

A photograph of three women, likely Banco Popular employees, smiling and cheering with their fists raised. They are wearing green lanyards with the Banco Popular logo. In the background, a green banner features the Banco Popular logo and the text '¡Nos renovamos para ti!' and 'Móvil'.

Principles for Responsible Banking (PRB) – UNEP FI

Banco Popular Report 2022

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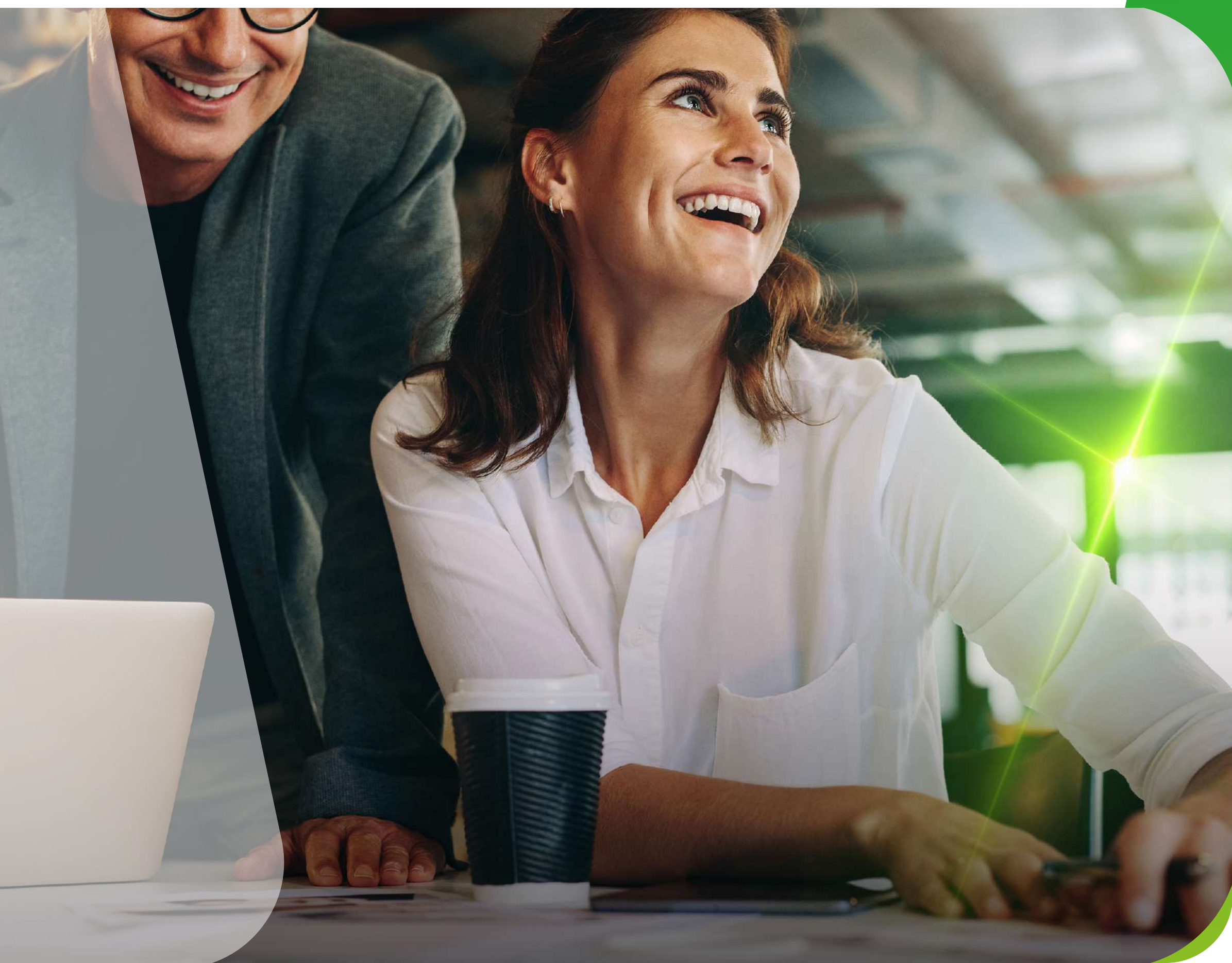
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Objectives 2023 - 2025



Context of the Report

About Banco Popular

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

Banco Popular has established itself as a customer-focused organization that builds trust, shares knowledge, develops its human talent and creates spaces for innovation and transformation. These characteristics have allowed it to offer a great value offer, aimed at its customers, in the Personal Banking, Small and Medium Enterprise (SME), Business Banking and Government segments.

Thus, the entity has built its leadership in the care of pensioners, educators, formal workers and public forces, in addition to building a solid relationship with public and private entities in the country.

Context of the Report

Our commitment with the Principles for Responsible Banking

1. Alignment. We will align our commercial strategy so that it is coherent and contributes to the needs of people and the objectives of society.

2. Impact and Goal Setting. We will continually measure our impacts and work to increase the positive ones while reducing the negative impacts; that result from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

3. Clients & Users. We will work responsibly with our clients and users to promote sustainable practices and enable economic activities that generate shared prosperity for current and future generations.

4. Interested Parties. We will proactively and responsibly consult, engage, and partner with relevant stakeholders to achieve the goals of society.

5. Governance and Culture. We will implement our commitment to these Principles through effective management and a responsible banking culture.

6. Transparency and Responsibility. We will periodically review our individual and collective implementation of these Principles, as well as our contribution to the objectives of society.

Context of the Report

About this Report

In **June 2021**, Banco Popular signed the commitment to adhere to the Principles of Responsible Banking, a global collaboration initiative between the United Nations and world banks.

At El Popular we understand our role as a driving force in the country's economic, social and environmental development, which is why together with Grupo Aval we adhere to UNEP FI to continue strengthening our corporate sustainability strategy, aligned with global agendas, the 2030 Agenda, the Sustainable Development Goals and the Paris Agreement; allowing us to complement the goal of supporting the emerging economy throughout the group's business, at a strategic, portfolio and transactional level.

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Context of the Report

Membership of Banco Popular and Grupo Aval

Banco Popular adheres to the Principles of Responsible Banking in June 2021, with the commitment to align its business strategy and implement banking practices with the purpose of developing sustainable economies, during the next 4 years.

This commitment **invites the Bank to act based on the trust that our clients** and society in general place in us, to serve their best interests and act responsibly.

Our success and ability to remain profitable and relevant is intrinsically dependent on the long-term prosperity of the societies we serve.

Therefore, **we want to take a leading role** and accelerate fundamental changes in our economies

Membership Grupo AVAL

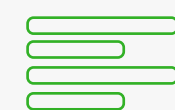
Dec 14, 2022 "We are pleased to announce that Grupo Aval, together with our banks, adhered to UNEP FI to continue strengthening our corporate sustainability strategy, aligned with global agendas. With the development of sustainable finance, we hope to complement the objective of supporting the emerging economy of sustainable development throughout the group's business, at a strategic, portfolio and transactional level", said Luis Carlos Sarmiento Gutiérrez, President of Grupo Aval.





Summary of Progress in compliance with PRB

Principles of Responsible Banking



1. Alignment of the Corporate Strategy with SDGs

- Sustainability as a corporate strategic axis
- Management Report aligned with the 2030 Sustainable Development Goals



3. Clients and Customers

- Access and use of financial services for the Elderly.
- Diamond Portfolio. Products designed and specialized for this population group.



5. Governance and Culture

- Governance Model of the Sustainability Strategy
- Sustainability, Diversity and Inclusion and Sustainable Purchasing Policy
- Friendly Biz Certifications, Great Place to Work, Ranking of Inclusive Companies



2. Impact Measurement and Goal Setting

- The impact measurement was carried out for both Personal Banking and Corporate Banking
- 2 clear objectives were established by 2025



4. Management of Interest Groups

- Within the framework of the sustainability strategy, 2 dialogues with interest groups have been held in 2019 and 2022
- 2 microsites were created on the web portal for communication with Shareholders and Investors, as well as with our suppliers



6. Transparency and Responsibility

- The Bank has its second sustainable management report under the Global Reporting Initiative GRI and SASB standards.

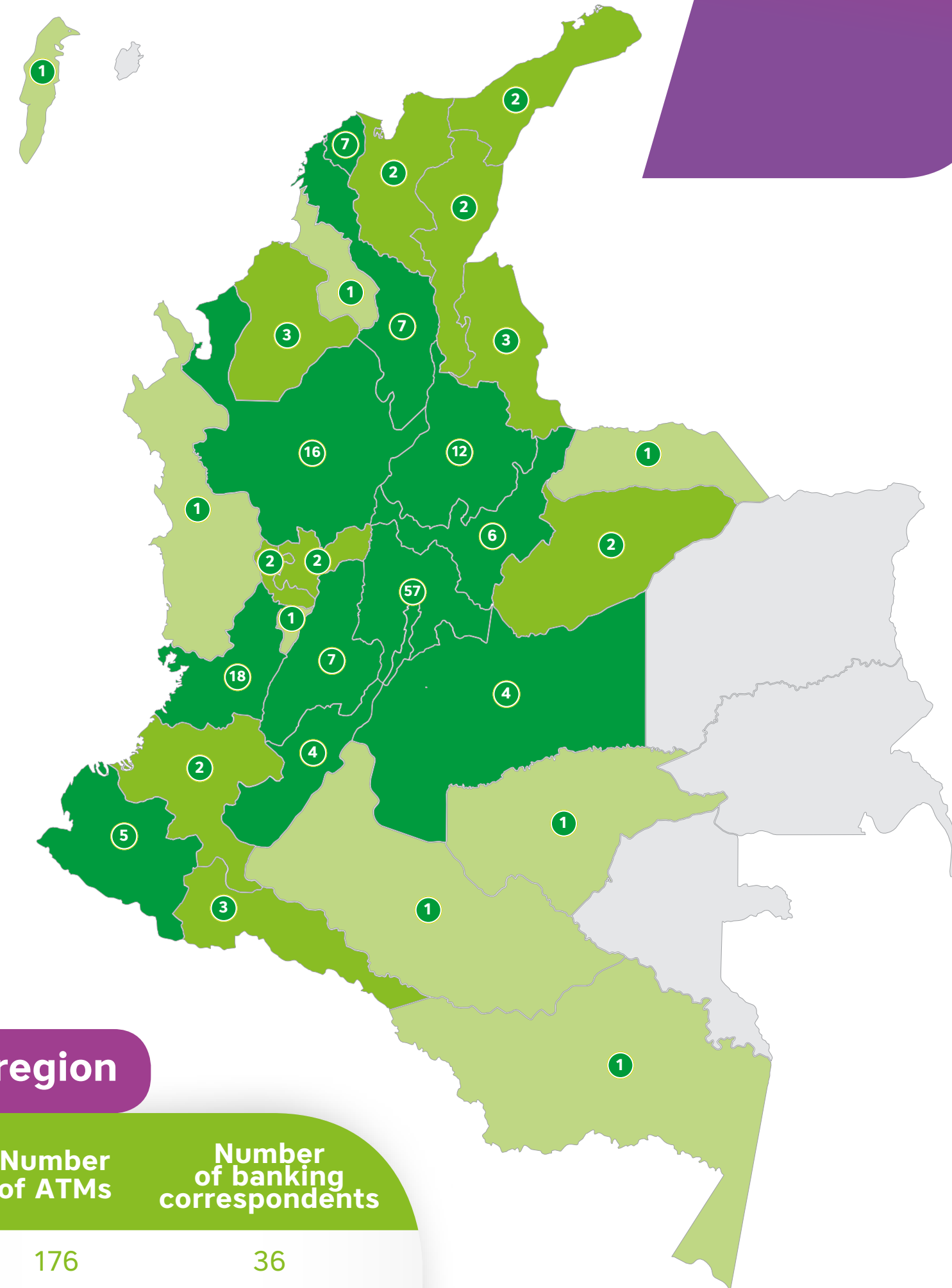


Principle 1. Alignment

We will align our commercial strategy so that it is coherent and contributes to the needs of people and the objectives of society, especially to national and regional strategies.

National presence by departamentos

- 4 or more offices.
- Between 2 and 3 offices.
- 1 office.
- It does not have an office.



Physical channels by region

Regional	Number of offices	Number of ATMs	Number of banking correspondents
Bogota and SMEs	50	176	36
Northwest	46	166	26
West	40	194	14
Southeast	53	157	27
Total	189	693	103

Our Business Model

About Banco Popular

We are a financial entity with more than 70 years of experience in offering financial products and services, where our main purpose is to be a sustainable company that creates positive transformation experiences in people's lives.



Physical channels

We are a Bank with operations only in Colombia, with a physical presence nationwide with more than 170 offices in 90% of the country's departamentos. Additionally, we have more than 690 ATMs and 103 bank co-responsibles.



Digital channels

We have a Transactional Portal and Mobile Banking for Individuals and Companies since 2019.



Human resources

Our Human Talent is made up of more than 3,600 workers, of which 61% are women and 39% men.

Our Business Model



Our clients

The organization has positioned itself as a leader in the following Segments:

Personal Banking:

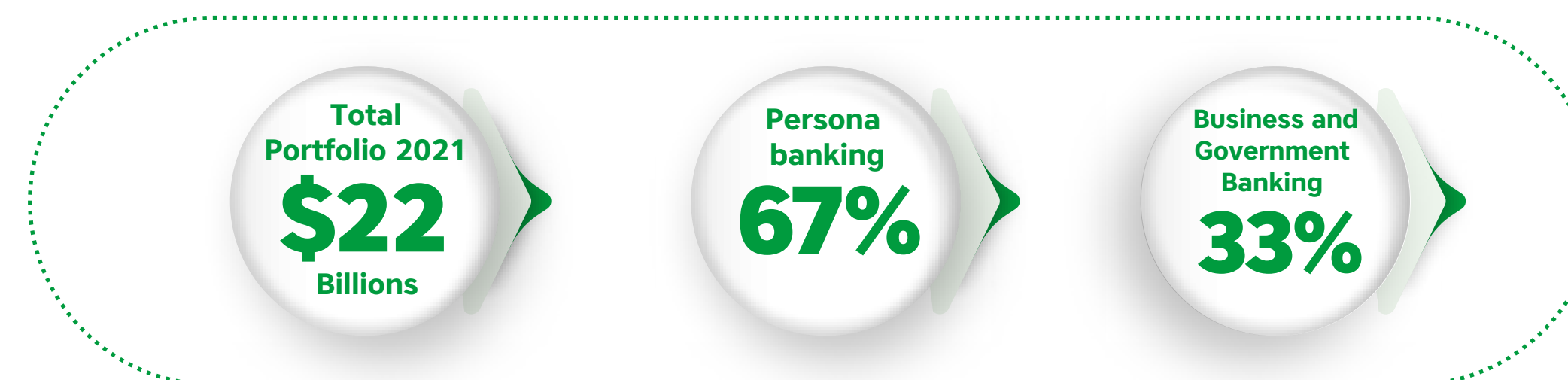
Older Adults and Pensioners
Formal Workers (Official Sector and Educators)

Business Banking:

Medium and large companies from different economic sectors, mainly the services and manufacturing sector.
SME - Small and Medium Enterprises

Government Banking:

We serve official Entities both national and territorial.



Credit portfolio

Banco Popular's credit portfolio is around 22 billion Colombian pesos at the end of 2021. 67% of this is allocated to Personal Banking and 33% to Business and Government Banking.

Risk Ratings

In 2021, the organization received the following risk ratings from BRC Standard & Poor's and Value & Risk Rating:

AAA (Triple A), with a stable outlook for long-term debt.

BRC 1+ (one more) and VrR 1+ (one more) to short-term debt.

AAA for ordinary bonds and AA+ for subordinated bonds, by BRC Standard & Poor's.



Service with positive attitude

Live a culture based on positivism that is reflected in the attitudes and actions of the human team, so that, with empathy, willingness and proactivity, the Bank generates experiences that add value and strengthen its bond with customers over time through easy, timely and effective solutions



Bank in your pocket

Making it easier for customers to interact with the Bank and those ecosystems that generate value, through digital capabilities and an extraordinary experience.



Smart Bank

Build and complement the value offer of stakeholders from their interactions, relationships and environment, for timely, intelligent and integrated decision making at different levels of the organization.



Shared Value

Distribute with stakeholders the quantifiable benefits of their relationship with the Bank to build long-term relationships.



Sustainability

Contribute to make a better country leaving a positive footprint for tomorrow, and promoting sustainable projects that generate value to customers and profitability for the business.



Efficiency and controlled risk

Automate and digitize the Bank's internal processes, ensuring an appropriate balance between risk and profitability and generating positive experiences for people



Organization Health

Ability to align, run and renew faster than your competitors, ensuring a memorable work experience in order to maintain excellent results over time.

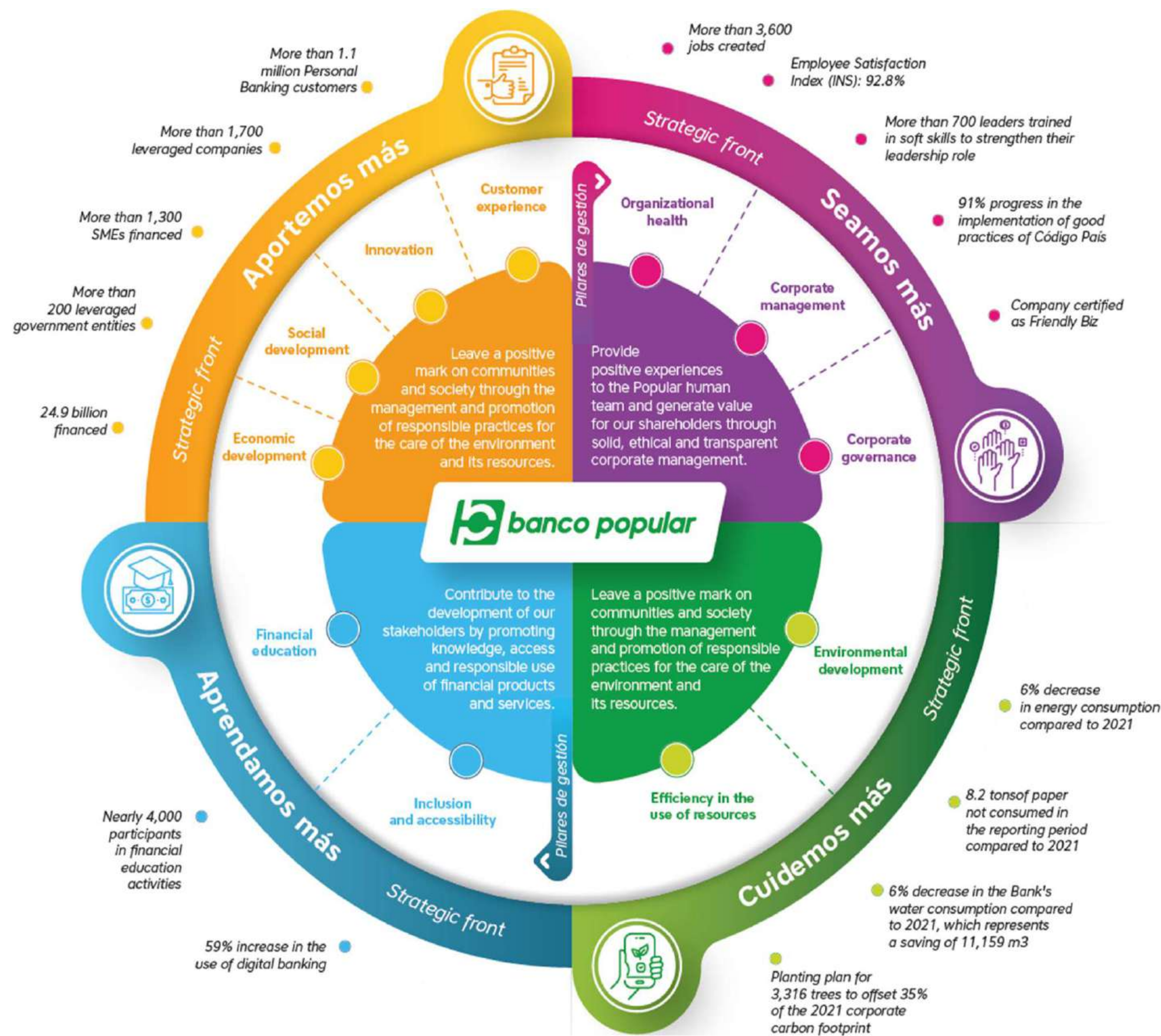


Our Business Model

At Popular, a transformation process began in 2015, seeking to strengthen the Entity on 5 fronts: technological renewal, strengthening the commercial strategy, promoting and maintaining organizational health, consolidating leadership in the pensioner market and formal workers, as well as increase competitiveness. Through the implementation of more than 240 projects in these disciplines, the objectives of the transformation of the organization by 2020 were successfully achieved.

Based on these results, the strategic projection was made towards the next 5 years, establishing the objectives and strategic priorities for 2025.

Currently in 2022, we are in the middle of the roadmap that guides us to be a sustainable company that creates experiences that positively transform people's lives by 2025.



Sustainability Strategy

At Popular we have integrated sustainability as one of our main purposes, aligning ourselves with our 2025 strategy and allowing us to consolidate a commitment to the sustainable development of the country, through the provision of financial services that leverage economic growth, as well as the well-being of people and organizations in the territories where the entity has a presence.

In this context, the sustainability strategy based on the management model that contemplates four strategic fronts was developed in 2021, which invites stakeholders to work together so that: "Let's be more", "Let's take care more", "Let's learn more" and "Let's contribute more".

In this context, the sustainability strategy based on the management model that contemplates four strategic fronts was developed in 2021, which invites stakeholders to work together so that: "Seamos más", "Cuidemos más", "Aprendamos más" and "Aportemos más".

Through these fronts, we manage material issues for the Bank and for our stakeholders based on building healthy and lasting relationships.

Aligned with the main purpose and vision of the Bank, as well as the development priorities of the country, the construction of indicators began to measure and make tangible the impact of the organization in the fulfillment of the Sustainable Development Goals (SDGs) as indicated described in the graph.



Principle 2.

Impact and Target settings

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 2. Impact Assessment

Methodology UNEPFI Impact Radar

It is a tool that allows analyzing the business with the lens of sustainable development, under the 3 pillars: Economic, social and environmental.

Under the universal concepts of sustainable development, it allows recognizing the size of the business, the structure, the context of the country or regions where it operates.

For this exercise, the goals of Colombia for the fulfillment of the 2030 Sustainable Development objectives (Source DNP) were taken into account, as well as the composition of the credit portfolio of Banco Popular 2022, the number of clients by type of product and the socioeconomic characteristics of the natural person and legal person clients.

The analysis input was the composition of the Banco Popular 2022 Portfolio, for \$24 Bn

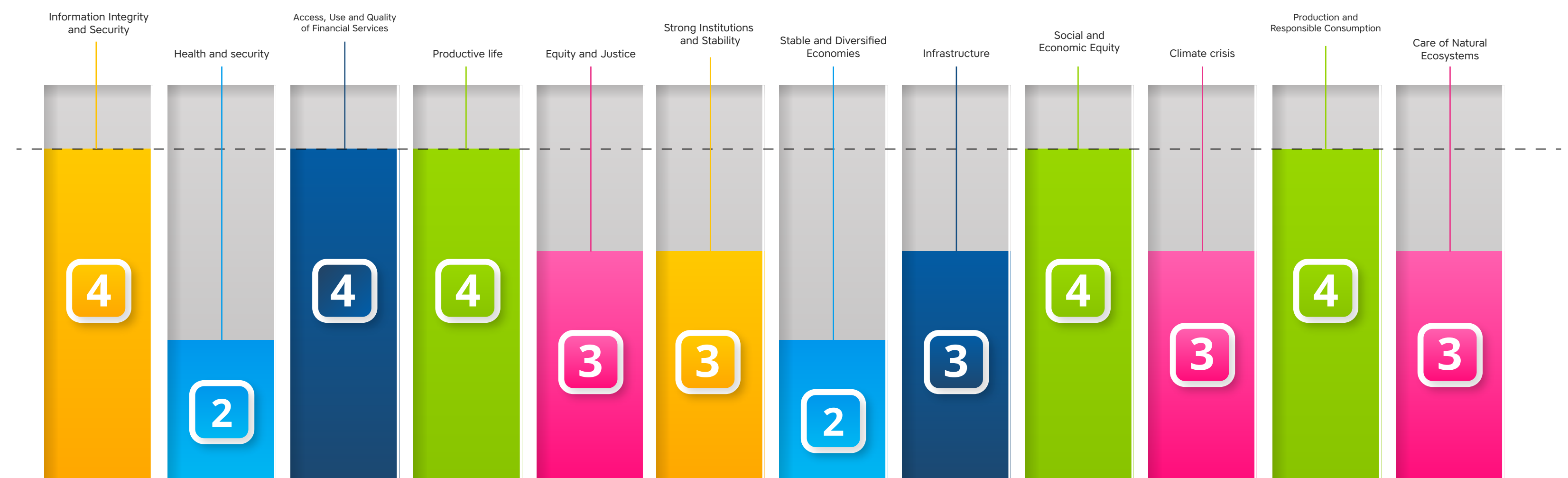
- **Personal Banking. Consumer Portfolio \$16 Bn (67%)**
- **Business Banking and Government. Commercial Portfolio \$8 Bn (33%)**



Principle 2. Impact Assessment

The result of the impact measurement analysis reaffirms our purpose and the contribution that Banco Popular makes to society, on these 5 fronts:

1. Access, use and quality of financial services
2. Information integrity and security
3. Productive Life: Work, income generation, social security, professional development. E.g., Access to credit for Formal Workers.
4. Social and Economic Equity: Mechanisms that guarantee access to goods and services for vulnerable people. E.g., Older Adults and People with income less than 3 SMMLV.
5. Responsible Production and Consumption: Promote the efficient use of non-renewable natural resources (Raw Materials) and use of waste.



Portfolio Composition

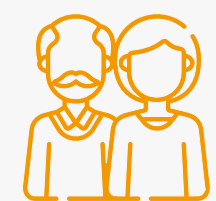
- Personal Banking. Consumer Portfolio \$16 Bn (67%)
- Business Banking and Government. Commercial Portfolio \$8 Bn (33%)

Principle 2. Impact Assessment

Socio-economic characterization of natural person clients:



Access to credit for more than **1.2 million customers**



56% of our clients are over 60 years of age. This age group of older adults is considered vulnerable due to the risks associated with their biological, social and/or economic conditions.



71% of our clients have income equal to or less than 2 SMMLV, which reflects some degree of economic vulnerability.

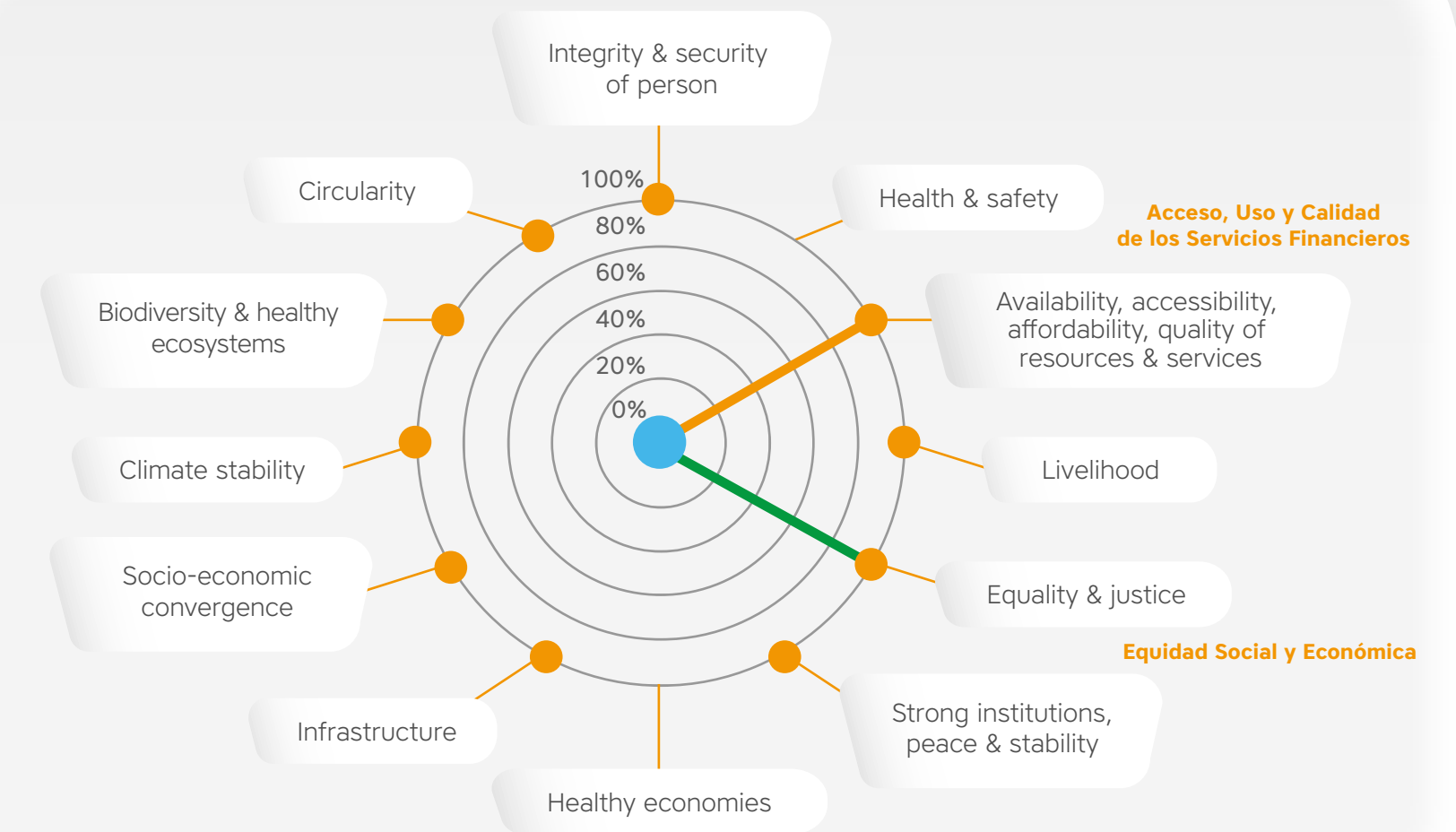
Positive Impacts People Banking

ALL ASSOCIATIONS

KEY ASSOCIATIONS

COUNTRY PRIORITIES

LOCAL PRIORITIES



Principle 2. Impact Assessment

Socio-economic characterization of natural person clients:



We are the Pensioners Bank, of the **2.31 million pensioners in the country**, at Popular we serve 25%, or a quarter of this population, we serve around **500,000 pensioners in the country**.

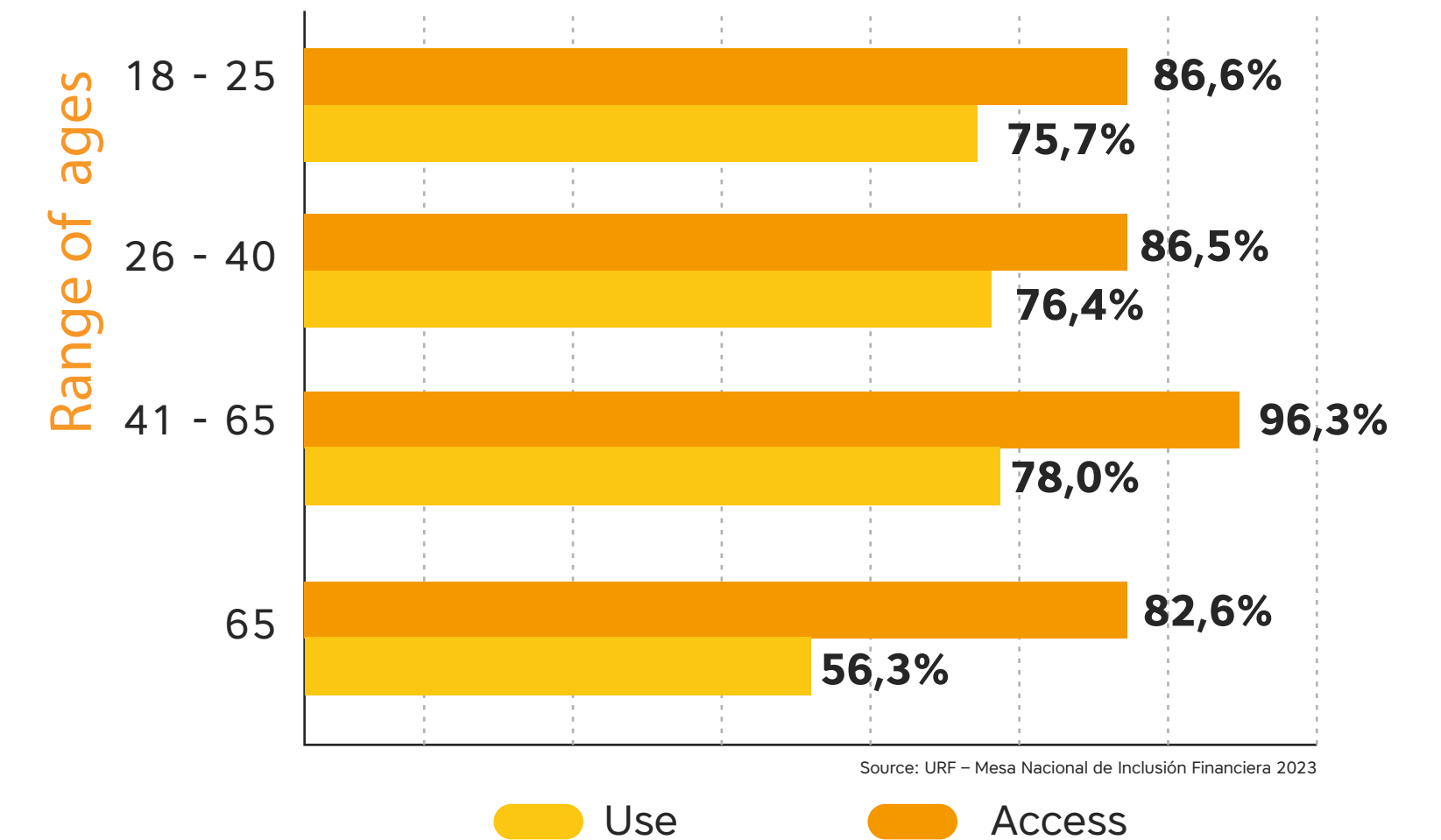


46% of our clients belong to the **Pensioners segment**.



Our clients over **60 years** of age stand out for having a combined portfolio amount of around 9 billions, which represents a participation of **57% of the consumer portfolio**.

Financial Inclusion Colombia 2023



Principle 2. Impact Assessment

Reference Case

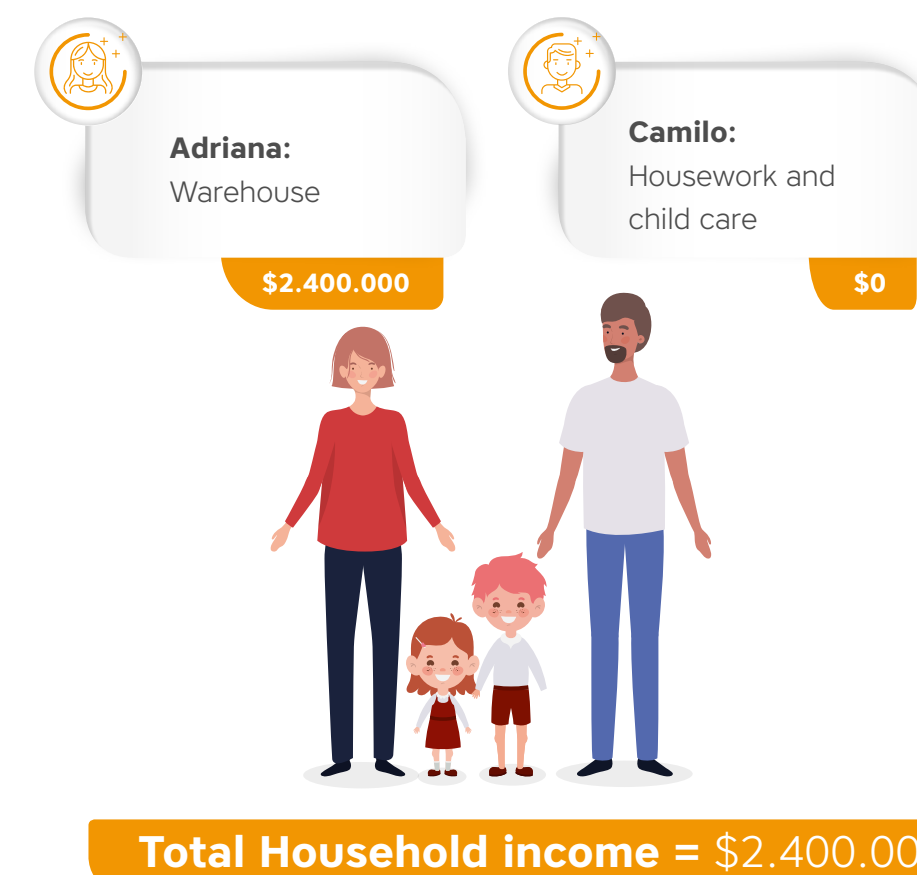
Andrea and Camilo live together and have two children

Adriana has a warehouse and her income is \$2.400.000 per month



In this case there are 4 people in **vulnerable condition**.

This Income range is for 2020 between the Poverty Line **(\$331.688 - \$653.781)** monthly



National Data - Poverty and Vulnerability

- Incidence of **Monetary Poverty** 2021 **42.5%**
- Incidence of **Extreme Poverty** 2021 **15.1%**
- **57% of the population** in Colombia is in some degree of **economic vulnerability**.

Figures Colombia (Source DANE)

Socio-economic Characterization of the Formal Worker Segment:



51% of the Formal Worker segment has an income equal to or less than 2 SMMLV.



The current portfolio of the formal worker segment represents almost **\$4.2 billions**, with a **participation of 26%**.

Positive Impacts Business Banking + Government Banking

 ALL ASSOCIATIONS
 KEY ASSOCIATIONS
 COUNTRY PRIORITIES
 LOCAL PRIORITIES
 SMEs

- **Government Banking. (\$1.1 Bn Portfolio)** Financing of organizations that provide health, education, culture and basic sanitation services.
- **Business Banking. (\$170 MM Portfolio)** Financing of Higher Education activities and Real Estate Sector activities.



Principle 2. Impact Assessment

Currently Funded Activities with Sustainable Financing Potential

32.5% of the Business and Government Banking portfolio can increase its positive impact on the following sectors or economic activities:

- ☐ **Construction** Construction of buildings and road infrastructure.
- ☐ **Manufacturing** Manufacture of plastic, cement, textile, chemical and pharmaceutical industry.
- ☐ **Livestock** Animal husbandry and poultry.
- ☐ **Aqueducts and Sewers** Water collection, treatment and distribution.
- ☐ **Gas supply.** Production and distribution of gas or gaseous fuel through pipelines.
- ☐ **Quarries and construction materials.** Extraction of non-ferrous minerals.

Sustainable Financing Potential Business Banking + Government Banking

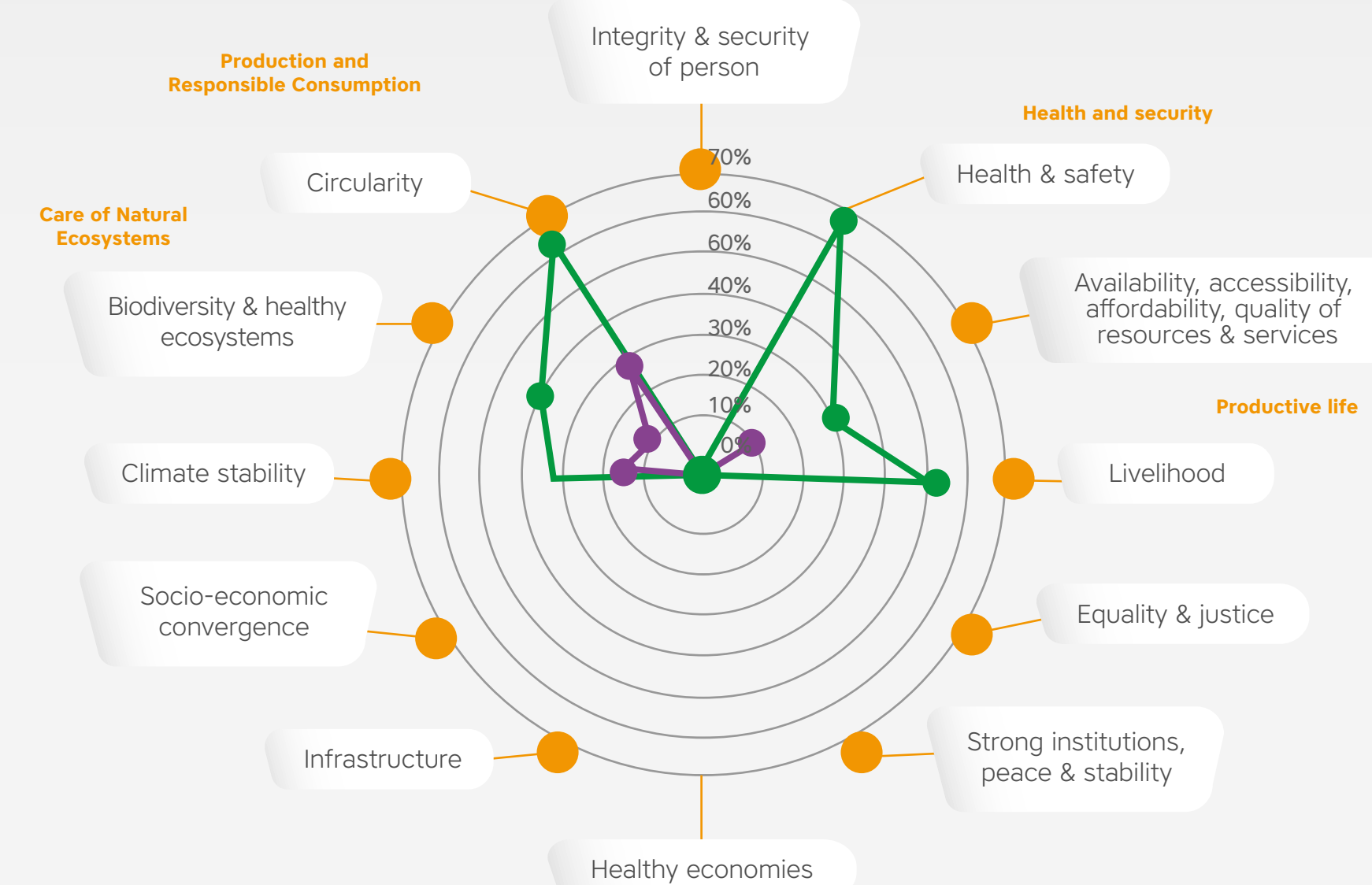
ALL ASSOCIATIONS

KEY ASSOCIATIONS

COUNTRY PRIORITIES

LOCAL PRIORITIES

SMEs



Objectives 2023 - 2025

The UNEPFI methodology invites us to establish at least 2 relevant objectives, with a specific time limit, that allow us to increase the positive impacts of the organization towards society.



Objective 1

Design and develop a strategy for Financial Inclusion for Older Adults, within the framework of the Silver Economy.



Objective 2

Design and develop a sustainable financing strategy focused on responsible production and consumption, as well as the care of Natural Ecosystems.



Objective 1

Inclusive Economies

Design and develop a strategy for Financial Inclusion and Financial Well-being for Older Adults, within the framework of the Silver Economy

Diamond Offer for Senior Adult

Our Bank offers products and services that are accessible and designed according to the needs of our customer segment.

That is why, currently we have a special offer for older adults, designed to generate positive and memorable experiences.

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

Colombian context of access to financial services

Access to financial services facilitates daily life and helps families plan from long-term goals to unexpected emergencies. In Colombia, adults over 65 present a 32% gap between the use and access to financial products and services, which results in less well-being for this vulnerable group of the population.

In this sense, education and knowledge contribute not only to the development of people, but also to inclusion and the generation of new opportunities to continue living together the positive effect. Digital literacy strategies improve people's self-esteem and autonomy by being essential for social inclusion, facilitating people's access to the financial system, reducing fiscal risks and promoting the formalization of the economy.



Our offer of Value to the **Elderly of the Country**

Diamond Account

- No handling and administration fees
- No fees for withdrawals, transfers, transfers, consultations and automatic notifications
- Up to 5 savings pockets
- Aval Experiences (Access to best concerts and shows)

Diamond Credit Card

- No cost 3 months handling fee
- Minimum documentation and fast approval
- Discounts up to 65% in more than 100 establishments
- Aval experiences (Access to best concerts and shows)

Prestayá Credit

- Preferential Interest Rates
- Portfolio Purchase
- Minimum Required Income
- Prestayá Digital
- Life Insurance

Integral Protected Account

- Prevention of unexpected economic impacts (Theft, loss, fraud, forced use)
- Automatic debit of savings account
- Access to personalized credit reports
- Access to digital training and nutrition platforms
- Access to digital education platform

Saving Account

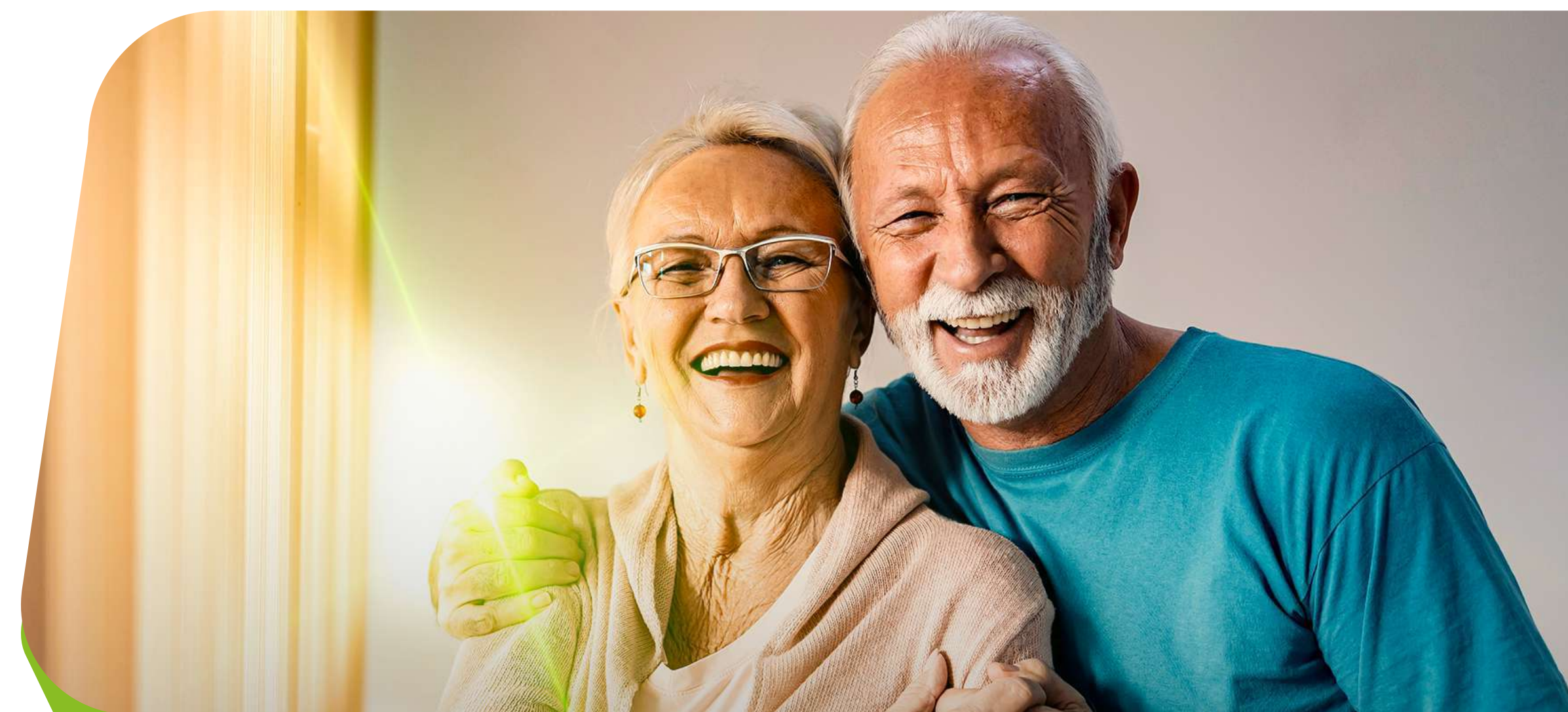
- No cost of management and administration
- Greater profitability and immediate availability of resources
- No fees in withdrawals, transfers, transfers, consultations and automatic notifications
- Up to 5 pockets of savings
- Experiences Aval (Access to best concerts and shows)

Objective 1

Inclusive Economies

In 2022, we will work on the development of a more focused strategy in our target segment, which will allow us to strengthen our relationship with customers, facilitating their entry into digital banking and promoting the intelligent use of accessible products and services.

We have focused this management on the strategic priorities of our Bank, facing the service with positive attitude, bank in your pocket, smart bank and shared value.



Objective 2

Climate Stability

Design and develop a sustainable financing strategy focused on responsible production and consumption, as well as the care of Natural Ecosystems.

Sustainable Financing Approach

In the banking sector, climate change has a great importance directly linked to the possible financial implications, where the discussion of both physical and transitional climate risks have taken on significance.

This situation is driving strategic decision-making in our bank, where by 2025 we plan to redirect funds towards activities that support the transition of our country's economy to a more sustainable and low-carbon model.

Our Sustainable Strategy

Based on our superior proposition of "Being a sustainable company that creates experiences that positively transform people's lives", at Popular we are committed to the sustainable development of the country, where through our sustainability strategy we leverage economic growth as well as the well-being of individuals and organizations in the territories where the entity has a presence.

In 2022 we updated our materiality, finding 22 topics that cover environmental, social and governance issues (ESG) key to our strategy, with climate change being one of the most relevant issues.

Environmental and Social Risk Management System (SARAS)

During 2022 we worked on the implementation of our SARAS, through which we will be able to identify, evaluate, manage and monitor the E&S3 risks associated with the activities we finance. In September we will start with our pilot SARAS, which will involve our segments of Business Banking, Corporate and Project Finance.

Climate Risk Management (TCFD)

We want to be one of the leading banks on the path to transition to a low-carbon economy. We have advanced in the identification and understanding of our exposure to the risk of climate change, which will allow us to address in the coming years a prospective vision on our financed emissions and the placement in resilient and adaptable sectors.



In developing our strategy, the Bank will design and implement medium- and long-term goals with the purpose of establishing metrics that periodically bring us closer to meeting objectives 1 and 2. Furthermore, these will have the mission to contribute to the fulfillment of our value proposition, commit ourselves to the needs of our stakeholders and contribute to national priorities towards sustainable development.





PRINCIPLES FOR
RESPONSIBLE
BANKING



Principles for Responsible Banking

————— (PRB) - UNEP FI

Reporte Banco Popular 2022