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Remuneration Report 2020

# Remuneration report

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# Remuneration report

## The Remuneration & Appointment Committee

During the year, the Committee engaged in comprehensive consultations with stakeholders regarding the current remuneration policy for the Management Board. Based on this consultation, an updated remuneration policy for the Management Board will be submitted for shareholder approval at our 2021 AGM.



Chairman  
**Rudolf Ferscha**

### Members

**Eric Drok**

**Roger Hodenius**

**Jan van Kuijk**

### Key objectives

To advise the Supervisory Board on the design and execution of the remuneration policy for the Management Board

### Responsibilities

- Determining, on behalf of the Supervisory Board, the company's remuneration policy for the Management Board
- Proposing the remuneration of the individual members of the Management Board to the Supervisory Board
- Reviewing the proposal of the Management Board for the remuneration and variable remuneration for all employees
- Assessing performance of the members of the Management Board in 2020 and establishing their individual key performance indicators for 2021
- Preparing the annual remuneration report

The committee held 7 formal meetings in 2020 and each meeting had full attendance.

## Letter from the Chairman of the Remuneration & Appointment Committee

### Dear shareholders,

On behalf of the Remuneration & Appointment Committee, I am pleased to present our 2020 Remuneration Report. This report includes a summary of our remuneration policy currently in place, as approved at the 2016 AGM, and the remuneration paid out in 2020 in accordance with this policy. The full remuneration policy is published on our website. Furthermore, this report explains how we have taken on board stakeholder feedback on our current remuneration policy, and a summary of the proposed updates to our policy we will submit to the 2021 AGM.

The remuneration report reflects the reporting requirements originating from the updated EU Shareholder Rights Directive and the Dutch implementation of this Directive. Although the final non-binding EU guidelines for disclosure are not published yet, our report is drafted in line with the spirit of these draft guidelines.

### A record year against the backdrop of a global health crisis

2020 saw significantly heightened levels of overall market activity compared to 2019 as the COVID-19 pandemic spread globally. Volatility peaked in mid-March to early-April as the markets absorbed the potential impact of the pandemic with the VIX index reaching the 85 point mark in mid-March. Following these exceptional market circumstances, markets did proceed to normalize for the remainder of 2020, although the VIX index remained elevated compared to the levels seen in 2019. Given this market backdrop and our

leading global ETP trading footprint, Flow Traders total value traded in 2020 grew to €5.2 trillion (2019: €4.0 trillion), of which €1.5 trillion (2019: €1.0 trillion) was traded in ETPs (on-exchange and off-exchange).

The market environment experienced in 2020 along with Flow Traders' own pricing, hedging and risk management capabilities translated into Net Trading Income (NTI) of €933 million (2019: €216 million) – a record year for Flow Traders by some distance. We saw clear outperformance in all regions and across all asset classes as the levels of market activity were broad based in nature. On the cost side, we maintained a firm discipline on costs with fixed operating expenses amounting to €118.7 million in 2020 (2019: €99.8 million), which is within the guided fixed cost growth rate of maximum 10 percent for 2020 (excluding one-off expenses). The main drivers of the increase in fixed expenses were technology investments to support diversification initiatives and efficiency improvements as well as new hires. FTEs increased by 8 percent to 554. Variable employee expenses have increased to €228.1 million (2019: €37.7 million) which reflects the improved overall financial performance of the business during the year. Given these income and cost dynamics, Flow Traders demonstrated strong operational leverage with an EBITDA margin of 63% in 2020 (2019: 36%) and EBITDA of €586.6 million (2019: €78.9 million).

With the onset of the COVID-19 pandemic, there has been an even greater focus on our people. We successfully activated the business continuity plan with the primary focus being the health and well-being of our employees and their families. Employees have adapted well to the changing working environment with the vast majority now working from home. Moreover, we have split teams and have

activated back-up trading locations in Amsterdam, New York and Hong Kong. Lastly, we have continued to selectively hire throughout 2020 as we seek to progress our growth strategy.

### Remuneration in 2020

2020 has been a year of extremes in many ways, but first and foremost a human tragedy of unprecedented global scale. In such a year, executive remuneration needs to show restraint and must not fall out of alignment with the current societal context. We, therefore, strongly believe that it makes sense to moderate variable remuneration outcomes for the Management Board and accelerate our contributions to society, even though we had a record year and we strongly believe in aligning variable remuneration directly to company performance.

As promised at our 2020 AGM, the Supervisory Board, in close consultation with, and supported by, the Management Board has decided to halve the maximum available variable remuneration pool over 2020 for the Management Board (decreasing the maximum allocation from the pool from 5.25% to 2.625% of operational profit). Moreover, Flow Traders has donated a sum equivalent to half of the Management Board's variable remuneration pool to the newly established Flow Traders Foundation, which seeks to promote and fund health and well-being charities globally on a significant, structured and annually recurring basis.

We have given the individual variable remuneration awards to the members of the Management Board extensive consideration. Despite us halving the available remuneration

pool for the Management Board, the variable remuneration components for the members of the Management Board are substantial. These awards of course follow our remuneration philosophy and are in accordance with our existing remuneration policy. This is a long-standing remuneration philosophy which we have operated since inception and that provides a relatively modest base salary, no benefits and a profit share that directly reflects company performance - therefore varying considerably between successful and less successful (financial) years.

Also considering the size of the variable remuneration awards, we believe it is important to align the awards with longer-term value creation and the shareholder experience. As such we have decided to follow the principles of our 2021 proposed remuneration policy and to defer a majority of each award for a multi-year period and to pay-out 50% of each award in share-like instruments (instead of a 100% cash pay-out in at least two installments). At vesting, the share-like instruments will be paid-out in cash, whereby the value of the instruments is directly linked to Flow Traders' share price development between moment of award and moment of vesting.

In addition, we feel it is important to highlight a number of balancing elements:

- We believe in rewarding for exceptional performance. Consequently, in exceptional years our pay-mix is heavily skewed towards variable remuneration. If Flow Traders is less successful, there is a corresponding downwards impact on variable remuneration levels without any smoothing actions.
- At the same time, we defer part of the variable remuneration granted, and this deferred remuneration remains at risk until vesting. If Flow Traders were to

make a loss in upcoming years, any outstanding deferred variable compensation from previous years would be forfeited and used to cover this loss.

- We share our profits fairly with our shareholders and employees. Although individual award levels to members of the Management Board may be considered substantial, all other employees also benefit substantially from participation in the variable remuneration pool.

### Activities of the Committee in 2020

In 2020, we put forward for AGM approval our revised remuneration policies for both the Management Board and Supervisory Board (binding vote) and our first remuneration report under the new EU Shareholder Rights Directive Requirements (advisory vote). The shareholders adopted the new policy for the Supervisory Board and the remuneration report. The revised policy for the Management Board reached an approval rate of 58.70% and did not obtain the 75% majority vote during the AGM, therefore we continued to operate under the Remuneration Policy as approved in 2016.

### Stakeholder engagement

We take our stakeholder's views very seriously and welcome an open dialogue with them on a regular basis on all aspects of remuneration. Based on the feedback received from investors and shareholders around our 2020 AGM, we engaged in a comprehensive consultation with various stakeholders regarding the current remuneration policy. We have also asked current members of the Management Board for their views, in line with the Dutch Corporate Governance Code.

“With the onset of the COVID-19 pandemic, there has been an even greater focus on our people”

The dialogue with these stakeholders was very constructive and better understanding their views on our Management Board compensation has been very valuable. The insights have significantly contributed to the design of the remuneration policy we intend to propose to our shareholders at the 2021 AGM. We summarize the main feedback provided regarding the Management Board remuneration policy, and how we have acted upon this feedback in the table below.

## Main feedback from stakeholders

### The policy appears to have a short-term focus

## How we have acted upon this feedback

- Long-term value creation and share ownership are cornerstones of our remuneration philosophy. We propose to further align our remuneration policy with our philosophy and to defer a majority of any variable remuneration award for a multi-year period. It is proposed that a significant part (50%) of the variable remuneration is paid out in equity-linked instruments and subject to a holding period of one year after vesting.
- In addition to already operating above market standards clawback provisions, we propose to update our remuneration policy and introduce post-termination transfer restrictions.
- We propose to update our remuneration policy and encourage our Management Board members to retain 50% of any shares granted as part of remuneration (after tax) until end of employment.
- We have restructured our remuneration report, with the aim to better explain the design of our remuneration policy and in particular the working of our variable remuneration plan.

### Management Board variable remuneration is uncapped

- It is in our corporate DNA to share our profits fairly with our shareholders and employees, and we have done so since we were founded. We propose to update our remuneration policy and introduce a hard cap on Management Board individual total remuneration levels with such cap to be determined annually by taking into account the average full time employee total remuneration levels.
- We have restructured our remuneration report, with the aim to better explain the design of our remuneration policy and in particular the working of our variable remuneration plan.

### Transparency and disclosure on pay-for-performance can be improved

- We have included more details on the working, dynamics, key performance indicators and performance outcomes of the Management Board member's individual KPIs.
- We have restructured our remuneration report, with the aim to better explain the working of our variable compensation plan.

On behalf of the Committee, I thank all shareholders for the constructive feedback and am looking forward to continuing our dialogue.

Rudolf Ferscha  
Chairman of the Remuneration & Appointment Committee  
4 March 2021

## Flow Traders' approach to remuneration

Our Management Board remuneration policy aims to attract, motivate and retain Management Board members to lead Flow Traders and sustainably execute Flow Traders' strategy. The remuneration policy reflects of our mission, corporate identity and values. The remuneration policy fosters our unique Flow Traders culture.

### *Our mission and corporate identity*

We are a leading global-technology enabled liquidity provider, specialized in Exchange Traded Products.

As a technology company operating in a financial environment, we focus on providing liquidity in financial products both on- and off-exchange. As a result, market participants benefit from higher execution quality and lower overall trading costs, while the markets benefit from greater efficiency and more transparency. The liquidity we provide in volatile markets helps ensure that financial markets keep functioning under all circumstances. Flow Traders helps absorb market shocks by absorbing a sudden surge in trading which helps stabilize markets, ensures accurate pricing and reduces volatility.

We are an ambitious, international company, with an increasing role in the financial ecosystem in the world's largest financial markets. We operate in a fast moving, complex and highly competitive environment, at the intersection of trading, financial services and technology. As only the very best companies in this market will survive, we aim to attract and retain the very best people at every level in the organisation.

### *Our values and culture*

We strongly believe that creating a strong and successful business requires a set of shared values that everyone can rally around. Values that help shape how everyone behaves, feels and develops at work every day. That is why we have identified the core values that are the essence of Flow Traders:

- Open, informal and diverse
- Taking ownership
- Entrepreneurial
- Team player

These values reflect the things we believe in. And they shape our unique, one-team driven, culture. A culture that is underpinned by disciplined risk awareness at every level of the organisation.

### *Our remuneration principles*

We believe in sharing our profits with all relevant stakeholders, including our employees. Given good performance, employees from any role and office are entitled to receive variable compensation relative to their contribution to the firm as a whole. We are transparent about how we pay our people and how much we pay them, including management. We have a straightforward remuneration policy that permits variable remuneration only when a profit is made. And because variable remuneration is, to a large extent, deferred, it remains at risk of forfeiture if we sustain a loss. We believe this is the strongest incentive for sustainable, risk-aware behavior for all our staff.

### *Application of our remuneration principles*

At Flow Traders, we provide our members of the Management Board a remuneration package that consists of fixed remuneration, in the form of base salary, and variable remuneration:

- The long-standing foundation of our policy is a relatively modest base salary and variable remuneration that is aligned with company performance – therefore varying considerably in successful and less successful (financial) years.
- The design of our remuneration policy reflects our mission, corporate identity, core values & culture, is aligned with our long-term interests and is underpinned by deep risk-awareness.

These principles are also reflected in our Management Board remuneration policy:

Principle	Application
<b>Sharing</b>	<ul style="list-style-type: none"> <li>▪ Given good performance, employees from any role and office are entitled to receive variable remuneration relative to their contribution to the firm as a whole.</li> <li>▪ If we make no profit, we do not pay-out variable remuneration.</li> </ul>
<b>Operating a single &amp; straightforward policy</b>	<ul style="list-style-type: none"> <li>▪ We reward all our employees, including the Management Board, based on the same remuneration policy.</li> <li>▪ We share one singular firm-wide variable remuneration pool.</li> <li>▪ The Management Board does not receive material ancillary benefits beyond variable remuneration.</li> </ul>
<b>Rewarding for exceptional performance</b>	<ul style="list-style-type: none"> <li>▪ Remuneration consists of a relatively modest base salary and variable remuneration linked directly to performance.</li> <li>▪ The pay-mix is skewed towards variable remuneration in good (financial) years. At the same time, we do not pay-out any variable remuneration – and reclaim outstanding deferrals, if we sustain a loss.</li> </ul>
<b>Guarding long-term interests &amp; stimulating risk awareness</b>	<ul style="list-style-type: none"> <li>▪ We operate an integrated short-term and long-term variable remuneration plan.</li> <li>▪ We defer a significant portion of variable remuneration pay-outs for a multi-year period.</li> <li>▪ If the company incurs a loss, any outstanding deferred variable remuneration is reduced or forfeited entirely to cover that loss.</li> <li>▪ Our claw back provisions are comprehensive, irreversible and substantially exceed industry standards and regulatory requirements.</li> </ul>

These principles guide the Remuneration and Nomination Committee when making decisions on the remuneration policy and its implementation.



## Our contribution to society

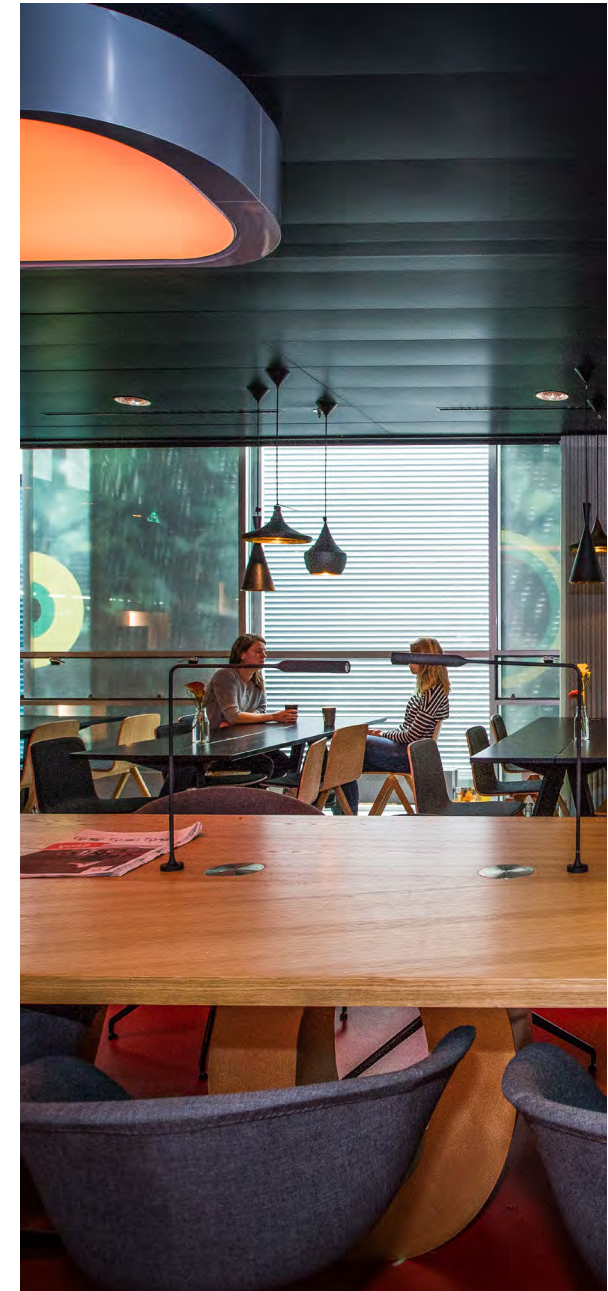
We are committed to our broader responsibility to society over and above our provision of liquidity and market making services globally (ensuring global markets keep functioning, under all circumstances) and are vocal proponents of fair markets and fair taxation. With this in mind, we have always steered clear of (re-) structuring any of our operations for the objective of tax optimization.

We are deeply aware of our responsibilities to society and have expanded our avenues for sharing with society more broadly, particularly by accelerating contributions to the Flow Traders Foundation. Our Foundation seeks to promote and fund health and well-being charities globally on a significant, structured and annually recurring basis. The Flow Traders Foundation will achieve this by, but not limited to, providing direct aid, granting microcredits, providing information and/or financial means. In 2020, our contribution to the Foundation was EUR 10 million. This is on top of the EUR 5k contribution each employee could make on behalf of Flow Traders to their charitable cause of choice.

## Policy at a glance

Our global remuneration model reflects our key principles achieved through the practical implementation of the current General Remuneration Policy (as approved by the General Meeting on 19 May 2016 and published on our website, the 'General Remuneration Policy'), the Dutch Act on Remuneration Policy of Financial Undertakings (Wet Beloningsbeleid Financiële Ondernemingen, the 'Remuneration Act'), and the related laws and regulations in a manner that is tailored to the size of our enterprise and the way it is organized, as well as the nature, scope and complexity of our business activities.

The table below provides insight into the main elements of our existing remuneration policy and those of our proposed Management Board remuneration (subject to shareholder approval at the 2021 AGM). We have highlighted the main changes. The table below provides insight into the main elements of our existing remuneration policy and those of our proposed remuneration policy (subject to shareholder approval at the 2021 AGM). The full proposed policy will be published in combination with our 2021 AGM convening notice on our website.



**FIXED REMUNERATION**

<b>Element</b>	<b>Current policy (2016)</b>	<b>Proposed policy (subject to 2021 AGM approval)</b>	<b>Rationale for change</b>
<b>Base salary</b>	Relatively modest base salary	Relatively modest base salary	No proposed changes

**VARIABLE REMUNERATION**

<b>Element</b>	<b>Current policy (2016)</b>	<b>Proposed policy (subject to 2021 AGM approval)</b>	<b>Rationale for change</b>
<b>Variable remuneration pool calculation</b>	<ul style="list-style-type: none"><li>Both Management Board members and employees may be awarded a variable remuneration entitlement in the form of a portion of the firm-wide variable remuneration pool</li><li>No variable remuneration pool will exist if Flow Traders was not profitable in the performance year</li><li>40% of Flow Traders' operating profit - minus applicable adjustments - over the performance year is available for variable remuneration</li></ul>	<ul style="list-style-type: none"><li>Both Management Board members and employees may be awarded a variable remuneration entitlement in the form of a portion of the firm-wide variable remuneration pool</li><li>No variable remuneration pool will exist if Flow Traders was not profitable in the performance year</li><li>35% of Flow Traders' operating profit over the performance year is available for variable remuneration</li></ul>	Further to shareholder feedback, we have simplified the variable remuneration pool definition and reduced the maximum pool size

## VARIABLE REMUNERATION

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
<b>Performance measurement</b>	<ul style="list-style-type: none"><li>■ Performance is measured over a one-year performance period</li><li>■ Variable remuneration awards are predominantly based on Flow Traders' result on operating profit</li><li>■ To determine individual variable remuneration awards, the Supervisory Board conducts a holistic assessment of the performance of each individual Management Board member and the Management Board as a whole</li><li>■ In this holistic performance assessment, the Supervisory Board takes into account performance on individual targets, which includes both financial and non-financial key performance indicators (KPIs)</li><li>■ Although there is no formulaic relationship between performance on the KPIs and the variable remuneration award, significant underperformance or outperformance in respect of these KPIs results in reductions or increases of the profit share that is awarded to a Management Board member</li></ul>	<ul style="list-style-type: none"><li>■ Performance is measured over a one-year performance period</li><li>■ Variable remuneration awards are predominantly based on Flow Traders' result on operating profit</li><li>■ To determine individual variable remuneration awards, the Supervisory Board conducts a holistic assessment of the performance of each individual Management Board member and the Management Board as a whole</li><li>■ In this holistic performance assessment, the Supervisory Board takes into account performance on individual targets, which includes both financial and non-financial key performance indicators (KPIs)</li><li>■ Although there is no formulaic relationship between performance on the KPIs and the variable remuneration award, significant underperformance or outperformance in respect of these KPIs results in reductions or increases of the profit share that is awarded to a Management Board member</li></ul>	No proposed changes in the design of the policy. However, we commit ourselves to disclose the individual KPIs and the individual performance assessments in our annual remuneration report

## VARIABLE REMUNERATION

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
<b>Deferral and vesting</b>	<ul style="list-style-type: none"><li>Above a certain threshold, variable remuneration is paid out in at least two instalments</li></ul>	<ul style="list-style-type: none"><li>50% of variable remuneration is paid out in equity</li><li>62.5% of variable remuneration is deferred over a multi-year period</li><li>The cash component of the variable remuneration will vest on a pro-rata basis over a two-year period, whereby the first tranche will vest at date of award</li><li>The equity component of the variable remuneration will vest over a 4-year period on a pro-rata basis, whereby the first tranche will vest at date of award</li><li>All equity awards that vest are subject to a holding period of one year</li></ul>	<p>We have further aligned our policy with our guiding principles for remuneration</p> <p>The proposed policy changes put more emphasis on the long-term character of our variable remuneration plan. The significant deferral in combination with a substantial pay-out in equity will lead to further alignment of Management Board interests and those of our stakeholders</p>
<b>Maximum opportunity</b>	<ul style="list-style-type: none"><li>The total variable remuneration pool available for all employees (including the Management Board) is set at a maximum of 40% of the operating profit</li></ul>	<ul style="list-style-type: none"><li>The total variable remuneration pool available for all employees (including the Management Board) is set at a maximum of 35% of the operating profit</li><li>Total remuneration for any individual Management Board member is capped at 20 times the average employee total remuneration</li></ul>	<p>It is in our corporate DNA to share our profits fairly with our shareholders and employees, and we have done so since we were founded. We have now reflected this in our policy by introducing a cap on individual total remuneration pay-outs versus the average employee</p>

## VARIABLE REMUNERATION

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
<b>Risk management</b>	<ul style="list-style-type: none"><li>Any potential award under our variable remuneration plan is subject to a thorough risk assessment both before and after the date of award</li><li>We only provide a variable remuneration award if Flow Traders' operating profit is positive</li><li>All previously awarded and outstanding variable remuneration acts as a first loss tranche to compensate any operating loss</li><li>All variable remuneration is subject to extensive malus and clawback provisions</li></ul>	<ul style="list-style-type: none"><li>Any potential award under our variable remuneration plan is subject to a thorough risk assessment both before and after the date of award.</li><li>We only provide a variable remuneration award if Flow Traders' operating profit is positive</li><li>All previously awarded and outstanding variable remuneration acts as a first loss tranche to compensate any operating loss</li><li>All variable remuneration is subject to extensive malus and clawback provisions</li></ul>	No proposed changes, however, we have clarified the risk mitigating provisions in our policy

## BENEFITS

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
<b>Ancillary benefits</b>	No ancillary benefits are provided to our Management Board members	No ancillary benefits are provided to our Management Board members	No proposed changes

**OTHER**

<b>Element</b>	<b>Current policy (2016)</b>	<b>Proposed policy (subject to 2021 AGM approval)</b>	<b>Rationale for change</b>
<b>Encouragement of share ownership</b>	<ul style="list-style-type: none"><li>No share ownership guidelines in place</li></ul>	<ul style="list-style-type: none"><li>We encourage our Management Board members to retain 50% of the shares granted as part of the remuneration (after tax) until end of employment, equaling 25% of total variable remuneration granted</li></ul>	Long-term value creation and share ownership are cornerstones of our remuneration philosophy. This guideline further aligns our policy with our guiding principles for remuneration
<b>Malus and Clawback</b>	<ul style="list-style-type: none"><li>Malus and clawback provisions in place that are comprehensive, irreversible and substantially exceed regulatory requirements</li></ul>	<ul style="list-style-type: none"><li>Malus and clawback provisions in place that are comprehensive, irreversible and substantially exceed regulatory requirements</li></ul>	Clarified that triggers apply to vested and/or unvested equity
<b>Post-termination transfer restrictions</b>	<ul style="list-style-type: none"><li>No restrictions in place</li></ul>	<ul style="list-style-type: none"><li>Upon termination, Management Board members are not allowed to sell more than 50% of their equity within the first 12 months after termination</li></ul>	We further enhanced our corporate governance standards. The introduction of post-termination transfer restrictions increases alignment between our remuneration policy and stakeholders' long-term interests
<b>Change of control</b>	<ul style="list-style-type: none"><li>Not covered by policy</li></ul>	<ul style="list-style-type: none"><li>"Double-trigger" change of control clause</li></ul>	We further enhanced our corporate governance standards
<b>Governance</b>	<ul style="list-style-type: none"><li>Not covered by policy</li></ul>	<ul style="list-style-type: none"><li>Guidelines around procedure, annual review and deviations from the policy</li></ul>	We further enhanced our corporate governance standards

## Remuneration for the Management Board

### Introduction

The remuneration of, and other agreements with, the members of the Management Board are determined by the Supervisory Board (following a proposal by the Remuneration & Appointment Committee). The Supervisory Board has assessed the remuneration of our Management Board members based on their performance – both individual and as a team- and the company performance in 2020.

### Total remuneration

The table below shows the total remuneration awarded to the individual members of the Management Board over 2020.

### Scenario analyses carried out in respect of variable remuneration

The variable remuneration of the members of the Management Board is predominantly contingent upon a future, unknown, metric: the accrued firm-wide variable remuneration pool which itself depends on the operating result for the given financial year.

Because of the nature of our business activities and the fast paced industry in which we operate, the Supervisory Board tracks actual performance of the Management Board members and eligibility for variable remuneration throughout the year, rather than performing a more hypothetical scenario analysis prior to a financial year while performing a single, one-off, assessment at the end of the year as set out in the best practice provisions of the

Corporate Governance Code. Half-yearly discussions take place between the Management Board members and the Remuneration & Appointment Committee for this purpose. Key performance indicators are set for each individual Management Board member and the Management Board as a whole. Significant underperformance or outperformance in respect of these KPIs can result in reductions or increases of the profit share that is awarded to a Management Board member.

### Use of external market data

We monitor market developments to ensure that the remuneration package remains competitive. However, as our company profile is unique, and we are operating in a niche industry with a remuneration policy that is specifically tailored to unique dynamics, market comparisons are predominantly used as a secondary reference point.

## TOTAL REMUNERATION OF DIRECTORS

Name of Director, position (start/end)	Base salary (€)	Fixed remuneration		Variable remuneration		Extraordinary items <sup>1</sup>	Pension scheme	Total remuneration	Part of variable remuneration deferred	Proportion of fixed and variable remuneration	
		Fees	Other benefits	Cash	Share-like instruments					Fixed	Variable
Dennis Dijkstra, CEO (2014 - )	94,608	-	-	3,850,000	3,850,000	-	-	7,794,608	5,775,000	1%	99%
Folkert Joling, CTro (2018 - )	94,608	-	-	3,850,000	3,850,000	8,000 <sup>3</sup>	-	7,802,608	5,775,000	1%	99%
Thomas Wolff, CTO (2018 - )	94,608	-	-	1,925,000	1,925,000	8,000 <sup>3</sup>	-	3,952,608	2,887,500	2%	98%
Britta Achmann, CRO (2020 - )	183,333 <sup>2</sup>	-	-	962,500	962,500	174,506	-	2,282,839	1,443,750	8%	92%

<sup>1</sup> Extraordinary items include a sign-on bonus.

<sup>2</sup> Britta Achmann was appointed to the Management Board at the AGM on 24 June 2020 but has been employed by the company since 1 February 2020. Her base salary for 2020 is shown as pro rata for her start date.

<sup>3</sup> Prior to their appointment into the Management Board, Chief Trading Officer Folkert Joling and Chief Technology Officer Thomas Wolff had participated in the Flow Traders Cash Incentive Plan 2017 (FCIP 2017). Under the FCIP plan rules they were offered the opportunity to buy Company shares and receive an annual cash incentive over a five year period. The right to these incentives would have been forfeited due to ceasing to be an employee and becoming a member of the Management Board in April 2018. However, special permission has been granted to both Management Board members to remain entitled to the incentive rights under the FCIP plan rules in respect of the shares bought under the FCIP at the time they were an employee of Flow Traders rather than a member of the Management Board. As a result, they have both received €8,000 annual cash incentive.

### **Base salary**

Three Management Board members – Chief Executive Officer, Chief Trading Officer and Chief Technology Officer – were awarded a gross fixed base salary of €94,608 over 2020. The newly appointed Chief Risk Officer receives €200,000 annual fixed salary.

### **Variable remuneration**

The design of our variable remuneration design reflects our remuneration principles. We operate a single incentive plan that drives and rewards both annual and long-term performance with a significant focus on the long-term through the multi-year pay-out mechanism. In addition, this year, 50% of each award is paid out in share-like instruments. The share-like instruments are not real shares (and carry no voting rights), but the value of each share-like instrument is directly linked to Flow Traders' share price. In addition, 62.5% of each 2020 variable remuneration is deferred over a multi-year period, whereby the cash component will vest on a pro-rata basis over a two-year period and the share-like instrument component on a pro-rata basis over a four-year period. For both the cash and the share-like instrument component, the first tranche will vest at date of award.

In line with our guiding principles, the members of the Management Board share in the same firm-wide variable remuneration pool as all other employees. This pool of variable remuneration is primarily a function of operating results.

### **Individual performance assessment**

To determine individual variable remuneration awards, the Supervisory Board conducts a holistic assessment of the performance of each individual Management Board member

and the Management Board as a whole. In this holistic performance assessment, the Supervisory Board takes into account performance on individual targets, which includes both financial and non-financial key performance indicators (KPIs). Objectives for these KPIs are set prior to the beginning of the year. Objectives are set for each individual Management Board member and the Management Board as a whole.

Although performance on the KPIs is an important element of the holistic performance assessment, there is no formulaic relationship between performance on these KPIs and the variable remuneration award. However, significant underperformance or outperformance in respect of these objectives results in reductions or increases of the profit share that is awarded to a Management Board member.

### **1. Setting the maximum variable remuneration within the limits of the firm-wide variable remuneration pool**

- As a result of exceptional operating results, the firm-wide variable remuneration pool for 2020 was considerably higher than in 2019 (€256.5 million in 2020 vs €24.6 million in 2019).
- Consequently, the available variable remuneration pool over 2020 for the Management Board was determined. As mentioned in the Chair's letter, we have decreased the maximum allocation from the pool available for the Management Board from 5.25% to 2.625% of operational profit
- The available pool is the key driver of variable remuneration and compared to last year, it has meant significantly increased levels of Management Board variable remuneration in absolute terms (even after decreasing the pool size by 50%).

### **2. Individual KPIs**

- Individual KPIs were set for the Management Board members, tailored to their specific role and responsibilities.
- These included amongst others financial KPIs on Net Trading Income and product diversification, non-financial but quantifiable KPIs on operational performance and reaching milestones in further strengthening the control framework.

### **3. Assessing performance**

- Performance was assessed throughout the year by monitoring KPIs and discussions with the Management Board members themselves and the people they work with.
- Please see the following pages for the KPIs for each of the individual Management Board members.

### **4. Determining variable remuneration**

- Based on the financial results of the company, the resulting size of the pool available for the Management Board and the performance of the Management Board, both as individuals and as a team, the Supervisory Board has decided on this year's variable remuneration.



## Performance assessment

### DENNIS DIJKSTRA, CHIEF EXECUTIVE OFFICER



<b>Age:</b>	49
<b>Education:</b>	Masters degree in Business Economics from the University of Amsterdam
<b>Flow Traders Tenure:</b>	12

As the CEO, Dennis plays a pivotal role in shaping the company's strategy. He also leads our Institutional Trading, HR, Recruitment and finance departments. He additionally focuses on internal audit, organizational structure and relationships with issuers, investors and regulators.

In determining his variable remuneration, the Remuneration & Appointment Committee took into account Dennis' strong leadership during this turbulent year, progress on the strategic agenda and the extraordinary financial results. The Committee also highly values Dennis' efforts to further strengthen the leadership team through smooth integration of the new Chief Risk Officer Britta Achmann.

Below are the Key Performance Indicators against which Dennis is assessed throughout the year. As we consider the actual scores on these metrics market sensitive information, we refrain from publishing these.

KPIs	Description/measurement
<b>Role modeling</b>	Leadership, bringing people together, integrity
<b>Strategy Leadership</b>	Driving and communicating the strategic agenda
<b>Financial performance</b>	Maximizing trading results given market circumstances
<b>External Relationships</b>	<ul style="list-style-type: none"> <li>▪ Growing number of counterparties and quoting for issuers</li> <li>▪ Quality of relationships with regulators and other important stakeholders</li> </ul>
<b>Shareholder Value Creation</b>	Outperforming P/E ratio of (selected) peer group
<b>Employee Engagement</b>	Employee satisfaction, measured by a global survey
<b>Efficient Use of Resources</b>	Awareness, efficiency and control of people and cash deployed

### FOLKERT JOLING, CHIEF TRADING OFFICER



<b>Age:</b>	41
<b>Education:</b>	Masters degree in Applied Mathematics from Twente University
<b>Flow Traders Tenure:</b>	15

As Chief Trading Officer, Folkert is responsible for the development and realization of the Flow Traders' trading strategies, business development, trading processes and our daily trading operations.

In determining his variable remuneration, the Remuneration & Appointment Committee took into account the progress Folkert made in further shaping the diversification strategy, the time and effort he put into further developing his direct reports and the extraordinary financial results. Folkert has brought more rigor and structure to the execution of business plans, thus pushing strategic projects ahead.

Below are the Key Performance Indicators against which Folkert is assessed throughout the year. As we consider the actual scores on these metrics market sensitive information, we refrain from publishing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, drive, integrity
<b>Strategy Development</b>	Input to company strategic agenda and delivering on strategic trading milestones
<b>New Trading Strategies</b>	Development and successful deployment of new trading strategies
<b>Business Performance</b>	Capturing market opportunities / improving market position
<b>Product Diversification</b>	Increasing non-ETF trading
<b>Continuous improvement</b>	Optimizing set up and trading organisation

## THOMAS WOLFF, CHIEF TECHNOLOGY OFFICER



**Age:** 41  
**Education:** Applied science degree  
from FOM Hochschule Frankfurt a.M.  
**Flow Traders Tenure:** 12

As Chief Technology Officer, Thomas leads the Product Development, Quality Assurance and Technology Operations departments.

In determining his variable remuneration, the Remuneration & Appointment Committee took into account the progress made on the various software development projects and the reliability of Technology operations teams under pressure. Thomas also made an extraordinary effort this year to ensure business continuity by building and supporting multiple new sites while the systems kept on running. His teams enabled employees to efficiently and swiftly transition to work from home.

Below are the Key Performance Indicators against which Thomas is assessed throughout the year. As we consider the actual scores on these metrics market sensitive information, we refrain from publishing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, drive, integrity
<b>Strategy Development</b>	Input to company strategic agenda and delivering on strategic technology milestones
<b>Exchange competitiveness</b>	Low latency
<b>Innovation</b>	Automation and new technologies
<b>Security and incidents</b>	Minimized security risks and no gaps identified during audits
<b>Reliability of planning</b>	Timely delivery of Technology projects

## BRITTA ACHMANN, CHIEF RISK OFFICER



**Age:** 49  
**Education:** MBA from Carnegie Mellon University Pittsburg  
**Flow Traders Tenure:** 1

As Chief Risk Officer, Britta leads the Risk, Operations, Compliance and Legal teams.

In determining her variable remuneration, the Remuneration & Appointment Committee took into account the improvements Britta has already made to the Risk framework, while she is relatively new to the company. She has also made good progress in further building the team by making a number of strategic senior hires. The Committee looks positively upon the ability she demonstrated to integrate effectively into the business quickly.

Below are the Key Performance Indicators against which Britta is assessed throughout the year. As we consider the actual scores on these metrics market sensitive information, we refrain from publishing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, continuous improvement, drive, integrity
<b>Strategy Development</b>	Input to company strategic agenda and delivering on strategic control framework milestones
<b>Control Framework</b>	Continue to build and improve strategic control framework
<b>Prime Brokers</b>	Prime broker coverage and relationships
<b>Operational and Organisational efficiency</b>	Automation, settlement rates, staffing
<b>Regulatory adherence</b>	Compliance to relevant regulation, incident management

## Shares held by employees and Management Board members

We have a long-standing philosophy of encouraging management and employee share ownership, thus aligning the company's long-term success to their personal financial circumstances. Since IPO, we have utilized a number of share schemes. Around the time of the IPO, our CEO and a significant number of current and former employees invested in Flow Traders. Subsequently, the Flow Traders Cash Incentive Plan (FC IP) and Flow Traders Loyalty Incentive Plan (FL IP) were introduced for employees (not the Management Board). The FC IP was replaced in 2020 by a new share plan for employees which provides the award up to 50% of variable remuneration in shares (or share-like instruments). On 31 December 2020, out of 559 employees, 429 employees are active participants of various employee share plans.

### SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

		% of outstanding total shares
<i>(31 December 2020)</i>		
Dennis Dijkstra (CEO)	1,050,000	2.26%
Britta Achmann (CRO)	7,500	0.02%
Folkert Joling (CTrO)	400,000	0.86%
Thomas Wolff (CTO)	31,000	0.07%
<b>Total</b>	<b>1,488,500</b>	<b>3.21%</b>

## Comparative overview of company performance and remuneration

The long-standing foundation of our policy is a relatively modest base salary and variable remuneration that is aligned with company performance – therefore varying considerably between successful and less successful (financial) years. This is clearly illustrated in the table below which shows the development of the company performance and the average (full-time) remuneration of executives and employees since Flow Traders' IPO in 2015.



**COMPARATIVE TABLE ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE REPORTED FINANCIAL YEARS**

		2016	2017	2018	2019	2020
<b>Director's Remuneration (€)</b>						
Dennis Dijkstra, (co-)CEO (2014 - )	Actual level	1,909,358	521,251	3,015,148	694,608	7,794,608
Sjoerd Rietberg, co-CEO (2014 - 5/2019)	Actual level	1,909,358	521,251	3,015,148	189,420	-
Marcel Jongmans, CFO (10/2016 - 12/2018)	Actual level	396,777	478,587	1,294,608	-	-
Folkert Joling, CTrO (4/2018 - )	Actual level			2,965,148	694,608	7,802,608
Thomas Wolff, CTO (4/2018 - )	Actual level			2,091,628	544,608	3,952,608
Britta Achmann, CRO (6/2020 - )	Actual level					2,282,839
<b>Company's performance</b>						
		<b>2017 vs 2016</b>	<b>2018 vs 2017</b>	<b>2019 vs 2018</b>	<b>2020 vs 2019</b>	<b>2020</b>
Net Trading Income (NTI) €million	Actual change	(84.1)	217.5	(167.0)	716.9	933.4
	Relative change	(34%)	131%	(44%)	331%	
EBITDA margin	Actual change	(13.70%)	18.30%	(15.60%)	26.40%	63%
	Relative change	(29%)	54%	(30%)	72%	
Basic earnings per share	Actual change	(1.13)	2.61	(2.31)	9.11	10.26
	Relative change	(57%)	307%	(67%)	792%	
<b>Average remuneration on a full-time equivalent basis of employees</b>						
Employees of the company	Actual change	(131,480)	132,380	(128,600)	366,900	516,200
	Relative change	(47%)	91%	(46%)	246%	

### Internal pay ratios

The 2020 pay ratio (CEO total pay vs average total employee pay) is 15.1 compared to 4.65 in 2019. The increase is predominantly driven by the strong financial results recorded in 2020.

### No pensions, loans and other benefits

In 2020 the members of the Management Board did not receive any personal loans, guarantees or the like were granted by the company to the members of the Management Board as part of their compensation package. No loans, guarantees or similar instruments to the members of the Management Board were outstanding on 31 December 2020. We have not reserved nor accrued any amounts to cover pension claims or retirement claims. We do not provide any other ancillary benefits for any member of the Management Board.

## Supervisory Board Remuneration

The remuneration policy for the members of the Supervisory Board was adopted by the AGM on 24 June 2020 and applied from that date onwards. The table below shows the total fixed compensation awarded to the individual members of the Supervisory Board. There are no separate committee fees paid.

	2020	2019	2018	2017	2016	2015
	Annualized fee (€)	Annualized fee (€)	Annualized fee (€)	Annualized fee (€)	Annualized fee (€)	Annualized fee <sup>1</sup> (€)
Eric Drok, Chairman SVB (2015)	75,000	75,000	75,000	75,000	75,000	75,000
Jan van Kuijk, Vice Chairman (2015)	50,000	50,000	50,000	50,000	50,000	50,000
Olivier Bisselier, SVB member (2015)	50,000	50,000	50,000	50,000	50,000	50,000
Rudolf Ferscha, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000	50,000
Roger Hodenius, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000	50,000
Han Sikkens, SVB Member (2015) <sup>1,2</sup>	50,000	50,000	50,000	50,000	50,000	50,000

<sup>1</sup> Presented as if a Supervisory Board member for the full year.

<sup>2</sup> Term expired in June 2020.

### No variable remuneration shares, pensions, loans and other benefits

The members of the Supervisory Board did not receive variable remuneration for their work as members of the Supervisory Board or any share-based remuneration, and no personal loans, guarantees or the like were granted by the company to the members of the Supervisory Board as part of their compensation package. We have not reserved nor accrued any amounts to cover pension claims or retirement claims. We do not provide any other ancillary benefits for any member of the Supervisory Board.

The co-founders of Flow Traders, Roger Hodenius and Jan van Kuijk, are currently members of the Supervisory Board. The table below provides an overview of the shares indirectly held by them on 31 December 2020 as also reflected in the relevant AFM register.

### Shares indirectly held by members of the Supervisory Board

		% of outstanding shares
<i>(31 December 2020)</i>		
R. Hodenius (Avalon Holding B.V.)	4,686,825	10.07%
J.T.A.G. van Kuijk (Javak Investments B.V.)	5,686,826	12.22%
<b>Total</b>	<b>10,373,651</b>	<b>22.29%</b>

## Remuneration for other employees

### Our performance cycle

We apply an annual performance cycle. At the beginning of each calendar year, clear objectives are set depending on an employee's role, which are in line with our company objectives for the year and our corporate key competencies: drive, ownership and teamwork. Performance is reviewed throughout the year.

Individual variable remuneration payable from the collective variable compensation pool is dependent on company and business unit performance, individual performance and the individual's contribution to the long-term success of the company as a whole, discouraging a culture of 'star' behavior and fostering collaboration and teamwork. Flow Traders does not base variable remuneration directly on financial results achieved individually. The Supervisory Board approves the awarding of variable remuneration.

If awarded, variable remuneration is paid in cash and company shares in one, two, three or four annual instalments, depending on the amount of variable remuneration awarded. The deferred variable component acts as a first loss tranche to compensate for any operating loss in the subsequent year, acting as a buffer before such loss would impact shareholder equity. This serves as an important incentive for risk-aware behavior, keeping in mind the long-term objectives of the company and alignment with our risk appetite. We deem the deferral period sufficient given the company's risk profile and horizon.

- Variable remuneration components may become subject to reduction or claw back if it is determined that the relevant employee or member of the Management Board did not meet adequate norms of competence

and appropriate behavior or was responsible for behavior that led to a substantial deterioration of the company's position, in accordance with applicable law.

- We do not award guaranteed variable remuneration to employees unless the guaranteed variable component is awarded in relation to hiring new staff, limited to the first year of employment, and only if we have a sound and strong capital base.
- We do not award severance payments if there is a serious imputable act or negligence by the employee in the fulfilment of his or her function or where an employee resigns voluntarily (unless this is the consequence of a serious imputable act or negligence (ernstig verwijtbaar handelen of nalaten) by the company).
- The company does not grant its employees any personal loans, guarantees or the like as part of their compensation package. We do not provide any other ancillary benefits for any employee. We have not reserved or accrued any amounts to cover pension claims or retirement claims.

### Stimulating share ownership

One of our core values is ownership, and we mean it both in terms of mindset and behavior as well as literally. We believe that being a shareholder aligns the interests of the company with those of our employees. Ever since the company went public and before then, we have a history of offering our employees the opportunity to become a shareholder. Since 2017 we promoted shareholding through the Flow Cash Incentive Plan (FCIP). For performance year 2020 we have started rewarding directly in company shares.

We are also maintaining our FLIP (Flow Loyalty Incentive Plan) program, whereby we award company shares to employees marking their two-year anniversary with the company. Shares awarded under the FLIP are subject to a lock-up period and remain with the employee regardless of the termination of his or her employment with Flow Traders. All shares awarded to employees, are fully paid out from the variable compensation pool. The terms and conditions of the employee share plans are subject to review by the Management Board annually. As a part of these plans, shares have been and will be bought in the market.

### Pension

We encourage our employees to save for retirement. At our headquarters in Amsterdam, we partner with a pension provider, giving employees the freedom of choice to select the option that best suits their individual needs while incentivizing participation in the company-sponsored program. In our other offices we offer schemes that are driven by country-specific practices and regulations.

## Variable compensation granted

In 2020, the total amount of variable remuneration awarded to all employees including members of the Management Board was €256.5 million (2019: €24.6 million).

In 2020, companywide average compensation paid per employee was approximately €516,200, while variable remuneration amounted to around 85 percent of total compensation in 2020. In 2020, 66 employees, including the Management Board, were awarded remuneration of €1 million or more (2019: nil)

Business Unit	Number of employees to whom an annual remuneration of €1 million or more was awarded			
	2020	2019	2018	2017
Europe	41	0	15	0
Americas	16	0	10	0
Asia	9	0	4	0
<b>Total</b>	<b>66</b>	<b>0</b>	<b>29</b>	<b>0</b>

### **Changes in regulation**

Remuneration regulations are subject to change. Currently, the European Commission, European Parliament and European member states are negotiating implementing regulations pertaining to new prudential requirement including remuneration requirements for investment firms (IFR/IFD) which may affect our Dutch trading entity and our Group. We expect more certainty about the outcome during the course early 2021. We continuously monitor such changes but currently cannot assess in full what the exact implementation or impact of such changes will be. Changes may have a significant impact on the General Remuneration Policy, our global remuneration model and other remuneration practices of the company and its group companies. It may also impact our ability to attract or retain talent given the global and highly competitive nature of our industry.