



Corporate Governance Report 2022



100
Posit

VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA



Hoy se puede. Siempre se puede.



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

Issuers of Securities

Banco Popular
March 2023



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



1. Let's be more

The power to inspire is essential to strengthen Banco Popular's culture and provide positive experiences to all of the organization's stakeholders. For this reason, in the strategic front "*Let's be more*" 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.

1.1. Corporate governance

I. Ownership structure

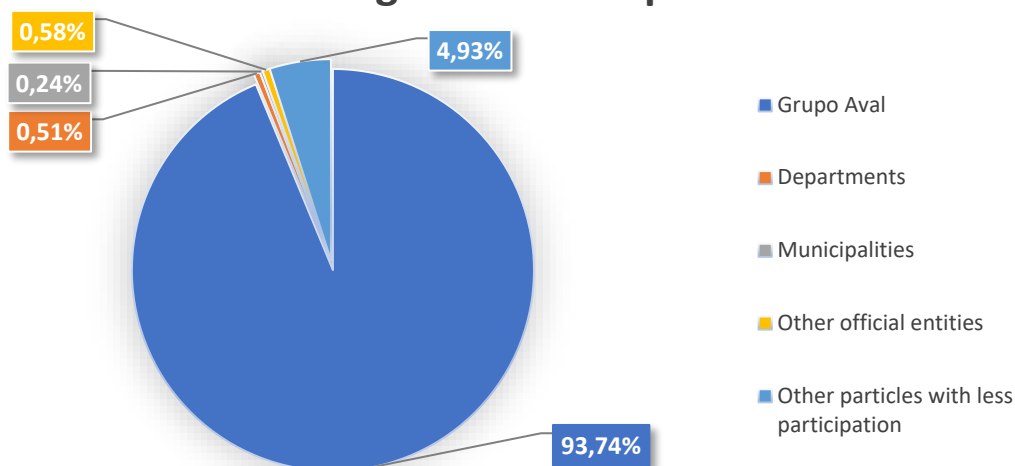
[CE21]

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. owns a significant stake of 93.74% in the capital of the Bank, being the parent company of the Bank and financial holding of the Financial Conglomerate Aval.



Shareholding of Banco Popular



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-laundering, 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 is in charge of 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.

1.2 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.