of the organizational commitment to greening its operations. Within this framework, the Bank has developed and implemented operational eco-efficiency practices to improve its corporate environmental performance through savings and the efficient use of resources.

During the year 2022, actions framed on this front were led to advance in the consolidation of the environmental commitment of the organization, among which the construction of the Institutional Environmental Management Plan, the measurement of the corporate carbon footprint, the management of the closing of the usable waste cycle, as well as the development of transversal strategies for the efficient use of water, electricity and paper. All the above has been framed within a culture of care and respect for the environment, with actions that reflect Being Popular in society.



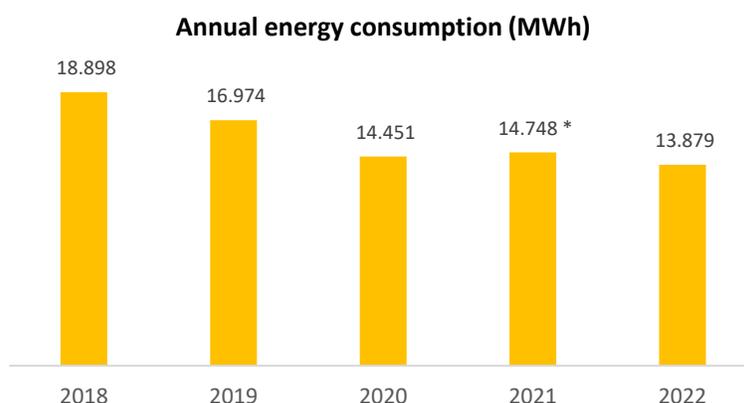
Efficiency in the use of resources

Throughout the year 2022, the Bank continued its efforts to strengthen the resource consumption monitoring and control system, which analyzes the trends of the indicators in the offices at the national level to adopt specific measures and action plans. timely when there are significant increases; In this way, it tends to improve the performance in the consumption of electricity and water, always guaranteeing the comfort of the human team and the users of the offices, as well as a lower environmental impact.

Efficient use of energy

[GRI 302-1]

As part of the management carried out by Banco Popular to improve its performance in electricity consumption, energy consumption is monitored through a monitoring and control system that allows trends to be analyzed and periodic identification of whether consumption has occurred. high energy in branches and ATMs so that the Architecture Committee can take the pertinent measures, in development of its monthly follow-up of deviations.



In 2022, a **6%** decrease in the Bank's energy consumption was achieved compared to 2021, which represents a saving of **869 MWh**.

In this sense, significant savings have been seen in this matter. Electricity consumption in 2022 registered a decrease of 6% compared to 2021, thanks to careful observation of the evolution and development of the work carried out on the consultation and monitoring platform, from which intervention and review of



electrical equipment in high-consumption offices, their correct operation, as well as the awareness of staff in handling electrical equipment and systems. Such actions have contributed significantly to achieving this result, evidenced in a year in which operations have normalized after the pandemic, considering the transformations that have taken place in terms of telecommuting and working from home, which have a direct impact on these consumptions.

Solar energy

The Banco Popular office in Riohacha has a solar panel system, which has a generation capacity of 40 kW. This system, installed in 2020, helps to reduce energy consumption from the home network in this place by up to 81%.

The project is a benchmark for the Bank to implement renewable energy solutions in other locations in the country. For this reason, in 2022 new opportunities for photovoltaic projects in other offices were reviewed.



The solar energy generated and consumed in the Bank during the year 2022 was **55.5 kWh**.

Efficient use of water

Aware of the importance of water as a vital resource, the Bank has carried out projects to guarantee its savings and efficient use in its offices throughout the national territory. Among these projects, the monitoring of the water consumption of the facilities through the monitoring and control system, the maintenance processes in hydraulic networks, as well as the implementation of water-saving technologies in the organization's hydrosanitary systems, stand out. Thanks to the management carried out on this front, the reduction in water consumption in 2022 was 6% compared to 2021.

Consumo de agua



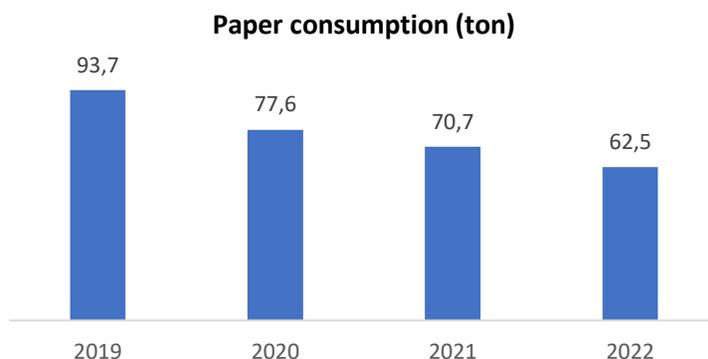
186.492 m³	175.333 m³	A 6% decrease in the Bank's water consumption compared to 2021 was achieved, which represents a saving of 11,159 m ³ .
Año 2021	Año 2022	



Comprehensive paper management

The Bank's transformation process has contributed to improving the efficiency of its processes, with the support of digital tools that strengthen the management of the organization to provide a service with a positive attitude that generates value and offers easy, timely and effective solutions. In this order of ideas, the transformation and digitization process has had a positive impact on the reduction of paper consumption in the Bank's processes.

Through the "We are digital" initiative, strategies have been integrated to generate awareness for the efficient consumption of stationery, which seeks a systematic reduction in its use and demand. As main advances in the replacement of traditional means based on the use of paper by digital means, there is the electronic signature, the virtualization of bank statements and the creation of shared folders in SharePoint for the use of work teams.



According to what can be observed in the graph, there is a systematic reduction in the use and consumption of paper; Thus, in the year 2022, a saving of 12% was achieved in the number of reams used compared to the previous year, which represents 8.2 tons of paper not consumed in the reporting period.

Paper recycling

Banco Popular has implemented strategies to guarantee the recycling of archival paper, with the purpose of contributing to the circular economy and achieving the organizational objectives of efficiency and sustainability. During the year 2022, the goal of discarding 20% of the archival inventory was set, corresponding to more than 32,500 boxes that lost their documentary value.

By carrying out the process of discarding this material, it was possible to exceed the goal and allocate more than 78,600 archival boxes for recycling, which is



equivalent to 707.6 tons of paper that closed its cycle and can now serve as input for new products, thus which indirect positive environmental impacts are generated, associated with recirculating the materials in the system, mitigating greenhouse gas emissions, avoiding the felling of trees and contributing to the reduction of waste destined for the sanitary landfill; Likewise, it has had a positive impact on the reduction of the organization's file storage costs.

Recycled archival paper (ton)

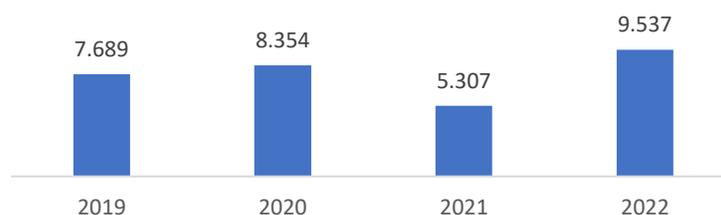


In the year 2022, the total volume of archival paper sent for recycling through the Popular Hammer increased by 66%, which represents a total of 466.7 tons of said usable material. Thanks to this, the felling of more than 12,000 trees has been avoided.

Depreciation Management

Once the useful life cycle of the Bank's assets has ended, the appropriate disposal of waste electrical and electronic equipment (WEEE), as well as disused furniture and fixtures, is carried out. For this, the collection of the elements is carried out in the offices and dependencies of the organization for their subsequent collection, classification and delivery, according to their characteristics.

Obsolete elements destined for utilization processes (units)





During the year 2022, the use and final disposal of materials from more than 9,000 decommissioned elements was managed, which increased by 79% compared to the previous year, due to the project for the renewal and technological migration of computer equipment.

Corporate carbon footprint

Mitigation and adaptation to climate change have been consolidated as challenges of global interest that require joint action to achieve the goals proposed at the national level. For this reason, Banco Popular has developed actions to strategically manage its corporate carbon footprint and, in this way, join the efforts of the climate agenda of the country and the sector.

In this sense, the organization has estimated its greenhouse gas (GHG) emissions generated directly and indirectly in its operations on a national scale. This information has made it possible to establish measures to improve corporate environmental performance, with the development of initiatives for the management and use of resources that affect the reduction of GHG emissions. Likewise, in 2022 the corporate carbon footprint was calculated for the third consecutive year, which was prepared in accordance with the methodological guidelines of the Greenhouse Gas Protocol (GHG Protocol), the Colombian Technical Standard (NTC) ISO 14064-1:2006 and the guidelines of the Intergovernmental Panel on Climate Change (IPCC).

The results of this exercise are presented in this report from the three scopes of the carbon footprint, whose unit of measurement corresponds to tons of CO₂ equivalent (tonCO₂eq). It should be noted that the information was consolidated based on the operational control approach.

Distribution of the carbon footprint 2022 by scope

Scope 1

GHG emissions generated directly by the organization due to the consumption of diesel in backup power plants and the consumption of gasoline in its own vehicles, as well as the estimation of refrigerant gas leaks in air conditioning equipment and CO₂ and other gases in the fire extinguishers.

Scope 2

Indirect GHG emissions associated with energy consumption at the Bank's offices.

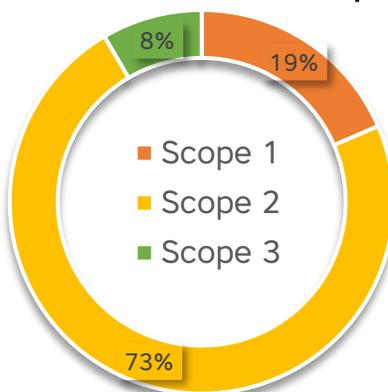


Scope 3

Other indirect GHG emissions associated with paper consumption in offices and business air travel.

In 2022, the Bank's corporate carbon footprint was 2,137.36 tonCO₂eq, which represents a decrease of 15.53% compared to 2021, whose result was 2,530.21 tonCO₂eq.

Distribution of the Carbon Footprint 2022



Annual Corporate Carbon Footprint



This reduction is mainly due to the management of energy efficiency in the Bank's offices, which has been focused on the change to LED lighting and the inclusion of a monitoring and control system that has made it possible to analyze consumption trends to direct saving actions and efficient use of resources, actions that helped reduce scope 2 emissions by 16.31% compared to 2021.



On the other hand, regarding scope 1, the use of refrigerant gases with lower global warming potential stands out, thanks to which these emissions could be reduced by 29.66% compared to the year 2021. In line with this, it is worth It should be noted that in 2022 emissions related to the use and recharging of fire extinguishers were added to the inventory, as it is considered a good practice for estimating the carbon footprint.

Finally, scope 3 presented an increase of 43.41% compared to 2021 due to the normalization of the operation, which has had an impact on the reactivation of business trips.

Ecological restoration as a voluntary compensation measure

As part of its commitment to restoring forests in the country, the Bank seeks to green areas affected by deforestation with projects that generate value for the environment and society. In this sense, the entity has formulated a plan to be carbon neutral by 2025, which includes actions such as efficiency in the use of resources and compensation to neutralize GHG emissions based on ecological restoration and the preservation of natural ecosystems.

In this vein, the Bank's new commitment to voluntarily offset 35% of GHG emissions in 2021 was focused on planting 3,316 native Amazonian trees. The project is located in Florencia, Caquetá, and was developed with *Amazonía Emprende*, a forest school that promotes the preservation of natural ecosystems through Nature-Based Solutions (NbS). This program contributes to the sustainable development of the territory in the following way:

- Planting is based 70% on forest species and 30% on Amazonian agroforestry to guarantee its sustainability.
- Generation of local employment and capacity building in nurseries.
- Knowledge experiences in biodiversity, through the *Meliponas* bee's hatchery and the care of other native species.

5.2 Supply chain

The supply process is highly relevant for the Bank, since it centrally manages the acquisition of goods and services, seeking efficiencies in terms of process and cost, to guarantee the satisfaction of the entity's needs and generate long-term relationships. with strategic allies. This process is carried out within the



framework of the guidelines described in corporate policies and in Banco Popular's Strategic Supply Manual.

Likewise, technological solutions have been implemented to support the entity's supply, as part of the organization's commitment to its 2025 Strategy; This has made it possible to manage purchases and contracting services in an efficient and controlled manner.

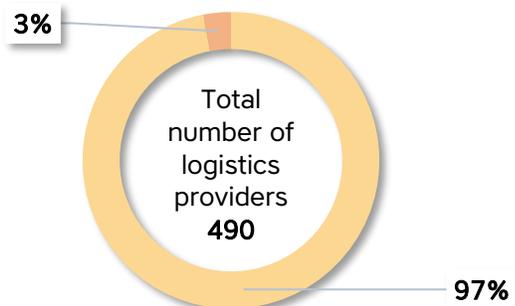
In the year 2022, technological developments of applications such as "Solutions to your measure" were carried out, which improved the experience of user areas and process owners, helped to optimize times, and contributed to the integration and automation of processes. In addition, with the *IProveedor* platform, the performance evaluation of logistics providers was implemented, with the aim of improving the annual evaluation process of strategic allies.

Likewise, the organization has implemented the sustainable purchasing initiative to strengthen environmental, social, economic and corporate governance practices in the acquisition of goods and services, for which it has defined policies and guidelines that contribute to the sustainability of suppliers. and prioritized allies.

Purchasing processes include the evaluation of sustainability criteria applicable to national and foreign suppliers, in accordance with the annual segmentation exercise and the type of service defined within the framework of Grupo Aval's Sustainable Purchasing Policy.



Caracterización cadena de suministro [GRI 204-1]



- National logistics providers. Contracts for more than: \$470 billion
- Foreign logistics providers. Contracts for more than: \$4 billion.

97% of the Bank's logistics providers are national, of which 54% supply goods and services, 24% support operations and 22% are technology providers.