

## FLOW TRADERS REMUNERATION POLICY FOR THE MANAGEMENT BOARD

### 1) Prior changes and amendments

In case the Remuneration Policy is amended, **Annex I** to the Remuneration Policy will contain a description and explanation of (i) important changes to the Remuneration Policy, and (ii) the manner in which the shareholders' votes and views on the Remuneration Policy and the remuneration reports have been taken into account since the previous vote on the Remuneration Policy at the AGM (as defined below).

### 2) Scope and definitions

#### Scope

This Remuneration Policy sets out the policies and procedures which shall be applied by Flow Traders with respect to the remuneration of members of its Management Board for performance year 2020 onwards. Ongoing compliance with applicable laws and regulations will be reviewed on an annual basis.

#### Definitions

**AGM** means Annual General Meeting;

**AFS** means the Dutch Act on financial supervision (*Wet op het financieel toezicht*);

**DCC** means the Dutch Civil Code;

**Flow Traders** means Flow Traders B.V. and Flow Traders N.V. and is also referred to as the **Company**;

**Instruments** means shares, share-linked instruments or any other instruments comparable thereto.

#### Regulatory context and considerations

The regulatory context and considerations applicable at the time of adoption of this Remuneration Policy are set out in **Annex II** to this Remuneration Policy. Annex II is attached for illustration purposes only and does not form part of the Remuneration Policy.

### 3) Disclosure

A description of the Remuneration Policy will be published in the annual report (*bestuursverslag*) of Flow Traders and on the website of Flow Traders, as required. The Supervisory Board will ensure that the contents of this description are in accordance with Article 1:120 (2)-(3) AFS.

### 4) Remuneration philosophy

The Remuneration Policy contributes to Flow Traders' strategy, long-term interests and sustainability because it is linked to a balanced set of financial performance indicators and non-financial indicators, which measure long-term value creation. The inclusion of Instruments as a significant part of variable remuneration ensures alignment between the interests of the Management Board members and those of the shareholders.

The Remuneration Policy ensures that the remuneration of the Management Board members is appropriate to the size and organisation of Flow Traders, as well as to the nature, scope and complexity of Flow Traders' activities. The Company's remuneration practices have been built on, and are driven by, a gender-neutral approach.

The Remuneration Policy contributes to sound and effective risk management, therefore it shall:

- be consistent with, and promote, sound and effective risk management;
- encourage alignment of the risks taken by the employees as well as members of the Management Board, and of Flow Traders itself, and not encourage risk taking which is inconsistent with the risk profile of Flow Traders;
- be in line with the business strategy, objectives, values and interests of Flow Traders and include measures to avoid conflicts of interest;
- not lead to risks that third parties are treated improperly; and
- ensure that the total variable remuneration does not limit the ability of the institution to strengthen its capital base.

#### 5) Company identity, missions and values

Since Flow Traders was founded in 2004, the Company's goal has been to foster a culture that encourages innovation, entrepreneurialism and risk-awareness, while focusing on drive, teamwork and ownership. For Management Board members, a fixed annual base salary in combination with variable remuneration should ensure a competitive level of remuneration that reflects the entrepreneurial nature of the role.

#### 6) Remuneration ratios

The Company is committed to attracting and retaining the best talent available. All staff, including the members of the Management Board, receive competitive remuneration packages. For all employees worldwide, this includes a fixed gross salary and a share from a single firm-wide variable remuneration pool. The remuneration pool is accrued throughout the year and is based on Flow Traders' operating result over the performance year and reflects the company's overall performance.

#### 7) Contribution to society<sup>1</sup>

The Company aims to make a positive contribution to society in a number of ways. One way is by enabling trading in widely diversified investment products, including exchange-traded products (ETPs), to anyone at any time, allowing end-investors to invest with lower costs and thus produce potentially higher returns. As a result, over time trading costs have fallen dramatically and access to transparent and inexpensive investment products has never been more open or efficient. This benefits institutional investors, individual investors and, ultimately, society at large by creating more open and accessible financial markets. **Because the Company is always present in the marketplace, retail and institutional investors can always manage their risks whatever the market circumstances. This makes investing safer, cheaper, more efficient and more effective. The liquidity Flow Traders provides in volatile**

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<sup>1</sup> This section has been amended compared to the version published on 13 March 2020.

markets helps ensure that financial markets keep functioning, under all circumstances. Flow Traders also helps absorb market shocks by absorbing a sudden surge in trading which helps stabilize markets, ensures accurate pricing, and reduces volatility.

Another way in which the Company contributes to society is by creating and retaining high quality jobs in the countries where it operates, and by sharing rewards across its global employee base.

Flow Traders believes it is important to back initiatives that contribute to society and has done so for many years – through the firm and through employees' personal efforts. The Company supports a number of charities, not only financially but also by offering access to knowledge and experience. Employees are enthusiastic about supporting charitable initiatives, which has always been part of Flow Traders' working culture.

In April 2020, the Company announced the establishment of the Flow Traders Foundation with the aim of promoting and funding health and wellbeing charitable initiatives globally. The Flow Traders Foundation will achieve this by, but not limited to, providing direct aid (goods), granting microcredits, providing information and or/financial means.

## 8) Compensation Structure

Flow Traders awards the following types of remuneration to members of the Management Board:

- a) Fixed component:
  - i) all members of the Management Board are awarded a fixed remuneration component;
  - ii) the fixed component consists of a base salary, a fixed annual cash compensation, paid in 12 equal monthly instalments;
  - iii) the base salary is reviewed annually, against external market developments and internal relativity to employees;
  - iv) in order to (a) control the level of fixed costs within Flow Traders, (b) provide effective risk mitigating incentives and (c) provide significant rewards for members of the Management Board only if the firm is actually profitable, the fixed component is typically at a modest, prudent level;
  - v) the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
  - vi) fixed and variable components of total remuneration are appropriately balanced given the nature and size of the Company.
- b) Variable component:
  - i) annually, performance awards are allocated to the members of the Management Board;
  - ii) the criteria for awarding variable remuneration to members of the Management Board are set by the Supervisory Board with support from the Remuneration and

- Appointment Committee;
- iii) these criteria reflect financial performance of Flow Traders and also include other quantitative and qualitative criteria related to Flow Traders' non-financial performance;
  - iv) when allocating the variable remuneration components, all current and future risks shall be taken into account;
  - v) performance awards are comprised of cash and Instruments;
  - vi) at least 50% of the variable remuneration shall be in the form of Instruments;
  - vii) variable compensation will only be paid if the Company is profitable in a given financial year;
  - viii) fixed and variable components of total remuneration are appropriately balanced given the nature and size of the Company.

c) Guaranteed component:

Guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle. Therefore, Flow Traders does not award a guaranteed component to members of the Management Board, unless the following conditions are all met:

- i) the guaranteed component is awarded in relation to hiring new staff;
- ii) the award is limited to the first year of employment; and
- iii) Flow Traders has a sound and strong capital base.

Guaranteed benefits (if any) may be awarded in cash or Instruments or a combination of both.

d) Severance pay:

Flow Traders does not award severance payments in any of the following situations:

- i) where a member of the Management Board resigns voluntarily, or
- ii) where there is seriously culpable act or omission (*ernstig verwijtbaar handelen of nalaten*) by the member of the Management Board in the fulfilment of his or her duties; or
- iii) failure of Flow Traders.

The amount of severance pay (if any) shall in any event not exceed 100% of the fixed annual remuneration of the Management Board member.

e) Board agreements:

Full terms and conditions for Management Board members are set out in a 'board agreement' entered into by and between the Management Board member and Flow Traders N.V.. A summary of the key terms and conditions of the agreements is set out below:

- i) Appointment term: appointments of members of the Management Board are for a maximum fixed term of 4 years, after which reappointment is possible.
- ii) Notice period: the Company may terminate the board agreement by serving a notice period (except during illness). The duration of the notice period may be between 3 and 6 months, whereby the notice period to be observed by the

Company will be twice as long as the notice period to be observed by the Management Board member. Pension scheme: no pension benefits are granted to any member of the Management Board.

iii) Termination fee: the termination fee is set to 100 percent of the annual fixed remuneration. No termination fee is awarded: (a) if a member of the Management Board resigns voluntarily, (b) if there has been a serious culpable act or negligence or omission (*ernstig verwijtbaar handelen of nalaten*) by the Management Board member in the fulfilment of his/her function or (c) failure of Flow Traders.

f) Employment conditions and ancillary benefits:

Flow Traders strives to provide excellent employment conditions to all its employees, including members of the Management Board. It does so by offering attractive remuneration packages and having all employees share in the operating profit-derived remuneration pool. Additionally, the Company offers all employees opportunities to learn and grow through internal and external training courses and by creating a healthy and stimulating work environment.

Flow Traders does not offer any material ancillary benefits such as company cars, collective pension schemes or other insurances to the Management Board.

The Company does not provide loans to members of the Management Board, nor does the Company issue guarantees to the benefit of members of the Management Board.

## 9) Governance

The Supervisory Board is responsible for structuring the remuneration of the members of the Management Board and determining their individual compensation. The Remuneration and Appointment Committee supports the Supervisory Board in this area.

- At the beginning of each performance year, the Supervisory Board agrees on financial and non-financial performance indicators for the Management Board.
- During the performance year, the Supervisory Board discusses performance with the individual Management Board members in mid-year and year-end assessment meetings.
- At the end of each performance year the Remuneration and Appointment Committee assesses the Management Board member's performance on his/her performance indicators. Based on this assessment, the Remuneration and Appointment Committee drafts the proposals for Management Board's variable remuneration.
- The Supervisory Board, upon recommendation by the Remuneration Committee, then determines the remuneration of the members of the Management Board, and determines whether and to what extent the unvested part of the deferred variable remuneration will be awarded.
- The AGM has a binding vote on the approval of the Remuneration Policy.
- The AGM has an advisory vote on the Remuneration Report that will be published annually.

## 10) Variable remuneration pool calculation

Each year, before calculating individual performance awards, Flow Traders determines the variable remuneration pool. The total variable remuneration pool is expressed as a certain percentage of Flow Traders’ operating profit over the performance year and will be distributed among all employees. This also means that variable compensation will only be awarded if the Company is profitable in a given financial year.

The total variable remuneration pool available for award to all employees of the Company including the Management Board is set at a maximum of 35% of the operating profit. The Supervisory Board determines what share of said variable remuneration pool will be allocated to the Management Board. This share is set at a maximum of 15% of the total variable remuneration pool, *i.e.* 5.25% of the operating profit. Within that total, the Supervisory Board also sets the individual variable remuneration for each Management Board member.

By determining the variable remuneration pool, the following will be taken into consideration:

- i) overall performance of Flow Traders including quality of earnings and capital strength;
- ii) current risks, expected losses and estimated unexpected losses;
- iii) stressed conditions associated with Flow Traders’ activities; and
- iv) returns to investors.

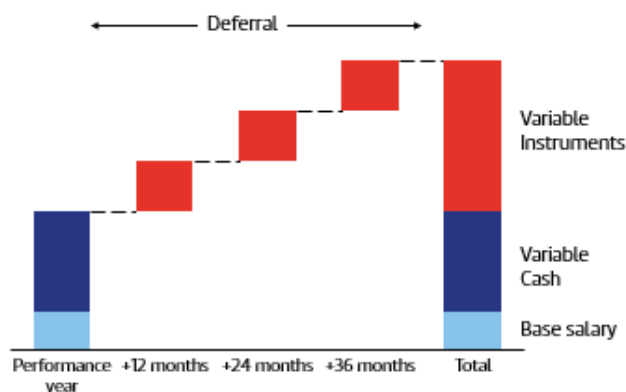
This means that the variable remuneration pool may vary from year to year.

**11) Payment terms**

At least 60% of the variable remuneration amount shall be deferred.

Such variable remuneration is deferred over a period of a minimum of three years in pro-rata payments, and is aligned with the nature of the business of Flow Traders, its risks and the activities of the Management Board members.

Taking into account the foregoing, variable remuneration components are subject to deferral as can be illustrated as follows:



The deferred part of the variable remuneration shall vest no faster than on pro-rata basis. The length of the deferral period shall at all times be established in accordance with the business

cycle, the nature of the business of Flow Traders, its risks and the activities of the Management Board members.

The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial condition of Flow Traders as a whole, and justified on the basis of the performance of Flow Traders, the business unit and the Management Board member concerned.

The Company has a Global Restricted Instruments Policy in place, which sets out additional requirements with respect to personal transactions in financial instruments relating to the Company including a description of the modest amount and length of “open periods” that are applied by the Company. The Global Restricted Instruments Policy, amongst others, applies to the members of the Management Board both during and after termination of the agreement between a Management Board member and the Company. The full text can be found on the Company’s website.

## 12) Link between pay and performance

Variable remuneration is tied to performance in a transparent and fair manner, taking into account Flow Traders’ strategy, long-term interests and sustainability. The Supervisory Board assesses each Management Board member’s personal performance on financial and non-financial performance criteria. These criteria can also be quantitative as well as qualitative in nature. At least 50% of the allocation of any variable remuneration is based on non-financial criteria, for example showing the desired professional behaviour, engaging employees, stimulating innovation, improving internal processes, demonstrating integrity and displaying good collaboration.

These performance criteria are set by the Supervisory Board on an annual basis for the upcoming performance year for each individual Management Board member. These performance criteria and the achievement levels against these criteria will be reported in the annual Remuneration Report<sup>2</sup>.

## 13) Performance measurement

The measurement of performance used by the Supervisory Board to calculate variable remuneration components includes an adjustment for all types of current and future risks and takes into account cost of the capital and liquidity requirements.

Furthermore, the assessment of performance of the Management Board members by the Supervisory Board is set in a multi-year framework, in order to ensure that the assessment process is based on long-term performance, and that the actual grant of variable remuneration is spread over a period which takes account of the underlying business cycle of Flow Traders.

## 14) Risk Management

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<sup>2</sup> This paragraph is new compared to the version published on 13 March 2020.



Without prejudice to the general principles of Dutch contract and employment law, the total variable remuneration shall generally be considerably reduced where subdued or negative financial performance of Flow Traders occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements (see below).

To discourage excessive risk-taking, compensation recovery and repayment policies that allow for cancellation or recovery of both unvested cash incentives and equity awards can be applied.

Clawback type	Clawback trigger
<b>Restatement</b>	<ul style="list-style-type: none"> <li>In the event of a material restatement of Flow Traders' financial results for the relevant period.</li> <li>This provision also applies to cash incentives.</li> </ul>
<b>Reasonableness and fairness</b>	<ul style="list-style-type: none"> <li>In the event that the amount of the variable remuneration would be unacceptable according to the standards of reasonableness and fairness (<i>redelijkheid en billijkheid</i>)</li> </ul>
<b>Misconduct</b>	<ul style="list-style-type: none"> <li>If the Management Board member engaged in conduct detrimental to Flow Traders that causes material financial or reputational harm to Flow Traders.</li> </ul>
	<ul style="list-style-type: none"> <li>If the Management Board member failed to meet the suitable norms regarding competence and correct behaviour.</li> </ul>
	<ul style="list-style-type: none"> <li>If the award was based on a material misrepresentation by the Management Board member.</li> </ul>
	<ul style="list-style-type: none"> <li>If the agreement with the Management Board member is terminated by Flow Traders because of: (i) an urgent cause (<i>dringende reden</i>) ex section 7:678 DCC, or (ii) one of the reasons as referred to in section 7:669, subsection (3)(d)-(h) DCC, unless Flow Traders committed a seriously culpable act or omission.</li> </ul>
<b>Risk-related and other</b>	<ul style="list-style-type: none"> <li>If the Management Board member improperly or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, issues and/or concerns with respect to risks material to Flow Traders.</li> </ul>
	<ul style="list-style-type: none"> <li>If the award was based on materially inaccurate performance metrics, whether or not the Management Board member was responsible for the inaccuracy.</li> </ul>
<b>Long-term goals and sustainability</b>	<ul style="list-style-type: none"> <li>If performance in relation to the priorities for a Management Board member has been unsatisfactory for a sustained period of time.</li> </ul>
	<ul style="list-style-type: none"> <li>If for any one calendar year during the vesting period, Flow Traders' operational results are negative.</li> </ul>



## 15) Post-termination transfer restrictions

Upon termination of a Management Board member's agreement, the Management Board member is bound by the post-termination transfer restrictions as set out below. Such transfer restrictions apply when the Management Board member is considered a Bad Leaver or a Good leaver.

Post-termination transfer restrictions: the Management Board member is not allowed to sell more than 50% of his/her stock position that results from the grant of variable remuneration and that is held at the date of termination, within the first twelve (12) months after the date of termination of the board agreement.

## 16) Change of Control

For the purpose of this section, a **Change of Control** means a transaction or series of transactions or the closing of an agreement, that alone or taken together have the effect that as a result thereof a party obtains (direct or indirect) Control of Flow Traders.

For the purpose of this section, **Control** means (i) (either directly or indirectly) the ownership of a party or parties acting in concert with each other of more than 30% of (a) the issued share capital and/or (b) the voting rights in the general meeting of Flow Traders; or (ii) the right (either directly or indirectly) of a party or parties acting in concert with each other to control the composition of the majority of the Management Board and/or the Supervisory Board, or the majority of its voting rights, whether through the ownership of voting rights or by contract.

For the purpose of this section, a **Fair Market Value** means in relation to a share (i) on any day when the shares are traded on the regulated market of Euronext Amsterdam N.V. (or its successor), the closing market quotation of a share as derived from the listing on the market; or (ii) on any day when the shares are not traded on the market and/or, no closing market quotation is available on such day, the closing market quotation on the business day immediately preceding this date.

In the event of a termination of a Management Board member's board agreement as a consequence of: Flow Traders' dissolution, liquidation, sale (of all or substantially all shares or of all or substantially all of the assets of Flow Traders), merger, split, consolidation, takeover, reorganisation, Change of Control or share for share exchanges or similar transaction, the Supervisory Board, shall, subject to Flow Traders' articles of association and other corporate authorisation requirements (such as but not limited to the approval rights of the general meeting) and applicable legislation, in respect of shares that were awarded to such Management Board member have the discretionary power to:

- i) cancel any entitlement to shares with immediate effect and pay to the Management Board member an amount equal to the Fair Market Value of such shares on the date of cancellation; or
- ii) exchange the entitlement to shares with entitlements on shares that are exchanged in the transaction, which new rights are in the opinion of the third party expert engaged by Flow Traders no less valuable than the prior rights.

## 17) Annual review

The Supervisory Board shall perform a central and independent internal review of the Remuneration Policy and the practices of Flow Traders at least annually. Such review shall be performed on an individual basis.

As part of the central and independent internal review, the Supervisory Board shall assess whether the overall remuneration policy, practices and processes: (i) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of Flow Traders are adequately reflected), (ii) are compliant with national and international regulations, principles and standards, and (iii) are consistently implemented across the group, are compliant with Article 141 of Directive 2013/36/EU and do not limit the institution's ability to maintain or restore a sound capital base.

Where the annual review reveals that the Remuneration Policy does not operate as intended or prescribed or where recommendations are made, the Supervisory Board shall ensure that a remedial action plan is proposed, approved and implemented in a timely fashion.

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## 18) Deviations and exemptions

In exceptional circumstances only, the Supervisory Board may decide to derogate temporarily from this remuneration policy. A derogation for exceptional circumstances only covers situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability. Such exceptional circumstances include, but are not limited to, situations such as the urgently required appointment of a Management Board member or the buy-out of remuneration forfeited on joining the Company to facilitate recruitment of new Management Board members, comprising cash or longer-term incentives. In such case, the Supervisory Board will account for this at the next Annual General Meeting.

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ANNEX I

Prior changes and amendments

Currently not applicable.

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## ANNEX II

### Regulatory context and considerations

This Annex II is attached to the Remuneration Policy for illustration purposes only and does not form part of the Remuneration Policy. The regulatory context and considerations applicable at the time of adoption of the Remuneration Policy are set out below.

Considering the qualification of Flow Traders B.V. (and including Flow Traders N.V., collectively referred to as **Flow Traders**) as an investment firm within the meaning of Article 4(1)(2) of the Capital Requirements Regulation (EU) No. 575/2013 (**CRR**), inter alia the following rules have been considered:

- a) Chapter 1.7 of the Act on financial supervision (*Wet op het financieel toezicht, AFS*), Article 1:111 – 1:129 AFS; this includes a waiver from the bonus cap of Article 1:121(7) Wft, based on the policy of the Dutch Authority for the Financial Markets (**AFM**);
- b) The Regulation of controlled remuneration policy AFS (*Regeling beheerst beloningsbeleid Wft 2017, Rbb*);
- c) The EBA Guidelines on sound remuneration policies (EBA 27/6/2016), the **EBA Guidelines**;

And because of Flow Traders' listing:

- d) The Dutch Corporate Governance Code (**CGC**);
- e) The implementation of Directive 2007/36/EC on long term shareholders' involvement (the **Shareholders Rights Directive**), including revisions to Articles 2:135 and 2:135a of the Dutch Civil Code (**DCC**).

Concrete elements that have been included based on regulatory guidelines in this Remuneration Policy include:

- **Deferred payments:** a minimum of 60% of variable remuneration is subject to a deferral period of a minimum of three and a maximum of five years.
- **Payments in Instruments:** at least 50% of the total variable remuneration is paid in Instruments.
- **Performance criteria:** variable remuneration is linked to measurable performance criteria determined in advance, which are predominantly **long-term** in character and include **financial** and **non-financial performance** criteria.
- The non-financial criteria for the award of the variable remuneration contribute for at least 50%.
- **Malus** (reassessment of deferred payment) and **claw back** (reclaiming already awarded variable remuneration) clauses apply.