

REMUNERATION POLICY

Adopted by the Board of Directors of Avida Finans AB
(publ) on 2020-07-20

Adopted by	Board of Directors
Date	2020-07-20
Most recently adopted	2019-06-18
Adopted	Annually or more frequently
Scope of application	All employees of Avida Finans AB (publ)
Distribution	Available on Avida Finans AB's intranet
Information classification	Internal
Legal basis	FFFS 2011:1, FFFS 2014:1, FFFS 2014:12, EBA guidelines EBA/GL/2015/22 and others
Document owner	Chief HR Officer

AVIDA

CONTENTS

1. PURPOSE AND SCOPE	2
2. BACKGROUND	2
3. DEFINITIONS	3
4. ROLES AND RESPONSIBILITIES	4
5. GENERAL REMUNERATION PRINCIPLES	6
6. FIXED REMUNERATION	6
7. VARIABLE REMUNERATION	7
8. RISK ANALYSIS AND IDENTIFICATION PROCESS	7
9. PERFORMANCE ASSESSMENT AND EX ANTE RISK ADJUSTMENT	8
10. DEFERRAL OF REMUNERATION	8
11. PAY-OUT PROCESS FOR VARIABLE REMUNERATION AND EX POST RISK ADJUSTMENT	9
12. RATIO BETWEEN FIXED AND VARIABLE REMUNERATION	10
13. RETENTION BONUSES	10
14. GUARANTEED VARIABLE REMUNERATION	10
15. DECISION MAKING AND REMUNERATION DECISION	10
16. LIST OF CONFLICTS OF INTERESTS	11
17. SEVERANCE PAY	11
18. PROHIBITION OF RISK HEDGING STRATEGIES	11
19. REMUNERATION OF SPECIFIC FUNCTIONS	11
20. INDEPENDENT ASSESSMENT	11
21. INFORMATION TO EMPLOYEES	12
22. DISCLOSURE OF INFORMATION ON REMUNERATION	12
23. FOLLOW-UP AND CONTROL	12
24. VERSION CONTROL	Error! Bookmark not defined.

1. PURPOSE AND SCOPE

- 1.1. The purpose of this Policy is to set the framework for Avida's remuneration system including all components of remuneration in order to ensure that Avida manages remuneration practices in accordance with laws, regulations and internal rules applicable to its business. The Policy aims to promote sound and effective risk management and discourage any excessive risk taking.
- 1.2. The Policy contains principles for determining both fixed and variable components of remuneration, award and pay-out process, risk adjustment alongside provisions on follow-up and control.
- 1.3. The Policy extends to all employees in Avida including the employees working at Avida's branches in Norway and Finland.
- 1.4. 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. As a part of the risk management process, Avida annually performs a risk analysis which serves as a basis for the identification process. More detailed procedures regarding the remuneration process are provided in Instruction for the Remuneration Process.
- 1.5. The Policy shall contribute to safeguarding a sound capital base and shall not lead to shortcomings in Avida's' liquidity.
- 1.6. The Policy shall be reviewed annually or more frequently, if needed, and shall be approved by the Board of Directors.
- 1.7. The Chief HR Officer shall be responsible for updating this Policy.

2. BACKGROUND

- 2.1. Avida Finans AB (publ) (org.no: 556230-9004) (hereinafter "Avida") is a credit market company established in accordance with Swedish law to conduct operations subject to authorisation according to the Banking and Financing Business Act (2004:297) under the supervision of the Swedish Financial Supervisory Authority. Avida has branches in Norway and Finland.
- 2.2. This Policy is documented in accordance with the following external regulations and guidelines:
 - 2.2.1. Swedish Financial Supervisory Authority's regulations FFFS 2011:1 regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (hereinafter - "FFFS 2011:1")

- 2.2.2. Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (hereinafter - "CRR")
 - 2.2.3. Commission Delegated Regulation (EU) No 604/2014 with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (hereinafter - "Commission Delegated Regulation (EU) No 604/2014")
 - 2.2.4. Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms
 - 2.2.5. European Banking Authority's guidelines on sound remuneration policies (hereinafter - "EBA/GL/2015/22").
- 2.3. The Policy specifies how the external regulations are to be applied in Avida's remuneration practices with due regard to the principle of proportionality. In preparing this Policy, the size of Avida and its internal organisation, as well as business nature, scope and complexity have been considered. The Policy is further aligned to the business strategy, objectives, values and a long-term interest of Avida in order to effectively achieve the objectives of the regulatory requirements.

3. DEFINITIONS

3.1. In this Policy the following terms and abbreviations apply.

- Appointed Board Member - the appointed member of the Board of Directors as required by chapter 3, section 5 of FFFS 2011:1
- Business unit – business finance and consumer finance.
- Chief Compliance Officer - responsible for Avida's compliance function
- Chief HR Officer - responsible for Avida's human resources function
- Chief Risk Officer - responsible for Avida's risk control function
- Control functions – Avida's functions for risk control, compliance and internal audit
- Fixed remuneration - the payments or benefits for Avida employees which comply with the conditions for its award set out in Section 6 of this Policy.
- Particularly high amount – the 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 2 m or more.
- Senior management – Avida's Management Team which consists of Chief Executive Officer ("CEO"), Deputy CEO ("DCEO"), Head of Business Finance ("HBF") Chief

Financial Officer (“CFO”), Chief Information Officer (“CIO”), Chief Risk Officer (“CRO”), Chief HR Officer (“CHRO”), Chief Legal Officer (“CLO”), Chief Compliance Officer (“CCO”), Head of Communications and Investor Relations (“HCIR”).

- Identified staff – the staff whose professional activities have a material impact on Avida’s risk profile in accordance with the criteria set out in the Commission Delegated Regulation (EU) 604/2014 and as identified by Avida upon the outcome of its annual risk analysis and identification process.
- Functional manager - the manager with staff responsibilities
- Internal audit function - the function outsourced to external party
- Variable remuneration – all remuneration to Avida employees which is not fixed.

4. ROLES AND RESPONSIBILITIES

Board of Directors

4.1. The Board of Directors is responsible for approving and maintaining the Policy and overseeing its implementation to ensure it is fully operating as intended. The Board of Directors is authorised to approve any material exemptions made for individual staff members either in this Policy or Instruction for the Remuneration Process and is subsequently in charge of monitoring its effects.

4.2. The Board of Directors is 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
3. ensuring that this Policy is regularly followed up and updated
4. identification process, including approval of any exclusion of staff in accordance with Article 4(2) of Commission Delegated Regulation (EU) No 604/2014 where it is deemed that the qualitative criteria are not met by the staff, as they in fact do not have a material impact on Avida’s risk profile.

Appointed Board Member

4.3. The Board of Directors has appointed one member of the Board of Directors to perform an independent review of this Policy and remuneration structure. The Appointed Board Member is responsible for preparing decisions related to the Board of Directors’ responsibilities as listed in Sections 4.2 (1-3) above.

4.4. The Appointed Board Member 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 CEO

4.5. The Board of Directors has delegated part of its responsibilities regarding identification process to the CEO, in particular, to:

- prepare the Instruction for the Remuneration Process for approval by the Boards of Directors
- be involved in the design of the identification process and performance assessment
- ensure that the assessment for the identification of staff is properly made in accordance with applicable regulations and guidelines
- oversee the identification process on an ongoing basis
- regularly review the Instruction Remuneration Process and amend it thereof.

4.6. The CEO shall be responsible for reporting any progress in above mentioned tasks to ensure that the Board of Directors may oversee the procedures sufficiently.

4.7. The Board of Directors remains ultimately accountable for the identification process.

CHRO

4.8. The CHRO shall participate in evaluation of the Remuneration Policy and Instruction for the Remuneration Process, taking into account the objective of attracting and retaining the competent staff at Avida.

Control functions

4.9. The CRO shall assist the Appointed Board Member in risk-adjusted performance measures and assessment of how the variable remuneration structure affects the risk profile of Avida. CRO is primarily responsible for coordinating and documenting an annual risk analysis and outcome of the identification process pertaining to this Policy and Avida's remuneration system.

4.10. 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.

4.11. 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.

4.12. The Internal audit function shall annually review this Remuneration Policy and Avida's remuneration practices.

Other business support functions

- 4.13. Other business support functions, such as the CFO and CLO, shall be involved into the remuneration process according to their specific roles.

5. GENERAL REMUNERATION PRINCIPLES

- 5.1. Since Avida's business interest is strongly related to the expansion of its finance portfolio in two segments of business and consumer finance, this Policy intends to adequately encourage employees to perform work that contributes to achieving Avida's business goals in terms of growth opportunities in respective segments.
- 5.2. Avida has an approach to remuneration that recognises the importance of a sound and efficient risk management and compliance. The Policy intends to guarantee an appropriate balance between fixed and variable components of remuneration.
- 5.3. The remuneration to Avida employees consists of a fixed and variable remuneration which forms an employee's total remuneration package. Only a limited number of employees in senior management positions may be eligible for variable remuneration. In order to support Avida's ability to attract and retain good competence, the intention is that fixed remuneration should be competitive but not market leading.
- 5.4. The remuneration system shall at any time be compliant with applicable laws, regulations and Avida's internal rules. The rationale underlying this Policy is that fixed remuneration shall not lead to a behavior that gives rise to an increased risk-taking. The amount of fixed remuneration shall be sufficient in order to ensure that the reduction of variable remuneration down to zero would be possible. In particular, it should be possible to reduce or cancel the awarded variable remuneration based on justified circumstances without creating incentives for short-term excessive risk taking.
- 5.5. Employees are awarded with variable remuneration for extraordinary work performance, i.e. for contributing to development of Avida's business beyond what would normally be expected from an individual employee.

6. FIXED REMUNERATION

- 6.1. Every employee is entitled to fixed remuneration which is intricately linked to 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 which form part of routine employment packages for all employees. Other remuneration is regulated separately in the Employment Handbook.

- 6.2. Fixed salary for the senior management is decided annually by the Board of Directors. The CEO and respective functional manager decide the fixed salary for other employees.
- 6.3. All types of fixed remuneration that have been approved by the Board of Directors shall be stated in Section 6.1 of this Policy.
- 6.4. The remuneration is considered to be fixed where the conditions for its award and its amount meet the requirements of Section 117 of EBA/GL/2015/22. Other remuneration components which fulfil requirements in Sections 118-119 of EBA/GL/2015/22 are also considered to be fixed remuneration.

7. VARIABLE REMUNERATION

- 7.1. Apart from fixed remuneration there is a possibility for variable remuneration subject to a decision by the Board of Directors.
- 7.2. Variable remuneration shall not constitute a large part of employee's total remuneration. The employees shall not be remunerated in a way that provides incentive to excessive risk taking and/or conflicts with their duty to act in the best interests of Avida.
- 7.3. The total variable remuneration awarded 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.

8. RISK ANALYSIS AND IDENTIFICATION PROCESS

- 8.1. The risk analysis and identification process is part of Avida's remuneration system aimed at identifying those members of staff whose professional activities have a material impact on Avida's risk profile. Identification should sufficiently reflect the level of risk of different activities within Avida.
- 8.2. The CEO has the general responsibility to ensure that identification of the categories of staff whose professional activities have or may have a material impact on Avida's risk profile is performed annually.
- 8.3. The CRO is responsible for coordinating annual exercise and documenting the results. The outcome of identification shall be clear, consistent, properly documented and updated during the year if needed, e.g. in case of new recruitment, reorganisation, etcetera.
- 8.4. The basis for identification is Avida's risk analysis and application of qualitative and quantitative criteria defined in the Commission Delegated Regulation (EU) No 604/2014. The risk analysis shall include current and future risks associated with this Policy and Avida's remuneration system.

8.5. More detailed provisions on risk analysis and identification process are provided in Instruction for the Remuneration Process.

9. PERFORMANCE ASSESSMENT AND EX ANTE RISK ADJUSTMENT

9.1. The variable remuneration of identified staff shall be based on performance of Avida and individual as defined below:

1. Avida's financial results.
2. Individual performance.

9.2. The outcome of assessment is determined based on the results of each performance criterion. Variable remuneration is contingent on positive financial results at Avida . Risk alignment should be achieved by using risk-adjusted performance criteria. Both financial and non-financial criteria are used to measure performance.

9.3. The performance assessment and risk adjustment process are explained further in Instruction for the Remuneration Process.

10. DEFERRAL OF REMUNERATION

10.1. As a general rule, the variable remuneration for identified staff is paid partly upfront and partly deferred.

10.2. The following deferral schedule applies to identified staff:

Components of the deferred schedule	Identified staff whose variable remuneration over one year equals at least SEK 100 000	Identified staff who belong to senior management or 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	Three - five years	Three - five years

<p>The method and speed at which the deferred remuneration is paid</p>	<p>Pro rata payout</p> <p>The deferred variable remuneration shall be paid out during three-five consecutive years with the first deferred 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 third or one fifth of the deferred amount.</p>	<p>Pro rata payout</p> <p>The deferred variable remuneration shall be paid out during three-five consecutive years with the first deferred 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 third or one fifth of the deferred amount.</p>
--	--	--

- 10.3. The first deferred part cannot be paid until after one year has passed since an award decision was taken.
- 10.4. 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.

11. PAY-OUT PROCESS FOR VARIABLE REMUNERATION AND EX POST RISK ADJUSTMENT

- 11.1. Each year before paying out the deferred part of 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 showing that the risks have been underestimated, new risks were identified, or unexpected losses occurred.
- 11.2. In every case deferred variable remuneration is paid only if it is sustainable according to the financial situation of Avida as a whole and justified on the basis of the performance of Avida and the individual concerned. The deferred payment is conditional upon the employee remaining in office. Prior to each deferred payment, the Appointed Board Member is responsible for a quantitative and qualitative reassessment of performance according to the criteria set out in Instruction for the Remuneration Process and following the analysis of the CRO, CCO and CHRO regarding any circumstances that may impact the remuneration level.
- 11.3. Following the reassessment coordinated by the Appointed Board Member, 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.

12. RATIO BETWEEN FIXED AND VARIABLE REMUNERATION

- 12.1. The identified staff cannot be awarded variable remuneration which exceeds 100% of their fixed remuneration.
- 12.2. All other employees cannot be awarded remuneration which exceeds 100% of their fixed remuneration.
- 12.3. Without prejudice to the foregoing, any exceptions shall be duly justified and approved on a case-by-case basis by the Board of Directors.

13. RETENTION BONUSES

- 13.1. 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 change of control.
- 13.2. Retention bonuses shall comply with applicable requirements on variable remuneration, in particular, ex post risk adjustment and deferral as stated in Sections 10 and 11 of this Policy. Depending on the type of retention bonuses being triggered by expiration of the retention period or by a defined event, the retention bonuses should be awarded after the retention period ends or the retention condition is met respectively.

14. GUARANTEED VARIABLE REMUNERATION

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

15. DECISION MAKING AND REMUNERATION DECISION

- 15.1. The Board of Directors decides on variable remuneration for all employees. The decision is made on the basis of the performance assessments and risk adjustment according to Instruction for the Remuneration Process.
- 15.2. The Appointed Board Member shall prepare the decision on variable remuneration for members of senior management. In the preparation work he/she obtains information from all relevant staff members and independent opinions from control functions.
- 15.3. The employee shall be notified on an individual remuneration decision.

16. CONFLICTS OF INTERESTS

- 16.1. Any conflicts of interests with regards to remuneration should be timely identified and properly mitigated in accordance with the Conflicts of Interest Policy.

17. SEVERANCE PAY

- 17.1. Severance pay means payments relating to early termination of a contract which shall only be paid in exceptional cases. Regular remuneration payments pertaining to the duration of a notice period constitute fixed remuneration, not severance payments.
- 17.2. 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. Based on this principle, the Board of Directors shall, at its discretion, decide on the amount of any severance pay to identified staff. The Appointed Board Member is responsible for preparing such decisions on severance pay. The Appointed Board Member may delegate to the CEO to decide on severance pay except for if the members of the senior management or employees primarily responsible for any control function are the receivers of the severance pay.

18. PROHIBITION OF RISK HEDGING STRATEGIES

- 18.1. The identified staff member shall not use personal hedging strategies to undermine the risk adjustment effects embedded in their remuneration arrangements.

19. REMUNERATION OF SPECIFIC FUNCTIONS

- 19.1. 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.
- 19.2. 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.

20. INDEPENDENT ASSESSMENT

- 20.1. The Appointed Board Member is responsible for annual independent assessment of Avida's remuneration system and Remuneration Policy.

21. INFORMATION TO EMPLOYEES

- 21.1. Performance assessment process and this Policy are accessible to all employees via Avida's intranet.
- 21.2. The employees shall be adequately informed on the criteria that govern their remuneration and how their performance is assessed by their functional manager.

22. DISCLOSURE OF INFORMATION ON REMUNERATION

- 22.1. General information on Avida's remuneration system is published on the website as required by applicable regulations.
- 22.2. Furthermore, the information shall be presented in Avida's annual report and shall also take into consideration the requirements in Article 450 CRR.

23. FOLLOW-UP AND CONTROL

- 23.1. The Internal audit function shall annually perform a review of the design, implementation and the effects of this Policy on Avida's risk profile and assess whether 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 primary focus of the review should be defined in the annual plan approved by the Board of Directors.
- 23.2. The internal audit function shall annually report the audit results to the Board of Directors at the Board's meeting.
- 23.3. 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.