

# REMUNERATION POLICY

Avida Finans AB (publ)

<b><i>Adopted by</i></b>	The Board of Directors
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<b>1</b>	<b>INTRODUCTION.....</b>	<b>3</b>
1.1	Background and purpose .....	3
1.2	Scope.....	3
1.3	Legal basis.....	3
1.4	Definitions .....	4
<b>2</b>	<b>ROLES AND RESPONSIBILITIES .....</b>	<b>4</b>
2.1	Board of Directors .....	4
2.2	Remuneration Committee.....	5
2.3	HR Manager.....	5
2.4	CEO .....	6
2.5	Control Functions .....	6
2.6	Other Business Support Functions .....	6
<b>3</b>	<b>RISK ANALYSIS AND IDENTIFICATION PROCESS.....</b>	<b>6</b>
<b>4</b>	<b>GENERAL REMUNERATION PRINCIPLES.....</b>	<b>7</b>
4.1	General .....	7
4.2	Remuneration of specific functions .....	7
<b>5</b>	<b>FIXED REMUNERATION.....</b>	<b>7</b>
<b>6</b>	<b>VARIABLE REMUNERATION .....</b>	<b>8</b>
6.1	General .....	8
6.2	Guaranteed variable compensation.....	8
6.3	Retention bonuses .....	8
6.4	Severance pay .....	8
6.5	Prohibition against risk hedging strategies .....	8
<b>7</b>	<b>PERFORMANCE ASSESSMENT AND RISK ADJUSTMENT .....</b>	<b>9</b>
7.1	General .....	9
7.2	Criteria .....	9
7.3	Performance assessment and risk-adjustment.....	9
7.4	Commission .....	10
<b>8</b>	<b>DECISION MAKING AND REMUNERATION DECISION .....</b>	<b>10</b>
<b>9</b>	<b>DEFERRAL OF REMUNERATION .....</b>	<b>10</b>
<b>10</b>	<b>PAYOUT OF DEFERRED VARIABLE REMUNERATION AND EX POST RISK ADJUSTMENT</b>	<b>11</b>
<b>11</b>	<b>INFORMATION TO EMPLOYEES.....</b>	<b>11</b>
<b>12</b>	<b>DISCLOSURE OF INFORMATION ON REMUNERATION .....</b>	<b>11</b>
<b>13</b>	<b>FOLLOW-UP AND CONTROL.....</b>	<b>12</b>
<b>14</b>	<b>REVIEW AND ADOPTION .....</b>	<b>12</b>

**Appendix 1** – Annual cycle for the remuneration process

# 1 INTRODUCTION

## 1.1 *Background and purpose*

Avida Finans AB (publ), reg.nr. 556230-9004, (“**Avida**” or the “**Company**”) is a Swedish limited company registered in Stockholm. Avida is a licensed credit market company with authorization to conduct financing operations in accordance with the Swedish Banking and Financing Act (2004:298).

The purpose of this Policy is to establish a framework for the Company’s remuneration system, which remuneration system shall be gender neutral, comply with external regulations and be aligned with Avida’s business strategy and long-term objectives. The Policy sets out the principles for determining fixed and variable components of remuneration, the award and payout process as well as how the Company shall follow-up and control the remuneration system and the risks associated with it.

The Policy and the remuneration system shall promote sound and effective risk management and discourage excessive risk taking. Further, the Policy shall ensure that the remuneration system is not designed in a way that give rise to conflicts of interest that could affect the Company’s customers negatively.

In preparing the Policy, due regard have been taken to the principle of proportionality and the size of Avida and its internal organisation, as well as the nature, scope and complexity of the business have been considered.

Appendix 1 hereto set outs the Company’s annual cycle for activities in the remuneration process.

## 1.2 *Scope*

This Policy extends to all employees in Avida including the employees working at Avida’s branches in Norway and Finland. The Policy applies to all remuneration paid by the Company, both fixed and variable compensation. The Policy is to be viewed as an integral part of Avida’s governance framework, in particular, risk management process consisting of identifying, measuring, reporting and controlling risks.

## 1.3 *Legal basis*

The legal basis for this policy is:

- Banking and Financing Business Act (Sw. Lagen (2004:297) om bank- och finansieringsrörelse)
- Swedish Financial Supervisory Authority's regulations FFFS 2011:1 regarding remuneration structures in credit institutions, as amended by FFFS 2021:17 (hereinafter - “FFFS 2011:1”)
- Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 (hereinafter - “CRR”)
- Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 (hereinafter - “the Delegated Regulation (EU) 2021/923”)
- European Banking Authority’s (EBA) guidelines on sound remuneration policies (hereinafter - “EBA/GL/2021/04”).
- EBA Guidelines on internal governance under Directive 2013/36/EU (“EBA/GL/2021/05”).
- EBA Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (“EBA/GL/2016/06”)
- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information (“ITS on disclosures”)

## 1.4 Definitions

Term	Definition
<b>Business unit</b>	means each of business finance, consumer finance and/or FinCo (Credit Card).
<b>Control functions</b>	means Avida's functions for risk control, compliance and internal audit.
<b>Fixed remuneration</b>	means payments or benefits paid to Avida employees which comply with the conditions for its award set out in Section 5 of this Policy.
<b>Functional manager</b>	means a manager with staff responsibilities.
<b>Gender neutral policy</b>	means a remuneration policy that is consistent with the principle of equal pay for male, female and diverse workers for equal work or work of equal value as laid down in Article 157 of the Treaty on the Functioning of the European Union (TFEU) and that is assumed to affect all genders equally.
<b>Gender pay gap</b>	means the difference between the average gross hourly earnings of men and women expressed as a percentage of the average gross hourly earnings of men.
<b>Identification process</b>	means the process for identifying Identified staff in accordance with Section 3.
<b>Identified staff</b>	means the staff whose professional activities have a material impact on Avida's risk profile.
<b>Particularly high amount</b>	means an amount which in relation to the average levels of remuneration at Avida and with regard to historical levels and average levels at other credit market companies in Sweden, as well as other relevant factors, appears to be particularly high. The current amount set equals to SEK 4 m or more.
<b>Performance assessment</b>	means the process for assessing the performance of Avida and individuals for the purpose of awarding staff variable remuneration, as further set out in Section 7.
<b>Remuneration Committee</b>	means the board committee as required by chapter 3, section 3 of FFFS 2011:1.
<b>Senior management</b>	means Avida's management team.
<b>Variable remuneration</b>	means all remuneration paid to Avida employees which is not fixed remuneration.

## 2 ROLES AND RESPONSIBILITIES

### 2.1 Board of Directors

The Board of Directors is responsible for approving and maintaining the Policy and overseeing its implementation. The Board of Directors is further responsible for:

1. determining and overseeing the remuneration of the members of the senior management,

2. determining and overseeing directly the remuneration of the senior officers in the independent, control functions, including the risk management and compliance functions, and
3. ensuring that this Policy is regularly followed up and updated.

The Board of Directors is authorised to approve any material exemptions made for individual staff members either in this Policy or in underlying governance documents (if any) for the Remuneration Process and is subsequently in charge of monitoring its effects.

## **2.2 Remuneration Committee**

The Board of Directors has appointed a Remuneration Committee. The Remuneration Committee is responsible for preparing decisions related to the Board of Directors' responsibilities as listed in Sections 2.1 (1-3) above. Further, the Remuneration Committee is responsible for conducting an annual independent assessment of Avida's remuneration system and Remuneration Policy.

The members of the Remuneration Committee may not be a member of Avida's senior management and shall have sufficient knowledge and experience in issues relating to risk management and remuneration.

The HR Manager shall serve as secretary of the Remuneration Committee.

## **2.3 HR Manager**

The Board of Directors has delegated part of its responsibilities regarding the Identification process to the HR Manager, in particular to:

- Coordinating and documenting the risk analysis and Identification process described in Section 3 as well as being involved in the design of the Identification process and Performance assessment of Identified staff, and
- prepare other relevant documents for the Remuneration Process for approval by the Boards of Directors,

The HR Manager shall be responsible for reporting any progress in above-mentioned tasks to ensure that the Board of Directors may oversee the procedures sufficiently. The Board of Directors remains ultimately accountable for the Identification process.

The HR Manager shall further:

- participate in the evaluation of the Remuneration Policy and underlying governance documents (if any), taking into account the objective of attracting and retaining the competent staff at Avida, and
- ensure that all job descriptions for Avida's employees are documented and that equal positions are identified appropriately to determine and monitor the ratio between the average remuneration of female and male staff and separately for members of the management team.

Appendix 1 regarding the Company's annual cycle for activities in the remuneration process describes roles and responsibility further.

## **2.4 CEO**

The CEO shall provide input in accordance with the annual cycle for the remuneration process described in [Appendix 1](#).

## **2.5 Control Functions**

The CRO shall provide input to the Remuneration Committee in risk-adjusted performance measures and assessments of how the variable remuneration structure affects the risk profile of Avida. The CCO shall analyse how this Policy affects Avida's compliance with laws, regulations and internal rules and report without undue delay any issues of non-compliance to the Appointed Board Member. CCO shall also be involved in the Identification process on an ongoing basis according to its role.

The CRO and the CCO shall continuously provide effective input regarding performance criteria and remuneration awards. The input shall be taken into account during the review procedures and oversight of the Policy by the Board of Directors.

The Internal Audit Function shall annually review this Remuneration Policy and Avida's remuneration practices.

[Appendix 1](#) regarding the Company's annual cycle for activities in the remuneration process describes roles and responsibility further.

## **2.6 Other Business Support Functions**

Other business support functions, such as the CFO, shall be involved into the remuneration process according to its specific role.

[Appendix 1](#) regarding the Company's annual cycle for activities in the remuneration process describes roles and responsibility further.

# **3 RISK ANALYSIS AND IDENTIFICATION PROCESS**

The Company shall perform an annual analysis of the risks associated with this Policy and Avida's remuneration system, taking into consideration all of the current and future risks that the Company is or may be exposed to. Based on the analysis, Avida shall identify Identified staff, i.e. members of staff whose professional activities have a material impact on Avida's risk profile. The identification should sufficiently reflect the level of risk of different activities within Avida.

The Identification process shall take into account the relevant provisions of FFFS 2011:1 as well as the qualitative and quantitative criteria laid down in Delegated Regulation (EU) 2021/923, please note for example article 6 (a).

The HR Manager is responsible for initiating the risk analysis and the Identification process. The Remuneration Committee shall review the results thereof prior to the Board of Director's approval of the Policy.

More detailed provisions on risk analysis and Identification process are provided in [Appendix 1](#).

Special provisions apply with respect to remuneration to Identified staff, as further set out in this Policy.

## 4 GENERAL REMUNERATION PRINCIPLES

### 4.1 *General*

The Company's remuneration system shall be designed in accordance with the following general principles:

- The remuneration system shall recognise the importance of sound and efficient risk management and compliance.
- Remuneration shall encourage employees to contribute to achievement of Avida's business goals in the two segments of business and consumer finance.
- In order to support Avida's ability to attract and retain good competence, fixed remuneration should be competitive but not market leading.
- There shall be a sound and appropriate balance between fixed and variable components of remuneration. The fixed component shall be sufficiently large to set variable components to zero.
- All parts of the remuneration system, including the award and pay-out process shall be gender neutral.
- Potential conflicts of interests with regard to remuneration shall be timely identified and properly mitigated in accordance with the Conflicts of Interest Policy.

### 4.2 *Remuneration of specific functions*

The remuneration of independent control functions is predominantly fixed, which reflects the nature of their responsibilities. The remuneration package offered to control functions shall be sufficient to attract and retain staff with the skills, knowledge and expertise to discharge these functions. If employees in control functions receive variable remuneration, it shall be determined in accordance with the targets linked to control functions and shall be independent in relation to the results of the units that they control.

## 5 FIXED REMUNERATION<sup>1</sup>

Every employee is entitled to fixed remuneration in the form of salary, which shall be based on the employee's job description as part of the terms of employment, professional experience and organisational responsibility. Salary is determined annually and paid out monthly. In addition, fixed remuneration includes payments that form part of routine employment packages for all employees. Other forms of fixed remuneration than regular salary is regulated separately in the Employment Handbook.

Fixed salary for the Senior management and heads of Control functions is decided annually by the Board of Directors. The CEO and respective functional manager decide the fixed salary for other employees.

All types of fixed remuneration that have been approved by the Board of Directors shall be included in Section 5 of this Policy or the Employee Handbook.

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<sup>1</sup> Remuneration is considered to be fixed where the conditions for its award and its amount meet the requirements of Section 131 of EBA/GL/2021/04. Other remuneration components which fulfil the requirements in Sections 132-133 of EBA/GL/2021/04 are also considered to be fixed remuneration.

## **6 VARIABLE REMUNERATION**

### **6.1 General**

In addition to fixed remuneration, employees may be awarded variable remuneration subject to a decision by the Board of Directors. Commission to sales employees (non-Identified staff) is considered as variable remuneration and shall be approved by the CEO.

Variable remuneration shall not constitute a large part of an employee's total remuneration. No employees can be awarded variable remuneration that exceeds 100% of their annual fixed remuneration for the relevant financial year. Any deviations from the foregoing must be duly justified and approved on a case-by-case basis by the Board of Directors.

The total variable remuneration awarded to employees shall not limit the ability of Avida to maintain or restore a sound capital base in the long term and shall not lead to shortcomings in Avida's liquidity.

### **6.2 Guaranteed variable compensation**

Guaranteed variable remuneration may be awarded in exceptional circumstances and only once to the same employee in connection with their first year of employment. Guaranteed variable remuneration shall comply with this Policy.

Guaranteed variable remuneration may only be granted provided that Avida has a sound and strong capital base in accordance with its internal capital requirements. The full amount of guaranteed variable remuneration can be paid out in non-deferred cash.

### **6.3 Retention bonuses**

Retention bonuses shall not be awarded to Identified staff unless Avida's legitimate interest in awarding retention bonuses is justified in such situations as restructuring, wind-down or after a change of control. The event or justification for the retention bonus shall be documented.

Retention bonuses shall comply with applicable requirements on variable remuneration, in particular, deferral and ex post risk adjustment as stated in Section 9-10 of this Policy. All retention bonuses must be linked to the expiration of a defined retention period or achievement of a defined event/condition and must not be awarded until such expiration or event/condition (as applicable) has been fulfilled.

### **6.4 Severance pay**

Severance pay means payments relating to early termination of a contract, which shall only be granted in exceptional cases.

Severance pay is considered as variable remuneration and should therefore be taken into account for the purpose of calculating the ratio between variable and fixed remuneration. Regular remuneration payments pertaining to the duration of a notice period constitute fixed remuneration, not severance payments.

Severance pay shall be proportionate and reflect the employee's performance during the period of employment in such a manner that does not reward unsound risk taking, failure or misconduct.

### **6.5 Prohibition against risk hedging strategies**

The Identified staff members shall not use personal hedging strategies to mitigate or eliminate the risk adjustment effects embedded in their remuneration arrangements.



## **7 PERFORMANCE ASSESSMENT AND RISK ADJUSTMENT**

### **7.1 General**

An annual individual Performance assessment shall be carried out at the beginning of each financial year for the purpose of determining whether staff eligible for variable remuneration shall be awarded variable remuneration for performance during the preceding financial year.

The variable remuneration of Identified staff shall be based on the performance of Avida and the individual as defined below:

1. Avida's financial results.
2. The results of the business unit.
3. Individual performance.

Variable remuneration is contingent on positive financial results at Avida. Risk alignment should be achieved by using risk-adjusted performance criteria.

### **7.2 Criteria**

Both quantitative and qualitative criteria, including financial and non-financial criteria, shall be used to assess the performance of Identified staff. There shall be an appropriate balance between the financial and non-financial criteria used in the Performance assessments.

The financial criteria shall be set on the basis of Avida's strategy as laid down in Avida's general plan regarding its strategic and financial goals, including its risk profile and risk appetite.

The non-financial criteria shall include areas such as compliance, responsibility, customer satisfaction and pre-defined goals.

The criteria used in the Performance assessments shall be specified on an annual basis and properly documented for all categories of employees eligible for variable remuneration, including Identified staff. . The Company shall document how the criteria will be weighed against each other in the Performance assessment and how fulfilment or non-fulfilment of the criteria affects the overall Performance assessment rating. The documentation shall further set out how the Performance assessment rating is linked to the total amount of variable remuneration awarded to the individual.

### **7.3 Performance assessment and risk-adjustment**

When assessing the Avida's financial performance, the Company's financial results shall be assessed over a continuous 5-year period. The calculation of Profit before Tax (PBT) serves as a starting point for subsequent performance assessment and risk adjustment. The Board of Directors shall take into account the Company-wide risks by way of proper assessment of PBT in line with Avida's internal capital requirements. As a second step, risk-adjusted financial performance (such as RORAC or RARO) is calculated.

Based on the risk-adjusted financial performance of the Company, the maximum amount of the bonus pool available for the staff entitled to variable remuneration is calculated and adjusted accordingly and determined by the Board, unless it would result in the Company's profit after taxes being negative.

In determining the variable remuneration for individual staff member, their individual Performance assessment and fulfilment of the criteria determined in accordance with 7.2 shall be considered.

All Performance assessment shall be documented and stored for an appropriate period of time to enable review by competent authorities.

The Performance assessment and risk adjustment process are set out further in [Appendix 1](#).

## 7.4 Commission

Certain sales employees (non-Identified staff) may be eligible for commission, which is considered variable remuneration. The remuneration process shall comply with the Company's general rules and requirements with respect to variable remuneration, including that:

- there shall be goals and criteria that defines the prerequisites for being awarded commission;
- the performance of sales staff is evaluated by the relevant person and documented in accordance with the relevant commission plan.
- the maximum amount of commission shall be the same as for variable remuneration in general (i.e. a ratio of 1:1 to the annual fixed remuneration awarded); and
- that the overall agreed decision-making process shall be followed in accordance with the relevant commission plan.

## 8 DECISION MAKING AND REMUNERATION DECISION

The Board of Directors decides on variable remuneration for all Identified staff. The decision is made on the basis of the Performance assessments and risk adjustment measures.

The Remuneration Committee shall prepare the decision on variable remuneration for the members of senior management. In the preparation, the Remuneration Committee shall obtain information from all relevant staff members and independent opinions from control functions.

All employees shall be notified of their individual remuneration decision.

## 9 DEFERRAL OF REMUNERATION

As a general rule, the variable remuneration for Identified staff shall be paid partly upfront and partly deferred. The following deferral schedule applies to Identified staff:

Components of the deferred schedule	Identified staff	Identified staff who receive variable remuneration in particularly high amounts
The proportion of the variable remuneration that is being deferred	40%	60%
The length of the deferral period	4 years	4 years
The method and speed at which the deferred remuneration is paid	Pro rata payout  The deferred variable remuneration shall be paid out during four consecutive years with the first deferred	Pro rata payout  The deferred variable remuneration shall be paid out during four consecutive years with the first deferred amount to be paid the next year after

	amount to be paid the next year after the upfront part of awarded variable remuneration had been paid. Every deferred payment should correspond to one fourth of the deferred amount.	the upfront part of awarded variable remuneration had been paid. Every deferred payment should correspond to one fourth of the deferred amount
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The first deferred part cannot be paid until after one year has passed since an award decision was taken.

As regards to employees who are not classified as Identified staff, 100% of their variable remuneration is paid out following the award of variable remuneration without any deferral.

## 10 PAYOUT OF DEFERRED VARIABLE REMUNERATION AND EX POST RISK ADJUSTMENT

Each year before paying out any deferred variable remuneration, a reassessment of the performance and, if necessary, an ex post risk adjustment should be applied to align variable remuneration to additional risks that might have been identified after the award. Ex post risk adjustment should be performed if there are circumstances indicating that the risks were underestimated, new risks were identified, or unexpected losses occurred.

Deferred variable remuneration is paid only if it is justified on the basis of the financial situation and performance of Avida, as well as the performance of the individual concerned. The deferred payment is conditional upon the employee remaining in office. Prior to each deferred payment, the Remuneration Committee is responsible for a reassessment of performance according to the criteria set out in [Appendix 1](#) and following the analysis of the CRO and CCO regarding any circumstances that may impact the remuneration level.

Following the reassessment coordinated by the Remuneration Committee, the Board of Directors may cancel, reduce or defer the remaining part of the deferred variable remuneration for a longer time in order to ensure an appropriate risk adjustment.

## 11 INFORMATION TO EMPLOYEES

The Performance assessment process and this Policy are accessible to all employees via Avida's intranet. Confidential aspects of the remuneration of single staff members shall not be subject to internal transparency.

The employees shall be adequately informed of the criteria that govern their remuneration and how their performance is assessed by their Functional manager.

Employees in Senior management positions who are eligible for variable remuneration shall be informed about the characteristics of their variable remuneration, as well as the process and criteria that will be used to assess the impact of their professional activities on the risk profile of Avida and their variable remuneration.

## 12 DISCLOSURE OF INFORMATION ON REMUNERATION

General information on Avida's remuneration system is published on the website as required by applicable regulations.

Information on remuneration shall be presented in Avida's annual report in accordance with the Swedish Act (1995:1559) on Annual Accounts in Credit Institutions. Information on this Policy and the Company's remuneration structure shall be published in accordance with FFFS 2014:12 and Article 450 of CRR.

The Company shall, where relevant, report information in accordance with EBA/GL/2022/06<sup>2</sup> and EBA/GL/2022/08<sup>3</sup> to the SFSA.

## **13 FOLLOW-UP AND CONTROL**

The Internal audit function shall perform an annual review of the design, implementation and the effects of this Policy on Avida's risk profile and assess whether the remuneration structure is consistent with this Policy. Within the scope of the internal review, the Internal audit function shall assess whether this Policy and underlying processes are compliant with applicable external and internal regulations and operate as intended. The review shall include an analysis on whether this Policy is gender neutral, which includes (but is not limited to) an assessment of the overall gender pay gap. The primary focus of the review should be defined in the annual plan approved by the Board of Directors.

The internal audit function shall annually report the audit results to the Board of Directors at the Board's meeting. In case of any deviations identified by the Internal Audit Function, the Board of Directors shall ensure that an adequate action plan is proposed, approved and implemented.

## **14 REVIEW AND ADOPTION**

This Policy shall be adopted by the Board of Directors at least annually and in connection to relevant changes to internal and external rules and regulations. The HR Manager is responsible for ensuring that the Policy is reviewed and updated. This Policy shall be reviewed by Avida's internal audit function. The procedure for updating the policy involves a review by the Senior management team. Subsequently, it should undergo an assessment by the ARC and then be presented to the Board of Directors to be adopted.

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<sup>2</sup> EBA:s guidelines on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU.

<sup>3</sup> EBA:s guidelines on the data-collection exercises regarding high earners under Directive 2013/36/EU and Directive (EU) 2019/2034.

## APPENDIX 1 - ANNUAL CYCLE FOR THE REMUNERATION PROCESS

This appendix to the Company's Remuneration Policy sets out the steps that are to be taken in the Company's remuneration process on an annual basis.

Activities marked in **red** relates to the current financial year, while activities marked in **orange** relates to previous financial years. The activities can be summarised as follow and are described further below:

### Current financial year:

1. Oversight of financial and non-financial criteria regarding variable remuneration (January-February)
2. Risk analysis and Identification process (January-February)

### Previous financial year(s):

3. Proposal on variable remuneration and risk adjustment (January-February)
4. Reassessment of deferred variable remuneration (January-February)
5. Final decision on variable remuneration by the Board of Directors (February)
6. Annual audit of the remuneration process (as per the annual plan of the Internal Audit Function)
7. Annual independent assessment (October-November)

### 1. Oversight of financial and non-financial criteria regarding variable remuneration (January-February)

<b>Who</b>	Decision	The Board of Directors
	Proposal	Remuneration Committee
	Preparation	CEO and HR Manager
<b>What</b>	<p>The CEO together with HR Manager are responsible for the preparation of the supporting material regarding the financial and non-financial criteria serving as a basis for awarding variable remuneration to each Identified staff for performance during the current financial year.</p> <p>The Remuneration Committee shall compile a proposal that can be presented to the Board of Directors. The Proposal shall include at least one risk-adjusted financial criteria, three non-financial criteria, the maximum ratio between variable remuneration and fixed remuneration and information regarding how financial criteria should be weighted against non-financial criteria in the assessment process.</p>	

### 2. Risk analysis and Identification process (January-February)

<b>Who</b>	Decision	Board of Directors
	Proposal	Remuneration Committee

	Input	HR Manager, CCO, CRO and Chief of Staff
	Documentation	HR Manager
<b>What</b>	<p>The annual risk analysis and Identification process aimed at identifying staff whose professional activities have a material impact on Avida's risk profile, which are referred to as Identified Staff in this Policy. The risk analysis and Identification process shall be carried out in accordance with Section 3 of the Remuneration Policy.</p> <p>The identification is coordinated by the HR Manager with support of other relevant staff as stated above. The HR Manager shall document the risk analysis and the outcome of the Identification process.</p> <p>When calculating total remuneration, the reference year for variable remuneration should be the preceding financial year for which the variable remuneration is awarded.</p> <p>When applying quantitative criteria defined in EUR, Avida will convert the applicable thresholds using the exchange rate used by the European Commission for financial programming and the budget<sup>4</sup> for the last month of Avida's financial year.</p>	

### 3. Proposal on variable remuneration and risk adjustment (January-February)

	Decision	The Board of Directors
<b>Who</b>	Proposal	Remuneration Committee
	Input	CEO, HR Manager, CCO and CRO
	Documentation	HR Manager
<b>What</b>	<p>The CFO is responsible for preparing a proposal to the Remuneration Committee regarding the size of the bonus pool for variable remuneration based on the assessment of Avida's financial results according to Section 7 of the Remuneration Policy. The bonus pool shall be risk adjusted, i.e. the underlying risks shall be properly assessed. The time horizon for the risk adjustment measures shall be aligned to Avida's business cycle in a multi-year framework (5 years).</p> <p>The proposal should include, as a general rule, the allocation of the bonus pool in a proportionate manner among the employees eligible for variable remuneration, taking into account the results of the individual Performance assessments.</p> <p>The Remuneration Committee reviews whether any risk adjustment measure</p>	

<sup>4</sup> [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro\\_en](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en)

	<p>should be taken in respect to Identified staff eligible from variable remuneration.</p> <p>The CRO and CCO, as well as HR Manager shall analyse and compile information on relevant circumstances that may impact the remuneration level. The information shall relate to the following general criteria for each category of employees:</p> <ul style="list-style-type: none"> <li>• Risk-based criteria - behaviour that contributes to a prudent risk culture and corresponds to Avida’s strategy, risk appetite and risk limits</li> <li>• Compliance criteria - behaviour in line with external regulations and internal rules</li> <li>• Ethical criteria - behaviour that is reasonable in relation to other employees, customers and competitors.</li> </ul> <p>CRO is responsible for providing information on incidents, breaches of risk limits or risk indicators.</p> <p>CCO is responsible for providing information on any compliance breaches or other compliance risks.</p> <p>HR Manager is responsible for input regarding any unethical behaviour, human resources matters or warnings.</p> <p>CEO is responsible for providing information regarding individual Performance assessment of each non-financial criteria’s for respective Identified staff.</p> <p>The HR Manager is responsible for coordinating that the input is communicated to the Remuneration Committee.</p> <p>The Remuneration Committee shall adjust the proposal on distribution of variable remuneration to Identified staff, if necessary, and submit it to the Board of Directors, including any risk adjustments made. It should also include a calculation that links the rating given per individual related to each financial and non-financial criteria to the actual proposed amount of variable remuneration for each Identified staff (i.e. a rating of 3 of 5 equals to 60% of maximum variable remuneration).</p> <p>The HR Manager is responsible for documenting the proposal.</p>
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**4. Reassessment of deferred variable remuneration (January-February)**

	Decision	The Board of Directors
<b>Who</b>	Proposal	Remuneration Committee
	Input	HR Manager, CCO and CRO and other relevant staff
	Documentation	HR Manager
<b>What</b>	The HR Manager is responsible for providing a plan for payout of previously deferred variable remuneration, including the deferred variable remuneration that is planner for payout during the current financial year.	

The Remuneration Committee is responsible for the reassessment of performance according to the criteria regarding individual performance set out in the Remuneration Policy. CCO and CRO thereupon review the list in view of any further risk adjustments for the deferred amounts of variable remuneration to concerned employees. Additional criteria considered in the reassessment process are as follows:

- evidence of misconduct or serious error by the employee (e.g. breach of code of conduct or other internal rules)
- whether Avida and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators)
- whether Avida and/or the business unit in which the identified staff member works suffers a significant failure of risk management
- significant decreases in Avida's or business unit's economic or regulatory capital base
- any regulatory sanction where the conduct of the identified staff member contributed to the sanction
- a severe downturn in the economy with impact on Avida's financial situation as a result of other risks not linked to the identified member staff.

If any risk adjustments are required prior to payout of deferred variable remuneration, the Remuneration Committee informs the Board of Directors.

## 5. Final decision on variable remuneration by the Board of Directors (February)

<b>Who</b>	Decision	The Board of Directors
	Proposal	Remuneration Committee
	Documentation	HR Manager and Board Secretary
<b>What</b>	<p>The Board of Directors is responsible for determining variable and fixed remuneration for Identified staff and certain functions as specified in Remuneration Policy.</p> <p>The decision on total bonus pool, the award of variable remuneration, as well as payout of previously deferred variable remuneration, is taken by the Board of Directors based on the proposal and supporting documentation submitted by the Remuneration Committee.</p> <p>The Remuneration Committee is responsible for communicating the individual remuneration decision to respective members of the Senior management. For other employees, the Functional managers are responsible for the communication.</p> <p>The HR Manager shall provide the finance unit with all relevant information and ensure that the variable remuneration is paid out.</p>	



**6. Annual audit of the remuneration process (as per the annual plan of the Internal Audit Function)**

<b>Who</b>	Internal Audit Function
<b>What</b>	<p>The Internal Audit Function performs their annual review in accordance with Section 13 of the Remuneration Policy and FFFS 2011:1.</p> <p>The results of the audit shall be reported to the Board no later than in conjunction with the adoption of the annual report.</p>

**7. Annual independent assessment (October-November)**

<b>Who</b>	Decision	Remuneration Committee
	Input	CRO, CCO and Internal Audit Function
<b>What</b>	<p>Pursuant to Section 2.2 of the Remuneration Policy, the Remuneration Committee a general independent assessment of the Company's remuneration system and Remuneration Policy, in particular, whether the remuneration practices comply with the underlying principles of Remuneration Policy.</p> <p>The Control functions can be asked to provide input regarding inter alia Avida's process for risk adjustment of the results.</p>	