

| 02

Corporate Governance



2.1.1. Corporate Governance Report

Period January-December 2023

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



I. Ownership Structure

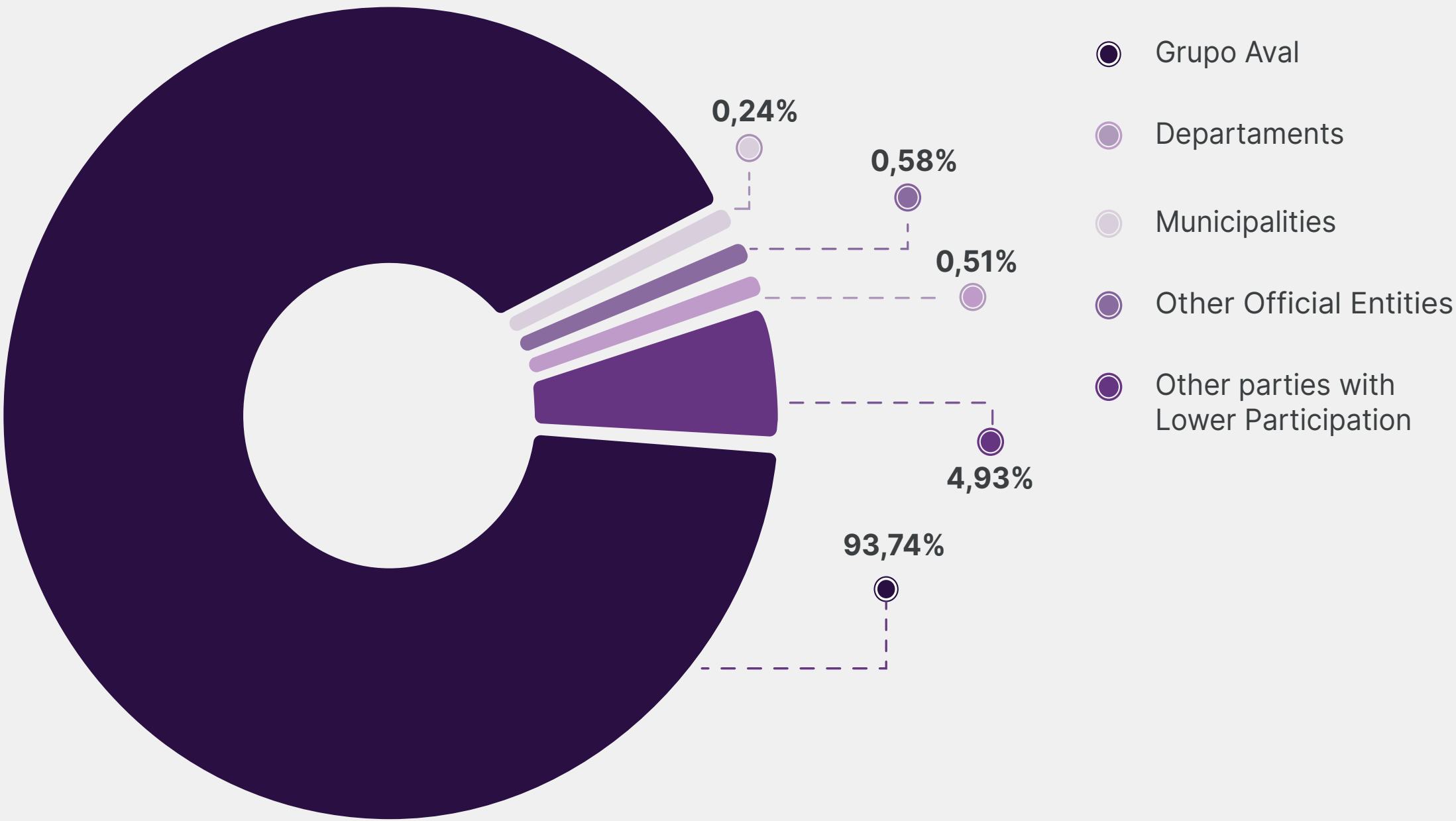
[Recommendation 23.3] [CE21]

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

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

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

Shareholding of Banco Popular



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

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

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



II. Administrative Structure

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

Board of Directors

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

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

Appointment and Remuneration

The General Shareholders’ Meeting, in compliance with legal and

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

[GRI 2-19] [CE26]

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



2.1.2. Composition of the Board of Directors²

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

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

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

Main Executives



Luis Orlando Álvarez Betancur



José Mauricio Rodríguez Munera



Mauricio Hernando Amador Andrade



Gabriel Mesa Zuleta
Chairman of the Board



Javier Díaz Molina

Alternates



Sandra Patricia Solozano Daza



Luz Piedad Rugules Ardila



Germán Michelsen Cuéllar



Mauricio Fernández Fernández



Diego Fernando Solano Saravia

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

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

Criteria for Independence

[CE29] [Recommendation 16.1.;16.5]

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

Directors’ Participation in Subordinate Boards

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

Fiduciaria Popular	Alpopular
Mauricio Fernández Fernández	Javier Díaz Molina

Meeting Development

[CE30, CE31] [Recomendación 19.4.]

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

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

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

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

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

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

Main Reports and Approvals

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

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

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

The most relevant updates are highlighted below:

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

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

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

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

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

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

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

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

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

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

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

External Advice

[Recommendation 33.3] [GRI 2-17]

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

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

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

The President of the Board of Directors

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

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

Secretary of the Board of Directors

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



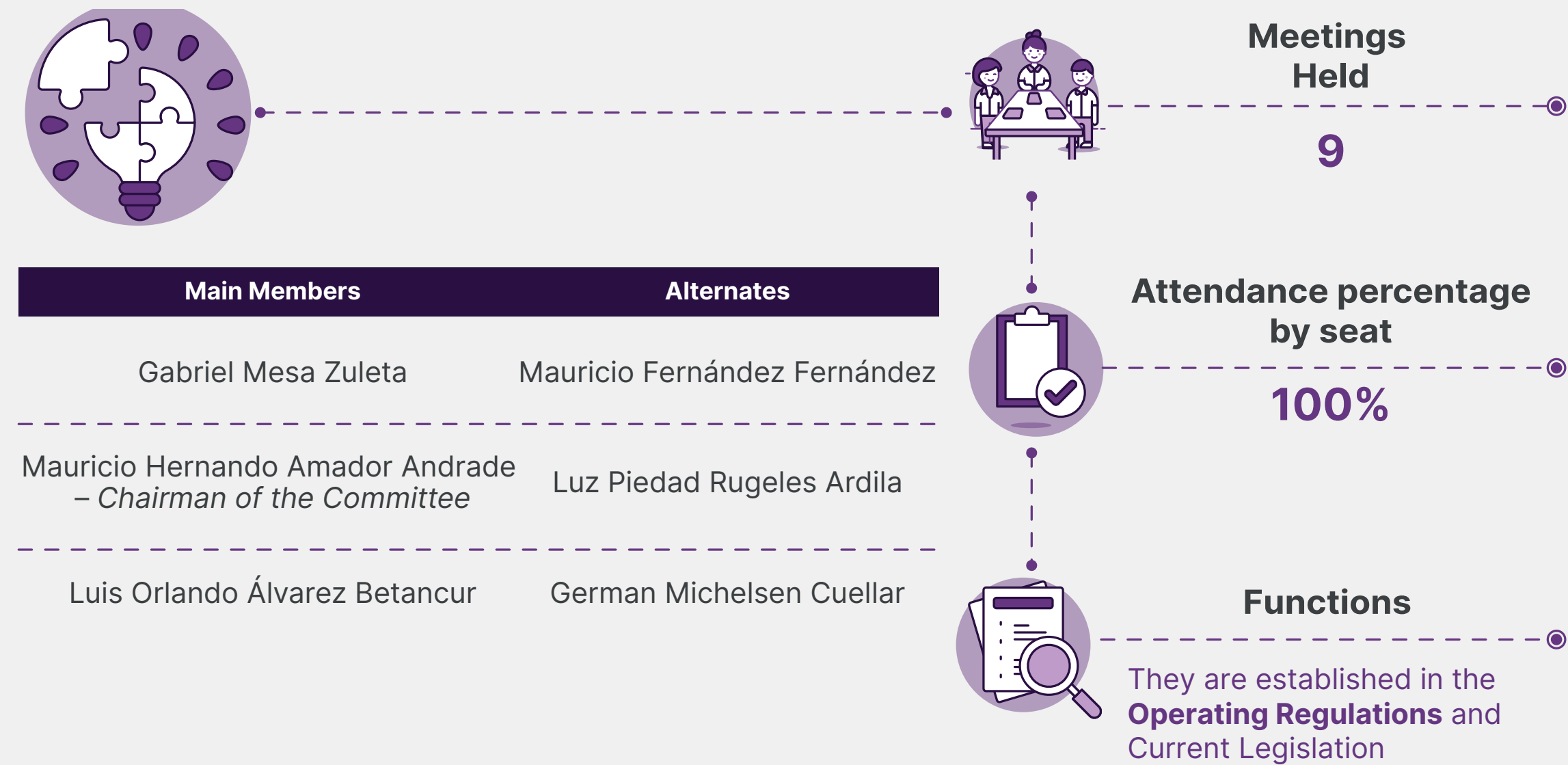
Support Committees of the Board of Directors

[GRI 2-9] [CE27, CE30]

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

Audit Committee

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



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

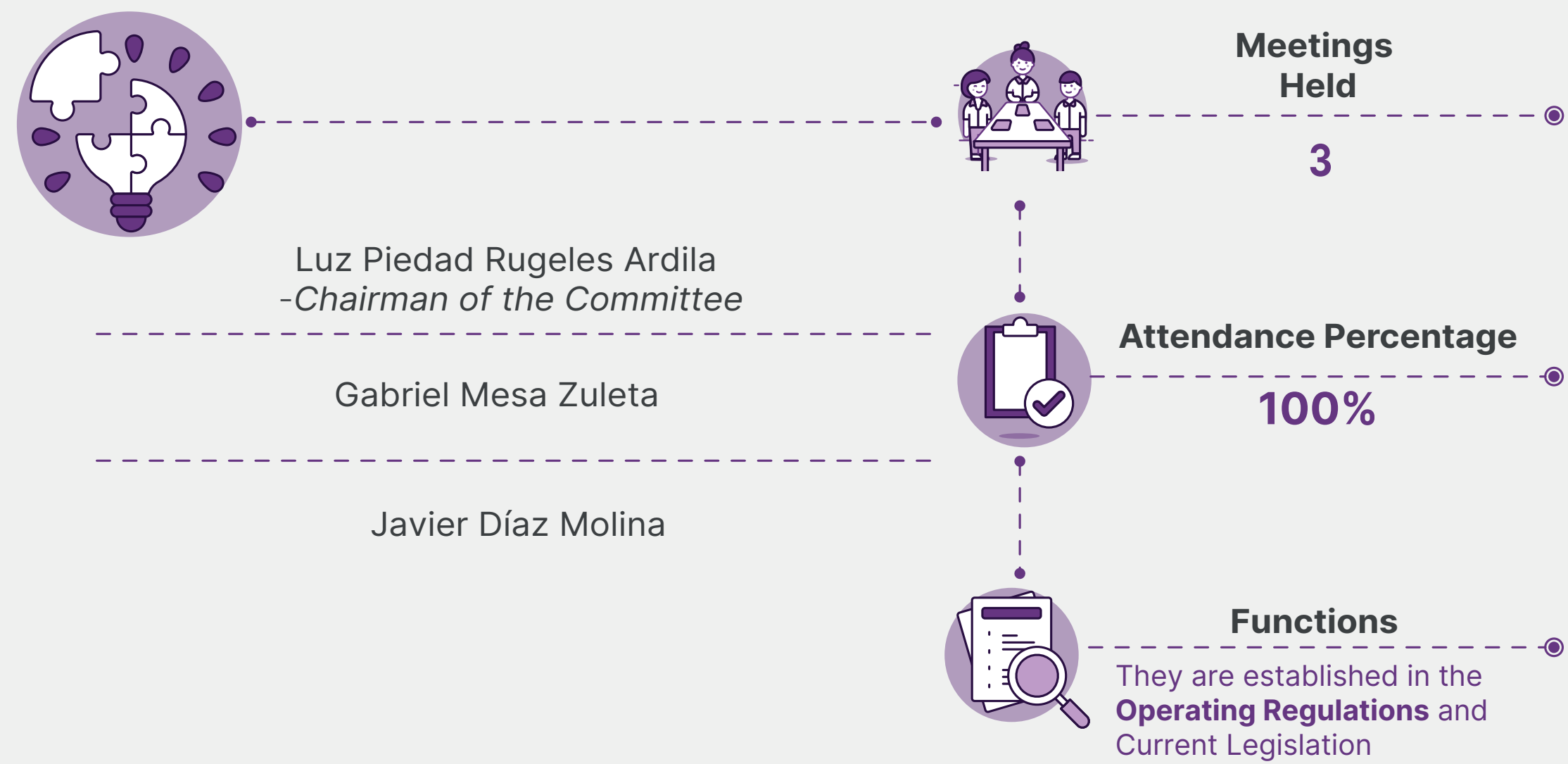


Corporate Governance and Sustainability Committee

[Recommendation 18.7]

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

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



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

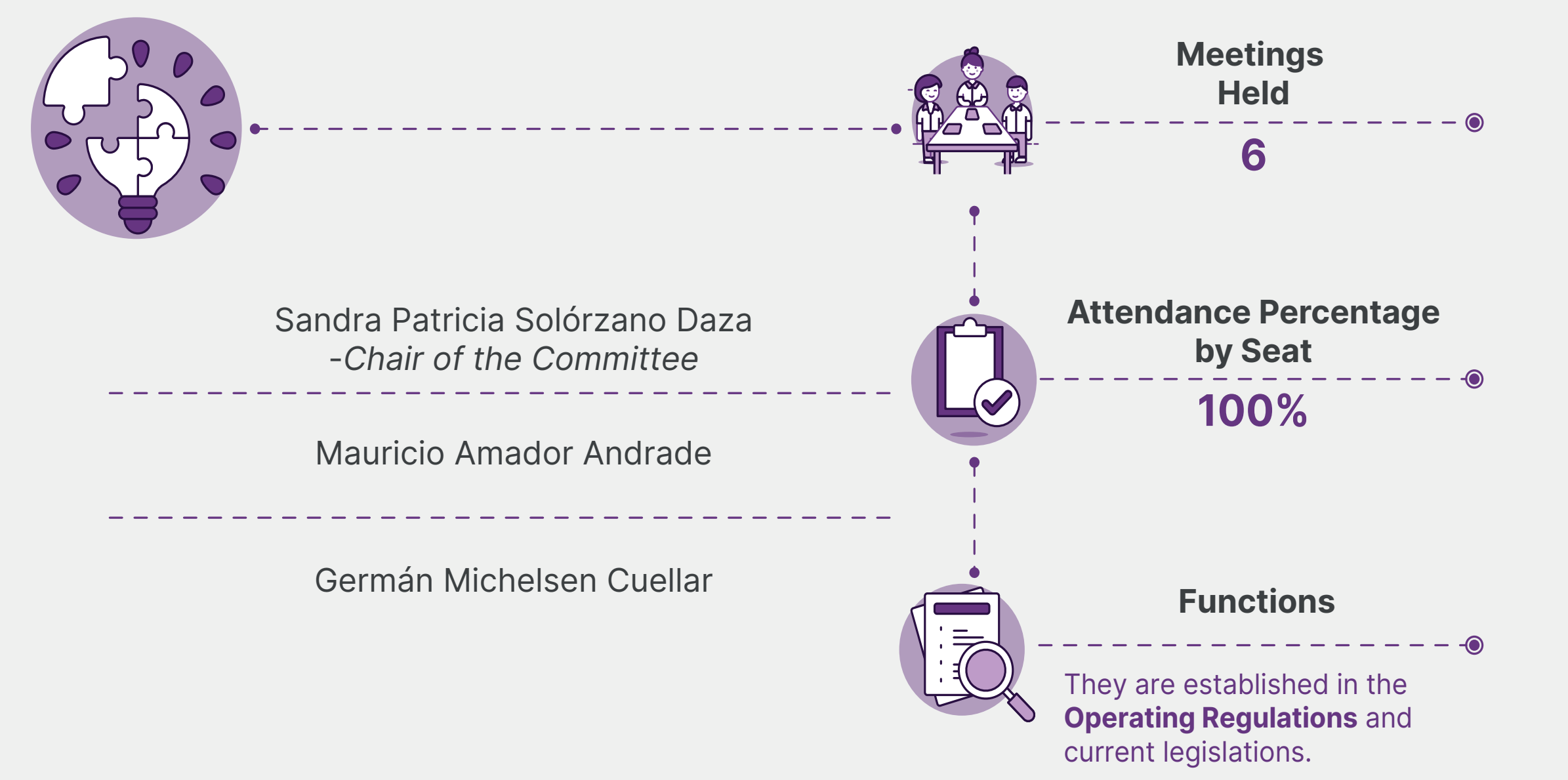




Risk Committee

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

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



⁷ Recommendation 18.25



2.1.3. Composition of Senior Management

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

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



President

María Fernanda
Suárez Londoño



Chief Comptroller

Walter
Saldaña Vergara



Chief Experience, Brand, and Sustainability Officer

Maria Paula
Wittich Borrero



Chief Digital Officer BP ADL

Mario Javier
Montalvo Sanchez



Vice President of Personal and Small Business Banking

Luis Fernando
Gómez Falla



Vice President of Corporate and Government Banking

Sergio Restrepo
Álvarez



Vice President of Credit

Gabriel José
Nieto Moyano



Vice President of Operations

Jorge Enrique
Jaimes Jaimes



Vice President of Human Talent Experience

Nubia Inés
Sanabria Nieto



Vice President of Risk

Helber Alonso
Melo Hernández



Vice President of Finance

Juan Felipe
Vásquez Mora



Vice President of Legal Affairs - General Secretary

Orlando
Lemus González



Vice President of Technology

Ricardo
Quijano Rueda

Material Changes in the Bank’s Senior Management

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

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

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

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

Presidency Executive Committee

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

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

Legal Representatives

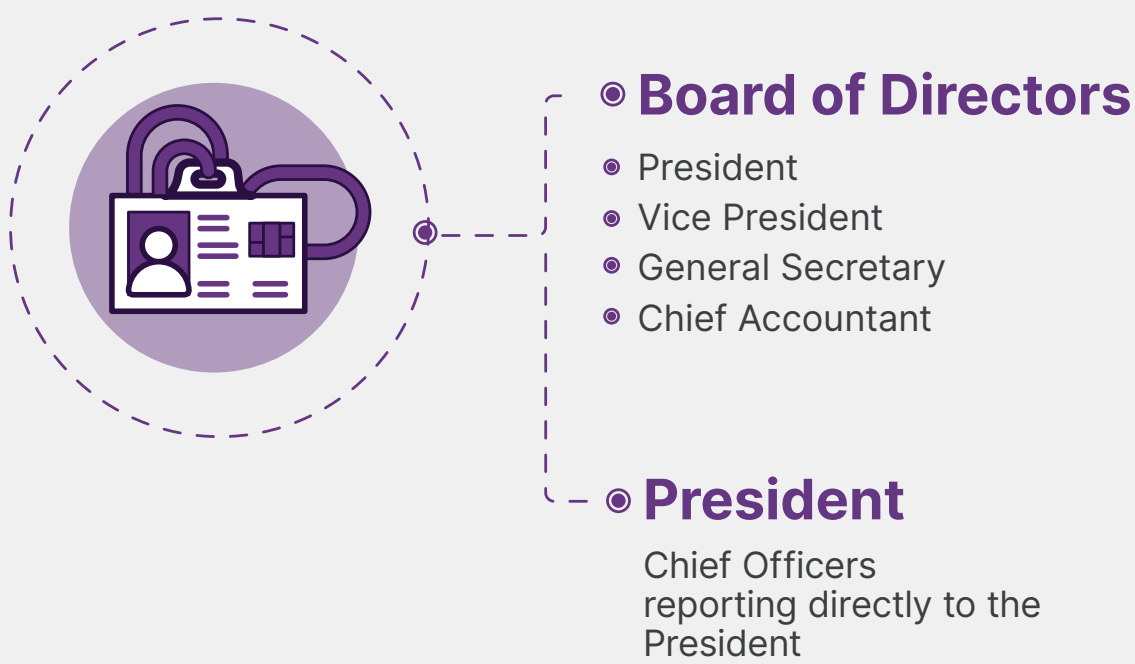
The Bank’s President, Vice Presidents, and the General Secretary hold the status of the entity’s legal representatives.

Appointment and Remuneration of Senior Management Members

[Recommendation 24.3] [CE26]

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

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



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

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



Performance Evaluation of Senior Management

[Recommendation 24.5] [CE31]

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



III. Transactions with Related Parties

[CE33]

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



IV. Risk Management System

Internal Control System

[Recommendation 33.3] [CE35]

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

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

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

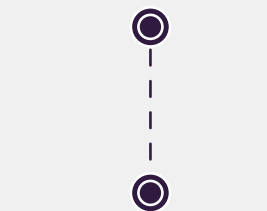
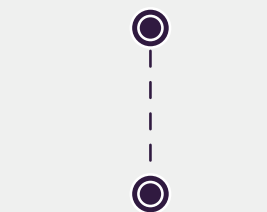
Internal Control System



Components



17 Principles



1.1 Commitment to Integrity and Ethical Values

1.2 Supervision of the Development and Performance of Internal Controls

1.3 Structures, Reporting Lines, and Responsibilities Aligned with Objectives

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

1.5 Employees Committed to Their Internal Control Responsibilities

2.1 Identification and Assessment of Risks Related to the Objects

2.2 Risk Analysis to Determine How They Should Be Managed

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

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

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

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

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

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

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

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

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

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


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

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

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

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

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



V. Government and Control Architecture

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



General Shareholders' Meeting

● Fiscal Auditor

Board of Directors

Support Committees

President

Audit

Government,
Corporate and
Sustainability

Risks

● Internal Audit

Vice Presidents

Managers reporting
directly to the
President

Directing Body ●

Administrative Body ●

Control Body ●

Senior Management

Support Committees



Arquitectura de Gobierno y Control



VI. General Shareholders' Meeting
[CE21, CE34]

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

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

Ordinary Meeting on March 24, 2023



Quorum

An initial quorum of 95.13% was recorded, and by the end, a quorum of 95.79% of the subscribed and paid capital was achieved.
Format: Non-presential meeting.



Topics Addressed

Among other matters, the financial statements and the proposed distribution of profits as of December 31, 2022, were approved. The members of the Board of Directors, the Fiscal Audit Firm, and the Financial Consumer Advocate, along with their respective fees, were appointed. Additionally, the meeting was presented with the Fiscal Auditor's Report, the Sustainable Management Report of the Administration for 2022, which also includes the Corporate Governance Report and the Group Report, the Financial Consumer Advocate's Report, and a provision for donations.

In the General Shareholders' Meeting on March 24, 2023, it was decided not to declare the payment of dividends for the 2022 financial year, allocating the profits, in compliance with legal requirements, to increase the legal and occasional reserves of the Bank. The profit distribution project approved by the General Shareholders' Meeting can be consulted under the tab labeled ["Relationship with Shareholders and Investors."](#)



For the Ordinary General Shareholders' Meeting held on March 24, 2023, within the legal term, all necessary information for making decisions was made available to the shareholders, in accordance with the regulations for the exercise of the right to inspect. Shareholders' requests were attended to, respecting the agenda of the Assembly. Additionally, regarding the information requested by shareholders about shareholdings, dividend amounts, and the Bank's financial information, the respective information was provided in a timely manner.

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

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

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



VII. Management of Conflicts of Interest

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

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

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

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

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

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

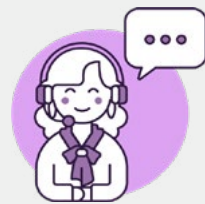
The number of abstentions is recorded in the Board of Directors’ minutes; below is a summary for the year 2023: Gabriel Mesa Zuleta (7), Sandra Patricia Solórzano Daza (6), Luis Orlando Álvarez Betancur (5), Mauricio Fernández Fernández (5), Mauricio Hernando Amador Andrade (5), Javier Díaz Molina (4),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

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

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

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

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



VIII. Complaints Regarding Compliance with the Code of Good Governance

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



IX. Implementation of Corporate Best Practices

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

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

Report on the Implementation of Corporate Best Practices - Country Code

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

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

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

Of the 148 recommendations, 136 have been adopted.



X. Social Contribution [GRI 203-1]

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

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

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



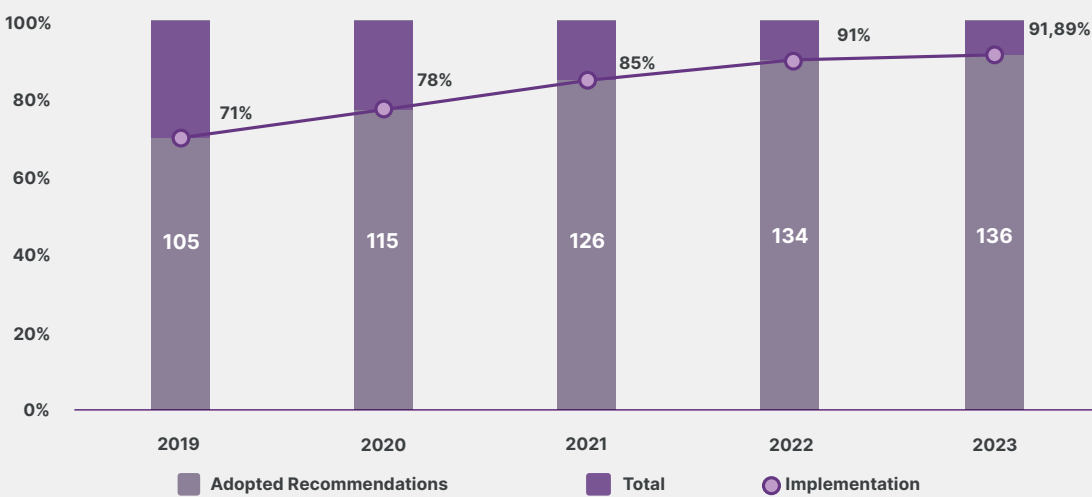
XI. Goals and Challenges 2024-2025

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

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

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

Implementation of Best Practices - Country Code



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

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

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

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

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

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

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

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

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

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