

3 June 2020

Dear Shareholders,

Following extensive and highly constructive discussions with various stakeholders on our proposed Management Board remuneration policy, we felt it would be appropriate to provide additional commentary as well as an update on the potential 2020 variable remuneration components for the Management Board.

*Principles behind our remuneration policy*

We believe that our long-standing remuneration philosophy balances appropriate incentives for our Management Board that promote entrepreneurship, long-term value creation and risk awareness. The foundation of our remuneration policy has been a relatively moderate fixed salary, no fringe benefits, and a profit share that reflects company performance – therefore varying considerably in successful and less successful years

We feel it is important to highlight three key balancing elements which should be considered with respect to the proposed Management Board remuneration policy.

- 1) Each year up to 35% of operational profit will be shared as variable remuneration with all employees, including the Management Board. This is because Flow Traders' performance in any given year is a result of our colleagues' collective efforts and thus everyone should be rewarded for success. Therefore, our remuneration model is about sharing in the upside in good times as well as in the downside in poorer times among all our employees – including our Management Board, who in aggregate may receive up to 15% of the total variable remuneration pool, i.e. up to 5.25% of the operating profit.
- 2) The Management Board does not receive ancillary benefits beyond the variable remuneration profit share driven by the firm's performance. If Flow Traders is successful, the Management Board's variable remuneration will be positively affected. Conversely, when Flow Traders' performance is less pronounced, there is a corresponding downwards impact on their variable remuneration without any smoothing actions.
- 3) In a scenario where Flow Traders were to make a loss, the Management Board (and other eligible staff) would not receive any variable remuneration and any remaining instalments from previous years would be forfeited and used to cover any loss. Further, our clawback provisions are comprehensive and irreversible and substantially exceed regulatory requirements.

We have always been committed to our broader responsibility to society over and above our provision of liquidity and market making services globally and have been vocal proponents of fair markets and fair taxation. With this in mind, we have always steered clear of structuring or restructuring any of our operations for the objective of tax optimization.

We have been fortunate enough not to have had to reduce our workforce as a result of the pandemic and, of course, have not applied for any COVID 19-related government support. In these devastating circumstances, we are more than ever deeply aware of our responsibilities to society and have expanded our avenues for sharing with society more broadly, particularly by accelerating contributions to the newly founded Flow Traders Foundation.

*Remuneration in 2020*

2020 has thus far been a year of extremes in many ways, but first and foremost a human tragedy of unprecedented global scale. Given the increased risks in global financial markets, our core product of providing liquidity worldwide has experienced increased demand. We have already recorded very strong financial results in Q1 and the rest of the year is likely to benefit from further opportunities. At the same time, the world at large continues to struggle with the humanitarian and economic consequences of the coronavirus pandemic. 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 potential variable remuneration outcomes for the Management Board and to accelerate our contributions to society. In this spirit the Supervisory Board, in close consultation with, and supported by, the Management Board, has decided to halve the potential available variable remuneration pool for the Management Board in 2020, i.e. a reduction from up to 5.25% to up to 2.625% of operational profit.

Moreover, Flow Traders will donate a sum equivalent to half of the Management Board's 2020 variable remuneration 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 will continue to strive to be transparent regarding our operations and policies and we look forward to continuing the extensive and constructive dialogue with all of our stakeholders regarding our remuneration policy.

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Rudolf Ferscha  
*Chairman of the Remuneration and  
Appointment Committee of the Supervisory  
Board*

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Dennis Dijkstra  
*Chief Executive Officer and Member of the  
Management Board*