CONDUCT RISK POLICY

MACROPROCESS

RISK SYSTEMS MANAGEMENT

Approvals		
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1. INTRODUCTION

This document contains the Conduct Risk Management Policy of Banco Popular, understood as the set of guidelines that enables the entity to identify, measure, control, and mitigate potentially risky conduct by the institution, its employees, and contractors that may adversely affect its clients and users and impact the integrity and transparency of the market.

This Policy was developed based on the Conduct Risk Management Strategy defined by the Board of Directors and on current Financial Consumer Protection regulations, primarily set out in Law 1328 of 2009 *"Financial Consumer Protection Regime"*, CONPES 4005 of 2020 *"National Policy for Economic and Financial Inclusion and Education"*, and on the best practices set out in the External Supervision Guide for Conduct Risk issued by the Financial Superintendency of Colombia, which serves as the Bank's framework for managing this risk. The preparation of this Policy also considered principles established in this area by the Organization for Economic Co-operation and Development – OECD.

In this regard, the primary objective of the guidelines set out herein is the protection of the assets of the Bank's clients and users, their personal data, and the implementation of mechanisms to handle requests, complaints, and claims submitted by them, as well as the corresponding remedial actions.

2. ORGANIZATIONAL BEHAVIOR GUIDELINES

Banco Popular's guidelines for Conduct Risk management, which govern all relationships between the Bank and financial consumers and the market in general, are based on the principles of fair treatment[1], transparency[2], and integrity, which form part of the culture of the Bank, its employees, and third parties.

As the Bank is committed to providing financial support and guidance to its different customer segments to achieve their goals, the behavior of the Bank's administrators, employees, and third parties must be guided by the following ethical principles:

Respect: We recognize, value, and respect others, especially our clients, promoting an organizational environment where diversity of opinions is valued and respected, to jointly build shared visions that add value to the institution, to clients, and to our stakeholders.

Responsibility: We assume and fulfil our obligations and commitments, acting with discipline and perseverance to achieve our objectives, and we acknowledge and accept the consequences of our own actions and decisions.

[1] External guide for the supervision of conduct risk – Financial Superintendency of Colombia
[2] Law 1328 of 2009 principle of Transparency and truthful, sufficient and timely information.

Commitment: We work with pride and a sense of belonging, contributing our knowledge and capabilities to achieve the Bank's objectives.

Loyalty: We act in the interest of the Bank, its clients, and shareholders, behaving in an ethical, honest, faithful, and objective manner.

Honesty: We act appropriately, maintaining impeccable conduct, in strict adherence to ethical principles and the regulations governing the Bank's activities.

In line with the foregoing, Banco Popular, its employees, and third parties engaged to act on the Bank's behalf must interact with financial consumers in accordance with the principle of fair treatment, ensuring that in the design, offering, and provision of products and services, the needs and expectations of financial consumers are met in accordance with the Bank's value proposition; that they have access to complete, clear, transparent, and timely information, in line with the needs and profile of the financial consumer throughout the product lifecycle; that there are no barriers preventing them from switching products or services; and that they have efficient processes to file complaints or claims and submit requests that enable consumers to protect their rights and address their interests.

3. PRINCIPLES OF ACTION

Principle of Fair Treatment of the Client

Fair treatment of financial consumers arising from appropriate conduct by the Bank's employees and administrators focuses on their protection and well-being, thereby contributing to the proper functioning and effectiveness of the financial system and to maintaining a viable and sustainable business model.

The adoption of policies and strategies for appropriate service with a focus on fair treatment, protection, respect, and service to the financial consumer must be reflected in the quality and suitability of the products and services offered by the Bank, ensuring that their conditions are aligned with good practices and preventing practices considered abusive.

In applying this principle, the Bank must ensure:

- Products and services that meet the needs and expectations of financial consumers.
- Access to and provision of clear, transparent, and timely information, in line with the needs and profile of the financial consumer, throughout the product lifecycle.
- Absence of barriers to switch between different products, services, and financial institutions.
- Absence of barriers to file complaints or claims.

Financial consumers of the Bank must be treated with respect, honesty, fairness, equity, and empathy. The culture of fair treatment of the financial consumer must be promoted at all levels of the Organization.

Cultural and ethical considerations must be incorporated in recruitment and staff training processes.

Product and service design

The design of products and services offered by the Bank to financial consumers must consider their interests and meet their needs and expectations. The implementation, updating, and modernization of the Bank's portfolio must be developed and implemented in accordance with the minimum parameters established by applicable standards, and must include appropriate and timely disclosure to clients regarding the impacts that innovation may have on their products, as well as the support required from the Bank so they can adapt in a simple, agile, and secure manner.

Transparency in information disclosure

The Bank must ensure that the disclosure of information related to the benefits, risks, conflicts, and fundamental conditions of its products and services is provided in a transparent, accurate, and understandable manner. This principle requires that the Bank provides financial consumers with clear, timely, truthful, sufficient, verifiable, understandable, precise, and suitable information regarding its products and services, from onboarding, throughout the duration of the relationship, and even after its termination.

Therefore, the information provided by the Bank through all its channels must be delivered within an impartial, accurate, consistent, and simple framework, using readable and comparable formats.

Responsible pricing

The Bank's pricing must be established in accordance with competition regulations regarding pricing and within the framework of provisions related to tariff stability. The process must ensure a balance between costs, risks, and the usefulness of the product or service for the client.

Fees for financial products or service commissions must be reasonable, transparent, and disclosed in advance to the financial consumer.

Transparent sales

The Bank must focus the marketing and sale of its financial products and services in accordance with the needs and preferences of its clients, avoiding conflicts of interest and any actions contrary to the Code of Ethics and Conduct.

Business models and remuneration and incentive structures must be established to promote ethical behavior by employees and third parties towards financial consumers, aligned with the Bank's long-term objectives.

Personal data processing

The processing of clients' personal data must be carried out in accordance with the authorization granted by clients, in strict compliance with applicable legal provisions, respecting the privacy, confidentiality, and secrecy of their information.

Complaint management

Banco Popular must have processes to serve financial consumers in an accessible, affordable, independent, inclusive, equitable, fair, timely, responsible, and efficient manner.

Financial education

The Bank must implement mechanisms that consistently contribute to the financial education of its clients, so that they can make informed and appropriate financial decisions.

Operational management

Operational management must include processes and controls to prevent conduct that may negatively impact financial consumers or the integrity and transparency of the market.

N.º	Principle
1	Fair Treatment of the Client Principle
2	Product and Service Design
3	Transparency in the Delivery of Information
4	Responsible Pricing
5	Transparent Sales
6	Personal Data Processing
7	Claims Management
8	Financial Education
9	Operational Management

4. POLICIES FOR CONDUCT RISK MANAGEMENT

- The Board of Directors and Senior Management are committed to Conduct Risk management and promote within the Bank a culture of fair treatment towards financial consumers, as well as towards external consultants and other contractors.
- The Bank has guidelines and processes to ensure that the design, offering, and provision of products and services address the needs and expectations of financial consumers.
- The Bank ensures the existence of processes, metrics, and channels related to the filing, management, and monitoring of requests, complaints, and claims, enabling financial consumers to exercise their rights.

- The Bank ensures access to and provision of clear, transparent, and timely information, in accordance with the needs and profile of the financial consumer, throughout the product lifecycle.
- The Bank seeks to ensure that performance standards and the incentive scheme are consistent with the culture of fair treatment of financial consumers.
- The Bank maintains training plans to promote a culture of compliance with the principles of fair treatment, through training and capacity-building programs for the sales force and related third parties, to ensure appropriate advice, an appropriate level of information, and delivery of financial services.
- For conduct risk management, the Bank has an organizational structure, guidelines, and processes that enable it to identify, measure, control, and mitigate potential conduct that may negatively impact financial consumers, as well as the integrity and transparency of the market.
- Through the Code of Ethics and Conduct, the Bank establishes the guidelines and rules of behavior toward financial consumers, as well as the consequences of non-compliance.
- Bank employees must report any potential conflicts of interest identified in relation to fair treatment of financial consumers, through the mechanisms established for this purpose.
- Conduct risk management is subject to the guidelines established in the Integrated Risk Management System ("SIAR", Spanish Acronym).
- The policies for conduct risk management and the resulting processes must be known by all direct employees of the Bank, temporary workers at all organizational levels, and third parties contracted to provide services or products across the entire value chain, who are required to comply with them.
- The Financial Consumer Service System (SAC, Spanish Acronym) forms part of the Conduct Risk management strategy.

5. GOVERNANCE MODEL

The Governance Model encompasses the strategy, culture, values, attitudes, behaviours, and internal rules governing conduct toward financial consumers, through the development and performance of the roles assigned to each of the areas within the three-lines model, in accordance with the provisions of the SIAR.

	Board of Directors
	Board of Directors Risk Committee
	Senior Management
1st Line	Identification, management and control of risks
	Operational management
2nd Line	Risk supervision and monitoring, compliance
	Risk management

	Financial analysis
	Compliance
3rd Line	Assurance
	Internal Audit / Comptrollership
	Statutory Auditor
	Regulator

Illustration 1 – Governance Model

- **First line:** corresponds to Operational Management. It is responsible for identifying, measuring, controlling, and monitoring all events that affect the proper treatment of consumers, as part of the policies, procedures, and indicators that support comprehensive Conduct Risk management and continuous improvement of the customer experience.

  It is also responsible for implementing, managing, and ensuring adequate advisory services, level of information, and service delivery to prevent potential harm to financial consumers or to the integrity of the market.

  This line includes the Commercial Vice Presidencies, Treasury and Subsidiaries Vice Presidency, Operations Vice Presidency, Corporate Affairs and Sustainability Vice Presidency, Technology Vice Presidency, Human Talent Experience Vice Presidency, and Credit Vice Presidency.

- **Second line:** the Second Line corresponds to Risk Supervision and Monitoring and Compliance; it comprises:

  Risk Management: responsible for identifying, measuring, and mitigating potential adverse impacts, both monetary and non-monetary, on financial consumers, or those that may also result in adverse effects for the Bank as a result of the business model, product design, incentives, advertising practices, and service schemes, among other root causes.

  Financial Analysis: responsible for proactively assessing and providing recommendations, among other aspects, regarding product profitability schemes and associated incentives in accordance with the Bank's strategic plan.

  Compliance: must incorporate the assessment of the policies and procedures developed for consumer service, as well as reports to Senior Management and the Board of Directors regarding the work performed by the Financial Consumer Ombudsman.

This line includes the Risk Vice Presidency, Treasury and Subsidiaries Vice Presidency, Financial Consumer Ombudsman, and Corporate Affairs and Sustainability Vice Presidency.

- **Third line:** responsible for evaluating appropriate Conduct Risk management by examining conduct towards financial consumers by those performing roles in the first and second lines. This line includes the Comptroller's Office Management.

6. ORGANIZATIONAL STRUCTURE

Conduct risk management is led by the Risk Vice Presidency and its supporting areas, as well as by all Bank employees.

FUNCTIONS

The responsibilities related to Conduct Risk Management are set out below:

6.1. BOARD OF DIRECTORS

- Approve the strategy for conduct risk management and monitor its implementation.
- Approve the Conduct Risk Management Policy.
- Approve and monitor the implementation of policies to promote ethical business conduct and a culture of fair treatment of financial consumers at all levels of the Bank.
- Ensure fair treatment of financial consumers.
- Review and approve the conduct risk appetite.
- Approve the risk management framework considering culture and conduct factors.
- Review the reports submitted by the Financial Consumer Ombudsman and diligently implement the identified improvement opportunities.
- Approve the Bank's incentive scheme and performance standards, aligned with the culture of fair treatment of financial consumers.
- Approve guidelines related to mechanisms for employees and clients to report conduct events and conflicts of interest that may affect financial consumers.
- Any other responsibilities arising from applicable regulations.

6.2. SENIOR MANAGEMENT

Senior Management, under the direction and supervision of the Board of Directors, is responsible for:

- Design the Work Plan to identify, measure, control, and mitigate conduct by the Bank, its employees, and contractors that may be inconsistent with the strategy and policy approved by the Board of Directors for conduct risk management.

- Design and implement policies to serve consumers, as well as mechanisms to address complaints and dissatisfaction reported by consumers.
- Develop and implement policies and procedures to promote a culture of fair treatment of consumers throughout the product lifecycle.
- Assign roles and responsibilities to promote and manage the culture of fair treatment within the Bank, and validate compliance with those functions.
- Implement processes for the design, approval, and monitoring of the products offered, considering the risks they may generate for the Bank and/or the financial consumer.
- Implement, in the ordinary course of business, the good practices approved by the Board of Directors regarding fair treatment of financial consumers.
- Implement and monitor the application of policies for information disclosure to consumers.
- Apply the culture and conduct drivers approved by the Board of Directors as part of the Bank's risk management framework, and adopt measures in response to potential non-compliance and/or inappropriate conduct by Bank employees.
- Implement business models and incentive schemes that promote prudent risk-taking and that are aligned with the Bank's long-term strategic objectives and fair treatment of financial consumers.
- Implement policies and practices to keep the Board of Directors duly informed regarding the following matters: development and management of new products, marketing and advertising, performance of financial consumer satisfaction indicators, management of recommendations issued by the Financial Consumer Ombudsman and internal audit, among others.
- Promote forums, channels, and/or mechanisms through which employees and the general public may report conduct events and conflicts of interest that may affect financial consumers.
- Ensure that the strategy incorporates risk factors to which the Bank and consumers are exposed due to potential conduct-related events.
- Implement mechanisms for the identification, disclosure, management, and control of conflict-of-interest situations affecting consumers.
- Promote the appropriate allocation of resources for new and existing products, as well as for Financial Education.
- Implement policies and procedures to control the quality of the work performed by contracted third parties that provide services or products throughout the value chain.

6.3. BOARD OF DIRECTORS RISK COMMITTEE

- The responsibilities of this Committee are defined in the Regulations of the Board of Directors Risk Committee, and these responsibilities apply to conduct risk management.

6.4. NON-FINANCIAL RISK COMMITTEE

- The responsibilities of this Committee are defined in the Regulations of the Bank's Non-Financial Risks Committee, and these responsibilities apply to conduct risk management.

6.5. RISK VICE PRESIDENCY

- Implement and monitor the conduct risk strategy approved by the Board of Directors.
- Verify that the following documents remain up to date:
    - The Bank's Code of Ethics and/or Conduct and any other internal document establishing guidelines and rules of behavior toward financial consumers and the consequences of non-compliance, among others.
    - Policies and procedures established for conduct risk management.
    - Alerts or indicators to identify possible impacts on financial consumers and the corresponding corrective or improvement actions.
- Develop and maintain methodologies and procedures for Conduct Risk Management.
- Monitor the conduct risk profile and the effectiveness of the established controls.
- Report to Senior Management and the Board of Directors on the status of conduct risk management and the evolution of the risk profile.
- Develop, together with the support areas, training programs to strengthen the organizational culture regarding conduct risk.
- Review and provide feedback to process leaders regarding the changes required in the Conduct Risk matrix resulting from Internal Audit and Statutory Auditor reports.
- Propose the level of risk appetite that the Bank is willing to assume regarding Conduct Risk.

6.6. CORPORATE AFFAIRS AND SUSTAINABILITY VICE PRESIDENCY

- Analyze and coordinate with the responsible areas the implementation of laws, rules, best practices, standards, and regulations related to fair treatment of financial consumers.

6.7. TREASURY AND SUBSIDIARIES VICE PRESIDENCY

- Assess the profitability structure of products in relation to possible impacts on consumers and maintain mechanisms to monitor them.
- Establish measures to be followed when situations arise that are not aligned with the provisions of the strategic plan and that may also generate impacts on consumers.
- Support the evaluation of the incentive scheme for the sales force.

6.8. OPERATIONAL MANAGEMENT

6.8.1. Retail Banking and Customer Experience Vice Presidency

- Establish guidelines and processes for the design, development, and management of financial products, as well as relevant aspects concerning relationships with financial consumers.

- Implement solutions in a timely manner to identified issues, as well as recommendations made by the Financial Consumer Ombudsman and Internal Audit.
- Use mechanisms to strengthen customer understanding and provide or improve the product offering.
- Understand and implement the guidelines and processes for the placement, maintenance, and product advisory services.
- Apply the procedures and protocols that establish the appropriate provision of information to the financial consumer at the time of product onboarding and termination.
- Establish training programs for the sales force and other related third parties to ensure adequate advisory services, level of information, and provision of financial services.
- Adapt the offering and advisory services to the needs and capabilities of the financial consumer, considering their demographic and socioeconomic characteristics and possible disabilities.
- Implement controls over the quality of the work performed by third parties for onboarding, provision of information and advisory services, customer understanding, and delegation of professional duties.
- Develop the instruments, methodologies, and procedures required to effectively manage the Consumer Service System (SAC).
- Conduct perception assessments to determine the level of consumer satisfaction/recommendation and incorporate these results into improvements throughout the product lifecycle.
- Maintain established forums and/or channels to provide feedback to the Board of Directors, Senior Management, Risk Management, and Internal Audit regarding the results of consumer satisfaction measurements, identification of conduct-related events, or other significant findings related to financial products.
- Implement processes and controls for the management of consumers' personal information.
- Support the disclosure, publication, and communication to clients of contractual changes through the defined channels.
- Establish training programs for the sales force and other related third parties regarding SAC and Customer Experience.
- Implement financial education programs according to the characteristics of the products offered and target segments.
- Maintain technological tools that improve or facilitate consumer interaction with products and ensure the security of financial consumers' information.
- Implement and monitor channels for reporting conduct that may harm consumers, as well as protection schemes for whistleblowers.
- Coordinate the implementation of mechanisms to identify and resolve conflicts of interest that may affect financial consumers, in accordance with the Bank's Code of Ethics or Conduct.

6.8.2. Corporate and Government Banking Vice Presidency

- Establish guidelines and processes for the design, development, and management of financial products, as well as the relevant aspects of engagement with financial consumers.
- Use mechanisms to strengthen consumer understanding and to provide or improve the product offering.
- Understand and execute the guidelines and processes for product placement, maintenance, and advisory services.
- Apply procedures and protocols that ensure the appropriate provision of information to the financial consumer at the time of product onboarding and termination.
- Establish training programs for the sales force and other related third parties to ensure adequate advisory services, appropriate level of information, and proper provision of financial services.

6.8.3. Operations Vice Presidency

- Define, establish, and implement policies, procedures, and metrics for the management and monitoring of Petitions, Complaints, and Claims (PQRs).
- Monitor PQR trends and review requests and recommendations issued by the Financial Consumer Ombudsman in the exercise of its functions, ensuring the quality of responses and compliance with defined service timelines.
- Ensure that the selection of the Financial Consumer Ombudsman is performed in compliance with internal guidelines and current regulatory requirements.
- Include in its work plans elements related to the evaluation of the policies and procedures developed for consumer service, as well as for the selection and management of the Financial Consumer Ombudsman.

6.8.4. Human Talent Experience Vice Presidency

- Develop programs to train sales force employees in the offering, advisory services, and provision of products and services.
- Implement controls over the quality of work performed by third parties for onboarding, information provision, advisory services, and customer understanding.
- Evaluate the sales incentive scheme.
- Manage internal cases arising from investigations related to conflict-of-interest situations that affect the consumer.

6.8.5. Process Owners

- Identify Conduct Risks in the processes under their responsibility and establish mitigation measures.
- Manage prevention and mitigation measures for risks, as well as define and monitor conduct risk indicators.
- Ensure the quality and consistency of the information reported in connection with Conduct Risk Management.

- Promote the participation of employees in the area and third parties supporting their processes in training on Conduct Risk Management.

6.9. INTERNAL AUDIT

Internal Audit is responsible for supervising organizational aspects that promote a culture of fair treatment of financial consumers, taking into account:

- Include in its audit programs the assessment of proper conduct risk management.
- Examine the Bank's culture and behavior towards financial consumers as part of the evaluation of ethics programs.

6.10. ALL EMPLOYEES

- Comply with the policies, processes, and controls established for Conduct Risk Management.
- Report events in a timely manner related to Conduct Risk Management, as well as any conflicts of interest they identify.
- Participate in training and capacity-building activities delivered by the Bank.

DEFINITIONS

For the purposes of this document, the following definitions must be considered (some of which are taken from the Technical Supervision Document on Conduct Risk issued by the Financial Superintendency of Colombia):

- **Client:** A natural or legal person with whom the Bank establishes legal or contractual relationships for the supply of products or services, in the course of its corporate purpose.
- **Prospective Client:** A natural or legal person who is in the preliminary negotiation phase with the Bank, regarding the products or services offered by the Bank.
- **Conduct:** Behaviours and practices carried out by supervised entities that materially impact[3] or may cause harm[4] to financial consumers or to the integrity and transparency[5] of the market.
- **Financial Consumer:** Any client, user, or prospective client of supervised entities.
- **Culture:** A determining factor in the conduct of the Bank or its employees, comprising values, attitudes, behaviors, and internal rules.
- **Conduct Risk Management Strategy:** A set of policies or guidelines that allow the identification, measurement, control, and mitigation of potential conduct, to guide

[3] The materiality of the impact and harm to financial consumers must be determined based on the informed judgment of the supervisor.

[4] Harm: Damages caused to financial consumers by the conduct of supervised entities in the provision of products/services. For supervisory purposes, damages are limited to breach of value promise, financial losses, and poor service or experience.

[5] That market participants have complete, clear, and truthful information.

supervised entities toward a culture of fair treatment and market transparency and integrity.

- **Petition:** Refers to requests submitted to the Bank to obtain a clear and precise response.
- **Principle of Fair Treatment:** In the development of this principle, the Bank must ensure in the design, offering, and provision of products and services:

  i. That the needs and expectations of financial consumers are addressed.
  ii. That access to clear, transparent, and timely information is provided, in accordance with the needs and profile of the financial consumer, throughout the lifecycle of the product.
  iii. That there are no barriers to switching between different products, services, and financial entities.
  iv. That the process for filing complaints or claims enables consumers to exercise their rights in a timely manner.
- **Products and Services:** Refers to all operations, both principal and ancillary, developed by the Bank.
- **Complaint or Claim:** A complaint or claim is an expression of dissatisfaction expressed by a financial consumer regarding a product or service acquired, offered, or provided by the Bank and brought to the attention of the Bank or the Financial Consumer Ombudsman, the Financial Superintendency of Colombia, or other competent institutions, as applicable.
- **Conduct Risk:** Conduct Risk is the possibility of affecting the rights of the financial consumer or the market, arising from the practice of the Bank. This impact may arise from factors such as product design, sales and marketing, and after-sales processes, as well as from the Bank's failure to comply with applicable regulations.
- **User:** A natural or legal person who, without being a client, uses the Bank's services.

CHANGE LOG

Version History

Version #	Publication date	Description of change
1	12/13/2024	Creation of the Conduct Risk Policy