

Corporate Governance Report 2021

VIGILADO SUPERINTENDENCIA FINANCIERA
DE COLOMBIA



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1. Corporate Governance

Corporate Governance Report, January-December 2021.

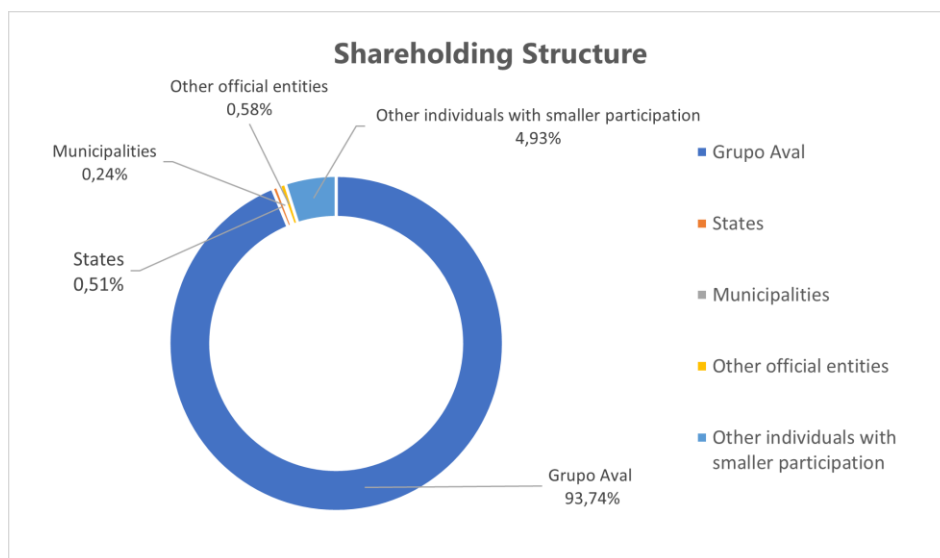
In accordance with the recommendations of Measure 33 of External Circular 028 of 2014 by the Superintendency of Financial Institutions of Colombia (SFC), the 2021 General Shareholders' Meeting report is hereby provided.

1.1 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.

1.2 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
Fourth line	Gabriel Mesa Zuleta <i>Chairman of the board</i>	Mauricio Fernández Fernández
Fifth line	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 ¹for the year 2021.

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

¹ 102-28 Performance evaluation of Banco Popular's highest governance body.



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

Jorge Enrique Jaimes Jaimes

Vice President of Operations

Alfredo Botta Espinosa - Juan Felipe

Vásquez Mora

Until September 30, 2021 From
October 1, 2021

Vice President of Finance

Vice President of Finance

Gabriel José Nieto Moyano

Vice President of Credit

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

Mario Javier Montalvo Sánchez
Banco Popular ADL Digital Lab
Manager

Yibrán Ortigón Botello
Integrated Risk 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.

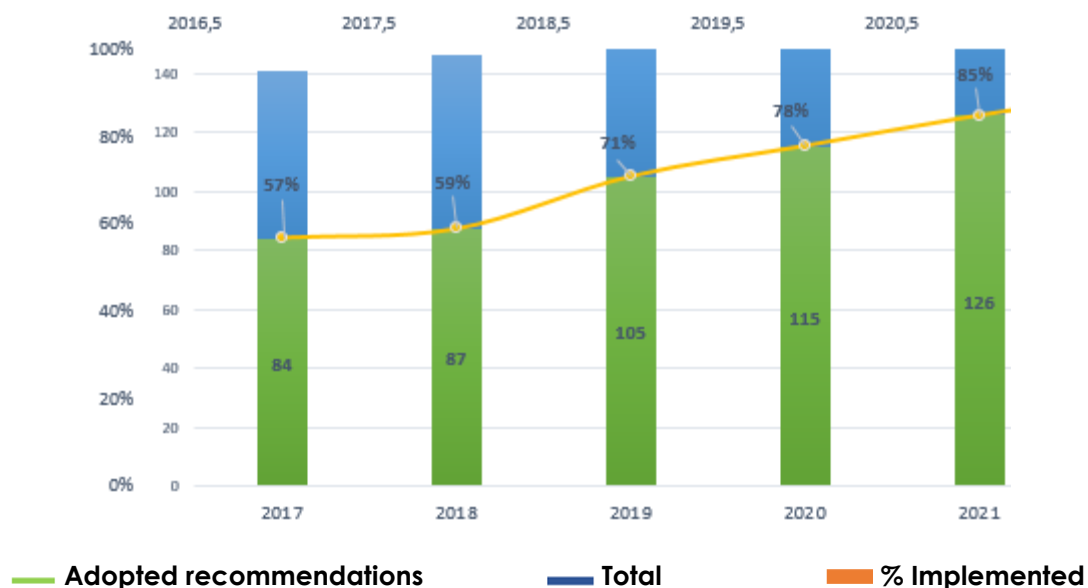
Código País recommendations adopted by the Bank	Recommendations implemented	Bylaws
Recommendations 10.7. and 10.10. related to the right of all shareholders to propose the inclusion of items in the agenda of the shareholders' meeting, or resolutions thereon.	Addition of the second paragraph to Article Eighteen of the Bylaws and the addition of Article 6 of the Internal Rules of Operation of the General Shareholders' Meeting.	General Shareholders' Meeting.
Recommendations 10.11. and 10.12. 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.	
Recommendation 8.1. 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.	
Recommendation 29.5. 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.	Board of Directors
Recommendation 22.2. 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".	
Recommendation 18.27. on the Internal Regulations of the Corporate Governance Committee.	Approval of the Internal Rules of Operation of the Corporate Governance Committee.	



Código País recommendations adopted by the Bank	Recommendations implemented	Bylaws
Recommendations 18.6., 18.23. and 18.24. 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.