

RISK MANAGEMENT SYSTEMS

In the development of its business, Titularice is exposed to different types of risk, including financial risks (market, financial and non-financial), operational risks, and the risk of money laundering and terrorist financing.

In accordance with the provisions of the Financial Superintendency of Colombia, Titularice's risk management is framed within the guidelines established by Senior Management, based on the general management principles approved by the Board of Directors.

The Board of Directors and Senior Management of Titularice have formalized the policies, procedures, strategies, and rules for risk management through the Risk Management System Manual (covering market and operational risks) and the Money Laundering and Terrorist Financing Risk Management System Manual. These documents define the policy framework and necessary guidelines to ensure proper risk management.

The regulatory framework applicable to Titularice's Risk Management is set out in Chapter XXXII – Sistema de Administración de Riesgo de las Entidades Exceptuadas del SIAR (SARE), of Circular Básica Contable y Financiera (CE 100/1995); in accordance with paragraph b, section 1.2.1, Part I, Chapter XXXI, which states that securitization companies are exempt from implementing the Integrated Risk Management System (SIAR).

Market Risk Management System – Market risk is understood as the possibility of incurring losses, reducing the financial margin, and/or decreasing the economic value of equity as a consequence of changes in the prices of financial instruments held on or off the balance sheet. These price changes may result from fluctuations in interest rates, exchange rates, or other key variables that determine the economic value of such instruments.

At Titularice, market risks are managed in accordance with the policies and limits approved by the Board of Directors. Compliance with these policies is subject to ongoing monitoring.

As part of the market risk control and monitoring processes, monthly reports are produced that include analysis of limit compliance and allow for continuous tracking of exposure levels and legal and internal limits applicable to Titularice. These reports serve as inputs for decision-making in the company's committees and other governance bodies.

Titularice S.A. is not required to design or implement the Market Value at Risk (VaR) indicator, as securitization companies are not expressly included in section 3.3.1.2., Part II, Chapter XXI of Circular Básica Contable y Financiera (CE 100/1995), pursuant to section 3.2 on Scope of Ámbito de Aplicación.

Operational Risk Management – Sistema de Administración del Riesgo de Exposición – SARE, operational risk management at Titularice is aligned with the principles of identification, measurement, control, and monitoring of risks inherent to business processes, with particular focus on the structuring and administration of securitizations.

This management is supported by policies and guidelines approved by the Board of Directors, as well as by a methodological structure that enables anticipation of risk events that could affect the achievement of the company's strategic and operational objectives.

The system includes the following key elements:

Regulatory and organizational framework: It defines the policies for system implementation, the organizational structure responsible for its execution and oversight, and procedures for the proper registration, analysis, and treatment of operational risk events.

Process ownership: Each process leader is responsible for implementing SARE mechanisms in their respective areas, ensuring proactive and integrated risk management.

Inherent risk assessment: Operational risk is identified and assessed across all processes, products, and systems relevant to the securitization business, considering their potential impact on business continuity and institutional reputation.

Strategic alignment: The system's policies and procedures are aligned with Titularice's strategic objectives, ensuring that operational risk management contributes to the sustainability of its business model.

Continuity plans: Titularice maintains business continuity and contingency plans that ensure resilience in the face of disruptive events, mitigating losses and enabling the timely recovery of critical activities.

Risk culture: An organizational culture focused on effective operational risk management is promoted, encouraging a proactive attitude and continuous improvement in addressing operational threats.

Money Laundering and Terrorist Financing Risk – Titularice has defined and implemented the Money Laundering and Terrorist Financing Risk Management System (SARLAFT), in accordance with the guidelines established by the Superintendencia Financiera through the Circular Básica Jurídica, Parte I, Título IV, Capítulo IV. The system is defined and supported by the corresponding Manual.

The stages and components of SARLAFT focus on the prevention and control phases, with the goal of preventing the company from being used to legitimize assets derived from criminal activities or to channel resources into terrorist activities.



Within this framework, Titularice's SARLAFT emphasizes due diligence and knowing its clients, suppliers, employees, and other third parties who may expose the company to money laundering or terrorist financing risks.

Likewise, Titularice identifies and manages money laundering and terrorist financing risks by process and risk factor, aiming to clearly and specifically understand how these risks could materialize and implement the necessary controls to mitigate them.

Zero Tolerance for Corruption under the SARLAFT Framework

As part of the development of the SARLAFT, Titularice S.A. adopts a zero-tolerance policy toward corruption and bribery, considering them as facilitators of illicit activities and potential channels for concealing or moving illegal funds.

The company acknowledges that corruption may represent a cross-cutting risk that significantly increases exposure to money laundering and terrorist financing schemes. Therefore, specific controls have been implemented within the SARLAFT framework to:

Prevent association with third parties engaged in corrupt practices through robust due diligence and Know Your Customer (KYC) procedures.

Include anti-corruption clauses in contracts with suppliers, partners, and strategic clients.

Promote an ethical culture among employees through ongoing training in ML/TF prevention and responsible business conduct.

Establish secure, confidential, and accessible reporting channels for acts of corruption or bribery, ensuring rigorous investigation and protection against retaliation for whistleblowers.

Any behavior that contravenes this policy will be considered a serious offense and will result in the appropriate disciplinary, legal, and contractual actions.

In this manner, the zero-tolerance policy for corruption is a cross-cutting pillar of SARLAFT and enhances its effectiveness as a prevention and control tool.