

Sustainable **Management Report**

2023





2023

**Sustainable
Management Report**



Corporate Name
Banco Popular S.A.



Main Office
Calle 17 No. 7 - 35.
Banco Popular Building.



Website
www.bancopopular.com.co

● **Board of Directors**

Main Executives

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

Substitutes

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

● **Control Bodies**

Walter Saldaña Vergara
Chief Comptroller
Fiscal Audit

KPMG S.A.S.

Represented by
Alba Rocío Estupiñán Sandoval

BDO Audit S.A.S BIC

Non-Financial Information Assurance

Social Media



Bcopopular



BancoPopular



Bco_popular



Bancopopularcol



Banco Popular Colombia

● **General Management**

Maria Fernanda Suárez Londoño
President

Juan Felipe Vásquez Mora
Vice President of Finance

Orlando Lemus González
Vice President of Legal Affairs - General Secretary

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

Sergio Restrepo Álvarez
Vice President of Corporate and Government Banking

Gabriel José Nieto Moyano
Vice President of Credit

Jorge Enrique Jaimes Jaimes
Vice President of Operations

Nubia Inés Sanabria Nieto
Vice President of Human Talent Experience

Ricardo Quijano Rueda
Vice President of Technology

María Paula Wittich Borrero
Chief Experience, Brand, and Sustainability Officer

Helber Alfonso Melo Hernández
Vice President of Risks

Mario Javier Montalvo
Chief Digital Officer BP ADL

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MARÍA FERNANDA
SUÁREZ LONDOÑO
President

Letter from the President

2023 was a year of great challenges for the country, primarily because it faced a volatile macroeconomic environment, with an increase in inflation both globally and locally, and consequently a rise in interest rates by Banco de la República (Central Bank). This situation has had an impact on all sectors of the economy and on the financial sector; As for the bank, it was affected by high financing costs.

Amidst the complexity of this context, where Banco Popular has faced a challenging moment, I took on the challenge of leading this organization with the certainty that with a clear focus and vision for the future we will return to the path of profitability and efficiency to continue contributing to the development and progress of the country, as we have done for over 70 years.

It is well known that challenging situations are truly an opportunity to transform and bring the best from both individuals and organizations; Therefore, the bank is adapting to the demands of the environment to overcome difficulties, by envisioning and working towards business growth opportunities in the medium and long term.

With this goal in mind, over the past few months, we have worked diligently to define a clear strategy focused on efficiency, profitability, and value generation for our various stakeholders, which includes business focus, strengthening a robust balance sheet, and efficient operations. To achieve this, we are currently implementing business plans aligned with this strategy and executing actions that allow us to return to a path of sustainable profitability, with a special emphasis on differentiating our value proposition for our clients, diversifying funding sources, and redesigning our operational model.

Among the positive results worth highlighting is the delinquency ratio, which has remained stable at around 4%, one of the best indicators in the sector. This demonstrates the seriousness and responsibility with which we have managed the credit granting process, taking care of not only our clients but also the bank.

The technological transformation process that has been implemented resulted in some service disruptions for our clients due to the core banking system change. The Bank, committed to service, took all possible actions to stabilize these issues and ended the year with a significant decrease in the volume of complaints and claims. Let this be an opportunity to reaffirm our commitment to providing optimal service to our clients.

We continue to work towards having a more modern organization each day, with process automation and seeking to efficiently meet the needs of our clients and our environment.

Additionally, as a result of our efforts to implement good Corporate Governance practices and standardized information disclosure, the Bolsa de Valores de Colombia (Colombian Stock Exchange) awarded Banco Popular for the first time the IR Recognition for its commitment to aligning with stock market trends.

Similarly, I highlight the management of our entire human team who work diligently every day with discipline and passion across all organizational fronts. It has been a challenging year, where our priority continued to be delivering for our clients.

Acknowledging our team's commitment, and notwithstanding the challenges the bank is facing, we made a significant effort to maintain the benefits for them and their families; this was a crucial pillar for the labor and personal stability of our workforce.

Our commitment is clear and resolute; we will continue working for Colombia, for our clients, our employees, our shareholders, and other stakeholders.

Our management is backed by Grupo Aval, the largest financial group in the country, which drives us to continue advancing favorably to meet our strategy, as well as our responsibility to society and the sustainable development of our country.


MARÍA FERNANDA SUÁREZ LONDOÑO
President





About this Report

[GRI 2-2; 2-3; 2-4;2-5]

The Banco Popular Sustainable Management Report presents to its stakeholders the advances and results of the management carried out in the year 2023 concerning its main economic, corporate governance, social, and environmental issues.

The framework for this report was prepared using the Global Reporting Initiative (GRI) standards, 2021 edition, as a guide for sustainability reporting. It also considers the requirements of the Commercial Code (Código de Comercio), the recommendations of the Best Corporate Practices of Código País, the guidelines of External Circulars 012 and 031 of 2022 issued by the Financial Superintendence of Colombia (SFC), the standards of the Sustainability Accounting Standards Board (SASB) for commercial banks, and the guidelines of the IR standard of the Colombian Stock Exchange.

This Management Report is structured into six main chapters.

The first chapter presents the organization and its key figures, including jobs generated, clients by segment, physical channel coverage, and the composition of the gross portfolio. Additionally, it provides relevant information about Banco Popular's subsidiaries: Fiduciaria Popular (Fidupopular), Almacén General de Depósito S.A. (Alpopular), and Corporación Financiera Colombiana S.A. (Corficolombiana), highlighting the main results of their financial and non-financial management.

The next five chapters correspond to the strategic fronts of Banco Popular's Sustainability Model, a structure that allows visualization of how the organization creates value for its stakeholders and contributes to the country's development.

- Chapter 2 “let's be more” presents governance and corporate management, as well as key figures related to human talent and organizational culture.

- Chapter 3 “Contribute More” includes the main figures of the organization's economic performance within the macroeconomic context, followed by the evolution of financial products and services that support our clients' development, along with innovation and customer experience.
- Chapter 4 “Learn More” illustrates advances in financial education strategy as well as diversity and inclusion.
- Chapter 5 “Care More” presents advances in eco-efficiency in operations and supply chain management, aligned with the reduction of the corporate carbon footprint.
- Chapter 6 presents the disclosure of the Bank's financial statements, which include: the report of the external auditor KPMG, the certification of the separate financial statements, and the accounting notes.

The financial information included in this document has been prepared in accordance with Colombian Financial Reporting Standards (NCIF), issued by the International Accounting Standards Board (IASB), as well as in line with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Regarding non-financial information, the report was verified by BDO Audit SAS, which issued an Independent Assurance Report on the consistency of the information presented. The scope of this assurance focused on a representative sample of 15 prioritized indicators jointly determined with Grupo Aval.

This end-of-year report, covering the period from January 1, 2023, to December 31, 2023, will be published on the corporate website in the Relevant Information section for consultation by stakeholders and regulatory bodies.





About Banco Popular

Sustainable Management Report

01

Banco Popular in Figures

Popular Subsidiaries

Strategic Direction

Sustainability Strategy

Initiatives and Recognitions



01 About Banco Popular

Banco Popular S.A. is an entity with over 70 years in the Colombian market and is part of the Grupo Aval Financial Conglomerate, one of the country's most representative business groups and one of the leading banking groups in the region.

Banco Popular has distinguished itself in the market for its value proposition tailored to its main client segments, providing competitive products and services that contribute to the country's economic development. For its individual clients, the Bank is a leader in the senior citizens segment, offering products such as payroll loans, mortgage loans, insurance, investment products, and credit cards, among others.

Similarly, Banco Popular has successfully developed its value proposition for corporate clients through commercial credit products, cash management, comex and treasury services, building solid relationships with public entities and companies in the country's productive sector.

During the last period, the entity received confirmation of its risk ratings from BRC Ratings S&P and Value & Risk Rating, detailed below:

BRC Ratings S&P

- **Short-term debt of BRC 1+ for Banco Popular S.A.**
- **Long-term debt rating of AAA.**

Value & Risk Ratings

- **Short-term debt: VrR 1+ (One Plus).**
- **Long-term debt: AAA (Triple A).**



Banco Popular in Figures

The organization has physical service channels in 29 departments of Colombia to provide its financial services. Additionally, the Bank has digital channels that ensure access to its services from anywhere with an internet connection.



178
branches nationwide

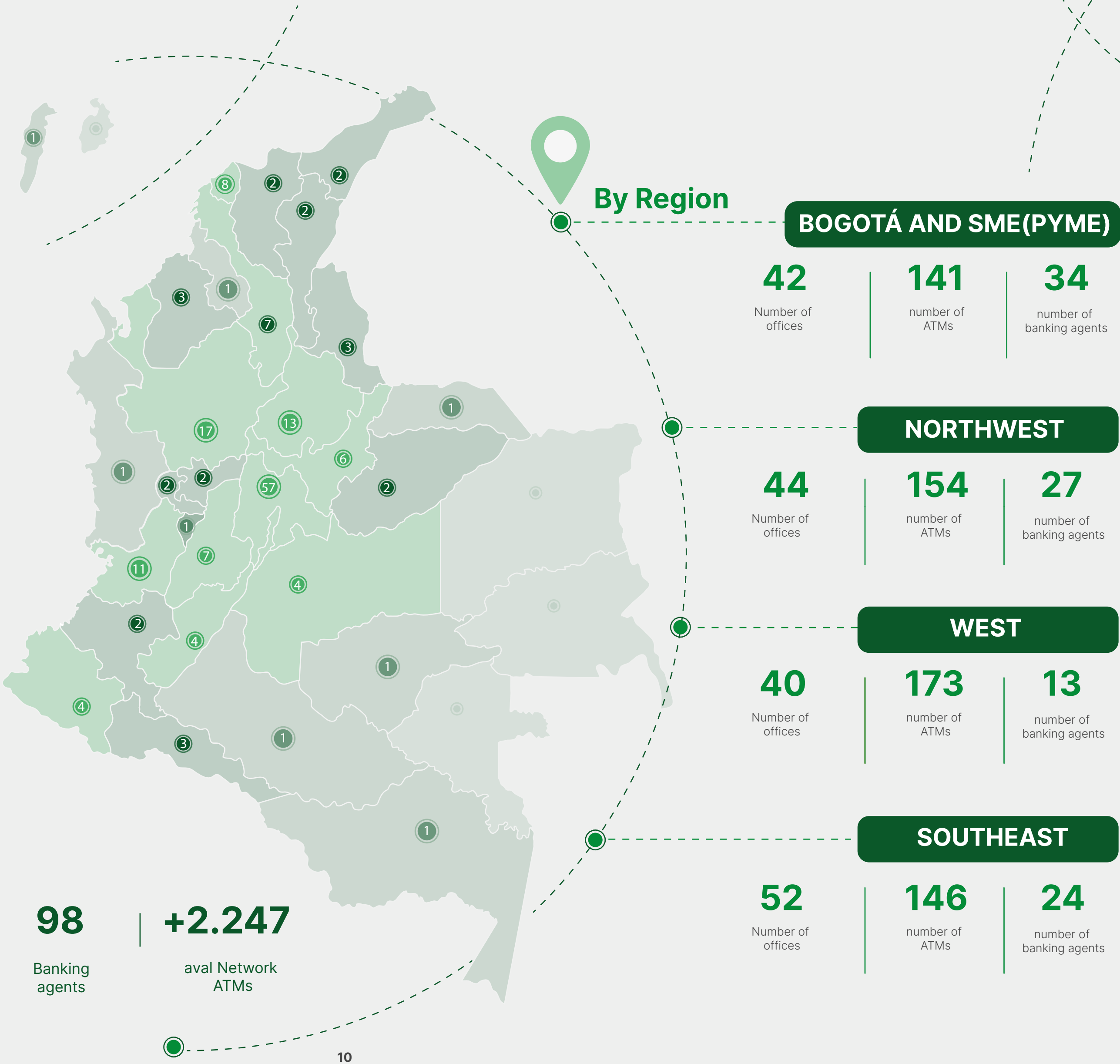
National presence by departments

- 4 or more branches
- between 2 and 3
- branches 1 branch
- no branches

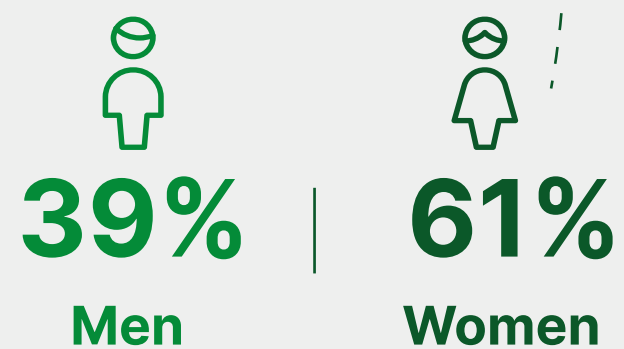
Canales físicos

168 Traditional branches | **10** Express branches | **614** Own ATMs

98 Banking agents | **+2.247** aval Network ATMs



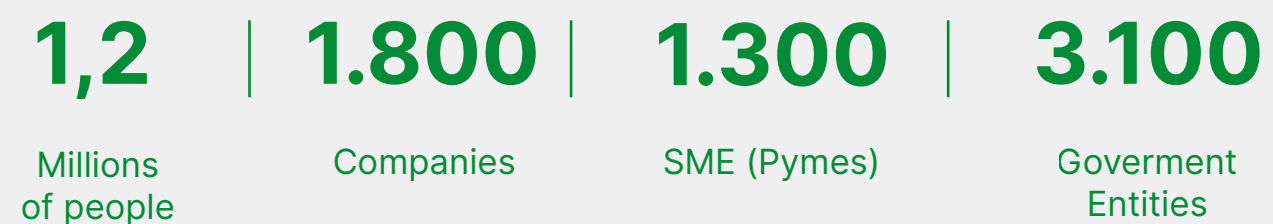
Our Human Talent



+ de 3000
Jobs Created



Clients



Composition of the gross portfolio



(Numbers are in Colombian pesos)

Consumer portfolio	\$ 14.640.277
Commercial portfolio	\$ 5.556.859
Housing portfolio	\$ 1.162.135
Microcredit portfolio	\$ 967
Repos and interbank loans	\$ 14.391

Total	\$ 21.374.629
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Strategic Direction



1.3.2. Corporate Strategy 2024 – 2026

During the last quarter of 2023, a new medium-term corporate strategy was structured, focused on efficiency, profitability, and value creation for our various stakeholders through the following pillars:

Focused Business

We aim to enhance the specialization that Banco Popular has developed over its history in serving the senior citizen and formal worker segments. We want to continue specializing our value proposition for our clients according to new market needs and quality of life dynamics.

Efficient Operation

Alignment of management and corporate governance as a fundamental basis to strengthen leadership, accountability, management capabilities, and decision-making. We will also work on the systematization, automation, and optimization of processes and procedures.

Robust Balance

Establish rigor for disciplined financial planning, enabled by data and analytics. To achieve this, we are implementing business plans aligned with this strategy and executing actions to bring the Bank back to profitability. We will deepen the differentiation of our value proposition for our clients, diversify funding sources, optimize fixed assets, and rationalize operational expenses.

Sustainability Strategy

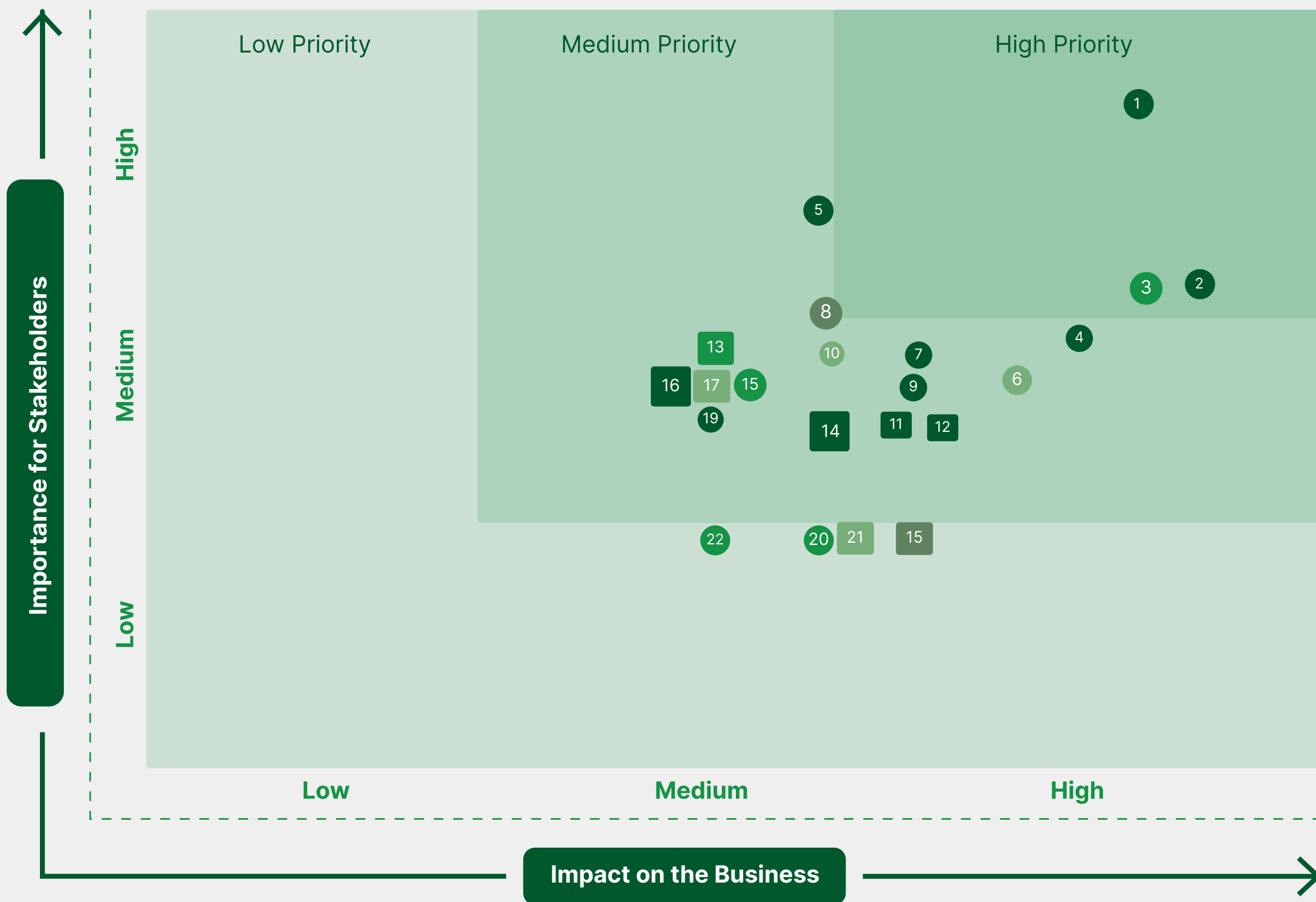
For Banco Popular, Sustainability is a prioritized issue within its strategy for the short, medium, and long term. For this reason, the Bank continuously works on developing strategies and initiatives that guide its management towards sustainable and profitable development.

The Bank is aware that achieving this goal requires constant engagement with key parties for cooperation and the construction of a common purpose. Consequently, through the identification and characterization of its stakeholders, the Bank has identified those actors with whom it should promote constructive communication and dialogue to positively impact society and the environment.

Dialogue with stakeholders, as part of the double materiality analysis, provided insights into their perspectives regarding their relationship with Banco Popular, identifying those material topics or issues considered priorities in corporate management. Based on this identification, strategic axes were aligned with the fulfillment of objectives and goals.



Double Materiality Matrix



Economic

- 1. Stakeholder Relationship Management
- 2. Innovation Management
- 4. Transformation
- 5. Sustainable Lines, Products, and Services
- 7. Business Strategy
- 9. Customer Relationship Management
- 11. Product and Service Quality
- 12. Digitalization
- 14. Sustainable Finance
- 16. Efficiency
- 19. Sustainable Construction



Social

- 3. Labor Practices
- 13. Human Capital Development
- 18. Financial Inclusion
- 20. Talent Attraction and Retention



Governance

- 6. Legal and Regulatory Environment Management
- 10. Corporate Governance
- 17. Risk and Crisis Management
- 21. Business Ethics
- 22. Supply Chain Management



Environmental

- 8. Climate Strategy
- 15. Climate-related Opportunities



The management of each of these relevant topics is presented through the different chapters of this Management and Sustainability Report, as well as the progress and integration with the issues prioritized by stakeholders.

Inclusive Finance Strategy:

Drawing from the company’s extensive history, characterized by being primarily a social Bank and taking into account the socioeconomic characteristics of the Latin American region and the country, Banco Popular has decided to focus on creating a positive impact on one of the most vulnerable and underserved segments of the financial sector: the senior citizen population.

For this reason, Banco Popular has concentrated its efforts on generating Financial Inclusion and Accessibility, providing financial products and suitable channels to serve this population group. However, the Bank also understands the need to develop programs focused on the responsible use of financial products, providing programs designed to meet their expectations and needs.

Finally, in serving this segment, the Bank is committed to training and raising awareness among its team about the needs and limitations of this segment when accessing the financial system. Therefore, dynamic and diverse teams must be configured, with the purpose of providing inclusive service with the highest quality standards.

For this reason, Banco Popular is aware that to develop the Inclusive Finance strategy, it is essential to consolidate the principles of Diversity, Equity, and Inclusion within the Human Team, who will transfer the generation of Social Inclusion from within to the outside.

Green Finance Strategy:

The financial sector plays a key role in the economy, mobilizing financial resources to meet the sustainable development goals that unite us as a society. Now, Banco Popular, understanding this responsibility and observing the effects of climate change, recognizes the need to be a significant player in the transition process. This requires the parallel development of strategies that allow the Bank to adapt its business structure to these new needs. Consequently, the Bank has developed its Environmental and Social Risk Management System (SARAS in Spanish), which complements credit analysis with environmental, social, and climate criteria.

This enables the company to obtain a rigorous and detailed credit analysis of the potential impacts that financing a project could have on the environment and society.

On the other hand, Banco Popular is designing sustainable credit lines and configuring green financial products in response to current client demand. Finally, the green finance strategy is complemented by actions developed within the organization to reduce its environmental impact.

At Banco Popular, the internal culture, from senior management to employees, drives everyday decision-making based on more efficient savings practices, promoting projects that advance environmental development and operational eco-efficiency, incorporating goals for reducing consumption and resource utilization initiatives.



Initiatives and Recognitions



Banking and Financial Entities Association of Colombia (Asobancaria)

Asobancaria is the representative association of the Colombian financial sector, leading actions to promote and maintain public trust in this sector, providing support services that can be developed efficiently in a collective manner, and contributing to the continuous modernization of the financial sector. The Bank is a member of this association and actively participates in both its technical committees and working groups.



Green Protocol (Protocolo Verde)

The Green Protocol is an agreement signed between the national government and the Colombian financial sector, renewed in 2022 for the 2022-2027 period. This agreement establishes commitments from both parties to facilitate the convergence of efforts and establish a roadmap to contribute to sustainable development and the country's climate agenda.

In 2022, Banco Popular renewed its commitment to this protocol, to which it has been adhered since 2017.



Friendly Biz Company

In 2022, Banco Popular received the renewal of its Certification as a Friendly Biz Company, awarded by the Colombian LGBTI Chamber of Commerce (CCLGBTICO) and the auditing firm Future Builders. This certification reflects the organization's commitment to implementing practices for recognizing and protecting human rights, and consolidating environments that promote the safety and well-being of all individuals in their interactions with the Bank.



IR Recognition – Colombian Stock Exchange

The IR seal from the Colombian Stock Exchange recognizes the efforts of organizations to strengthen trust and credibility among the investment community. This recognition highlights the implementation of international best practices in corporate governance, as well as environmental and social aspects (ASG).



Principles for Responsible Banking

Banco Popular, as a member of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking, conducted the process of measuring the impact of its financial operations and its alignment with the Sustainable Development Goals. The report on this progress can be consulted at the following [link](#).





Let's Be More

Sustainable Management Report

|

02

Corporate Governance

Corporate Management

Risk Management System

Human Talent and culture management
organizational



| 02

Corporate Governance



2.1.1. Corporate Governance Report

Period January-December 2023

Banco Popular recognizes the importance of corporate governance as a fundamental tool for its sustainable development and the creation of added value for its shareholders and other stakeholders. This report aims to provide timely, complete, and truthful information to investors and the market in general about the development of the Bank's corporate governance during 2023. This is in accordance with the provisions established in Decree 151 of 2021, External Circulars 012 of 2022 and 031 of 2021 (issued by the Superintendency of Finance of Colombia), as well as the recommendations of the Code of Best Corporate Practices - Country Code, contained in External Circular 028 of 2014, issued by the Superintendency of Finance of Colombia (hereinafter SFC). This report is presented jointly by the Board of Directors and the President of the Bank.



I. Ownership Structure

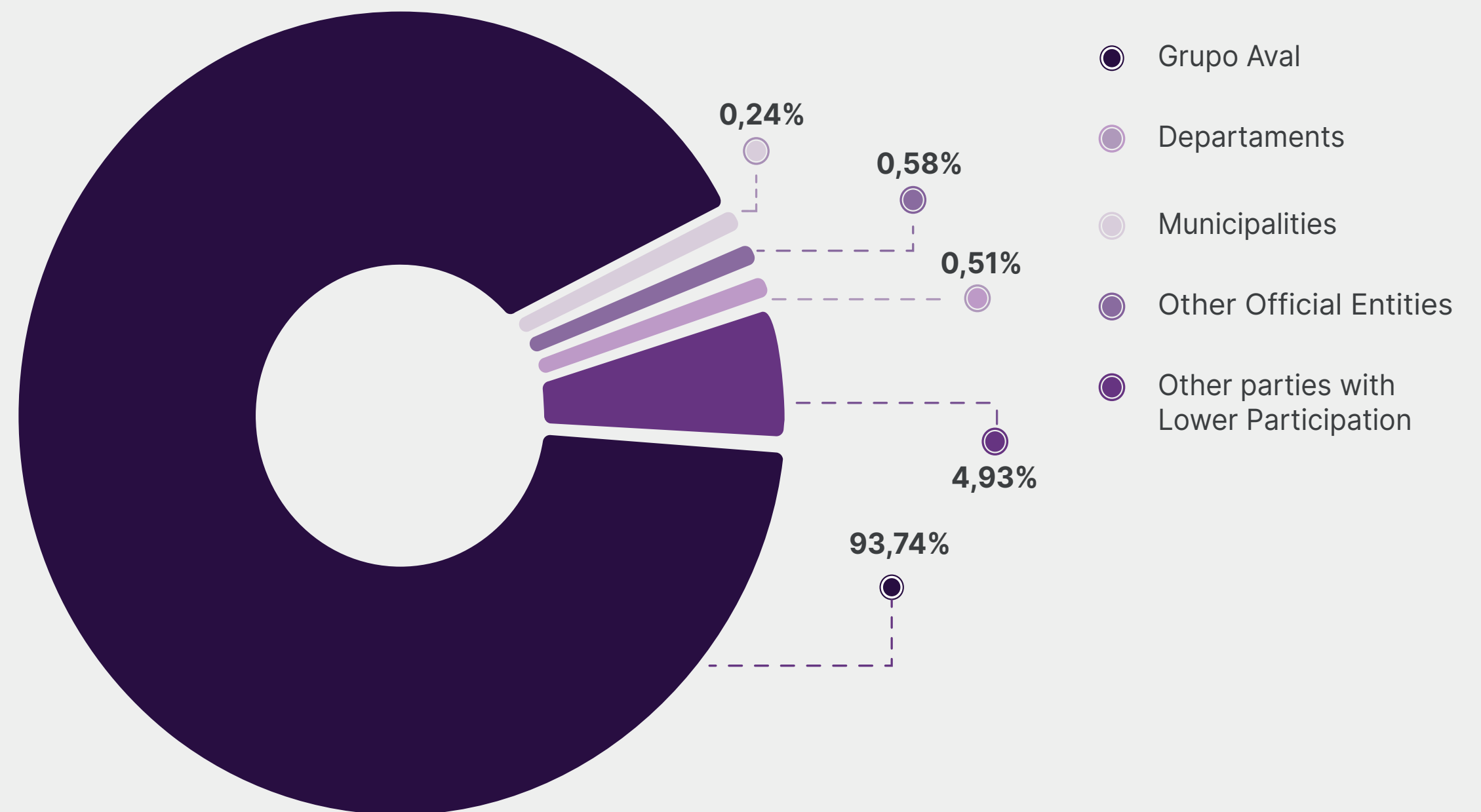
[Recommendation 23.3] [CE21]

The Bank's capital as of December 31, 2023, is represented by a total of 7,725,326,503 common shares in circulation, with a nominal value of \$10.00 each one; the description of the shareholding is illustrated in the chart included below. Ordinary shares grant their holders, among other rights, the right to participate in the deliberations of the General Shareholders' Meeting, to vote in it, and

to receive a proportionate share of the declared profits according to their shareholding.

As of the aforementioned date, the shareholder Grupo Aval Acciones y Valores holds a significant 93.74% stake in the Bank's capital, being the parent company of the Bank and the financial holding of the Aval Financial Conglomerate.

Shareholding of Banco Popular



The shareholders, Grupo Aval Acciones y Valores, Seguros de Vida Alfa, Seguros Alfa, and Inverprogreso, entities that are part of the Aval financial conglomerate, have a 94.53% shareholding percentage.

The members of the Bank’s Board of Directors, directly or indirectly, do not hold shares in Banco Popular, and there were no stock transactions involving members of the Board of Directors, Senior Management, or other Bank administrators during 2023.

There is no knowledge of any agreements between the Bank’s shareholders in 2023. No treasury shares in the Bank’s possession were registered during this year.



II. Administrative Structure

[CE26] [CE27] [GRI 2-10] [Recommendation 33.3]

Board of Directors

The Board of Directors consists of five principal members and their personal alternates, proposed in a slate submitted by the shareholder Grupo Aval Acciones y Valores and approved by the General Shareholders’ Meeting. The slate indicates the name and position of each member, as well as the fees they will receive for attending Board or Committee meetings.

The Board of Directors is the highest administrative body of the Bank, with its main function being to determine the management and development policies of the company. It also ensures that the President, Senior Management, and other employees of the Bank comply with and adhere to these policies, and it is responsible for performing other functions established in current regulations. The functions of the Board of Directors can be consulted in the [Statutes](#) and [Internal Regulations of the Board of Directors](#).

Appointment and Remuneration

The General Shareholders’ Meeting, in compliance with legal and

statutory norms, has adopted guidelines through [the Board of Directors Appointment and Remuneration Policy](#), the Board of Directors Appointment and Remuneration Policy to determine the suitability, professional profile, and experience required for each member. The appointment of directors is authorized by the Superintendency of Finance of Colombia (SFC), which issues its approval for the respective appointment based on the information provided by the Bank. After the Board of Directors was elected by the General Shareholders’ Meeting on March 24, 2023, the Superintendency of Finance authorized the appointment of the designated directors. The supporting documents, including the resumes, are kept in the files of the Legal Vice Presidency – General Secretariat of the Bank.

[GRI 2-19] [CE26]

Similarly, the Ordinary General Shareholders’ Meeting approved the fees for participation in the Board of Directors and Support Committees, which can be consulted in the “Shareholder and Investor Relations” tab under the Assemblies section. The fees for the Board of Directors members were paid as ordered by the General Shareholders’ Meeting. The maximum fee amount is determined by the number of Board of Directors and Support Committee meetings attended by each director, multiplied by the fee amount approved per session.



2.1.2. Composition of the Board of Directors²

[GRI 2-9] [CE27] [DJSI 1.2.5, DJSI 1.2.7, DJSI 1.2.8, DJSI 1.2., DJSI 1.2.5]

The Bank’s Board of Directors is composed of individuals with relevant work experience in the financial sector, competence, professionalism, and the necessary skills and competencies to perform their functions and assume their responsibilities, which aligns with a robust and sustainable corporate governance structure over time. The following is the composition of the Bank’s Board of Directors:

¹ GRI 2-10 Appointment and Remuneration Policy of the Highest Governing Body of Banco Popular

Main Executives



Luis Orlando Álvarez Betancur



José Mauricio Rodríguez Munera



Mauricio Hernando Amador Andrade



Gabriel Mesa Zuleta
Chairman of the Board



Javier Díaz Molina

Alternates



Sandra Patricia Solozano Daza



Luz Piedad Rugules Ardila



Germán Michelsen Cuéllar



Mauricio Fernández Fernández



Diego Fernando Solano Saravia

- ² The members of the Board of Directors are not considered politically exposed persons (PEP).
- There is 20% female representation.
- Three seats on the Board of Directors are held by independent members (60%).

The profiles of the Board of Directors members can be consulted at the following [link](#).

Criteria for Independence

[CE29] [Recommendation 16.1.;16.5]

The criteria for independence adopted by the Bank for appointing members of the Board of Directors and Support Committees are established in the [Internal Regulations of the Board of Directors](#).

Directors’ Participation in Subordinate Boards

Some of the Bank’s directors serve on the boards of subordinate entities, which are listed below:

Fiduciaria Popular	Alpopular
Mauricio Fernández Fernández	Javier Díaz Molina

Meeting Development

[CE30, CE31] [Recomendación 19.4.]

During 2023, the Board of Directors held regular meetings according to the schedule and work plan approved by this body, and also held extraordinary meetings when urgent and/or relevant issues needed to be addressed, totaling 52 meetings, most of which were held virtually.

The composition and frequency of the meetings allowed the Board to guide the company’s progress and adequately monitor it. Additionally, the Board of Directors carried out its functions based on the compliance program defined for this body and was supported by its support committees, which informed it about the compliance with its directives and proposed modifications to policies and norms set by the Board, according to regulatory or market requirements.

In 2023, 46 regular meetings and 6 extraordinary meetings of the Board of Directors were held, with an average participation rate of 100% per seat, and no changes were reported in the composition of this corporate body.

The attendance of each director at the meetings held during the 2023 period is as follows:

Luis Orlando Álvarez Betancur	100%
Sandra Patricia Solórzano Daza	85%
Mauricio Rodríguez Múnera	98%
Luz Piedad Rúgeles Ardila	96%
Mauricio Hernando Amador A.	100%
Germán Michelsen Cuéllar	96%
Gabriel Mesa Zuleta	100%
Mauricio Fernández Fernández	92%
Javier Díaz Molina	96%
Diego Solano Saravia	90%

The rules regarding the deliberative and decision-making quorum for holding Board of Directors meetings are defined in the [Statutes](#) and [Regulations](#)⁴. In 2023, there was a quorum in all meetings. As a good corporate governance practice, alternate directors were invited to participate in the respective sessions. Additionally, the Board of Directors conducted its annual self-assessment for 2023 through the established format, coordinated by the Corporate Governance Committee and the Chairman of the Board. Based on the results, improvement opportunities were identified for the Board’s performance, and action plans were set for 2024.

Main Reports and Approvals

[Recommendation 33.3] [GRI 2-12] [CE26]

The Bank’s Board of Directors, committed to achieving the entity’s strategic objectives, actively participated in deliberating the presented issues and defining strategic plans primarily related to alliances, commercial strategies, channel strategies, digital payment methods, technological evolution, talent management

strategies, and key risks. Reports were also provided to the Board on risk management systems, periodic reports from subsidiaries about their performance, presentations on regulatory projects, and updates on various regulations issued by the National Government. In addition to approving operations, acts, and contracts in line with the Board’s established powers, approvals, adjustments, or updates to manuals, policies, codes, and regulations were submitted to the Board to ensure compliance with current regulations and contribute to the Bank’s sustainable development.

The most relevant updates are highlighted below:

The Board of Directors reviewed and approved adjustments to policies and manuals of the SARC, including the introduction of the transitional credit card origination policy. This aims to integrate the use of digital tools and alternatives for assigning credit cards based on the client’s profile and the automatic validation mechanisms of the application data, as well as the policy for defining limits by economic sector to control the risk of the commercial credit portfolio. Additionally, further adjustments to the Bank’s credit policies were approved to incorporate the legislative change regarding the legal capacity concept of people with disabilities, aligning with the provisions of Law 1996 of 2019. Moreover, adjustments to the housing policy were approved to update, among other matters, the individuals eligible for housing credit, VIS and VIP terms and conditions, and debt portfolio purchases.

The Board of Directors also approved adjustments to the Bank’s policies and manuals to include the stipulations of External Circular 026 of 2022 from the Superintendency of Finance, aimed at recognizing the risk associated with the increase in debtors’ leverage levels.

The Board of Directors also approved modifications to the Regulation of the Specialized Risk Committee – SARC, contained in the SARC Manual, to update, among other things, the members, faculties, and handling of minutes.

³Recommendation 19.1.
⁴CE27 Regulation of the highest governing body of Banco Popular.
⁵GRI 2-18 Performance evaluation of Banco Popular highest governing body; CE31

Furthermore, the Board of Directors approved adjustments to the Policy regulating the Comprehensive Risk Management System (SIAR) to align it with the strategies, objectives, business plan, capital and liquidity levels, in accordance with the Bank's and its subsidiaries' MAR, operational model, organizational structure, and entity size, complying with the provisions of External Circular 018 of 2021 issued by the Superintendency of Finance. Additionally, the incorporation of the Interest Rate Risk Policy of the Banking Book – RTILB was approved to comply with the guidelines for the implementation of the content of External Circular 025 of 2022 and industry best practices, defining the relevant bodies, roles, and responsibilities for the adequate management of this risk.

Additionally, this body approved adjustments to the SOX Policy, in accordance with corporate guidelines regarding risks, certifications, and responsibilities. Similarly, the Board of Directors authorized the update of accounting policies for property, plant, and equipment related to the useful life of some of the Bank's fixed assets, as well as additional adjustments to the aforementioned policies required for the preparation of Consolidated Financial Statements, considering the Bank's control over the Corporación Financiera Colombiana – Corficolombiana.

Furthermore, the Board of Directors approved changes to the Risk Appetite Framework – MAR and Risk Appetite Statement – DAR documents, manuals of the Market Risk Management System (SARM), Liquidity Risk Management System (SARL), Operational Risk Management System (SARO), and Credit Risk Management System (SARC), to ensure proper management of these risks and comply with the guidelines established by the regulator and control bodies, particularly those established in External Circular 018 of 2021 issued by the Financial Superintendence.

Additionally, the Board of Directors approved the update of the Financial Consumer Attention System Manual– SAC, to incorporate the compensation policy for the cause known as “Transaction not recognized or authorized by the Holder - Suspected Fraud”, as well as additional adjustments on the exceptional handling of extensions for requests, complaints, and claims – PQRs, under the terms of Law 1755 of 2015. Likewise, it adopted the Strategy to manage the Bank's Conduct Risk.

Moreover, during the evaluated period, the Board of Directors received, analyzed, and made considerations regarding the reports on evaluations conducted by the Fiscal Auditor and the Bank Comptroller's Office. Additionally, the administration presented the corresponding action plans, which were monitored to verify their compliance. Furthermore, the Board of Directors monitored the reports presented by the risk rating agencies.

Similarly, during the year 2023, with the support of the consulting firm Boston Consulting Group – BCG, a review of Banco Popular's strategy was initiated, aiming to identify key levers to ensure its profitability and sustainability. Detailed analyses were conducted of the starting point in multiple dimensions such as the business model, operational model, and balance sheet management. Consequently, at the beginning of 2024, the Board of Directors approved its strategy for the period from 2024 to 2026.

The information provided to the Board of Directors was handled with the responsibility and confidentiality it entails.

External Advice

[Recommendation 33.3] [GRI 2-17]

The directors received both internal and external advice throughout the year 2023 to ensure the updating of their knowledge and skills on relevant matters in the financial sector. The following training sessions are highlighted: (i) Fraud Prevention Training, led by Ernst & Young (EY); (ii) Sustainable Finance in Business Strategy Training, led by the Professional Consulting, Engineering, and Technological Development Services firm Valora Consultores; (iii) Training on the Relevance of the Environmental and Social Risk Management System – SARAS and Trends in Sustainable Finance, led by Dr. María Paula Wittich Borrero, Manager of Experience, Brand and Sustainability, and Andrea Suárez Prieto, Director of Sustainability; (iv) Training in SARLAFT and ABAC, led by Dr. Xiomara Saavedra Yepes, Compliance Manager; (v) Immediate Payment System - SPI Training, led by Dr. Juan Carlos Andrade Ortiz, Vice President of Processes at Grupo Aval, Acciones y Valores; (vi) Information Security and Cybersecurity Training, led by Ernst & Young (EY); (vii) Interest Rate Risk in the Banking Book Training, led by the international firm Integrated Balance Sheet Management Solutions, Inc.

Additionally, the participation of Dr. Luz Piedad Rugeles Ardila, Director, in the program called ESG Certification for Board Members led by Asobancaria in partnership with the International Finance Corporation (IFC) is highlighted.

Similarly, periodic presentations made to the Board of Directors by the National Association of Financial Institutions (ANIF) on economic and specific sector analyses at both national and international levels are highlighted.

The President of the Board of Directors

Dr. Gabriel Mesa Zuleta is the President of the Board of Directors. During 2023, he ensured that members received timely and sufficient

information in advance of each meeting. He also coordinated, planned, and directed the sessions and debates that arose during their development, in accordance with the defined agendas. Additionally, he led the annual self-assessment process for Board members and reviewed and signed the respective minutes with the support of the Legal Vice President - General Secretary. The President of the Board of Directors does not hold the position of Senior Executive within the Bank, and his functions are outlined in the [Board of Directors’ Regulations](#)⁶.

Secretary of the Board of Directors

The Secretary convened the members according to the established schedule for Board meetings and Support Committees, coordinated the preparation of the agendas based on the annual work plan and the Bank’s needs, led the procedure for structuring, reviewing, and signing minutes, and issued the respective certifications and extracts.



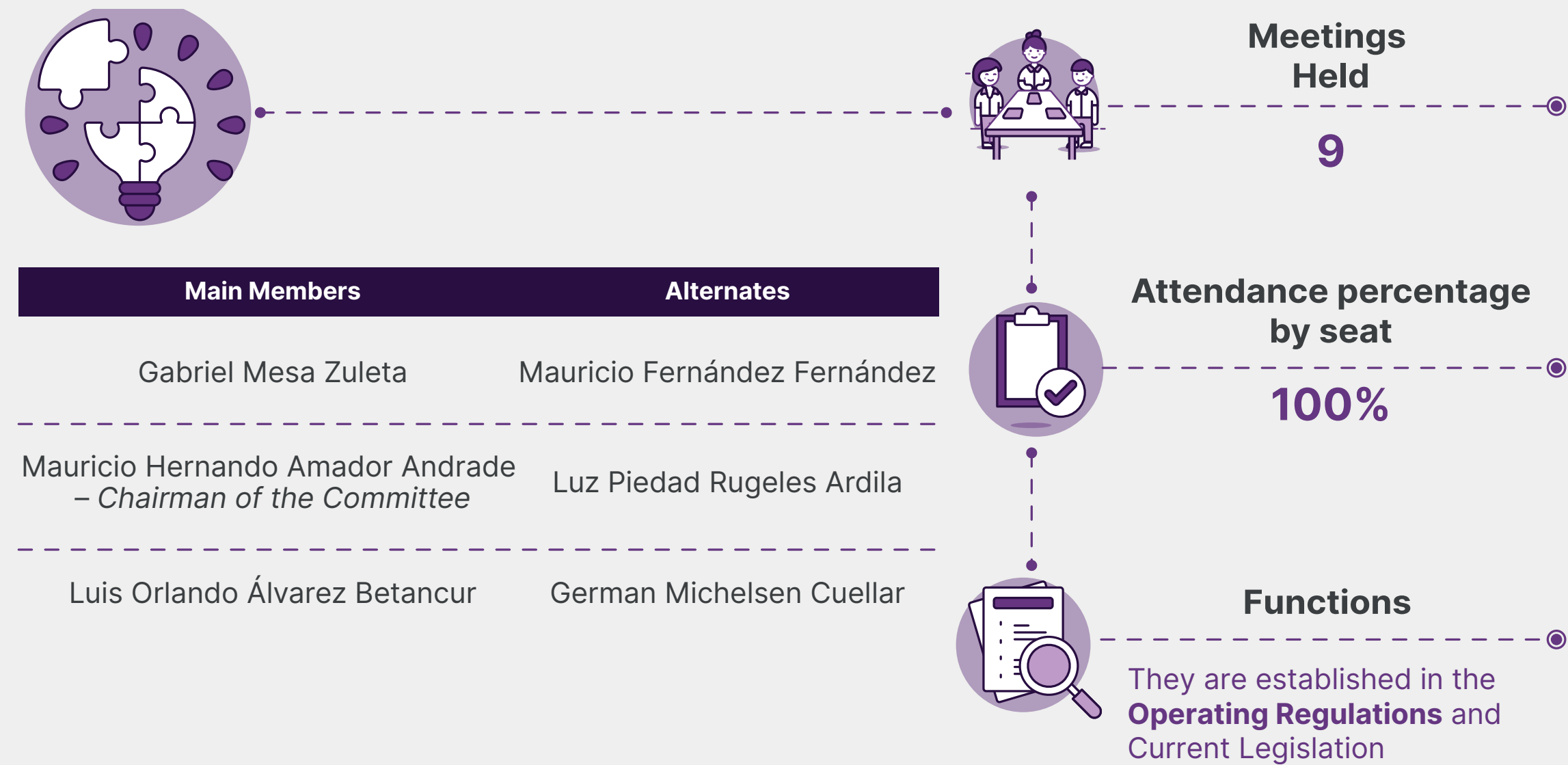
Support Committees of the Board of Directors

[GRI 2-9] [CE27, CE30]

The Bank’s Board of Directors has the following support committees:

Audit Committee

The objective of this committee is to assist the Board of Directors in evaluating the Internal Control System, as well as its continuous improvement, to ensure the Board’s proper performance of its duties. The Directors who make up this committee have the knowledge and experience related to the functions of this Committee. The composition is as follows:



6 GRI 2-11 President of the highest governing body of Banco Popular.

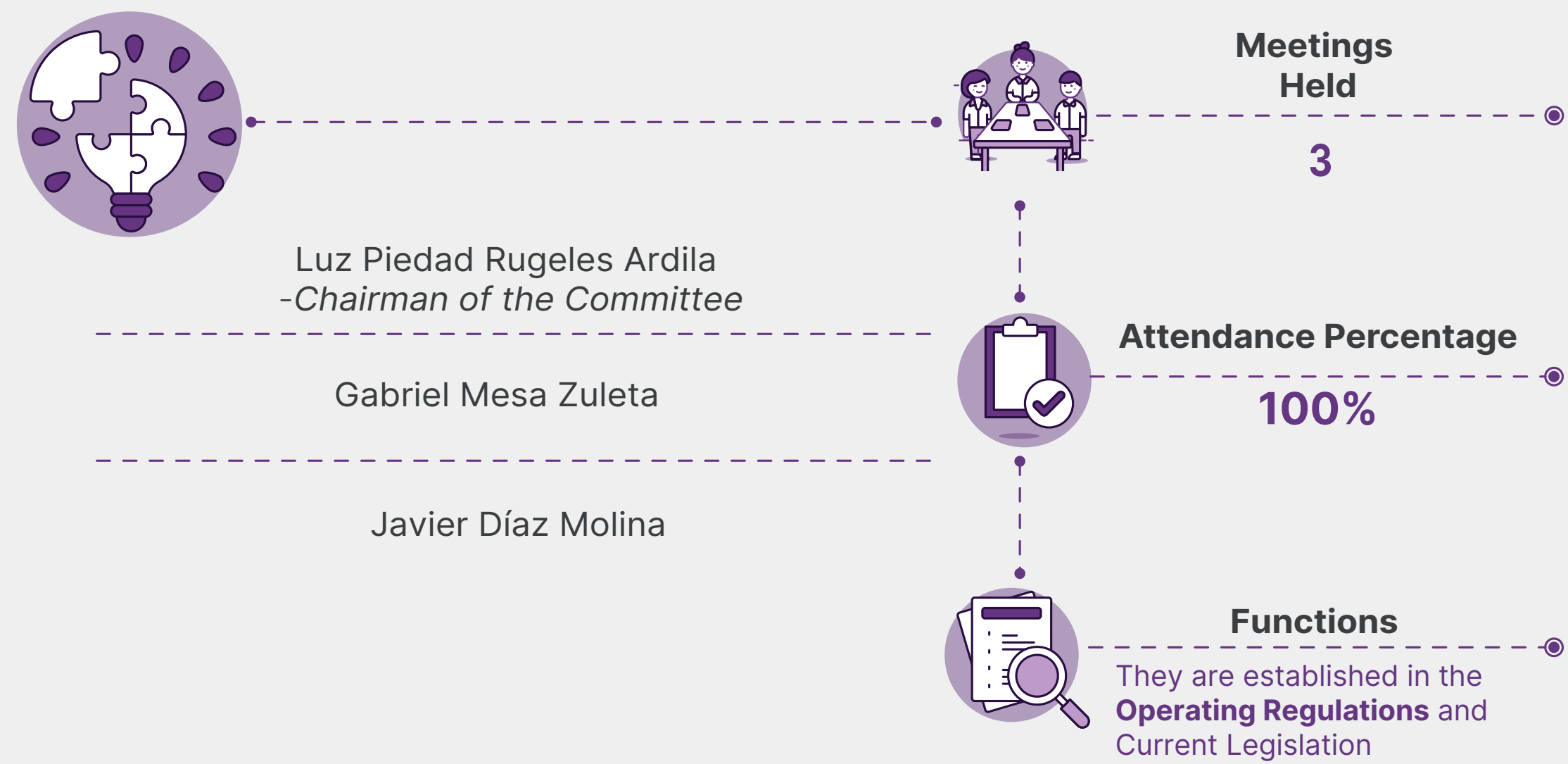


Corporate Governance and Sustainability Committee

[Recommendation 18.7]

The objective of this committee is to assist the Board of Directors in its functions of proposals and supervision of matters of Corporate Governance of the Bank. Considering the social, political, and economic relevance of sustainable development, risk management, and opportunities for improvement in environmental, social, and corporate governance (ESG) matters, along with the fact that this Committee has been continuously monitoring these issues, the

Board of Directors in 2023 approved the change of its name to “Corporate Governance and Sustainability Committee of the Board of Directors of Banco Popular.” The Directors who comprise it have experience and knowledge in corporate governance matters. The composition is as follows:



°GRI 2-11 President of the highest governing body of Banco Popular.

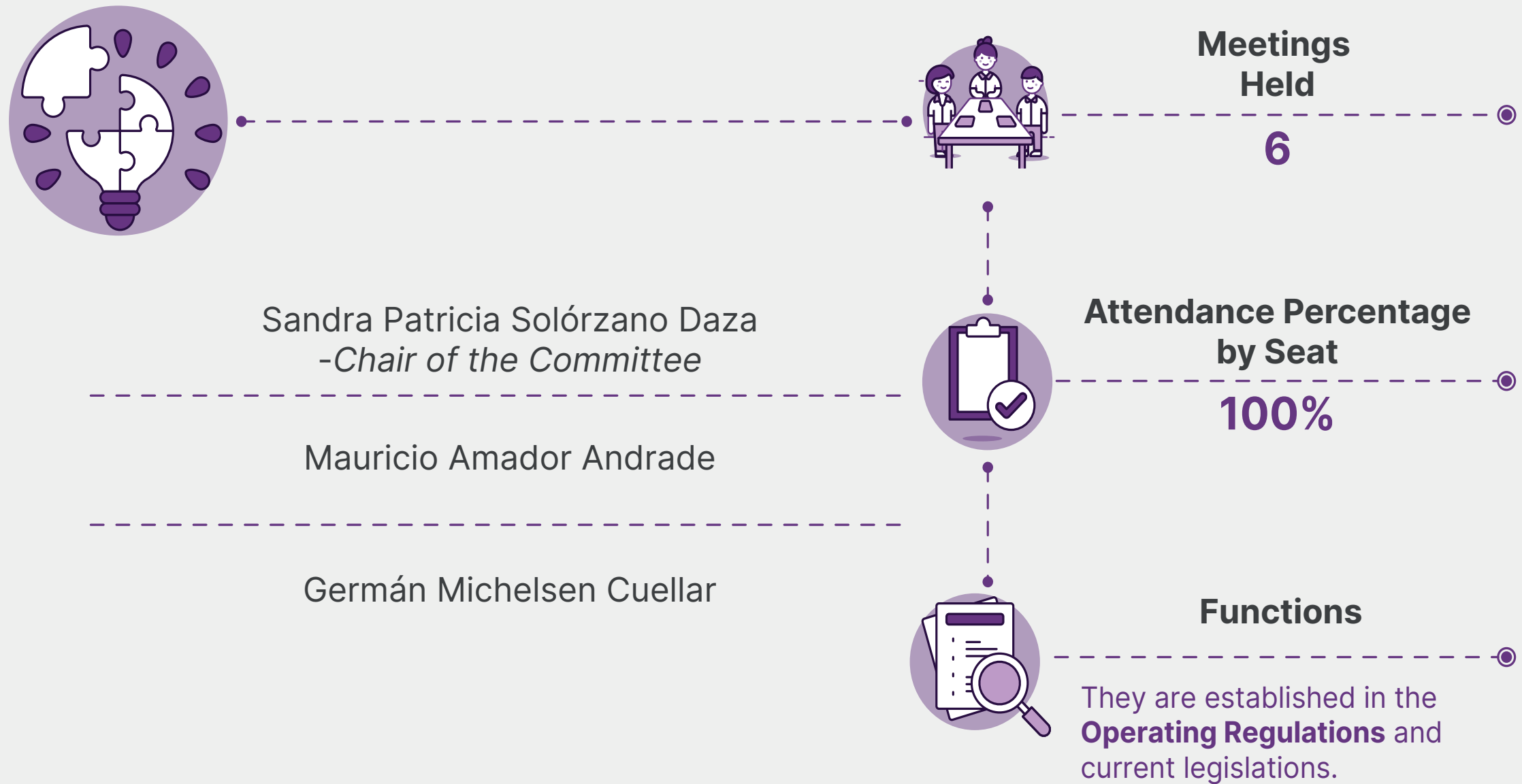




Risk Committee

The objective of this committee is to assist the Bank’s Board of Directors in fulfilling its supervisory responsibilities concerning risk management, within a holistic vision that promotes an institutional culture focused on prevention.

The Directors who comprise it have experience and knowledge in risk management and control matters. The composition is as follows:



⁷ Recommendation 18.25



2.1.3. Composition of Senior Management

As of the report date, the Bank's Senior Management is composed of:

The profiles of the members of Senior Management can be consulted at the following [link](#).



President

María Fernanda
Suárez Londoño



Chief Comptroller

Walter
Saldaña Vergara



Chief Experience, Brand, and Sustainability Officer

Maria Paula
Wittich Borrero



Chief Digital Officer BP ADL

Mario Javier
Montalvo Sanchez



Vice President of Personal and Small Business Banking

Luis Fernando
Gómez Falla



Vice President of Corporate and Government Banking

Sergio Restrepo
Álvarez



Vice President of Credit

Gabriel José
Nieto Moyano



Vice President of Operations

Jorge Enrique
Jaimes Jaimes



Vice President of Human Talent Experience

Nubia Inés
Sanabria Nieto



Vice President of Risk

Helber Alonso
Melo Hernández



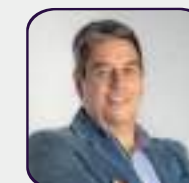
Vice President of Finance

Juan Felipe
Vásquez Mora



Vice President of Legal Affairs - General Secretary

Orlando
Lemus González



Vice President of Technology

Ricardo
Quijano Rueda

Material Changes in the Bank’s Senior Management

During the year 2023, the following material changes in corporate governance matters occurred: On August 30, 2023, the Bank’s Board of Directors accepted the resignation of Dr. Carlos Eduardo Upegui Cuartas, who held the position of President until September 15, 2023. In his place, the Board of Directors appointed Dr. Diego Fernando Solano Saravia as Acting President. This information was disclosed to the market through the Superintendencia Financiera’s website and the Bank’s website.

On September 22, 2023, the Board of Directors appointed Dr. María Fernanda Suárez Londoño as the Bank’s President. Similarly, the information was disclosed to the market through the Superintendencia Financiera’s website and the Entity’s website. The possession process was approved by Superintendencia Financiera on October 19, 2023.

On November 3, 2023, the Board of Directors accepted the resignation of Dr. Joaquín Eduardo Uribe Franco as Vice President of Business Innovation, who held the position until October 31, 2023. Likewise, in a session on January 12, 2024, this body authorized the elimination of the position of Vice President of Business Innovation.

Furthermore, on December 29, 2023, the Bank’s President accepted the resignation of Dr. Yibrán Ortégón Botello as Comprehensive Risk Manager, who held the position until January 16, 2024. The Bank’s Board of Directors approved in a meeting on January 12, 2024, to modify the position of Comprehensive Risk Manager to Vice President of Risk and appointed Dr. Helber Alonso Melo Hernández to that position, who began to hold the position on January 15, 2024. His legal representation functions will begin once he is sworn in before the Superintendencia Financiera as the Bank’s legal representative.

Presidency Executive Committee

This committee is the support body for the Bank’s president’s management in the entity’s administration development, with some specific documented powers related to conflicts of interest or potential conflicts of interest of the Aval Financial Conglomerate, as well as for transactional agreements different from obligations and operational risk events.

It is composed of the President, Vice Presidents, and Managers who report directly to the President. The Presidents of the subsidiaries participate in some meetings, depending on the topics to be discussed.

Legal Representatives

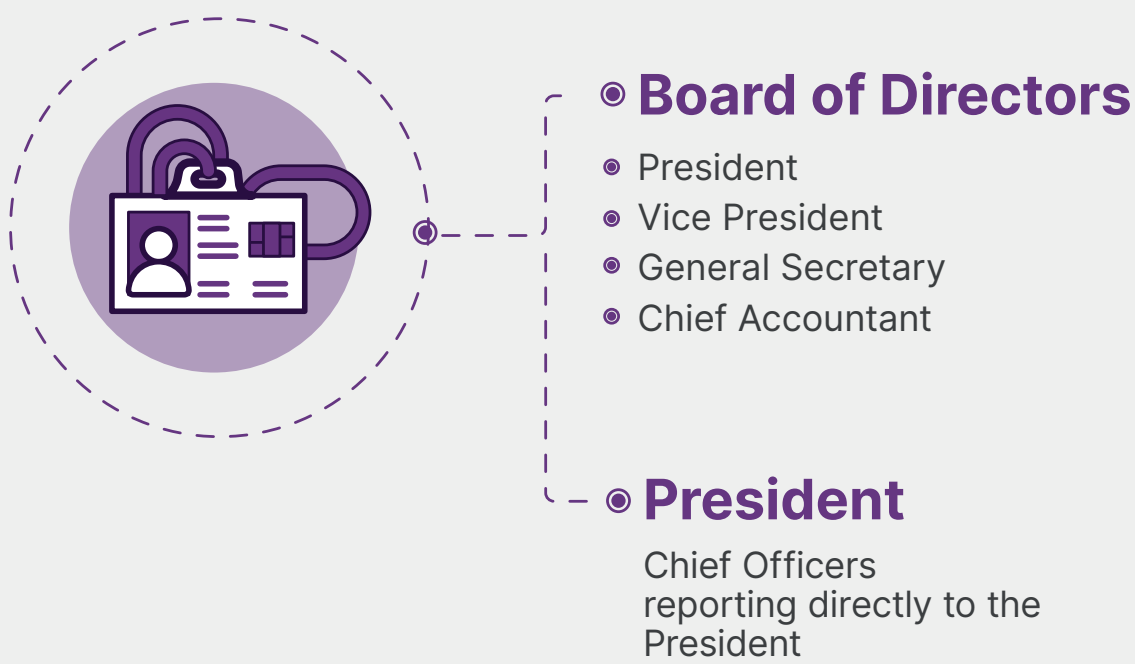
The Bank’s President, Vice Presidents, and the General Secretary hold the status of the entity’s legal representatives.

Appointment and Remuneration of Senior Management Members

[Recommendation 24.3] [CE26]

For the appointment of Senior Management, it is considered, among other aspects, the training, experience, professional career, and personal qualities required for the position to be filled. In this sense, the Bank has a Strategic Human Talent Management model within which the succession management process is developed. This process identifies potential successors for key positions within the organization, determining the fulfillment of requirements in terms of competencies, skills, experience, and readiness level for the position.

This information is reported to the Board of Directors and the Bank’s President, who are the bodies responsible for appointing the members of Senior Management, as follows:



The remuneration policy for Senior Management executives includes fixed and variable components, which are in line with the best compensation practices in the labor market. This allows the Entity to be competitive and ensure the retention of highly qualified personnel who can commit to guiding others to achieve the defined corporate and professional objectives.

Salary increases for Senior Management Executives are made following a performance evaluation of their management and are approved by the Bank’s Board of Directors, considering the internal policies set by the Administration and the guidelines defined by the controlling company.



Performance Evaluation of Senior Management

[Recommendation 24.5] [CE31]

The evaluation process for Senior Management executives is carried out in accordance with corporate guidelines. It begins with the definition of indicators for Senior Management members, establishing minimum and maximum compliance goals for each of them, in line with the strategy. This process is conducted periodically throughout the year, through a procedure established by the Bank called positive encounters, which are held between the President and each of his direct reports. The purpose of these encounters is to review and monitor the Bank's results, which in turn are inputs for each executive's indicators and impact their results, as well as to recognize and provide feedback on the competencies, skills, and abilities of each leader for their development. The Strategic Planning Management safeguards the control of indicators, while the information on each leader's competencies is kept by the Human Talent Excellence Center Manager.



III. Transactions with Related Parties

[CE33]

The summary of the operations record is attached to the financial statements in the note titled "Related Parties," and the relevant contracts are also reflected in the report provided by the Business Group.



IV. Risk Management System

Internal Control System

[Recommendation 33.3] [CE35]

The Bank's Internal Control System (ICS) consists of a set of policies, principles, standards, procedures, and verification and evaluation mechanisms adopted by the Board of Directors, senior management, and other employees of the Bank, with the aim of providing a reasonable degree of assurance in achieving its strategic objectives to accomplish, at a minimum, the following goals:

- Improve efficiency in the Bank's activities.
- Prevent and mitigate the occurrence of internal and external frauds.
- Conduct adequate risk management.
- Increase the reliability and timeliness of the information generated by the Bank.
- Comply with the applicable regulations to the entity.
- Protect the organization's assets.

In this regard, the Bank has an integrated control system based on principles of self-control, self-regulation, and self-management, and identifies the elements of the Internal Control System throughout the organization's structure, grounded in COSO, through the Bank's three lines of defense that are part of the Internal Control model according to the five components and their seventeen principles as follows:

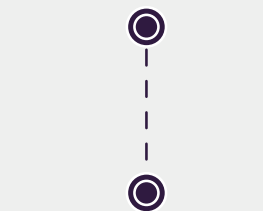
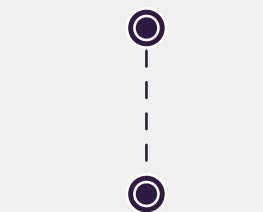
Internal Control System



Components



17 Principles



1.1 Commitment to Integrity and Ethical Values

1.2 Supervision of the Development and Performance of Internal Controls

1.3 Structures, Reporting Lines, and Responsibilities Aligned with Objectives

1.4 Commitment to Attract, Develop, and Retain Competent People Aligned with Objectives

1.5 Employees Committed to Their Internal Control Responsibilities

2.1 Identification and Assessment of Risks Related to the Objects

2.2 Risk Analysis to Determine How They Should Be Managed

2.3 The Organization Considers the Possibility of Fraud in Risk Assessment for Achieving Objectives

2.4 Identifies and Assesses Changes That May Significantly Impact the Internal Control System

3.1 Choose and Develop Control Activities That Contribute to Risk Mitigation for Achieving Objectives at Acceptable Levels

3.2 Choose and Develop Control Activities Over Technology to Support Achievement of Objectives

3.3 Defines control activities through policies and procedures that put these policies into action.

4.1 Use of Relevant and High-Quality Information to Support the Basis of Internal Control

4.2 Communicates within the organization the objectives and responsibilities regarding internal control, necessary to support operations.

4.3 Externally reports and communicates situations affecting the operation of Internal Control

5.1 Selects, Develops, and Performs Ongoing and/or separate evaluations to verify whether Internal Control Components are Present and working

5.2 Appropriately Evaluates and Communicates Internal Control Deficiencies to Those Responsible for Corrective Action, Including Senior Management

Additionally, the Bank continued with updating and consolidation of the Risk Management Systems, where the Comprehensive Risk Management System (SIAR) is the guiding document. This includes corporate methodologies for the proper monitoring and integrated control of risks, such as the Risk Appetite Framework (MAR) and the methodology for relevant risks, as well as the governance model of the Bank and its subsidiaries. This includes the existing risk systems such as the Credit Risk Management System (SARC), Market Risk Management System (SARM), Liquidity Risk Management System (SARL), Operational Risk Management System (SARO), Anti-Money Laundering and Counter-Terrorism Financing Risk Management System (SARLAFT), and the Financial Consumer Attention System (SAC). Additionally, it includes the identification, measurement, monitoring, and control of ABAC, SOX, fraud, information security, cybersecurity risks, as well as business continuity plans.

Considering the activities carried out during the year ending December 31, 2023, it is established that the Bank complies with the current regulations on this matter and works to continue strengthening the Risk Management Systems and the Consumer Attention System. Likewise, the Board of Directors approved monitoring the relevant risks resulting from the analysis and evaluation carried out by the management, in addition to the risk monitoring scheme implemented in the Bank, which is monitored by the Board of Directors.

Additionally, considering the impact on the economy due to the country’s macroeconomic situation in 2023, derived from the increase in inflation and interest rate regulations by Banco de la República, the Bank has been continuously monitoring the impact on the net interest margin due to high financing costs, taking actions aimed at recovering its profitability.

For this period, no risk events representing materiality for the entity occurred, while for the identified risks, necessary action plans were generated to mitigate them. See details in the “Risk Management System” section, which is part of this management and sustainability report.

The Audit Committee supported the supervision and evaluation of accounting procedures, the relationship with the Fiscal Auditor, and, in general, the review of the Bank’s Governance and Control Architecture. The main activities carried out during 2023 are found in the section of the Board of Directors’ Report on activities of the Audit Committee 2023



V. Government and Control Architecture

Banco Popular, in the development of its Comprehensive Internal Control System, has a transparent structure aligned to achieve its objectives, as presented below.



General Shareholders' Meeting

● Fiscal Auditor

Board of Directors

Support Committees

President

Audit

Government,
Corporate and
Sustainability

Risks

● Internal Audit

Vice Presidents

Managers reporting
directly to the
President

Directing Body ●

Administrative Body ●

Control Body ●

Senior Management

Support Committees






Arquitectura de Gobierno y Control



VI. General Shareholders' Meeting
[CE21, CE34]

The General Shareholders' Meeting convened in accordance with the legal and statutory provisions regulating its operation.

For the meeting, the notice was issued in compliance with the Statutes, the provisions of the Commercial Code, and Decree 398 of 2020.

Ordinary Meeting on March 24, 2023	
	<p>Quorum</p> <p>An initial quorum of 95.13% was recorded, and by the end, a quorum of 95.79% of the subscribed and paid capital was achieved.</p> <p>Format: Non-presential meeting.</p>
	<p>Topics Addressed</p> <p>Among other matters, the financial statements and the proposed distribution of profits as of December 31, 2022, were approved. The members of the Board of Directors, the Fiscal Audit Firm, and the Financial Consumer Advocate, along with their respective fees, were appointed. Additionally, the meeting was presented with the Fiscal Auditor's Report, the Sustainable Management Report of the Administration for 2022, which also includes the Corporate Governance Report and the Group Report, the Financial Consumer Advocate's Report, and a provision for donations.</p> <p>In the General Shareholders' Meeting on March 24, 2023, it was decided not to declare the payment of dividends for the 2022 financial year, allocating the profits, in compliance with legal requirements, to increase the legal and occasional reserves of the Bank. The profit distribution project approved by the General Shareholders' Meeting can be consulted under the tab labeled "Relationship with Shareholders and Investors."</p>
	<p>For the Ordinary General Shareholders' Meeting held on March 24, 2023, within the legal term, all necessary information for making decisions was made available to the shareholders, in accordance with the regulations for the exercise of the right to inspect. Shareholders' requests were attended to, respecting the agenda of the Assembly. Additionally, regarding the information requested by shareholders about shareholdings, dividend amounts, and the Bank's financial information, the respective information was provided in a timely manner.</p>

The call to the assembly, the rights and obligations of shareholders, as well as the characteristics of the shares constituting the capital stock, were made known to investors and the general market through the Bank’s corporate website under the tab “Relationship with Shareholders and Investors,” in both Spanish and English. Here, corporate governance documents and information about administrators, shareholders, assemblies, financial statements, periodic reports, relevant market information, administrative sanctions, Fiscal auditing, and links of interest can be found.

Also, this section includes the contact details for the Corporate Governance Management, serving as an office for shareholders and investors to address their concerns. During 2023, 74% of shareholder requests were related to certificates of shareholding status, unpaid dividends, the Bank’s share composition, and tax certificates; 24% were related to dividend liquidation and payment; and 2% to the transfer of shares. These requests were properly attended to.

The fees agreed upon with the Fiscal auditor for the services provided, which have been approved by the general shareholders’ meeting, can be consulted on the Bank’s corporate website under the tab “Relationship with Shareholders and Investors” in the [“Assemblies”](#) section.



VII. Management of Conflicts of Interest

[GRI 2-15, GRI 2-11] [CE32] [DJSI 1.5.2]

Conduct rules were defined to ensure that decisions made are objective and in the best interest of the Bank, with the aim of preventing conflicts of interest in decisions made by shareholders, directors, senior management members, and, in general, Bank employees.

In line with this, the Code of Good Governance and its annexes, the Code of Ethics and Conduct, and the ABAC Policy provide

⁸Recommendation 4.1 The bank’s corporate website in both Spanish and English.
⁹CE 36 Engagement of shareholders and investors.

instructions for the prevention, management, and resolution of conflicts of Interest.

In 2023, the members of the Board of Directors did not have any permanent conflicts of interest (disqualifications) that would prevent them from continuing to perform their duties. Additionally, the directors refrained from participating in discussions or making decisions that could create a potential conflict between their personal interests and the interests of the Bank. In each case, these approvals were made following verification of compliance with current policies, and were issued with the unanimous vote of the other Board members who participated in the decision.

The number of abstentions is recorded in the Board of Directors’ minutes; below is a summary for the year 2023: Gabriel Mesa Zuleta (7), Sandra Patricia Solórzano Daza (6), Luis Orlando Álvarez Betancur (5), Mauricio Fernández Fernández (5), Mauricio Hernando Amador Andrade (5), Javier Díaz Molina (4), Diego Solano Saravia (2), José Mauricio Rodríguez Múnera (1), and Germán Michelsen Cuéllar (1).

Mechanisms for Resolving Conflicts of Interest Between Companies within the Same Conglomerate and Their Application During the Fiscal Year

The Bank has a policy for the identification, communication, management, and control of conflicts of interest within the Aval financial conglomerate. This policy applies to conflicts of interest that arise or may arise in transactions conducted by entities within the conglomerate, between these entities and affiliated individuals and entities, including transactions involving their own resources or resources from third-party management activities. This Policy establishes: (i) non-exhaustive criteria for identifying situations that could create a conflict of interest, (ii) the duty to disclose such situations promptly, as well as the obligation to refrain from conducting the questioned transaction, participating in, or influencing the decision being made, (iii) mechanisms for managing the conflict through bodies such as the Executive Committee of the Presidency, the Board of Directors, or the Shareholders’ Assembly, and finally (iv) the control of these situations through the application

of Self-control and self-regulation criteria are used as appropriate tools to comply with the Policy.

Lastly, for the correct application of the Policy, each situation must be analyzed according to the following criteria: (i) transparency in conducting transactions at market conditions and prices, respecting the balance between parties, (ii) identification of materiality in accordance with the nature and size of the transaction, establishing ranges to approach the respective bodies, (iii) application of exposure limits and credit quotas, as appropriate, and (iv) implementation of information barriers to prevent the exchange of privileged information. During 2023, the mentioned Policy was correctly applied, and no materialized conflicts of interest were reported.



VIII. Complaints Regarding Compliance with the Code of Good Governance

No complaints regarding the compliance with the Bank’s Code of Good Governance were reported.



IX. Implementation of Corporate Best Practices

BancoPopularis committed to the continuous implementation of good corporate governance practices, as part of its sustainability model, established as a strategic objective, through the strengthening of its governance bodies and practices to ensure shareholder rights and equitable treatment, as well as adequate control architecture and transparency of financial and non-financial Information.

The Board of Directors, through the Corporate Governance and Sustainability Committee, has positively contributed to the development of the strategy for implementing good governance measures.

Report on the Implementation of Corporate Best Practices - Country Code

In compliance with External Circular 028 of 2014 issued by the Superintendency of Finance of Colombia, the Bank completed and submitted the report on the implementation of corporate best practices (Country Code) on January 30, 2023. The report was structured following the guidelines set forth in the mentioned circular and was subsequently published on the Bank’s website.

The Bank implemented two new measures of the Country Code during the year 2023. These are: (i) 18.4, related to the Support Committees of the Board of Directors for companies that are part of Financial Conglomerates, which is supported through the Group Aval Institutional Relations Framework; and (ii) 32.5, related to information on the Entity’s Control Architecture, which is supported by the Management and Sustainability Report.

In this context, the Bank adopted two new measures in 2023, as part of the goal to advance in the implementation of the recommendations of the Country Code. The following chart shows the Bank’s progress in implementing this code over the last five years, according to the plan defined by the administration.

Of the 148 recommendations, 136 have been adopted.



X. Social Contribution [GRI 203-1]

In 2023, the General Shareholders’ Meeting, as the competent social body according to the Bank’s Statutes, determined the maximum amount for donations during the year, as well as the specific sectors to which the resources could be directed.

The Board of Directors, within its statutory competence and in line with the Bank’s commitment to social causes, authorized donations to the foundations listed below during 2023, as well as the enhancement of donations based on advances made in previous years:

- Fondo de Promoción de la Cultura (Cultural Promotion Fund):** This non-profit entity aims to promote the conservation and dissemination of the country’s cultural, artistic, and archaeological heritage. It is also responsible for the administration of museums and collaborates in archaeological research.
- Fundación Servicio Jurídico Popular:** This non-profit entity aims, among other objectives, to provide legal assistance services to individuals with limited resources through consultations and legal representation. It also oversees the operation of its mediation center and the dissemination of issued regulations.
- Luis Carlos Sarmiento Angulo Center for Cancer Treatment and Research (CTIC):** This non-profit entity is dedicated to developing and operating a specialized hospital center for cancer treatment and research located in northern Bogotá. The center aims to provide healthcare services with updated technology and qualified human resources.



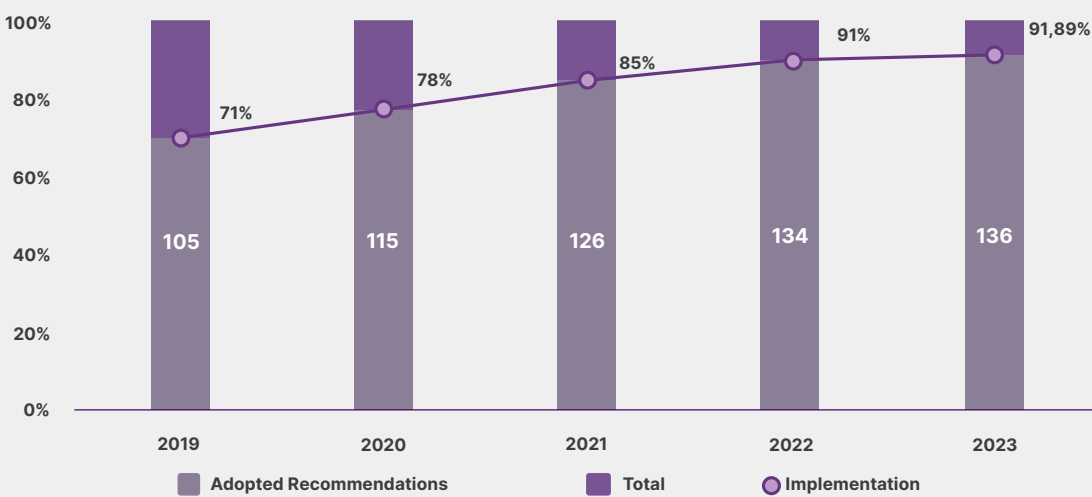
XI. Goals and Challenges 2024-2025

For the upcoming years, the Bank will continue working on the following aspects related to its corporate governance:

- Continuous implementation of good practices and additional standards in environmental, social, and corporate governance (ASG) matters.
- Strengthening and generating efficiencies in the functionalities of corporate governance bodies.
- Ongoing training of directors on topics such as risk management, as well as environmental, social, and corporate governance (ASG) issues.
- Continuing the implementation of the Environmental and Social Risk Management System (SARAS) to account for the impact of social and environmental risks.
- Continuous strengthening of the Bank’s Internal Control System, considering not only the regulations governing the matter but also recognized national and international best practices.

The corporate governance report for the year 2023 addresses the aspects covered in the recommendations contained in measure number 33.3 of External Circular 028 of 2014.

Implementation of Best Practices - Country Code



Board of Directors Report on the Activities of the Audit Committee 2023

The Board of Directors agreed to present the following report to the Bank's General Shareholders' Meeting on the work carried out by the Audit Committee of the Board of Directors and the operation of the Internal Control System: the Bank independently supervised the Internal Control System through the Audit Committee of the Board of Directors. During 2023, nine meetings of the Audit Committee were held on February 10 and 20, March 28, April 28, May 26, July 7 and 28, October 30, and December 19, and in the first half of 2024, two sessions were held on January 30 and February 19. The topics discussed at the meetings on February 10 and 20 were reported to the General Shareholders' Meeting at the ordinary meeting held on March 24, 2023.

In accordance with the regulations contained in Part I, Title I, Chapter 4 of the Basic Legal Circular, issued by the SFC, regarding the application, consolidation, and maintenance of the Internal Control System, the Audit Committee and the Board of Directors have monitored the elements of the Internal Control System currently in place at Banco Popular, supported by the reports and presentations made by the areas responsible for management, and by the oversight and control bodies.

Furthermore, it is worth mentioning that the Internal Audit Management team fulfills the internal audit function of the Bank, with the necessary resources and independence for the development of professional practice, as required by the regulations.

To evaluate the structure of the Bank's Internal Control, the Audit Committee meetings addressed, among other topics, detailed below:

- Review and analysis of the 2023 work plan for the statutory audit, which includes, among other aspects, risk assessment, determination of materiality thresholds for auditing discrepancies, key audit matters under International Auditing Standard - IAS 701, evaluation of manual and automated business process controls, risk management systems applicable to the Bank, evaluation of internal control over information technology, cybersecurity, tax compliance, and other legal controls, as well as the audit of financial reporting based on the established schedule. Additionally, the presentation of the audit team and their declaration of independence in carrying out the statutory audit service.
- Evaluation of the main findings by the Bank's Internal Audit Management and Grupo Aval Acciones y Valores Corporate Audit, and the monitoring of action plans defined by the Bank's areas. This includes monitoring audits conducted, per the requirements requested by the SFC.

- Report on the results of the financial reporting audit to comply with the requirements of the Sarbanes-Oxley Act (SOX), applicable to entities controlled by Grupo Aval Acciones y Valores, since it is registered with the U.S. SEC.
- Cybersecurity report, which noted that no incidents of information security or materialized cybersecurity incidents occurred.
- Ongoing monitoring of action plans derived from the control and oversight of internal and external regulatory bodies to ensure their non-recurrence and rescheduling.
- Reports on cases known through the ethics hotline, the results of their evaluation, reports on potential fraud cases, corresponding investigations, and executed actions.
- Fiscal Auditor's report, among others, on the evaluation and effectiveness of the Liquidity Risk Management System (SARL), Market Risk Management System (SARM), Financial Consumer Service System (SAC), financial information reports, Cybersecurity Risk Management System, business continuity and disaster recovery plan, key audit matters, and the design and implementation of manual and automated controls, with identified improvement opportunities and follow-up on defined action plans.
- Monitoring of audit activities carried out in subsidiaries, as well as relevant events and findings reported, with the identification of risks, causes, and defined action plans.
- Monitoring the execution of the internal audit plan during 2023, as well as assessing the internal auditor's conclusion on the functioning, effectiveness, and reliability of the Bank's internal control system, which provides the reasonable assurance required for the development and control of operations and adequate risk management. Additionally, the internal auditor's opinion on the system for managing and preventing money

laundering and terrorist financing –SARLAFT, Financial Consumer Service System – SAC, and Comprehensive Risk Management System – SIAR, which comply with the required regulations.

- Study of the separate general-purpose financial statements of the Bank and the consolidated ones, notes to these statements, and other annexes corresponding to 2023, as well as the fiscal auditor's report on the financial statements and their conclusion on the internal control environment, and the preparation of the corresponding report for the Board of Directors.
- Evaluation of the risk-based audit plan of the Internal Audit Management for 2024, the respective meeting schedule, and the budget.
- Monitoring of institutional requirements filed during 2023 by Superintendency of Finance and Superintendency of Industry and Commerce.
- Review of the 2023 Annual Corporate Governance Report, following its review by the Corporate Governance and Sustainability Committee of the Board of Directors.
- Evaluation of the fiscal auditor's service proposal for the period from April 2024 to March 2025.

The Audit Committee supervised the Bank's internal control structure and verified that the designed procedures reasonably protect its assets, ensuring that there are controls to confirm that operations meet appropriate levels of approval, authorization, and recording.



Corporate Management



2.2.1. Legal and Regulatory Compliance

The Bank continuously monitors regulatory projects that could impact the legal framework of financial activity, create business opportunities, or produce changes in operations or the adoption of new regimes, from their proposal to their dissemination. In line with this, the Bank, through various departments, participates in the structuring of legal and regulatory initiatives, ensuring that the organization's teams directly affected by the new legal provision are kept informed about the development and changes made to these projects until they are enacted. This implies proactive and active participation in submitting comments to the regulator and adopting the regulations once issued in the processes in charge. This process allows the Bank to have an organized compendium of regulations impacting it, highlighting provisions related to environmental, social, and corporate governance matters.

During 2023, continuous and constant monitoring of regulatory provisions that, as a supervised entity, impact the development of operations was conducted, creating synergy among areas involved in complying with these instructions within Banco Popular. The entity has a measurement method called "Legal Guideline," which includes monthly targets for analyzing and monitoring regulatory provisions impacting the Bank, aiming to disseminate their content to involved areas and the main effects through digital or electronic means, providing necessary support in interpretation and implementation.

Goals and Challenges for 2024

The Bank will continue its management of regulations impacting the entity's operations, aiming to foster a continuous culture of compliance and implementation of instructions and guidelines disseminated by the national government, including recognized market best practices. Additionally, required collaborative work synergies will be adopted within the entity, aligned with entities members of the conglomerate for joint and cross-sectional monitoring of such legal provision projects.

Compliance with Legislation and Regulations

[GRI 2-27] [GRI 307-1]

The Bank operates under normal legal and administrative conditions and is committed to complying with the legal provisions governing its corporate purpose, as well as the requirements of supervisory bodies and corporate bylaws. Similarly, it has respected the decisions made by the General Shareholders' Meeting and the Board of Directors. In 2023, the Bank did not have significant non-compliance with legislation and regulations that resulted in fines or non-monetary sanctions.

The Bank also complies with current provisions regarding the free circulation of invoices issued by sellers or suppliers, as established by the relevant legal norms, especially Law 1676 of 2013. Additionally, the Bank adheres to intellectual property regulations, including copyright.

Litigation, Judicial, and Administrative Processes

[CE18]

The Bank is committed to disclosing litigation, whether judicial or administrative processes, due to its legal obligation. Accordingly, no processes were initiated against the Bank that could materially affect its operation, financial situation, or changes therein.

Similarly, committed to legal and regulatory compliance promoting free competition, the Bank directs its efforts to prevent the materialization of any action related to unfair competition and monopolistic practices. Therefore, no legal actions have been taken against the Bank related to the prevention of unfair competition, monopolistic practices, and/or free competition.

[SASB FN-CB-510a.1.]

The total amount of monetary losses resulting from judicial processes, as well as figures for provisions and legal contingencies used throughout the year, are included in the financial statements, specifically in note 19.

Operations with Shareholders, Administrators, and Subsidiary Companies

The transactions carried out by the Bank with its shareholders, administrators, and subsidiary companies comply with the institution's policies and legal regulations. These transactions are duly specified in the "Related Parties" note to the separate financial statements.



2.2.2. Ethics and Transparency

Banking activity involves risks that are present at all times. For this reason, the Bank promotes a culture and organizational practices among its employees that convey to all members the importance of risk management.

In this regard, the Bank has a Code of Ethics and Conduct, which outlines behavioral frameworks, actions, rules, and standards in addition to those contained in the Internal Work Regulations, Good Governance Code, and internal regulations. These tools are aimed at facilitating decision-making and the development of the Bank's activities, as well as increasing public confidence in the institution and its employees.

Similarly, the Bank's Ethics and Conduct Committee is responsible for managing and monitoring situations that violate the rules and standards contained in this code. It also ensures the confidentiality and security of information for each case, as well as taking the necessary actions.

For 2023, the Code of Ethics and Conduct will continue to be updated, and efforts will be made to ensure its proper application and strict compliance.

The dissemination of the Code of Ethics and Conduct is done through "Enlace virtual," the Bank's internal webpage accessible to all employees. It is also available on the Bank's website, which outlines the procedure for reporting irregularities.





Risk Management System

In 2023, Banco Popular completed the implementation of the regulatory requirements of Circular 018 of 2021 (SIAR), which mandates the establishment of a system integrating risk management. Consequently, the Bank aligns with the circular's provisions by updating its policies for comprehensive risk management, the governance structure of risk management, and its functions, as well as the models for risk management.

Likewise, the Risk Appetite Framework was updated, which, although it has specific governance, is subordinated to the guidelines of the Bank's integrated risk management.

Finally, during the last quarter of the year, progress was made regarding data aggregation, where the monitoring of the risk appetite statement was incorporated into the Bank's corporate tool and its subsidiaries.



2.3.1. Comprehensive Risk Strategy

The comprehensive risk strategy focuses on two pillars: the "Risk Appetite Framework" and the "Relevant Risks" methodology, which are part of the entire risk cycle and are managed across the various governance levels, as outlined below:

Comprehensive Risk Management System

Risk Appetite Framework - MAR

Relevant Risks



Board of Directors / Board Risk Committee



Control Dashboard

- Credit Risks
- Market Risk
- Liquidity Risk
- Non-financial Risks
- Regulatory Risks
- Subsidiaries

Consolidated Risk Committee

Specialized Risk Committees



Business Continuity Management System

Cybersecurity and Information Security

- SARC Committee
- SARM Committee
- SARL Committee
- Non-financial Risks Committee
- Regulatory Risks Committee
- Subsidiary Risks Committee

Risk Governance

[DJSI 1.4.1]

In 2023, the following committees were held:

Entity	Topic	Total
1- Filiales	Subsidiaries	12
2- Subsidiaries	Consolidated Risk Committee	6
2- Specialized	Business Continuity Committee	4
	Regulatory Risk Committee	4
	Non-Financial Risk Committee	4
	SARM - SARL	12
	Information & Cyber Security	4
3- Audit Committee	Audit Committee	7
3- Internal Control Committee	Internal Control Committee	7
3- JD Risk Committee		6
4- BD		55
General Total		121



2.3.2. Relevant or Material Risks

[CE19] [DJSI 1.4.2]

Risk management has become a fundamental pillar for financial institutions, which, following the severity of past crises, are compelled to respond and implement complex and more resilient mitigation measures against external events. In this way, institutions can timely identify threats to systems, sustainability, and consumer trust.

In this context, Banco Popular annually produces a report summarizing the risks that are of concern and alert. These are extracted from major sources in the field, addressing events across six categories: Economic, Political, Social, Environmental, Regulatory, and Technological, with an analysis that begins with the international situation and then continues with the identification of vulnerabilities at the national and local levels.

This report is prepared to enhance the understanding of the current financial activity context, comprehend the macroeconomic trends

at the industry level that may be affecting banking business locally and internationally and understanding the risks impacting banking establishments. In this sense, it serves as a basis for reviewing and updating the Bank’s relevant risks for 2023.

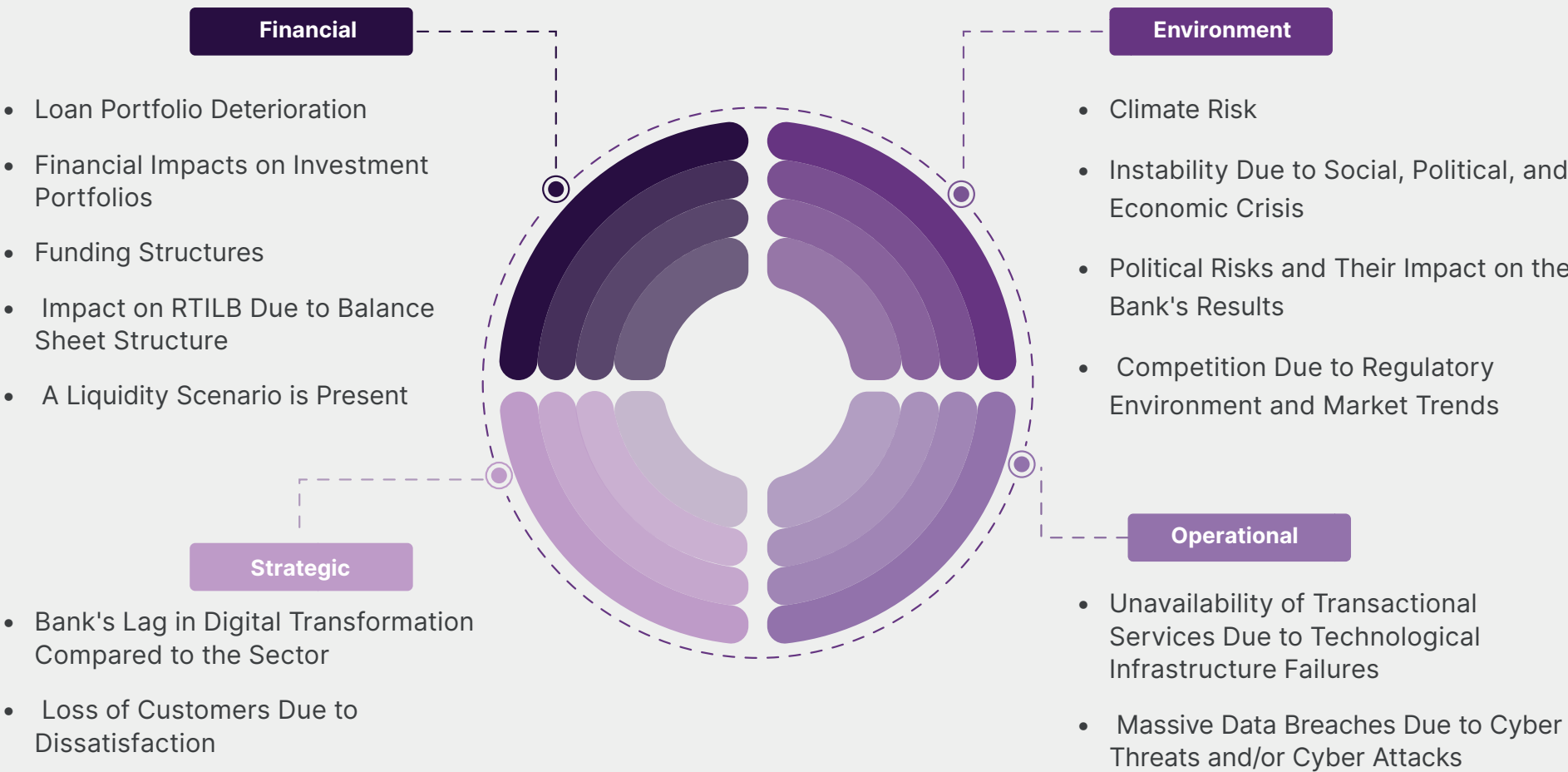
Management of Relevant Risks 2023:

- Transformation and modernization of the organization in response to changes affecting the sector.
- Financial impacts on the credit portfolio and investment portfolios due to instabilities in the economic, social, and political environment.
- CFEN Compliance Risk and Concentration of Deposits Risk.
- Structural Balance Position RTILB.
- Talent Management and Labor Relations.
- Climate Risk.

Management of Operational Risks 2023:

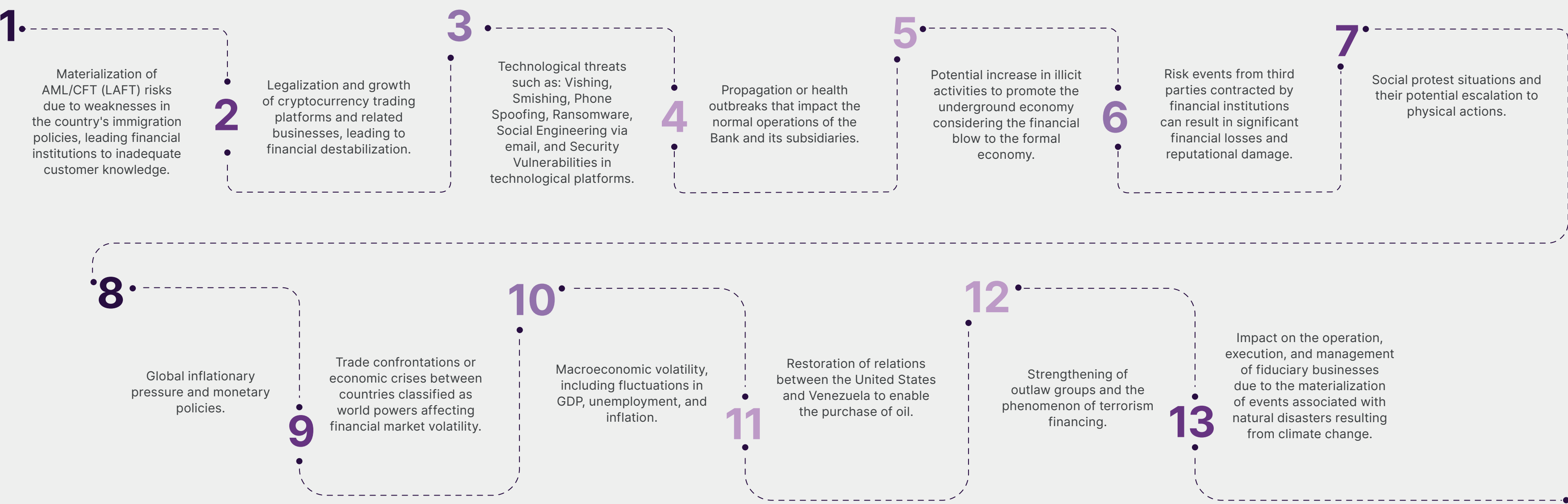
- Massive data breaches due to cyber threats and/or cyberattacks.
- Unavailability of transactional services in channels due to failures in technological infrastructure.

For the 2024 update, relevant risks were classified according to their nature into Strategic, Operational, Financial, and Environmental Risks. This classification is performed during the annual review and is approved along with the risks by the Board of Directors.



Emerging Risks

Banco Popular and its subsidiaries conduct a semi-annual analysis of emerging risks, which, as of July 2023, correspond to the following:



Among these emerging risks, those with a significant impact on the Bank are:

- 1. Global inflationary pressure and monetary policies.
- 2. Macroeconomic volatility, including fluctuations in GDP, unemployment, and inflation.

To mitigate these risks, the Bank implements the following controls:

- a) Continuous monitoring of key local macro variables and external markets.
- b) Increased monitoring of operations in economic sectors where deterioration is evident.

- c) Monitoring the impacts on margin and results of changes in monetary policy.
- d) Assets and Liabilities Committee (COAP) responsible for setting objectives, analyzing market changes, establishing, and approving limits and policies.
- e) Definition, implementation, and monitoring of hedging strategies.



Human Talent and Organizational Culture Management

The human team at Banco Popular has managed to strengthen a culture based on trust, continuous improvement, positivism, and collaborative work, from which positive experiences are generated, allowing the organization to fulfill its main purpose and achieve organizational objectives. Additionally, during 2023, it strengthened its inspirational leadership strategy, enabling the creation of environments of trust, respect, and transparency, which lead the Bank to be a place where people can develop their talents and grow personally and professionally.

To promote its culture, the Bank has various communication channels that keep its human team informed and updated constantly and immediately. These channels are: internal email, the Bank's social network, streaming platform, and corporate intranet.

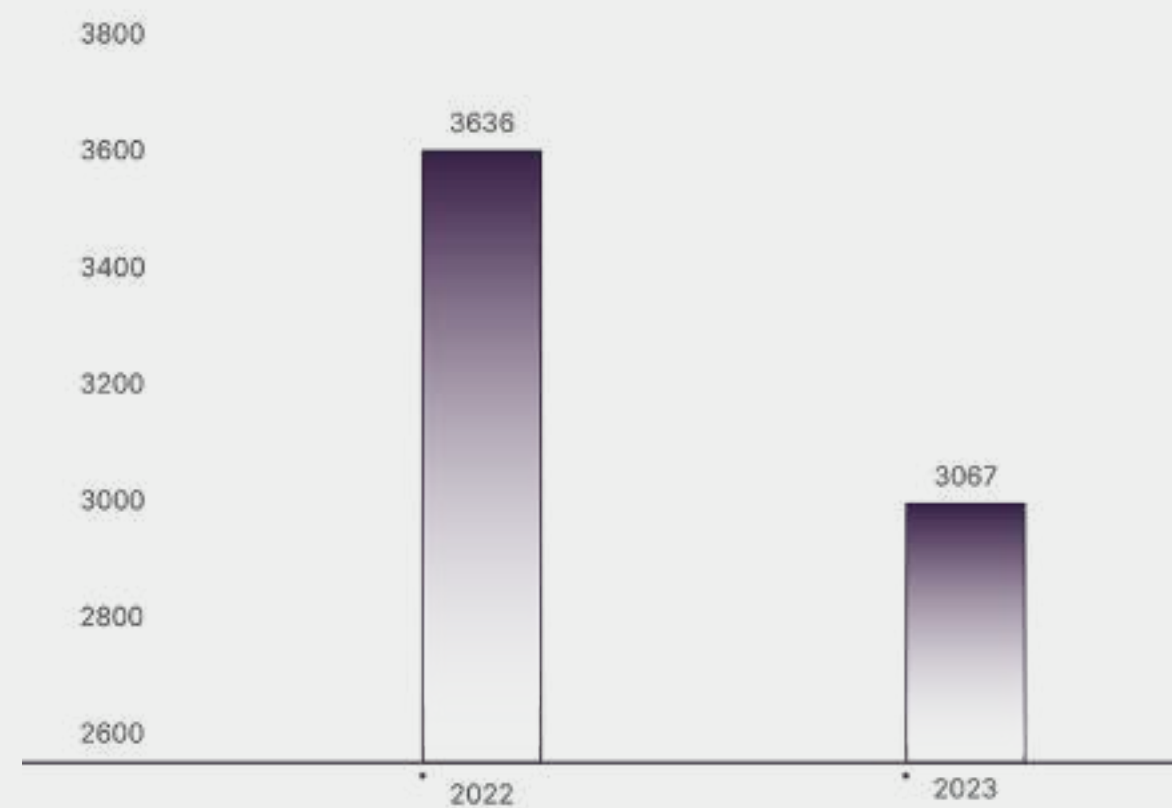


2.4.1. Popular Human Team

[GRI 2-7] [DJSI 3.1.2] [CE17]

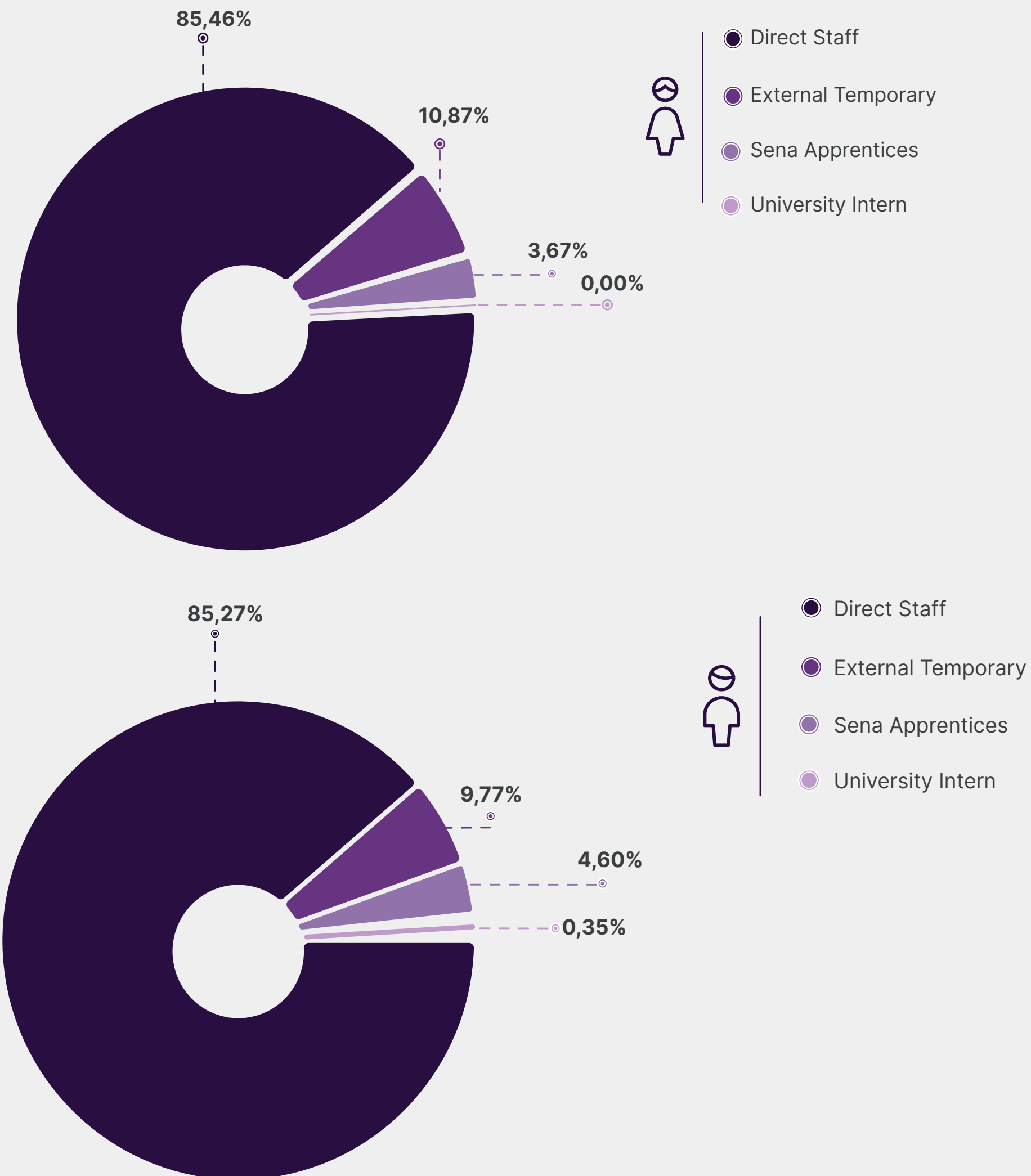
Characterization of the human team by Type of Contract

Direct Staff

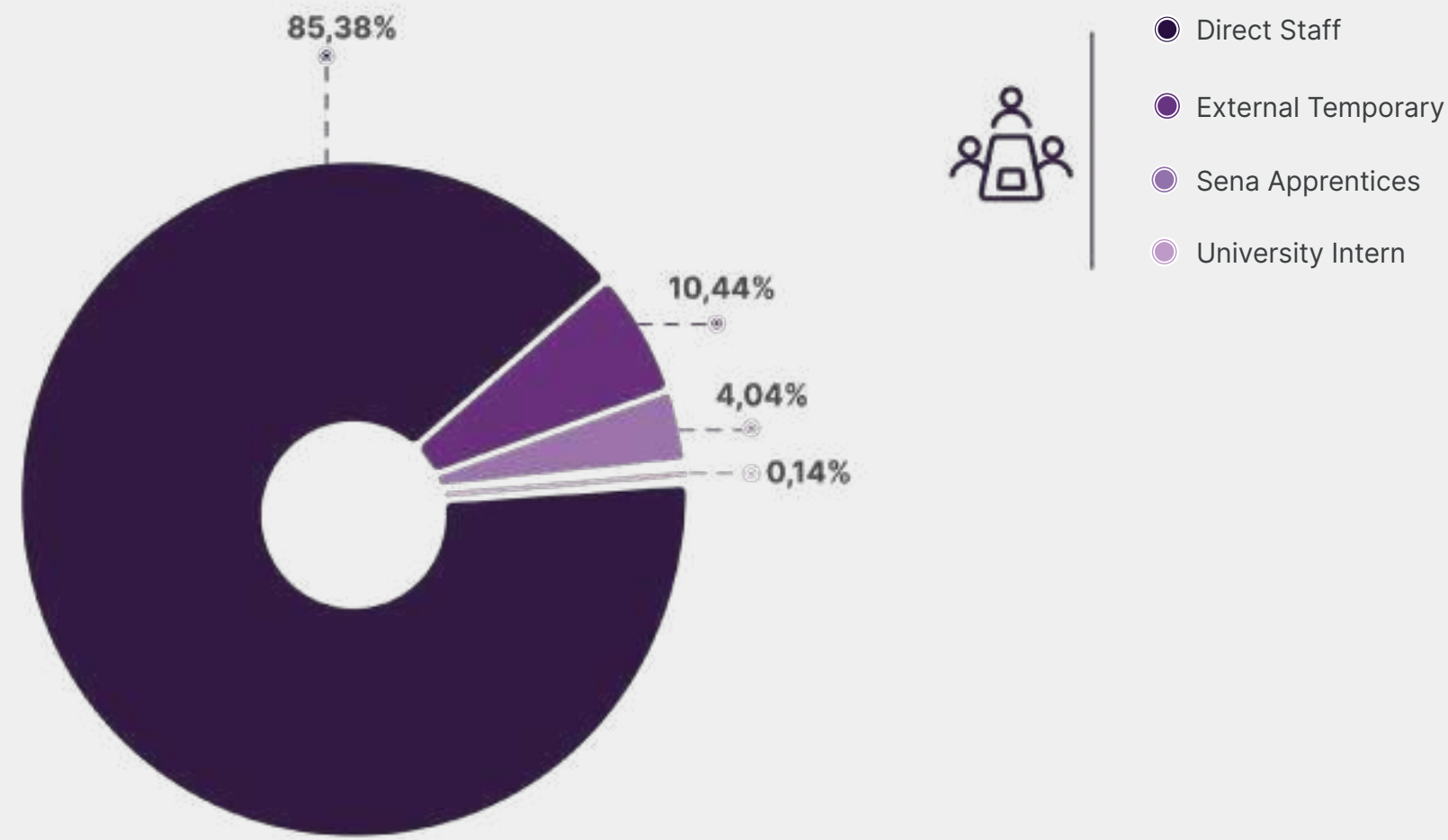


Women by Type of Contract

Men by Type of Contract



Total Human Team by Type of Contract



Banco Popular has a human team of over 3,067 workers across 29 departments in the country, which has enabled it to adapt to the needs of a changing market, aimed at providing value to increasingly demanding clients and creating experiences that positively transform people's lives. This fulfills its main purpose and achieves the objectives set for all its stakeholders. Similarly, during 2023, it focused on generating strategies to remain one of the best companies to work for in Colombia, creating growth opportunities and maintaining policies of inclusion, recognition, training, and development.

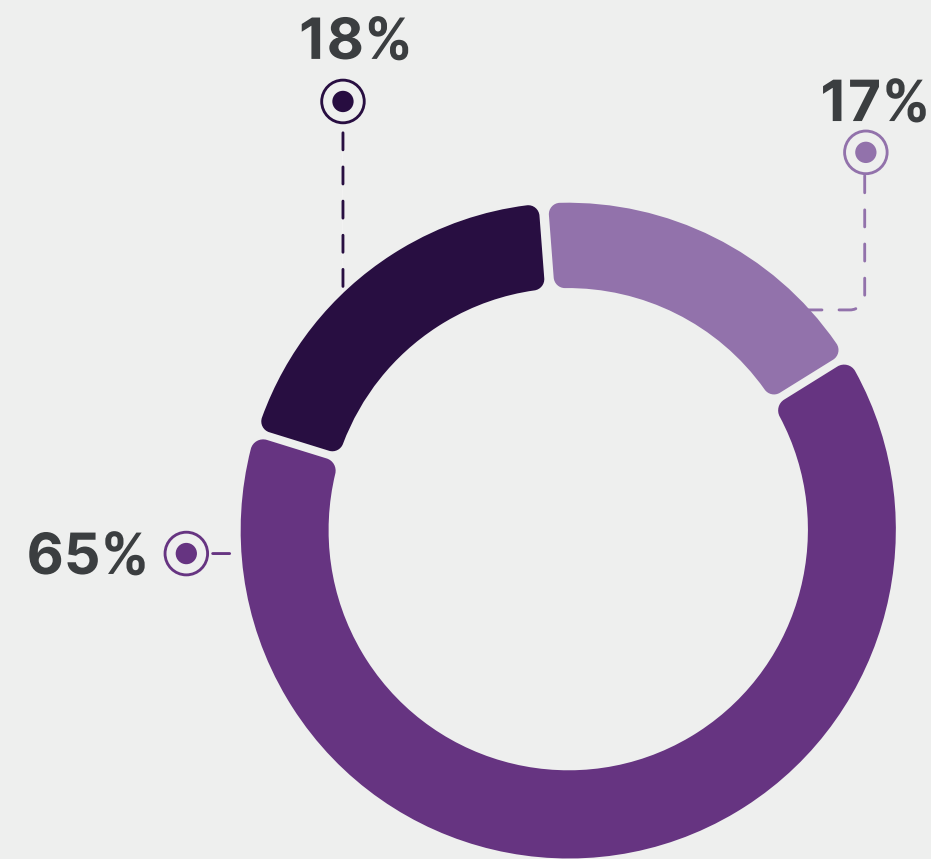
Gender Distribution 2023



Age Distribution 2023



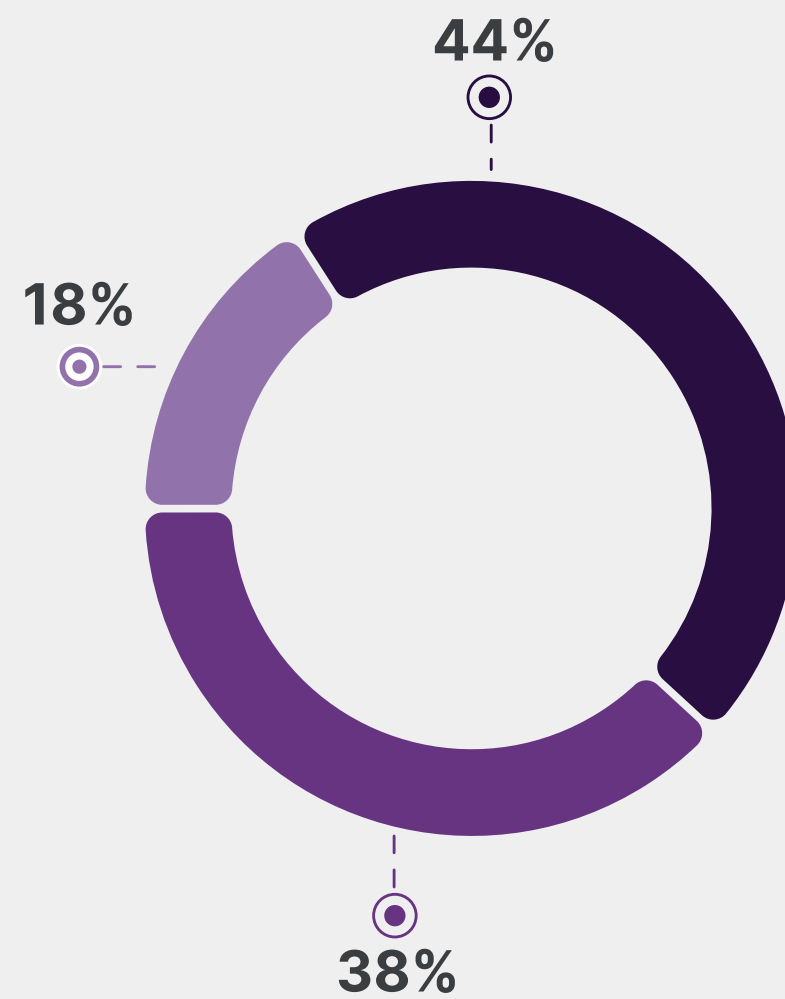
- Employees under 30 years of age
- Employees aged 30 - 50
- Employees over 50 years of age



Seniority Distribution 2023



- Employees under 30 years of age
- Employees aged 30 - 50
- Employees over 50 years of age



59% of the Bank's direct employees are aged between 30 and 50 years. Additionally, employees under 30 years old constitute 25.5% of the Bank's workforce, while 15.5% are over 50 years old. It is important to mention that women make up 60% of the organization's workforce, which is very valuable for the Bank, as this group—young women and single mothers—are positioned in professional and leadership roles.

Employee Benefits
 [GRI 401-2] [DJSI 3.4.4]

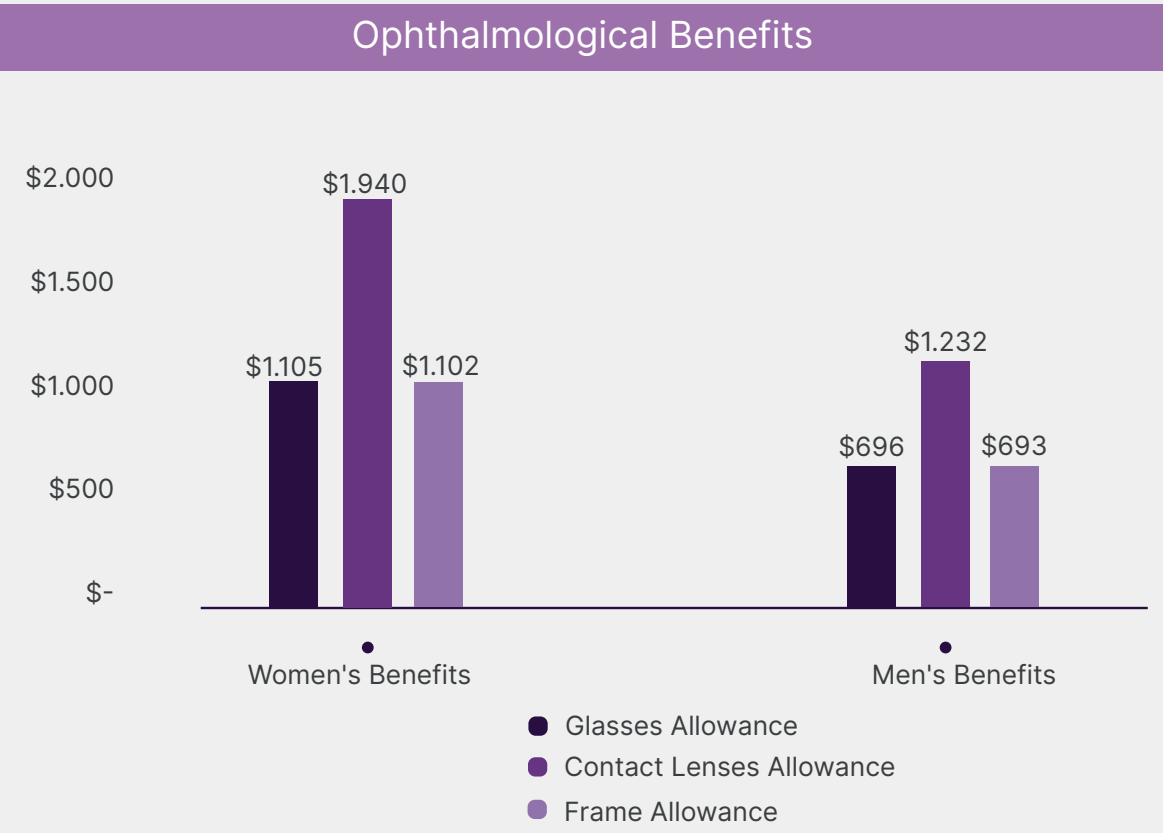
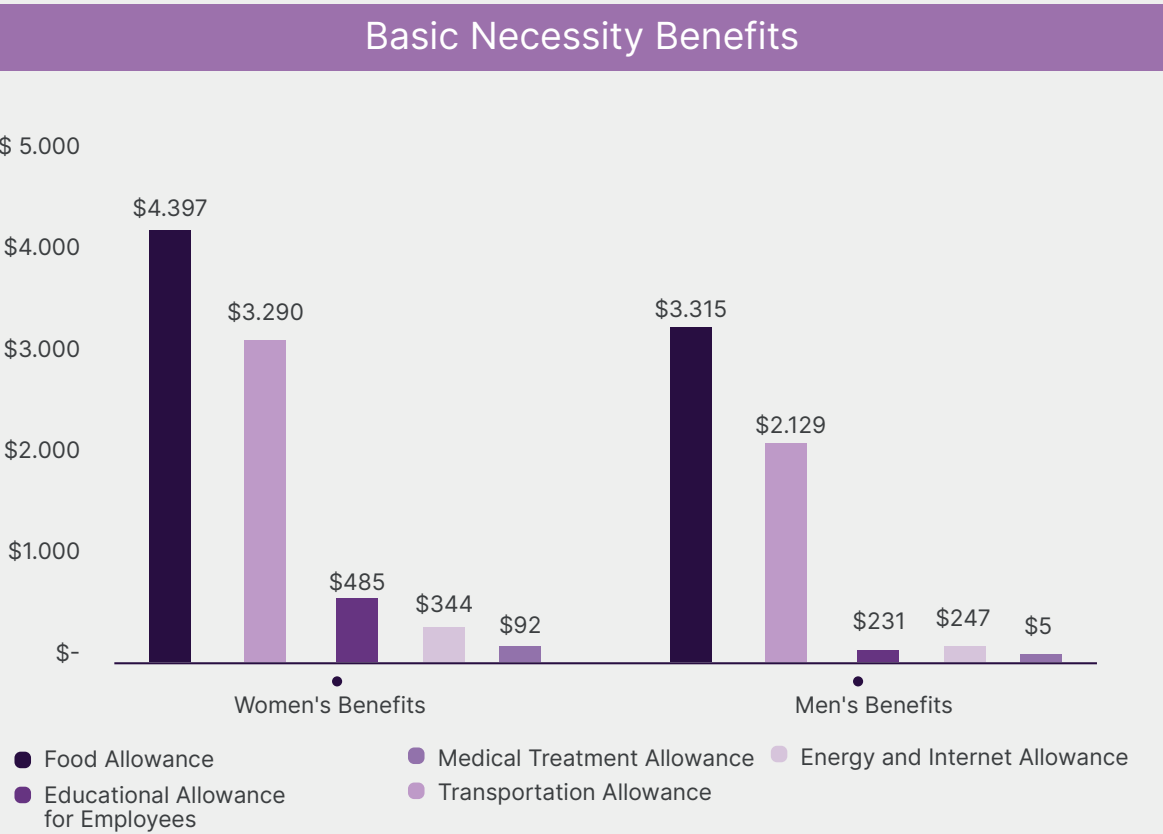
In 2023, initiatives that strengthened the sense of pride and experience of the human team continued, including:

Implementation of agreements and initiatives that promote physical and mental well-being, as well as healthy lifestyle habits reducing stress levels. Additionally, national activities were designed and implemented to celebrate special occasions, aimed at recognizing workers as holistic individuals and promoting the personal, work, and family balance of the Bank’s human team.

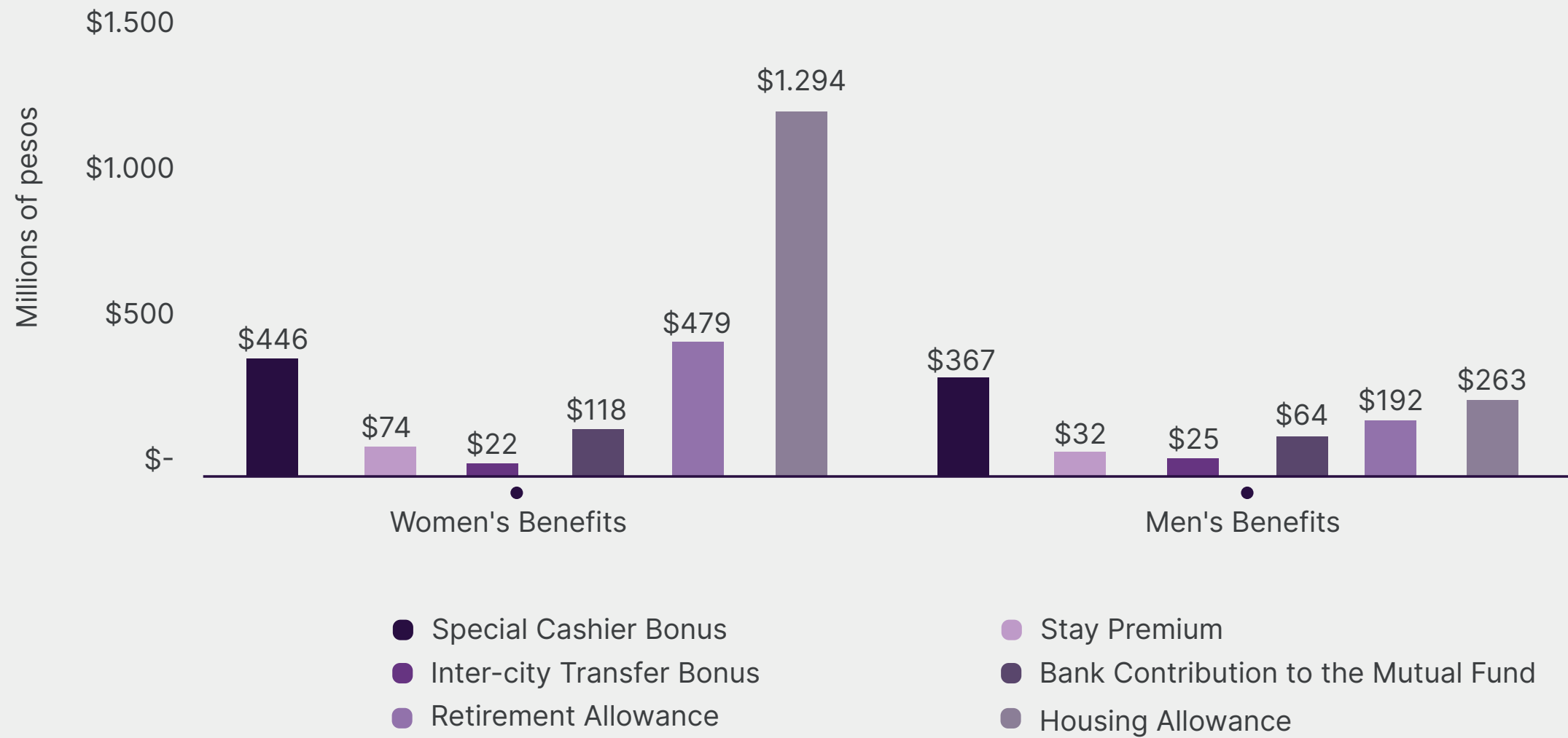
Additionally, the following programs continued:

- A seed program for technology and digital development areas, as well as the implementation of career plans.
- A support line called “Estamos Contigo” (“We Are With You”), which provides support during difficult times to our human team and their immediate family members through psychological counseling and workshops for teams in mourning.
- Strengthening high-performance teams: supporting leaders and work teams in work climate to create more cohesive teams and stronger leaders who ensure their team’s development in achieving the Bank’s objectives.
- Recognitions aimed at motivating teams through recognition for exemplary and outstanding actions, behaviors, or performances that align with the organization’s culture, values, and strategy.
- Sensitization scenarios for the Bank’s teams on adopting change and cultural practices related to the normal course of business and transformation projects and initiatives.

The Bank provides benefits to workers that enhance job satisfaction and contribute to overall well-being, such as:



Other Allowances, Contributions, Bonuses, and Premiums



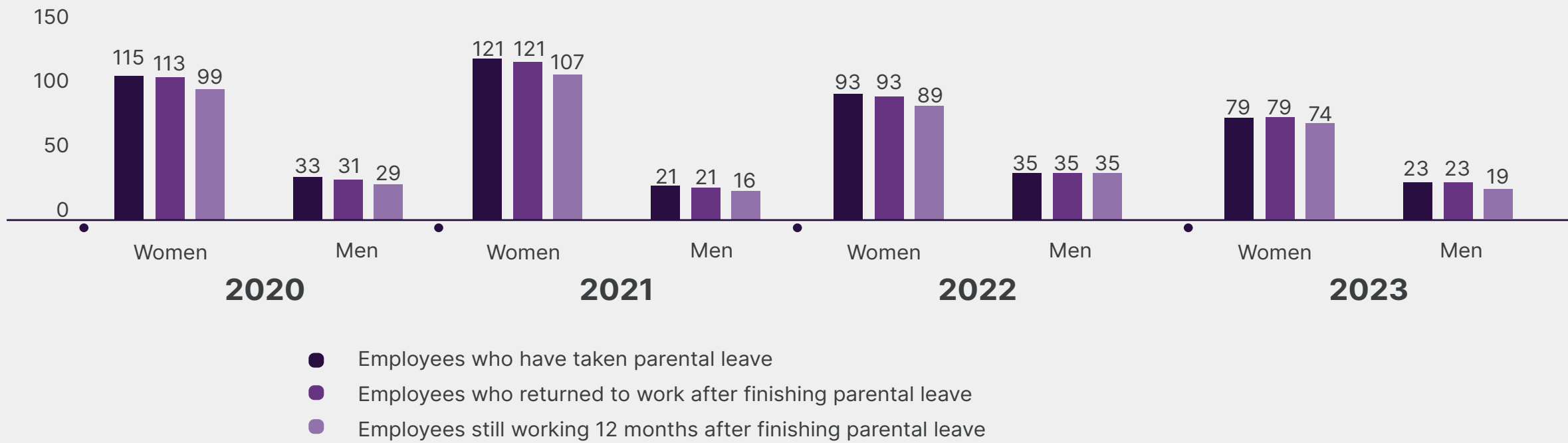
Banco Popular offers a comprehensive benefits package aimed at ensuring the quality of life for employees and their families, promoting a balance between work and personal life. These benefits are aligned with the employee value proposition and aim to support various important population groups, addressing needs at each life cycle stage.

The benefits offered for families are primarily associated with housing and education for employees and their children, as well as maternity and paternity leave, which strengthen the bonds with children and family. These benefits also positively impact women.

Parental Leave

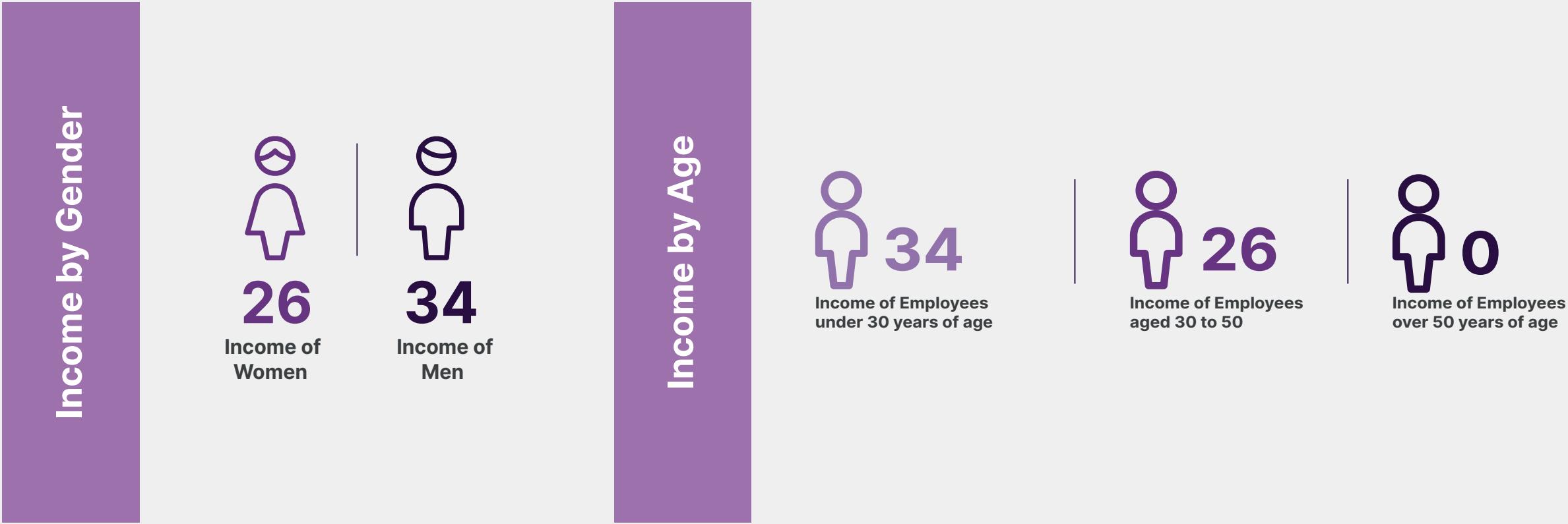
[GRI 401-3]

Number of Employees on Maternity and Paternity Leave



New Talents in the Bank

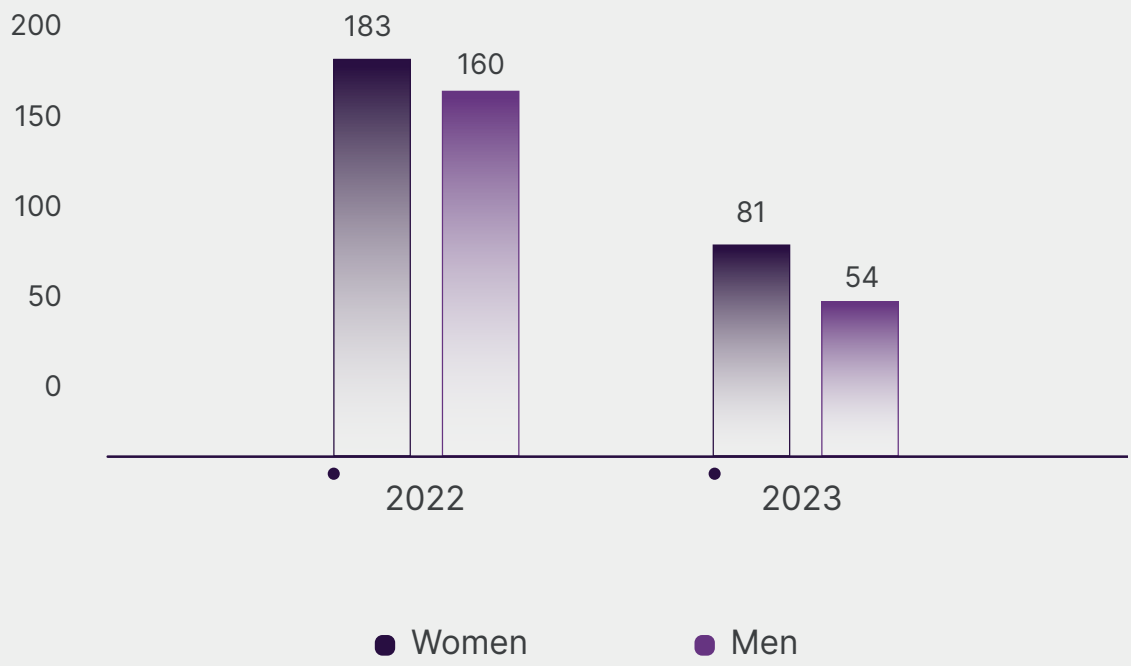
[GRI 401-1] [CE17]



In 2023, 60 new talents joined the institution, of which 43.3% are women and 56.7% are men. The new hire rate is 2%, which decreased compared to 2022, when the rate was 9.9%.

It is important to mention that within the Bank's hiring strategy, there has been a focus on prioritizing young talent by creating university apprentice programs and seed programs that favor first employment and provide development and growth opportunities for this population, which is potential for the labor market.

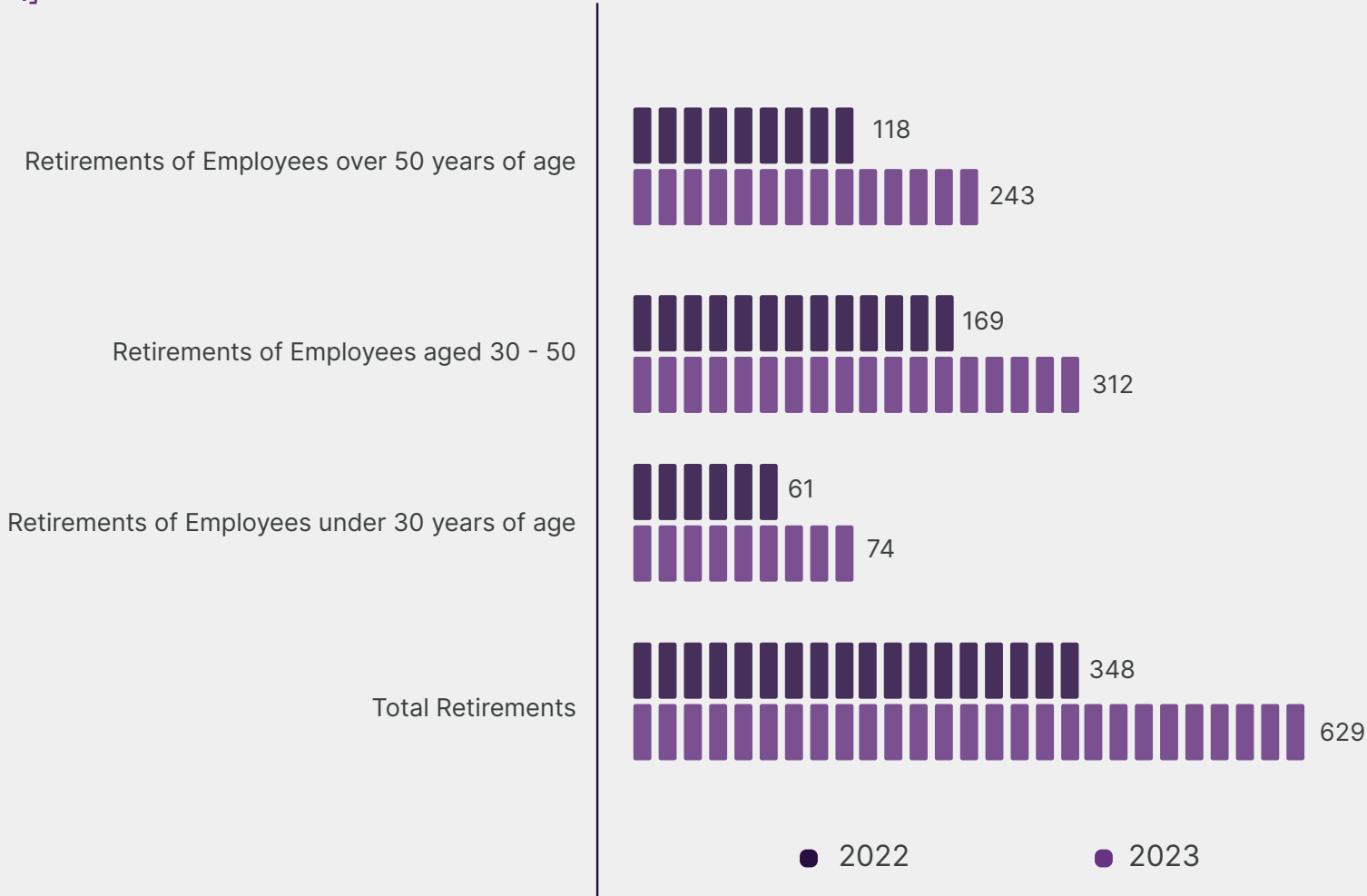
Internal Promotion Opportunities



The Bank aims to promote the career development plan of internal employees within its mobility framework through career plans for employees via transfers and promotions. Although in 2023 there was a decrease compared to 2022, the highest percentage of promotions is among the female population, who have stood out for their skills and contributions to the organization and have earned these new positions on merit.

Rotación de Personal

[GRI 401-1]



In the past year, there has been an increase in the employee turnover rate, corresponding to the natural turnover of the business, especially in areas like Information Technology, Operations, and Commerce, which have high demand in the market. Additionally, turnover has been impacted by the Bank's process of transformation and optimization of operations.

Employee Support Programs

[DJSI 3.4.4]

Practices to Promote Organizational Health

In 2023, initiatives that strengthened the sense of pride and experience of the human team continued, including:

Implementation of agreements and initiatives that promote physical and mental well-being, as well as healthy lifestyle habits, reducing stress levels. Activities were also designed and implemented at the national level, celebrating special dates aimed at recognizing workers as holistic individuals. These activities support the personal, work, and family balance of the Bank's human team.

Working Conditions

Banco Popular has implemented quality of life/work-life balance strategies, including the "Flexible Schedule" strategy, with three available schedules for workers:

- 7:00 a.m. a 4:00 p.m.
- 7:30 a.m. a 4:30 p.m.
- 8:00 a.m. a 5:00 p.m.

Depending on the nature of the position and the development of their activities, the worker can choose any of these three schedules, with prior and informed agreement with their immediate supervisor.

Home Working Modalities

Since October 2022, Banco Popular has implemented a work model for its administrative areas, establishing four work modalities: on-site, autonomous, supplemental, and mobile. All workers with a direct contract can access this model, provided that the worker’s position allows them to perform activities within these modalities.

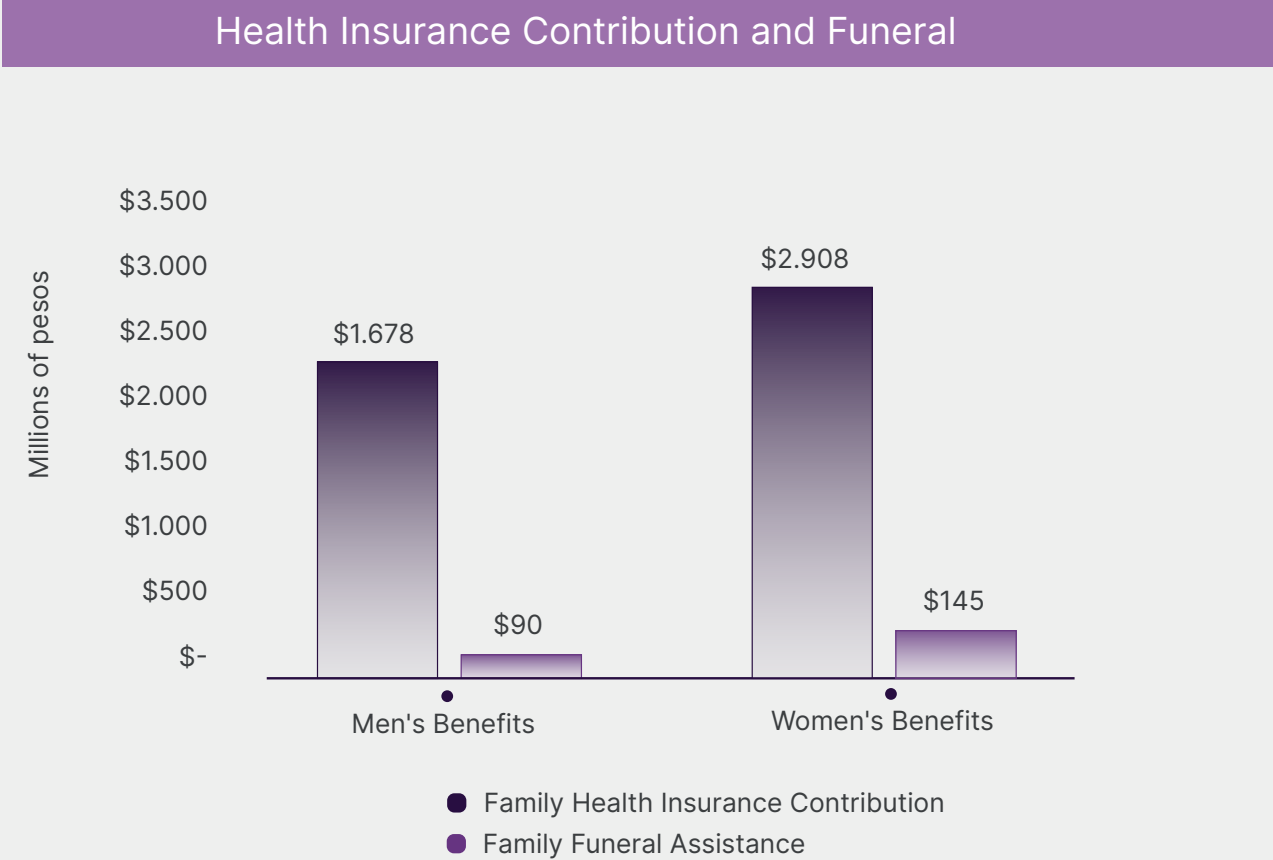
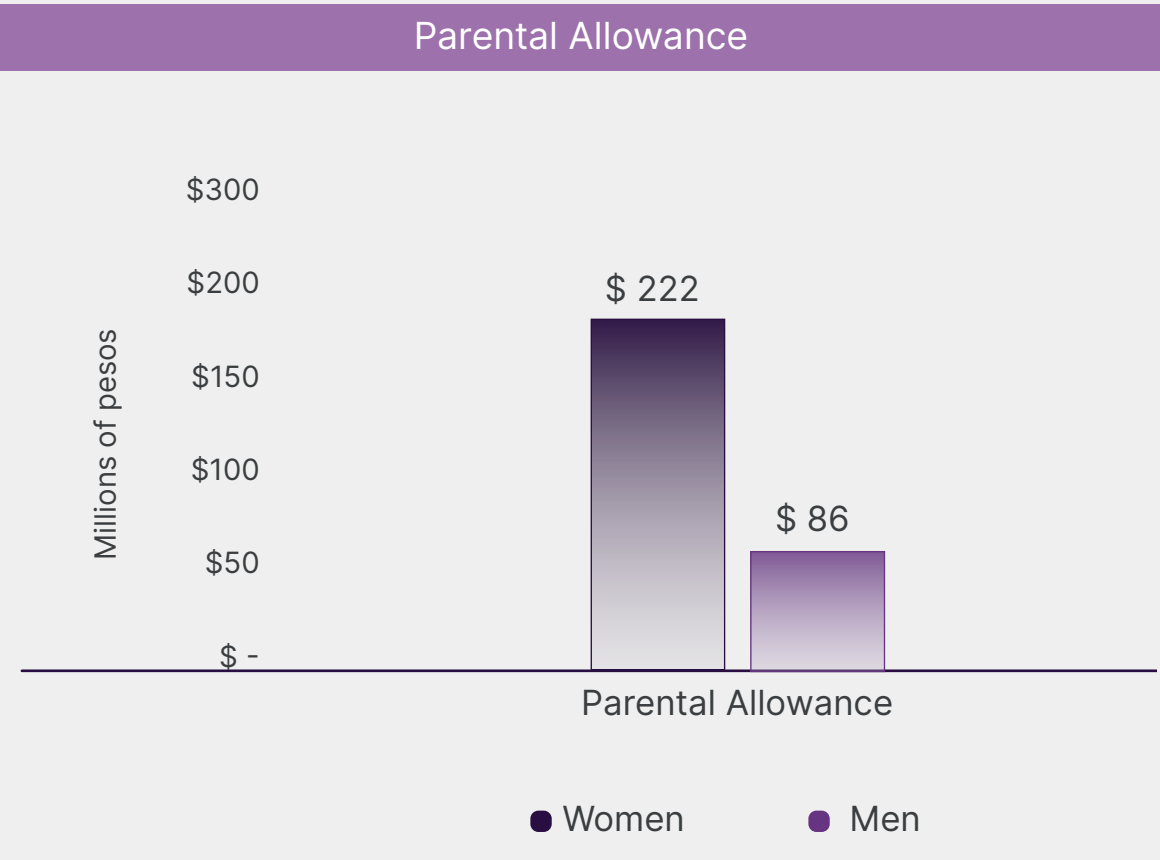
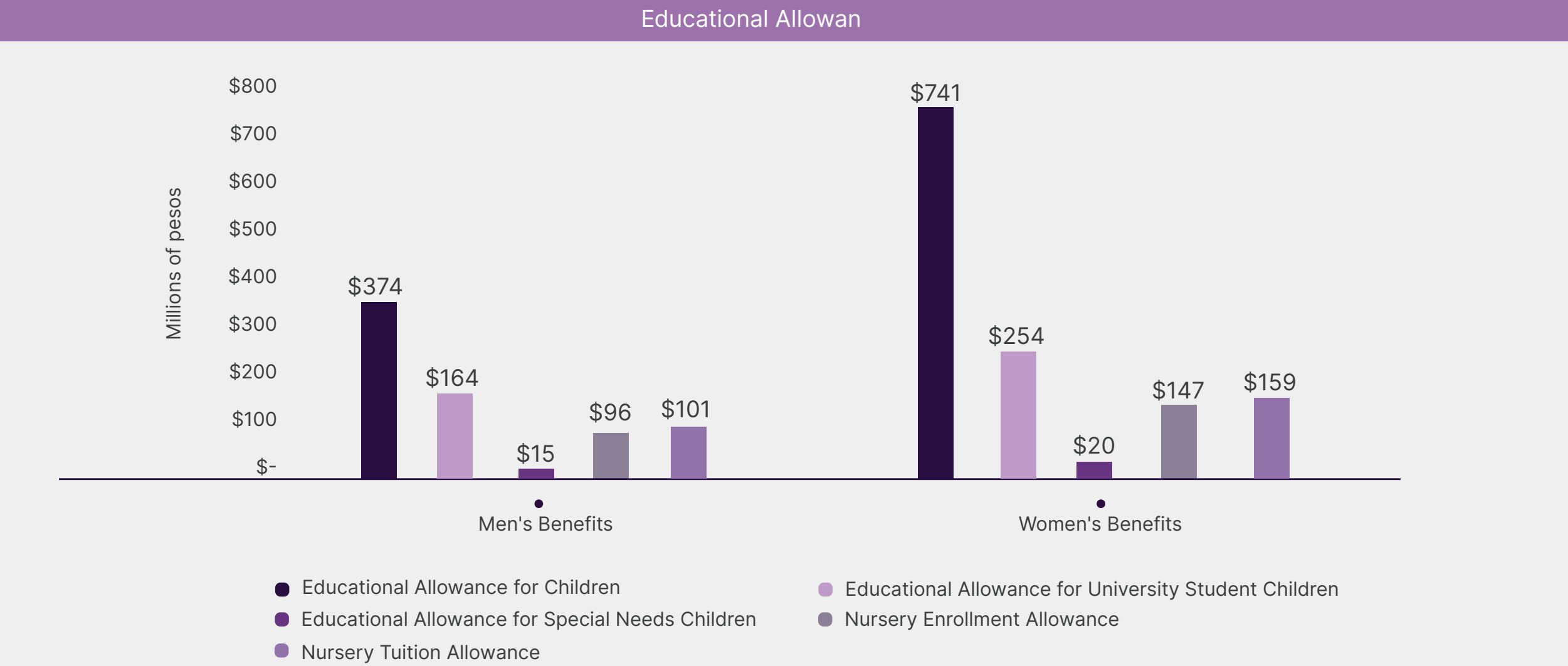
Currently, we have 1,464 formal teleworkers distributed by modalities as follows:

- Autonomous Telework: 841 (49%)
- Supplemental Telework: 530 (31%)
- Mobile Telework: 93 (5%)

Additionally, we have 185 workers who, although their positions are suitable for a telework modality, chose to work on-site.

Employee and Family Benefits

The benefits designed to support the worker in managing their family responsibilities, promoting a balance between work and personal life.



Each of the described allowances aims to improve and favor the personal and family conditions of the employees. To provide these allowances, the Bank makes a significant effort in allocating budget items to offer this benefit to more than 1,600 families. This is a highly valued aspect by employees, highlighting the compliance and timeliness in the support the Bank provides to their families with these allowances.

Collective Agreement
[GRI 2-30] [DJSI 3.1.5]

This is the process in which the labor union presents a list of requests and, through a series of meetings, defines the benefits for workers covered by the collective agreement, which is valid for three (3) years.

The negotiation period lasted about two months, at a table made up of representatives from the Bank and the union organization. In November 2023, the Bank reached a labor agreement with the union, Unión Nacional de Empleados Bancarios (Uneb), in which a new collective agreement was signed that will be effective from January 1, 2024, and will extend until December 31, 2026. This agreement aims to benefit employees nationwide and was the result of respectful dialogue between the company and the workers.

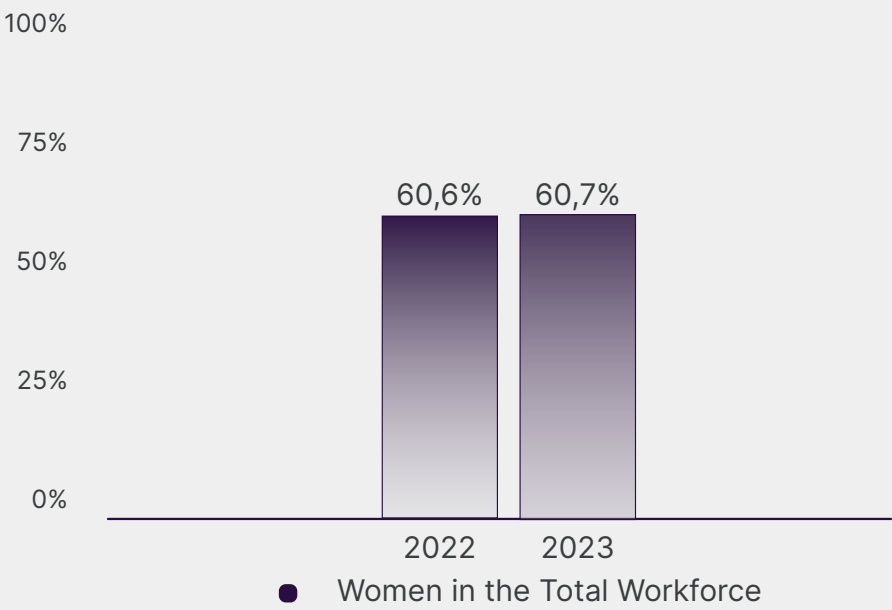
Among the agreed points, the salary increase and defined benefits for the three years of the agreement’s validity stand out, as well as housing and education loans with excellent rates. Additionally, allowances are an important negotiation point, including food and transportation allowances, among others.



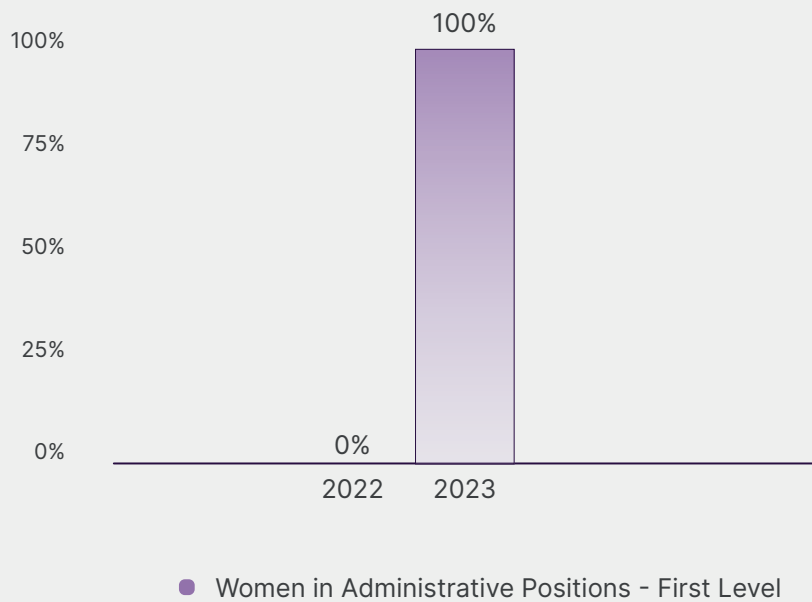
2.4.2.
Diversity and Inclusion with a Gender Focus

Diversity in Governance Bodies and Employees
[GRI 405-1]

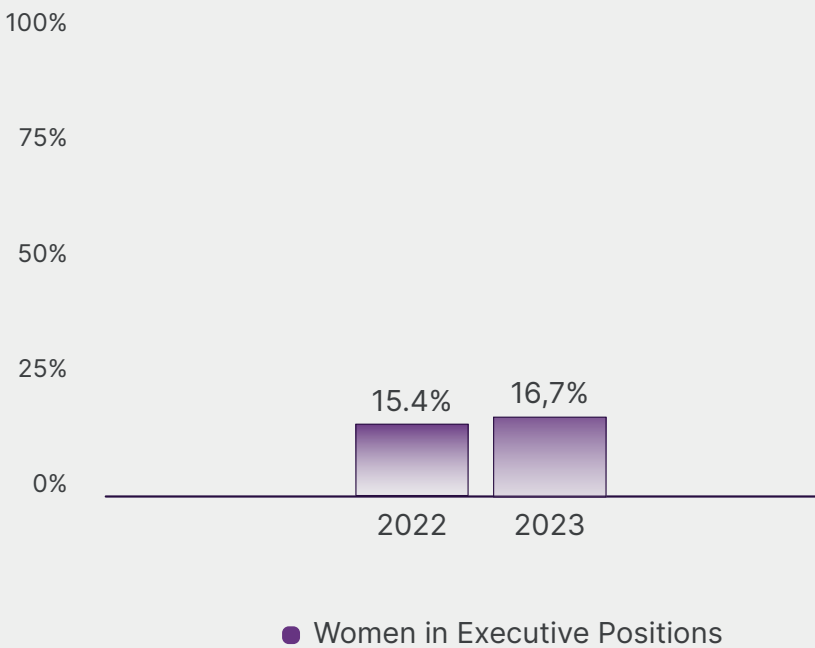
Women in the Total Workforce



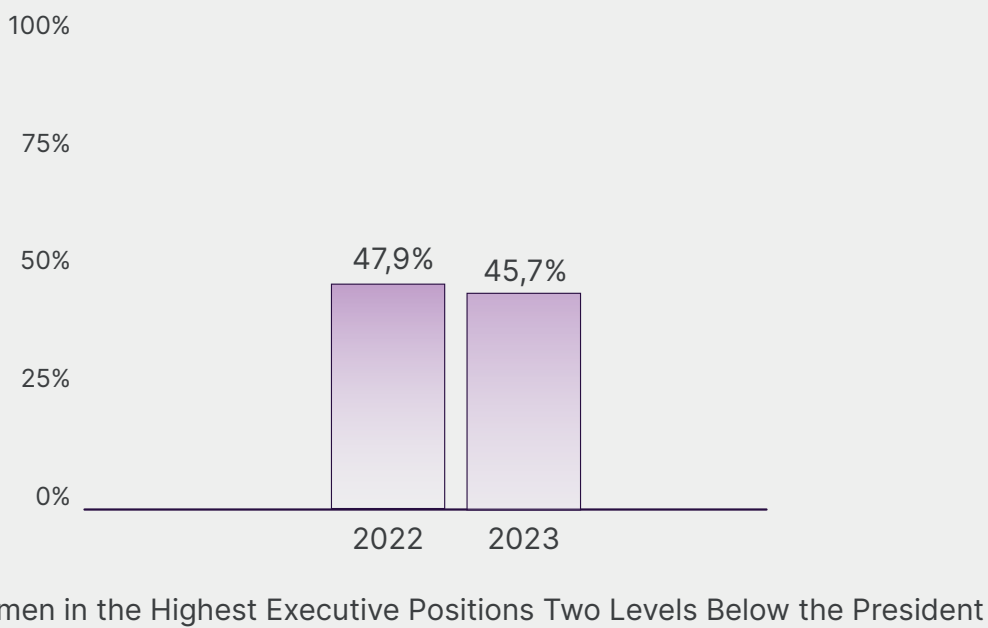
Women in Administrative Positions - First Level

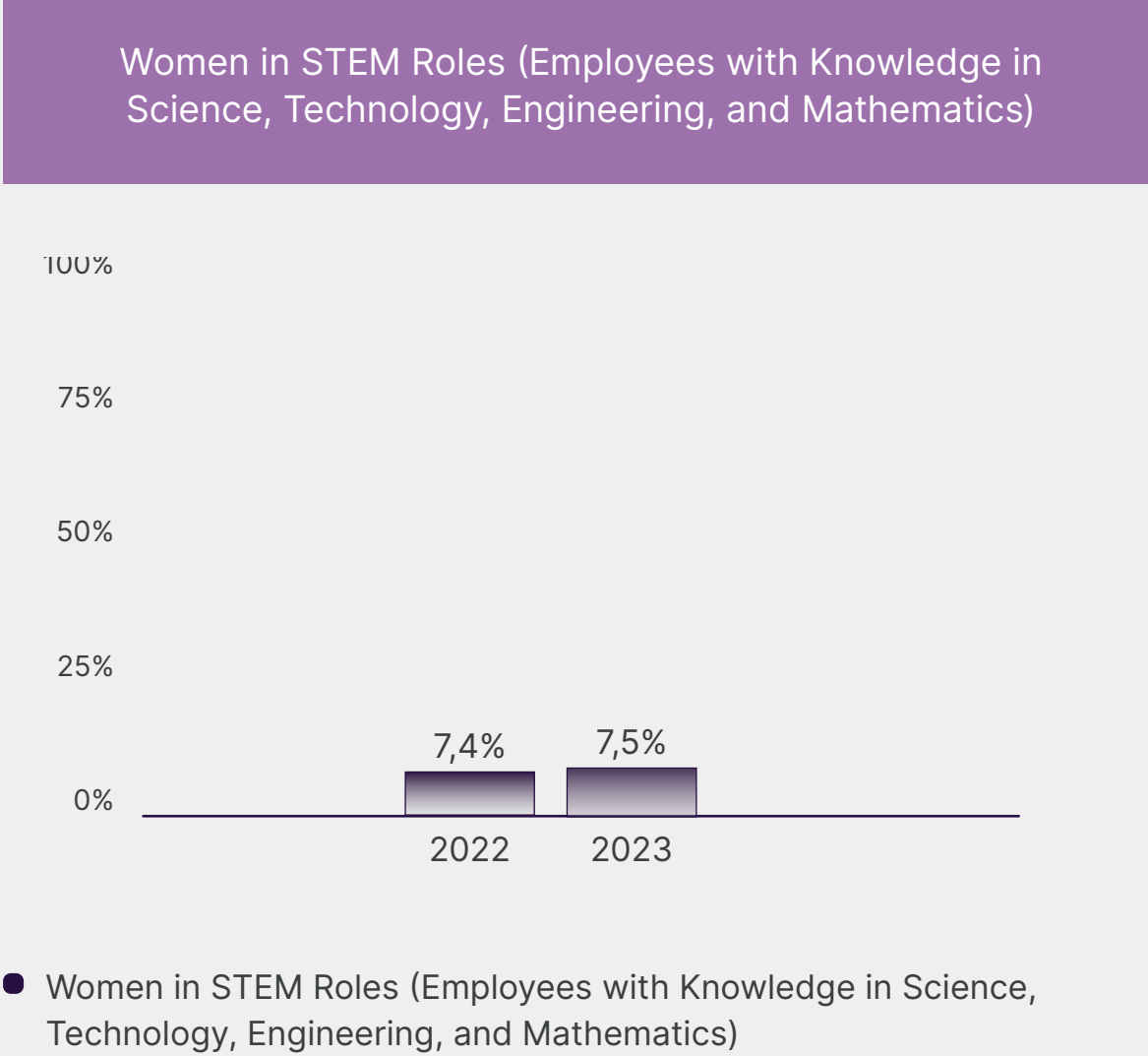
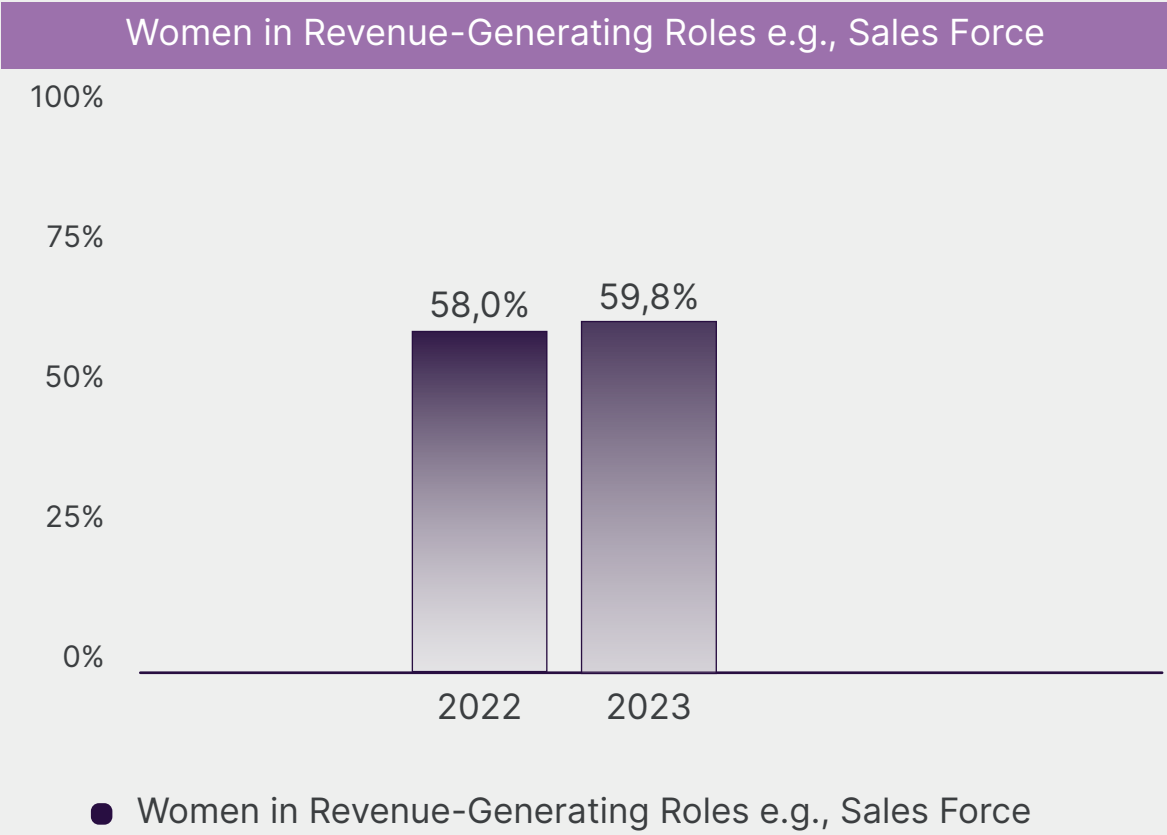


Women in Executive Positions



Women in the Highest Executive Positions Two Levels Below the President



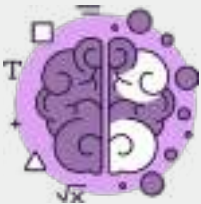


The Bank promotes gender diversity at all levels of the organization, from executive positions to commercial positions within the company. It is important to mention that the Bank is currently advancing in its characterization study aimed at deepening the understanding of gender diversity within the Bank and continuing to focus on actions that promote various population groups.

Discrimination and Harassment

[DJSI 3.1.1] [GRI 406-1]

During 2023, the Workplace Coexistence Committee did not register any cases of discrimination or harassment, and for this reason, no corrective action was taken. The Bank has a Workplace Coexistence Committee in accordance with Law 1010/2006.



2.4.3. Knowledge and Training

[GRI 404-1]

The Bank values continuous improvement, the appropriation, and the exchange of knowledge to promote development and contribute to the effective performance of the human team. For this, it has a Competency Model that aligns development strategies and the annual training plan that includes objectives, audiences, methodologies, and knowledge evaluation.

Similarly, in 2023, Campus Popular was strengthened with the training offer on key regulatory topics that enhance risk management and other topics related to commercial aspects, operations, leadership, culture and values, organizational agility, customer experience, and technology talent pools, among others.

[GRI 404-1]

Average Training Hours by Gender



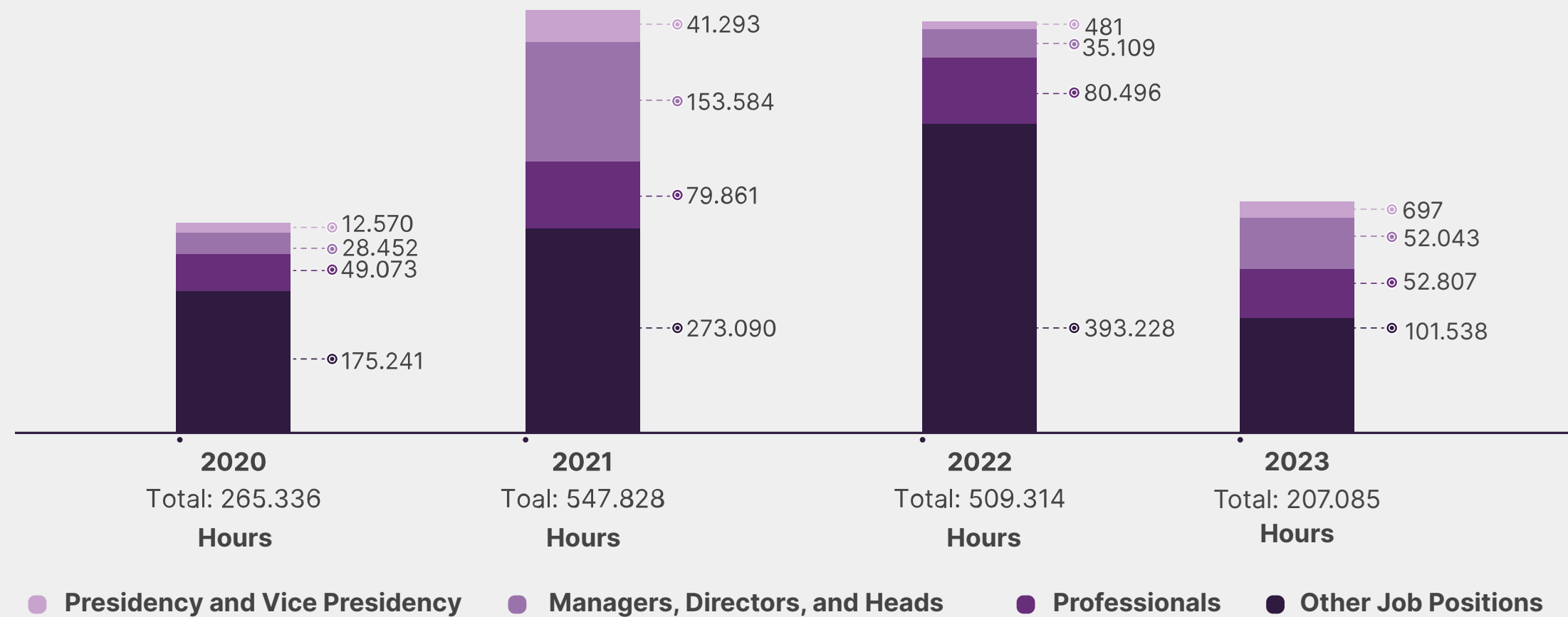
Considering the different regulatory, normative, and market issues, the Bank's updating processes during 2023 were focused on reinforcing knowledge in:

For our branch network, we continue working on the Commercial Coaching program for our leaders, in deposit and loan products for the sales team, CRM change, Operational Quality, and Experience Model, through our MAC 8.0 Program.

In our General Management team, we continue leveraging knowledge through peer-to-peer transfer programs tailored to needs, such as Operations Pool, Technology Change Management, cybersecurity, and Negotiation, among others.

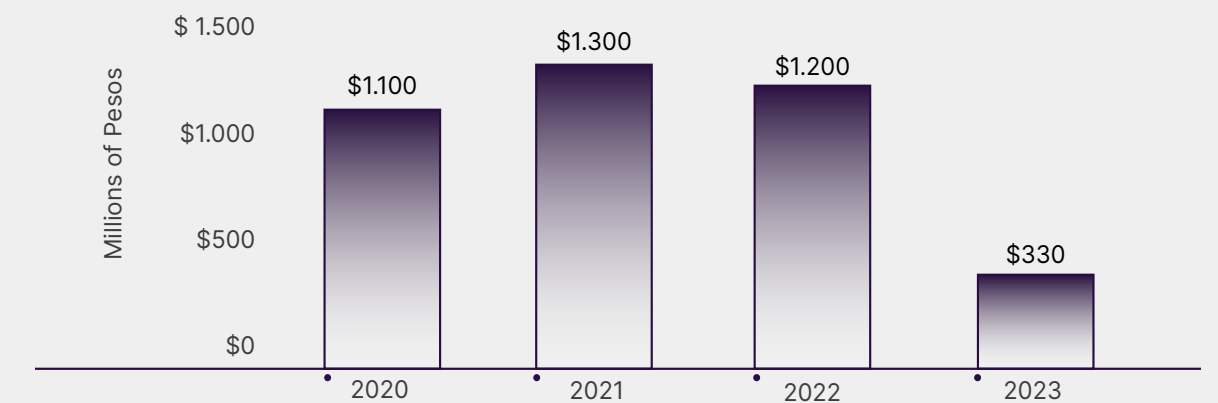
Additionally, and in a transversal manner, we launched version 2 of the Risk Mission program, in which all employees reinforce learning and care for our Bank, to develop employees' capabilities in these areas and thereby meet the business needs

Training Hours by Job Category



Investment in Training and Development

[DJSI 3.3.1]



All the Bank's programs are developed based on the Competency Model and the organizational strategy and are accompanied by the Human Talent area in the methodological design, knowledge certification, and support for their development.



Let's Contribute More

Sustainable Management Report

03

Corporate Economic Performance

Contribution to Our Clients' Development

Customer Experience



03

The economic, profitable, and sustainable performance of Banco Popular is essential for generating value for its stakeholders. The Bank's role is based on financially supporting its clients to achieve their goals and purposes. For this reason, its customer-centered business model offers financial products and services that leverage the economic growth and development of individuals, companies, and regions, thereby working together with allies to Contribute More to the country.

Corporate Economic Performance

In this context, the economic performance of organizations is linked to the dynamics of the global environment, as well as to macroeconomic trends and socio-political situations that directly affect the behavior of economic indicators, decisions on monetary policy, inflation, and interest rates.





3.1.1. Macroeconomic Context

International Panorama

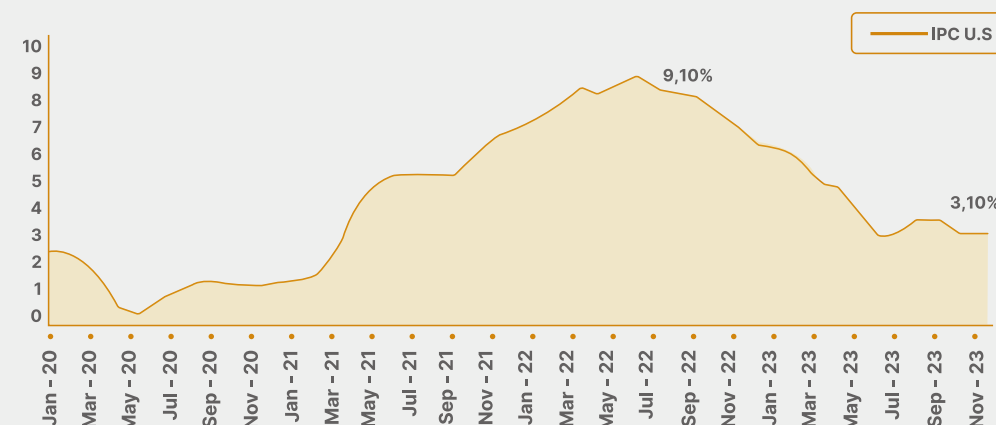
The year 2023 was again characterized by the worldwide fight against inflation. Following the notable economic recovery experienced in 2021, the focus of markets and analysts in the last two years focused on the behavior of inflation. Fortunately, after recording historically high inflation levels, 2023 saw a rapid correction in global inflation rates due to the historic efforts made by the major Central Banks, which were compelled to aggressively increase interest rates to control the rise in global prices. While the goal of controlling inflation seems closer, 2023 presented multiple challenges to financial markets, which experienced another year of volatility and stress due to high interest rates.

Inflation

After recording the highest inflation levels in the last 40 years (9.10% annual in July 2022), the Consumer Price Index (CPI) in the United States (U.S.) achieved a significant reduction during 2023, closing the year at 3.1% annually. The reduction in the CPI was aided by the adjustment in domestic demand in the U.S., following the rate hikes implemented by the Federal Reserve (FED) over the past 18 months, and the observed reduction in oil prices, which fell to USD \$80 per barrel after being at USD \$120 in 2022 due to the onset of the conflict in Ukraine.

Despite this, inflation in the world's largest economy has not yet reached the FED's monetary policy target, as the FED aims for the CPI to be at 2% annually. The market projects that the final adjustment phase will be much slower than observed so far. Therefore, by the

U.S. Inflation Annual Variation



Source: Bank of the Republic

end of 2024, inflation is expected to be at 2.4%, which will likely remain a key factor in monitoring market behavior in 2024.

In the case of European inflation, the behavior has been similar to that of the U.S., but with an even more pronounced convergence, as Eurozone inflation closed 2023 at 2.4%, very close to its 2.0% target. Europe has benefited from the normalization of energy and food prices, which were severely affected in 2022 by the war in Ukraine.

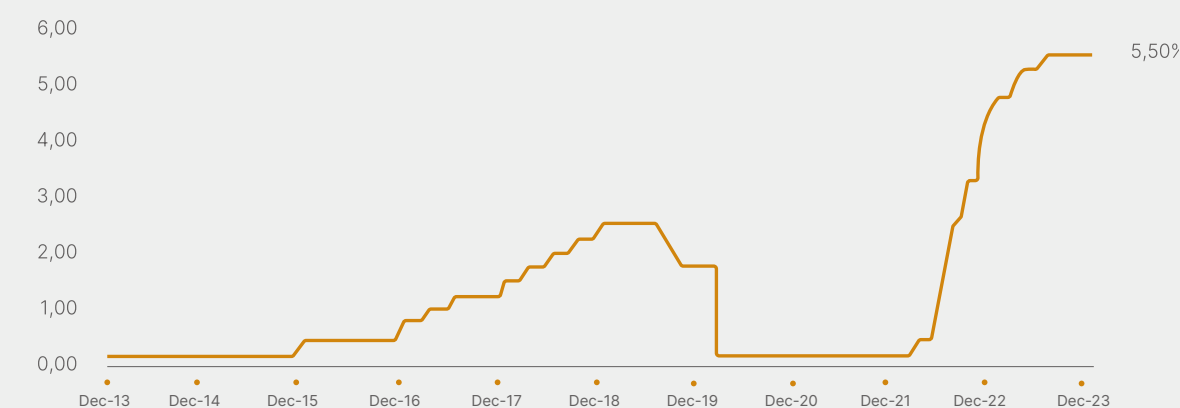
Monetary Policy and Global Dollar Movement

Given the historic surge in global inflation, central banks of the major economies were forced to change their monetary stance to control inflation before causing permanent damage to the global economy. Consequently, the Federal Reserve of the United States (FED) reduced the levels of liquidity and simultaneously increased the interest rate significantly, in an attempt to reduce aggregate demand and encourage price reduction. The FED's intervention rate increased from the 0-0.25% range at the beginning of 2022 to 5.25%-5.50% in June 2023. The rapid movement of 550 basis points (bps) is one of the strongest moves made by the FED in its history and caused significant tensions in international markets.

The good news is that, due to the inflation convergence observed in 2023, the Fed reached its peak rate and, starting in July, entered a period of stability in rates that lasted until the end of the year. This created an international environment with lower levels of uncertainty, where, despite some jolts in the third quarter of the year, markets managed to recover much of the losses incurred

in 2022. For 2024, the market expects the Fed to have enough room to reduce rates by 75 basis points, which would improve international conditions.

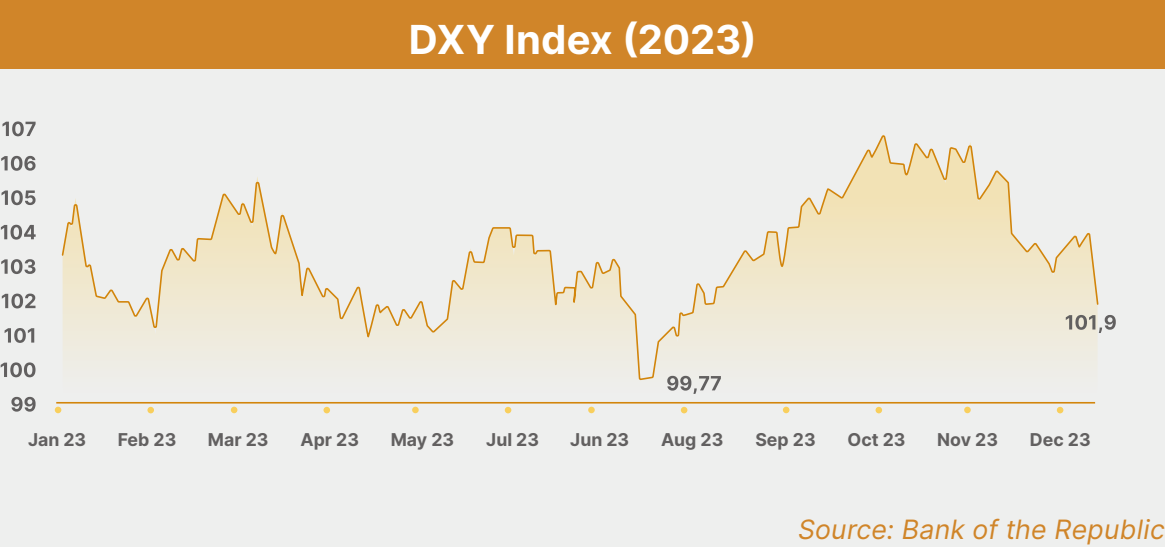
FED Intervention Rate



Source: Bank of the Republic



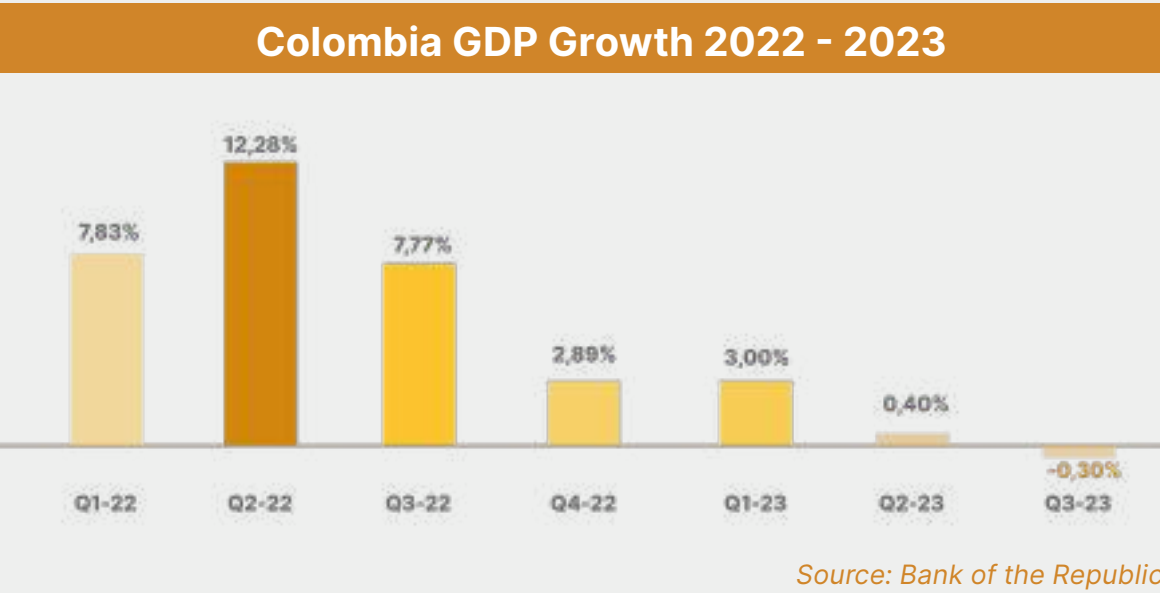
At the same time, as expectations for rate reductions by the Fed increased, appetite for the dollar as a safe asset decreased. This was reflected in exchange rate appreciations against the dollar in various emerging economies and even in stronger currencies like the euro, Swiss franc, and yen. This is evident in the behavior of the U.S. Dollar Index (DXY), which, after reaching its highest level in the last 20 years in 2022, showed a downward trend in 2023, ending the year at 101 points.



Colombian Panorama

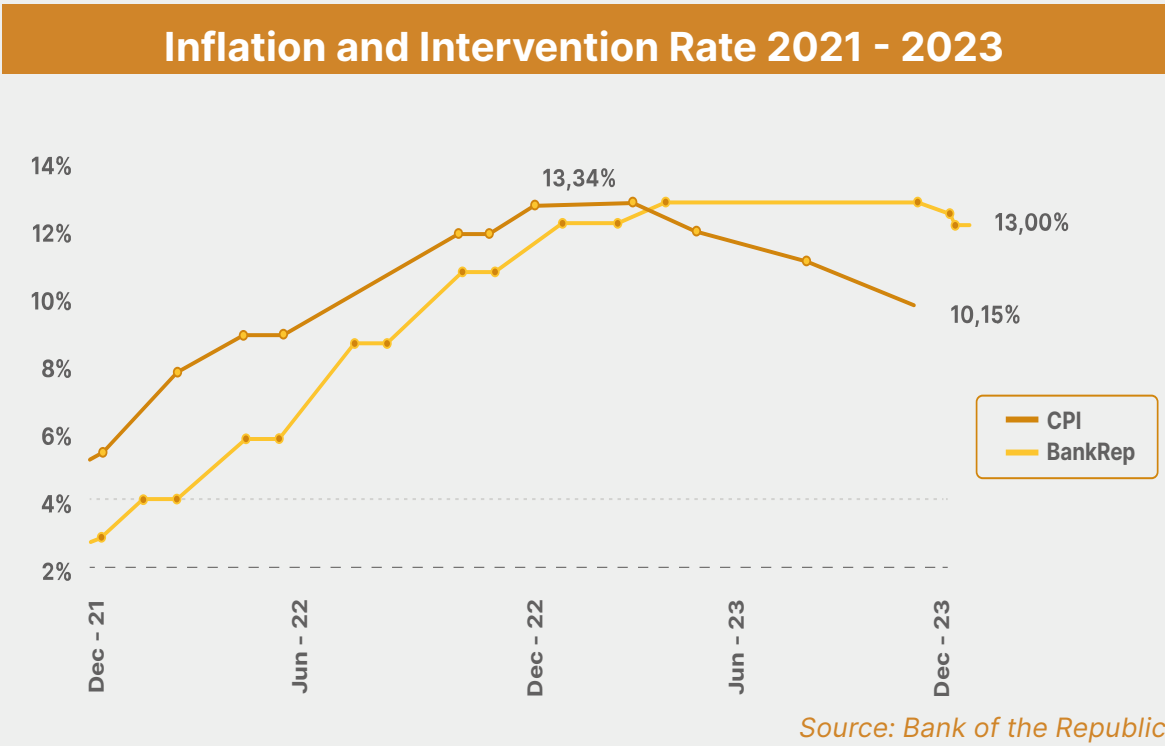
2023 in Colombia was characterized by the significant economic slowdown, also affected by a persistently high level of inflation. In fact, household consumption (which represents 70% of GDP) went from growing at an annual rate of 8.5% as of the third quarter of 2022 to expanding by only 0.3% annually in the same period of 2023, affected by the high inflation level and interest rates that led households to reconsider their consumption decisions, often reducing them. This resulted in GDP growth contracting by -0.3% year-on-year in the third quarter, marking its worst performance in the last 20 years (excluding pandemic years). The economic slowdown observed in 2023 was reflected across almost all

economic sectors, with concerns about the construction sector contracting by -8.2% year-on-year in the third quarter of 2023, as well as the trade sector at -3.47% and the industrial sector falling by -6.17%. While the economic slowdown has not yet led to a rapid increase in unemployment, it is expected that unemployment will rise in the first months of 2024.



Additionally, the high inflation rate has both caused and exacerbated the economic slowdown observed in 2023. By March 2023, Colombian inflation stood at 13.35%, the highest level observed in the country in the last 20 years. Although inflation has managed to reduce since then, the pace of inflationary convergence has not been as expected. As of November 2023, inflation stands at 10.15%, with year-end expectations of 9.53%. For 2024, inflation is expected to reduce to around 5%, still far from the Banco de la República's goal of keeping inflation within the 2%-4% range.

In response to the historic rise in inflation, Banco de la República reacted by rapidly increasing the intervention rate, seeking to cool demand in the economy and curb inflation. Thus, the Bank increased its intervention rate from 4% to 13.25% in 18 months. Although it was expected that the Bank would have enough room to start a rate-cutting cycle and stimulate economic recovery in the third quarter of the year, the constant upward surprises in inflation forced the Board of Directors of Banco de la República to keep rates high throughout the year, and only in the last meeting of 2023, the Bank had sufficient room to implement a 25 basis points reduction in the intervention rate, ending the year at 13.00%.

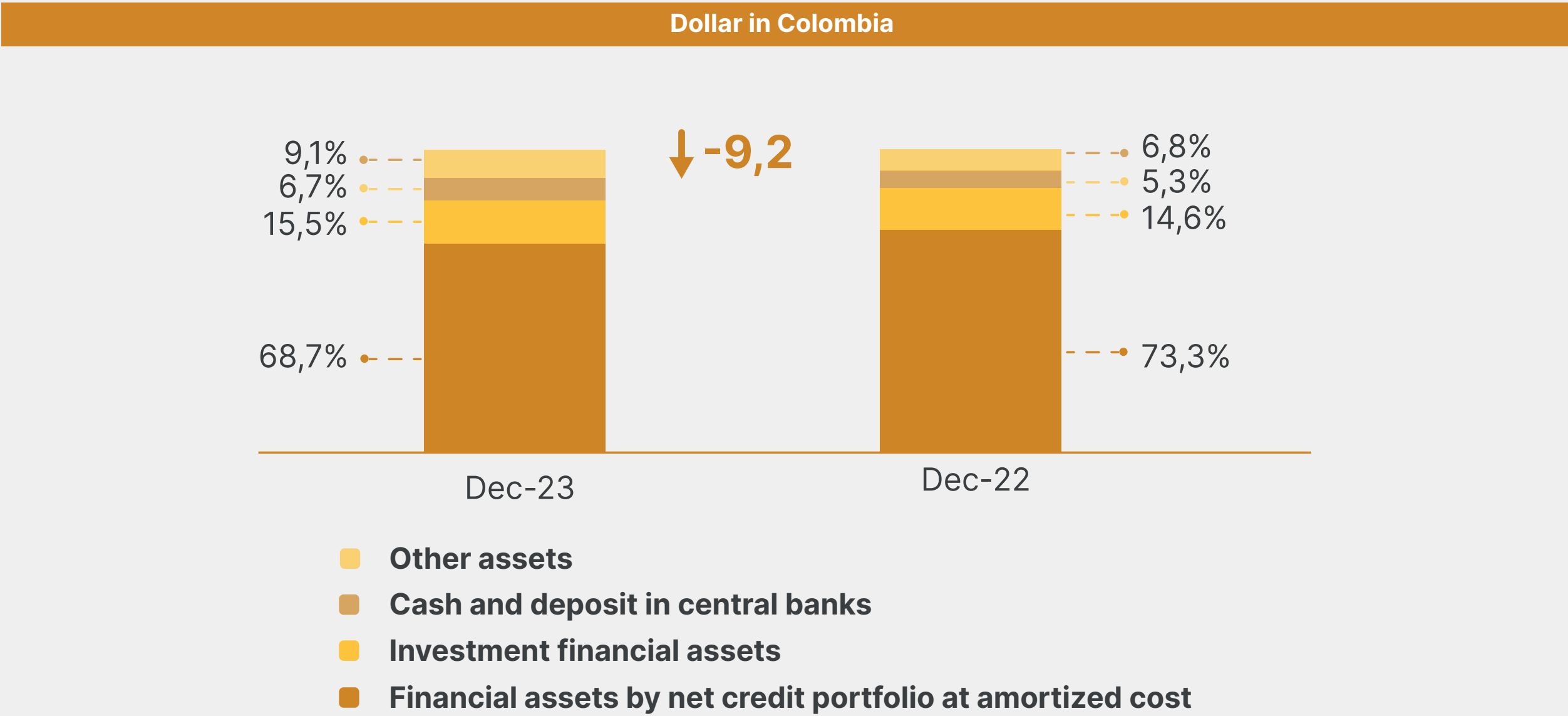




Dollar Behavior

On the exchange rate front, the dollar has reflected various episodes outlined throughout the report, such as international uncertainty, risk aversion, and a reduction in oil prices and inflation. In 2023, the behavior of the dollar was completely opposite to that observed

the previous year, as its price decreased to COP \$3,822 by the end of the year. This was due to improved international prospects and increased confidence from international investors in the country.



Source: Bank of the Republic



3.1.2. Banco Popular - Financial Situation

The evolution of the financial sector in 2023 was framed by a high inflation environment, which resulted in a restrictive monetary policy scenario that significantly increased the Bank's financing costs.

To mitigate the decrease in the intermediation margin due to the increase in funding costs, the Bank implemented initiatives such as repricing the portfolio, diversifying funding sources by prioritizing stable and lower-cost deposits, rationalizing operating expenses, and optimizing fixed assets, among others.

Similarly, thanks to the management and strength of Banco Popular and the support of its parent company Grupo Aval, in 2023 the credit rating agencies Value & Risk Ratings and BRC Standard & Poor's confirmed the highest risk ratings, valid for one year:

- BBRC Standard & Poor's: reaffirmed its ratings for long-term debt as 'AAA' and short-term debt as 'BRC 1+.
- Value and Risk Ratings: maintained 'AAA' ratings for long-term debt and VrR 1+ for short-term debt..

To analyze financial evolution, the results for 2023 are compared with those of 2022, based on figures recorded according to the Accounting and Financial Information Standards (NCIF) accepted in Colombia for separate financial statements:

Financial Situation				
Figures in millions of pesos				
Description	December 2023		December 2022	
Assets	\$	29.277.845	\$	32.238.856
Cash and Cash Equivalents	\$	1.959.241	\$	1.713.215
Loan Portfolio	\$	21.374.629	\$	24.931.767
Loan and Financial Leasing Deterioration	\$	(1.255.204)	\$	(1.304.038)
Net Loan and Financial Leasing Portfolio ⁽¹⁾	\$	20.119.425	\$	23.627.729
Investment Financial Assets	\$	4.530.972	\$	4.700.734
Other Assets ⁽²⁾	\$	2.668.207	\$	2.197.178
Liabilities	\$	26.682.960	\$	29.339.141
Deposits	\$	22.684.098	\$	24.345.227
Other Liabilities	\$	3.998.862	\$	4.993.914
Equity	\$	2.594.885	\$	2.899.715

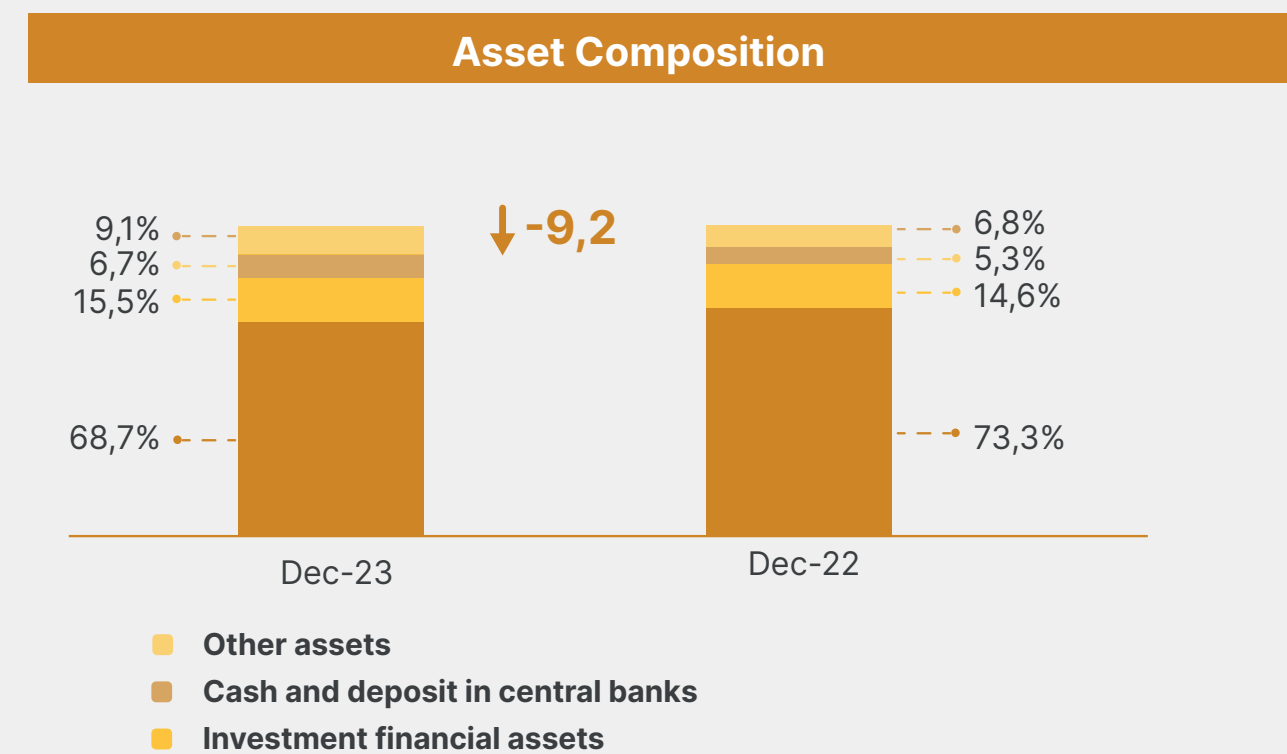
Notes:

(1) Includes Repos and Interbank Loans.

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

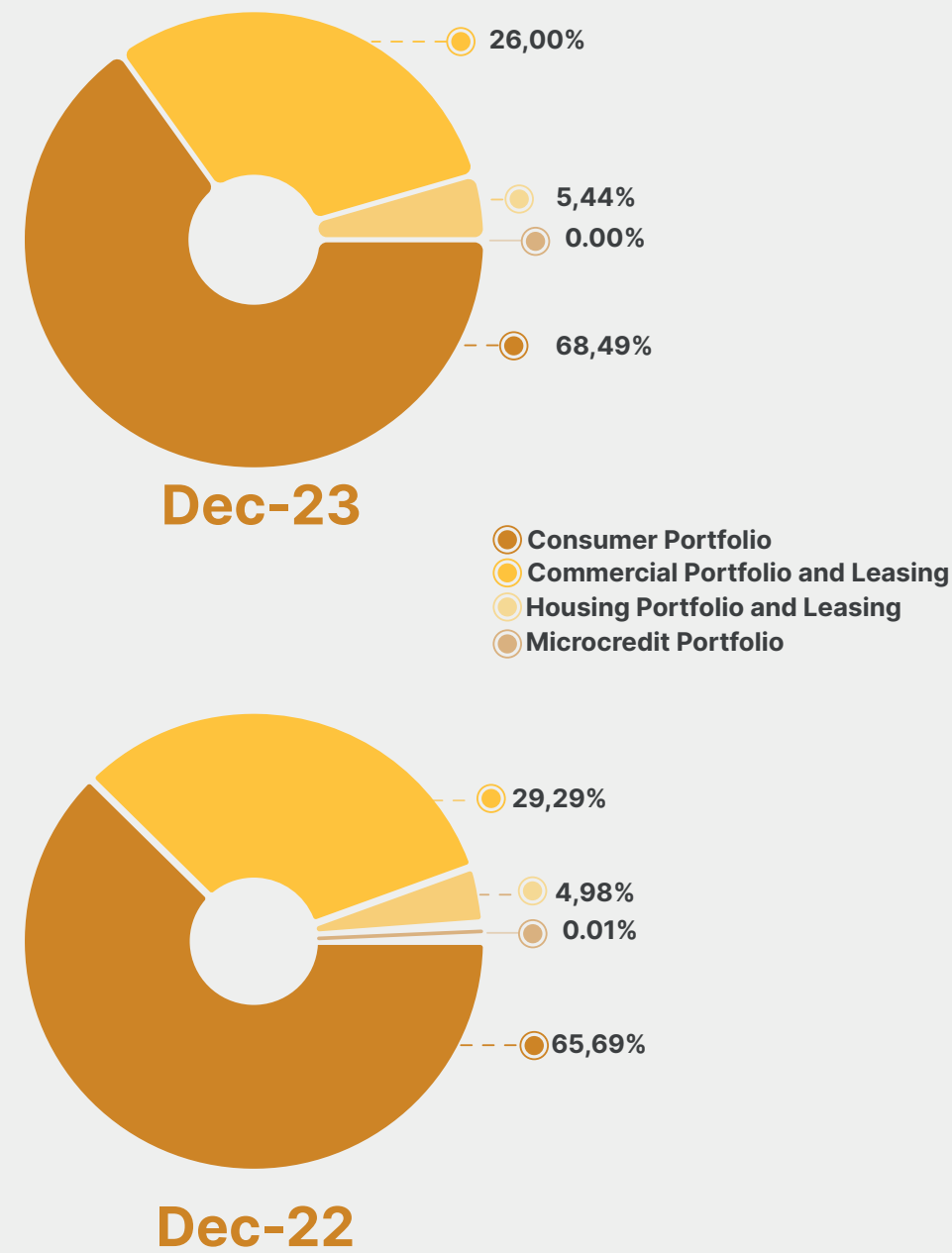
Asset Composition

Total assets decreased by \$2,961,011 million, representing an annual decrease of 9.2%, reaching a total of \$29,277,845 million by December 2023. The assets are composed of 68.7% net loan portfolio, 15.5% investment financial assets, 6.7% cash and deposits with central banks, and 9.1% other assets, mainly intangible assets and receivables.



Loan Portfolio				
Figures in millions of pesos				
Description	December 2023		December 2022	
Consumer Portfolio	\$	14.640.277	\$	16.377.284
Commercial Portfolio and Leasing	\$	5.556.859	\$	7.302.419
Housing Portfolio and Leasing	\$	1.162.135	\$	1.240.706
Microcredit Portfolio	\$	967	\$	1.705
Repos and Interbank	\$	14.391	\$	9.653
Total Gross Portfolio	\$	21.374.629	\$	24.931.767

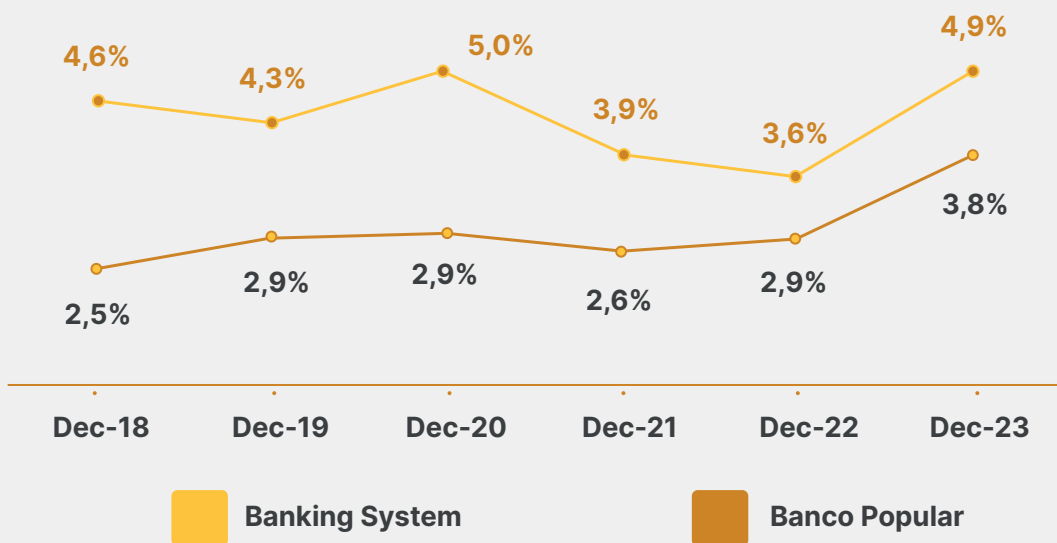
Loan Portfolio Composition - 2023 and 2022



As of December 2023, the gross loan portfolio recorded a decrease of 14.3% (\$3,557K million). The commercial loan portfolio decreased by 23.9% (\$1,745K million), and the consumer loan segment decreased by 10.6% (\$1,737K million). Within this segment, the payroll loan product decreased by 11.6%. During 2023, the Bank sold a portfolio worth \$1,604K million in the consumer and commercial segments to improve the entity's capital management. Meanwhile, the housing loan portfolio reported a decrease of 6.3% during 2023.

Loan Portfolio Quality

Total Loan Portfolio Quality

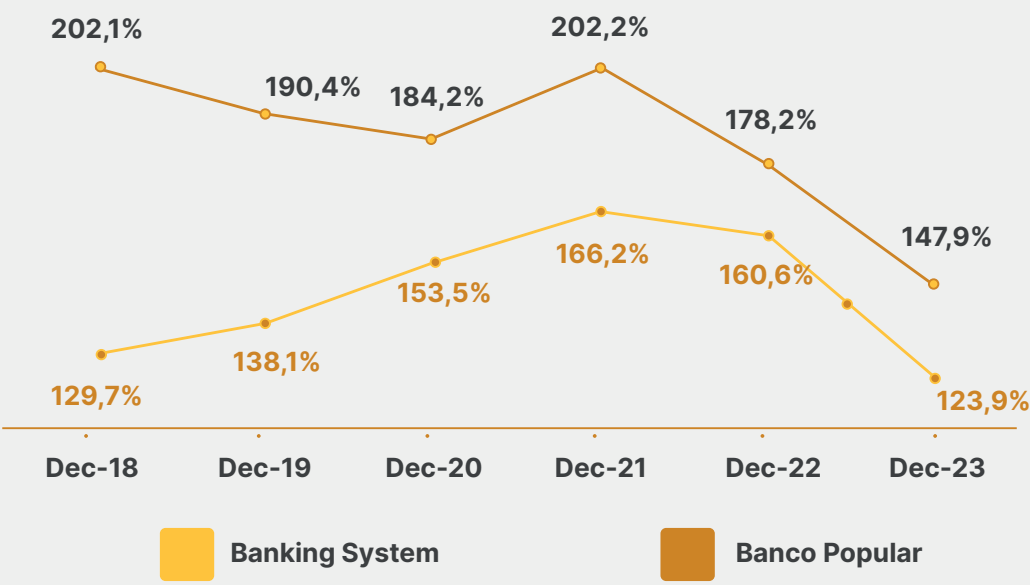


The total loan quality indicator, which is calculated as the ratio between overdue loans and the total loan portfolio (overdue loans include credits with arrears exceeding thirty days), was 3.8%. For the commercial and consumer loan segments, it was 3.4% and 4.2%, respectively. These indicators are below the results for the entire system, which stand at 4.9% for the total loan portfolio, 3.4% for commercial loans, and 8.1% for consumer loans as of December 2023, according to the report from Asobancaria.

These results were achieved thanks to effective credit risk management, the evolution of credit policies in line with the economic context, and a focus on business models aimed at generating profitability.

Loan Portfolio Coverage

Total Loan Portfolio Coverage

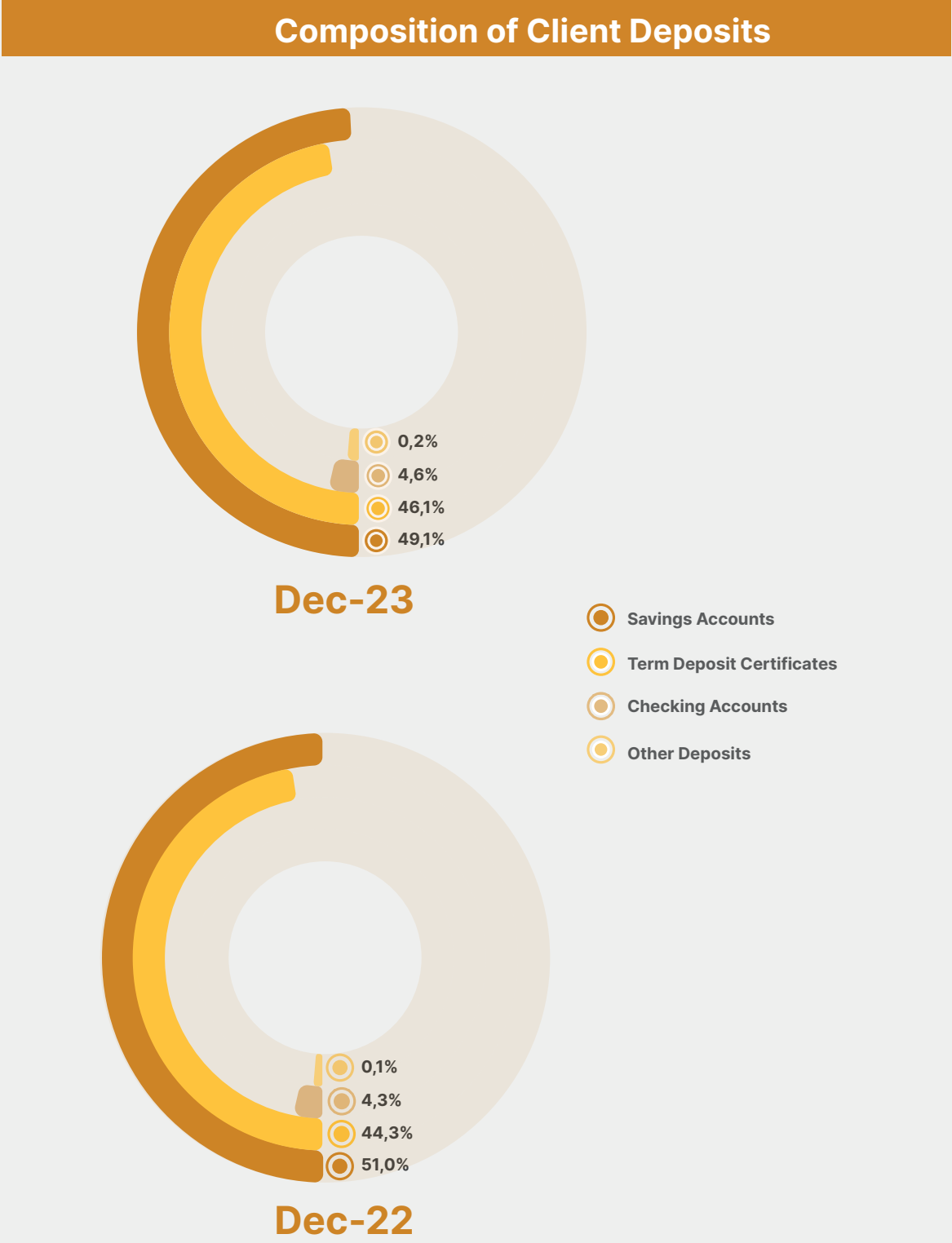


The Bank continued to present adequate coverage levels for overdue loans, surpassing those of the banking system, with a coverage ratio reaching 147.9%, compared to 123.9% for the banking system as of December 2023.

Financial Liabilities

Liabilities closed at \$26,682,960 million, of which \$25,870,706 million corresponded to financial liabilities at amortized cost, supported by customer deposits. In line with the decrease in assets and considering the Bank's defined strategy for effective balance management, total liabilities decreased by 9.2%. Customer deposits decreased by 6.8%, mainly in savings accounts, which fell by 10.3%. Meanwhile, time deposit certificates decreased by 3.0%, aiming to maintain stability in funding. Overall, financial liabilities at amortized cost represented 97.0% of total liabilities, consisting of customer deposits (87.7%) and financial obligations (12.3%).

Financial Liabilities at Amortized Cost				
Millions of pesos	December 2023		December 2022	
Savings Accounts	\$	11.144.573	\$	12.419.228
Term Deposit Certificates	\$	10.465.150	\$	10.793.002
Checking Accounts	\$	1.036.388	\$	1.104.012
Other Deposits	\$	37.987	\$	28.985
Total Client Deposits	\$	22.684.098	\$	24.345.227
Interbank Funds and Repos	\$	20.688	\$	360.847
Investment Securities	\$	2.257.049	\$	2.745.593
Bank and Other Loans	\$	310.869	\$	385.120
Obligations with Rediscount Entities	\$	598.002	\$	665.496
Total Financial Obligations	\$	3.186.608	\$	4.157.056
Total Liabilities at Amortized Cost	\$	25.870.706	\$	28.502.283
Total Liabilities	\$	26.682.960	\$	29.339.141



Regarding the composition of deposits, in 2023, the share of time deposit certificates (CDTs) increased by 1.8%, while savings accounts decreased by 1.9%, which reflects an improvement in funding stability and matching the maturities between assets and liabilities.

Equity

Equity stood at \$2,594,885 million, representing a 10.5% decrease compared to the previous year. This reduction is mainly explained by the loss recorded during the period, amounting to \$347,409 million. On the other hand, the improved performance of investments in debt securities recorded in the portfolio at fair value with changes in the ORI, explains the decrease in ORI losses by \$117,042 million during the period.

Equity				
Millions of pesos	December 2023		December 2022	
Reservas	\$	2.762.791	\$	2.674.030
Other Comprehensive Income	\$	(3.292)	\$	(120.334)
Unappropriated Retained Earnings	\$	42.482	\$	132.671
Net Profit for the Year	\$	(347.409)	\$	73.035
Share Placement Premium	\$	63.060	\$	63.060
Subscribed and Paid-in Capital	\$	77.253	\$	77.253
Total	\$	2.594.885	\$	2.899.715

de In terms of composition, 98.5% corresponds to capital accounts (subscribed and paid capital, share premium, appropriated reserves, and current year loss), 1.6% to retained earnings from previous years, and -0.1% to other comprehensive results (ORI).

Solvency Ratio

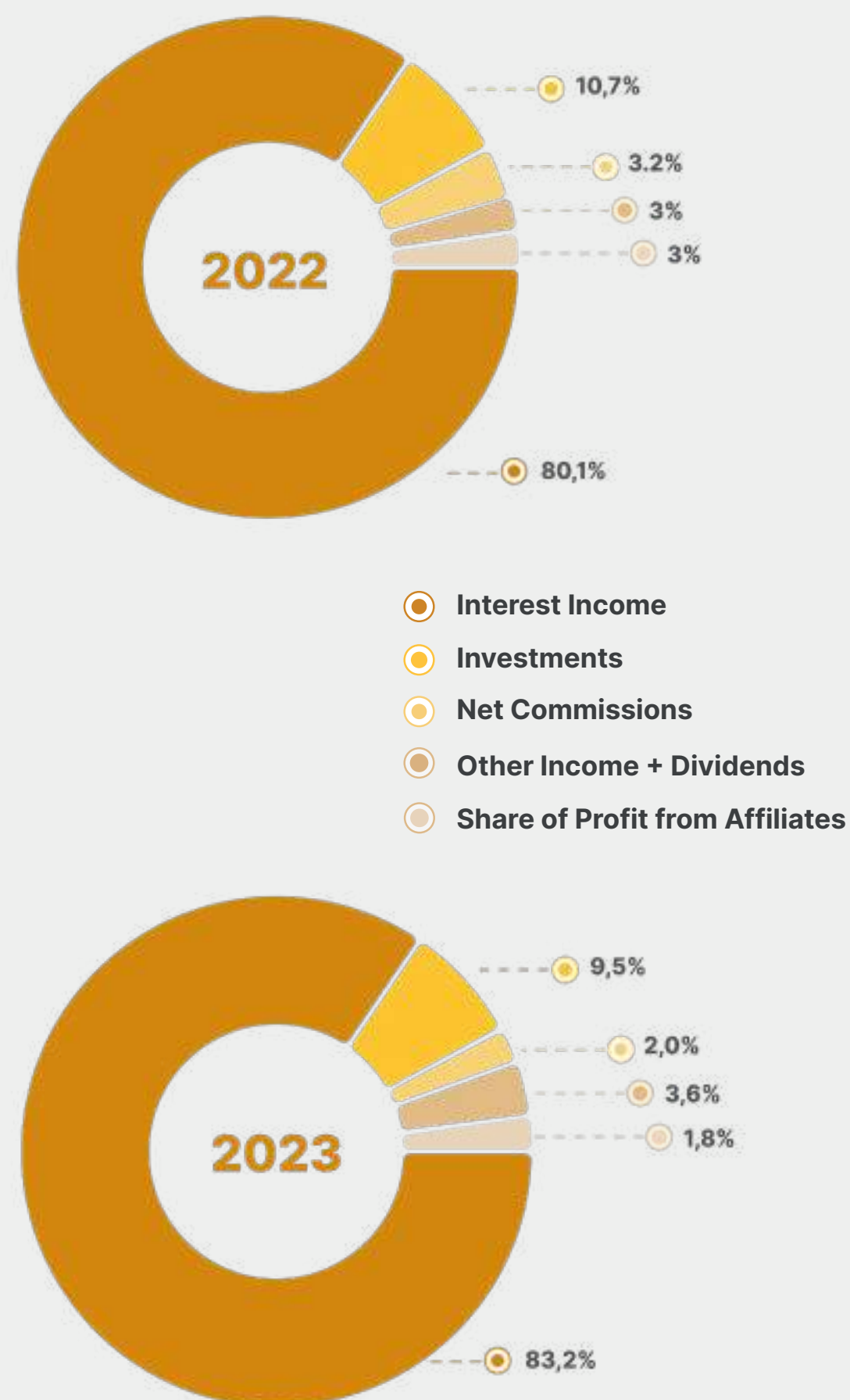
Description	dec-23	dec-22
Leverage Ratio	7,47%	6,73%
Basic Solvency Index	11,51%	10,22%
Additional Basic Solvency Ratio	11,51%	10,22%
Total Solvency Ratio	13,33%	11,18%

The solvency indicator increased by 215 basis points, going from 11.18% in 2022 to 13.33% at the end of 2023. This growth is supported by:

- Strengthening the Bank's additional equity through the issuance of subordinated bonds worth \$250,000 million in October 2023.
- Implementing a plan to mobilize and sell fixed assets, which generated benefits for the Bank's profits and additional favorable effects on ordinary basic equity.
- To manage Risk-Weighted Assets (APNR) more efficiently, exceptional sales of commercial and payroll loans portfolio were carried out, this improved the capital consumption by \$1,325,915 million. This does not imply a change in the strategic objectives declared by the Bank and its business model, such as taking a leadership role in the credit product of payroll loans.

Estado de Resultados

Yearly Revenue Participation



Revenue Participation

Interest income amounted to \$3,433,121 million, which is \$494,022 million more than that obtained in 2022 (a 16.8% increase). Of these revenues, 88.0% come from the credit portfolio and repos and interbank transactions, showing an 18.8% growth. According to the portfolio structure, 64.1% of interest income is derived from the consumer portfolio, 31.2% from the commercial portfolio, 3.4% from the housing portfolio, and 1.2% from repos, interbank transactions, and microcredit. Regarding the evolution of interest income from the portfolio, in 2023, there was a 55.4% growth in the commercial portfolio. Meanwhile, the consumer and housing portfolios continued their positive growth trend, with variations of 7.0% and 1.7%, respectively.

Interest income from investments in debt securities increased by 2.3%, closing at \$357,071 million. Similarly, interest generated from repos and interbank transactions amounted to \$37,039 million, and net commission income reached \$75,349 million by the end of the year.

During 2023, the Bank received \$11,475 million in dividends from related entities and recorded \$66,417 million from the Bank's share in the profits of subsidiary, associated, and joint venture companies.

Expenses

Interest and similar expenses for the year 2023 amounted to \$2,943,645 million, representing a 68.3% increase compared to 2022. The behavior of interest expenses is attributed to the increase in the intervention rate of the Bank of the Republic as a reaction to the inflation observed during 2023. Regarding provisions for credit portfolio and interest receivables, these grew by 43.5% compared to 2022. Total operational expenses (personnel and administrative) amounted to \$1,212,270 million, a decrease of 5.6%. Of these expenses, \$427,721 million were for personnel, which increased by 2.0%, and the remaining \$784,549 million corresponded to administrative expenses, depreciation and amortization, and other operational expenses, with a decrease of 9.3%.

Profit

The entity reported a loss before taxes of \$633,603 million, and the net loss amounted to \$347,409 million. This decrease in the Bank’s profit is primarily explained by the rising interest rate environment, which re-prices the cost of deposits (interest expense) more rapidly and the portfolio (interest income) more slowly over the long term, particularly for fixed-rate portfolios such as payroll loans, which represent more than 65% of the Bank’s total portfolio.

Taxes, Contributions, and Other Legal Expenses

For taxes, contributions, and other legal expenses, an expense of \$112,879 million was incurred, and a deferred tax asset of \$286,194 million was recorded, all within the category of taxes for national budget financing (income and supplementary taxes, non-deductible VAT, financial transaction tax, and consumption taxes). Additionally, \$48,732 million were municipal taxes (industry and commerce, property tax, surtaxes, and vehicles). Finally, \$102,212 million were incurred for contributions and other legal expenses, such as deposit insurance, stamp tax, and maintenance fees in the National Registry of Securities and Issuers of the Superintendency of Finance of Colombia (SFC).

Direct Economic Value Generated and Distributed

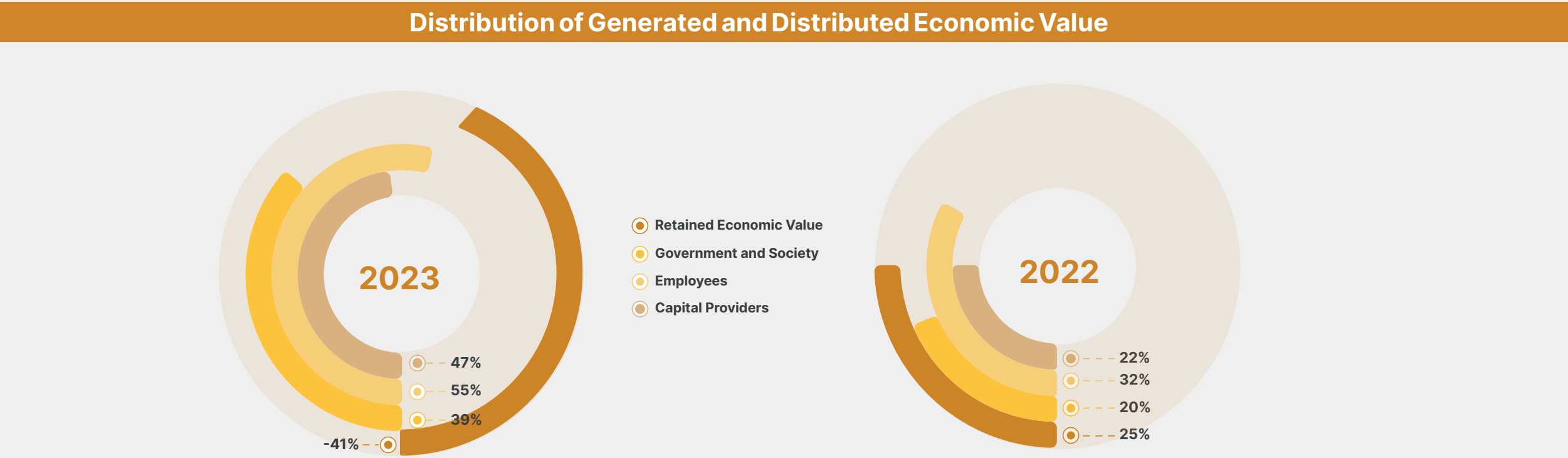
(GRI 201-1)

The distribution of our economic value, according to the methodology established by the Global Reporting Initiative (GRI) demonstrates how the entity’s management benefits all our stakeholders; highlighting contributions to its employees, capital providers, and public administration.

The Bank generated economic value totaling \$3,773,630 million, 16% more than achieved in 2022.

Direct Economic Value Generated and Distributed				
Item	Required Information	2023		2022
A	Direct economic value generated (COP) ⁽¹⁾			
	(Sum of Revenues)	\$	3.773.630	\$ 3.254.460
B	Distributed economic value (COP)			
	(Sum of the following points)	\$	4.089.249	\$ 2.923.794
	· Operational Costs	\$	2.998.433	\$ 1.957.411
	· Employee Salaries and Benefits:	\$	427.721	\$ 419.512
	· Capital Providers ⁽²⁾	\$	361.554	\$ 282.367
	· Government Payments ⁽³⁾	\$	297.523	\$ 262.053
	· Community Investments ⁽⁴⁾	\$	4.018	\$ 2.452
C	Retained economic value:			
	= (Direct economic value generated) - (Distributed economic value)	\$	(315.619)	\$ 330.666

- Notes:
- (1) Total revenues
 - (2) Calculation corresponds to the preliminary profit distribution project value and the interest expense on financial obligations.
 - (3) (Income taxes + taxes and fees + contribution to the Superfinanciera + deposit insurance + other contributions)
 - (4) Donations





3.1.3. Treasury Management

Performance and Behavior of Securities in Trading Systems

In 2023, the Bank's treasury strategy focused on consolidating and increasing active clients as a basis for growing revenues, mainly through the purchase and sale of foreign exchange and peso-dollar forward operations.

Additionally, in 2023, new master agreements were signed for the negotiation of derivatives with clients from various Bank segments. The derivatives portfolio reached a peak of USD \$407 million under management, contributing to the Treasury's client-focused business revenues.

The Bank conducted passive operations through Repos with the Central Bank and interbank transactions, averaging COP \$165,000 million compared to an average of COP \$70,405 million taken in 2022. Similarly, the Central Bank maintained daily monetary expansion operations with an average daily quota of COP \$13.9 trillion, and various financial entities participated in these daily operations, averaging COP \$10.5 trillion.

Investment Portfolio

In 2023, the available-for-sale investment portfolio ended with a nominal value of COP \$2 trillion, reducing the position of this portfolio by COP \$1 trillion in response to the Bank's new balance structure; the composition was 64% fixed rate and 36% UVR with a duration of 2 years, decreasing the UVR's participation due to the projected inflation correction by the end of 2024.

On the other hand, we closed the negotiable investment portfolio in 2023, with a nominal value of COP \$240,000 million and a duration of 0.56 years. The portfolio consists of liquid securities in private debt, with 71% indexed to the IBR, 1% to the IPC, and the remaining 28% at a fixed rate.

The year was marked by high volatility, with the 10-year public debt reference rate varying by 386 basis points. The Central Bank initiated a downward cycle in its monetary policy, which motivated the market to significantly appreciate the entire yield curve.



Contribution to the Development of Our Clients



3.2.1. Personal Banking

Banco Popular, throughout its history, has contributed to the country with a strong social vocation, supporting the development and well-being of people, especially in the most vulnerable segments of the population, such as the elderly and formal public sector workers. In recent years, significant challenges, changes, and digital evolution have been presented, allowing it to update the preferences and needs of its clients, aiming to design financial solutions for the present and the future.

The Bank’s commitment is to provide financial support to the elderly population. Evidence of this is that of the more than 540,000 pensioners we have as clients, 380,000 receive their pension through Cuenta Diamante, which the Bank has specially designed for them, with products such as savings accounts, CDT’s, and payroll loans.

Efficiently serving clients through various products significantly contributes to their financial well-being, aiming to achieve their goals and purposes. An example is the credit that allows pensioners over the age of 75 to acquire housing.

Banco Popular and Pensioner Banking in Colombia

The pensioner segment is one of the most relevant for the entity. Of the approximately two million retirees currently in the country, the Bank has more than 540,000 as clients, 74% of whom are banked through a savings account specially designed to receive

their pension payments without issues, with maximum security, and without having to visit the offices. Periodically, the Bank organizes events that involve financial education talks and other topics of interest for the segment, with activities that bring them closer to the digital world, seeking for pensioners to access the various benefits of the Oferta Diamante. To promote digital adoption, the Bank offers the option for pensioners to open financial products through the Website, the Transactional Portal, and the Mobile Banking application.

Value Proposition for Personal Banking

The Bank provides a special value proposition aimed at creating positive and memorable experiences for each of its clients:



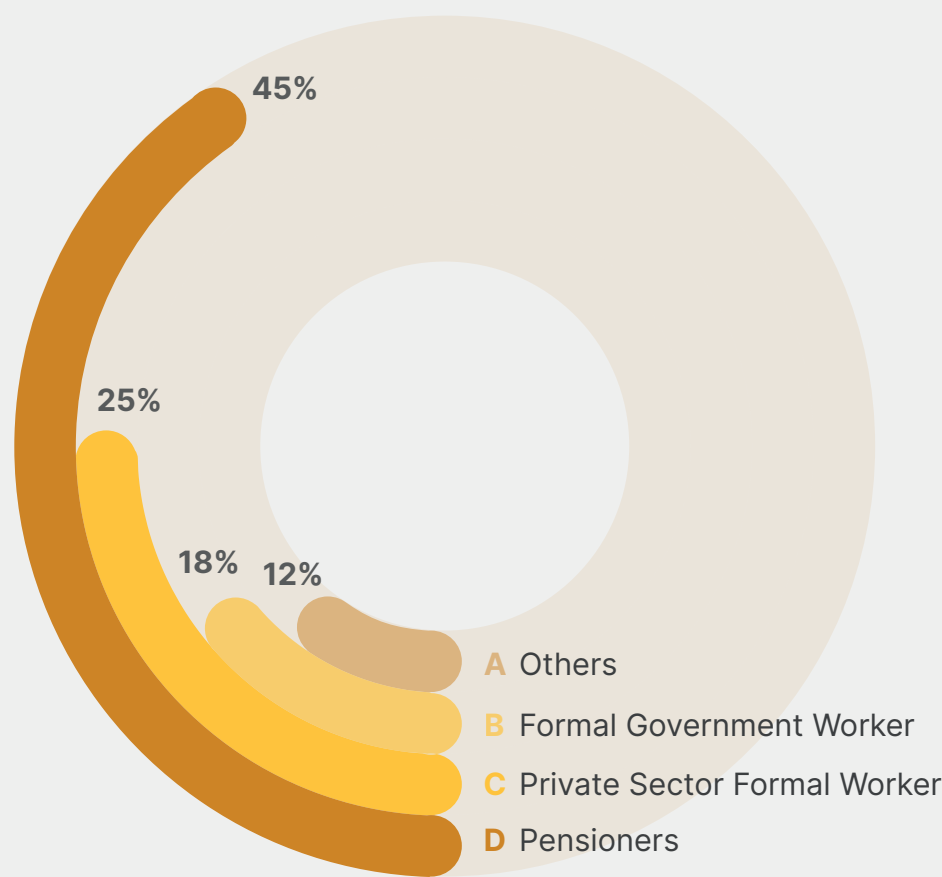
For each of the offers, the Bank has a variety of savings products, including different types of accounts for every need, such as savings accounts, payroll accounts, and pension accounts. Similarly, it offers investment alternatives in CDT (Term Deposit Certificates) for clients to invest their money safely and easily.

Additionally, the Bank offers lines of credit for payroll loans, unrestricted investment, and housing to help clients achieve short, medium, and long-term goals throughout their life cycle. It also has credit cards designed for each segment, with exclusive and differential benefits.

Client Composition in Personal Banking (Banca Personas)

During 2023, Banco Popular focused its efforts on improving customer experience, strengthening trust, long-term relationships, and client bonds.

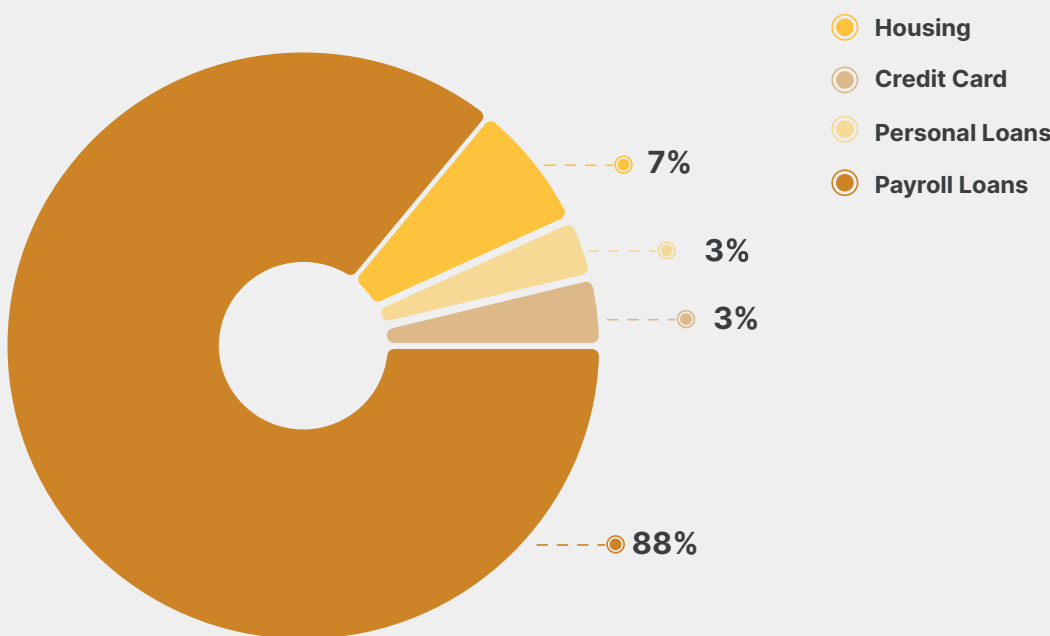
Personal Banking Clients Composition



Total Personal Banking Portfolio

As of the end of 2023, the Bank has a portfolio exceeding COP \$15.8 trillion, where the main business line is the payroll loan product, equivalent to 88% of the total portfolio volume, which had a two-percentage-point decrease compared to 2022. In this same vein, there is an increase of one point and a half percentage points in the unrestricted investment line compared to 2022.

Portfolio by Product Line



Encouraging Savings in Personal Banking

During 2023, the Bank promoted client savings by presenting savings products designed for each segment, such as Savings Accounts, Payroll Accounts, Pension Accounts, and CDT, in various activities and communications with clients. Evidence of this is that during May and August, campaigns were developed for the Pensioners and Teachers segments with preferential rates, achieving the opening of more than 3,600 CDTs worth COP \$126,944 million for Pensioners and more than 370 CDTs worth COP \$14,592 million for Teachers. This contributed to financial inclusion and the responsible and sustainable habit of saving.

dale! Grupo Aval Digital Wallet

The initiative of dale! for Grupo Aval began in 2019. However, efforts materialized in 2022 with significant improvements that allowed the Digital Wallet of the Group to grow in the number of clients, a challenge to which Banco Popular contributed more than 2,000 new users in 2022 and more than 140,000 in 2023, achieving growth of more than 7,000% in the last year.



dale! Grupo Aval Digital Wallet

Enrolled Clients to dale! in 2023

“During 2023, Banco Popular managed to enroll more than 140,000 clients to dale!, the digital wallet from Grupo Aval, which favored financial inclusion and increased digital adoption among target segments. In particular, the Bank managed, with the Government of Atlántico, the payment of transportation subsidies to more than 2,600 beneficiary public university students through dale! as the primary payment method.”

Physical and Digital Channels for Individuals

Branches

Banco Popular has a Network of branches that offer sales and advisory services, as well as cashier services for clients and users. During 2023, Banco Popular opened an express branch in the Jardín Plaza Shopping Center in the city of Cali and relocated four traditional branches (Plaza de las Américas, Avenida Chile, San Diego, and Tocaima) to new, more modern, and practical locations for clients.

By the end of 2023, the branch network consisted of 168 traditional branches and 10 express ones, for a total of 178 offices, distributed across 29 of Colombia’s 32 departments and 93 cities or municipalities in the country.

Automated Teller Machines (ATM)

Banco Popular has a network of 614 own ATMs and more than 2,247 ATMs of the Aval Network, allowing it to provide service to clients and users in 119 cities and municipalities in 30 departments of the country. In this channel, different transactions can be carried out, such as inquiries, withdrawals, cardless withdrawals, credit card advances, payment of obligations, public services, and private agreements. As of December 2023, 21.8 million successful transactions were performed at Banco Popular’s ATMs. As of December 2023, transactions amounted to COP \$9,267,055 million.

Banking Agents (CB)

Banking agents enable customers to make inquiries, deposits, withdrawals, cardless withdrawals, transfers, and payments for public and private services. As of December 2023, the Bank had 98 own points, located in the department of Santander and some points in major retail stores across the country. These are part of the Aval Network of banking agents, which reached more than 81,098 points nationwide in 2023, bringing financial services closer to more people across the country.

As of December 2023, 830,322 successful transactions were performed at banking agents. Transactions amounted to COP \$554,812 million as of December 2023.

By the end of 2023, the Bank has reduced the volume of digital adoption by clients, achieving an overall result of 36.4% and 22.6% for the transactional portal. However, a 37% growth in channel usage was observed, with more than 181 million transactions performed in 2023, as well as a 20% increase in monetary transaction volumes, reaching nearly COP \$1.7 trillion.

Mobile Banking

The Banco Popular app, available in virtual app stores for Android, iOS, and Huawei, can be downloaded anytime clients desire and

need it. Thanks to this application, clients can make inquiries, pay obligations, public and private services, taxes, PILA contributions, make transfers, purchases with QR codes, send national remittances, or make withdrawals at banking agents or ATMs without using the debit card, check certificates, statements, among other options.

Over the past year, the Bank has focused its strategy on promoting greater use of the app by launching new functionalities, such as real-time transfers and QR code purchases using deposit accounts as a payment method and accessing interoperable ecosystems. By the end of December 2023, the Bank increased the engagement of digital customers in mobile banking, achieving a 26% digital adoption rate. Thus, it saw a 232% growth in channel usage, with more than 373 million transactions and a 94% increase in monetary transaction volumes, amounting to approximately COP \$911,745 million.

Among the main challenges for 2024 is strengthening digital channels as sales channels of digital Products, the deepening in the use of channels through the enablement of new functionalities, the evolution of immediate payments, among others. Additionally, the leveraging of new technologies such as Generative Artificial Intelligence to increase the value generated for clients and the continuous improvement of the customer experience in digital channels, aiming for personalization.

Green Line

Through the Green Line telephone service, Banco Popular clients can self-manage inquiries, payments of obligations with Banco Popular, activation and blocking of their products, as well as receive personalized attention 24 hours a day, 365 days a year.

During 2023, the number of transactions executed through the channel decreased by 23%, due to greater adoption of digital channels such as Mobile Banking and the Transactional Portal. For 2024, efforts are projected to focus on updating the security mechanisms of the channel to provide a better experience.



3.2.2. Corporate Banking

Banco Popular’s Corporate Banking maintained its commercial service strategy through the focus of commercial management teams specialized in various economic sectors such as commerce, industry, services, and construction. This Banking service is centralized in the main cities of the country, such as Bogotá, Medellín, Cali, Barranquilla, Bucaramanga, Cartagena, and their metropolitan areas, offering a portfolio of products, services, and channels.

One of the most significant advances in technological infrastructure was the migration to the new banking core, with over 85,000 savings accounts and checking accounts. The stabilization of this migration has allowed for improvements in the generation of statements and information reports of the multicash product daily and monthly.

Additionally, the Bank is continuously working on its transformation process, designing and implementing innovative, agile, self-manageable, and competitive solutions that, through technology, improve process efficiency and service quality.

Initiatives have been implemented that proactively allow the commercial team to identify improvement opportunities mentioned by their clients and address their needs.

Banco Popular’s Corporate Banking aims to be the strategic partner of its clients and manage corporate and institutional relationships. To achieve this, the entity offers specialized products and services that enable companies to expand and develop their business. This value proposition is complemented by Popular subsidiaries with

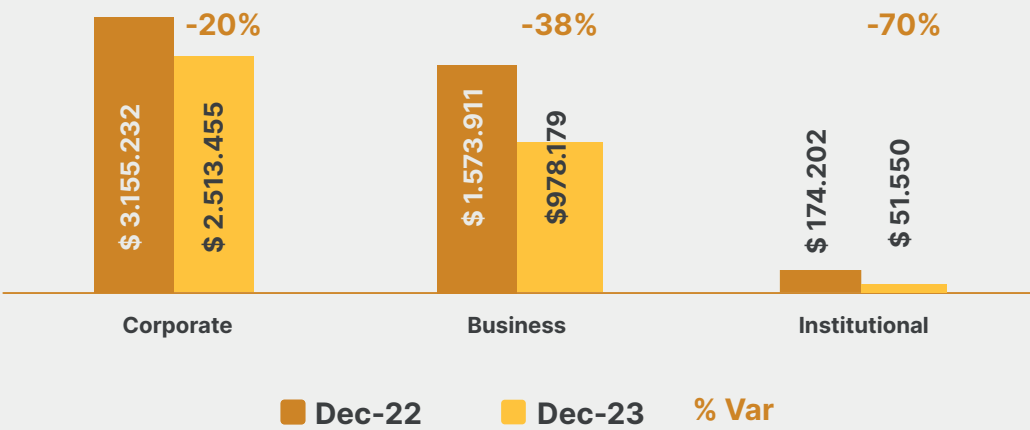
services such as El Martillo Popular, which provides productive asset auction services, as well as the logistical and document management services offered by Alpopular and fiduciary and investment products with Fiduciaria Popular.

The organization has created a specialized value proposition, tailored to the economic sectors and specific needs of each of its clients in Corporate Banking. The following outlines the offer from each product, service, and channel.

Corporate Banking Value Proposition					
Credit and Financing				Liquidity and Investment	
Financing		Capex- Leasing	Comex	Savings Account	
Ordinary Credit		Overdraft Line	Machinery and Equipment Leasing	Checking Account	
Specific Operation		Credit Card		Term Deposit Certificate	
Rediscount Credit		Bank Acceptance	Vehicle Leasing	Business Units and Subsidiaries	
Treasury Credit			Real Estate Leasing		
Construction Credit			Leaseback		
Structured Finance			Sustainable Leasing		
Severance Payment Line					
Sustainable Green Line					
Cash Management Services				Channels	
Collection Solutions		Payment Solutions			
In-Person and ATH	Payment Methods				
Barcode	Acquiring		Mass Payroll Transfers		
Manual Referencing	PSE Online Insurance Payment		Mass Supplier Transfers		
PIN Validation Reference	QR for Businesses		Transferencia Masivas Traslados		
ATH Electronic	GOU Gateway		Individual Transfers		
Avalpay Center	Fácilplass		Previous Archive		
Pila			Dale!		
Cash Transport			Visa Prepaid Payment Card		
Collection Point					

Banco Popular’s Corporate Banking has more than 1,800 clients in the business, corporate, and institutional segments.

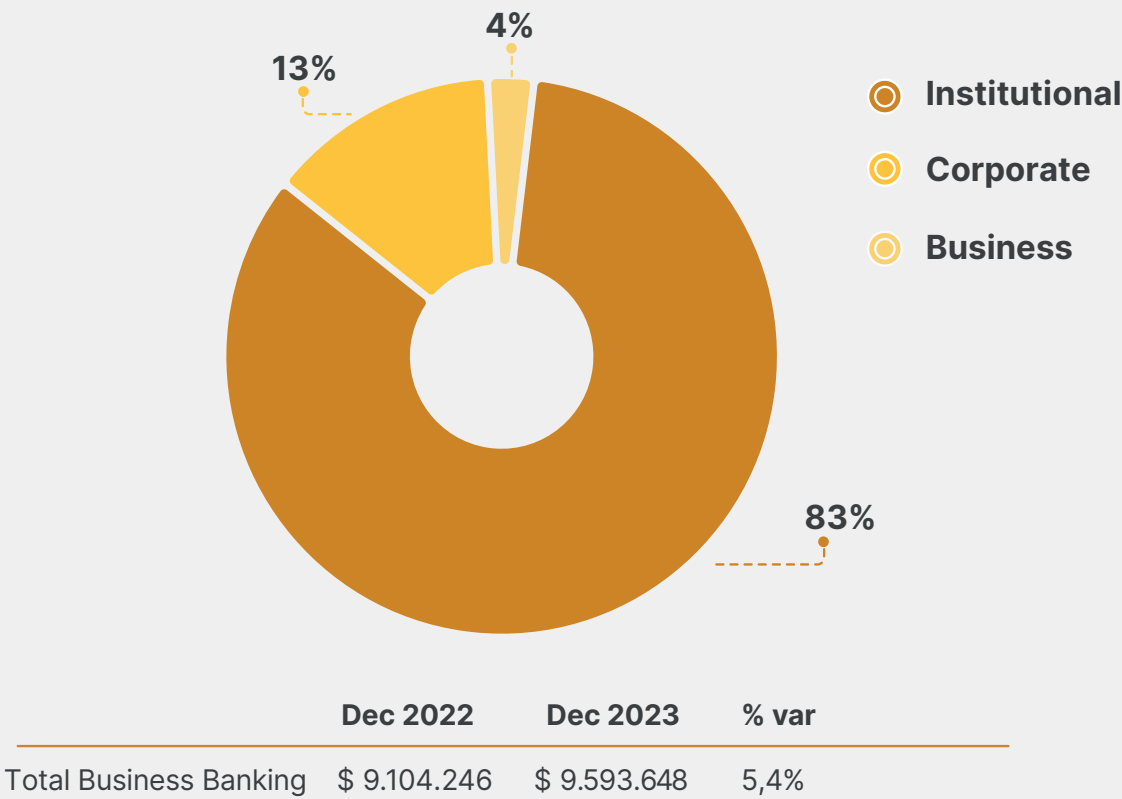
Commercial Portfolio Composition - Business Banking Segments



In the future, efforts are being made to expand the value proposition of financing products, which will provide clients with new solutions for Business Credit, payment automation, and foreign trade operations.

Resource acquisition initiatives in 2023 were focused on strengthening Cash Management products and services. This portfolio of transactional services enables clients to efficiently manage their treasury and liquidity strategy through the Bank’s payment and collection lines. The following presents the volumes of deposit balances in Corporate Banking segments and by product type.

Training Balances - Business Banking Segments



So far this year, various developments and implementations have been carried out to achieve a higher level of competitiveness and to offer better value in Cash Management products and services, tailored to market needs. One of the most notable is the Aval Digital Payment Ecosystem, which strengthens various electronic collection options to support clients in digitalization, expanding payment methods, and developing e-commerce to drive their growth in a secure, agile, and digital manner.

Additionally, mass transfers between Grupo Aval entities were developed. This service allows offering clients differential rates and better timing for applying resources to destination accounts.



Physical and Digital Channels for Businesses

Corporate Portal

The Corporate Portal is the main digital channel for business clients, providing national coverage and allowing access from any location, easily, quickly, and securely. The Corporate Portal has been enhanced with improvements and new functionalities that continue to support the value proposition for clients.

As detailed in the graph, during 2023, over 8,100 clients were linked to the Corporate Portal, more than five million monetary transactions were processed through the channel, and over \$40 billion was mobilized. The channel's usage rate remained at 95%, and the digital client rate stayed at 78%. Changes were made to improve the user experience, including enabling the channel on Saturdays and extending transactional hours during the week, allowing for greater use and service for clients.

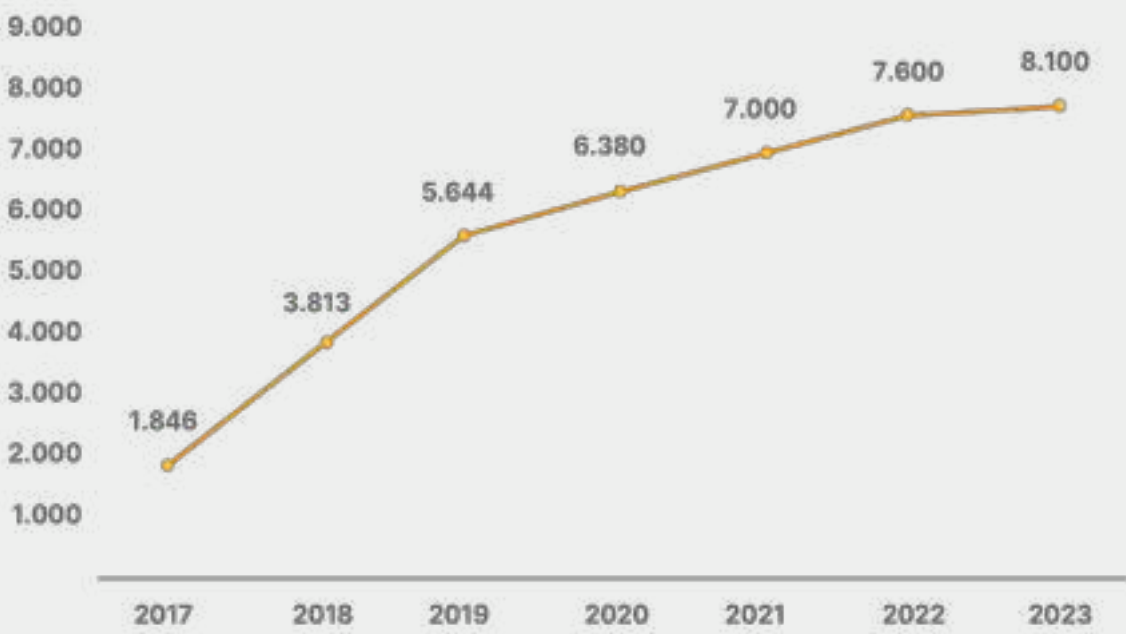
Webservice

During 2023, the channel saw over a 100% increase in new business compared to 2022; more than 400,000 collection transactions were made, which helped retain and support the Cash Management portfolio efficiently. The channel has been strengthening its implementation processes, offering online information promptly regarding transaction queries and notifications for clients with agreements.

Swift Legal Currency

It is the primary channel for exchanging information for sending and receiving financial instructions online, through Swift messaging system complements and enhances the Cash Management product portfolio. The main clients of this channel are from the Corporate and Government segments, which generated over 11,000 payment transactions through MT101, amounting to over \$3 billion pesos for the year, as shown in the monthly graph below. Compared to previous years, transactional volume increased by 40%, contributing to revenue generation in the Cash Management portfolio.

Number of Clients Registered on the Business Portal





3.2.3. Government Banking

In 2023, Banco Popular's Government Banking continued to implement the strategy of principal banking with clients in this segment, given its experience and expertise in the public sector. Progress was also made with market segmentation strategy to focus on clients served through the branch network. Efforts were made to maintain asset and liability balances affected by financial dynamics, both in the market and the Bank. Specialized products and services demanded by clients in the segment were developed, promoting digitalization through tools aimed at the commercial force. This was done with strict adherence to the regulatory framework governing public action, always aiming for client satisfaction.

Banco Popular has been serving Government Banking clients for 74 years, leveraging expert knowledge, experience, and a track record that has allowed us to provide a value proposition aligned with the needs and regulations of the public sector. This includes preparing for the change of leaders in all Territorial Entities due to the popular elections in October 2023.

On the asset front, we aim to offer specific and attractive credit lines for various government projects. This involves analyzing clients' payment capacity, seeking competitive interest rates, flexible terms, and increasing engagement with investment banks. Additionally, we work together with National Government development entities (Finagro, Findeter, and Bancoldex) to participate in financing programs and subsidized credits for public interest projects.

On the liability front, attractive incentives are offered, such as competitive interest rates and personalized services, to attract deposits from government entities and provide management solutions for public treasury with the purpose to manage their funds effectively.

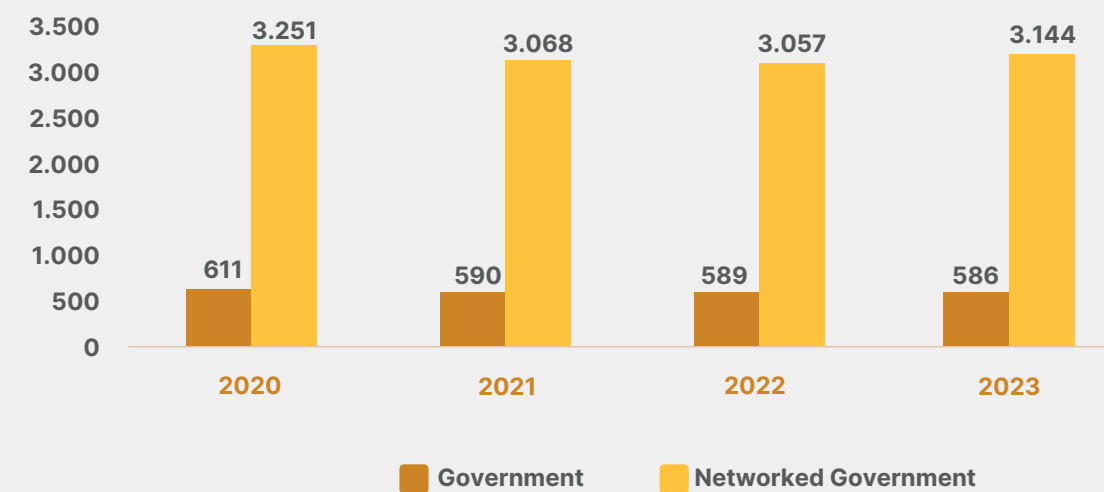
Regarding Cash Management, the Bank understands that the management of public resources in territorial entities must be efficient, agile, secure, and profitable. Therefore, clients in

Government Banking can manage their tax and non-tax collections, payroll, and supplier payments, among others, through Cash Management products and services. These solutions aim to be a strategic ally in managing our clients' operational resources.

Below are some of the most relevant figures for the segment:

Total Government Banking Portfolio

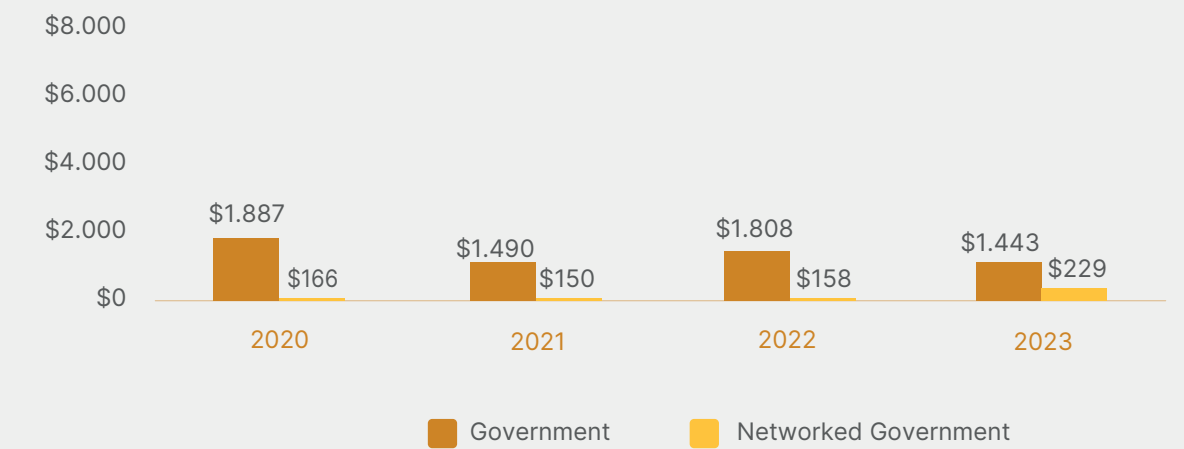
Figures in billions



In Government Banking, 2023 saw a significant increase in the onboarding of new clients served by the branch network across the entire country, focusing mainly on public administration, education, health, labor, and social protection sectors. This reaffirms the importance of the Bank's strategy to address territories and support their financial needs with innovative solutions.

Government Banking Clients Served

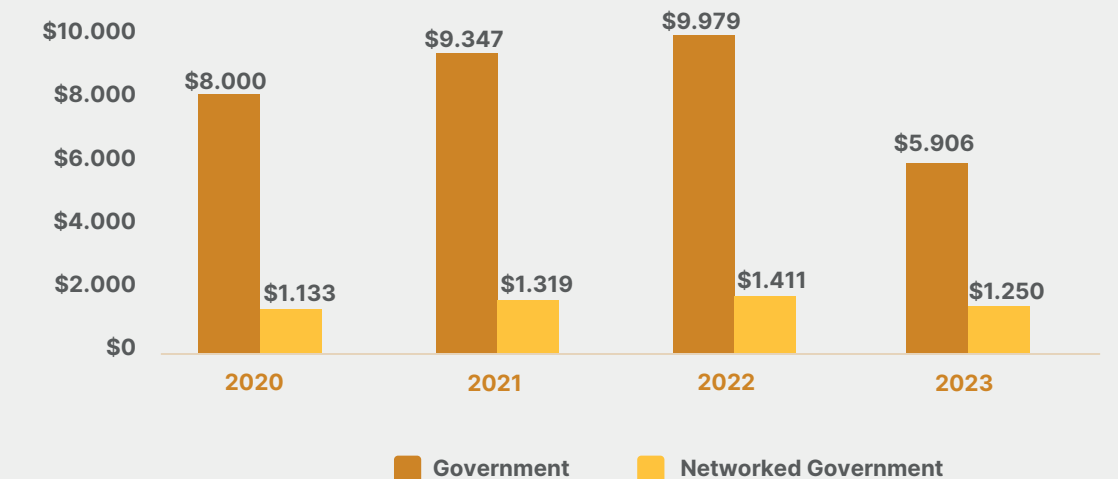
Figures in billions



In the placement balances, a decrease in the portfolio is evident, largely due to 2023 being the final year of government terms. Several public entities had already financed their projects and were in the execution and closure phases.

Government Banking Deposit Balances

Figures in billions



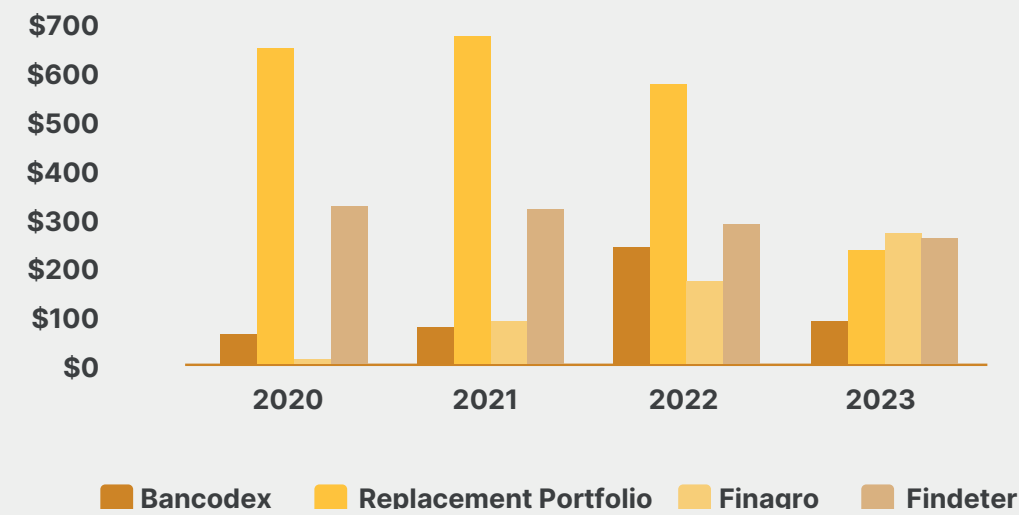
At the end of 2023, a significant decrease in deposit balances was observed, explained, among other reasons, by increased resource utilization by territorial entities at the end of their term, lower rates, dividend payments, and maturities of CDs. On the master account front, a growth of over \$94 billion in managed balances was achieved in 2023, contributing to the Bank's structural funding strategy.

Fomento (Fostering) Portfolio

The Fomento Banking portfolio decreased by 33.28% compared to the previous year, closing 2023 with a balance of COP \$834,814 million. This performance was framed by the reduction in the Redescuento Finagro portfolio limit, a process executed by Finagro due to Aval’s interest rate policies, given the rise in interest rates by the Central Bank and, generally, by the behavior of the national and international economy. In this same regard, the Digital Fomento tool was launched, which is deepening the funding strategy with development entities (rediscounting and substitution), with direct implications in the development of the country’s productive sectors through small and medium-sized enterprises as well as territorial entities. To date, disbursements made with the tool have exceeded \$56 billion.

Fomento Portfolio Evolution 2020 - 2023

Figures in billions



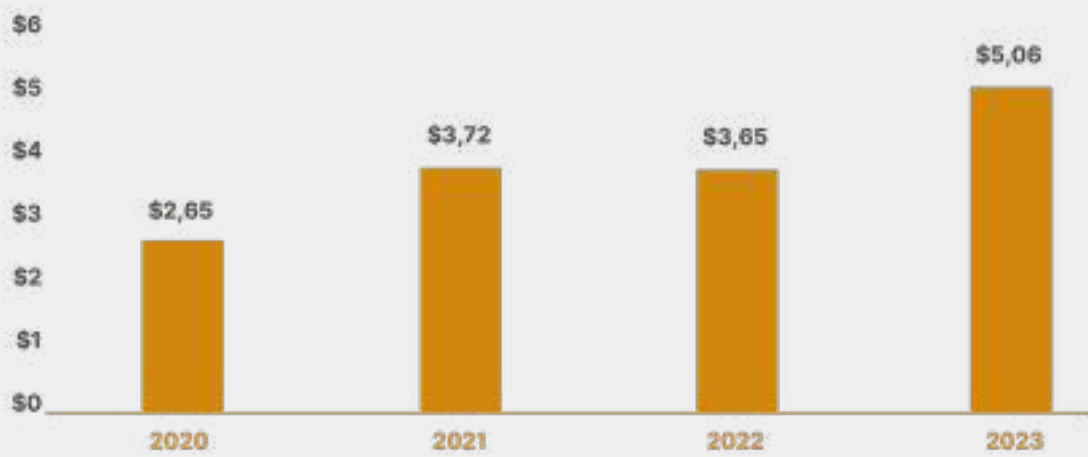
Tax Collection Strategy

Tax collection is a fundamental axis for the Government Banking acquisition strategy. It also allows for direct support to our clients since, through tax collection, we assist Territorial Entities in generating higher revenues to finance their investment projects. Additionally, promoting digital collection contributes to improving

tax administration and fostering a culture of payment among taxpayers.

Tax Collection

Figures in trillions



The tax strategy has been based on the use of the Integrated Government System, which allowed us to advance with a focus on developing the value ecosystems of our clients (collectors) and their clients (taxpayers). Similarly, efforts have been made to sign new collection agreements with an emphasis on digital and electronic solutions. Thanks to this focus and the development of specific campaigns and product initiatives, by the end of 2023, collections exceeded \$5 trillion.



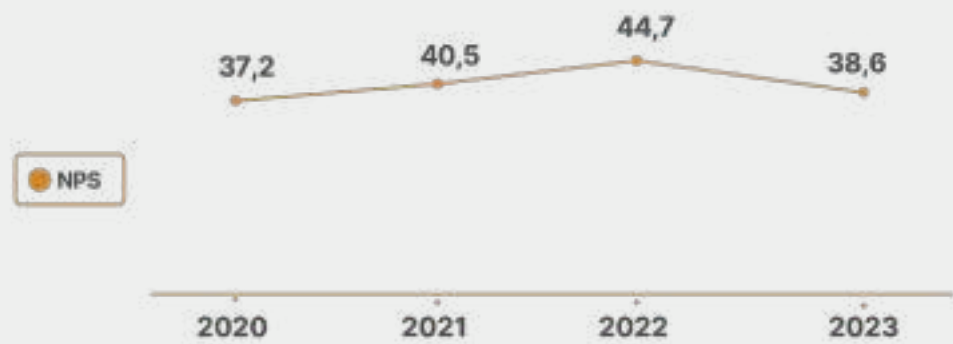
Customer Experience



3.3.1. Customer Experience Model [DJSI 3.7.1]

The Experience Model is a customer-focused strategy, based on understanding their expectations, needs, emotions, and the attributes they value most in their interactions, to generate and ensure positive and differentiated experiences.

Net Promoter Score (NPS)



The NPS indicator has shown an improving trend from 2020 to 2022; however, in 2023, a decrease is evident, reflected in the increase in Passive clients, impacted by market factors and the effects of technological updates and stabilization of the Bank’s transactional channels. It is noteworthy that 53% of clients are brand promoters, meaning they have had positive experiences, like and speak well of the Bank, and have expressed their intention to stay with Banco Popular and recommend it. In 2024, quality measurements, both issued and perceived, will continue to be carried out to make decisions aimed at improving the experience and managing initiatives or projects that strengthen relationships with our clients and exceed their expectations.



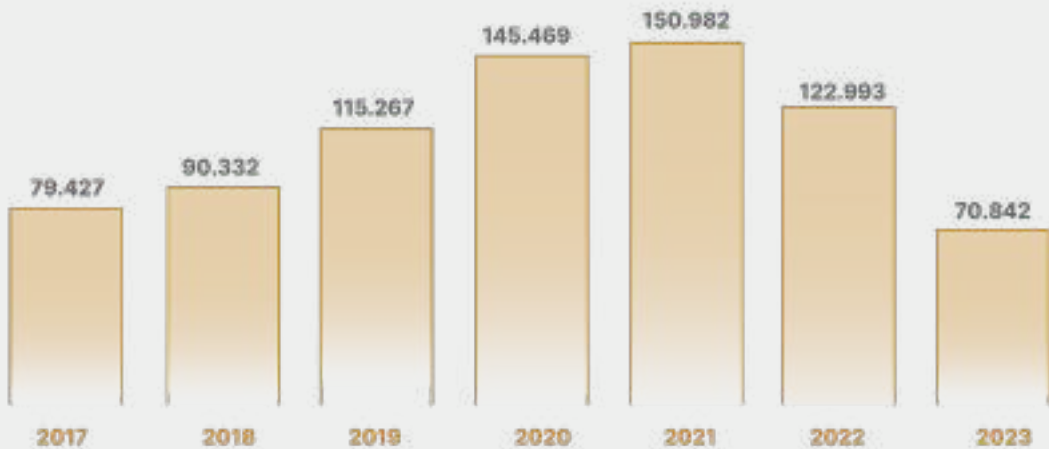
3.3.2. Management of Requests, Complaints, and Claims (PQR)

Banco Popular has implemented a PQR (Requests, Complaints, and Claims) management model that provides financial consumers with several channels for submitting their complaints and claims. This model establishes the procedure for managing and resolving requests, complaints, and claims (PQR), aiming to comply not only with current regulations but also with the customer service promise. Additionally, the model includes quality assurance, which involves traceability and ongoing monitoring of all stages of PQR management, culminating with the resolution cycle.

Fully aligned with the customer experience model, the goal is to alert product leaders to develop action plans that eliminate root causes of situations causing customer dissatisfaction and to continuously improve the customer experience.

Compared to the previous year, there is a 42% reduction in filed complaints, with a positive effect on addressing the root causes of payroll products and savings accounts. Additionally, through the effective implementation of several measures, there was a 75% reduction in the backlog, resulting in the lowest number of overdue cases in the last 3 years.

Requests, Complaints, and Claims



On the other hand, complaints were primarily impacted by events related to social engineering attacks, migration of the Corporate Core Banking system, and intermittent issues in digital banking.

Privacy and Protection of Personal Data [GRI 418-1] [DJSI 3.8.1]

In accordance with Law 1581 of 2012, Decree 1074 of 2015, [Banco Popular has a Privacy and Personal Data Protection Policy](#), which aims to inform its holders about the internal regulations adopted by the Bank regarding this matter. This policy will apply to all databases and/or files containing personal data that are subject to processing by the Bank.

During 2023, the bank did not identify any claims related to privacy violations, leaks, thefts, or losses of customer data.



Let's Learn More

Sustainable Management Report

04

Financial Education

Diversity and Inclusion



A photograph of a modern office interior. In the foreground, there are three blue tufted sofas arranged in a row. The floor is made of light-colored wood-look planks. To the right, there is a large window with a wooden frame, looking out onto a cityscape. In the background, there is a wall with a colorful graphic featuring various icons and text, including 'Learn More', 'Banco Popular', and 'Financial Well-being'. The overall atmosphere is bright and professional.

04

Financial Well-being

Through the strategic front “Learn More,” Banco Popular aims to raise awareness and knowledge among financial consumers to use banking services wisely and make financial decisions that contribute to and ensure well-being for themselves and their families.

For this reason, the bank has designed financial education content in various formats and channels, facilitating both in-person and virtual experiences and offering the necessary tools to support the learning process and the adoption of new financial behaviors.



Financial Education

The Financial Education Program addresses the policies and guidelines of the Financial Consumer Service System (SAC), implementing different initiatives for the development of content and communications. The program includes audiovisual materials with tips for proper use of financial products, conceptual and methodological tools, as well as in-person conferences and the opportunity to participate actively Participating in Industry Initiatives.

Additionally, there is a communication plan directed at customers and users, announcing the latest updates on customer service channels, the product and service portfolio, and best practices in banking security and cybersecurity.

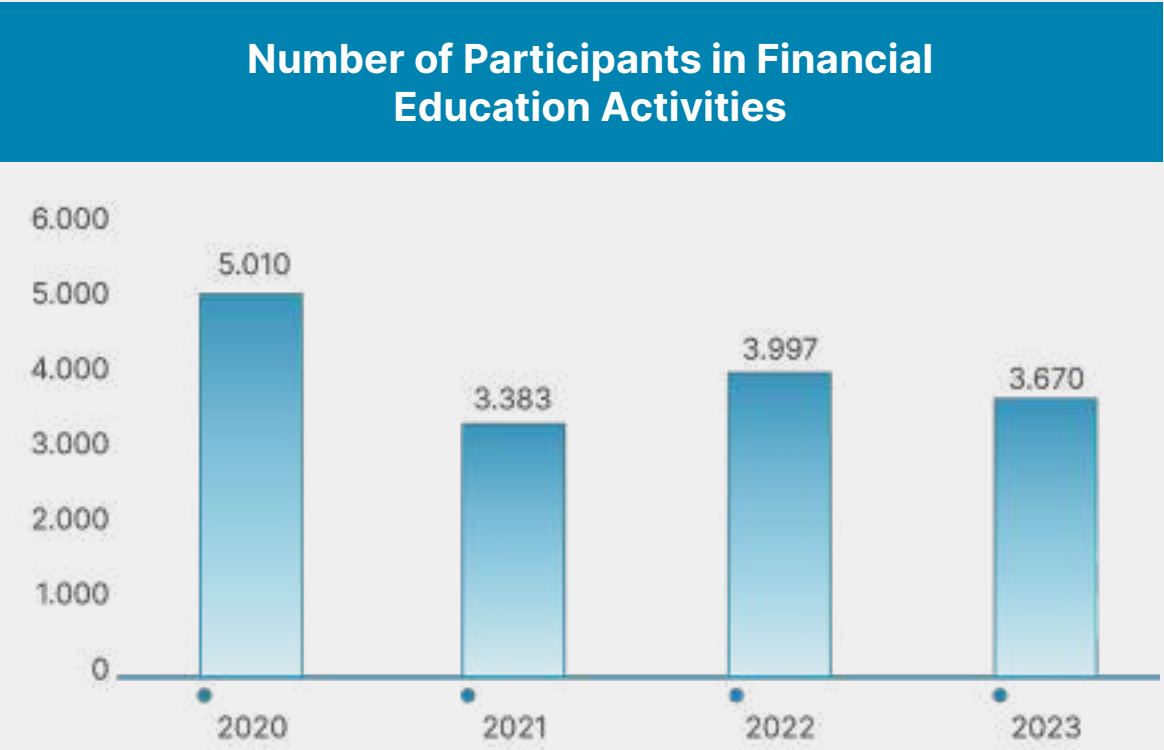
Finally, the financial education program focuses on promoting financial responsibility by providing information and effective practices on accessing and using services and products through simple and relatable language, primarily aimed at older adults.

Participants in Financial Education

[SASB FN-CB-240a.4.]

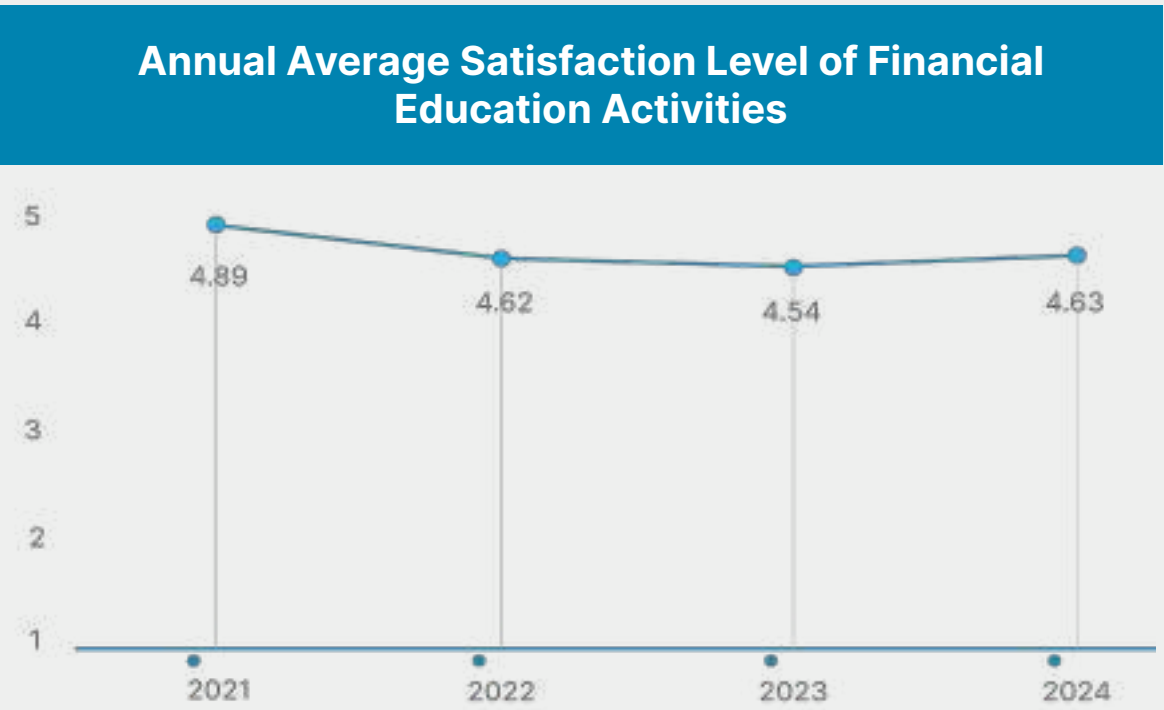
In 2023, the financial education activities were focused on addressing financial users’ needs related to understanding best practices in cybersecurity and fraud awareness, preventing users of financial services and products from falling victim to various types of fraud through physical and virtual channels.

The total number of participants in 2023 for both in-person and virtual financial education activities was 3,670 participants.



Satisfaction Level of Financial Education Activities

Every time a financial education event is held, whether in-person or virtual, participants have the opportunity to rate their satisfaction with the event and the relevance of the content on a scale of 1 to 5, where 5 is the highest rating and 1 is the lowest. In this context, the annual average results of this indicator are presented.



Diversity, Inclusion and Accessibility

[FS14]

Banco Popular recognizes diversity and inclusion as strategic principles that contribute to strengthening our organizational culture and, in turn, foster innovation and transformation towards a fairer and more equitable society. It is important that all bank staff, clients, and the general public perceive it as a safe, accessible, and inclusive space.

The management is structured based on the principles and guidelines of the processes outlined in the technical framework of the Group Aval's Corporate Diversity and Inclusion Policy and in accordance with the Responsible Business Conduct Guide of the Organization for Economic Co-operation and Development (OCDE).

Based on these guidelines, two initiatives have been undertaken. The first is the construction and implementation of the Inclusive Service Model, directed at clients and users of our offices. The second is related to building a diverse and inclusive organizational culture.

Inclusive Service Model

The "Inclusive Service Model" aims to progressively develop initiatives in implementing reasonable adjustments across different service and communication channels with solutions that increase accessibility for our clients.

In this regard, reasonable adjustments have been implemented to improve access to financial services for people in vulnerable conditions:

- Use of the virtual sign language interpretation service BeFriend.

- Service model with accessible physical, visual, and auditory supports.
- Pilot redesign of the teller area in branches to facilitate service for people of short stature or in wheelchairs.
- Strengthening of team training in the Inclusive and Accessible Service Model, with emphasis on the specific needs of each disability.

One of the strategies implemented by the Bank is to conduct mystery shopper visits in major cities to evaluate the quality of accessibility and the experience of clients with visual, auditory, physical disabilities, and elderly people, aiming to identify strengths and areas for improvement.

During 2023, 24 anonymous visits were conducted in branches in major cities, carried out by people with physical, visual, auditory disabilities, and elderly people with disabilities. This exercise evaluated the use of the BeFriend virtual sign language interpretation service, Inclusive Service, and accessible physical, visual, and auditory supports.

Diverse and Inclusive Organizational Culture

In this area, the Corporate Diversity and Inclusion Policy was developed, establishing principles and guidelines to promote a diverse, equitable, inclusive, and respectful organizational culture that values differences.

Initiatives aimed at Human Talent focused on incorporating diversity issues in recruitment and selection processes and communication campaigns were conducted through internal channels, promoting the pillars of organizational culture. Training sessions were also held on topics related to unconscious biases, inclusive perspectives in the work environment, and awareness of diversity calendar dates.

For these internal awareness processes, strategic alliances were developed with corporations specializing in Diversity, Equity, and Inclusion (DEI). One of the DEI initiatives involves the Chamber of Diversity and the Acdi Voca Foundation, with the purpose of including

best practices and trends that enable effective communication and awareness.

The communication channels used to promote communication and inclusion on this topic with stakeholders are:

- "We Work to Keep You Well" mailbox; Positive News, The Power to Inspire.
- More Connected.
- Friendly Biz Physical Offices.
- Ethics Line: an internal channel where employees can anonymously report behaviors contrary to the Code of Ethics and Conduct, situations of possible corruption, fraud, or other irregularities.

During 2023, due to advancements in national and international standardization of Diversity, Equity, and Inclusion (DEI) indicators, Banco Popular standardized and redefined internal terminology to improve the measurement, management, and reporting of gender, age, gender diversity in the workforce, executive positions, administrative roles, and senior management indicators.

For the next year, one of the main objectives of the bank is to implement a human talent characterization tool with a diversity focus and perception mapping, aimed at approaching the entire human team in an inclusive and respectful manner, understanding their perceptions on DEI issues, and thus developing concrete and specific actions for everyone's benefit.





Let's Care More

Sustainable Management Report

- |
- 05
- Eco-efficiency Strategy
- Climate Strategy
- Supply Chain



| 05

Environmental Performance

At Banco Popular, environmental awareness is promoted as a collective commitment, under the invitation to leave a positive footprint for tomorrow, which extends beyond business boundaries and is integrated into the vision of a sustainable future as a society. In this regard, the organization has undertaken internal eco-efficiency management aimed at fostering responsible practices, driving resource optimization, and minimizing negative impacts.

Addressing this purpose, eco-efficiency management also extends throughout its entire value chain, where the promotion of efficient and responsible practices translates into strong partnerships with a network of suppliers committed to shaping the business landscape as a fundamental pillar.



Eco-efficiency Strategy

During 2023, an internal culture was forged, from senior management to employees, promoting everyday decision-making towards more efficient, savings-based practices. Projects were also driven that allowed progress in consolidating environmental development, highlighting: the structuring of the Comprehensive Environmental Management Plan (PIGA), the measurement of the corporate carbon footprint, the strengthening of the monitoring and control system in resource consumption, the management of usable waste, and the development of programs for the rational management and use of water, energy, and paper.

Efficient Use of Resources

In 2023, the monitoring and control system for analyzing trends in water and electricity consumption was strengthened. In this regard, new indicators were integrated to georeference resource usage at the national level.

These monitoring systems, along with the preventive and corrective maintenance plan, have allowed timely actions to be taken to optimize performance in the consumption of electricity and water. Likewise, the constant commitment to ensuring the comfort of both the internal and external clients of the Bank in the physical office infrastructure is maintained.

Energy efficiency has gained increasing importance at the Bank, leading to actions such as the replacement of traditional lighting with LED technology, the installation of motion sensors, the modernization of air conditioning equipment to more efficient models along with the use of refrigerant gasses with lower pollutant potential, and the use of renewable generation sources through the installation of solar panels in two branches located in areas with high solar potential.



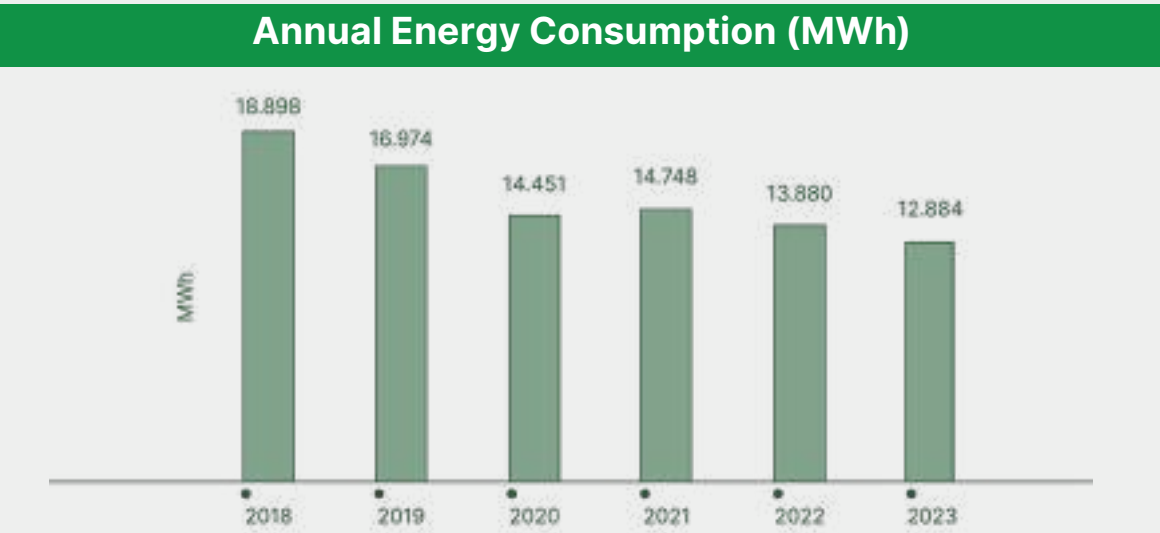
5.1.1. Efficient Use of Energy

[GRI 302-1] [DJSI 2.2.1]

Through the management and promotion of better performance in electricity consumption, and in line with the guidelines defined in the Comprehensive Environmental Management Plan (PIGA), improvement actions are identified through resources aimed at the efficient use of energy, enabling periodic traceability to ensure consumption optimization, operational cost reduction, and the strengthening of environmental culture among the entity's stakeholders.

The monitoring systems enable the periodic analysis of consumption trends in branches, administrative offices, and ATMs. This information, derived from monitoring systems such as Energy Master, Fractall, and the Eco-efficiency Dashboard, is used as input for decision-making by the Architecture Committee on a monthly basis.

Furthermore, the Bank has continued to implement renewable and efficient technologies in its branches and ATMs, generating notable energy savings. Compared to 2022, a 7% reduction in electricity consumption was evidenced, representing a savings of 995 MWh. This is thanks to the meticulous monitoring of indicators, the development of work plans, and good consumption habits that engage the entire human team, as architects of significant change. Over the past six years, an accumulated reduction of 36% in the Bank's energy consumption has been achieved compared to the base year of 2018.



Renewable Energy

The Bank has two branches operating with renewable energy from solar panels installed at its Riohacha (40kW) and Tocaima (10kW) locations. The solar energy generated and consumed in 2023 was 54 MWh.

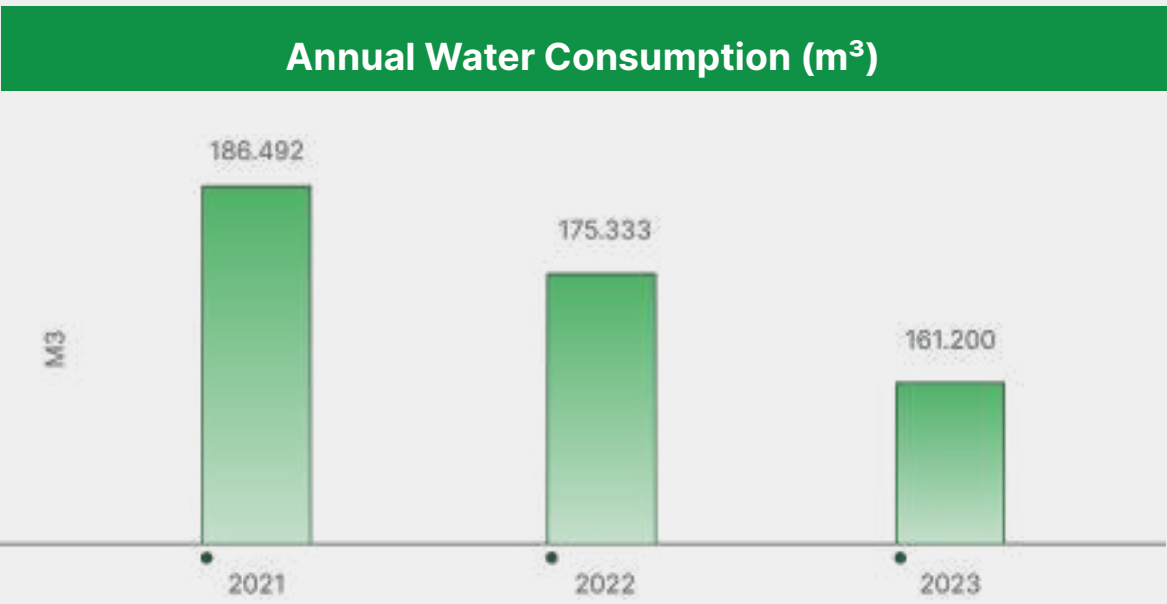
The use of these alternative energy sources has not only resulted in reduced operational costs but also serves as a reference project to replicate in other regions with potential solar radiation. This initiative will undoubtedly contribute to environmental sustainability, enhance energy efficiency, and reduce direct GHG emissions from the Bank’s operations.



5.1.2. Efficient Water Use
[GRI 303-3] [DJSI 2.4.1]

Aware of the vital importance of water as an essential resource and the growing demand pressure on this resource in the country, the Bank has undertaken initiatives to ensure its conservation and optimization. Measurement and monitoring tools are employed to identify atypical consumption, allowing for the implementation of corrective actions.

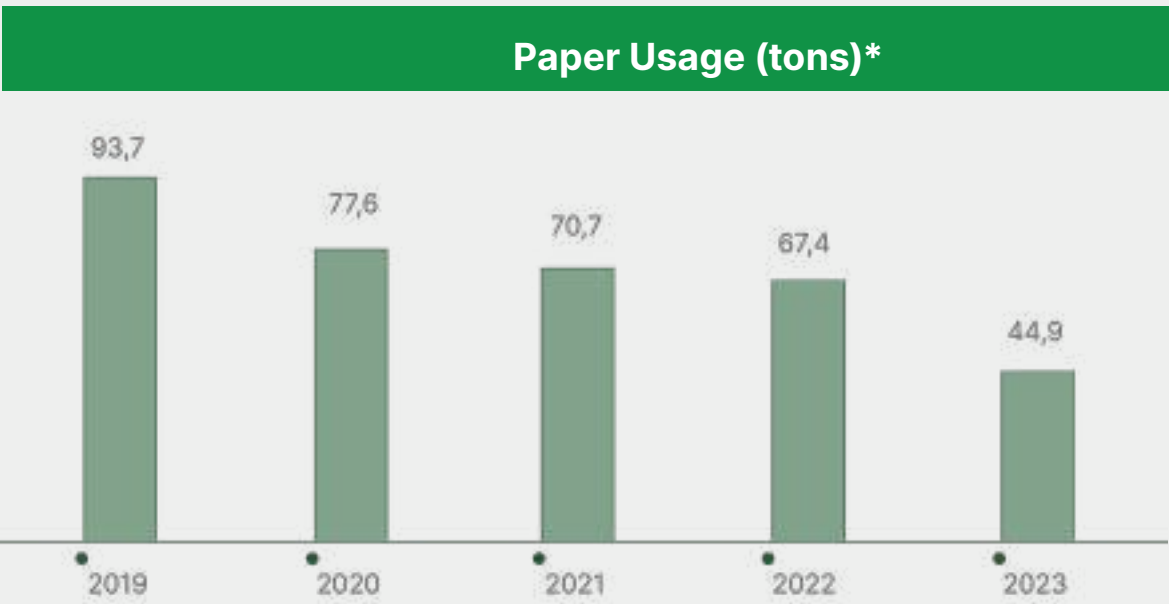
Notable projects include the execution of preventive maintenance plans for hydraulic networks, control of potential water leaks, and the implementation of hybrid work, which has led to an 8% reduction compared to 2022, representing savings of 14,133 m³.



5.1.3. Comprehensive Paper Management
[GRI 301-1]

The digitization of banking processes has led to a series of positive impacts, particularly the notable reduction in paper consumption. The implementation of digital processes has optimized financial transaction management, streamlined processes, and provided clients with a faster experience thus avoiding the use of paper.

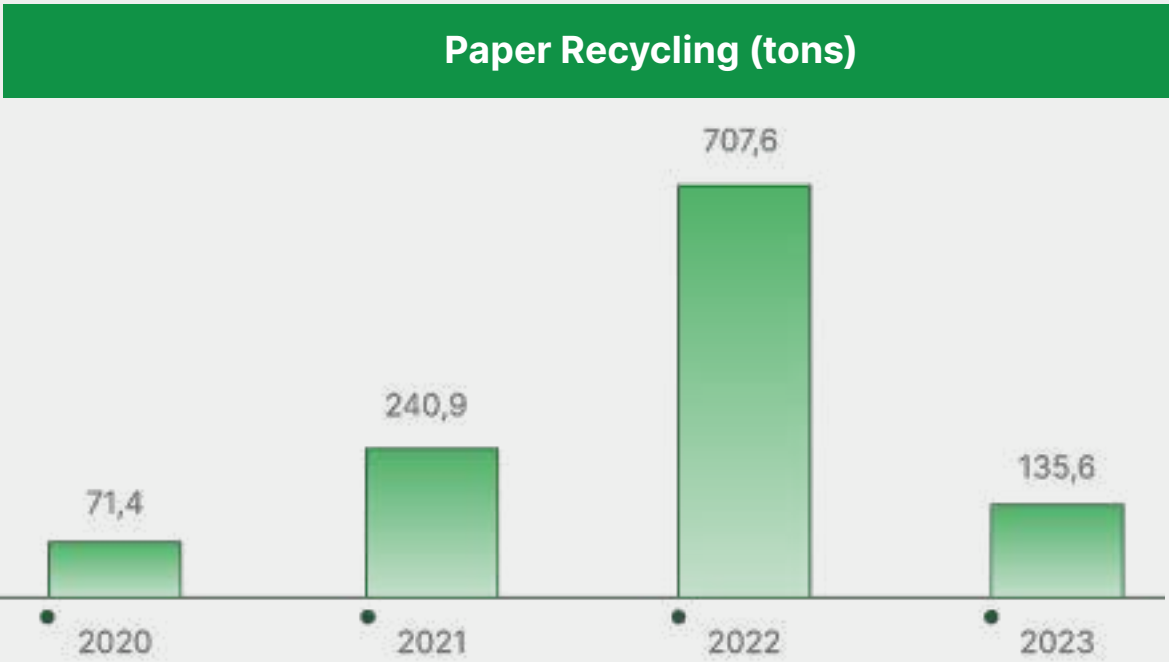
Since 2019, the Bank has reduced its paper consumption by 64% avoiding the use of 48.8 tons in the last five years. Compared to the paper consumption recorded in 2022, a 33% reduction was achieved, equivalent to 22.5 tons of paper use avoided.



¹Erratum: The paper consumption data for the year 2022, published in the previous sustainability report, was 62.5 tons, which has been adjusted in this report to 67.4 tons, according to the refinement of the information provided by the process managers.

Paper Recycling
[GRI 301-1]

The variation in paper usage reflects the optimization of filing each year. In 2022, over 700 tons of paper were utilized in association with digital transformation processes and the clearing of files over 20 years old. Although paper utilization in 2023 was lower, it was still significant, managing around 135 tons.



Climate Strategy



5.2.1. Corporate Carbon Footprint

[GRI 305-1] [DJSI 2.1.1]

A precise measurement of greenhouse gas (GHG) emissions associated with the Bank’s operations and infrastructure nationwide is essential within the Bank’s climate strategy. Measuring this indicator allows the entity to have a solid methodology for developing a decarbonization pathway toward Carbon Neutrality, setting emission reduction targets, and establishing climate change mitigation and adaptation plans.

Thus, the entity performs its fourth consecutive estimation exercise from their GHG emissions, generated directly and indirectly, taking into account the methodological guidelines of the Greenhouse Gas Protocol (GHG Protocol), the Colombian Technical Standard (NTC) ISO 14064-1:2020, and the guidelines of the Intergovernmental Panel on Climate Change (IPCC).

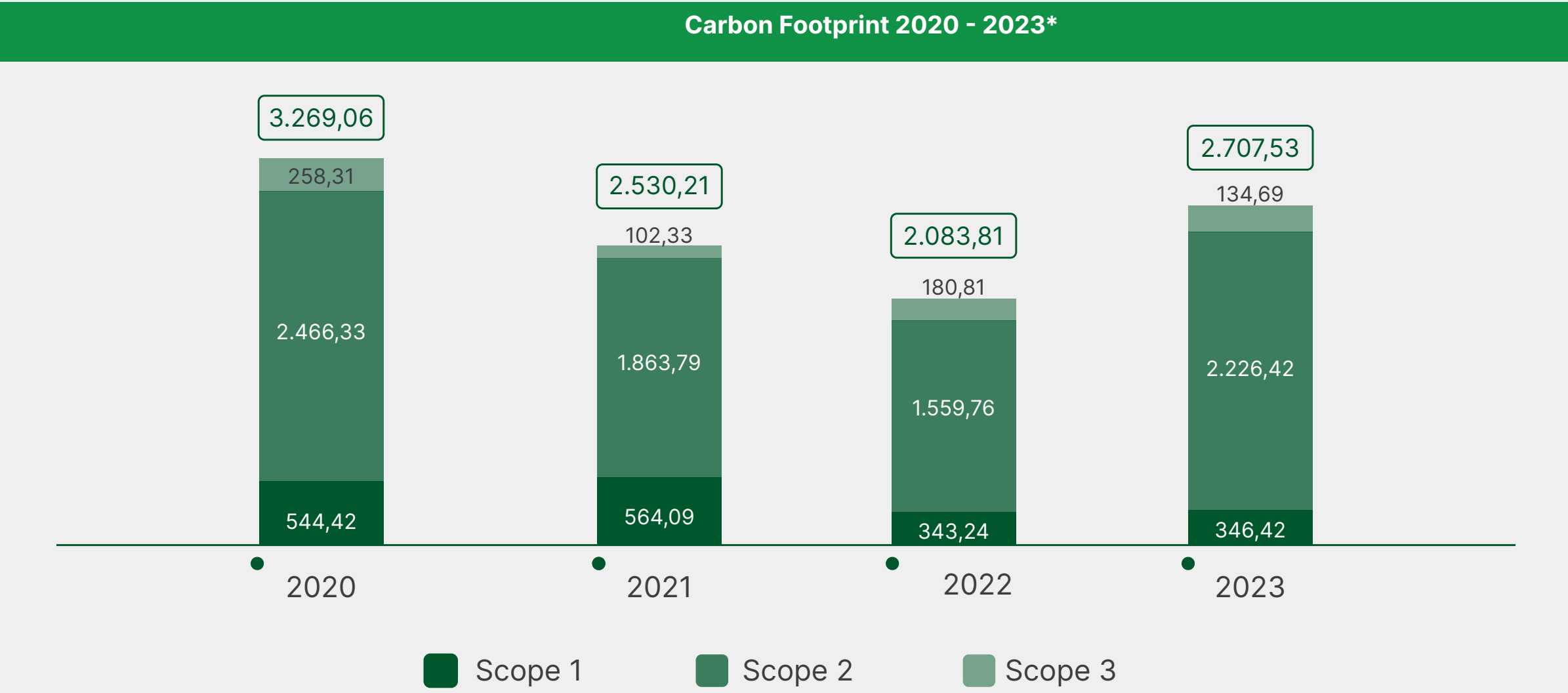
For this purpose, emissions from scopes 1, 2, and 3 of the methodology were considered, with the unit of measurement being tons of CO2 equivalent (tCO2e). Additionally, a control approach was selected that includes emission sources over which direct control is exercised and those with indirect control.

Scope and Distribution of the Carbon Footprint

Scope 1. GHG emissions generated directly by the organization due to diesel consumption in backup power plants, gasoline consumption in company vehicles, and the estimated leakage of refrigerant gasses in air conditioning equipment and other gasses in extinguishers. Emission factors for fossil fuels are those available from the IPCC 2006.	Scope 2. Indirect GHG emissions associated with energy consumption in the Bank’s offices. Emission factors issued each year by XM, the Ministry of Mines and Energy, and UPME are used.	Scope 3. Other Tindirect GHG emissions associated with paper consumption in offices and business air travel. Emission factors for corporate flights available from ICAO are used.
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Evolution of Corporate Carbon Footprint

[GRI 305-1] [DJSI 2.1.1] [GRI 305-2] [DJSI 2.1.2] [GRI 305-3] [DJSI 2.1.3]



• *Erratum: The corporate carbon footprint data for 2022, published in the previous management and sustainability report, was 2,137.36 tCO2e, which was adjusted in this report to 2,083.81 tCO2e due to adjustments in the information corresponding to fuel consumption in fixed sources for scope 1.

• Energy Emission Factor 2023: 0.173 tCO2e/MWh



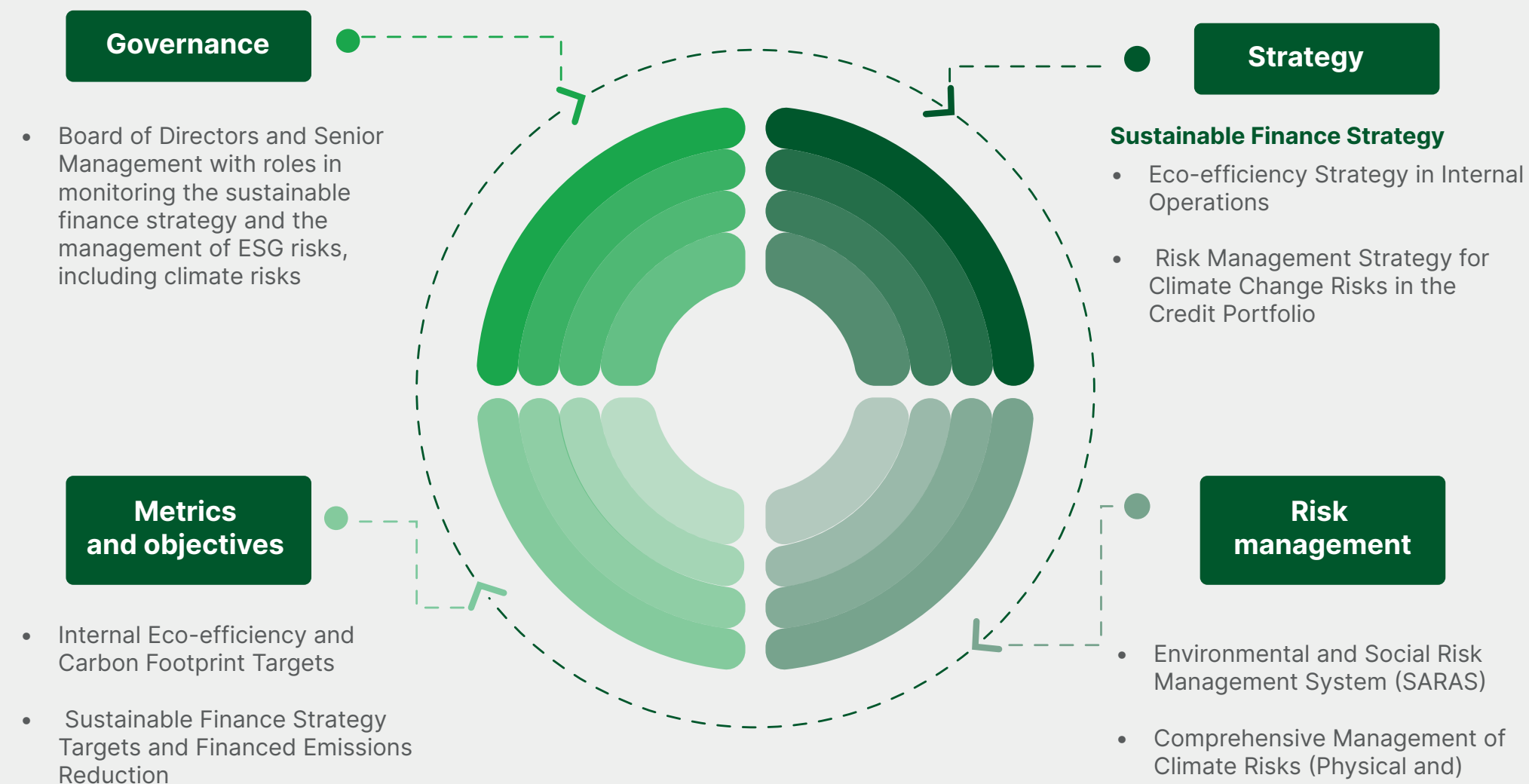
5.2.2. Climate Risk Management

[DJSI 2.5.2] [SASB-FN CB 410a.2]

Within the framework of the Environmental and Social Risk Management System (SARAS), in 2023, the Bank carried out the process of identifying climate risks, using a comprehensive approach that addresses both physical risks and those related to the energy transition. Through a thorough analysis, potential threats related to extreme weather events and a general balance of changes in policies and technologies that may impact the Bank's operations and portfolio were identified.

The Bank's commitment to ESG risk management is aimed at ensuring sustainable financial practices. In line with this responsibility, proactive measures were adopted in climate change management, recognizing its impact on global economic stability. In this process, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) were integrated, using this framework as a guide to identify, assess, monitor, and disclose climate risks.

Climate Risk Management System



Supply Chain

[GRI 2-6]



5.3.1. Supplier Management

[GRI 204-1]

For Banco Popular, procurement processes are of great importance due to their relevance in centralizing and managing the acquisition of goods and services, focusing on efficiency in terms of processes and costs, with the purpose of meeting the Bank’s requirements and consolidating long-term relationships with strategic partners. This is achieved thanks to the guidelines described in the Corporate Policies and the Strategic Procurement Manual of Banco Popular.

The Bank, through its Strategic Procurement Management, is committed to strengthening its Environmental, Social, and Governance (ESG) practices in the procurement of goods and services with suppliers and partners. For this reason, policies and guidelines have been defined to raise greater awareness about the incorporation of these matters in decision-making.

Therefore, the Bank aims to promote and incorporate better ESG practices into its supply ecosystem, aligning its management reporting indicators with Sustainability standards. Together with Grupo Aval, the inclusion of evaluations and technical sheets with Environmental, Social/Labor, and Governance criteria in its purchasing processes was defined for all national and foreign suppliers.

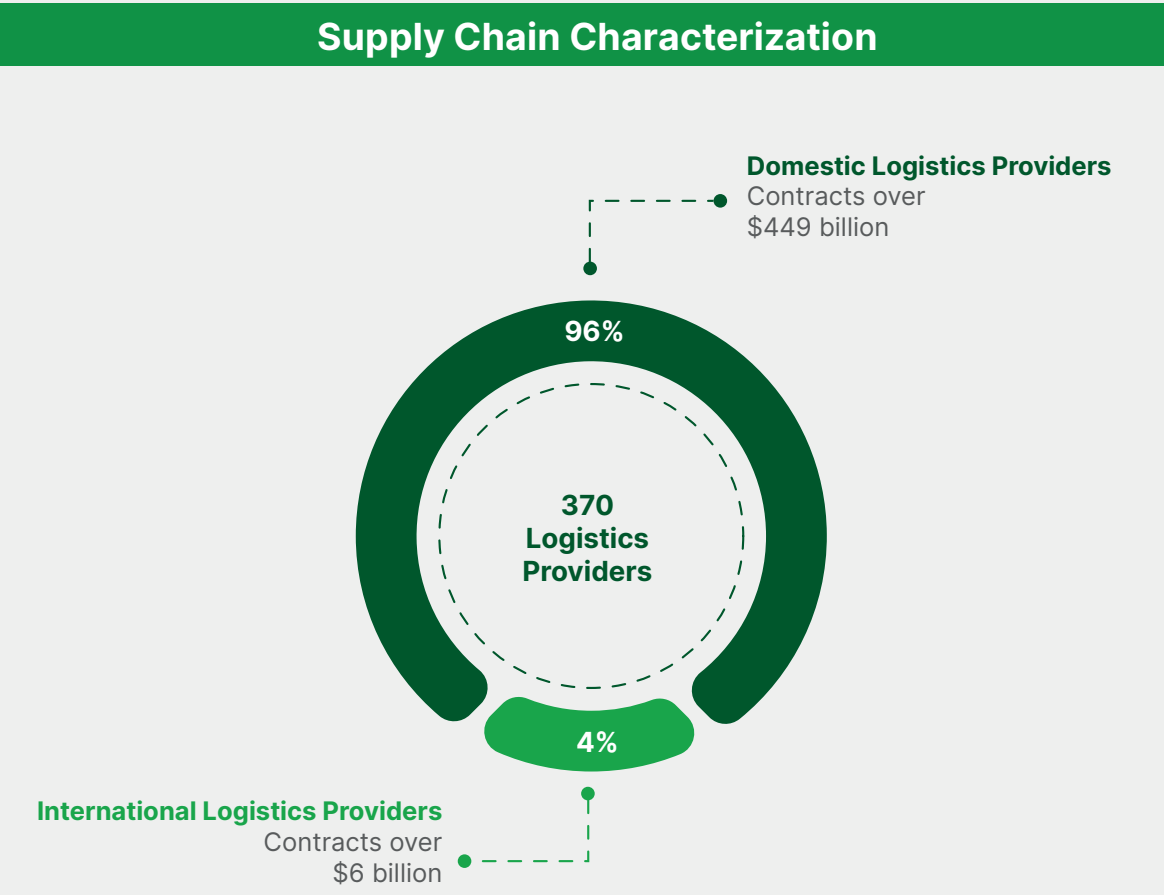
Supplier Portal

As a milestone achieved in 2023, the Bank strengthened its relationship with its strategic partners. Through the Supplier Web Portal, information barriers between bidders and the Bank are addressed, facilitating interaction and providing the necessary information to improve procurement management processes.

This portal contains key information for suppliers throughout the entire process: from the first steps to becoming a strategic partner of the Bank to relevant aspects during the commercial relationship, such as invoice management and constitution of policies.

Additionally, current documents and decisive guidelines in the relationship with strategic partners in the supply chain are published. Some of these include: the Anti-Corruption Policy, the Code of Ethics, and the Sustainable Purchasing Policy, among others.

Learn more about our [Supplier Portal](#)



The supply chain of Banco Popular is composed of 96% national companies. These logistic providers are distributed as follows: 46% supply goods and services, 25% support Operations, and 30% are technology providers.

Sustainable Purchasing Initiative

Recognizing the importance of sustainability for the Bank, the sustainable purchasing initiative has been structured and implemented, with the purpose of going beyond the acquisition of goods and services, thus demonstrating a commitment to environmental and social responsibility..

By integrating environmental, social, labor, and corporate governance criteria into the supply chain, not only is environmental preservation supported, but social equity is promoted and relationships with suppliers who have ethical values are strengthened. In addition to responding to the demands of an increasingly conscious market, operational efficiency and responsible resource management are also promoted, generating long-term benefits.

Assessment of Proponents with a Sustainability Focus

From Grupo Aval, together with the affiliated entities, a unified assessment of proponents with a sustainability focus was consolidated for its subsidiaries. Each entity must apply the suitability assessment of each proponent, including ESG criteria related to business management, corporate governance, diversity and inclusion, and ethical, environmental, and social commitments to comprehensively acquire goods and services in accordance with the principles of effectiveness, efficiency, timeliness, and transparency that characterize ethical and responsible purchasing.

The sustainability-focused assessment of proponents implemented by Banco Popular will provide a control tool, which will serve as the analysis instrument for decision-making, improvement actions, and the development of the training and strengthening plan for suppliers and strategic partners.



20
23

Sustainable Management Report



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Website

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Social Media



Bcopopular



BancoPopular



Bco_popular



Bancopopularcol



Banco Popular Colombia

