



## ANNEX I: DEFINITIONS

- **Shareholder:** A natural or legal person who has made a contribution in money, labor or other assets appreciable in money to a company in exchange for quotas, interest shares, shares or any other form of participation contemplated by Colombian law.
- **Close Associates:** Close associates shall be understood as legal entities that have as administrators, shareholders, controllers or managers any of the PEPs listed in article 2.1.4.2.2.3, or that have constituted autonomous estates or trusts for their benefit, or with whom commercial relations are maintained, to whom due diligence shall be applied in accordance with the regulations in force".
- **Beneficial Owner:** Natural person(s) who ultimately owns or controls a client or the natural person on whose behalf a transaction is conducted. It also includes the person(s) exercising effective and/or ultimate control, directly or indirectly, over a legal person or other unincorporated structure. The following are Beneficial Owners of the legal person:
  - A natural person who, acting individually or jointly, exercises control over the legal person, in the terms of Article 260 and following of the Commercial Code; or
  - A natural person who, acting individually or jointly, holds, directly or indirectly, five percent (5%) or more of the capital or voting rights of the legal person, and/or benefits from five percent (5%) or more of the yields, profits or Assets of the legal person;
  - When no natural person is identified who meets the characteristics defined in the two previous points, it will be the natural person who holds the position of legal representative, unless there is a natural person who holds greater authority in relation to the management or direction functions of the legal person.
- **Counterparty:** Any natural or legal person with whom the Company has commercial, business, contractual or legal ties of any kind. Among others, counterparties are the Company's associates, employees, customers, contractors and suppliers of Products.
- **Due Diligence:** Process by which the Company adopts measures for the knowledge of the Counterparty, its business, operations, and Products and the volume of its transactions.
- **Intensified Due Diligence IDD:** refers to the additional steps an organization takes to assess and mitigate the risks associated with certain transactions or business relationships that are considered high risk. This level of diligence is necessary when the inherent risks are higher than normal due to factors such as the nature of the transaction, the customer profile or the jurisdiction involved.
- **Extended Due Diligence EDD:** Process by which the Company adopts additional and more intense measures for the knowledge of the Counterparty, its business, operations, Products and the volume of its transactions.
- **Company:** Commercial company, sole proprietorship or branch of a foreign company supervised by the Superintendency of Companies.
- **Financing of Terrorism or FT:** Crime regulated in Article 345 of the Colombian



Penal Code (or the norm that substitutes or modifies it).

- **Financing of the Proliferation of Weapons of Mass Destruction or FPWMD:** Any act that provides funds or uses financial services, in whole or in part, for the manufacture, acquisition, possession, development, export, transfer of material, fractionation, transportation, transfer, deposit or dual use for illegitimate purposes in contravention of national laws or international obligations, when the latter is applicable.
- **ML/FT/FPWMD Risk Factors:** Possible elements or causes generating ML/FT/FPWMD Risk for the companies. The Company shall identify them taking into account the Counterparties, Products, activities, channels and jurisdictions, among others.
- **FATF:** Financial Action Task Force. Intergovernmental group created in 1989 with the purpose of issuing standards to countries for the fight against ML, FT and FPWMD.
- **GAFILAT:** Latin American Financial Action Task Force, a FATF regional body created in 2000, of which Colombia is a member.
- **ML/FT/FPWMD:** Acronym for Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction.
- **Money Laundering or LA:** Crime typified in article 323 of the Código Penal colombiano (or the norm that substitutes or modifies it).
- **Binding Lists:** Those lists of persons and entities associated with terrorist organizations that are binding on Colombia under Colombian law (Article 20 of Law 1121 of 2006) and under international law, including but not limited to Resolutions 1267 of 1999, 1373 of 2001, 1718 and 1737 of 2006, 1988 and 1989 of 2011, and 2178 of 2014 of the United Nations Security Council, and all those that succeed, relate to and complement them, and any other list binding on Colombia (such as the terrorist lists of the United States of America, the European Union list of Terrorist Organizations and the European Union list of Persons Listed as Terrorists). The Superintendence of Companies will maintain on its web page a list of the Binding Lists for Colombia as a guide, but they are not exhaustive.
- **Checklists:** Checklists are national or international databases in which information, reports and background information on natural or legal persons are listed or collected. These lists are frequently used in the ML/FT/FPWMD due diligence process.
- **ML/FT/FPWMD Risk Matrix:** One of the instruments that allows a Company to identify, individualize, segment, evaluate and control the ML/FT/FPWMD Risks to which it could be exposed, according to the ML/FT/FPWMD Risk Factors identified.
- **Reasonable Measures:** Sufficient, appropriate and measurable actions in quality and quantity to mitigate ML/FT/FPWMD Risk, taking into account the Company's own risks and their materiality.
- **Compliance Officer:** Natural person appointed by the Company who is in charge of promoting, developing and ensuring compliance with the specific procedures for the prevention, updating and mitigation of ML/FT/FPWMD Risk.



- **Unusual Transaction:** Transaction whose amount or characteristics are not related to the ordinary or normal economic activity of the Company or which, due to its number, quantity or characteristics, does not fall within the guidelines of normality or ordinary business practices in a sector, industry or with a class of Counterparty.
- **Attempted operation:** Operation related to an illicit activity involving the Company, which is detected and thwarted before it is committed.
- **Suspicious Transaction:** Unusual transaction that, in addition, according to the uses and customs of the activity in question, could not be reasonably justified. This type of transaction includes attempted or rejected transactions containing characteristics that make them suspicious.
- **PEP:** Means Politically Exposed Persons, according to the definition contemplated in Decree 1081 of 2015 and other regulations that modify, contemplate, substitute or add to it. It also includes Foreign PEPs and PEPs of International Organizations.
- **Foreign PEPs:** Means politically exposed persons, according to the definition set forth in Decree 1081 of 2015 and other regulations that modify, contemplate, substitute or add to it.
- **ML/FT/FPWMD Policies:** General guidelines to be adopted by the Company to be able to identify, evaluate, prevent and mitigate ML/FT/FPWMD and associated risks. Each of the stages and elements of SAGRILAFT must have clear and effectively applicable policies, which are listed in the ML/FT/FPWMD risk manual and must be known by all the Company's counterparties.
- **Products:** Goods and services produced, marketed, transformed or offered by the Company or acquired from a third party.
- **FATF Recommendations:** Forty (40) recommendations designed by the FATF with their interpretative notes, to prevent ML/FT/FPWMD Risk, which were reviewed in February 2012 and updated in June 2019.
- **ML/TF/ATF/AMLDP Risk:** Possibility of loss or damage that a Company may suffer due to its propensity to be used directly or through its operations as an instrument for the Laundering of Assets and/or channeling of resources towards terrorist activities or the Financing of the Proliferation of Weapons of Mass Destruction, or when the concealment of Assets derived from such activities is intended. The contingencies inherent to ML/FT/FPWMD materialize through risks such as Contagion Risk, Legal Risk, Operational Risk, Reputational Risk and others to which the Company is exposed, with the consequent negative economic effect that this may represent for its financial stability, when it is used for such activities.
- **Contagion Risk:** Possibility of loss that a Company may suffer, directly or indirectly, from an action or experience of a Counterparty.
- **Legal Risk:** Possibility of loss incurred by a Company when it is sanctioned or obliged to compensate damages as a result of non-compliance with rules or regulations and contractual obligations. It also arises as a consequence of failures in contracts and transactions, derived from malicious actions, negligence or involuntary acts that affect the formalization or execution of contracts or transactions.
- **Operational Risk:** Possibility of incurring losses due to deficiencies, failures or



inadequacies in human resources, processes, technology, infrastructure or the occurrence of external events. This definition includes Legal Risk and Reputational Risk, associated with such factors.

- **Reputational Risk:** Possibility of loss incurred by a Company due to loss of prestige, bad image, negative publicity, whether true or not, with respect to the organization and its business practices, causing loss of customers, decrease in revenues or legal proceedings.
- **Inherent Risk:** Level of risk inherent to the activity, without taking into account the effect of controls.
- **Residual Risk:** Resulting level of risk after applying controls.
- **STR:** Suspicious Transaction Report. It is an operation that due to its number, quantity or characteristics does not fall within the normal system and practices of the business, of an industry or of a specific sector and, in addition, that according to the uses and customs of the activity in question, could not be reasonably justified.
- **SIREL:** Online reporting system administered by the UIAF. It is a WEB tool that allows companies to upload and/or report online the information of the obligations established in the regulations of each sector.
- **SAGRILAFT:** Integral ML/FT/FPWMD self-monitoring and risk management system.
- **Warning signs:** Facts, situations, events, amounts, quantitative and qualitative indicators, financial ratios and other information that the Company determines as relevant, from which a fact or circumstance that deviates from what the Company considers normal can be inferred.
- **SMLMV:** Minimum legal monthly salary in force in Colombia.
- **UIAF:** is the Financial Information and Analysis Unit, which is Colombia's financial intelligence unit, with the functions of intervening in the economy to prevent and detect ML/FT/FPWMD.