

STATEMENT ON THE RISK
MANAGEMENT SYSTEM FOR
THE PREVENTION OF MONEY
LAUNDERING, TERRORIST
FINANCING AND THE
FINANCING OF
PROLIFERATION OF
WEAPONS OF MASS
DESTRUCTION (SARLAFT)

Certification of the Risk Management System for the Prevention of Money Laundering, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction implemented by Corporación Financiera Colombiana S.A.

GENERAL

Corporación Financiera Colombiana S.A. is an entity duly incorporated in Colombia, with its corporate headquarters located in the city of Bogotá. As an institution subject to oversight by the Superintendence of Finance of Colombia, the entity has implemented a Risk Management System for the Prevention of Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction (SARLAFT for its acronym in Spanish), in conformity with Colombia's Organic Statute of the Financial System (EOSF for its acronym in Spanish - Decree 663 of 1993) and the regulations issued by this oversight body, in addition to international recommendations and best practices, primarily those of the Financial Action Task Force (FATF).

Control policies and procedures implemented as part of a risk management system serve as guidelines that pursue due diligence to prevent the entity be used to provide the appearance of legality to assets derived from illicit activities and the channeling of resources to benefit terrorist activities. This mainly includes knowledge of the customer and its operations, the market segments served, transaction monitoring, personnel training, and cooperation with the authorities.

The procedures and rules of conduct on the application of control mechanisms and instruments are outlined in the SARLAFT Handbook and the Code of Ethics and Conduct approved by the Board of Directors, which are mandatory for company employees.

INFORMATION ON THE CUSTOMER

Due diligence on customer information, as a control mechanism for preventing the risk of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, hereinafter LAFT/FPADM, is aimed at adequately determining the customer's identity, economic activity, characteristics, and transaction amounts, as well as establishing consistency between the volume and movements of funds relative to their economic activity; likewise, that their resources originate from lawful activities.

The Corporation establishes commercial, legal, or contractual relationships on the condition that the necessary information to conduct the customer due diligence [A1]procedure has been collected; such information may be obtained in person or otherwise through the use of digital or electronic channels.

Likewise, the Corporation considers mechanisms to obtain the necessary information and perform the due diligence procedures to learn about the customer, up to information on the final or effective beneficiaries that hold a stake in the legal person that acts as the customer exceeding 5% of the corporate capital, contribution, or interest, using data and information from reliable and independent sources, including consulting public databases, digital citizen service providers, its own and/or external databases. This in order to individualize the potential customer by verifying their identification information, provided the provisions of Law 1581 of 2012 on personal data protection and other regulations that modify, supplement, replace, or add thereto are followed.

Likewise, within the customer due diligence process, the Corporation previously verifies if the people with whom it establishes relationships of a commercial, legal, or contractual nature are registered in the national and international databases/lists [A2] of individuals associated with criminal activities and specifically LAFT/FPADM. Similarly, in the case of legal persons or structures without legal status, said inquiries include their directors, partners, or shareholders.

Furthermore, considering that Politically Exposed Persons (PEPs) suggest a higher level of exposure to LAFT /FPADM risks, the Corporation applies enhanced due diligence measures, including, among others, authorizations by senior management personnel, to establish and maintain business, legal or contractual relationships with said persons.

Finally, the necessary steps are taken to ensure customer information is updated following current regulations; this information is kept on file for at least five years and is available for consultation by the competent authorities.

MONITORING SYSTEM

The entity monitors customer transactions to identify unusual operations based on warning signals. If said analysis alerts that the unusual operations are suspect, these are reported to the competent authorities (UIAF¹) as required by the oversight entities. As a result of the above activities, decisions may be taken to establish, maintain, or finalize the business relationship.

Finally, a more detailed monitoring scheme has been established for those customers classified as having a High risk profile.

¹ Information and Financial Analysis Unit of the Ministry of Finance and Public Credit.

PERSONNEL TRAINING

Corporación Financiera Colombiana S.A. recognizes the importance of training its personnel in the application of prevention and control mechanisms regarding LAFT/FPADM prevention. Said training facilitates the understanding and compliance of the responsibilities assigned to each and every employee to ensure they don't fall into situations related to these crimes. The staff responsible for performing commercial and/or operational tasks in the entity must be made cognizant of such matters including due knowledge of potential and current customers, customer monitoring tasks, customers categorized as Politically Exposed Persons (PEPs), final beneficiaries, cross-checking information with precautionary lists/databases, and relevant updates concerning LAFT/FPADM, among others.

Accordingly, training activities provide guidance and information on LAFT/FPADM risk prevention, offer and reinforce knowledge on the operation of SARLAFT tools for the safe execution of procedures, and generate a culture of institutional internal control and governance on LAFT/FPADM risk prevention, ensuring the minimum knowledge that employees must have on the rules, policies, and procedures that frame the appropriate due knowledge and identification of customers, suppliers, and employees.

COMPLIANCE OFFICER

To perform the management duties concerning SARLAFT, the Board of Directors has appointed a Compliance Officer and a respective alternate who have been sworn into office before the Superintendence of Finance of Colombia. These officers are also responsible for ensuring the implementation and observance of policies and procedures to prevent the organization be used to provide the appearance of legality to assets derived from illicit activities and the channeling of resources to benefit terrorist activities, in line with the provisions outlined in the Organic Statute of the Financial System, the rules of the Superintendence of Finance and the decisions issued by the entity's Board of Directors and its Senior Management.

To this end, the entity's Compliance Officer has at their disposal the human and technical resources necessary for the adequate performance of their responsibilities.

AUDIT AND CONTROL

As an entity subject to oversight by the Superintendence of Finance of Colombia, Corficolombiana S.A. is regularly inspected by said oversight and control agency concerning LAFT/FPADM risk prevention processes and activities. As a result of such evaluations, corrective measures are applied, which allow for continuous improvement and enable the entity to mitigate the associated risks.

Furthermore, the Internal Audit area has implemented specific programs to verify compliance with the control policies and procedures outlined in the entity's SARLAFT, which are executed through the application of generally accepted auditing standards.

Finally, in the fulfillment of the instructions issued by the Superintendence of Finance of Colombia on this matter, the entity's Statutory Auditor's Office, as an independent audit body, prepares periodic reports addressed to the Board of Directors to inform about the conclusions reached in its evaluation process regarding compliance with the SARLAFT rules and instructions imparted. In addition, it notifies the Compliance Officer of any inconsistencies and failures detected in this risk management system and, in general, any noncompliance it detects relative to the provisions that regulate the matter.

Sincerely,

Compliance Officer

