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## 1. About this report

[GRI 102- 48: 54]

Banco Popular presents its Management and Sustainability Report, prepared for the first time in accordance with the Global Reporting Initiative (GRI) standards<sup>1</sup>. This report discloses information on the organization's management and performance in economic, social, environmental and corporate governance areas in the period from 2017 to 2021, with emphasis on the results of the last year.

The information disclosed on the main activities, initiatives and results achieved with respect to the management of the Bank's material issues also follows a reporting framework in line with the requirements of the Code of Commerce and the recommendations of the Código País Best Corporate Practices<sup>2</sup>.

In addition, the information herein has been prepared in according with the Colombian Financial Reporting Standards (NCIF for its acronym in Spanish), issued by the International Accounting Standards Board (IASB), as well as the interpretations made by the International Financial Reporting Interpretations Committee (IFRIC). All information herein is expressed in millions of Colombian pesos (COP).

For any questions, concerns or suggestions regarding the information herein, please contact us at [sostenibilidad@bancopopular.com.co](mailto:sostenibilidad@bancopopular.com.co)

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<sup>1</sup> Essential level of compliance.

<sup>2</sup> Issued by Superintendencia Financiera de Colombia (SFC).



## 1.1 About Banco Popular

[GRI 102-1:2; GRI 102-5]

Banco Popular S.A. is a Colombian privately held company with more than 70 years of experience in the financial products and services sector. The Bank currently provides a wide range of value-added services to its customers in the Retail, Small and Medium-Sized Enterprises (SMEs), Corporate and Government banking segments.

The organization has achieved a leading position among pensioners, educators, public forces and government officers. It has also managed to build a solid relationship with the country's public entities, thus contributing to its purpose of being a sustainable company that generates experiences that positively transform people's lives in order to be chosen, loved and recommended by people.

In September 2021, the organization was awarded the following BRC Standard & Poor's and Value & Risk Ratings<sup>3</sup>:

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

## 1.2 Subsidiaries

### *alpopular*

Established in 1967, Alpopular S.A. provides specialized logistics solutions across all supply chain services (supply chain management) under the highest quality standards, trained professionals, state-of-art technology and quality practices aimed to achieve customer satisfaction. This subsidiary offers specialized logistics solutions, customs brokerage, document management (Alarchivo).



Established in 1991, Fiduciaria Popular S.A. develops and sells trust products for target markets with high quality and competitive prices. This Banco Popular subsidiary has a broad product portfolio aimed to cover savings and investment needs, provide operational support and make business viable, thus creating confidence among its clients and target public and standing out for its friendly warm services.

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<sup>3</sup> These ratings are valid for one year.



### 1.3 2025 Strategy

Banco Popular started a new phase in 2020 with major changes, transformations and challenges as part of the 2025 strategy. In this context, the mission and vision of the organization were redefined to strengthen its purpose, which is deeply rooted in the heart of its employees.

#### Main Purpose

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

#### Vision

Being chosen, loved and recommended by our people.

### 2025 Strategy Roadmap

To strengthen its transformation, the Bank has identified a **business agility-based strategy** that would help to quickly achieve its vision and stand out from its competitors. To this end, the **Positive and Agile** project was launched in 2020 to promote the generation of incremental value and the adoption of new ways of collaborative work. Eight agile work structures known as CETA were created in the Bank by the end of 2021:

- CETA on Payroll Loans
- CETA on Channels
- CETA on Modes of Payment
- Five Centers of Excellence (CoE)

Eleven Agile Transformation Centers and eight Centers of Excellence are expected into operation by 2022.

As part of the transformation at Banco Popular, the first phase of the **Commercial Portfolio and Productivity Business Model** was kicked off, which aims to strengthen and promote the value proposition for legal entity customers in the Business, Corporate, Institutional and Government segments that meet the need of their business.

Furthermore, an interdisciplinary team of high-level professionals was appointed to jointly assist in the identification and development of the value proposition to activate the Construction Banking segment during 2021.

### Measures in response to the sanitary and economic emergency generated by the COVID-19 pandemic

The Bank implemented a series of measures targeted at its customers, employees and suppliers during 2020 and 2021 for the purpose of providing appropriate assistance in



this situation, pursuant to the guidelines issued by the National Government.

Regarding Retail Banking, a strategy was implemented to provide banking services to pensioner customers who used to cash their pension allowance in person at our offices. By mid-2020, the Bank had successfully provided banking services to 99.6% of the customers of this segment, reaching 500,000 pensioners, who continued to use our channels in a more effective manner during 2021.

About the Corporate and Government segments, a first phase of massive and automatic debt relief was established ahead of their request, which benefited more than 200,000 clients in the first weeks of this health contingency. In addition, support activities were carried out during 2021. For the SME (Small and medium-sized enterprises) segment, alternatives such as debt relief and support and training spaces were offered to help clients in these circumstances<sup>4</sup>.

For the purpose of protecting our people, the Bank implemented an internal campaign for their care, promoting biosafety protocols and adopting measures for the creation of safe environments. In addition, home office was introduced so that employees who could work remotely would not have to commute to our offices.

In addition, the "Siempre concetados" communication channel was introduced to keep in permanent and close contact with our work team and report any symptoms for follow-up and further measures to be taken.

Physical biosecurity measures were adopted in all the Bank's facilities by installing acrylic safety shields at workstations, social distancing signage and an infrared camera to detect elevated body temperature at the entrance to the General Director's building.

Similarly, when the economic and health emergency began, logistics suppliers were supported to face the situation, giving them top priority in the payment of their invoices.

## 2025 Strategic Priorities

The Bank launched a new stage in its 2025 strategy with seven strategic priorities aimed at further creating experiences that positively transform people's lives:

1. **Service with a positive attitude** Serving customers with agility, knowledge, love, joy and a positive attitude, always improving and delivering value to people.
2. **The Bank in your pocket** Making it easier for customers to interact with the Bank through digital channels as well as ongoing redesign and improvement of experiences, scaling them to open systems and ecosystems that deliver value to them.

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<sup>4</sup> See more details in Section "3.3. Leveraging the socioeconomic development of our clients".



3. **Shared value** Sharing with customers the value generated by their relationship with the Bank and customize pricing according to their risk profile and relationship with the organization.
4. **Intelligent banking** Offering customized products and services to customers in real time based on their interaction data.
5. **Sustainability** Contribute to make a better world and a positive footprint for the future.
6. **Organizational health** Ensuring talent satisfaction and attraction by promoting and maintaining good organizational health that strives for continuous improvement and excellent performance.
7. **Efficiency and risk management** Reinventing our business model by developing efficient, digital, agile, secure, reliable, and competitive processes to support the value promise.

Given this context, the Bank remains steadfast towards the fulfillment of our purpose and vision so as to continue to say: " **It is possible today, it is always possible!**".

## 1.4 Sustainability strategy

As part of the 2025 strategic direction, the Bank has recognized the importance of making sustainability part of its business strategy as an organizational purpose.

In line with this, Banco Popular developed a sustainability model in 2020 aimed at managing economic, social, environmental and corporate governance factors to make the world a better place and have a positive footprint for the future.

In this regard, the organization developed a roadmap towards sustainability principles, starting with an initial assessment, stakeholder dialogues and materiality analysis to identify key issues in this area. Based on these inputs, Banco Popular's sustainability model was built thereafter.

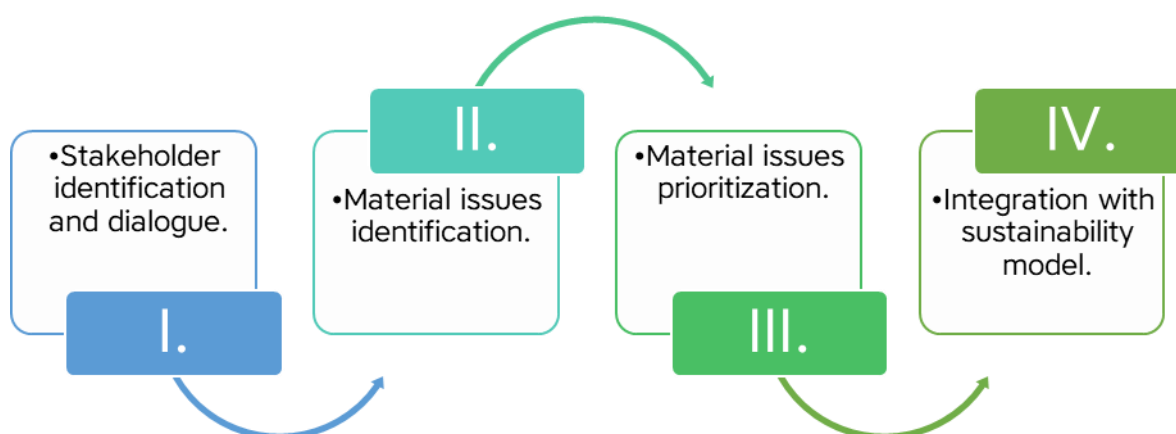
### Materiality analysis

[GRI 102-46; 102-47]

Relevant sustainability issues were initially identified and prioritized, both for stakeholders and the Bank. A four-stage process was implemented for this purpose, including the following:



Chart. Materiality assessment process



### Stakeholder identification and dialogue

[GRI 102-40; 102-42:44]

Building relationships that generate long-term shared value is essential for the sustainability of the organization. Therefore, stakeholder identification was reviewed with an analysis of their relationship levels, communication channels, expectations and needs for building our sustainability model.

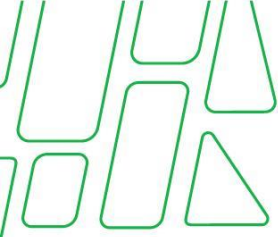
Chart. Bank stakeholders

- Shareholders.
- Board of Directors.
- Human resources.
- Customers.
- Suppliers and contractors.
- Government and regulators.
- Associations.
- Public opinion.

### Identifying material issues

A total of **178 interviews** were conducted with the Bank's stakeholders to analyze key issues concerning their relationship. Similarly, internal and external sources of information were examined to identify issues relevant to the sustainability of the Bank and the sector.



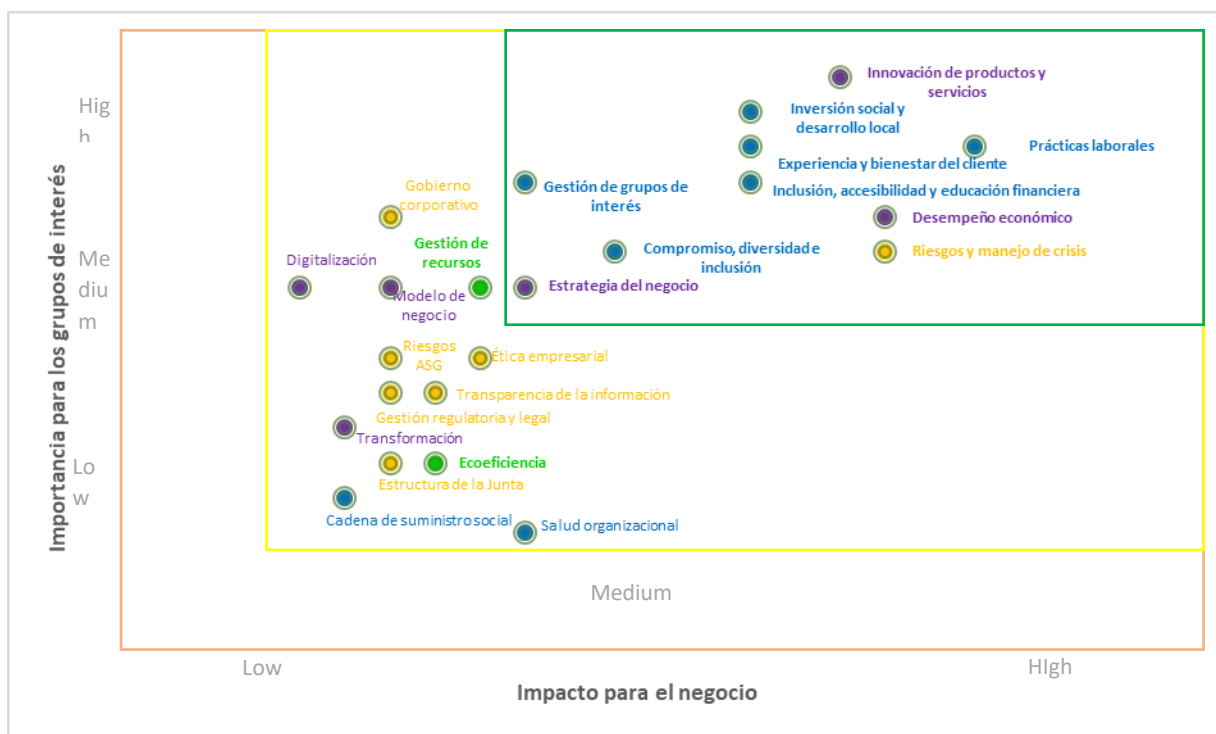


Internal information covered corporate strategy, stakeholder management and documentation on ESG issues<sup>5</sup>, while external information included national and international sustainability indexes, standards and benchmarks. As a result, the criteria for the prioritization phase were then established.

### Prioritizing material issues

Considering the criteria used for assessing the importance of key issues for stakeholders and their impact on the business, a materiality matrix was developed, in which relevant issues for the Bank and its stakeholders were prioritized, resulting in ten high priority issues and thirteen medium priority issues.

Chart. Materiality matrix  
[GRI 102- 47]



### Dimension type

- Environmental
- Social
- Corporate Governance
- Economic

<sup>5</sup> Environmental, Social and Corporate Governance (ESG) criteria.





## I. Integrating with the sustainability model

Material issues previously identified and prioritized were integrated in developing the sustainability model to ensure their strategic management in the Bank.



### Sustainability model

Banco Popular strives to turn the actions taken today into a positive footprint for the future. In this context, the Bank has developed a sustainability model with four strategic lines of action, which are an invitation for joint action to work towards a common purpose for sustainable development. Eleven pillars of action have been established to determine the lines of action for initiatives and projects.

Contributing to our stakeholders' quality of life and prosperity and promoting their growth and development.




-  Economic development
-  Social development
-  Innovation
-  Customer experience

Contributing to our stakeholders' development by promoting knowledge, access and responsible use of financial products and services.



-  Financial education
-  Inclusion and accessibility



Providing positive experiences for our people and adding value to our shareholders through sound, ethical and transparent corporate management.

-  Organizational health
-  Corporate management
-  Corporate governance

Making a positive impact on communities and society by managing and promoting responsible practices for environmental care and resources.

-  Efficient use of resources
-  Environmental

### Alignment with the Sustainable Development Goals (SDGs)

An analysis of the SDGs and their prioritization in Banco Popular was carried out in 2021, in which the organization's leaders were also involved. As part of this exercise, the goals that are aligned with the Bank's main purpose and vision were evaluated and determined, considering their strategic relevance and the entity's actual impact capacity. As a result, four high-priority goals and five medium-priority goals were identified:



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



## Banco Popular's actions with respect to the high-priority SDGs



### SGD 8. Decent work and economic growth

Sustainable economic growth and universal access to financial services

- The Bank serves as an employer brand, having 3,624 direct employees.
- A diversity and inclusion program known as "INclusiónEs" in partnership with Grupo Aval.
- Financing over 5,680 companies.
- Support for Grupo Aval's Orange Economy initiative.
- SME support initiative with Elevate to improve their business management.



### SGD 10. Reduced inequalities

Promoting social and economic inclusion and ensuring equal opportunities for all.

- Special focus on pensioners, educators, public forces and government officers.
- Development of Banco Popular's Diversity and Inclusion Strategy.
- Service delivery model for people with disabilities



### SGD 4. Quality education

Ensuring inclusive, equitable and quality education for all.

- "Aprendamos más" (Let's learn more) financial education program.
- Partnership with Icetex for financing higher education.
- Comprehensive offering to the Educators segment through alliances for education funding.
- Education accounts: payment of teachers' payroll and education suppliers.
- Benefits to the Bank's human resources in education and internal training.



### SDG 9. Industry, innovation and infrastructure

Promoting inclusive and sustainable industrialization and fostering innovation to increase access to financial services and markets.

- Business digitalization.
- Digital banking.
- Implementation of Centers of Excellence and Agile Transformation (CETAs)
- "Positive and agile" transformation program.

## Medium Priority SDGs and Indirect Impact<sup>6</sup>



<sup>6</sup> For further information on the alignment of the SDGs with the Bank's management, please refer to the GRI Content Index.



## 2. Corporate Governance

Corporate Governance Report, January-December 2021.

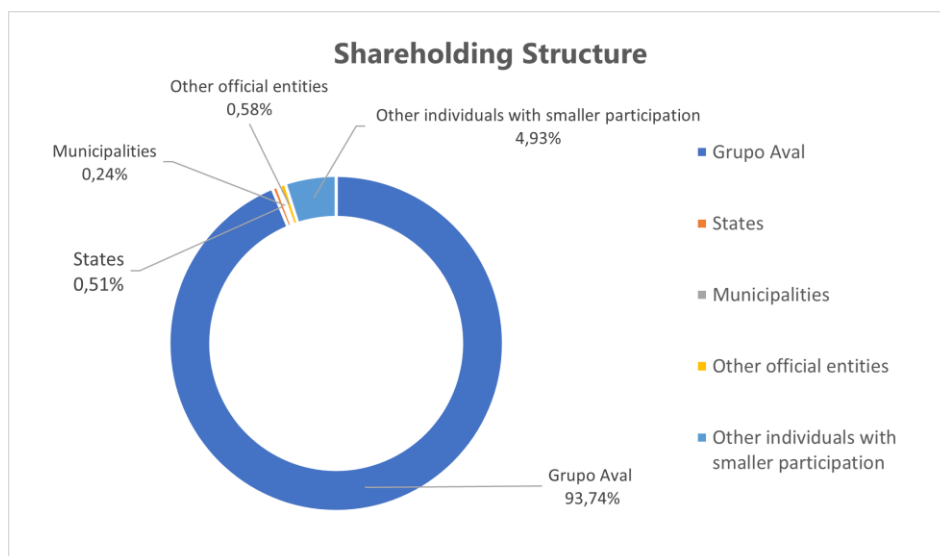
In accordance with the recommendations of Measure 33 of External Circular 028 of 2014 by the Superintendency of Financial Institutions of Colombia (SFC), the 2021 General Shareholders' Meeting report is hereby provided.

### 2.1 Ownership Structure

As of December 2021, the Bank's capital is accounted for a total of 7,725,326,503 ordinary shares outstanding with a par value of \$10.00 pesos each, of which 7,621,941,403 shares representing 98.66 % of the entity's capital stock are held by individual shareholders and 103,385,100 shares, representing 1.34 % of the entity's capital stock, are held by a number of departments, municipalities and other official entities.

As of and for year ending, the Grupo Aval Acciones y Valores S.A. shareholder owns a significant participation of 93.74 % in the Bank's capital, being the Bank's parent company and Aval financial holding.

Chart. Banco Popular's shareholding



The members of the Bank's Board of Directors, directly or indirectly, do not own any



shares and no share negotiations took place in 2021 that would involve any member of the Board of Directors/senior management or administrators of the Bank.

During the period under evaluation, no agreements were entered into by any of the Bank's shareholders and no own shares held by this entity were reported.

## 2.2 Risk Management System

### Internal Control System

In accordance with the provisions of the Superintendency of Finance of Colombia, the Internal Control System (ICS) is defined as the set of policies, principles, standards, verification and evaluation procedures and mechanisms set forth by the Board of Directors, senior management and all other Bank employees to provide a reasonable degree of assurance as to the achievement of the following objectives:

- Improving efficiency and effectiveness of banking operations.
- Preventing and mitigating any fraud occurrence, both inside and outside the Bank.
- Performing proper risk management.
- Increasing accuracy and timeliness of the information produced by the Bank.
- Providing proper compliance with rules and regulations applicable to the organization.

In this regard, the Bank has a control system based on self-control, self-regulation and self-management principles, identifying the Internal Control System components throughout the organization's structure.

In addition, the Bank updated and consolidated the Risk Management Systems, in which the Integrated Risk Model (IRM) constitutes the guiding document, including all corporate methodologies for proper integrated risk monitoring and control, such as the Risk Appetite Framework (RAF) and relevant risk methodology, as well as the governance model of the Bank and its subsidiaries, which includes the existing risk systems such as the Credit Risk Management System (CRMS), the Market Risk Management System (MRMS), the Liquidity Risk Management System (LRMS), the Operational Risk Management System (ORMS), the Money Laundering and Financing of Terrorism Risk Management System (MLFMS), the Operational Risk Management System (ORMS), the Anti-Money Laundering and Terrorist Financing Risk Management System (SARLAFT in Spanish), and the Consumer Service System (SAC in Spanish), as well as the identification, assessment, monitoring and control of ABAC, SOX, fraud, information security and cybersecurity risks together with business continuity plans.

Considering the actions carried out up to December 31, 2021, the Bank complies with the regulations in force and works to further strengthen its Risk Management Systems and Consumer Service System. Furthermore, the Board of Directors has approved to

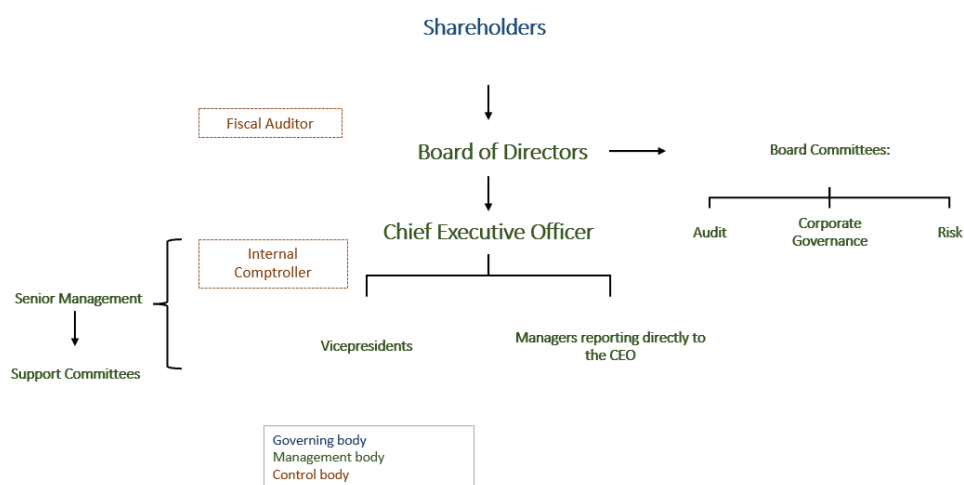


monitor all relevant risks, resulting from the analysis and evaluation performed by the management, as well as the risk monitoring scheme implemented in the Bank, which is closely followed by the Board of Directors.

During this period, no risk event representing materiality for the entity was reported and necessary action plans were developed to mitigate identified risks. For more details, please refer to the "Risk Management System" section, which is part of this Management and Sustainability Report.

## I. Governance and Control Architecture

As part of its Comprehensive Internal Control System, Banco Popular has a transparent structure in line with the achievement of its objectives, as detailed below.



## II. General Shareholders' Meeting

The General Shareholders' Meeting was held pursuant to all legal and statutory provisions governing its operation, as well the measures adopted by the National Government and the recommendations issued by national and international health authorities related to the prevention of covid-19 spread, by means of remote conference call, as provided for in Article 19 of Law 222 of 1995 and Decree 398 of 2020 issued by the Ministry of Commerce, Industry and Tourism.

For all meetings, prior notice was given in compliance with the provisions of the Code of Commerce, the aforementioned Decree 398 of 2020 and the Bylaws.



#### Regular Meeting - March 19, 2021



**Quorum.** An initial quorum of 94.23 % was present, reaching a quorum of 94.53 % of the subscribed and paid-in capital by the end of the meeting.

**Format:** Distance meeting



##### Issues under discussion

Financial statements and the profit distribution project as of December 31, 2020 were approved, as well as the appointment of the members of the Board of Directors, the Statutory Audit Firm and the Financial Consumer Ombudsman, with their respective fees, among other issues. In addition, the Statutory Auditor's Report, the Management's Management Report, the Financial Ombudsman's Report and the Corporate Governance Report, for the year 2020, and a donation allocation were presented to the aforementioned Meeting.



For the Ordinary General Shareholders' Meeting held on March 19, 2021 within the legal term, all the necessary information was available to the shareholders to make their decisions, in accordance with the regulations for the exercise of the right of inspection. Shareholders were able to comply with their requests, respecting the agenda of the Meeting. The information requested by the shareholders on stock ownership, dividends and financial information was delivered in due time.

#### Extraordinary Meeting - November 26, 2021



**Quorum.** A quorum of 93.74% of the subscribed and paid-in capital was present at the beginning and end of this meeting, which was held in a distance manner.

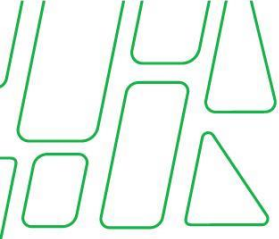
**Format:** Distance meeting



##### Issues under discussion

Amendments to the Bylaws and the Internal Rules of Operation of the Shareholders' Meeting were approved, adopting Código País recommendations related to the right of all shareholders to propose items to be introduced in the Meeting or agreements on them, inclusion of the legal term to exercise the right of inspection, non-delegable duties of the Meeting, as well as assigning to the Board of Directors the duty of granting the quality of legal representatives deemed necessary, establishing the scope of their exercise, and appointing the person responsible for the Bank's Comptroller's Office.





The call to the Meetings, the rights and obligations of the shareholders, as well as details of the shares comprising the capital stock, were disclosed to shareholders and the market in general on the Superintendency of Finance of Colombia (SFC) website as relevant information, and also on the Bank's website.

### III. Management Structure

#### Board of Directors

[GRI 102- 8]

The Board of Directors is comprised of five principal members and their respective alternates, proposed in a list submitted by the Grupo Aval Acciones y Valores S.A. shareholder and approved by the General Shareholders' Meeting, in which the name and line item were specified, as well as the fees to be earned for attending the meetings of the Board of Directors or the Board of Directors Support Committee. Three members of the Board of Directors, both principals and alternates, are deemed to be independent.

The General Shareholders' Meeting, in compliance with legal and statutory regulations, has adopted the guidelines through the Board of Directors' Appointment and Remuneration Policy with the purpose of checking suitable professional profile and experience of each member of the Board of Directors. Directors are authorized to be appointed by the Financial

Superintendency of Colombia (SFC), which approves their appointment based on the information provided by the Bank. Once the Board of Directors was elected at the General Shareholders' Meeting held on March 19, 2021, the Financial Superintendency authorized the appointment of the abovementioned directors. Supporting documents, including their curriculum vitae, are duly filed at the Bank's Legal Vice-Presidency - Secretary General's Office.

#### Composition of the Board of Directors

[GRI 102- 8]

	Principal Member	Alternate Member
First line	Luis Orlando Álvarez Betancur	Sandra Patricia Solórzano Daza
Second line	José Mauricio Rodríguez Múnera	Luz Piedad Rugeles Ardila
Third line	Mauricio Hernando Amador Andrade	Germán Michelsen Cuéllar





<b>Fourth line</b>	Gabriel Mesa Zuleta <i>Chairman of the board</i>	Mauricio Fernández Fernández
<b>Fifth line</b>	Javier Díaz Molina	Diego Fernando Solano Saravia

Some members of the Board of Directors also serve as directors on boards of subsidiary entities, such as Alpopular S.A. and Fiduciaria Popular S.A.

### Course of meetings

The Board of Directors held regular meetings in accordance with the approved schedule. The Board of Directors held remote meetings in compliance with the measures adopted by the National Government and the recommendations issued by various national and international health authorities for the prevention of COVID-19, as provided in Article 19 of Law 222 of 1995 and Decree 398 of 2020 by means of video conferences through Microsoft Teams and when urgent issues needed to be addressed, extraordinary meetings were held with remote participation.

The composition and frequency of the meetings have allowed this body to guide the company's performance and provide it with proper follow-up. In addition, the Board of Directors performed its duties based on the regulatory compliance program established for this body and supported by the Audit Committee, which reports on compliance with its guidelines and recommends modifications to policies and rules issued by the Board of Directors, in accordance with regulatory or market requirements.

The attendance of the members at the Board of Directors meetings in 2021 reached 100% and 96% at the Audit Committee meetings.

The Chairman of the Board of Directors was responsible for directing the Board meetings, coordinating and planning the operation of the Board and the topics to be discussed during meetings, as well as leading the evaluation process and reviewing and signing the respective minutes.

The Secretary of the Board convened all members as per the schedule established for Board and Audit Committee meetings, for which certifications and summaries were duly prepared.

The necessary quorum for discussion and decision making was present at the meetings of the Board of Directors for the year 2021, and as a good practice of corporate governance and operation of this body, alternate directors were also invited to participate in these meetings. In addition, the Board of Directors made a self-evaluation of its own performance <sup>7</sup>for the year 2021.

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<sup>7</sup> 102-28 Performance evaluation of Banco Popular's highest governance body.



## Remuneration

Fees were paid to the members of the Board of Directors as ordered by the General Shareholders' Meeting, in accordance with their proposal, as a result of the participation of the directors, both principal and alternate members, in the Board of Directors and Audit Committee meetings. These fees are calculated based on the number of meetings held by the Board of Directors and its Support Committees, in which each director participates, multiplied by the approved fee per meeting.

Remuneration for Senior Management complies with the best compensation practices in the labor market, which makes the Bank competitive and ensures the permanence of highly qualified personnel committed to achieving the corporate and professional objectives set forth.

## Presented reports and approved policies

The Board of Directors approved changes to the Business Continuity Policy contained in the Business Continuity Management System (BCMS) Manual, among others, to align it with our corporate guidelines. Changes include a review of the governance structure and its responsibilities, the committees established in the Bank's Integral Risk Framework (IRF) and expanded guidelines for business continuity management plans.

In addition, the Board of Directors approved changes to the Operational Risk Management System (ORMS) Manual, regarding updating so as to optimize the preparation and verification of action plans, as well as modifications to definitions, policies, methodologies, guidelines and procedures aimed at complying with the provisions of External Circular 025 of 2020 issued by the Superintendency of Finance for updating the ORMS and including the requirements related to operational risk capital and the Basel III Accord best practices, among which stand out the changes related to the recording of operational risk events and those related to the management of operational risks when the Bank's processes are outsourced.

Additionally, the Authorized Derivatives Policy (included in the Derivative Financial Instruments Manual) was revised to adopt criteria for changes in the negotiation of forward transactions with clients.

Regarding the Credit Risk Management System (CRMS) Manual, the Board of Directors approved the Construction Loan Policy for the purpose of launching this product aimed at financing the construction of housing real estate developments or commercial properties for offices, commercial premises, industrial warehouses and medical offices, as part of the Bank's strategy to serve customers in this sector in accordance with their specific needs.

Additionally, the Board of Directors authorized the modification to the Housing Finance



Policy, taking into account the enforcement of Decree 257 of March 9, 2021 whereby the monthly percentage that a household must pay for loans was adjusted based on its income, as well as the modification to the Express Credit Card Policy aimed at aligning the minimum income policy for that product based on the minimum monthly salary currently in force.

An adjustment was also approved to the Policy of the Debtors Accompaniment Program (PAD in Spanish) for housing debt relief so as to enable the application of such debt relief within the framework of External Circular 039 of 2020 issued by the Superintendency of Finance. Similarly, the Consumer Policy was adjusted in relation to operational and functional changes related to granting credit card and personal loan products. Additionally, the personal loan term was adjusted with the purpose of aligning maximum loan terms with those offered in the market. The Payroll Loan Policy was also adjusted to optimize the content of the promissory note and the letter of instructions.

Adjustments were also approved to the General Provisions of the Credit Risk Management System (CRMS), contained in the CRMS Manual. Adjusted key aspects were the refinement of the second part of the Manual and the credit risk governance, updated attributions, inclusion of new policies and methodologies, reorganization of topics within related chapters and alignment of the General Provisions Manual with product-specific specialized manuals.

The Board of Directors also authorized adjustments to the Anti-Corruption and Anti-Bribery Policy (ABAC) and the Procedural Guidelines contained in the ABAC Manual, in accordance with corporate guidelines. In addition, the Board of Directors approved an updating of the Anti-Money Laundering and Terrorist Financing Risk Management System Policy (SARLAFT in Spanish) contained in the SARLAFT Manual, as required by External Circular 027 of 2020 issued by the Superintendency of Finance, through which instructions regarding the Anti-Money Laundering and Terrorist Financing Risk Management (SARLAFT 4.0) and corporate guidelines are provided.

With a view to implementing additional good corporate governance practices, the Board of Directors approved the adjustments to the Institutional Relations Framework, the adoption of the Internal Rules of Procedure of the Corporate Governance Committee of the Board of Directors and the implementation of a conflict of interest reporting form for the Board of Directors, as well as the submission to the General Shareholders' Meeting for approving changes to the Bylaws and the Internal Rules of Procedure of the General Shareholders' Meeting.

Throughout the period under evaluation, the Board of Directors received the Statutory Auditor's reports along with considerations and supports taken into account for such reports, as well as reports from the Bank's Comptroller's Office. Additionally, management presented the action plans which were followed up for compliance.

Throughout the year 2021, in addition to submissions for approval of operations, acts and contracts pursuant to the attributions established for the Board of Directors,



reports on strategic issues, financial figures, sustainability model, risk management systems, periodic reports on management matters by subsidiaries and periodic presentations on draft rules, as well as regulations on various matters and measures adopted by the National Government and territorial entities, given the Covid-19 situation, among others, were duly presented.

All information reported to the Board of Directors was treated in a responsible and confidential manner.

### External Advisory

During this period, the Board of Directors received external advice on developing training programs on risks related to anti-money laundering and anti-terrorist financing and ABAC from Mr. Juan Pablo Rodríguez Cárdenas, consultant on anti-money laundering, anti-fraud and anti-corruption issues; in addition, training in information security and cybersecurity was provided by the company Hacker Game and advice was provided on the commercial competitiveness project, its segmentation and follow-up indicators by Efficax Group, a consultancy firm.

Other highlights included presentations on economic analysis and specific sectors by the National Association of Financial Institutions (ANIF in Spanish); an intervention on the regional economy in Valle del Cauca, challenges and opportunities for growth by the Cali Chamber of Commerce; a presentation on the real estate business model, risks and economic importance for the country by Dr. Roberto Camacho Hernández, a financial advisor in real estate project management, and a presentation on the workplace environment by the Great Place To Work Institute Colombia.

### Board Support Committees

[GRI 102- 8]

The Board of Directors has the following support committees:

#### Audit Committee

Objective: Assisting the Board of Directors in the evaluation of its Internal Control System, as well as its continuous improvement for proper performance of the duties entrusted to the Board of Directors. Composition of the committee:

Principal Members	Alternate Members
Gabriel Mesa Zuleta	Mauricio Fernández Fernández
Mauricio Hernando Amador Andrade	Luz Piedad Rugeles Ardila
Luis Orlando Álvarez Betancur	Germán Michelsen Cuéllar



The Audit Committee held ordinary meetings, complying with the calendar defined by the Board of Directors and when urgent issues needed to be addressed, an extraordinary meeting was called. The composition and functioning of the committee follows the guidelines and policies referred to the Internal Control System (ICS), set forth in External Circular 029 of 2014 by the Financial Superintendency of Colombia.

Additionally, the committee performed its duties based on its rules of operation and applicable regulations. The summary of the Audit Committee's activities was included in the Management Report presented by the Bank Board of Directors and Chairman to the Shareholders' Meeting.

### **Corporate Governance Committee**

Objective: Assisting the Board of Directors in proposing and supervising Corporate Governance measures.

Composition of the committee:

Luz Piedad Rugeles Ardila, Gabriel Mesa Zuleta and Javier Díaz Molina.

### **Risk Committee**

Objective: Ensuring the identification, measurement, control and consolidated monitoring of those risks to which both the Bank and its subsidiaries are currently exposed, as part of a global and consolidated vision aimed at promoting institutional prevention-oriented culture.

Composition of the committee:

Mauricio Amador Andrade, Sandra Solórzano Daza and German Michelsen Cuéllar.

### **Senior Management**

**Carlos Eduardo Upegui Cuartas**  
Chairman

Vice President of Finance

**Jorge Enrique Jaimes Jaimes**  
Vice President of Operations

**Gabriel José Nieto Moyano**  
Vice President of Credit

**Alfredo Botta Espinosa** - **Juan**  
**Felipe Vásquez Mora**  
Until September 30, 2021 From  
October 1, 2021  
Vice President of Finance

**Orlando Lemus González**  
Vice President of Legal Affairs -  
Secretary General

**Sergio Restrepo Álvarez**  
Vice President of Corporate and



Government Banking

**Nubia Inés Sanabria Nieto**

Vice President of Talent Management

**Martha Teresa Aarón Grosso**

Vice President of Transformation

**Luis Fernando Gómez Falla**

Vice President of Retail and SME Banking

**Joaquín Eduardo Uribe Franco**

Vice President of Business Innovation

**Ricardo Quijano Rueda**

Chief Technology Officer

**Maria Paula Wittich Borrero**

Brand Experience Manager

**Yibran Ortégón Botello**

Integrated Risk Manager

**Mario Javier Montalvo Sánchez**

Banco Popular ADL Digital Lab Manager

**Luis Guillermo Suárez Guerrero**

Comptroller Manager

Bank's Chairman, Vice Presidents and General Secretary act as the legal representatives of the entity.

#### **Chairman's Executive Committee**

[GRI 102- 8]

This committee supports the performance of the Bank's chairman in managing the entity, which has specific documented attributions relative to situations of conflict of interest or possible conflicts of interest affecting the Aval Financial Holding, as well as those transactional agreements other than obligations and operational risk events.

It is made up by the chairman, vice presidents and managers reporting directly to the chairman. The presidents of the subsidiaries take part in some meetings, depending on the issues to be discussed.

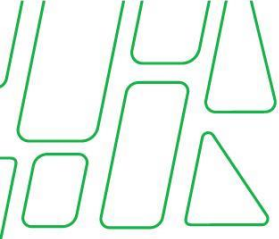
#### **IV. Related party transactions**

A summary of the record of transactions is attached to the financial statements as a note named "Related Parties".

#### **V. Conflict of interest management**

To prevent any conflict of interest that may arise in decisions to be made by the Bank's Shareholders, directors, senior managers and employees in general, rules of conduct have been established to ensure that any decision taken, in all cases, is made





with due objectivity in the best interest of the Bank.

Accordingly, the Code of Good Governance and its annexes, Code of Ethics and Conduct and ABAC Policy provide instructions for the prevention, management and resolution of conflicts of interest, as well as for the detection of any conduct that may give rise to conflicts of interest. Additionally, the Bank has implemented the Policy on Identification, Communication, Management and Control of Conflicts of Interest for the Aval Financial Holding Company, which applies to any conflict of interest that arises or may arise during the operations performed by the entities comprising the Aval Financial Holding Company, between the latter and the entities and persons related to the Aval Financial Holding Company and its directors, including operations made with its own resources or those resulting from managing third-party resources.

The members of the Board of Directors had no conflicts of interest that would have prevented them from holding their positions in 2021. Directors also refrained from engaging in discussions or making decisions on credit operations that might potentially lead to a conflict between their private interests and those of the Bank. Approvals in each case were made after verifying compliance with the policies and limits of indebtedness and concentration risk, by unanimous vote of the other members of the Board who participated in the decision. The number of abstentions in credit operations were registered in the Board of Directors' minutes. The following is a summary for the year 2021: Gabriel Mesa Zuleta (6), Luis Orlando Álvarez Betancur (4), Sandra Patricia Solórzano Daza (2), Luz Piedad Rugeles Ardila (4), Germán Michelsen Cuéllar (1), Mauricio Fernández Fernández (5), Javier Díaz Molina (2) and Mauricio Hernando Amador Andrade (1).

## **VI. Information provided to the market**

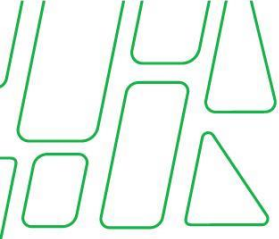
The Bank disclosed timely and accurate information to shareholders, investors and the market in general regarding the company, financial performance and other relevant aspects of corporate governance, among others. The Bank has a dedicated section on its website for such information.

## **VII. Complaints on Good Governance Code compliance**

No complaints were reported on compliance with the Bank's Code of Good Governance.

## **VIII. Best Corporate Practices Implementation**





Banco Popular is strongly committed to the implementation of best corporate governance practices as a key element in its sustainability strategic objectives. Therefore, the Bank continuously strives to strengthen it with sound governance bodies and practices that ensure the rights and fair treatment of shareholders, as well as adequate control architecture and transparency of financial and non-financial information.

The Board of Directors has played an essential role in developing the strategy for the implementation of good governance measures, as part of the Bank's strategic sustainability objective. This commitment has been reaffirmed by the approval by the Board of Directors in 2021 of the Internal Rules of Operation for the Corporate Governance Committee, which is responsible for leading the continuous best practices implementation.

### Corporate best practices implementation report - Código País (Country Code).

Pursuant to the provisions of External Circular 028 of 2014 by the Financial Superintendency of Colombia, the Bank duly prepared and submitted the report on the corporate best practices implementation (Código País) on January 26, 2021, which was structured according to the guidelines set forth in the aforementioned circular and then published on the Bank's website.

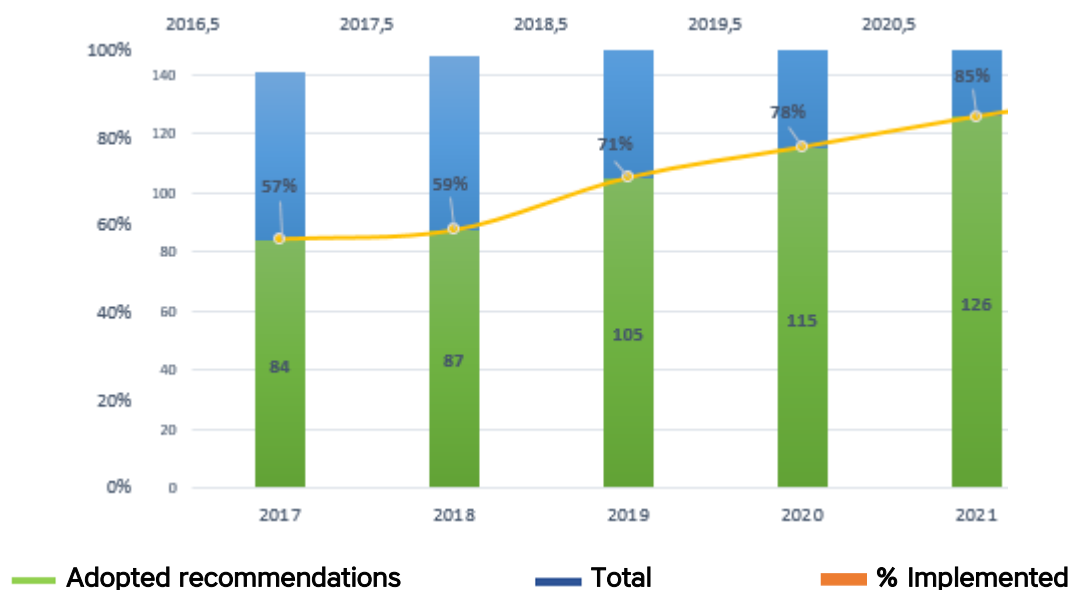
Código País recommendations adopted by the Bank	Recommendations implemented	Bylaws
<b>Recommendations 10.7. and 10.10.</b> related to the right of all shareholders to propose the inclusion of items in the agenda of the shareholders' meeting, or resolutions thereon.	Addition of the second paragraph to Article Eighteen of the Bylaws and the addition of Article 6 of the Internal Rules of Operation of the General Shareholders' Meeting.	<b>General Shareholders' Meeting.</b>
<b>Recommendations 10.11. and 10.12.</b> related to the right of inspection and the right of shareholders to ask the questions they deem necessary in relation to the items of the agenda and any documentation and information they may require.	Addition of Article Nineteen: Right of Inspection of the Bylaws and the addition of Article 7 of the Internal Rules of Operation of the General Shareholders' Meeting.	
<b>Recommendation 8.1.</b> related to the inclusion of some duties of the Assembly as non-delegable.	Approval of the addition of paragraphs 1, 2 and 3 and the second paragraph of Article Twenty: Duties of the Bylaws and sections 2, and 3 and paragraph 2 of Article 13 of the Internal Rules of Operation of the General Shareholders' Meeting.	



Código País recommendations adopted by the Bank	Recommendations implemented	Bylaws
<b>Recommendation 29.5.</b> on the appointment of the responsible for auditing the Bank.	Approval of the addition of section 6 of Article Twenty Ninth: Duties for the Board of Directors included in the Bylaws.	
<b>Recommendation 22.2.</b> on the assessment, approval and disclosure of transactions with related parties.	Approval of the amendment to chapter five of the "Framework for Institutional Relationships", named "Intragroup Transactions".	<b>Board of Directors</b>
<b>Recommendation 18.27.</b> on the Internal Regulations of the Corporate Governance Committee.	Approval of the Internal Rules of Operation of the Corporate Governance Committee.	
<b>Recommendations 18.6., 18.23. and 18.24.</b> on the Risk Committee, including its main purpose and related information.	Constitution of the Board of Directors' Risk Committee.	

In this context, the Bank adopted eleven new measures in 2021 to further advance in the implementation of the recommendations of the Código País practices code. The following chart shows the performance in implementing this code over the last five years, in accordance with the plan defined by the Bank's management. 126 out of 148 recommendations have been implemented so far.

Chart. Implementation of best practices - Código País practices code





The Corporate Governance Report 2021 addresses the matters covered in the recommendations of measure 33.3 of the aforementioned circular, which upon presentation to the Audit Committee, the Board of Directors and the General Shareholders' Meeting, will be made available on the Bank's website, as well as relevant information on the website of the Superintendency of Finance of Colombia.



### 3. Ethics and Transparency

[GRI 102- 16]

Banco Popular is committed to promoting principles, values and practices among managers and staff of the organization oriented to the consolidation of its internal control structure.

In this regard, the organization has implemented a Code of Ethics and Conduct, which is a compilation of the main principles of social responsibility that are in line with corporate values applicable to business activities, in compliance with the law and other financial regulations.

Policies on anti-money laundering and anti-terrorist financing, as well as special policies and related procedures disclosed to customers, are highlighted in this respect.

**Chart. Bank's ethical principles**



#### Mechanisms for ethical advice and concerns

[GRI 102- 17]

The Bank's mechanisms for ethical advice and concerns involve the Ethics and Conduct Committee, which is responsible for making recommendations on the ethical and legal conduct of employees. The Ethics Hotline is also available to any person who may report anonymously any kind of employee practices contrary to the Code of Ethics and Conduct, as well as any possible acts of corruption, fraud or other irregularities. These reports are managed by the Controller's Office to ensure transparency in their processing. All employees and other stakeholders of the Bank have access to the Code of Ethics and Conduct available on the organization's website.



## 4. Talent Management & Organizational Culture

Our Human Team has successfully created a collaborative, agile and innovative culture to generate positive experiences helping the organization achieve its main purpose and corporate objectives to say " It is possible today, it is always possible!

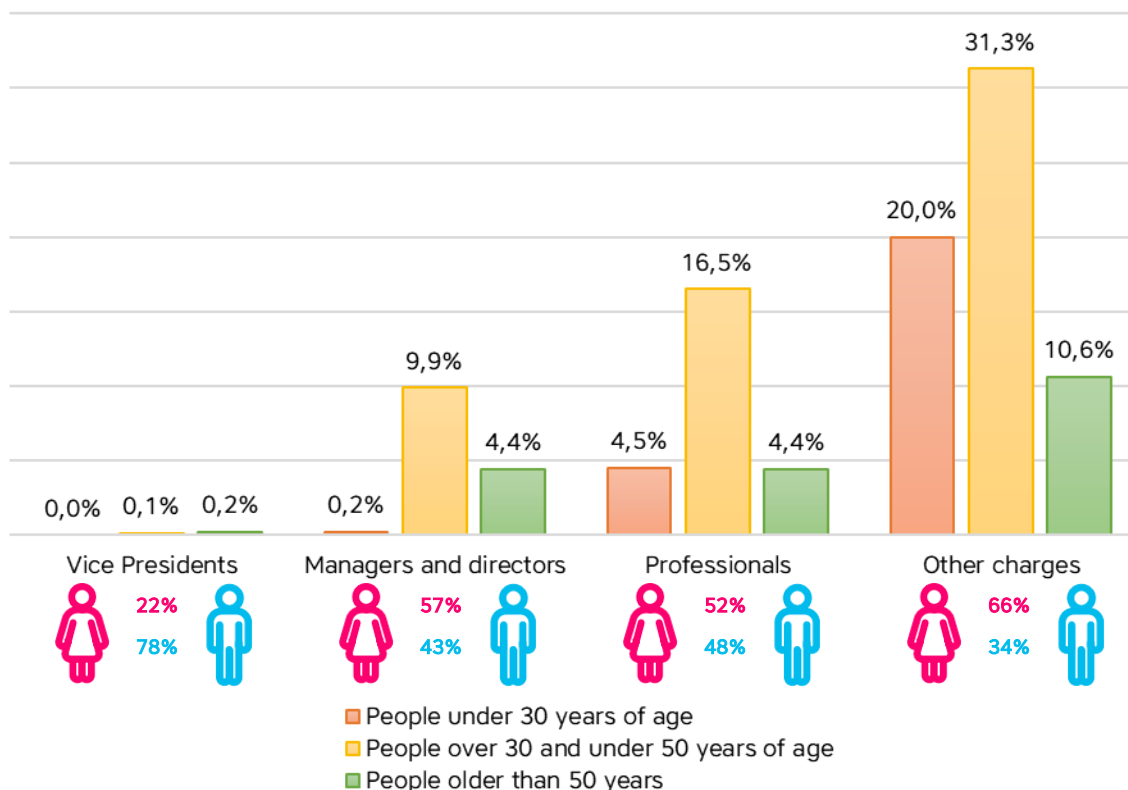
The Bank has accordingly developed a strategy for attracting, developing and retaining the best human resources so as to achieve the objectives defined as part of the Bank's strategic priorities. Consequently, a strategy based on inspirational leadership has been implemented to build an environment of trust, respect and transparency that makes the company a place where people can develop their talents and have the opportunity to develop themselves both personally and professionally.

Thanks to these efforts, the Great Place to Work Institute certified Banco Popular as a great place to work in September 2021. The Bank has also ranked as one of the top ten best companies to work for in Colombia, ranking ninth nationally in the companies with more than 1,500 employees category.

### Age group distribution of the Bank's direct employees

[GRI 405- 1]

Distribution by age groups and gender





58% of the Bank's direct employees are aged between 30 and 50 years old. This is closely followed by the category of employees under 30 years old, accounting for 25 % of the Bank's employees. 17% of the human team is made up of people over 50 years old. Statistics reveal an increase in hiring young employees and a career plan for middle-aged employees.

For key positions in the business, career plans are being developed to fill these positions with the best talent.

## 4.1 Talent Management and Development

### Employment practices

[GRI 404- 2]

Several initiatives developed in 2021 have strengthened the sense of pride and experience of the Human Team at Banco Popular, including the following:

- Closer contact with employees through channels such as LinkedIn.
- Implementation of the Talent Network Program, which has helped employees become business partners within a framework of recognition highlighting Banco Popular's culture and DNA.
- Team recognition in their ratification and promotion to positions with massive events for the Bank's new appointments and recruitments, including a mapping of team impact and experience.
- Performance Management Program was strengthened and expanded, which has achieved positive results in terms of continuous support and development of human talent.

### Measuring Human Team Experience

The Bank measured the experience of its Human Team in 2021 through two indicators: the Employee Satisfaction Index (ESI) and the Employee Referral Index (ERI), showing positive results.

The Employee Satisfaction Index continues to be over 94 % with a slight variation compared to 2020 with a result of 94.7 %.

Employee Referral Index scored 79 %, decreasing by 10 % compared to 83.1 % in 2020.

Despite this decrease, results obtained are outstanding reflecting that Banco Popular is a company that succeeds in making a strong emotional connection with its employees, showing a high sense of fidelity and loyalty to the extent that they are willing to recommend the company to their friends and family.



After the first Human Team Experience study conducted in 2017 and 2018, the Bank has developed high-impact initiatives to leverage the strategy and mobilize the indicator. Some of the main actions include:

- The creation of Agile Design Boards based on Journey Map interactions, which aims to design, transform and innovate by incorporating trends and best practices contributing to add constant value to processes to attract, develop and maintain the human team through memorable, close, easy and digital experiences.
- The creation of roles such as Business Partners who permanently support all areas of the Bank to assist and generate easy solutions on issues related to human resources.
- The implementation of technological tools such as SAP for timely and agile response to human resources requirements and requests.
- Ongoing genuine interest in learning about and measuring the initiatives implemented, as well as the possibility of getting feedback from participants and building better experiences with them.

#### **Retirement career transition support processes**

[GRI 404- 2]

The Outplacement program has built loyalty among the Bank's employees by accompanying them in the transition to a new period in their lives due to retirement. The program offers training in health, wellness, finance and entrepreneurship, providing the best tools to support our employees who have dedicated their work to the Bank.

#### **Actions taken in response to the sanitary and economic emergency generated by the COVID-19**

The Bank has advanced in adopting mechanisms to address the current context resulting from the sanitary and economic emergency generated by COVID-19, with a focus on the welfare of its employees, customers and users. In view of this, the Bank has developed biosecurity measures to create a safe environment in our branch network to provide quality service. In this regard, safety shields were implemented in the customer service work stations and teller counters in each branch office. In addition, antibacterial gel and masks were provided.

Moreover, the Bank has implemented new ways of working with Citrix and VPN users and has developed remote work programs to avoid overcrowding in its physical facilities, which have had a positive impact on employees and their families, thus demonstrating sustainability in this transition period through measures aimed at strengthening the Bank's transformation.

In this context, actions were taken to promote permanent and close contact with the



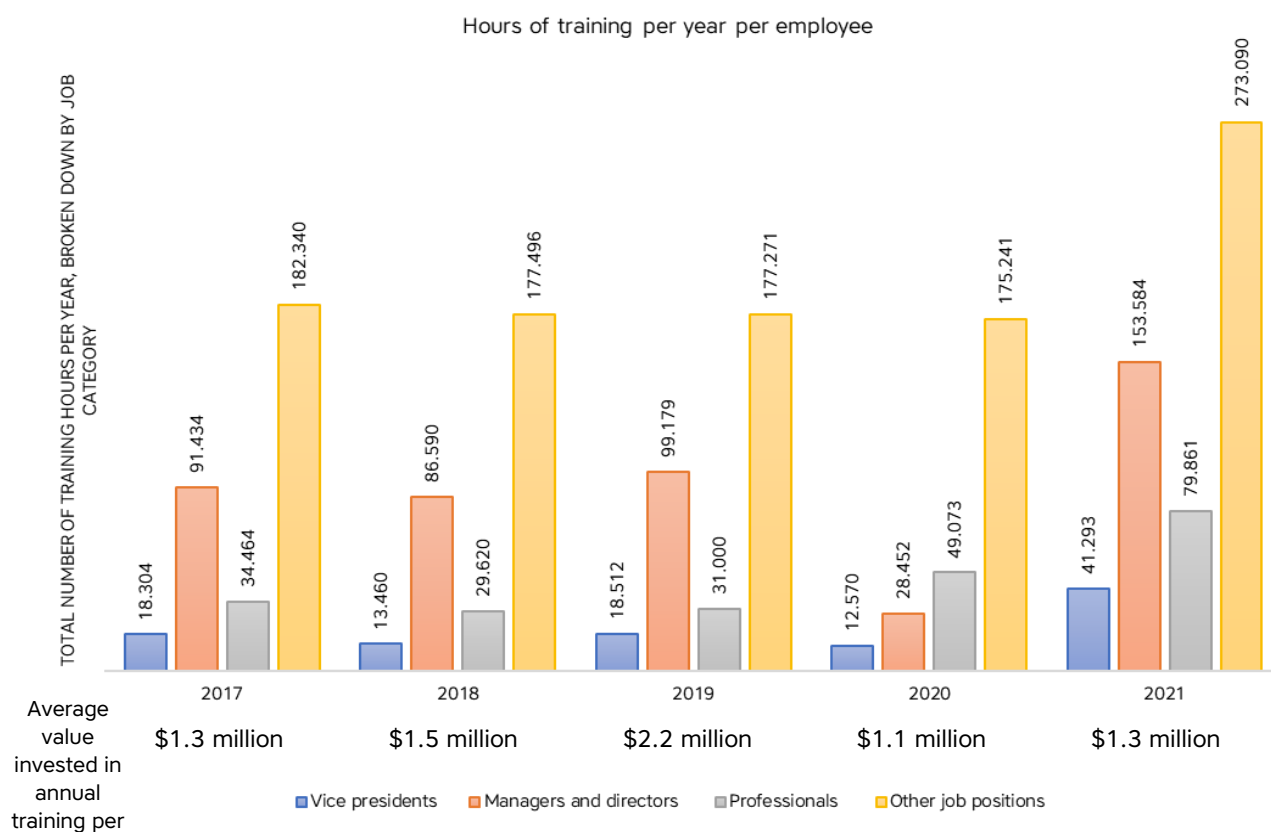


work team to jointly face these uncertain times. Thus, internal communication succeeded in keeping everyone in the team informed about the decisions made by the Bank in the face of this contingency. To this end, the "Always Connected" website was launched in 2020, becoming a large repository with access from any device. This site also helped register any covid-19-related symptoms for follow-up, reporting and development of related measures.

## Knowledge Management [GRI 404- 1]

The training team contributes to the fulfillment of the Bank's strategic objectives through learning processes leveraging the implementation of transformation projects and strategic initiatives for result management. In 2021, this team conducted training initiatives in the Customer Service Model (Retail and Corporate CSM), through training sessions targeting the branch network. Training sessions were also conducted for various audiences of the General Direction. Similarly, it is worth mentioning the transversal training on Risk Management, Customer Experience, Performance Management, as well as the training conducted with the Board of Directors, among others.

Chart. Annual training hours per employee







### Total number of training hours

2020	2021
265.336 hours	547.828 hours

### Total number of training hours per gender 2021

 Men	 Women
209.675	338.153

### ESG training

In 2021, as part of the implementation of Banco Popular's Sustainability Model, a training process was initiated in Environmental, Social and Corporate Governance (ESG) from a sustainability approach, in which leaders and teams from different areas of the organization participated. The following were some of the main events:

- Course on Climate Finance Instruments conducted on the EDX platform, jointly supported by Universidad Javeriana and Asobancaria.
- Training in Diversity and Inclusion for Bank leaders supported by ACDI/VOCA Latin America, as part of the "INclusiónES" Program.
- Training on Green Bonds offered by Climate Bonds Initiative (CBI) and Metrix Finanzas, as an initiative of Asobancaria.
- Training in Sustainable Procurement for the Strategic Sourcing Management team.

### Performance assessments and professional development 2021

[GRI 404- 3]

As in previous years, the Bank conducted its performance management and professional development cycle for 3,624 employees of the organization during the year 2021.

### Collective Labor Agreement

[GRI 102- 41]

Direct negotiation of the Collective Labor Agreement <sup>8</sup> with the National Union of Bank Employees (UNEB) was successfully completed on November 20, 2020, which is in force for three years as of January 1, 2021 through December 31, 2023.

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<sup>8</sup> The percentage of workers covered by the Collective Labor Agreement in force is 94.6%



## 4.2 Organizational health

As part of Banco Popular's strategic direction, organizational health has been identified as an important differentiating factor for the organization and its products and services. Therefore, the organization developed initiatives to strengthen organizational health and enhance its transformation process in 2021, among which the following are highlighted:

- The Strategic Talent Management Program that aimed to support leaders and teams in strengthening their development plan through updated talent maps for each business area, assessments of their potential, identification of key and critical positions, as well as lines of talent succession.
- A technology tool for employee identification and communications was implemented, making it possible to be in permanent contact with the human resources team and to timely identify outstanding results in the performance of each employee.
- Actions for team coaching and strengthening were also implemented. Actions focused on the human team experience and the development of leaders based on the Inspirational Leadership Strategy were also implemented.

### Inspirational Leadership Model

Through the guidance, support and management of the Bank's leaders, the Bank seeks to spread the strategy and consolidate an inspiring, people-oriented, innovative, collaborative, positive and challenging culture based on results.

Considering that Organizational Health is a strategic priority of the Bank, one of the main objectives of the Leadership program was to attract, develop and maintain leaders who inspire, live and set an example of the "Being Popular" culture.

#### What is an inspiring leader like?

At Banco Popular a leader is defined as someone who is able to **inspire, communicate, mobilize and connect with their team**. A leader who creates **trust**, guides, **empowers**, develops and makes their team feel heard, respected and valued, making each person **work in a collaborative manner**, thereby contributing to the achievement of the Bank's results and strategy with commitment, excellent execution and continuous improvement.

The Bank has implemented the Inspirational Leadership Model over the last years to contribute to the achievement of the Bank's strategy and transformation with a comprehensive approach for training, development and learning aimed at preparing leaders to successfully perform their role and mobilize and inspire their work teams to

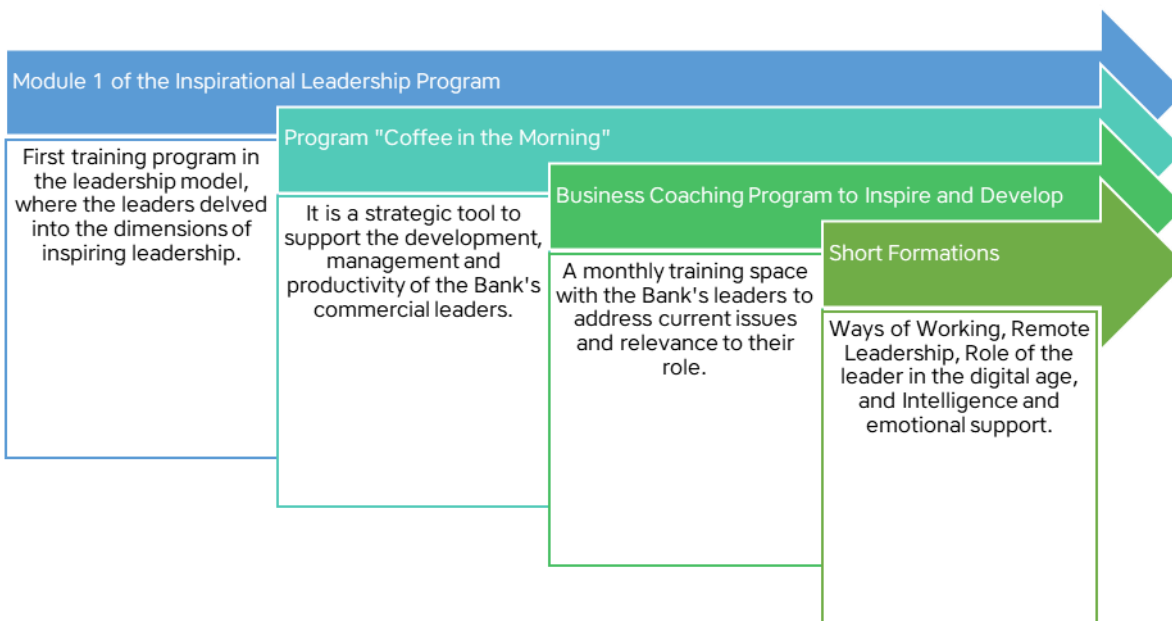


understand, commit and put into action this transformation in the organization.

## Inspirational Leadership Dimensions



This great strategy has led to the training of the Bank's leaders and the creation of specialized programs, such as:





### Great Place To Work Certification

A Work Environment study was conducted in September 2021 by the Great Place to Work Institute, an international benchmark in work culture and environment studies, to learn about the opinion of the Bank's human team on strengths and areas for improvement of the organization's work environment. These results also revealed the Bank's position in relation to the best employers in the country.

As a result of this study, Banco Popular achieved excellent results and received the Great Place to Work certification as a recognition of the quality of its work environment and the work done to build a trust-based culture that promotes teamwork, encourages good relations among its employees and positively impacts organizational results. This certification acknowledges the Bank's commitment and its effort to consolidate itself as a great place to work, providing growth and development opportunities for its human talent.

The methodology used in the Certification Program is grounded on more than 30 years of research, which has helped quantify the work environment and compare it against the best companies to work for in Colombia and the world. For this certification, companies must have an average favorability rating of over 70% among their employees, which is 87% at Banco Popular. 94% of the respondents recognized the Bank as an attractive organization to work for and an example for the country.

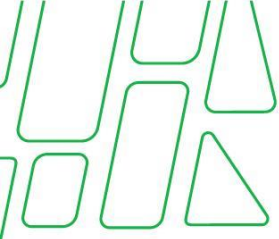
Due to the good results achieved, Banco Popular was positioned as one of the top ten best companies to work for in Colombia in December 2021 by Great Place to Work, ranking ninth in the category of companies with more than 1,500 employees.

### Positive and Agile Strategy

Given the changing and challenging environment of the year 2021, the Bank continued with its transformation towards business agility in the digital era in collaboration with all of its human resources.

New ways of working have been implemented throughout this process and actions have been prioritized in terms of added value for customers. Actions oriented to cultural transformation have also been implemented to strengthen collaborative work values, assume responsibilities and build team trust and empowerment.

Accordingly, the Bank has incorporated agile principles into its organizational model. As part of this framework, product and multi-product Agile Transformation Centers (CETA in Spanish) have been deployed to integrate multidisciplinary and self-managed work teams that are supported to fulfill their missions by the Centers of Excellence and Expert Functions, areas that are supported by the corporate governance to ensure



permanent alignment within a respect-based culture.

In line with the foregoing, Business Agility has advanced in a structured manner, making all teams empowered and stabilized. Thus, three CETAs have been established in 2021 to cover Payroll Loans, Modes of Payment and Channels. Five Centers of Excellence are also in place to address the following strategic issues: Business Agility, Architecture, Value Chains, Cybersecurity and Practices and Tools.

### **Training for Change Management and Cultural Transformation Programs**

The Cultural Transformation Model has two dimensions focused on "Being Agile" and "Doing Agile", which has been implemented through initiatives promoting change to facilitate and develop the skills and competencies among employees for achieving the organization's main purpose and vision as part of the Transformation Plan.

### **4.3 Occupational Health and Safety**

[GRI 403- 9]

Banco Popular promotes healthy and safe work environments contributing to the wellbeing of its employees and other collaborators. In this regard, the organization's Occupational Health and Safety Management System has helped address physical and mental health measures, quality of life, training, premises conditions, among others, to manage occupational risks in the Bank's processes, thus preventing the occurrence of occupational accidents and diseases.

This Management System was implemented in 2017, which is under continuous improvement every year. It has national coverage, thanks to the Bank's extensive network of branches and offices, providing direct liability for employees, employees on assignment, SENA interns and trainees. Indirect coverage and responsibility is provided for contractors.

The management system is measured in accordance with structure, process and result guidelines and indicators set forth in Decree 1072 of 2015 and Resolution 0312 of 2019, issued by the Ministry of Labor. Good results have been obtained in this regard.

### **Occupational Diseases**

[GRI 403- 10]

The organization had no cases of any reportable occupational diseases or deaths due to occupational diseases or work-related accidents during the year 2021.





## 5. Corporate economic performance

The Bank relaunched the strategy towards 2025 in 2021, focusing on adjusting its higher purpose to be more challenging and transcendent, which has led to a vision change. This vision involves all stakeholders, in addition to customers, as the Bank wants to be "Chosen, Loved and Recommended" by its customers, shareholders and suppliers, so everyone is included.

In addition, the Bank stepped into a new wave of transformation, called Sustainable Innovation, and integrated business agility into its strategic pyramid.

The financial results presented hereunder reflect the strategic advances achieved by the Bank.

BRC Standard & Poor's and Value & Risk Ratings both confirmed the highest ratings, effective for one year:

- BRC Standard & Poor's confirmed its AAA ratings for ordinary bonds and AA+ for subordinated bonds, AAA for long-term debt and BRC 1+ for short-term debt. Issue date: September 10, 2021.
- Value and Risk Rating S.A. maintained its AAA ratings for long-term debt and VrR 1+ for short-term debt. Issue date: September 17, 2021.

The following factors were considered in granting these ratings:

- Banco Popular S.A. has maintained the leadership in the industry's payroll portfolio with a 20% of the market share over the last five years. Despite the adverse situation of the last year, the Bank's Return on Equity has remained at favorable levels compared to its competitors.
- The Bank has a sound structure for comprehensive risk management, which helps it achieve its objectives.

For analyzing its financial performance, the results for the year 2021 are presented in comparison with those of the year 2020 by means of figures reported in accordance with the Financial Reporting Standards accepted in Colombia for separate financial statements.





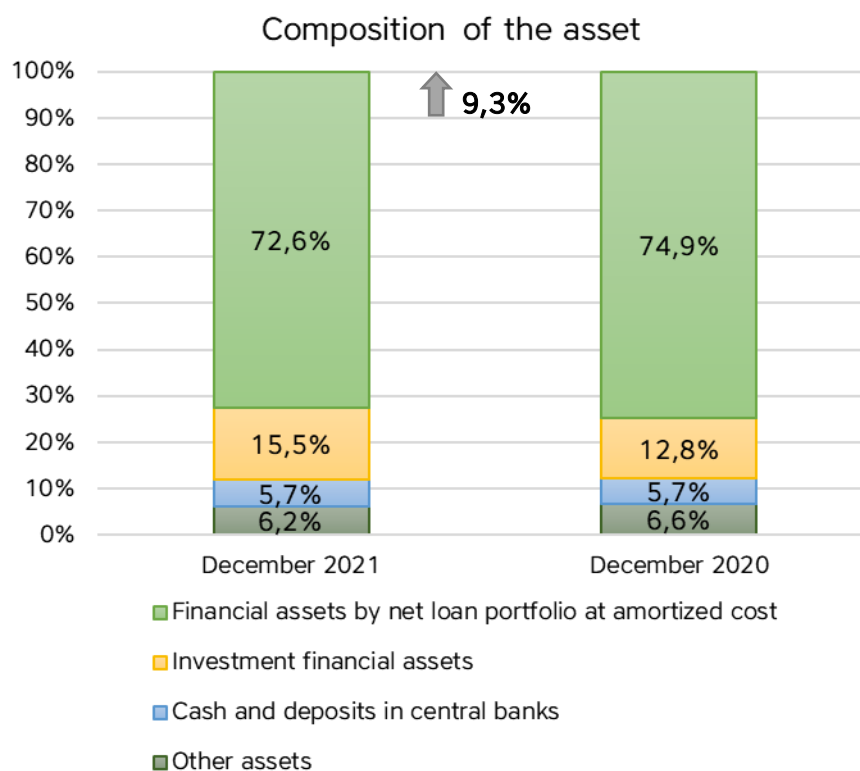
## Financial Statements

### Financial Statements

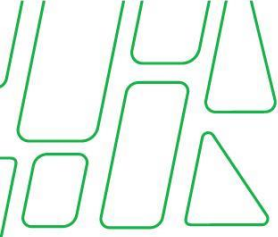
In millions of Colombian pesos	Dec-21	Dec-20
<b>Assets</b>	<b>29,405,783</b>	<b>26,897,575</b>
Cash and Cash Equivalents	1,682,827	1,526,914
Net Loan and Leasing Portfolio <sup>(1)</sup>	21,348,468	20,145,897
Financial investment assets	4,560,811	3,444,329
Other assets <sup>(2)</sup>	1,813,677	1,780,435
<b>Liabilities</b>	<b>26,342,312</b>	<b>24,007,526</b>
Deposits	20,877,452	20,616,514
Other Liabilities	5,464,860	3,391,012
<b>Equity</b>	<b>3,063,471</b>	<b>2,890,049</b>

(1) Including Repo and Interbank transactions

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



Total assets increased by \$2,508,208 million, which represents an annual increase of 9.3 % for a total of \$29,405,783 million as of December 2021.

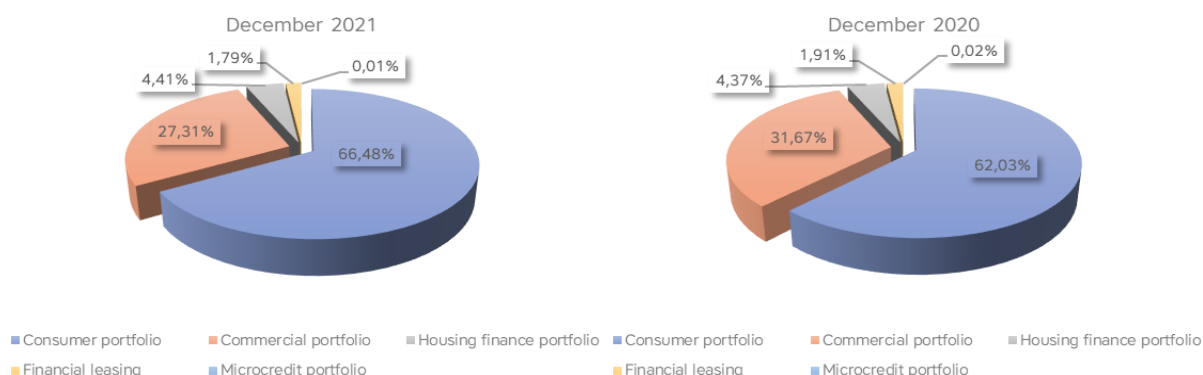


Assets are composed of 72.6 % of net loan portfolio, 15.5 % of net financial investment assets, 5.7 % of cash and deposits in central banks and 6.2 % of other assets, mainly intangible assets and accounts receivable.

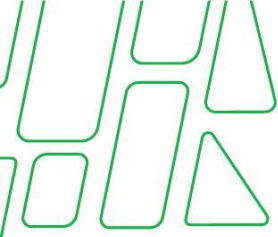
## Loan Portfolio

In millions of Colombian pesos	Dec-21	Dec-20
Consumer portfolio	14,913,873	13,218,937
Commercial portfolio	6,126,209	6,749,442
Housing finance portfolio	989,323	931,008
Financial leasing	402,539	407,384
Microcredit portfolio	2,833	4,579
Repo and interbank transactions	147,163	4,657
<b>Total Gross Portfolio</b>	<b>22,581,940</b>	<b>21,316,007</b>

## Loan portfolio composition

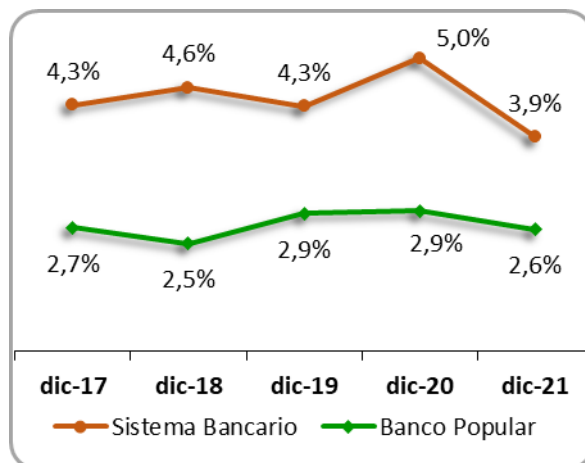


As of December 2021, the gross portfolio increased by 5.9 %, largely driven by the consumer portfolio, which grew by 12.8 % (\$1,694,936 million). In this portfolio, the line of payroll loans, the Bank's main product representing 96.2 % of the consumer portfolio and 63.5 % of the total portfolio, had a balance of \$14,342,244 million, with a growth of 13.4 %. The housing portfolio increased by \$58,315 million as a result of a greater availability of national government subsidies, which boosted the sale of housing in Colombia. As for the commercial portfolio, a decrease of \$623,233 million was registered as a consequence of an increase in some corporate clients' prepayments due to the liquidity of certain economic sectors that have an influence on the Bank. Finally, the financial leasing portfolio decreased by \$4,845 million.



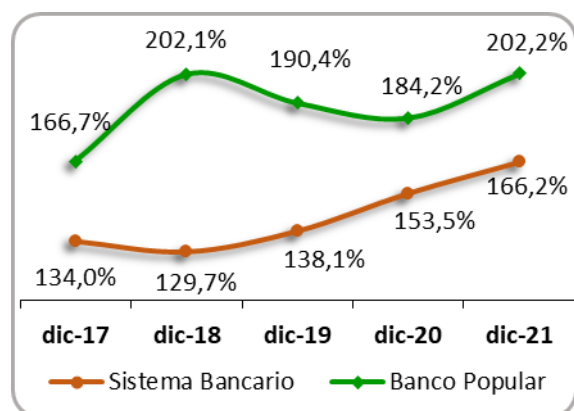
Portfolio provisions increased by 5.4%, equivalent to \$63,362 million, indicating an increase in credit risk resulting from the economic impacts of the pandemic.

### Portfolio Quality



The total portfolio quality indicator, which is calculated as the ratio between past-due portfolio and total portfolio (past-due portfolio includes over 30 days past-due loans), was 2.6%, 2.9% for commercial loans and 2.6% for consumer loans, a lower decrease than that of the system as a whole, according to the Asobancaria report (3.9 % for the total portfolio, 3.7 % for the commercial portfolio and 4.4 % for the consumer portfolio as of December 2021).

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



### Portfolio Hedging

The Bank continued to have outstanding levels of past-due portfolio hedging above those of the banking system, reaching 166.2 % compared to 202.2 % reported by the banking system as of December 2021.

Financial investment assets accounted for 15.5 % of assets closing at \$4,560,811 million with an annual growth of 32.4 %, driven by purchases of available-for-sale investments and a higher investment

valuation.

### Financial liabilities

Liabilities closed at \$26,342,312 million, of which \$25,423,366 million were financial liabilities at amortized cost leveraged by customer deposits and other liabilities for \$918,946 million, especially in employee benefits, income taxes, accounts payable, other liabilities, provisions and derivatives.

Financial liabilities at amortized cost accounted for 96.5% of total liabilities, comprising customer deposits (82.1%) and financial liabilities (17.9%) with a growth of 10.5%.



### Financial liabilities at amortized cost

Millions of pesos	Dec-21	Dec-20
Savings accounts	\$ 12.209.598	\$ 10.992.539
Term certificates of deposit	\$ 7.524.362	\$ 8.507.495
Current accounts	\$ 1.129.494	\$ 1.102.328
Other deposits	\$ 13.998	\$ 14.152
<b>Total customer deposits</b>	<b>\$ 20.877.452</b>	<b>\$ 20.616.514</b>
Interbank funds and repos	\$ 99.407	\$ 21.558
Investment securities	\$ 2.551.394	\$ 1.652.087
Bank loans and others	\$ 537.737	\$ 323.121
Obligations with rediscount entities	\$ 462.713	\$ 389.134
<b>Total financial obligations</b>	<b>\$ 4.545.914</b>	<b>\$ 2.385.900</b>
<b>Total liabilities at amortized cost</b>	<b>\$ 25.423.366</b>	<b>\$ 23.002.414</b>

### Equity

Equity amounted for \$3,063,471 million with a growth of 6.0 % compared to the previous year.

### Equity composition

In millions of Colombian pesos	Dec-21	Dec-20
Reserves	2,478,056	2,370,397
Other comprehensive income	(30,140)	23,675
Unappropriated retained earnings	141,683	145,731
Net income for the year	333,559	209,933
Additional paid-in capital	63,060	63,060
Subscribed and paid-in capital	77,253	77,253
<b>Total</b>	<b>3,063,471</b>	<b>2,890,049</b>

In terms of composition, 85.5% accounts for capital accounts (subscribed and paid-in capital, additional paid-in capital and appropriate reserves), 15.5% for income (both for the year and retained earnings from previous years) and 1.0% for other comprehensive income (OCI).

### Solvency ratio

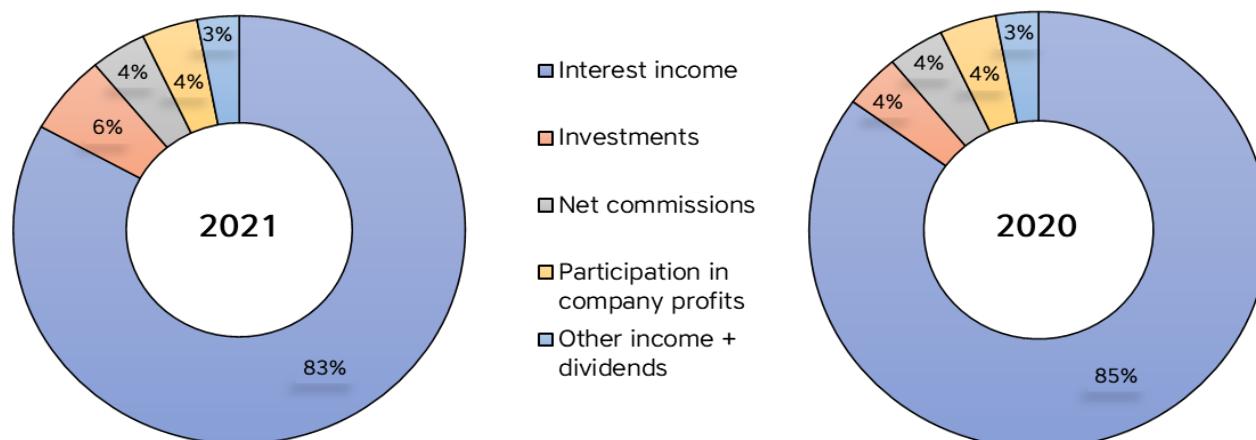
The Bank has adopted a new methodology for calculating solvency as outlined in Decree 1477 of 2018, Decree 1421 of 2019, External Circular 020 of 2019 and External Circular 025 of 2020 on Operational Risk issued by the Superintendency of Finance of Colombia, which incorporates international Basel III capital requirements. Based on this new methodology, the total solvency ratio was 13.7% and the basic solvency ratio was 12.2% as of December 2021, which is higher than 9.0% and 4.5%



as the minimum ratio established by Colombian regulations, respectively.

## Income statement

### Revenue sharing



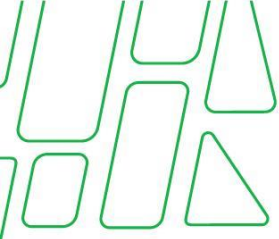
Interest and similar income was \$2,218,646 million, which was \$27,129 million less than the income earned in 2020 (1.2 %). 92.8 % of this income was earned from the loan portfolio, interest income and repo and interbank transactions with a decrease of 3.2 %. According to the portfolio structure, 81.2 % of interest income was earned from the consumer portfolio, 14.1 % from the commercial portfolio, 4.5 % from the housing portfolio and 0.2 % from repos and interbank transactions and microcredit portfolio.

Interest income from the consumer portfolio increased by 4.4 % compared to the previous year and interest income from the commercial portfolio decreased by 33.6 %. Commercial portfolio results were affected by an increasingly tough competitive scenario, which led to a reduction in business opportunities for certain economic sectors along with a decrease in share placement prices. In addition, interest income from the housing portfolio increased by 15.8 %, a very favorable figure thanks to its outstanding placement performance.

Interest income from debt securities investments increased by 48.4 %, closing at \$152,842 million due to a more efficient and timely management of the investment portfolio focused on the search for long-term sustainable profitability. Additionally, interest from active repos and interbank transactions decreased by \$185 million.

Net commissions closed at \$109,313 million, an increase of 6.2% mainly due to higher commissions received from banking services (\$135,902 million representing an increase of 10.5%).

During the period under review, \$5,898 million were earned from related-entity dividends and \$95,644 million were booked for the Bank's participation in the earnings



generated by subsidiaries, affiliates and joint ventures.

### **Expenses**

Interest and similar expenses amounted to \$614,835 million in the period under analysis, with a decrease of 25.0 % compared to 2020. 47.8 % of the interest paid was for TDs, 30.1 % for savings accounts, 19.1 % for bonds and 3.0 % for other resources. The performance of interest expenses was the result of a direct impact on deposit rates due to the stability of the intervention rate set by the Central Bank of Colombia for nine months in 2021, as well as a better internal management of the balance sheet structure.

Expenses for loan portfolio provisions and interest receivable decreased by 32.0 % compared to 2020, as a result of risk control and financial stability driven by better domestic economic outlook.

All other expenses representing operating expenses (personnel and administrative) amounted to \$1,212,970 million, an increase of 11.0 %. 410,710 million were personnel expenses, which increased by 16.6%, while the remaining \$802,260 million was for administrative expenses, depreciation and amortization expenses and other operating expenses, which increased by 8.3%.

### **Income**

Earnings before taxes reached \$452,527 million and net income reached \$333,559 million, 58.9 % above the figure reported at the end of 2020.

### **Dividends**

Dividends amounting to \$105,682 million were paid in 2021 related to profits from previous years.

### **Taxes, contributions and other legal expenses**

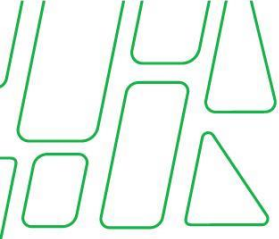
A total of \$306,540 million was paid for taxes, contributions and other legal expenses, of which \$210,178 million corresponded to taxes for national budget financing (income tax and complementary taxes, non-deductible VAT, financial transaction tax and excise taxes) and \$23,002 million corresponded to municipal taxes (industry and commerce, property, surtaxes and vehicles).

In addition, \$73,360 million were paid for contributions and other legal expenses, such as deposit insurance and maintenance fees in the National Registry of Securities and Issuers of the Financial Superintendency of Colombia (SFC).

### **Direct economic value generated and distributed**

Direct economic value generated and distributed





Based on the methodology established by the Global Reporting Initiative (GRI 201-1), the distribution of our economic value reflects how our management practices benefit all of our stakeholders, including our contributions to our employees, capital providers and public administration.

Item	Required information (Figures in Millions of \$)	2021	2020
A	<b>Direct economic value generated <sup>(1)</sup></b>	<b>2,485,183</b>	<b>2,511,985</b>
	(Sum of income)		
B	<b>Economic value distributed</b>	<b>1,991,873</b>	<b>2,044,716</b>
	(Sum of the following items)		
	• Operating costs	479,776	662,062
	• Employee salaries and benefits	410,710	352,120
	• Payments to capital providers	612,718	592,047
	• Shareholders <sup>(2)</sup>	150,749	148,326
	• Payments to government <sup>(3)</sup>	336,051	287,921
	• Community investments <sup>(4)</sup>	1,869	2,240
C	<b>Economic value retained</b>	<b>493,310</b>	<b>467,269</b>
	=(Direct economic value generated) - (Economic value distributed)		
	Provisions, Depreciation and Amortization	298,097	293,607
	Reserves	195,213	173,662

(1) Total income

(2) Calculation based on the profit distribution proposed at the last Shareholders' Meeting, using the same criteria.

(3) (income tax + taxes and fees + contribution to Financial Superintendency + deposit insurance + other contributions)

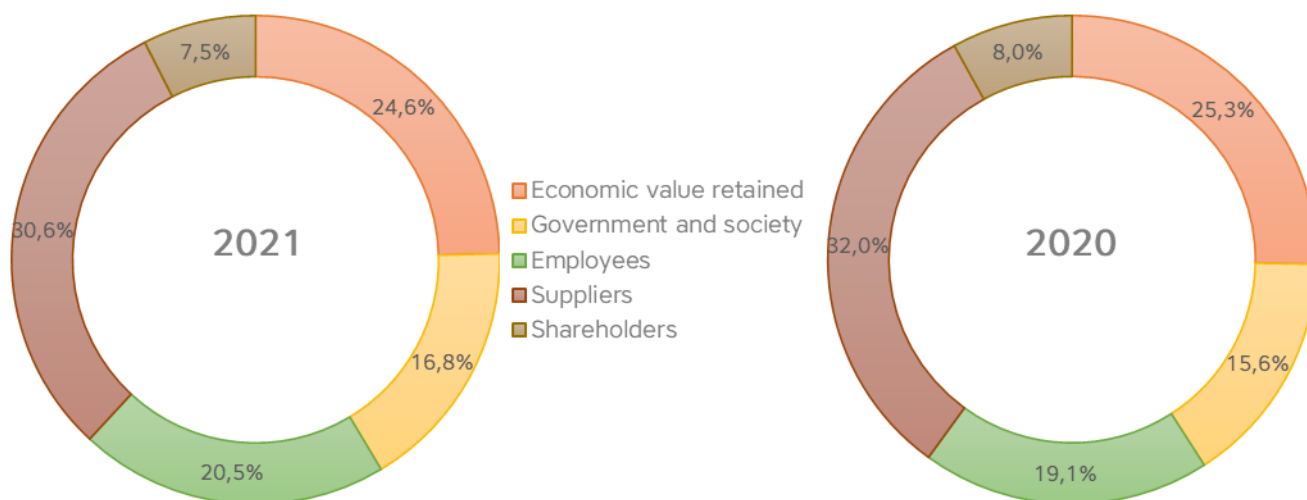
(4) Donations

The Bank delivered economic value totaling \$493,310 million, which was 5.6% higher than the value achieved in 2020, a growth driven mainly by lower operating costs.





### Direct economic value generated and distributed



### Treasury Management

The treasury strategy for the Bank throughout 2021 was centered on the consolidation and increase of active customers as a key driver for revenue growth. New derivative trading contracts were signed with institutional and real sector clients. The derivatives portfolio reached USD 434 million in administration at the end of the year that boosted the growth of client-focused business revenues, which increased by 17% compared to the previous year.

On the other hand, passive transactions were carried out through repos with the Bank of the Republic and interbank in an average of 177,530 million compared to an amount of 517,731 million taken on average in 2020; this decrease is due, to a large extent, to the increase in savings account balances. In addition, the Bank of the Republic maintained daily monetary expansion operations with an average quota of 11 billion, and financial institutions attended these daily operations on average 7.4 billion.

For its part, the Central Bank carried out monetary expansion operations with different assets as collateral, including financial investments of private debt and dematerialized portfolio notes. However, Banco Popular did not have to turn to these additional liquidity operations that the Banco de la Republica implemented in 2021.

Finally, the National Government extended for a further year the so-called Solidarity Titles created in 2020 as a forced investment for credit institutions; Where Banco Popular made this renovation for 304,525 million, at a rate of 2.49% and 76,130 million at a rate of 2.96%.



## Investment Portfolio

It is worth noting that in 2021 the organization increased the portfolio of investments available for sale by one billion pesos, in order to meet the new needs of the Bank's balance sheet. The focus was on taking advantage of the strong interest-rate correction as a result of the Fed's change in monetary policy, and of course in line with what the Bank of the Republic did to address the sharp inflationary shock presented; In this context, Banco Popular closed 2021 with a nominal value portfolio of 2.83 billion distributed as follows: 44 % in TES UVR and 56 % in TES fixed rate.

On the other hand, the negotiable investment portfolio at the end of 2021 decreased the volume and time to 90,000 million with a duration of 0.95 years, leaving liquid and indexed securities in 86% to inflation and IBR. This is a measure of protection against the high volatility presented in the second half of the year and the uncertainty generated by the movements of central banks in the face of inflation and the behavior of the pandemic.

## Bond issue

In 2021, two ordinary bond issues were issued as follows:

### First issue

On July 15, the XVI Program was issued for 500 billion in three series, with a maturity of three to five years in the main market. On this occasion, the amount demanded was 2.54 times that offered, achieving a total demand of 889.6 billion. The yield of these bonds is as follows:

SERIES NO.	Term	Cutoff Rate
B	60 months	6.78 %
C	60 months	CPI + 2.58 %
D	36 months	IBR + 1.59 %

### Second issue

On November 11, the XVII Program was issued for 500 billion in three series, with a maturity of three to five years in the main market. On this occasion, the amount demanded was 2.23 times that offered, achieving a total demand of 889.6 billion. The yield of these bonds is as follows:



SERIES NO.	Term	Cutoff Rate
B	36 months	7,34 % E.A.
C	60 months	CPI + 3,38 % E.A.
D	24 months	IBR + 2,61 % M.V.

Finally, it is worth mentioning that, with future perspectives, work was advanced with the advice of the Climate Bonds Initiative (CBI) and Metrix Finances, focused on training the team to understand and prepare the procedures for a future issue of thematic bonds, whether green, Social or sustainable, responding to the nature of the portfolio and the sustainability strategy of Banco Popular.



## 6. Leveraging the socioeconomic development of our clients".

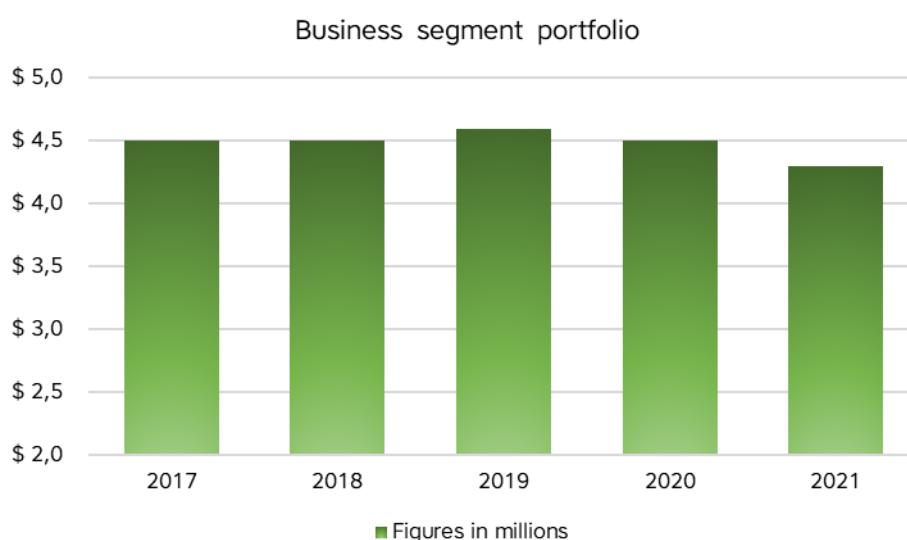
Corporate Banking aims to be a strategic ally of clients in the corporate and corporate segment. To fulfill this purpose, it has designed and made available an offer of specialized financial products and services, which are complemented by the services of Fiduciaria Popular and logistics operator Alpopular, enabling customers to expand and develop their business.

Leveraged in the experience and trajectory of Banco, it offers an integral portfolio for corporate and business clients in:

- ✓ Liquidity and financing in local currency.
- ✓ Financing of international trade activities.
- ✓ Investment and profitability.
- ✓ Treasury management.
- ✓ Trading of currencies and hedges.
- ✓ Commercialization of Unproductive Assets (Electronic Hammer).
- ✓ Integral logistics and document management.
- ✓ Benefits to your associates through financial services for individuals.

As part of the Bank's transformation process, in 2020 the Business Model - Commercial Portfolio and Productivity project was launched, which aims to promote and develop a better value offer for clients.

Thanks to these efforts, the business portfolio of the business segment has been able to maintain during the years 2017 to 2021 with the following balances:





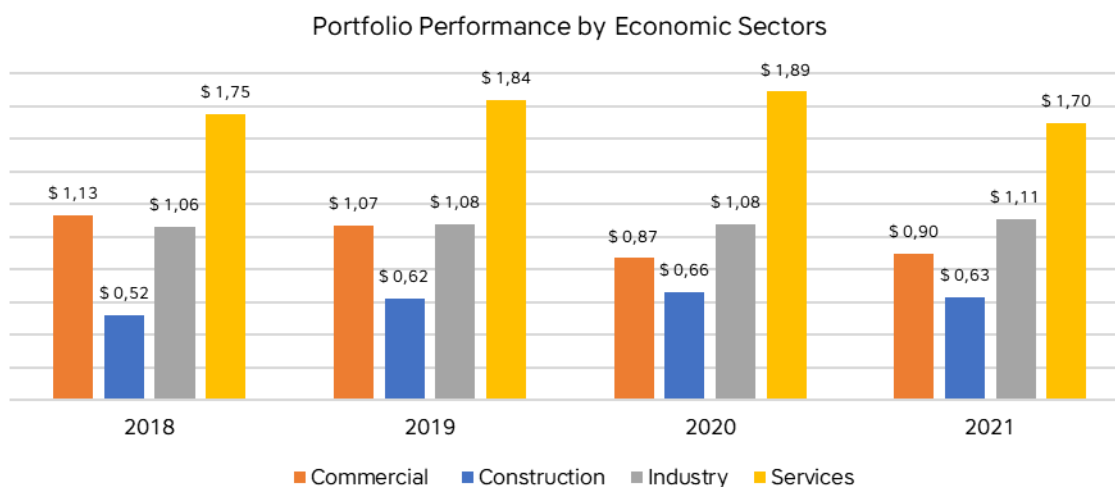
## Main Economic Sectors Served

In line with the above, the specialized and highly trained commercial care model has been enhanced to serve clients in accordance with their economic sector; This allows the Bank to specialize in the attention of Colombian industry, in the services, trade and construction sectors.

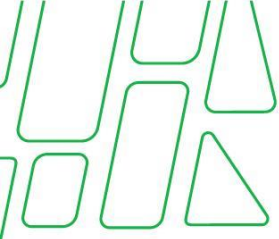
Chart. Main Economic Sectors Served

Macrosectors	Economic sectors
Industry and Construction	<ul style="list-style-type: none"> <li>• General industry, mining and other industrial activities.</li> <li>• Food and beverage industry and agro-industrial sector.</li> <li>• Construction.</li> </ul>
Commercial sector	<ul style="list-style-type: none"> <li>• Wholesale trade.</li> <li>• Retail trade, vehicles and auto parts.</li> </ul>
Services	<ul style="list-style-type: none"> <li>• 1. Consulting, administrative and other services</li> <li>• 2. Education, public services and health</li> <li>• 3. Financial services, cooperatives, funds, autonomous estates and trusts</li> </ul>

Table Portfolio Performance by Economic Sectors



\* Figures in millions



At the end of 2021, the commercial portfolio of Corporate Banking closed at 4.3 billion. It presented a decrease of 0.05% compared to the end of 2020 due to the economic effects on the financial system that emerged as a result of the pandemic of 2020 and to the strategy of retreat and targeting to serve clients in a specialized way.

### **Delivering business value**

As part of the continuous transformation process, progress is being made in expanding the value supply according to the economic sectors and the specific needs of each sector, offering specialized solutions. In this sense, the portfolio was strengthened with the entrance of the credit builder and an alliance generated with Corficolombiana to meet the clients' structured credit needs.

In line with the new work methodologies, teams have been created to improve the value offering, with all the financing products. The Bank has focused on improving the attention of business clients, seeking to change the way they are managed. Implementing digital formalities so that they do not have the need to go to the physical offices and be able to carry out their operations from the Business Portal, in order to offer an agile experience and reduce response times and travel.

To achieve these results, changes have been implemented in the way we work within the teams, with agile methodologies that allow us to move forward quickly, focused on improving the customer experience. To this end, there is a specialized team for Business Banking, created through an Agile Transformation Center (CETA), which is integrated by interdisciplinary teams (cells), which has allowed results to be obtained to optimize the channels of the Business Portal and Webservice, strengthening the commercial offering and delivering value much faster.

Because of the success that has been obtained in the management of the Business Banking through the Agile Transformation Centers (CETA), it has been planned to expand its coverage, giving scope to financing products, *cash management* and all the channels in which we manage our clients, in order to maintain the continuous development of these.

### **Relief granted during the economic and health emergency**

During the economic conjuncture produced by the covid-19, there was a special accompaniment to the companies, understanding that they are generators of employment and the main engine of development of the country. Corporate Banking provided a strategic plan to advise and support all clients, in which financial relief was applied to 1,676 clients with a capital balance at the time of the relief of 1,764,393 million. Relief applied includes:

- ✓ Debt service extensions of up to six months.



- ✓ Term Extensions.
- ✓ Grace periods.
- ✓ New resources through own credit lines and those promoted by the national government.

The needs of clients were also met in the Support Programs for the Payment of the Premium Services (PAP), the Debtors' Accompaniment Program (PAD) and the Application for the Youth Employment Support Program.

### Popular Bank for Enterprises

For Banco Popular, generating a positive impact on society is a commitment. For this reason, the entity seeks to generate value through products and financial services focused on the development, well-being and growth of small and medium-sized enterprises (smes), in such a way that the base of the business fabric is leveraged and the generation of employment in Colombia is strengthened.

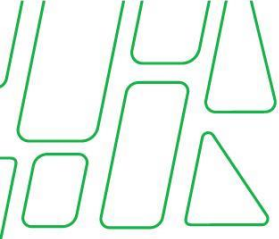
In 2021, the Bank offered a program of accompaniment to entrepreneurs, in alliance with an expert firm, whose purpose was to strengthen the entrepreneurial capacities of the SMEs that participated, providing useful tools of high impact in three strategic fields: Commercial, financial, and operational.

This six-month program positively impacted more than 150 customers, with good results: A 13.7% increase in sales, a 7.6% increase in average monthly income, and a 11.5% increase in hired staff. All of the above was directly reflected in the satisfaction and recommendation of the Bank by the SME clients, thanks to the generation of value with programs of support in these moments of challenge.

On the other hand, it should be noted that the Bank has an expert and up-to-date team on the dynamics of the sme segment, with the aim of providing positive experiences to these companies. Thus, the entity provides mechanisms that leverage their activity and enable them to continue to carry out their activities and generate value.

By December 2021, Banco Popular had 1,647 clients in the SME segment, which represented a growth of 7.8% over the number of clients in 2020. On the other hand, as observed in the previous graph, the amount of placements for 2021 showed a decrease of 17.5 % compared to the previous year, due to the effects associated with the relief granted during 2020.





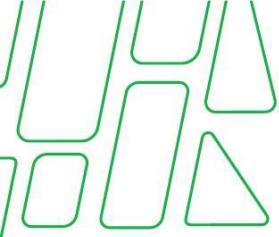
### Relief granted during the economic and health emergency

Banco Popular offered several options to help SME clients in the face of the current situation, among which are the following:

- The provision of payroll and premium subsidies (PAEF and PAP).
- Relief options for customers who required a different credit structure than the original, consistent with their reactivation plans, as well as changes to their cash flow. These options allowed them to access conditions such as deadlines and grace periods that will help them succeed.
- Monthly training spaces were organized with topics of interest and relevant to entrepreneurs in the format of *webinars*, in which international experts participated that provided useful tools in topics such as setting goals for the company, optimal budget construction and projections, innovation at the juncture, resilience at times of change, building winning cultures, leadership to drive teams and business growth, how to leverage lines of financing at the juncture, and analysis of the financial situation for decision-making.
- Information was provided through sme managers on current sector, figures, market sizes, supply chain behavior, sector opportunities, and region analyzes to clients and users.
- Invitations to events and business wheels were made through allies such as Chambers of Commerce, Confecamaras, Procolombia, Bancoldex, Analdex, FNG, Incocredito and Credibanco.

### Value offering for SMEs

Banco Popular provides high-value financial solutions to develop and expand businesses across the country. The value offering for this segment is presented below.



To meet their short- and long-term commitments, SMEs have the following products	To optimally manage the revenue stream, costs and expenses of SMEs, the following value offer is available
<ul style="list-style-type: none"><li>• Credit Lines</li><li>• Specific operation.</li><li>• Cash credit lines</li><li>• Loan for Terminships.</li><li>• Foreign trade (financing imports and exports).</li><li>• Lines of Promotion: Bancoldex, Findeter, and Finagro.</li><li>• <i>Leasing</i> (Finance and Real Estate, Leasback).</li></ul>	<ul style="list-style-type: none"><li>• With dale! It is collected (button payments, QR and referenced collection) and paid (payrolls, suppliers, commissions and per diem), online through the 100% digital wallet.</li><li>• Manual and electronic collections.</li><li>• Supplier payments, payroll, and taxes.</li><li>• Business Portal.</li><li>• Social security payments.</li><li>• TDs</li><li>• Transportation and cash consolidation.</li><li>• Current and savings accounts.</li></ul>

### Banco Popular in the Government segment

Banco Popular is a strategic ally of official entities, both national and territorial. In its DNA, the Bank has extensive experience in the public sector, through collection solutions, surplus management, cash management, and payments and complementary services, such as those offered by the Hammer, the Trusteeship and Alpopular; this allows you to understand and know the needs of clients, know what motivates them, what risks they face and how to propose value solutions to accompany them in their projects, generating long-term relationships based on trust and focused on their sustainable development.

The Bank understands that the management of public resources is a task that demands discipline, security and rigor; therefore, it offers its clients the knowledge, experience and trust necessary to adequately comply with the current regulations. The Bank has also implemented a strategy based on the analysis of the value ecosystems of the National Government. This allows to understand the needs of the clients, and generates an offer of products and services to accompany and support the execution of their projects.

The Banco Popular is an ally of the National Government in its synergy with the



territories in the search for tools for the control and monitoring of public resources. For example, it is a relevant actor within the General System of Shares (GSP) through the master accounts, in which the Bank developed and implemented this product, made to measure, with special characteristics of operation and in compliance with the regulations of the Government in this matter.

### **Development Banking**

Through the use of the lines of promotion, the country contributes to the economic revival, aligned with public policy on the fronts of health, education, rural development, public order and climate change.

The development banking portfolio grew 10% with respect to the previous year, reaching a balance of 1.13 billion at the end of 2021. This behavior was leveraged mainly by the development of new products, by the use of promotion lines aimed at meeting the needs of the target clients and by the use of tools to support credit operations through the National Guarantee Fund (FNG).

### **Tax Collection**

Banco Popular continues to consolidate itself as a strategic ally of the national government and the regions, with revenues at the end of 2021 in excess of 3.3 billion.

Recently, the Bank has concentrated its efforts in the opening of collection agreements with territorial entities, implementing electronic collection solutions, focused on the most potential taxes in the municipal and departmental spheres, notably Reteica, ICA, property and vehicles. As well as the collection of taxes from large taxpayers, with emphasis on withholding at source, VAT, income and customs.

### **Physical and digital channels for Business and Government Banking**

#### **Banco Popular Business Portal:**

From the beginning of 2017 began operating the new Banco Popular Business Portal, which is the main web transactional channel for business clients. This channel allows customers to access their financial portfolio in an agile, timely and secure manner from wherever they are.

By the end of 2019, Banco Popular completed the migration of clients from the old portal: The ICBS Business Portal already had 5,644 registered clients and an average rate of 75 % of active clients, showing a growth of about 300 % with respect to the end of 2017.

The Business Portal has been characterized by representing a solution for clients legal person, supporting their operations during the pandemic, which generated an acceleration in the channel usage dynamics, which reflected an increase of 19% with

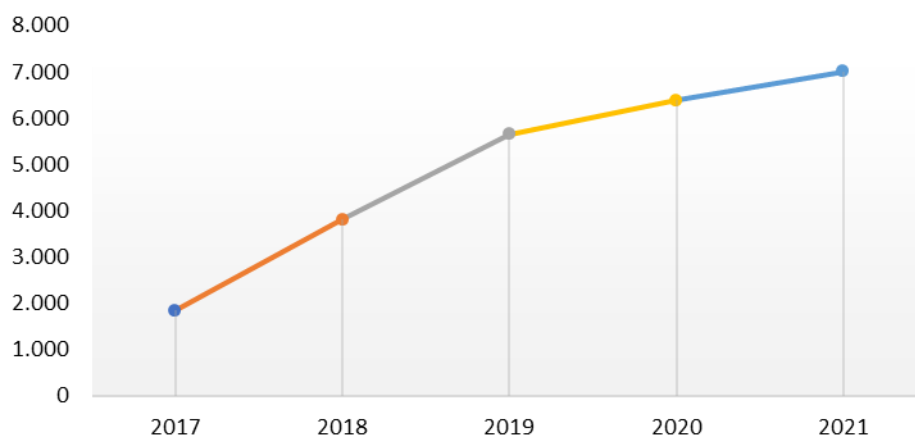


respect to the transactions of the previous year.

The main achievements have been the following:

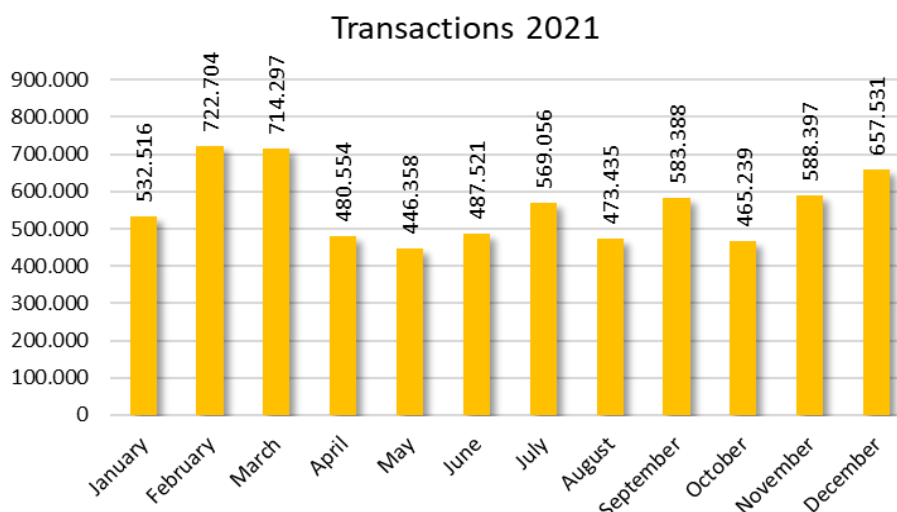
- ✓ Close 2021, with more than 7,000 customers linked to the Business Portal and more than 600 new customers linked over the course of the year.
- ✓ More than six million monetary transactions through the business portal.
- ✓ The digital form of linking customers to the Business Portal was designed and implemented to reduce the operational processes and thus facilitate the access of the customers.
- ✓ The business plan was implemented and executed, with campaigns focused on more than 10,000 mailings.
- ✓ 94% channel usage rate (customers entering the channel).
- ✓ 72% digital customers (customers trading money).

Customers linked to the business portal "Portal Empresarial"





## Business Portal Transactions 2021



### Swift Legal Currency

It is a channel designed for the exchange of financial instructions online, through which Banco Popular clients can make payroll payments, suppliers and transfers, and receive their statements daily.

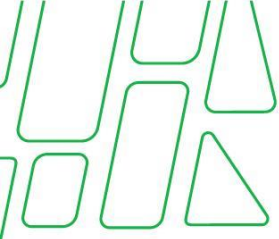
The channel, which began operations at the Bank in 2015, currently provides this service to clients in the institutional, corporate, business and government segments, generating transactions on a monthly average of 169,129 million. The year with the highest customer engagement was 2019, with more than 50% of customers linked in the channel today.

Currently, channel mass campaigns are being carried out, aiming to allow all linked customers to make payment transactions, as there is a 25% share of the total linked customers.

### WebService

It is created as a collection solution between the Bank and the client, by means of which the collections made are reported through offices, electronic channels and bank correspondents online and in real time. This connection is intended to provide customers with up-to-date information for decision making. Historically, *webservices* started to operate in 1999, and at Banco Popular one of the first agreements with this online solution was Caribbean Gases, implemented in 2006. At present, all the entities of the Aval Group offer *webservices* to corporate, corporate and institutional and government clients.

To date there are more than 40 agreements transiting online, of which eleven collection concepts corresponding to eight agreements in production were deployed in



2021. this means an increase of 200% with respect to the year 2020 and average account balances of more than 4,500 million pesos.

During 2021, the agreements that have online collection implemented had total collection volumes of 157 billion pesos in 4,043,748 transactions.

### **Popular Bank for Enterprises**

The Banco Popular, throughout its more than 70 years of service, seeks to contribute to the good development of the country, focused on being chosen, loved and recommended, creating solutions to the needs and well-being of its clients through offers of value and services, Looking for leadership and principality in the segments of pensioners, education, armed forces and workers of the official sector, and to be a reference bank in the segment of formal workers of the private sector.

The entity contributes to invigorate the economy of the country, in a year of reactivation, resources that for pensioners and formal workers served to finance their personal and business projects, since many of them have small businesses and these, in turn, generate employment.

In recent years, banking programs, analysis and study of customer tastes and preferences have been developed. A project with Banca de las Oportunidades was also carried out with a very positive result for the segment of the pensioners, as well as organizing events and alliances with the main pagadurias.

Value offers have been developed for each segment taking into account its needs, to offer a service with a positive attitude, to facilitate interactions with the Bank by carrying it in its pocket and to share value for its clients.

The Pensioners Diamond Offer has a portfolio of products relevant to the segment in terms of financing, savings and secure banking.

#### **Financing**

- Prestaya Librazas Credit
- Diamond credit card with specialized assists
- Personal loan of free destination
- Casaya home finance credit – combo.

#### **Trade and save**

- Diamond Account
- TDs
- Domicaliation

#### **Insurance**

- Personal Accidents (AP)
- AP up to 69 years



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



- Retired AP (70 -80 Years)
- Comprehensive Protected Account

#### **Credit and Debit Cards**

- Fedco
- Salud Market
- Lafam
- Óptica Colombiana
- Hogar Universal
- Distrihogar
- Spring
- Athletic
- Spinning Center Gym
- Patprimo
- Travel Debot

#### **Offer for Formal Worker segments**

The way to enjoy the best of life, in an agile and secure way, without the need to carry cash, is aimed at customers who want to move and manage their money with agility and security according to their transactional needs. through our extensive network of physical, electronic and low-cost channels.

- The integral offer was created for each segment: Teachers, public force and formal worker.
- Special benefits were granted in Casaya housing financing for teachers.

In 2021, there was a growth in the connection of new clients in the different segments, as follows: In teachers, 3,862; in Fuerza Publica, 10,014; In private formal worker, 20,466; and in government formal worker, 1,720. It closed the year 2021 with 36,062 new clients.

#### **Collections for formal employees**

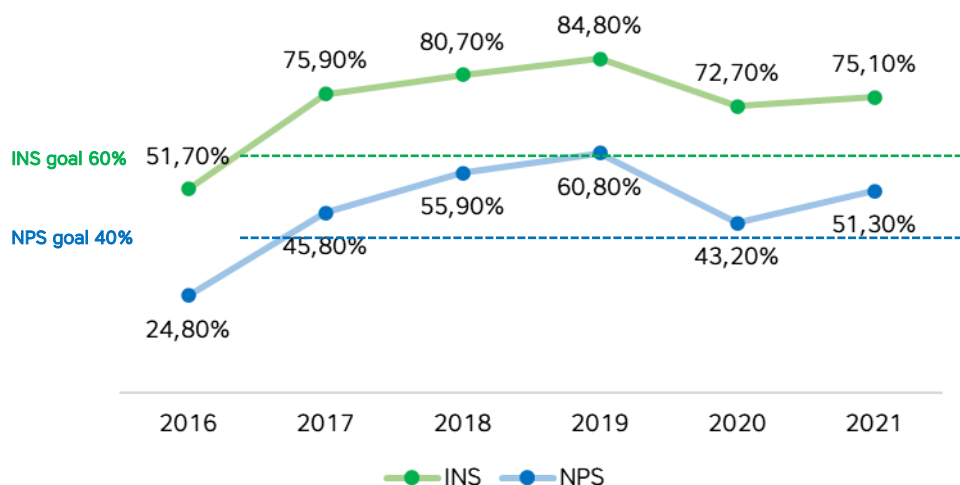
The growth of the book in the Bank is related to the improvement of the processes, since the Bank has a digital tool that facilitates the application of this financial product, with less documentation and faster approval, strengthening the attention to pensioners and teachers, through the different channels of attention.





## Indicators of Banking Experience People

### Personal Banking experience indicators



## Measures and plan of action to deal with the pandemic of covid-19 in People Banking

Among the Bank's clients, the entity's priority segment during the pandemic was that of pensioners. Of the more than two million retirees that currently exist in the country, the Bank has as clients **513,650**, of which 98% are banked through a savings account specially designed to receive the pension. Bancarization of Colpensiones pensioners plan.



From 2016 to 2021, the financial inclusion process was achieved in the pensioners segment with the banking of 173,735 clients.

After an extraordinary work carried out in 2020, the Bank managed to bank 69,757 of these clients, who received their pension in person, can now do it through their bank account. The result of this process positioned the Bank with a market share of 25 % in



this segment.

Thus, the Bank helped to protect and safeguard the health and well-being of this vulnerable population in the midst of the pandemic, facilitating the withdrawal of the table at any of the more than 3,000 ATMs of the Aval Network at no cost.

Similarly, the possibility was facilitated for a third party authorized by the pensioner to collect his allowance in the offices of the Bank only by carrying out a format with his signature and imprint, so that the third party makes the withdrawal in the office.

They were months of effort and hard work by the pensioners of Colombia, which were reflected in the delivery of personalized debit cards, the massive opening of bank accounts to facilitate the withdrawals of the pensionable and always present to support them in their process of banking. In 2021 the work for this segment continues stronger and is focused on bringing in new pensioners, as well as providing the benefits of the Diamond offer in savings, credit and protection products.

In general, for all clients, the Bank generated credit card relief, special interest rates for purchases in certain establishments and deferred for up to 36 months. In addition, channels with grace periods of up to four months were available to customers who had problems with payments on their credit obligations.

The Sapphire Offer was launched, designed especially for teachers, who represent one of the most solid and influential forces, with a view to ensuring equity, access and quality of education in the country. They are the key to sustainable global development, promotion and exchange of knowledge, with the aim of promoting quality teaching and learning, with more than 380,000 teachers in Colombia.



## 7. Financial education

[GRI - FS16]

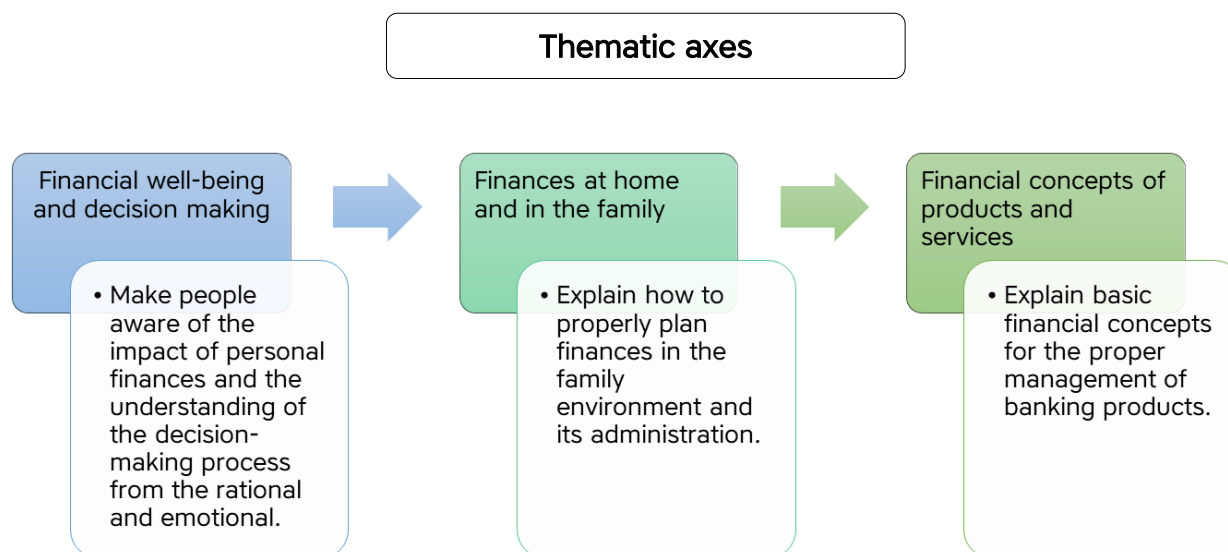
Banco Popular seeks to promote, through its Financial Education Strategy, the information, knowledge and tools necessary for clients and users to make informed decisions regarding the planning and management of their finances, with the aim of achieving their growth and financial well-being.

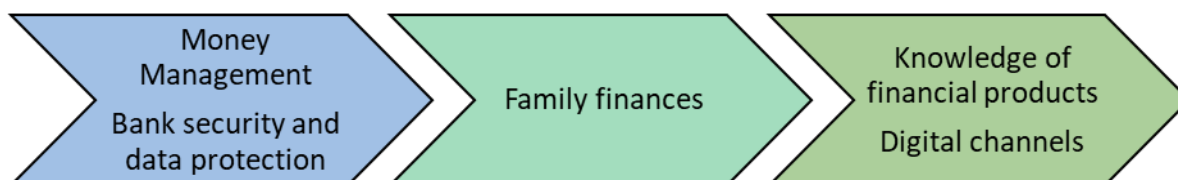
To achieve this objective, the program called "Let's Learn +" has been developed, which has succeeded in impacting people of different characteristics, including the segments of people and companies, as well as young school-age people who have received these talks and attended these events.

Within the framework of this program, audiovisual content has been developed, as well as conceptual and methodological tools for developing skills and abilities in the public, within the framework of financial education. In these initiatives, the needs and expectations of the target audience have been considered, with the development of the thematic axes in the relevant contents.

### Contents of the "Let's Learn +" program

Chart. Contents and strategic axes of the "Let's Learn +" program





The program has cross-cutting content on personal finances related to savings, credit management, consumer habits, digital channels and banking security.

The channels used for this financial education strategy include face-to-face conferences and *webinars*, participation in trade initiatives, and the use of digital tools such as e-mail, social networking, The web portal of "Learn +" and institutional videos projected in the network of offices. Similarly, the delivery of school kits with financial information for students from schools in Colombia is available.



## 8. Diversity, inclusion and accessibility

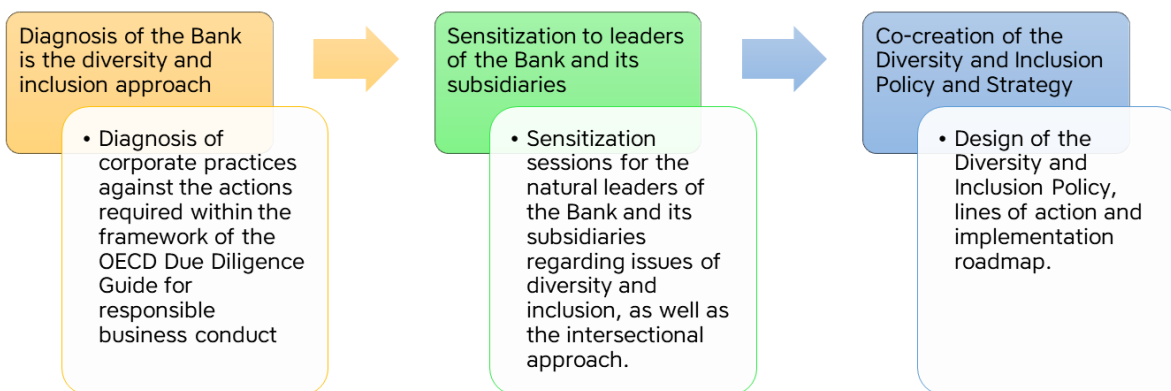
Banco Popular recognizes the importance of diversity, inclusion, and accessibility in generating value for its stakeholders. For this reason, it seeks to promote processes of personal and organizational change so that the diversity and inclusion approach strengthens business practices and helps to leave a positive impact for tomorrow.

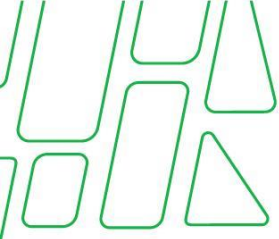
In this sense, initiatives and projects have been developed to promote the diversity and inclusion approach both in the management of human talent and in the experiences that the organization provides to its clients and users. All this has been done within the framework of an organizational culture that includes aspects such as gender diversity, ethnicity, physical condition, sexual orientation, religion and age to continue to live the positive effect on all its stakeholders.

### 8.1 Diversity and Inclusion Policy

In 2021, Banco Popular participated in the co-creation of the Corporate Diversity and Inclusion Policy of the Aval Group, together with the other entities of the conglomerate. This policy establishes principles and guidelines to promote a diverse, equitable, inclusive and respectful organizational culture that values differences in Holding entities.

In this framework of action, the Bank made progress in the process of constructing its Diversity and Inclusion Policy and Strategy to realize its commitment to this approach. Three phases were contemplated in the process:

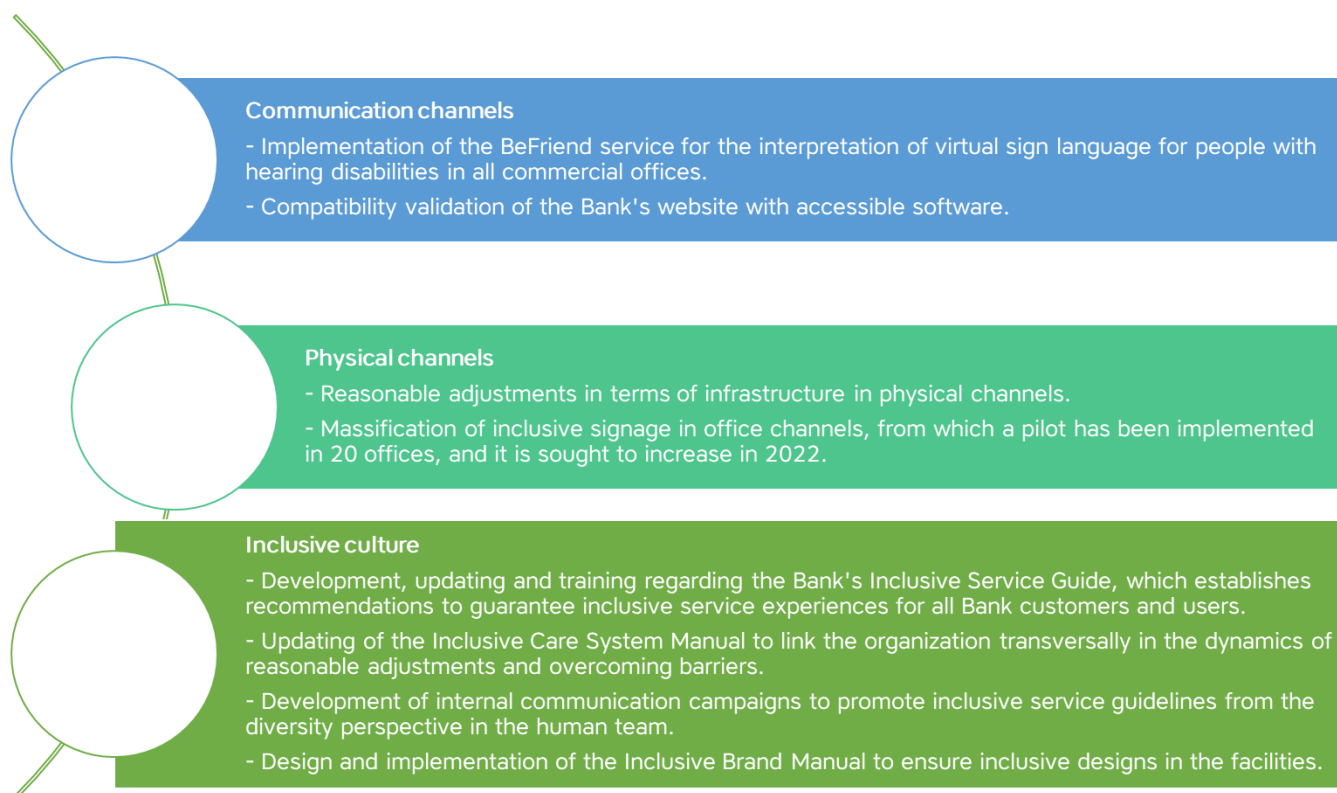




This Policy will be published and implemented in 2022 to establish guidelines that will guide organizational processes, aligned with the Corporate Diversity and Inclusion Policy of the Aval Group and the OECD's Due Diligence Guide<sup>9</sup> to Responsible Business Conduct. In this way it seeks to promote, on the basis of respect, collaborative environments with equal opportunities for all people.

### Accessibility and inclusion [FS14]

From the inclusive care model of the Banco Popular, actions are directed to guarantee greater accessibility in the organization's service and communication channels. The main initiatives developed during the reporting period are part of the progressive implementation of reasonable accommodations and measures for inclusive care:



<sup>9</sup> Organization for Economic Cooperation and Development (OECD).



## Implementation of the Friendly Biz Initiative



In November 2020, Banco Popular received Friendly Biz Certification, granted by the Colombian Chamber of LGBT Merchants (CCLGBTCO) and the auditing firm Future Builders. This certification set a precedent from culture and organizational growth, with the implementation of good practices for the recognition and protection of human rights in the consolidation of environments that promote the safety and well-being of all people.

To achieve this achievement, a joint effort was made with the Aval Group, from which work tables were established with strategic areas of the Bank. In these spaces, actions were carried out to ensure awareness and openness in the human team in the face of diversity and inclusion, and plans were constructed to guarantee authentic and inclusive communication to Bank clients, especially sexually diverse people.

Once these actions were taken, the audit process was received from CCLGBTCO and Future Builders. As a result of this review, the Bank was awarded the certification that recognizes it as a LGBT+ community-friendly company.

In this context, and as part of its commitment to diversity, the Bank has participated annually in the June Pride Month celebration. It has also implemented and disseminated the *Guide to Inclusive Care* to project positive service experiences in the framework of respect and promotion of diversity.

## National Ranking of Inclusive Companies

In October 2021, Banco Popular was invited to participate in the National Ranking of Inclusive Enterprises developed by the Colombian Chamber of LGBT+ Merchants and the National Consulting Center. On this scale, the Bank was ranked as the second most inclusive financial entity in the ranking. This recognition was given thanks to the organization's efforts to consolidate a culture that recognizes, values and promotes diversity, well-being and safe spaces for all people.





## 9. Eco-efficiency and carbon footprint

Banco Popular has designed and implemented eco-efficiency practices aimed at improving corporate environmental performance, fostering a culture of care and respect for the environment with ambassadors that reflect the Popular Being in society.

In this sense, the organization has implemented initiatives that allow the construction of a greener world. Here are some of these actions.

### Resource consumption

To analyze trends in water and electric power consumption at the Bank's facilities, monitoring and control systems have been developed that strengthen the monitoring of these indicators at the national level and allow timely action plans and measures to be focused when significant increases in consumption are registered.

Likewise, the Bank has systems of reporting and identification of new developments in the maintenance of facilities, whose purpose is to generate efficiencies in their care and to avoid cases such as water leaks or inadequate performance in the physical conditions of the organization.

In 2021, campaigns aimed at the efficient use of resources were promoted among Bank workers and collaborators, and initiatives were developed focused on the use of cleaner and more efficient technologies, as presented here:

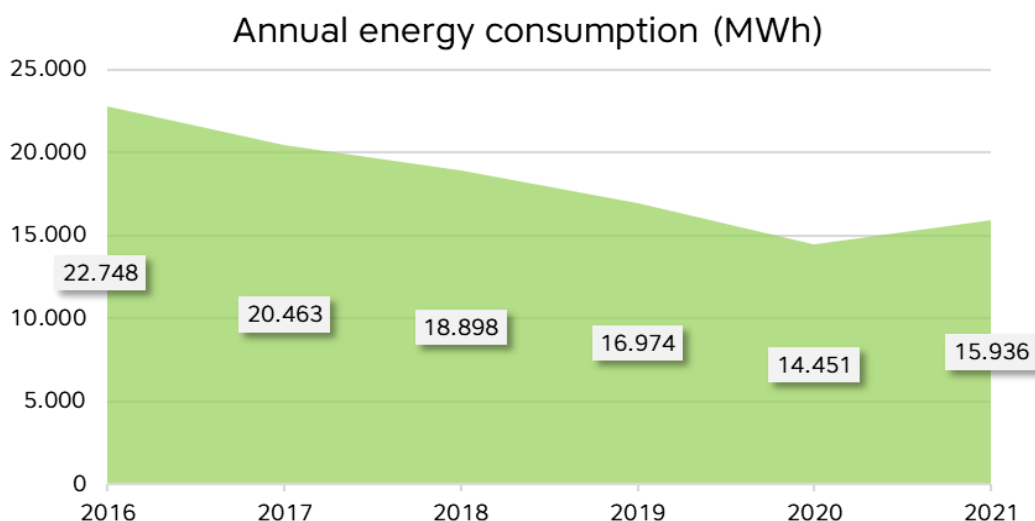
- The Bank implemented a pilot renewable energy generation project at the Riohacha office, in which photovoltaic panels were installed that generated 62,664 kWh during 2021.
- In line with the above, he continued with the installation of led lighting in offices, according to the local maintenance plan.
- On the other hand, the plan also established the implementation of technologies for saving and efficient use of water and the change to ecological refrigerants in the air conditioning equipment, which advanced in the year 2021, as contemplated in the timetables.



## 9.1 Energy consumption

[GRI 302- 1]

Thanks to the management carried out for the saving and efficient use of electricity in the Bank's offices, a significant reduction in the consumption of this resource has been observed during the last few years.



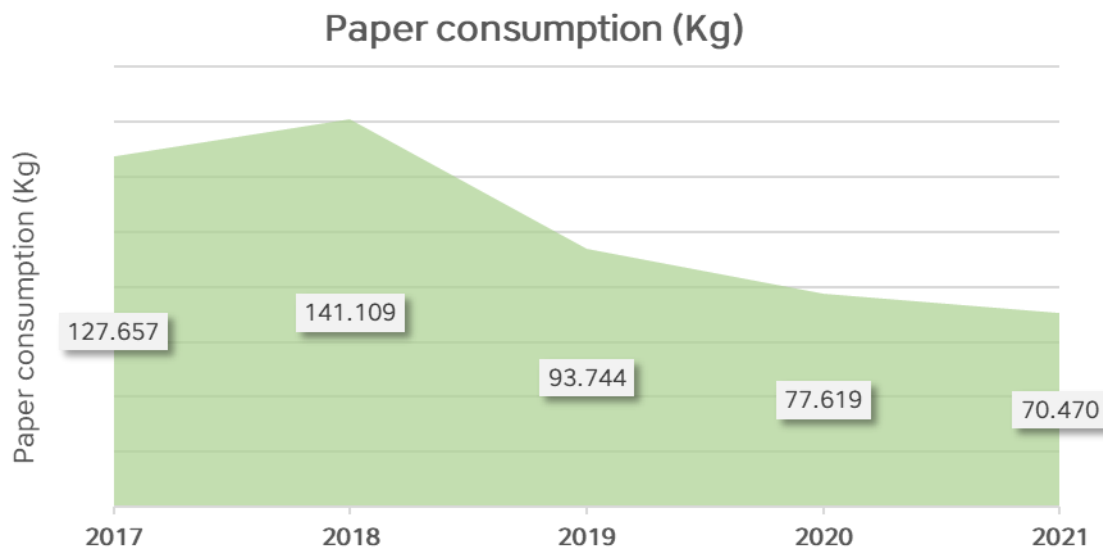
The average annual energy saving of the organization was 9% between 2016 and 2019. This was followed by a 15 % decrease in electricity consumption in 2020 compared with the previous year. This decrease is mainly due to the measures taken in the face of the health emergency by covid-19, such as the change in office hours<sup>10</sup>, as well as the implementation of the home working model for a large part of the administrative employees. Subsequently, in 2021, energy consumption increased by 10% compared to 2020 due to the standardization of office operations.

## 9.2 Paper consumption

[GRI 301- 1]

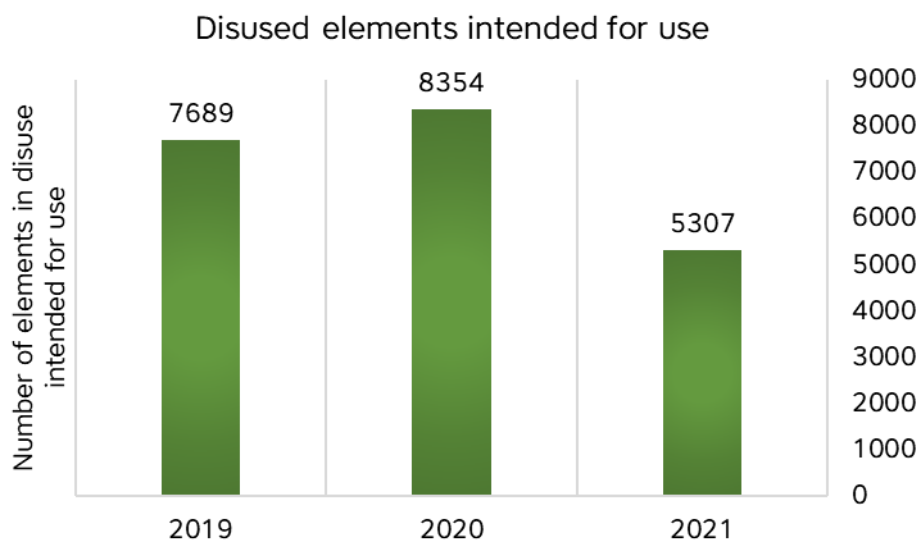
In the framework of the Bank's transformation, digital systems have been implemented in offices and units that have contributed to the efficiency of the processes and have affected the reduction of paper consumption in the procedures. The following graph shows the decrease in the trend of paper consumption, the result of which in 2021 reflects a saving of 45 % compared with 2017 and 9 % compared with 2020. It is important to mention that the transformation and digitization of processes, as well as the migration from face-to-face care to virtuality, have an important influence on the reduction of paper consumption.

<sup>10</sup> As established by the National Government.



### 9.3 Waste management

The Bank has managed measures for the collection of assets that are deteriorated, in bad condition, obsolete or in disuse, located in the offices and offices of the organization. These elements are managed for use and recycling.



In addition, the Bank managed other usable waste, such as cardboard, paper, and plastic, generated in the General Directorate, with an association of non-profit recyclers that contributes with its management to the development of a circular



economy and generates decent work opportunities for its associates and families.

## 9.4 Corporate carbon footprint

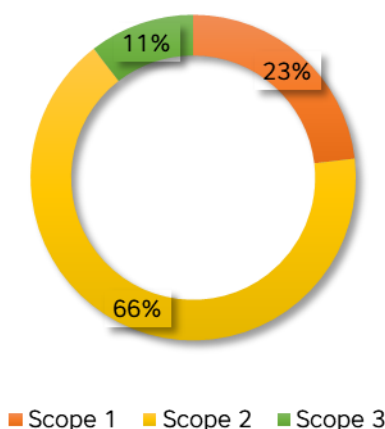
[GRI 305- 1: 3]

In 2021, Banco Popular began quantifying the corporate carbon footprint, which expresses greenhouse gas (GHG) emissions generated directly or indirectly in the organization's processes. This information enables measures to be established to address climate change issues strategically, with a view to improving corporate environmental performance.

The carbon footprint quantification exercise was prepared with the Greenhouse Gas Protocol (GHG Protocol) methodological guidelines<sup>11</sup>, and in addition, the Colombian Technical Standard (NTC) ISO 14064-1:2006 was used.

The results presented in this report look at the three ranges of the carbon footprint, and their unit of measurement corresponds to tons of CO<sub>2</sub> equivalent (Tonco<sub>2</sub>eq). The consolidation of the information was carried out with the operational control approach. The results of the calculation and the emission sources associated with each scope are presented below.

### Corporate Carbon Footprint 2021



**Corporate carbon footprint**  
2,397.43 Tonco<sub>2</sub>eq

#### **SCOPE 1: 554.5 ton CO<sub>2</sub>eq**

**Direct GHG emissions**, generated by the consumption of diesel in power plants, petrol in vehicles and refrigerant gases in air conditioning equipment.

<sup>11</sup> A standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).



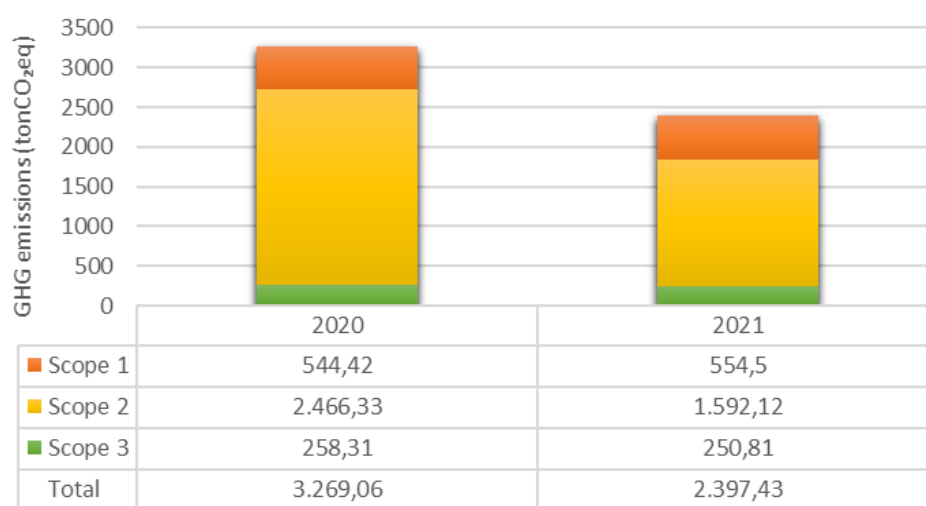
### SCOPE 2: 1,592.12 TonCO<sub>2</sub>eq

Indirect GHG emissions associated with energy consumption in Bank offices.

### SCOPE 3: 250.81 TonCO<sub>2</sub>eq

Other indirect GHG emissions, associated with paper consumption in offices and air travel for work.

## Annual corporate carbon footprint



### Comparison of GHG emissions against the base year 2020

In 2021, Banco Popular's corporate carbon footprint was 2,397.43 tonCO<sub>2</sub>eq, which is 27% lower than in 2020, resulting in 3,269.06 tonCO<sub>2</sub>eq. This decrease is mainly due to the generation of fewer indirect emissions<sup>12</sup> in scope 2. The challenge for the organization in 2022 is to continue implementing and measuring actions in eco-efficiency, with a view to continuing to create positive experiences for its people.

<sup>12</sup> This decrease in scope 2 is due to the fact that the emission factor of Colombia's energy matrix decreased from 0.20335 TonCO<sub>2</sub>eq/MWh in 2020 to 0.126379 TonCO<sub>2</sub>eq/MWh in the country's preliminary official calculations for 2021.