

# SARLAFT CERTIFICATION



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## **STATEMENT REGARDING THE RISK MANAGEMENT SYSTEM FOR PREVENTING MONEY LAUNDERING, COUNTERING THE FINANCING OF TERRORISM, AND THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION (SARLAFT)**

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

### **OVERVIEW**

Corporación Financiera Colombiana S.A. is an entity duly incorporated in Colombia and domiciled in Bogotá. As an institution supervised by the Superintendence of Finance of Colombia, it has implemented a Risk Management System for Preventing Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (SARLAFT for its Spanish acronym), in compliance with the provisions of the Organic Statute of the Colombian Financial System (EOSF for its Spanish acronym), Decree 663 of 1993 and the regulations issued by said oversight entity, together with international guidance and best practices, primarily the recommendations provided by the Financial Action Task Force (FATF).

The control policies and procedures implemented within a risk management framework provide guidelines striving for due diligence to prevent the entity from being used to provide a legitimate appearance to assets derived from criminal activities and the channeling of resources towards terrorist activities. This essentially involves knowledge of the client and their operations, of the market segments served, the monitoring of transactions, staff training, and collaboration with the authorities.

The procedures and rules of conduct to employ the control mechanisms and instruments are included in the SARLAFT Handbook and in the Code of Ethics and Conduct approved by the Board of Directors, which are mandatory for the entity's personnel.

### **CLIENT KNOWLEDGE**

The client due diligence process for knowing the client, is a control mechanism implemented to prevent the risk of Money Laundering, Financing of Terrorism, and Financing of the Proliferation of Weapons of Mass Destruction, hereinafter AML/CFT/WMD (also referred to as AML-CFT and know in Spanish as LAFT/FPADM). It strives to effectively establish the client's identity, economic activity, transaction characteristics, and amounts, as well as to determine the rationality between the volume and movement of the funds versus their economic activity and to determine if their resources originate from lawful activities.

The Corporation establishes commercial, legal, or contractual relationships provided the necessary information has been collected to conduct the client's due diligence process. This information is obtained personally or by employing digital or electronic channels.

Likewise, using data and information from reliable and independent sources, the Corporation has mechanisms to obtain the necessary information and perform due diligence procedures on the client's background to obtain information regarding their final or effective beneficiaries whose share therein exceeds 5% of the capital stock, contribution, or interest in the legal entity acting as the client. This entails the use of public databases, government and public digital services and information providers (prestadores de servicios ciudadanos digitales), and internal and/or third-party databases, in order to individually identify the potential client by verifying its identification information. The latter complies with the provisions of Law 1581 of 2012 on the treatment of personal data and other regulations that modify, complement, replace, or add thereto.

Similarly, as part of the client due diligence process, the Corporation conducts a prior verification on the persons with whom it establishes commercial, legal, or contractual relationships to corroborate if they are included in national and international databases containing information on persons related to criminal activities, specifically AML/CFT/WMD. Likewise, in the case of legal entities or unincorporated arrangements, their managers, partners, or shareholders are included in said inquiries.

Furthermore, considering that Politically Exposed Persons (PEPs) may have a higher level of exposure to AML/CFT/WMD risks, the Corporation applies enhanced due diligence measures that include, among others, authorizations from senior management to establish and maintain business and legal or contractual relationships with said individuals.

Finally, the necessary steps are taken to maintain all client information updated in line with current regulations. Client information is kept for at least five years and is made available to the competent authorities.

### **MONITORING SYSTEM**

The Corporation monitors client transactions to identify unusual operations based on alert signals. An assessment thereof is carried out, and any unusual operations deemed suspicious are reported to the competent authorities (the Financial Information and Analysis Unit, or UIAF), following the protocol established by the regulatory entities. The above-mentioned process may result in a decision to establish, maintain, or terminate the business relationship.

A more detailed monitoring system has been established for clients with a high-risk profile.

### **PERSONNEL TRAINING**

Corporación Financiera Colombiana S.A. recognizes the importance of personnel training activities to effectively employ AML/CFT/WMD prevention and control mechanisms. This training enables understanding and compliance with the responsibilities assigned to the employees of the Corporation and ensures they are not involved in situations related to these crimes. This includes informing the personnel that performs commercial and/or operational tasks for the Corporation on the gathering of due knowledge on potential and existing clients, client monitoring, clients categorized as Politically Exposed Persons PEPs, final beneficiaries, cross-checking of information with relevant cautionary databases, and relevant news related to AML/CFT/WMD, among others.

Accordingly, training activities provide guidance and information on AML/CFT/WMD risk prevention, offer and reinforce knowledge on how to operate SARLAFT tools for the safe execution of procedures, and generate institutional internal control and governance culture pertaining to AML/CFT/WMD risk prevention, ensuring that employees have a minimum level of familiarity regarding the rules, policies, and procedures that surround the proper knowledge and identification of clients, suppliers, and employees.

### **COMPLIANCE OFFICER**

The Board of Directors has appointed a Compliance Officer and their respective alternate to perform all the SARLAFT management duties duly registered 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 entity from being used to provide a legitimate appearance to assets derived from criminal activities and the channeling of resources toward terrorist activities, consistent with the provisions of the Organic Statute of the Financial System, the rules of the Superintendence of Finance and the decisions of the Board of Directors and Senior Management.

To this effect, the entity's Compliance Officer has the human and technical resources necessary to fulfill their responsibility appropriately.

### **AUDIT AND CONTROL**

As an entity supervised by the Superintendence of Finance of Colombia, the Corporation is subject to AML/CFT/WMD risk prevention inspection visits by said oversight and control agency. Their assessment recommendations and corrective measures are applied to ensure continuous improvement and allow the entity to prevent and mitigate said risks.

Additionally, Internal Audit has implemented specific programs to verify compliance with the control policies and procedures included in the entity's SARLAFT system, which are executed through the employment of generally accepted auditing standards.

Finally, following the instructions issued by the Superintendence of Finance of Colombia, the Statutory Auditor's Office, as an independent auditing body, presents periodic reports to the Board of Directors on the results obtained when evaluating SARLAFT-related rules and instructions compliance. In addition, they inform the Compliance Officer of any inconsistencies and failures detected in said system and, in general, of any detected non-observance of the provisions regulating the subject.

Sincerely,

Compliance Officer

