



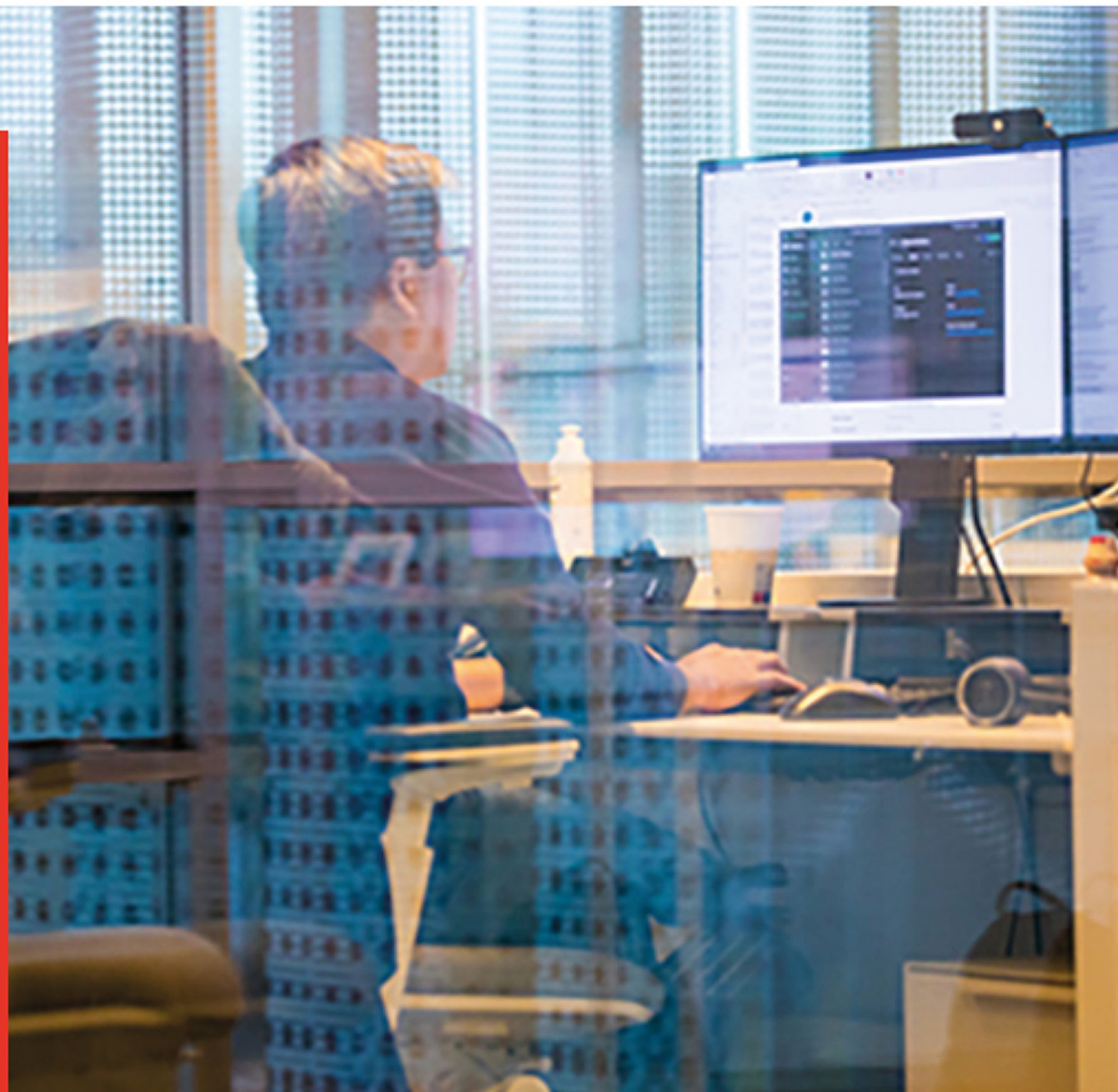
**F L O W ■ T R A D E R S**

**Remuneration Report 2022**



# *Remuneration report*

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

Dear Shareholder,

On behalf of the Remuneration & Appointment Committee, I am pleased to present our 2022 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 2022 in accordance with this policy. The remuneration report reflects the reporting requirements originating from the updated EU Shareholder Rights Directive and the Dutch implementation of this Directive.

Additionally, following the completion of the update to the corporate holding structure, this report has been amended and simplified compared to previous years to align with this new international context. To aid transparency, this report provides additional information on our remuneration philosophy together with retrospective details of the new Management Board corporate scorecard introduced to assess performance more holistically. Historically, we have not disclosed any targets or actual achievement levels for our performance criteria. However, given the importance of this as expressed by our shareholders and the proxy advisors, we are now disclosing these levels for the KPIs identified in our scorecard. We anticipate that the new format and additional disclosures will help investors see the strong link between our remuneration philosophy and policy design.

Furthermore, this report provides the main proposed updates to our executive remuneration policy that we will submit to the 2023 AGM. The proposed remuneration policy contains several important

changes compared with our current policy, while remaining aligned with our company culture and remuneration philosophy. We are proposing to enhance long-term value creation by formally introducing share-based compensation and enhanced deferral and vesting provisions. For an overview of the proposed changes please refer to page 88.

### Stakeholder engagement following 2022 AGM

In 2022, we put forward our revised remuneration policy for the Management Board and our 2021 remuneration report (advisory vote) for the AGM's approval. 60% of shareholders voted in favour of the remuneration report. The revised policy for the Management Board was approved by 57% of our shareholders, meaning it did not obtain the required 75% supermajority from the AGM. As a result, we have continued to operate under the Remuneration Policy as approved in 2016.

Following this voting result, the Committee has undertaken consultations with shareholders and proxy advisors. We have summarized the main feedback received together with how we have acted on this feedback below.

In addition, we have enhanced the disclosures around Management Board performance and the vesting schedules for deferred awards in this 2022 remuneration report.

We strongly believe in the proposed remuneration policy and have taken steps to ensure it is reflective of feedback received from our stakeholders. You will have an opportunity to vote on the proposals at the 2023 AGM. If the policy does not receive the 75% support required, we will be obligated to continue

with our existing policy as described in our policy at a glance section on page 90.

**"We take our stakeholders views very seriously and welcome an open dialogue on all aspects of remuneration"**

## Main feedback from stakeholders

### Ensuring long-term focus

- 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 significant portion of variable remuneration (62.5%) for a multi-year period (up to 4 years). A significant portion (50%) of variable remuneration is paid out in equity and is subject to a holding period of one year post-vesting.
- In addition to operating above market standards clawback provisions, we propose to update our remuneration policy and introduce post-termination vesting restrictions.
- We propose to update our remuneration policy and encourage our executive directors to retain 50% of the shares granted as part of their remuneration (after tax) until cessation of employment.

### Formally capping variable compensation

- 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. The total variable remuneration pool available for all employees (including the Management Board) in 2022 was capped at a maximum of 32.5% of operating result. We also propose to retain the hard cap on individual executive director total remuneration award levels (20 times versus average FTE total remuneration levels).
- This translated into a hard cap of €4,718,000 total remuneration for each member of the Management Board in 2022. The total remuneration of each member of the Management Board was well within this limit.
- We have restructured our remuneration report, with the aim to better explain the design of our

remuneration policy and in particular the philosophy behind our policy

### Improved transparency and disclosure

- Following shareholder feedback, we introduced a KPI scorecard for the Management Board with both financial and nonfinancial performance measures. The financial measures will allow for any remuneration awarded to consider multiple aspects of financial performance and not just operating profit, while non-financial measures will be selected to encourage sustained long-term performance.
- For each KPI identified, we are now retrospectively disclosing the targets and actual achievement levels.
- We have restructured our remuneration report, with the aim to better explain the operation of our variable remuneration plan. We have included more details on deferred variable remuneration and real value received in comparison to the theoretical value of the yearly Management Board remuneration awards.
- We believe that these changes will increase transparency and certainty for shareholders.

### Company performance and remuneration in 2022

Flow Traders delivered an improved financial and trading performance in 2022 compared to 2021 reflecting a more active market environment. We recorded Normalized Total Income in 2022 of €460.6 million and demonstrated a healthy Normalized EBITDA margin of 45% with Normalized EBITDA of €208.2 million. Ultimately, we recorded a Normalized Net Profit of €150.2 million with Normalized Basic EPS of €3.45. This, along with our strong capital position, allowed the company to pay a total dividend of €1.50 per share to shareholders. The Supervisory Board, in close consultation with,

and supported by, the Management Board has decided that the 2022 firm-wide variable remuneration pool will be €86.6 million (2021: €83.3 million), corresponding to 32.5% of operating result in 2022.

The Supervisory Board has also determined the 2022 variable remuneration awards to the members of the Management Board in line with the recommendation from the Remuneration Committee (in accordance with the remuneration policy adopted at the 2016 AGM and being cognizant of the new policy proposed at the 2023 AGM).

The performance of the Management Board has been reviewed against the corporate KPI scorecard, which includes both quantitative and qualitative targets as well as achievement of individual performance objectives. As a result of this review, the Supervisory Board has decided that 6.1% of the variable remuneration pool should be allocated to the Management Board.



## Changes for 2023

As a result of a thorough legal and capital structure review and to support our aims in becoming more competitive as a global multi-asset liquidity provider, we completed an update to our corporate holding structure which includes a top holding company in Bermuda. We have retained our existing global footprint with no change to day-to-day operations. This includes a substantial presence in the Netherlands as well as maintaining a listing on Euronext Amsterdam.

Our Board remuneration shareholder approval requirements remain unchanged through the holding structure changes. We continue to uphold the requirement to obtain 75% of shareholder approval for our Board remuneration policy which will be put to a vote at the 2023 AGM.

Following the updates to our holding structure, as required by Bermuda law, the top holding company now has a one-tier Board, comprised of executive and non-executive directors, including an independent Chairman.

On behalf of the Committee, I thank all shareholders for their constructive feedback, and we are looking forward to continuing our dialogue in 2023.

Linda Hovius



## Flow Traders' remuneration philosophy

We believe in operating a single & straightforward policy, where we reward all our employees, including the Management Board, based on the same remuneration policy. We do so, based on our remuneration philosophy and according to several defined principles. While we recognize that the corporate governance landscape has evolved in recent years, we believe that the principles that underline our approach remain relevant. The defined principles as described below guide the Remuneration and Nomination Committee when making decisions on the remuneration policy and its implementation.

### Profit sharing

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. 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.

We share one singular firm-wide variable remuneration pool. The total profit pool available for all employees and the Management Board is 32.5% of operating profit, the residual portion allocated to our shareholders.

### Rewarding for exceptional performance

Our remuneration consists of a relatively modest base salary and a variable remuneration component. Positive company performance enables employees in any role to receive variable compensation relative to their contribution to the firm. The variable remuneration profit share that is paid out is partly in equity that directly reflects company and personal performance.

The pay-mix is skewed towards variable remuneration in good (financial) years. At the same time, if we make no profit, we do not pay-out variable remuneration – and reclaim outstanding deferrals if we sustain a loss.

### Guarding long-term interests & stimulating risk awareness

We align employee pay with the interests of shareholders and our financial performance. Where Flow Traders is successful, the profits are shared with all stakeholders, including our employees. As such, variable pay is only possible in a year when a profit is made, and a significant part of any profit sharing (62.5%) is deferred for a multi-year period (up to 4 years) that remains at risk in full during this period. The cash component of the profit share vests on a pro-rata basis over a two-year period, with the first tranche vesting on the date of award. This aligns the interests of the company and its shareholders with those of our employees by building long-term value and creating 'skin in the game' as well as continued loyalty.

Where Flow Traders is less successful, there is a corresponding downwards impact on variable remuneration levels creating a risk aware culture and creating larger alignment with long term growth and reward (as deferred variable remuneration remains at risk until vesting).

### Emphasizing share ownership

We see the advantages of employee ownership, ranging from positive effects on employee commitment (attracting and retaining employees), corporate innovation, our business performance (productivity and profitability as well as competitiveness to our peers), through greater work effort of employees and a more cooperative and entrepreneurial corporate culture.

## Social responsibility

The company and its management believe in being a socially responsible company. Enabling equal opportunities and fostering ownership is embraced across all areas of how we do business.

### Flow Traders' approach to Management Board 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. We aim to provide total remuneration that is competitive with our predominantly international, and in many cases privately-owned, competitors and design our remuneration structures to encourage our employees to stay with us for the longer term. Our Management Board remuneration policy reflects our mission, corporate identity and values and fosters our unique Flow Traders culture.

We provide our members of the Management Board a remuneration package that consists of fixed remuneration and variable remuneration. The Management Board does not receive material ancillary benefits beyond variable remuneration. As permitted by the remuneration policy, total remuneration of Management Board members is voluntarily capped at a multiple of the average employee total remuneration. We present detailed insights into our Management Board remuneration policy in the next section.

## Management Board Remuneration at a glance

In accordance with our Remuneration Philosophy, we provide members of the Management Board with a remuneration package that consists of fixed remuneration, in the form of a relatively modest base salary, and variable remuneration that is aligned with company performance.

While our current policy has been last approved in 2016, we have since then made improvements within that policy. In 2021 and 2022 we have already reduced the policy maximum 40% of Flow Traders' operating profit over the performance year being available for variable remuneration and in 2022 we have introduced a balanced scorecard to assess Management Board members' performance. Within our proposed 2023 policy, we hope to formally implement these and other adjustments.

The table on the right provides further insight into the main elements of our existing remuneration policy, for an overview of our proposed remuneration policy please refer to page 91.

<b>Base Salary</b>	<ul style="list-style-type: none"> <li>▪ Relatively modest base salary</li> </ul>
<b>Variable Pay</b>	<p><b>Policy</b></p> <ul style="list-style-type: none"> <li>▪ Management Board Members are awarded a variable remuneration entitlement in the form of a percentage of the firm-wide variable remuneration pool</li> <li>▪ No variable remuneration pool will be available where Flow Traders was not profitable in a performance year</li> <li>▪ Maximum 40% of Flow Traders' operating profit - minus applicable adjustments - over the performance year is available for variable remuneration</li> <li>▪ The policy maximum of 40% was reduced to 35% for 2021 and to 32.5% for 2022.</li> </ul> <p><b>Operation</b></p> <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' operating profit, which determines the volume of the profit pool</li> <li>▪ Scores against the company balanced scorecard introduced in 2022 as well as individual performance of the board members are used as input to determine the percentage of the profit pool available for Management Board members.</li> </ul> <p><b>Deferral and Vesting</b></p> <ul style="list-style-type: none"> <li>▪ Variable remuneration is paid out fully in cash or share-like instruments</li> <li>▪ Above a certain threshold, variable remuneration is paid out in two or more tranches</li> </ul>

## 2022 Remuneration for the Management Board

### Introduction

The remuneration (and other arrangements) for the members of the Management Board are determined by the Supervisory Board (following proposals from the Remuneration & Appointment Committee). The Supervisory Board has assessed the remuneration of the Management Board members based on their performance - both individual and as a team- and in accordance with company performance in 2022. A detailed explanation of the assessment is included in the "Performance assessment" section on page 93.

## Total remuneration

The table below shows the total remuneration awarded to individual members of the Management Board in 2022.

- Flow Traders delivered an improved financial and trading performance in 2022 compared to 2021 reflecting a more active market environment. We recorded Normalized Total Income in 2022 of €460.6 million and demonstrated a healthy Normalized EBITDA margin of 45% with Normalized EBITDA of €208.2 million. Ultimately, we recorded a Normalized Net Profit of €150.2 million with Normalized Basic EPS of €3.45.
- We made significant progress in terms of executing our strategic growth agenda with the further expansion single bond market making activities, broadening and deepening our digital assets footprint and completing 16 strategic investments via Flow Traders Capital.
- The improved financial performance translated into a larger variable remuneration pool in 2022 compared to 2021. The firm-wide variable remuneration pool in 2022 represents 32.5% of the operating result, in line with the existing remuneration policy. The Management Board has been awarded 6.1% of the variable remuneration pool in 2022.
- In line with the proposed cap on total remuneration in the 2022 remuneration policy, the hard cap on total remuneration for each Management Board member in 2022 is €4,718,000. The cap is based on average employee total pay of €235,900, calculated according to the recommendation of the Dutch Monitoring Commission.



**TOTAL REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD** IN THOUSANDS OF EURO

Name	Fixed remuneration		Variable Remuneration				Extraordinary items		Pension scheme		Total remuneration		Proportional split (%) of remuneration in fixed/variable			
	Base salary		Cash		Company share-like instruments								Variable			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		
			Upfront	Deferred	Upfront	Deferred										
Dennis Dijkstra, CEO (2014 - 2022)	95	95	425	425	363	363	850	725	—	—	—	—	<b>1,795</b>	<b>1,545</b>	5%/95%	6%/94%
Mike Kuehnel, CFO (2021 - 2022)	95	40	425	425	250	250	850	500	—	—	—	—	<b>1,795</b>	<b>1,040</b>	5%/95%	4%/96%
Folkert Joling, CTrO (2018 - )	95	95	425	425	363	363	850	725	8	8	—	—	<b>1,803</b>	<b>1,553</b>	5%/95%	6%/94%
Thomas Wolff, CTO (2018 - 2022)	32	95	—	—	200	—	—	400	8	8	—	—	<b>40</b>	<b>703</b>	80%/20%	14%/86%
Britta Achmann, CRO (2020 - 2022)	183	200	50	50	94	94	—	47	—	97	—	—	<b>283</b>	<b>532</b>	65%/35%	38%/62%

1. As shareholders have not approved to award actual shares, members of the Management Board receive share-like instruments.

2. 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.

3. Thomas Wolff stepped down as member of the Management Board as of 29 April 2022. The remuneration granted in capacity as CTO is shown in the table above. Given the resignation, the deferred cash award granted in 2021 in the amount of €200,000 has been forfeited. No variable remuneration has been granted in 2022.

4. Britta Achmann stepped down as member of the Management Board as of 30 November 2022. The remuneration granted in capacity as CRO is shown in the table above. Given the resignation the share-like instruments awarded in 2022 were forfeited and only 25% of the unvested share-like instruments of the prior year grants will vest before the vesting date.

## Base salary

None of the members of the Management Board received a base salary increase during 2022. The Chief Executive Officer, Chief Financial Officer and Chief Trading Officer continued to receive a modest annual base salary for the size of their role and responsibilities of €94,608, while the Chief Risk Officer received an annual base salary of €200,000.

## Variable remuneration

The design of our variable remuneration 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 and half of the award being paid in Flow Traders equity.

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. While this structure is uncommon among listed companies, it is in line with the practice in our industry among both listed and non-listed peer companies, and necessary to be able to attract, retain and motivate individuals of the highest calibre.

## Management Board performance assessment

To determine the Management Board's variable remuneration awards, the Supervisory Board conducts a holistic assessment of the performance of each Management Board member and the Management Board as a whole in accordance with a defined scorecard. In this holistic performance assessment, the Supervisory Board considers performance against company targets, which includes both financial and non-financial key performance indicators (KPIs). To ensure a balanced assessment, our KPIs do not have pre-determined weightings, allowing the Remuneration Committee to determine the overall outcome and ensure appropriateness in wider circumstances. Objectives for the KPIs included in the scorecard are set prior to the beginning of the year and where appropriate quantitative targets are predefined to ensure the assessment is robust. Individual performance is assessed alongside company performance to determine the final variable compensation outcomes.

Below we present the company KPIs and the explanation on the performance assessment as conducted for 2022.

## Performance assessment

Flow Traders introduced in 2022 a scorecard which demonstrates company performance through six specific performance criteria. The criteria were chosen to align with our business, our strategy and include a range of financial and non-financial metrics.

During the course of numerous engagement sessions with stakeholders around executive remuneration, it was indicated that information should be provided in order for executive performance and the resulting remuneration outcomes to be assessed more thoroughly. Accordingly, in addition to providing insights into the specific performance criteria applied, we have also presented the targets and actual results for 2022 on the defined performance criteria.

The criteria were set ahead of the performance period, ensuring that the achievement of targets is challenging, and were as follows:

### 1. Median daily net trading income (NTI) normalized for volatility:

We believe that the median daily NTI normalized by volatility provides a statistically clean picture of overall business growth. The distribution of daily NTI is not normally distributed but more shaped like a Poisson or Gamma distribution with a few negatives days and more higher profitability days. Due to the fact that the higher profitability days are independent, a simple average of daily NTI is statistically less relevant than the median of the daily NTI. It is Flow Traders' ambition to increase this median NTI for equal volatility scenarios. Therefore, it is necessary to normalize the observed daily NTI by the volatility. Since volatility does not have a linear effect, but a moderately exponential

impact, it has been determined that the most appropriate calculation option is to divide the daily median NTI by the root of the volatility.

This exercise has been performed on the last 56 quarters and the average VIX value has been used to normalize the NTI. It is important to note that for a business with a global footprint which is exposed to multiple different asset classes, VIX is a simplified proxy for overall volatility (VIX is the implied volatility of the S&P500). However, it does provide a measure of general market sentiment. The target value set by the company is to have this metric increase by 10 points every year which equals an increase of approximately €50,000 per trading day for the daily median for a volatility environment like the one seen in Q4 2022.

The target for this metric was set at 227 for 2022 and we achieved an actual result of 277. Moreover, during the course of 2022, this metric was above the target in all four quarters with Q1 experiencing the largest level of outperformance.

## 2. Normalized EBITDA margin

Normalized EBITDA margin is a profitability ratio that measures how much in earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of Net Trading Income. Normalized EBITDA and margin are based on the relevant profit share percentage of operating result for the relevant financial period without any IFRS 2 adjustments for share-based payments.

On the cost side, Normalized fixed operating expenses increased to €161.6 million in 2022 (2021: €122.1 million). The main drivers of the increase in fixed expenses related to USD strengthening, base compensation increases, technology investments to support diversification initiatives as well as new

hires. FTEs increased by 8% percent to 660. Normalized variable employee expenses increased to €90.8 million (2021: €86.5 million) which reflects the improved overall financial performance of the business during the year and the adjusted profit sharing percentage of 32.5% which was implemented to ensure the base compensation increases were income statement neutral.

A target Normalized EBITDA of 40% was set for 2022. This is reflective of prior annual outcomes and is at a level which ensures a sustainable and growing business for all internal and external stakeholders. Flow Traders delivered a Normalized EBITDA margin of 45% (2021:46%) with Normalized EBITDA of €208.2 million (2021: €178.5 million), which was the result of the income and cost dynamics described above. Flow Traders continued to demonstrate strong operational leverage in 2022.

## 3. Average return on shareholders' equity

The average return on shareholders' equity shows how much money is returned to our shareholders as a percentage of the money that has been invested or retained in Flow Traders. It is calculated by dividing Flow Traders normalized net profit for the year by the average total shareholders' equity for the year (i.e. the average of the opening and closing shareholders equity balances, expressed as a percentage).

In 2022, Flow Traders recorded average return on equity of 27% reflecting normalized net profit of €150.2 million and average shareholders' equity of €557.2 million. This compares to 24% average return on shareholders' equity delivered in 2021. The realization of a 27% average return on equity is the result of a NTI performance during the year as well as the operating expenses dynamics which

reflect both fixed operating expenses as well as variable employee remuneration which is determined by the 32.5% profit share arrangement.

The target for executives has been set at 15% which is an approximation of Flow Traders' cost of equity and steers towards delivering a return on shareholders' equity that is greater than the company's cost of equity.

## 4. Business development and diversification index

It is an ongoing goal of the company to further grow and diversify our trading activities each year, particularly in the context of the broader market volumes. An important component of our trading is off-exchange with institutional counterparties and these relationships are critically important as we diversify our trading into fixed income and across CCC which are products that are almost exclusively traded off exchange. Value traded, both ETP and non-ETP, indicate how we have grown and diversified our trading activities. Accordingly, we have developed a business development index which seeks to demonstrate how the business has developed and diversified over the relevant performance year.

This business development and diversification index provides a relative score based on an algorithm comprised of several input levers including the number of active counterparties, our own ETP value traded as well as non-ETP value traded and total market ETP value traded. At the end of 2022, Flow Traders had 1,165 active institutional counterparties compared to 1,082 at the end of 2021. In 2022, Flow Traders ETP value traded amounted to €1,775 billion (2021: €1,541 billion) and Flow Traders non-ETP value traded amounted to €4,989 billion (2021:



€4,209 billion). Global ETP market value traded was €51,811 billion in 2022 (2021: €36,835 billion).

Given these inputs and developments, Flow Traders scored 1.52 with regards to this index. This compares to a target of 1.45 (2021 index score).

## 5. Compliance awareness score

The metric represents incidents that Compliance was made aware of on a timely basis that resulted in further action (e.g., document, escalation, and or remedial measures) and categorized by level of materiality.

Incident management was successful overall; issues were identified and escalated through transparent channels. Opportunities remain for improvement with respect to implementing cross-departmental enhancements and structural solutions rather than ad hoc improvements.

Flow Traders achieved a 100% outcome with respect to its compliance awareness score which is in line with the target set for the executives. All incidents were reported on a timely basis and Flow Traders relies on the procedures and training of the Compliance team to ensure any breach of obligations are sufficiently escalated and acted upon.

## 6. Engagement score

This is the average score given by our employees in response to the main engagement question in our annual global employee engagement survey. Engagement is a measure of how committed and enthusiastic employees are about their work and the organization. When people are engaged, they feel more comfortable being themselves at work. Different factors contribute to employee engagement, including organizational culture, work

environment, work relationships, and development opportunities.

On the engagement score, a 7.4 was scored, slightly below the target of 7.6. We do see it as our goal to increase the score vs the benchmark next year but also feel comfortable as the score is close to the set target only missing target with a few decimals.

## 2022 performance summary

Performance metric	Performance 2022		
	Threshold	Target	Maximum
Median daily NTI normalized for volatility		227	277
Normalized EBITDA margin		40%	45%
Average return on shareholders' equity		15%	27%
Business development and diversification index		1.45	1.52
Compliance awareness score		100%	100%
Engagement score		7.4	7.6

Following from the above, the performance on the company scorecard in combination with the Management Board member's individual performance has determined the individual variable compensation outcome. As mentioned, our KPIs do not have pre-determined weightings, allowing the Remuneration and Nomination Committee to determine the overall outcome and ensure appropriateness in overall circumstances. As such we believe the variable compensation determined is set at a justified level. Aligned with our remuneration philosophy and our aim of long-term value creation, the variable compensation is partly paid out in share-like instruments deferred over multiple years.

## Management Board performance

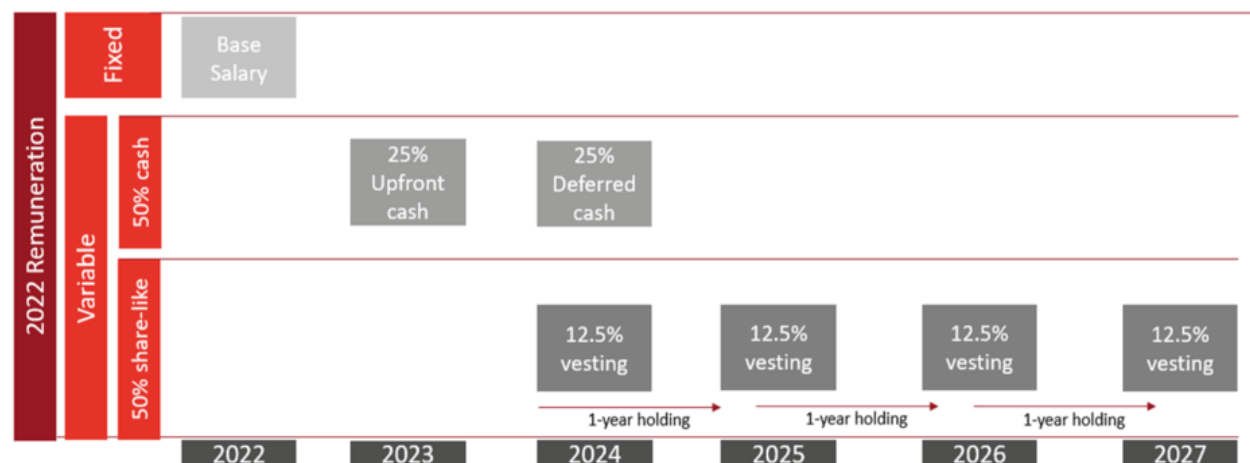
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## 2023 scorecard

The non-executive directors of the Board have determined that the six KPIs used to assess executive director performance in 2022 will be retained for the 2023 performance year. The specific targets relating to each of these KPIs are commercially sensitive and accordingly the target ranges and actual performance outcomes achieved will be disclosed retrospectively together with appropriate commentary in the next annual report.

## Deferral and vesting of variable pay

We believe in creating a culture of ownership, risk awareness and entrepreneurial spirit and we embrace an approach which truly connects our people to the business in sharing profit and risk. To ensure that the variable remuneration award of the Management Board is aligned with our beliefs and contributes to long-term value creation and shareholder experience, 50% of the 2022 award to the Management Board is paid out in share-like instruments deferred over multiple years. This approach allows us to take a longer-term outlook on remuneration. The remaining 50% is settled in cash, paid in equal instalments in 2023 and 2024. As shareholders have not approved granting awards over Flow Traders' equity as part of the Management Board's remuneration, we have utilized share-like instruments for the equity portion, which will be settled in cash at time of vesting. The value of these instruments is directly linked to performance of the Flow Traders' share price from the date of grant to vesting. Further, any outstanding variable remuneration (deferred or unvested) remains at risk in full for future years. All equity-based awards are subject to a holding period of one-year post-vesting. These accord with our culture and remuneration philosophy of encouraging management and employee share ownership, creating alignment with the company's long-term success.





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**YEARS OF VESTING FOR SHARE-LIKE INSTRUMENTS IN THOUSANDS OF EURO**


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Member of the Management Board	2022	2023	2024	2025	2026	2027
<b>Dennis Dijkstra, CEO</b>						
2020	963	963	963	963	—	—
2021	—	181	181	181	181	—
2022	—	—	213	213	213	213
<b>Mike Kuehnel, CFO</b>						
2021	—	125	125	125	125	—
2022	—	—	213	213	213	213
<b>Folkert Joling, CTrO</b>						
2020	963	963	963	963	—	—
2021	—	181	181	181	181	—
2022	—	—	213	213	213	213
<b>Thomas Wolf, CTO<sup>(1)</sup></b>						
2021	481	481	481	481	—	—
2022	—	100	100	100	100	—
<b>Britta Achmann, CRO<sup>(2)</sup></b>						
2020	60	60	60	60	—	—
2021	—	12	12	12	12	—

1. Thomas Wolf stepped down as member of the Management Board as of 29 April 2022. As such, no variable compensation has been granted in 2022.

2. Britta Achmann stepped down as member of the Management Board as of 30 November 2022. As such the share-like instruments awarded in 2022 were forfeited and only 25% of the unvested share-like instruments of the 2020 and 2021 grants will vest. In addition, 2020 unvested sign-on share were forfeited.

## Comparative overview of company performance and remuneration

The long-standing foundation of our remuneration policy reflects a relatively modest base salary and variable remuneration that is aligned with company performance – which varies each year depending on successful or 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 over the last 5 years. In addition, the table illustrates for the CEO what the actual amounts received were in each given year. As a noteworthy part of the remuneration is deferred over multiple years plus the fact of differences in share prices at vesting vs. originally awarded years, the actual amounts received by our executives differs from the total remuneration awarded significantly.

## Internal pay ratios

The 2022 pay ratio (CEO total pay vs average total employee pay) is 7.61 compared to 6.80 in 2021. This is well below the cap of 20 times average total employee pay.

## Comparative remuneration table on remuneration and company performance over the last five years

<i>IN THOUSANDS OF EURO</i>	2018	2019	2020	2021	2022
<b>Management Board: Total Remuneration awarded (Actuals)</b>					
Dennis Dijkstra, CEO (2014 - 2022)	3,015	695	7,795	1,545	1,795
Mike Kuehnel, CFO (2021 - 2022)	—	—	—	1,040	1,795
Folkert Joling, CTrO (2018 - )	3,015	695	7,803	1,553	1,803
Thomas Wolff, CTO (2018 - 2022)	2,092	545	3,953	703	40
Britta Achmann, CRO (2020 - 2022)	—	—	2,283	532	283
<b>Comparative Company Performance (Comparative)</b>	<b>2017:2018</b>	<b>2018:2019</b>	<b>2019:2020</b>	<b>2020:2021</b>	<b>2021:2022</b>
Net Trading Income (NTI)	131%	(44%)	331%	(59%)	20%
Normalized EBITDA	103%	(36%)	251%	(86%)	17%
Basic EPS	307%	(67%)	10568%	(98%)	11%
<b>FTE Total Remuneration</b>	<b>2017:2018</b>	<b>2018:2019</b>	<b>2019:2020</b>	<b>2020:2021</b>	<b>2021:2022</b>
Average FTE total remuneration	185%	(50%)	306%	(59%)	4%
<b>Management Board: Total remuneration paid (Actuals) <sup>(1)</sup></b>					
CEO	913	1,886	1,368	3,293	3,375

*(1) Actuals include base salary for the year together with prior years deferred variable compensation (all SARS paid in cash) due in the current year.*

## Scenario analyses

The Remuneration Committee conducts an annual scenario analysis when determining the structure and level of Executive Board remuneration, in accordance with the Dutch Corporate Governance Code.

## No pensions, loans and other benefits

In 2022, no personal loans, guarantees or related benefits 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 2022.

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.

## Clawback variable remuneration

Malus and clawback provisions are in place that are comprehensive, irreversible and substantially exceed regulatory requirements. No variable remuneration has been clawed back during 2022.

## Temporary deviations from the remuneration policies

No temporary deviations took place from the respective policies in 2022.

## Shares held by employees and Management Board members

We have a long-standing philosophy of encouraging management and employee share ownership, creating alignment between the company's long-term success and individual personal financial circumstances. Since IPO, we have utilized a number of share schemes. In connection with the IPO, our CEO and a significant number of current and former employees invested in Flow Traders. Subsequently, the Flow Traders Cash Incentive Plan (FCIP) and Flow Traders Loyalty Incentive Plan (FLIP) were introduced. The FCIP was replaced in 2020 by a new share plan which provides for the award up to 50% of variable remuneration in shares (or share-like instruments).

<b>31 December 2022</b>	<b>Total number of shares</b>	<b>% of outstanding total shares</b>
Dennis Dijkstra (CEO)	1,075,000	2.31
Folkert Joling (CTrO)	424,817	0.91
Mike Kuehnel (CFO)	25,000	0.05
<b>Total</b>	<b>1,524,817</b>	<b>3.28</b>

## 2023 executive remuneration policy

At the 2023 AGM we will be submitting a proposed executive remuneration policy. We believe that our proposed remuneration policy is reflective of the feedback received at our stakeholder consultations while maintaining our core remuneration principles which aim to attract, retain and motivate the right talent from both listed and non-listed companies.

Considering the feedback received, we are proposing to:

- Formally introduce share-based compensation;
- Enhance deferral and vesting provisions;
- Encourage share ownership;
- Formally introduce a cap (max. 20x average employee total compensation) on individual Executive board member remuneration;

The full proposed policy will be published in combination with our 2023 AGM convening notice on our website.

## Supervisory Board remuneration

The remuneration policy for the members of the Supervisory Board was adopted by the AGM on 23 April 2021 and applied from that date onwards. The table below shows the total fixed compensation awarded to the individual members of the Supervisory Board.



## Supervisory Board remuneration

REMUNERATION OF THE SUPERVISORY BOARD			COMMITTEE FEES, ANNUALIZED (€)						
Chair	Board fee (€)	Audit	Remuneration & Appointment	Risk	Trading & Technology	Total annualized fees (€)	Actual fees paid, 2022 (€)		
Rudolf Ferscha	100,000	7,500	7,500	7,500	7,500	130,000	130,000		
Jan van Kuijk	70,000	7,500	7,500	7,500	10,000	102,500	102,500		
Olivier Bisselier	70,000	15,000		10,000	7,500	102,500	102,500		
Roger Hodenius	70,000		7,500	7,500	7,500	92,500	92,500		
Ilonka Jankovich	70,000	7,500		7,500	7,500	92,500	92,500		
Linda Hovius	70,000		15,000	7,500	7,500	100,000	100,000		
<b>Total 2022</b>	<b>450,000</b>	<b>37,500</b>	<b>37,500</b>	<b>47,500</b>	<b>47,500</b>	<b>620,000</b>	<b>620,000</b>		

## 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 equivalent benefits 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 Board. The table below provides an overview of the shares indirectly held by them on 31 December 2022 as also reflected in the relevant AFM register.

## SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD

<b>31 December 2022</b>		<b>% of outstanding total shares</b>
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

### Variable Remuneration

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 twice during an annual cycle.

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' behaviour 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, company shares and company share linked instruments 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 behaviour, focusing on 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, see for further details of our remuneration philosophy on page 89.

- Variable remuneration components may become subject to reduction or claw back if it is determined that the relevant employee did not meet adequate norms of competence and appropriate behaviour or was responsible for behaviour 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 equivalent benefit 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.

### Emphasizing share ownership

One of our core values is ownership, both in terms of mindset, behaviour as well as a share in the ownership of the company. 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, we have a history of offering our employees the opportunity to become shareholders. From 2017 until 2019, we promoted shareholding through the Flow Cash Incentive Plan (FCIP). From performance year 2020 onwards, we

have begun rewarding employees directly in company shares. The higher the variable remuneration an individual receives, the higher the proportion of variable compensation paid out in 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 cannot be forfeited by 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 2022, the total amount of variable remuneration awarded to all employees including members of the Management Board was €86.6 million (2021: €83.3 million).

In 2022, company wide average compensation (includes salary, social security costs and variable remuneration) paid per average FTE was €235,900 (2021: €227,200), while variable remuneration per average FTE amounted to 57.2% of total compensation in 2022. This excludes any Management Board remuneration. In 2022, 18 employees, including the Management Board, were awarded remuneration of €1 million or more (2021:16).

Business Unit	Number of employees to whom an annual total remuneration of €1 million or more was awarded	
	2022	2021
Europe	12	13
Americas	5	3
Asia	1	0
<b>Total</b>	<b>18</b>	<b>16</b>

## Changes in regulation

Remuneration regulations are naturally subject to change. For example, as of 22 November 2021, the European Banking Authority published a final report, setting out the "Guidelines on sound remuneration policies under Directive (EU) 2019/2034" which became applicable to investment firms, such as ours from 30 April 2022. These guidelines are intended to implement sound and gender neutral remuneration policies for all staff with specific provisions applying to certain identified staff. For such identified staff, the guidelines emphasizes that their variable remuneration must be aligned with the investment firm's risk profile. We have reviewed these guidelines and have already determined that we are largely compliant, and as such, any impact on us will be minor. Nonetheless, we remain continually vigilant to any new changes as they 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.