



FLOW ■ TRADERS

Annual Report 2021





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# Management Board report

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# 2021 at a glance

## HIGHLIGHTS

- Delivered **strong financial performance** amidst normalizing markets
- Third consecutive year with **more than €1 trillion ETP** value traded
- Enlarged our **global ETP footprint**
- Expanded into single bond market making** across corporate credit and emerging market sovereign bonds
- Enhanced coverage** of crypto and currency markets
- Refined a **systematic ecosystem approach** - completed strategic investments in MEMX, shape Q, and D2X as well joining the Pyth Network

## 2021 BY NUMBERS

Market ETP  
Value Traded (€bn)

**36,835**  
5%

2020: 34,920

EBITDA (€m)

**159.4**

2020: 586.6

Net Profit (€m)

**114.9**

2020: 464.5

Flow Traders ETP  
Value Traded (€bn)

**1,541**  
2%

2020: 1,515

Flow Traders Total  
Value Traded (€bn)

**5,750**  
10%

2020: 5,210

Net Trading Income  
(NTI) (€m)

**384.0**

2020: 933.4

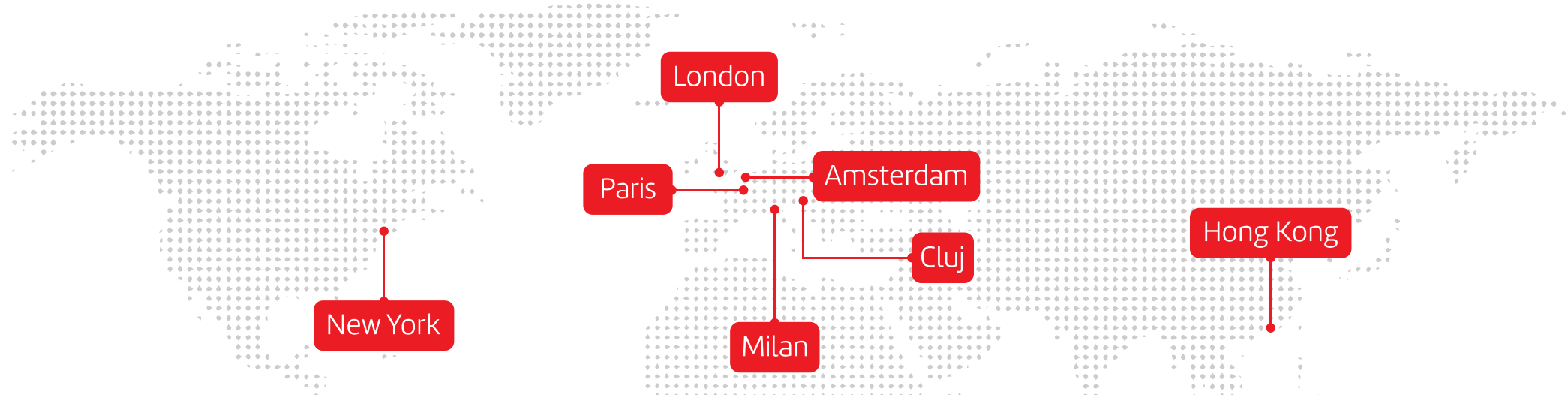
Basic earnings  
per share (€)

**2.63**

2020: 10.26



# 2021 at a glance



AMERICAS	
Number of ETP listings	ETP AuM (€bn)
<b>5,547</b>	<b>6,597</b>
FLOW ETP Value Traded (€bn)	NTI (€m)
<b>740.6</b>	<b>74.4</b>
FTE	
<b>111</b>	

EUROPE	
Number of ETP listings	ETP AuM (€bn)
<b>5,013</b>	<b>1,454</b>
FLOW ETP Value Traded (€bn)	NTI (€m)
<b>703.3</b>	<b>245.8</b>
FTE	
<b>422</b>	

ASIA	
Number of ETP listings	ETP AuM (€bn)
<b>2,727</b>	<b>979</b>
FLOW ETP Value Traded (€bn)	NTI (€m)
<b>96.8</b>	<b>63.8</b>
FTE	
<b>80</b>	

Singapore



# 2021 at a glance

## 2021 FINANCIAL OVERVIEW

In thousands of euro

	2021	2020
<b>Net Trading Income</b>	<b>384,041</b>	<b>933,425</b>
Employee expenses (fixed)	54,604	47,701
Technology expenses	49,769	46,544
Other expenses	17,750	24,404
<b>Fixed operating expenses</b>	<b>122,123</b>	<b>118,649</b>
Employee expenses (variable)	102,469	228,115
<b>Total operating expenses</b>	<b>224,592</b>	<b>346,764</b>
<b>EBITDA</b>	<b>159,449</b>	<b>586,661</b>
Depreciation / amortization	15,287	14,285
Write offs, tangible assets	20	103
(Result)/impairment of equity-accounted investees	(585)	358
<b>Profit before tax</b>	<b>144,727</b>	<b>571,915</b>
Tax	29,793	107,402
<b>Net profit</b>	<b>114,934</b>	<b>464,512</b>
Net trading capital	610,591	771,586
Regulatory capital available	482,602	438,929
Regulatory capital required	242,640	217,600
Excess capital	239,962	221,329
<b>KPI</b>		
EBITDA margin	41.5%	62.8%
Basic earnings per share	2.63	10.26
Fully diluted earnings per share	2.52	9.81





## Message of the Management Board



From left to right: Folkert Joling, Britta Achmann, Thomas Wolff, Dennis Dijkstra and Mike Kuehnel.

“Our success is testament to our unique company culture, in which our people demonstrate tremendous dedication, collaboration and entrepreneurship.”

In 2021, we continued to make strong progress with our growth ambitions, expanding our trading operations across EMEA, APAC and the US. This supports Flow Traders' commitment to create fairer, more transparent and efficient markets for all participants. During the year we onboarded additional counterparties to our fast-growing network, collaborated with a range of new partners, increased our activities across all asset classes we trade in, and were actively involved in launching innovative and sustainable products.

Against the backdrop of the ongoing pandemic, we remained focused on the safety and wellbeing of our people. Our new hybrid work model helped ensure we could operate securely and effectively, while continuing to deliver the high standard of service and experience our counterparties and partners have come to expect. Throughout the year, we also continued to systematically seek opportunities, presented by the fast evolving financial ecosystem and to structurally grow our business even further.

### **Strength of our people**

To support our growth, we welcomed more than 160 new colleagues in 2021. We opened a branch in Paris, France, enhancing our physical presence in one of EMEA's key markets and increasing our proximity to institutional counterparties. Flow Traders now has locations in Amsterdam, London, New York, Cluj, Singapore, Hong Kong, Milan and Paris. As we expand our operations and geographical footprint, we continue to embed environmental, social and governance (ESG) principles across our organization and find new ways to be more sustainable as a business.



We continue to be extremely proud of how our team stayed connected and were able to deliver at the highest level. Our success is testament to our unique company culture, in which our people demonstrate tremendous dedication, collaboration and entrepreneurship.

“We completed a strategic investment in Shape Q, a fintech start-up developing a RfQ marketplace for physical energy, green energy and environmental commodities.”

### **Trading highlights**

We maintained our position as a leading liquidity provider in ETPs on- and off-exchange and hold the number one position in EMEA in equity, fixed income, cryptocurrency and commodity ETFs. As a leader in this space, we aim to contribute to developing innovative and sustainable investment products. One example is operating as market maker for the world's first physical carbon ETC, launched by SparkChange. We also worked closely with iShares on the launch of two sustainable ETFs in EMEA and the US. In line with our strategic ecosystem approach, we completed a strategic investment in Shape Q, a fintech start-up developing a RfQ marketplace for physical energy, green energy and environmental commodities.

In FX, we widened our network of prime brokerages and have built-up the capability to trade with counterparties on a bilateral basis. For spot precious metals, we retained our position as a top-three market maker in Europe.

### **Continued growth**

Building upon our successful fixed income ETP trading footprint, in 2021, we strategically expanded into single-bond market making. Leveraging the accelerating trends towards electrification, something Flow Traders supports fully, we went live on Bloomberg, TradeWeb and MarketAxess as a disclosed liquidity provider. We also went live on Neptune as an axe aggregator. Our expanded market making activities in fixed income garnered recognition externally across media outlets and we were lead sponsor of the large Fixed Income Leadership Summit, which took place in London in October.

We also increased our focus on the development of digital assets and decentralized finance, by increasing our crypto ETP market share in Europe, becoming market maker in the first US crypto ETF, and became part of the Pyth network, an effort to increase transparency in the market by sharing data as well as completing a strategic investment in D2X. We also worked with TP ICAP, acting as the initial liquidity provider for their digital assets wholesale trading platform launch.

### **Regulatory changes**

In 2021, Flow Traders implemented the new EU IFR/IFD regulations and throughout the year continued to engage effectively and constructively with regulators. We also successfully registered with the Dutch Central Bank (DNB) in line with regulations relating to cryptocurrency to fiat currency trading. During 2022, EU financial market regulations will be reviewed and optimized, and we will align accordingly. Globally, we expect that new regulatory initiatives will address the accelerating global digitalization of market structures and we expect to see an increasing amount of opportunities related to the global digital assets evolution and market data consolidation provided to market participants. We have also kept abreast EU sustainable finance regulation, particularly with respect to the EU Taxonomy.

### **Strong response to COVID-19**

While year-two of the pandemic brought additional challenges, as a business we adapted to the new normal. Our business continuity plan remained effective, we continued to provide our people with a range of support services, and we introduced new flexible work schemes across all our offices.



Operationally, we were able to maintain our ability to provide uninterrupted liquidity and pricing to markets globally. This resulted in investors and market participants being able to trade in their preferred asset class at any time. We increased our societal efforts during the year, expanding the work undertaken by the Flow Traders Foundation. In total, we supported over 40 charities in 2021.

### **Financial overview**

Amidst normalizing markets, we had a successful year in 2021, recording NTI of €384.0 million and demonstrating a healthy EBITDA margin of 41% with EBITDA of €159.4 million. Ultimately, we recorded a Net Profit of €114.9 million with basic EPS of €2.63. This, along with our strong capital position, allowed the company to pay a total dividend for 2021 of €1.35 per share to shareholders.

### **New Management Board member**

During the year we welcomed Mike Kuehnel to the Management Board as Chief Financial Officer (CFO), following receipt of regulatory and shareholder approval.

Mike is responsible for Finance, Tax and Investor Relations as well as our dedicated Strategy and M&A functions. He joined the organization with a stringent focus on developing the Flow Traders' strategy further, further strengthening our role in the global financial market ecosystem and systematically evolving the functions he oversees, in line with the company's ambitious growth plans. Given his background in developing winning strategies for leading financial organizations, he brings a wealth of experience to the role and strengthens our team further.

Since joining, Mike has been impressed in particular by Flow Traders' entrepreneurial culture, the commitment towards collaboration and the team's dedication to continuous excellence. In these initial first months, he has also gained a deep insight into the business, across all asset classes and geographies and the technological capabilities. For Mike, both Flow Traders' existing intrinsic value and the firm's long-term potential as an active participant in the rapidly evolving financial markets ecosystem has become truly evident.

### **Looking ahead**

Our key focus in 2022 will be to drive forward our strategy even further and leverage the exciting opportunities created in the developing financial markets landscape. We will create the path for Flow Traders to embrace its next phase of development and take our extensive expertise forward to grow our business. We will also seek to develop a full ESG and sustainability strategy. This will include alignment with GRI as well as setting targets and associated KPIs. We will also develop and adopt specific policies, including human rights policy, environmental policy and supply chain policy.

Our network of counterparties and partners will continue to benefit from our ability to provide efficient market access and uninterrupted liquidity. We will further expand our trading capabilities and infrastructure, collaborate on innovative products and further systematically expand our footprint as a key player in the global financial market ecosystem.

Finally, a priority remains the wellbeing of our team across, a team which we would like to put a spotlight on for their amazing efforts throughout 2021. We are incredibly proud of our team as they continue to demonstrate their dedication to building our business and enabling Flow Traders to reach its full potential. We would also like to recognize our shareholders and other stakeholders for their ongoing support and contribution.

Regards,

Dennis Dijkstra, Britta Achmann,  
Folkert Joling, Mike Kuehnel and Thomas Wolff





# Our profile

## Who we are

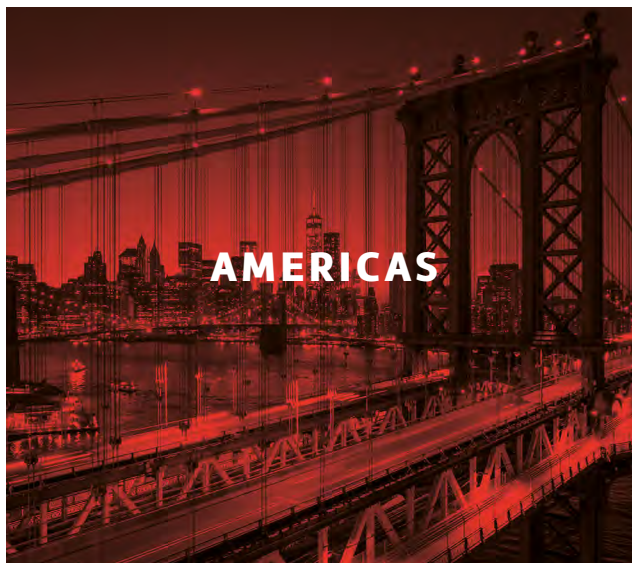
Flow Traders is a leading global financial technology-enabled liquidity provider in a wide range of financial products, historically specialized in Exchange Traded Products (ETPs), now further expanding into other asset classes. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. This allows investors to continue to buy or sell ETPs or other financial instruments under all market circumstances. We continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges and trading platforms, globally, 24 hours a day. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning.

## What we do

We are a financial technology company operating in the global financial markets, using our proprietary technology platform to provide liquidity by quoting bid and ask prices in thousands of financial products. Flow Traders ensures the provision of this liquidity to support the uninterrupted functioning of financial markets. Our core trading focus is on exchange-traded products (ETPs) and we do this globally, enabling investors to buy and sell ETPs efficiently by quoting bid and ask prices under virtually all market circumstances.

We provide this liquidity via two main routes: “on screen” which is conducted on stock exchanges where Flow Traders is a registered market maker in ETPs and “off exchange” where we trade bilaterally with institutional counterparties, often through Request for Quote (RfQ) platforms such as those operated by Tradeweb, MarketAxess and Bloomberg. More recently, we have diversified our market making activities into other asset classes, such as Foreign Exchange (FX), commodities, cryptocurrencies and fixed income.

Flow Traders’ group companies can be found in Note 30 on page 146 in the Financial Statements.





## Products

### Exchange-traded products (ETPs)

ETPs, the main products that we trade, are often compared to mutual funds largely because they are both baskets of shares, bonds, or commodities. However, that is where the similarity ends. Unlike most mutual funds, the majority of ETPs simply track an index without trying to outperform such indices. ETPs have open-ended fund structures rather than closed-end and, unlike mutual funds, can be continuously bought and sold on trading venues during trading hours and off-exchange at all times.

ETPs provide investors with exposure to a wide variety of underlying assets, ranging from ETPs that replicate the composition of a particular equity index, to those that provide investors with exposure to assets in specific sectors or countries, to commodities, or to currencies. ETPs also enable investors to create and manage diversified investment portfolios in an efficient manner, as well as enabling them to switch exposures at any given moment during trading days. There are broadly three main categories within ETPs in which we trade:

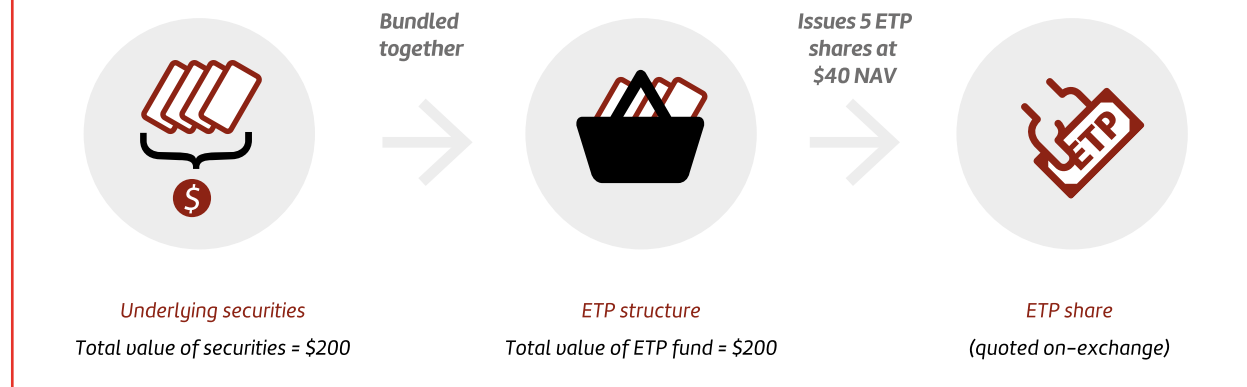
### Exchange-traded funds (ETFs)

This category is the most traded, when compared to ETCs and ETNs. ETFs derive their value from shares or bonds held in proportion to an index. For example, a Euro Stoxx 50 ETF would hold the same shares as the Euro Stoxx 50 index, in approximately the same proportions. Fixed-income ETFs derive their value from a portfolio of debt instruments. For example, bonds included in the Barclays US Treasury 1-3 Year Term Index. ETFs are the most widespread among ETPs as measured by Assets under Management (AuM).

### What is an ETP?

What is an ETP?	Key types of ETPs	Key advantages of ETPs
<ul style="list-style-type: none"> <li>ETPs are passive investment vehicles</li> <li>An ETP derives its value from an underlying portfolio of securities</li> <li>An ETP is listed on an exchange</li> </ul>	<ul style="list-style-type: none"> <li><b>Exchange Traded Funds (ETF):</b> Investment vehicle that tracks an index or a basket of listed securities</li> <li><b>Exchange Traded Commodities (ETC):</b> Investment vehicle designed to track single commodities or commodity index</li> <li><b>Exchange Traded Notes (ETN):</b> Unsecured, unsubordinated debt securities issued by a bank. Returns based upon on the performance of the underlying securities tracked</li> </ul>	<ul style="list-style-type: none"> <li>Transparent fund structure with disclosed holdings and weights</li> <li>Low management fees given passive investment approach</li> <li>Low trading costs</li> <li>Continuously tradable on the secondary market</li> </ul>

### Illustrative structure of an ETP





**Exchange-traded commodities (ETCs)**

ETCs typically derive their value from a commodity index, such as the Bloomberg Commodity Index, although in some cases they derive it from just a single commodity, such as gold or oil, or a certain currency. For example, the SPDR Gold Shares ETC tracks the value of physical gold. ETCs may hold physical assets, but exposure can also be held through derivatives of the underlying commodity, in combination with cash.

**Exchange-traded notes (ETNs)**

ETNs are types of unsecured, unsubordinated debt securities issued by an underwriting bank. The returns of ETNs are based on the performance of the index being tracked. For example, the iPath S&P 500 VIX Short-Term Futures Index TR ETN would track the S&P 500 VIX Short-Term Futures volatility index.

**The ETP ecosystem**

The ETP ecosystem is made up of a number of participants who together make ETP investing and trading possible. These include investors, ETP issuers, exchanges and other trading venues and authorized participants, who can also act as liquidity providers, such as Flow Traders. The ETP ecosystem can be further divided into two markets: the primary market and the secondary market.

**Primary market**

Interaction in the primary market takes place between authorized participants (APs) and the issuers, who either issue or cancel ETPs. This is done in reaction to market demand and is called the creation and redemption process. APs can create ETPs with the issuer by transferring the underlying assets (or cash equivalent) to the issuer in return for a corresponding number of newly issued ETPs.

This increases the ETPs’ Assets under Management (AuM). In this way, the issuance of ETPs through APs provides the issuers with access to a broad investor market without having to support a complex and costly trading infrastructure which would be non-core to their business. Redemption is the reverse of the creation process: the AP transfers ETPs to their issuer in exchange for the underlying assets (or a cash equivalent). The issuer then cancels the ETPs it received. This decreases the ETPs’ AuM.

**Secondary market**

The secondary market is where ETP trading takes place between market participants, similar to the trading of ordinary shares, at market-determined prices. Secondary market participants include institutional and retail investors, liquidity providers and APs. Secondary markets include exchanges and other automated trading venues, as well as off-exchange trading between market participants such as large institutional investors.

**Fixed income, currency and commodities (FICC)**

Leveraging the scale and capabilities of our ETP proprietary technology-enabled trading platform, Flow Traders has been able to also trade an increasing volume of the underlying asset classes in 2021 mainly in FICC. The fixed income markets in particular is experiencing a wave of electronification which is expanding the opportunities available to non-bank liquidity providers such as Flow Traders.

Flow Traders started providing liquidity in FX as a separate asset class during 2018 and we have invested further in the business in order to drive growth in 2021. We provide liquidity in an increasing number of FX pairs on spot and futures in the EMEA and APAC markets to a fast-growing







number of counterparties on an expanding number of platforms, including Bloomberg's FX platform. In 2021, Flow Traders maintained its top three market maker position on major FX ECNs (Electronic Communications Networks) in spot metals.

In commodities in general, Flow Traders has always been active in the ETP market as well as the underlying asset classes. Moreover, we hold physical storage as collateral with our prime brokers if physical delivery is demanded by counterparties.

In Fixed Income, 2021 saw continued ETP market growth. Flow Traders has a strong position in this market, particularly in EMEA and in the US. By leveraging the infrastructure of Flow Traders' leading fixed income ETP trading footprint, a multi-year investment has enabled an expansion into single bond market making in 2021. Flow Traders is supporting and advancing electronification, transparency and cost efficiency across the fixed income markets. Flow Traders is now continuously quoting in excess of 9000 ISINs across USD and Euro corporate credit and emerging market sovereign bonds and is providing pricing on all major platforms including Bloomberg, TradeWeb, MarketAxess and Neptune.

Flow Traders also trades cryptocurrency, which we consider to be a key part of our FICC proposition, which is a growing part of our overall business and a key strategic focus. Flow Traders is the number one market maker in cryptocurrency ETPs in Europe being active on 15 exchanges globally, providing 24/7 liquidity. We are also a leading spot OTC liquidity provider. We have seen that there has been a continued adoption of this asset class by institutional investors with subsequent inflows in cryptocurrency ETPs and ETNs. Flow Traders has continued to participate in the development of the digital asset and decentralized finance space through joining the Pyth network, supporting the launch of Reactive Markets' Switchboard and providing liquidity and partnering with TP ICAP to be one of the initial liquidity providers on the launch of their innovative wholesale trading platform for cryptocurrency.

Flow Traders expects that this diversification will lead to a larger contribution of underlying asset classes to the total value traded. It will also improve our ETP trading capabilities and improve our ability to grow NTI structurally. In 2021, there were further positive NTI contributions from non-ETP trading activities as returns from investments in trading diversification became evident. Ultimately, Flow Traders' goal is to become a one-stop shop liquidity platform in financial markets globally.

## Liquidity Provider

### *Leading liquidity provider*

Flow Traders has two main roles in the financial ecosystem. The first is as a liquidity provider. In this role, we help maintain and improve the overall transparency and efficiency of the ecosystem, by quoting bid and ask prices for financial products like ETPs, bonds, cryptocurrency, FX and other products on trading venues, as well as off-exchange to institutional investors, which market participants can trade against. By providing liquidity we make it easier for investors to buy and sell financial products at a price that should reflect the (relation with the) current price of the underlying asset, and contribute to lower trading costs.

Another role we play in the ETP landscape is as an Authorized Participant (AP). We have AP-agreements in place with all the major ETP issuers. These agreements link the primary and the secondary ETP market and allow us to either create or redeem the ETPs and optimize our role as a leading liquidity provider in ETPs.



## Pricing

### *Pricing accurately*

Being able to accurately price the various financial products that we provide liquidity in is vital to the success of our business. Get it wrong, and we risk not winning the trade or losing money due to bad prices. Our experience in establishing the pricing and hedging across different products in a variety of market conditions means we can offer competitive bid and ask prices, while still covering our trading costs and locking in transaction profit. We achieve this using pre-set hedging strategies, which, when possible, instantly reduce our market exposure, creating a market-neutral position. This approach is also taken with respect to providing liquidity in all asset classes we trade such as cryptocurrency and corporate credit.

## Cutting edge proprietary technology platform

### *Developing software in-house*

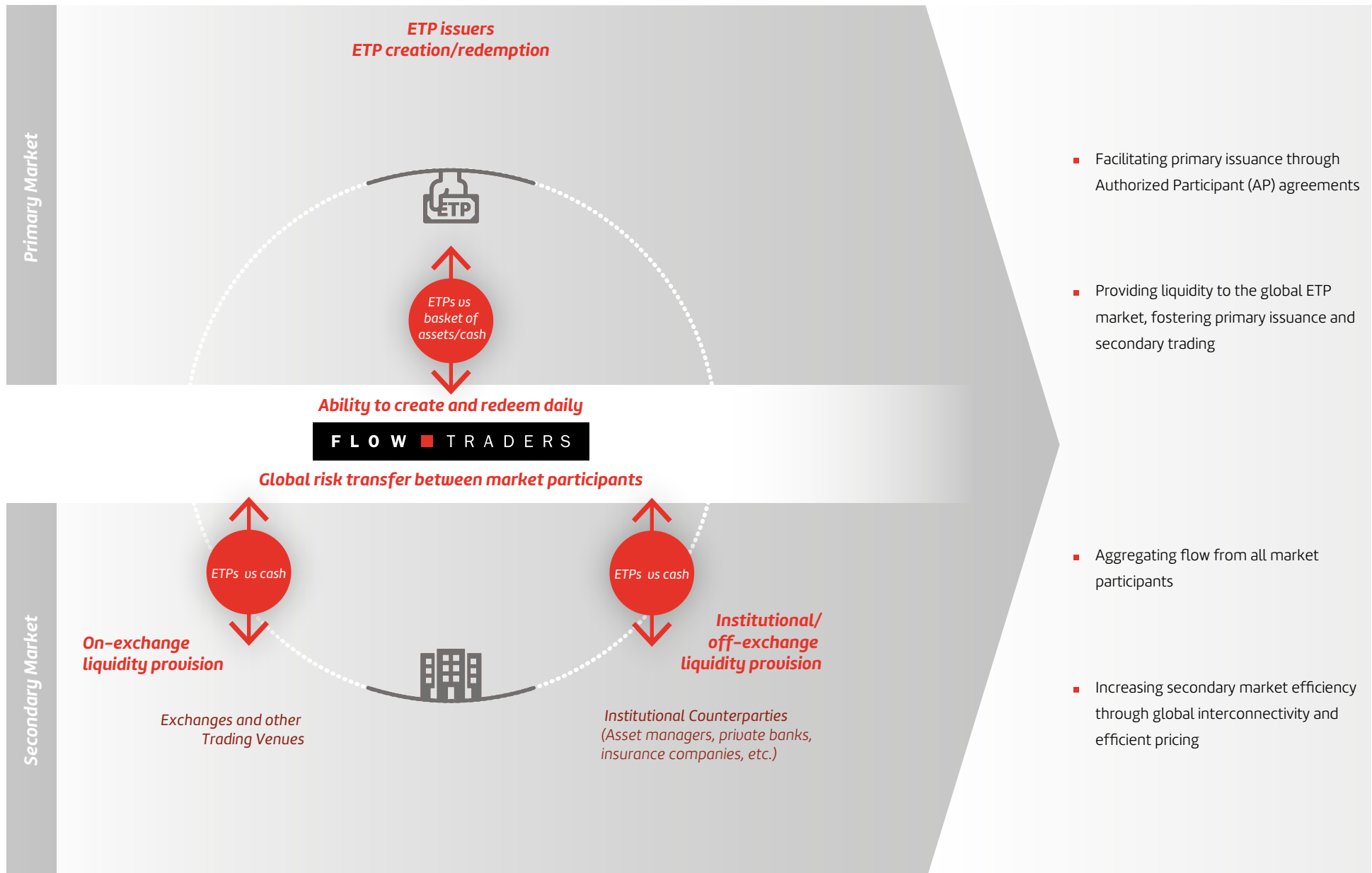
As noted, we are a technology company operating in the financial industry. As such, technology lies at the core of our business, enabling us to provide liquidity in a variety of market environments across the globe. We trade using proprietary and scalable software with the vast majority of our applications developed in-house. These include pricing and trading software, market data processing tools, pre-trade risk controls, and other risk and compliance tools. This is the main reason that our technology department makes up over 40 percent of our total staff and is our largest employee group.

One of our software platform's core features is its modular design, which allows us to rapidly test and implement ongoing enhancements. This also means we can easily and cost-effectively expand our coverage of securities, asset classes, and geographical markets as we grow the business.

In 2021 our total technology expenses increased by 8 percent versus 2020 as we invested further in the trading business. Our technology expenses represented 41 percent of our total fixed expenses and the number of technology FTEs grew to 244 from 221 in 2021, in order to support the execution of our growth strategy. Technology remains the largest employee group at Flow Traders.



**Flow Traders is a Critical Component of the ETP Ecosystem.**







# Share information

Flow Traders N.V. shares are listed on Euronext Amsterdam and are included in the Amsterdam Midcap Index (AMX), carrying a weight of 2.00 percent as at the end of 2021. Flow Traders shares are also included in several other indices issued by leading index providers, such as MSCI (MSCI Netherlands IMI 25/50 Price Return USD Index), FTSE (FTSE Developed ex US All Cap Net Tax Index) and Euronext (Euronext AEX All-Share Index, AEX All-Tradable Index, Euronext 150 Index, AEX Financials Index).

## Introduction and key figures

### KEY SHARE INFORMATION

ISIN	NL0011279492
Bloomberg ticker:	FLOW NA
Reuters ticker:	FLOW.AS
Number of shares outstanding	46,534,500
Free float*	70%
Market cap at year end (€)	1,498,411

Source: Euronext as per 31 December 2021.

\* Official Euronext definition.

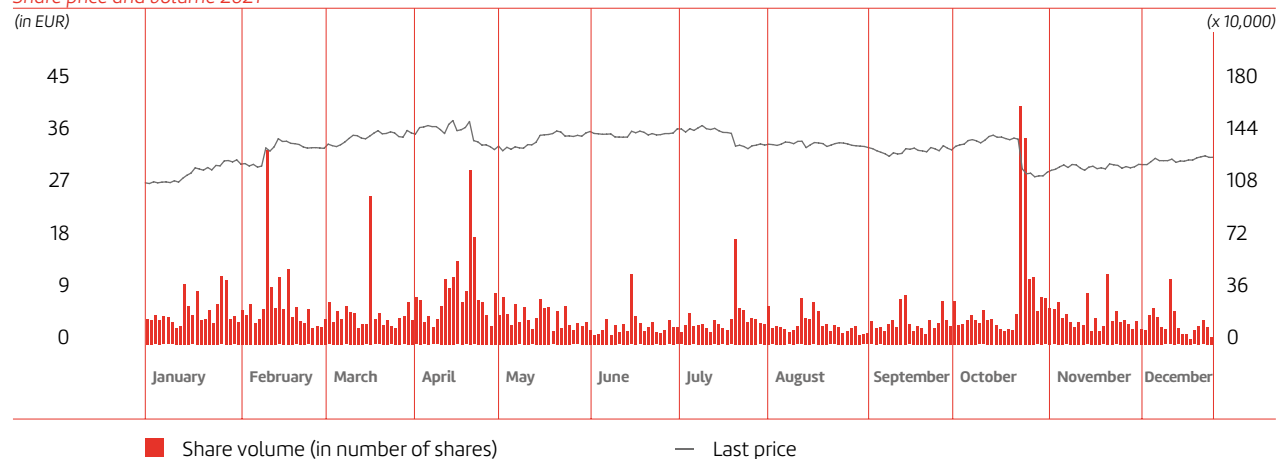
## Performance and key figures

### KEY FIGURES PER SHARE

Earnings per share	€2.63
P/E ratio	12.2
Interim dividend per share	€1.00
Final dividend per share	€0.35
Total dividend per share	€1.35
Dividend yield	4.2%
Year-end share price*	€32.20

\* Source: Euronext, based on year-end closing.

Share price and volume 2021





### VOLUMES

Total annual volume	54,637,236
Daily volume - high	1,639,337
Daily volume - low	36,584
Average daily volume	211,772

Source: Euronext.

### SHARE PRICE PERFORMANCE

Opening price 4 January 2021	€27.34
Annual highest price (closing)	€38.52
Annual lowest price (closing)	€27.68
Closing price 31 December 2021	€32.20

Source: Euronext.

### Analyst coverage

The following analysts cover Flow Traders as of the date of this annual report:

Institution	Analyst
ABN AMRO - ODDO BHF	Julian Dobrovolschi
Bank Degroof Petercam	Michael Roeg
Exane BNP Paribas	Gregory Simpson
ING	Reg Watson
Jefferies	Martin Price
KBC Securities	Thomas Couvreur
UBS	Michael Werner

## Financial calendar

Q1 Trading Update	22 April 2022
Annual General Meeting	29 April 2022
Final dividend 2021 ex-dividend date	3 May 2022
Final dividend 2021 record date	4 May 2022
Final dividend 2021 payment date	6 May 2022
H1 results release	22 July 2022

## Dividend policy and dividend proposal

### Dividend policy

Flow Traders intends to pay dividends annually in two instalments, with a target aggregate dividend pay-out ratio of at least 50 percent of the company's net profits realized during the financial year. The Management Board may decide, with the approval of the Supervisory Board, that the profits realized during a financial year will fully or partially be appropriated to increase and/or form reserves.

A distribution of (interim) dividends is subject to applicable rules and regulations, the Articles of Association of the company, the By-Laws of the Management Board, and the By-Laws of the Supervisory Board.

It is anticipated that our interim dividends will be declared and paid following the publication of our results for the first half of each year. However, there can be no assurance that in any given year a dividend will be proposed or declared.

The payment of dividends, if any, and the amounts and timing thereof will depend on a number of factors, including legal and regulatory requirements, future profits, financial conditions, general economic and business conditions, future prospects and such other factors as the Management

Board, subject to the approval of the Supervisory Board, may deem relevant. Our intentions in relation to dividends are subject to numerous assumptions, risks and uncertainties, many of which may be beyond our control.

The Management Board, subject to the approval of the Supervisory Board, may decide to make allocations to reserves and therefore decides how much of the profit will be allocated to reserves. The profits remaining shall be at the disposal of the General Meeting.

### Reserves and dividend proposal for the financial year 2021

Pursuant to Article 24.1 of the company's Articles of Association, the Management Board, with the approval of the Supervisory Board, has decided that of the profit for 2021 (totaling €114.9 million), an amount of €55.9 million shall be added to the reserves. The remaining amount of €59.0 million is at the disposal of the General Meeting.

It is proposed to the General Meeting that a total cash dividend of €1.35 per share will be paid out to shareholders for the financial year 2021, subject to a 15 percent dividend withholding tax (dividendbelasting). An interim cash dividend of €1.00 per share was paid out on 20 August 2021. This means that the final cash dividend proposal to the General Meeting is €0.35 per share. Subject to approval by the General Meeting on 29 April 2022, shares will trade ex-dividend on 3 May 2022. Payment of the final dividend is anticipated to be made on 6 May 2022. Please also refer to the Dividend Policy section in the chapter Our governance.



## Investor Relations

Investor Relations (IR) focuses on optimizing the communication and understanding between Flow Traders and the investor community, its advisors and the analyst community. By attending broker conferences, organizing roadshows to institutional investors after Half Year and Full Year results, organizing investor conference calls, analyst days and the Annual General Meeting, Flow Traders further optimizes the information stream to the market. Flow Traders has a corporate website ([www.flowtraders.com/investors](http://www.flowtraders.com/investors)) where, among other information, its financial calendar, press releases, presentations, reports and the dividend policy can be found. IR is the first point of contact for interested investors, shareholders and analysts.

### INVESTOR RELATIONS CONTACT DETAILS

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# Value creation and strategy

We create value in a number of financial and non-financial ways for a variety of stakeholders. Supported by our proprietary technology platform, we provide liquidity in financial products that helps contribute to more efficient markets by lowering overall trading costs, delivering greater execution quality and market transparency. For our employees, we provide a compelling and constantly evolving work environment that enables them to develop to their full potential. We take an active interest in the societies in which we operate, contributing to local learning initiatives and charities through the Flow Traders Foundation. And we care for our investors by focusing on growing profitably and providing dividend returns. Our value creation model shows how we create value and the impact our business has on our stakeholders.

## Our ambition and strategy

### Our strategic ambition

Our ambition is to become a one-stop shop liquidity platform in financial markets globally.

### Our market and environment

We operate in a highly dynamic world, which is characterized by mega trends such as globalization and technological development which only accelerates the pace of change. This only intensifies the competition in our markets, for example by through the increasing electrification of trading enabled by technology developments. Moreover, our markets are characterized by ever increasing regulation. This typically creates greater transparency and a more level playing field within our markets, which plays to our strength as a technology-enabled liquidity provider. Yet the markets' core functions remains the same: transferring risk between various market participants. This is where we add value. Accordingly, our focus will continue to be on providing liquidity in more and more products in the financial markets with a core focus on ETPs.

### Our business principles

Our business principles are being flexible, agile and focused on continuous improvements. To be successful, we recognize that we need to perform well across all areas of the business. Achieving this involves diligently studying the markets and our responses to them, and using our resources where they have the greatest impact. The outcome of this process defines whether or not we have a competitive edge.

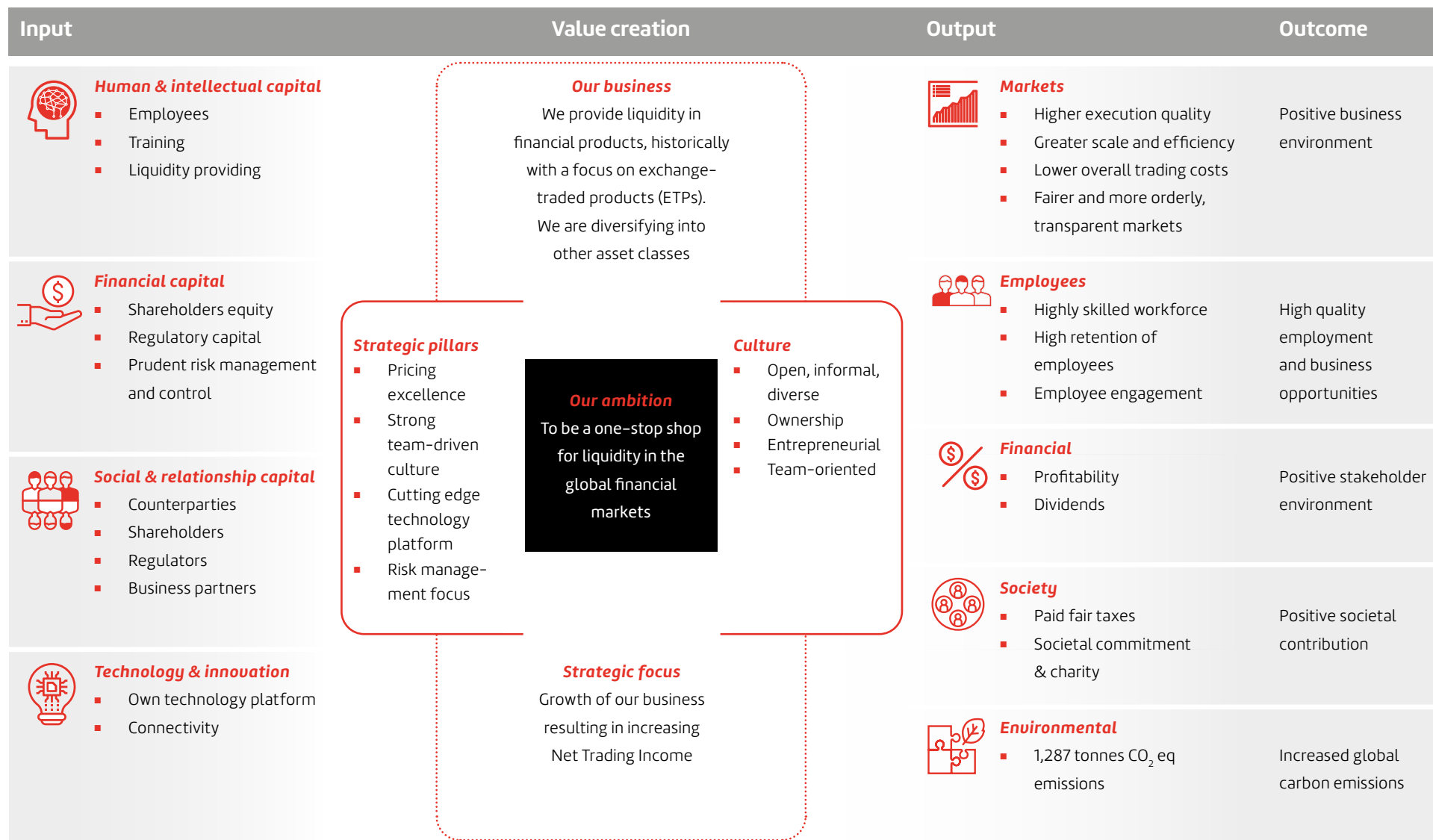
### Our strategy

We will achieve our strategic ambition by continuing to grow our business and diversify into other asset classes. This should result in increasing our Net Trading Income (NTI), while maintaining our desired risk profile, controlling costs, and securing and attracting the right talent. Increasing our NTI involves increasing the product of volume and the net margin we capture per trade, where volume is the value of products we trade and the net margin is the margin we capture per trade after the corresponding exposure has been hedged. Our risk profile is characterized by having no directional opinion on the market. In other words, our results do not depend on the direction of market prices. By expanding our presence as a liquidity provider in both the ETPs and underlying asset classes, Flow Traders can maximize the growth of its NTI.

By growing our presence in the global financial market as a liquidity provider, we build a foundation to support our long-term growth trend. By growing our presence in underlying asset classes, we expect to improve our performance in the future, including during those periods where the trading activity in the market may slow down.

This is aligned with our ESG ambition and mission. Growing our presence in the financial markets through expanding and deepening our ETP trading footprint as well as improving pricing and access to fixed income, commodity and FX liquidity will only make markets more efficient and reduce trading costs for investors globally. It will also enable the financing of the shift towards a sustainable world economy.







Moreover, in order to drive forward our growth agenda we rely on the talent and integrity of all colleagues at Flow Traders in line with our focus on business ethics and creating sustainable employment.

## Markets and trends

### Our business

In 2021 we had access to more than 180 trading venues in 40 countries around the world. We provide liquidity in over 8,000 ETP listings on- and off-exchange, which is around 60 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to more than 2,000 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others and this number is increasing on an almost daily basis.

In addition to ETPs we provide liquidity in similar instruments whose value is correspondingly affected by a change in the value of underlying or related assets, such as futures or bonds.

During 2021, we continued to implement our diversification initiatives into other asset classes and provided liquidity as a market maker including in FX, fixed income, commodities and cryptocurrency.

Irrespective of what we trade, as a liquidity provider we generally do not have a directional opinion on the market. In other words, our results do not depend on the direction of market prices. Our NTI is realized through the small price

### Flow Traders' market coverage

Products	Asset class				
	Equity	Fixed income	Commodities	FX	Cryptocurrency
ETPs	✓	✓	✓	✓	✓
Futures	✓	✓	✓	✓	✓
Spot	✗	✓	✓	✓	✓

✓ Top coverage      ✗ No coverage as Liquidity Provider (yet)

differences that are realized between buying and selling related or correlating assets. Whether that is between the ETPs we buy or sell, and the prices we pay or receive for the underlying or related financial instruments to mitigate our risk, or trading FX pairs.

We are not a bank, broker or investment manager and do not have our own Assets under Management (AuM). We also do not develop or make products, do not provide any services and do not have (consumer) clients. Our value chain comprises, among others, of our institutional counterparties, prime brokers and regulators.

### ETPs

In recent years, the ETP ecosystem has continued to mature and experience significant growth in both Asset under Management and number of products. According to ETFGI,

global ETP AuM grew from €6,422 billion at the end of 2020 to €9,030 billion by the end of 2021. This growth is expected to continue, as investors continue to invest in low-cost, transparent and easy-to-trade passive investment strategies. This contributes to the long-term value creation of Flow Traders' strategy.

We believe there are a number of reasons for this trend to continue, including beyond 2022: one is that investors are attracted to the transparent nature of ETPs, which enables them to follow clearly how the underlying securities are performing. Another reason is that ETPs are liquid and available at low-cost and can be bought and sold easily during market hours. A third reason is that ETPs can be composed of financial instruments from almost any asset class, sector or location, providing investors access to markets that would normally be difficult to reach.



### Review of 2021

Global ETP markets grew by 38 percent in 2021 measured in AuM, driven again by the popularity of equity and fixed income ETPs. Annual global inflows of ETP AuM were €1,138 billion in 2021 (2020: €617 billion in 2020 – source ETFGI). Overall trading activity in 2021 increased as the markets continued to absorb the impacts of the COVID-19 pandemic as well as increased retail investor activity, particularly in the US.

### Global coverage

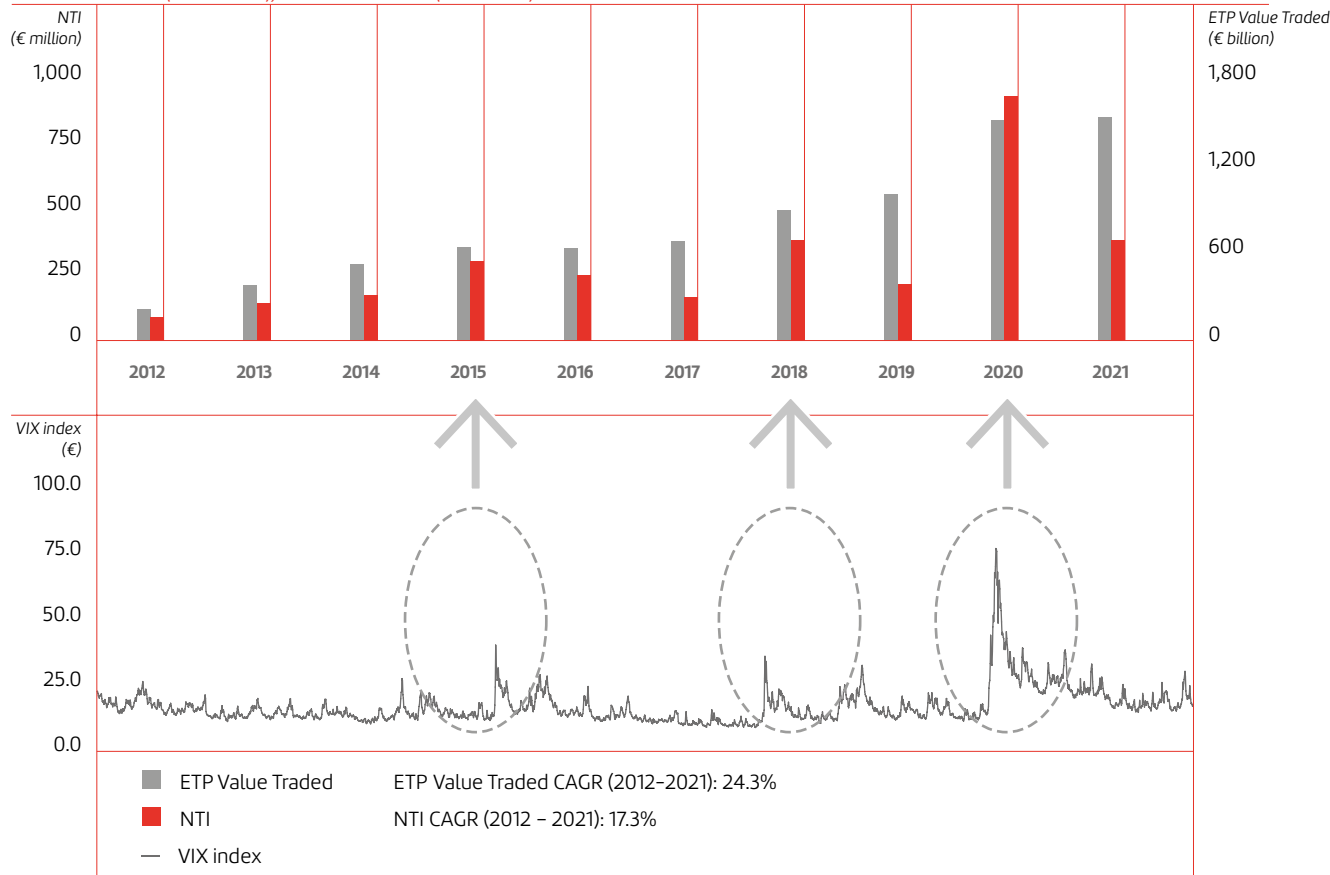
Following Flow Traders’ recent expansion, we trade globally from four offices: in Amsterdam, Hong Kong, New York and Singapore. In addition to our branch offices in London and Milan, we announced the opening of a branch office in Paris in 2021 which is consistent with Flow Traders’ growth strategy to deepen its geographical footprint and it will enable us to increase our proximity to institutional counterparties. In 2021, Flow Traders ETP value traded once again surpassed the €1 trillion mark. The largest ETP market is still in the United States, where total ETP value traded (on-exchange and off-exchange) was €31.1 trillion in 2021. Our New York office’s total ETP value traded was €740.6 billion in 2021, markedly higher than in 2020 and, for the third year in a row, a record year for Flow Traders US since inception. With institutional trading gaining further momentum in 2021, Flow Traders US continued to grow and deepen its overall presence in this important market. In December, Flow Traders made a further strategic investment in Members Exchange (MEMX). MEMX was founded in 2019 as a new US equities exchange and other members of the investor group include leading banks, retail brokers, asset managers as well as market makers. This investment underlines our long-term commitment to the US equities ecosystem as we seek to grow our business and presence further.

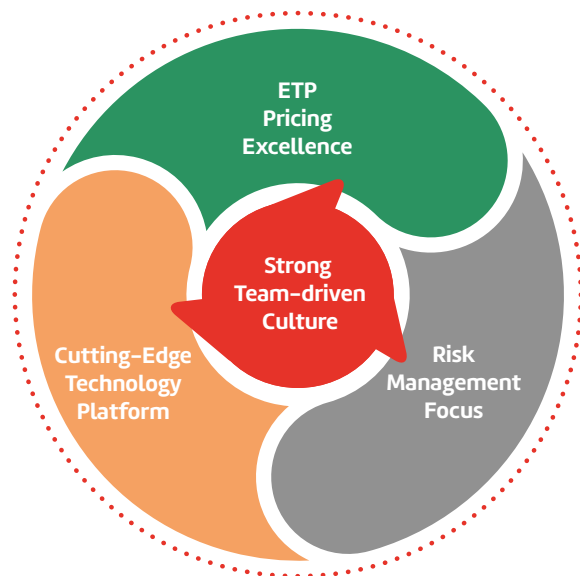
The EMEA ETP market had a total ETP value traded of €2.0 trillion in 2021. Our total ETP value traded from our Europe offices was €703.3 billion in 2021. We remained the number one liquidity provider in ETPs in EMEA and managed to grow our on- and off-exchange presence further.

In APAC, the ETP market remained fragmented, with large differences in trading volumes, trading costs, regulation and maturity across the financial markets. Volumes traded in the APAC region remained dominated by the top-10 most traded

ETP products, as those 10 determine roughly 55 percent to 65 percent of the total market volumes. The total ETP value traded (on-exchange and off-exchange) was €3.7 trillion in 2021, including China, while the total ETP value traded at our APAC offices was €96.8 billion. Flow Traders had a successful year in 2021 in APAC in terms of trading volumes, confirming the contribution of specific recent investments made in the region. In 2021, Flow Traders deepened its partnership with the HKEX by acting as a liquidity provider across a number of their new product suites.

Flow Traders’ NTI (in € million), ETP Value Traded (in € billion) and VIX index since 2012





**ETP market remains a high growth market**

We still see significant opportunities for growth in the ETP market, driven by the widely expected expansion of this industry in the near future. This is due to a number of changes within the asset management industry, including:

- the continuing shift to global electronic trading, which cuts costs and maximizes efficiency and transparency;
- a shift in asset growth from active strategies to more cost-effective, passive strategies;
- increasing ETP adoption globally among institutions, intermediaries and retail investors;
- long-term shifts driven by regulators looking to increase financial stability and transparency.

To take advantage of this expected growth, we aim to expand our presence further in all areas of ETP trading in all regions.

In Europe we have cemented our position as the leading liquidity provider by continuing to grow our presence on different venues and grow the number of counterparties. We have established a connection with virtually all ETP issuers active in Europe and we continued to grow our institutional counterparty-base substantially in 2021. MiFID II continues to have a beneficial impact on our counterparty base, as investors increased their focus on best execution, regardless of research access. With the recent expansion of our offices into Milan, which opened in 2020, and Paris in 2021 alongside the launch of liquidity provision in other asset classes, we have the building blocks in place to further increase our presence in Europe in 2022.

In the Americas, our ETP value traded continued to grow in 2021, but remains relatively limited compared to the overall market size. We believe there is significant growth potential in Fixed Income ETFs, developed market equity ETFs and institutional trading. Institutional trading continued to gain mass in 2021 and is expected to grow further in 2022. We will continue to expand the number of products traded, the number of venues we trade on and the number of counterparties we are connected to in the US.

In Asia we continue to increase our participation in the markets where we are already active, and expand into new markets. At the same time, we remain focused on markets that are potentially opening up, such as China, by capitalizing on our experience and increasing our business development capacities. We have also been increasing our footprint and visibility in the region, supporting our institutional trading and reaffirming our role in the regional ETP ecosystem.

In general, we believe we can accelerate growth in all regions in the coming years, as the pace of electronification of trading intensifies across financial markets and we increasingly leverage on our technology and trading knowledge to progress the trading of other asset classes. In terms of the ongoing discussions on regulation, we continue to anticipate changes that further support a level playing field.

**Fixed income**

Electronic trading has increased dramatically over the last few years. For example, 45% of Euro-denominated investment-grade (IG) credit is now executed electronically, reaching 75% on a ticket-count basis. The COVID-19 pandemic has only further accelerated this trend with the buy-side favouring the use of RfQ platforms to an even greater extent. This increase has contributed to the approaching inflection point of electronification in credit markets, comparable to what we have witnessed in other markets, such as foreign exchange (FX), US equity options and exchange-traded funds (ETFs). This transition is being driven by better pre- and post-trade information, the rise of algorithmic trading and new trading protocols being embraced by the buy- and sell-side. Initially driven by regulation such as MiFID II, it is likely that the regulatory landscape will continue to accelerate this electronification trend.

By leveraging the infrastructure of Flow Traders' leading fixed income ETP trading footprint, a multi-year investment has enabled an expansion into single bond market making. Flow Traders is supporting and advancing electronification,



transparency and cost efficiency across the fixed income markets. We are now continuously quoting in excess of 9000 ISINs across USD and Euro corporate credit and emerging market sovereign bonds and providing pricing on all major platforms including Bloomberg, TradeWeb, Neptune and MarketAxess.

**Cryptocurrency / digital assets**

In recent years, cryptocurrency has emerged as an important asset class with increased institutional acceptance. This rise of digital assets has naturally been seen increased trading volumes. For example, the combined trading volume of bitcoin (BTC) and ether (ETH) futures surged to over \$32 trillion in 2021, according to The Block Research, which represents a 338% increase compared to 2020 trading volumes. In 2020, bitcoin and ether futures saw a combined trading volume of over \$7 trillion. The increased popularity of cryptocurrencies has also driven the development of institutional grade and regulated digital

asset market infrastructure namely in custody solutions, prime brokerage, data and analytics, AML-KYC and other risk solutions, digital property rights, digital identity solutions as well as DEFI ecosystems.

Crypto ETPs are another clear example of regulatory and investor acceptance of digital assets. They solve liquidity and custody issues many investors, both retail and institutional, face by having an exchange-listed instrument with registered market makers providing liquidity under all market circumstances.

Flow Traders’ crypto liquidity provision commenced 4 years ago and spans OTC spot as well as ETPs. Flow Traders is the number 1 liquidity provider in crypto ETPs in Europe with a circa 45% market share. The digital assets space is well suited to Flow Traders’ technology-enabled capabilities.

It is clear that digital assets are here to stay and Flow Traders has the strong conviction that they will drive significant change across the financial markets in the coming years not only from a trading perspective but also in terms of asset allocation by the buy-side.

**Strategic ecosystem approach**

During 2021, Flow Traders designed and implemented a strategic ecosystem approach to accelerate the execution of our strategy and as well as capturing more of the overall value chain. This is a natural evolution given Flow Traders position within the financial markets ecosystem and our core capabilities. The focus is on three key building themes across our three strategic focus areas of equities, fixed income and crypto. These themes are: platforms, data, and connectivity and are, in of themselves product agnostic.

This translated into several strategic investments / actions:

Company	Date	Description
MEMX	May 2020 & December 2021	New US fastest growing equities exchange founded in 2019
Shape Q	September 2021	Pan-European RfQ marketplace for physical energy, green energy and environmental commodities
Pyth Network	October 2021	Next generation high-speed data solution built on Solana blockchain
LedgerEdge	October 2021	Greater precision and improved execution in the corporate bond market
D2X	December 2021	Building the first institutional-grade and regulated options and futures exchange for digital assets in Europe





# Our performance

**Overall, 2021 saw a more normalized market environment compared to the extraordinary market circumstances experienced in 2020 with the onset of the COVID-19 pandemic. Notwithstanding this market environment, 2021 was a successful year for Flow Traders. We recorded Net Trading Income in 2021 of €384 million (2020: €933 million) and significant progress was made in terms of executing the strategic growth agenda with the expansion into single bond market making, broadening and deepening our digital assets footprint and completing several strategic investments.**

## Financial overview

### Net Trading Income

The market environment in 2021 was more normalized compared to the exceptional market circumstances seen in 2020 with the onset of the COVID-19 pandemic. Volatility in 2021 was on average lower than seen in 2020 as measured by the VIX index (19.88 vs 29.49). By way of contrast, the VIX reached a high of 85.47 in 2020 whereas the high in 2021 was 37.51. Given the ongoing impact of the pandemic, the global economy as well as the equity and bond markets continued to receive considerable support from governments and central banks. For example, the Federal Reserve System continued to purchase fixed income ETPs throughout the course of 2021.

Given this market backdrop and our leading global ETP trading footprint, Flow Traders total value traded in 2021 grew to €5.7 trillion (2020: €5.2 trillion), of which €1.54 trillion (2020: €1.52 trillion) was traded in ETPs (on-exchange and off-exchange). The rest was traded in related financial products to facilitate competitive pricing in ETPs as well trading in other asset classes, such as fixed income, FX and cryptocurrency. Meanwhile, ETP market value traded (on-exchange and off-exchange) also increased during the same period to €36.8 trillion (2020: €34.9 trillion).

The market environment experienced in 2021 along with Flow Traders' own pricing, hedging and risk management capabilities translated into Net Trading Income (NTI) of €384 million (2020: €933 million) – the second most successful year for Flow Traders. Europe, our home market,

contributed the most to our NTI which reflects that region's high level of flow visibility and counterparty and product coverage. There was also significant contributions from the US and APAC. During 2021, we were able to successfully leverage the recent investments made in the US and in fixed income and cryptocurrency.

In the fourth quarter of 2021, Flow Traders reported NTI of €80 million which reflected generally higher activity levels in the markets.

### Market volatility

In 2021 market volatility declined from the levels witnessed in 2020. The main volatility took place in during January, February and December with average VIX levels of 25, 24 and 22 respectively. For the remainder of 2021, markets were for the most part more normalized.

### Operational expenses

On the cost side, we maintained a firm discipline on costs with fixed operating expenses amounting to €122.2 million in 2021 (2020: €118.7 million), which is within the guided fixed cost growth rate of maximum 15 percent for 2021. 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 11 percent to 613. There were also €2.5 million of additional one-off expenses in 2021 (2020: €11.4 million) relating to the continued activation of the business continuity plan. Variable employee expenses decreased to €102.5 million (2020: €228.1 million) which reflects the lower overall financial performance of the business during the year.



Given these income and cost dynamics, Flow Traders continued to demonstrate strong operational leverage with an EBITDA margin of 41% in 2021 (2020: 63%) with EBITDA of €159.4 million (2020: €586.6 million).

### Capital base

During the year we continued to maintain a strong, stable capital base, comfortably exceeding both our regulatory and prime broker capital requirements. We paid out a €1.00 interim dividend in August 2021 and propose to pay €0.35 as a final dividend over 2021. Over the course of 2021 we therefore aim to return a total of €1.35 per share through dividends to our shareholders, which represents a 51 percent dividend pay-out ratio.

IFR/IFD came into force on 26 June 2021 and replaced CRR from a regulatory capital requirements perspective. As at 31 December 2021, our regulatory capital requirements under IFR/IFD were €243 million. As Flow Traders' total regulatory capital stood at €483 million, this resulted in an excess capital position of €240 million. Trading capital stood at €611 million at the end of 2021 the fourth quarter (€772 million as at 31 December 2020).

### Cash flows

Cash flows from operating activities reduced to €244.8 million in 2021 (2020: €271.3 million) reflecting lower net trading income and net profit generation than the previous year. Cash outflows from investing activities amounted to €13.8 million in 2021 (2020: €9.4 million) as additional

strategic investments were made in line with our dedicated strategic ecosystem alongside continued investment in the business. Lastly, cash outflows from financing activities in 2021 amounted to €234.6 million (2020: €258.9 million) as lower dividends were offset by increased share buybacks in connection with various employee incentive plans.

### Growth

We continued to grow our global team, trading strategies and infrastructure in 2021. We increased our institutional counterparty base globally to over 2,000 as well as being connected to over 180 trading venues. To facilitate this growth, we continued to grow the business during the year across all regions, resulting in an increase in the number of FTEs to 613 by year-end (2021: 554).

### Outlook

In order to accelerate the structural growth in the core ETP business as well in fixed income and digital assets, guidance remains for a maximum growth in fixed operating expenses of c. 15% for 2022. FTEs are expected to grow by c. 10% in 2022.

Substantial progress has been made in the detailed and thorough review of Flow Traders' capital structure as announced at the time of Q3 21 trading update and Flow Traders will remain focused on all arising opportunities to create shareholder value through systematic capital management going forward.





## Our ESG focus areas

### ■ Business integrity

Being able to act with honesty and being consistent in whatever it is you are doing based on the particular moral value or belief compass you have. For Flow Traders this implies conducting business within a framework of laws and regulations, high ethical standards, respecting human rights and own policies and procedures. See page 32

### ■ Liquidity in financial markets

Providing liquidity to global financial markets to promote fair, transparent and stable markets. Flow Traders ensures the provision of liquidity to support the uninterrupted functioning of financial markets. The provision of this liquidity allows investors to continue to buy or sell ETPs or other financial instruments under all market circumstances. See pages 32-33

### ■ Good corporate governance

Pursuing the highest standards of good corporate governance to make sure we take actions that have a beneficial effect on all our stakeholders. Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled and essentially involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community. See page 33

### ■ Diversity and inclusion

Pursuing a diverse and inclusive business. Diversity is defined as the range of human differences, including but not limited to race, ethnicity, gender, gender identity, sexual orientation, age, social class, physical ability or attributes, religious or ethical values system, national origin, and political beliefs. Inclusion is defined as involvement and empowerment, where the inherent worth and dignity of all people are recognized. For Flow Traders it implies being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. See page 33

### ■ Sustainable employment

Creating a context that contributes to sustainable employment, which refers to the extent to which workers are able and willing to remain working for Flow Traders. Flow Traders creates such a context by offering high-quality jobs, developing talent in-house, maintaining a substantial employee shareholder base, offering variable remuneration which allows employees to share in the success of Flow Traders and creating and maintaining high-quality jobs in the places where we conduct business. See pages 33-38

### ■ Fair taxation

Pursuing the principle that tax should follow the business. Consequently Flow Traders pays taxes where profits are earned in accordance with local tax legislation. We aim to comply with domestic and

international tax laws and also the standards set by the OECD Guidelines. Flow Traders is aware that its business, including our approach to tax, has an impact on society. See pages 38-39

### ■ Societal commitments and charities

Supporting charitable initiatives and engaging in community giving, not only financially but also by offering access to our knowledge and experience. A key part of this support will be through the Flow Traders Foundation which was established in 2020. See pages 39-40

### ■ Stakeholder engagement

Engaging with stakeholders that may be affected by decisions and giving stakeholders the opportunity to influence decision making processes through extensive stakeholder dialogue. See pages 40-41

### ■ Carbon emissions, material use and waste

Reducing the amount of carbon we emit through energy consumption and travel as well as reducing the amount of materials we use and waste at our offices which consists of stationary products and general household waste. Flow Traders does this e.g. by sourcing sustainably, video conferencing, buying green energy, limiting the amount of food wasted during lunches and separating waste. See pages 41-42



## Summary ESG approach

OBJECTIVES	HOW WE AIM TO CONTRIBUTE	GOVERNANCE	TRACKING PERFORMANCE
Flow Traders ESG ambition is to ensure to smooth functioning of markets which will assist in financing the transition towards a sustainable society	Flow Traders has a critical and important role to play in the global financial ecosystem and ensures that financial markets function in an orderly manner	Strategy and agenda set by the Management Board with regular monitoring by the Supervisory Board	<ul style="list-style-type: none"> <li>Expand trading footprint through connecting additional counterparties, venues and countries</li> <li>Uninterrupted provision of liquidity</li> <li>Promoting the trading of ESG products</li> </ul>

### ESG FOCUS AREAS

<b>Business integrity</b>	Acting with honesty and integrity	<ul style="list-style-type: none"> <li>Robust Compliance and Risk Management processes</li> <li>Code of Conduct</li> <li>Continuous training</li> </ul>	<ul style="list-style-type: none"> <li>Number of regulatory breaches</li> <li>Number of bribery and corruption incidents</li> <li>Number of risk management incidents</li> </ul>
<b>Liquidity in financial markets</b>	Providing liquidity to global financial markets to promote fair, transparent and stable markets	<ul style="list-style-type: none"> <li>Regular monitoring by Chief Trading Officer and the Heads of Trading as well as the Management Board</li> <li>Continuous investments in trading infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Value Traded</li> <li>Number of counterparties</li> <li>Number of venues</li> <li>Number of listings traded</li> </ul>
<b>Good corporate governance</b>	Pursuing the highest standards of good corporate governance	<ul style="list-style-type: none"> <li>Two-tier Board structure</li> <li>Broader organizational structure</li> <li>Internal rules and regulations, including our Articles of Association, Management Board By-Laws, Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and our Code of Conduct</li> <li>Overseen by Supervisory Board and Company Secretary</li> </ul>	<ul style="list-style-type: none"> <li>Number of Supervisory Board and Committee meetings</li> <li>Full and transparent reporting</li> </ul>
<b>Diversity and inclusion</b>	Pursuing a diverse and inclusive business	<ul style="list-style-type: none"> <li>Regular monitoring by HR, Management Board and Supervisory Board. Reference made to Equal Opportunity Policy</li> </ul>	<ul style="list-style-type: none"> <li>Number of nationalities</li> <li>Gender representation</li> </ul>



OBJECTIVES	HOW WE AIM TO CONTRIBUTE	GOVERNANCE	TRACKING PERFORMANCE
Flow Traders ESG ambition is to ensure to smooth functioning of markets which will assist in financing the transition towards a sustainable society	Flow Traders has a critical and important role to play in the global financial ecosystem and ensures that financial markets function in an orderly manner	Strategy and agenda set by the Management Board with regular monitoring by the Supervisory Board	<ul style="list-style-type: none"> <li>Expand trading footprint through connecting additional counterparties, venues and countries</li> <li>Uninterrupted provision of liquidity</li> <li>Promoting the trading of ESG products</li> </ul>

**ESG FOCUS AREAS**

<b>Sustainable employment</b>	Creating a context that contributes to sustainable employment	<ul style="list-style-type: none"> <li>Agenda set by the Management Board and implemented by senior management across the company</li> </ul>	<ul style="list-style-type: none"> <li>Absenteeism rate</li> <li>Training hours</li> <li>Employee share ownership</li> </ul>
<b>Fair taxation</b>	Pursuing the principle that tax should follow the business	<ul style="list-style-type: none"> <li>Monitored by Global Head of Tax to ensure best practice and adherence to relevant tax laws. Additional oversight from the Management Board and Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>Taxes paid by category</li> <li>Overall tax disclosure</li> </ul>
<b>Societal commitments and charities</b>	Supporting charitable initiatives	<ul style="list-style-type: none"> <li>Employee led with Management Board oversight</li> </ul>	<ul style="list-style-type: none"> <li>Total charitable contributions</li> <li>Employee participation in the Flow Traders Foundation</li> </ul>
<b>Stakeholder engagement</b>	Engaging with stakeholders that may be affected by our business	<ul style="list-style-type: none"> <li>Agenda set by the Management Board and monitored by the Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>Number of meetings with investors</li> <li>Engagement with issuers, exchanges, counterparties</li> <li>Participation in leading industry events</li> <li>Membership of industry associations</li> </ul>
<b>Carbon emissions, material use and waste</b>	Reducing the amount of carbon we emit and the amount of waste we generate	<ul style="list-style-type: none"> <li>Agenda set by the Management Board and monitored by the Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> footprint</li> <li>Remaining carbon neutral</li> </ul>





**OBJECTIVES**

Flow Traders ESG ambition is to ensure to smooth functioning of markets which will assist in financing the transition towards a sustainable society

**HOW WE AIM TO CONTRIBUTE**

Flow Traders has a critical and important role to play in the global financial ecosystem and ensures that financial markets function in an orderly manner

**GOVERNANCE**

Strategy and agenda set by the Management Board with regular monitoring by the Supervisory Board

**TRACKING PERFORMANCE**

- Expand trading footprint through connecting additional counterparties, venues and countries
- Uninterrupted provision of liquidity
- Promoting the trading of ESG products

**ESG FOCUS AREAS**

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

**SDG 4**



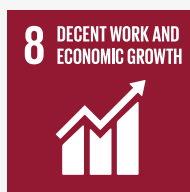
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**SDG 5**



Achieve gender equality and empower all women and girls

**SDG 8**



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



## Shared value

Flow Traders was founded more than 15 years ago, and in that time we have developed an innovative and entrepreneurial spirit that enables us to grow and explore new markets. We recognize that with this growth come responsibilities that go beyond our core business, and that our activities influence the society in which we live and operate.

At the same time, society has a very real impact on our business and operations. Both the Management Board and the Supervisory Board pay close attention to a wide variety of developments and trends that could pose either a risk or an opportunity and in 2021 the COVID-19 pandemic as well as Brexit implementation were such events. Another is the opportunity that comes with the shift to digitalization, which is helping make financial products and services more widely available to investors across society.

For us Environmental, Social, and Governance (ESG) is about creating shared value. To better help manage our impact and our need to create shared value, we have divided our ESG focus across nine main focus areas. We have also connected these 9 ESG focus areas with three corresponding United Nations Sustainable Development Goals (SDGs) that we believe are particularly relevant for Flow Traders.

Below we outline our priorities within each of these ESG focus areas, and explain our extended efforts to positively impact the world around us. At the end of this chapter we provide more information on our SDGs.

## Flow Traders ESG mission and ambition

The world is facing significant challenges in ensuring a sustainable future for our people and our planet. Many national and international initiatives are addressing these challenges. Every organization will have to play its own role in the transition to a sustainable society, depending on its impact and its opportunities.

The finance sector can be an important contributor to the global sustainability agenda and can promote sustainable finance, by incorporating environmental, social and governance (ESG) factors into investment decision-making, and by supporting the allocation of capital to sustainable initiatives.

Flow Traders has a critical and important role to play in the global financial ecosystem and ensures that financial markets function in an orderly manner. We serve the real economy by allowing investors, including pension funds and retail investors, to manage their risks by being able to trade at all times. Moreover, market makers such as ourselves, have made it much cheaper and more efficient to trade than in previous decades, which benefits everyone. In this key role Flow Traders has a responsibility to contribute to the financial stability and the sustainable agenda in the countries in which we operates (see Flow Traders' value creation model). As a key market participant, at the core of the financial ecosystem, Flow Traders will support the acceleration of the transition towards sustainable growth and finance, notably by providing liquidity in the ever growing suite of ESG ETFs.

Flow Traders ESG ambition is to ensure to smooth functioning of markets which will assist in financing the transition towards a sustainable society by:

- Investing in our trading capabilities to ensure that sustainable investment products can be traded easily and efficiently;
- Promoting the drive for fair and transparent markets, in continuous collaboration with the financial and investment community;
- Operating with high ethical standards at all times and compliance with laws and regulations and respecting human rights;
- Promoting sustainable tangible practices within our company and towards our communities, by respecting and developing our people and by supporting our ecosystem.

## EU Taxonomy

The EU Taxonomy is a classification system, which will be used to determine, and report on, which activities are sustainable, through the creation of activity specific sustainability criteria. As financial and non-financial actors must report on their performance in reference to the same criteria, the Taxonomy will create a common language for companies, investors and society alike. Corporate activities (known as economic activities under the Taxonomy regulation), will need to be aligned with the following three elements to be considered sustainable or "green" under the Taxonomy Regulation: a) Substantially contribute to at least one of the six environmental objectives per the Technical Screening Criteria (TSC) defined in the Regulation; b) Do no significant harm to any of the remaining five environmental objectives; and c) Comply with the minimum social



safeguards. The European Commission (EC) is defining TSC for the six environmental objectives at a sector and economic activity level. The TSC for Climate Change Adaptation (CCA) and Climate Change Mitigation (CCM) have already been defined in the EU Taxonomy Climate Delegated Act.

The EU Taxonomy Regulation was adopted by the European Parliament in June 2020 and is now binding throughout the EU. The EU Taxonomy currently applies to Flow Traders as Flow Traders falls under the scope of the Non Financial Reporting Directive (NFRD) and as an Investment Firm under IFR/IFD.

As part of the EU Taxonomy Regulation, the Group has prepared the mandatory overview of Total Assets broken down into EU Taxonomy KPI relevant asset classes.

Accordingly, we report a nil value for the Eligibility EU Taxonomy percentage for 2021. As a global liquidity provider, we have no direct access to the entities for which we hold ETP, equity, debt or other instruments on our balance sheet as at 31 December 2021. Moreover, 2021 annual accounts including Taxonomy information are not available. We have not provided disclosure regarding voluntary EU Eligible Taxonomy percentages as our balance sheet reflects a point-in-time position and our trading books reflect the extremely short holding periods in relation to the underlying assets. In our view, a voluntary eligible EU Taxonomy percentage will not provide readers of this report any insight to our contribution to Climate Change Mitigation and/or Climate Change Adaption.

## Stakeholder expectations and materiality analysis

As a first step towards the creation of our ESG strategy, we performed in late 2020, a materiality analysis to identify the ESG related issues that should be our main areas of focus. Based on internal and external developments we determined a shortlist of relevant topics. To determine the priority of the relevant topics we first launched a stakeholder consultation process to identify the ESG related issues that various stakeholders believe should be our main areas of focus, through a survey. Flow Traders has had the feedback from a wide selection of stakeholders, including shareholders, counterparties and issuers and employees. These stakeholders were selected because Flow Traders directly influences their interests. Flow Traders' stakeholders recognize that we play a role in ESG from numerous standpoints: Flow Traders as a participant in the financial markets ecosystem, Flow Traders as a business providing services and as a corporate actor. In each of these roles, Flow Traders has different responsibilities. An internal consultation was held with internal management to prioritize the issues with which Flow Traders can have the most economic, environmental and societal impact. The outcomes of the stakeholder and management prioritization is presented in the materiality matrix below which was validated by both the Management Board and Supervisory Board, helped us determine our ESG priorities. The x-axis represents the prioritization by internal management and the y-axis the prioritization by stakeholders. On the basis of the materiality matrix Flow Traders has identified 9 key issues, of which five are considered highly material.

(€ millions)	Total	Of which covered by the KPI (dealing on own account)	Climate change mitigation (CCM)	Climate change adaption (CCA)	TOTAL (CCM + CCA)
			Of which assets covered by the EU Taxonomy (%) (Taxonomy-eligible)	Of which assets covered by the EU Taxonomy (%) (Taxonomy-eligible)	Of which assets covered by the EU Taxonomy (%) (Taxonomy-eligible)
Total assets invested under investment firms' activities dealing on own account (as per Section A of Annex I of Directive 2014/65/EU)					
Of which: on own behalf	10,739	5,048	0%	0%	0%

<sup>1</sup> The exposure to non-NFRD counterparties amounts to €5,367 million.

<sup>2</sup> The exposure to central government, central bank and supranational issuers amounts to €315 million.

<sup>3</sup> The exposure to derivatives amounts to €9 million.



## Activities relating to ESG priorities

### 1. Business integrity

At Flow Traders, business integrity means conducting business within a framework of laws and regulations, to high ethical standards, and in accordance with our own policies and procedures. We also have a great respect for human rights in every jurisdiction where we operate. Moreover, Flow Traders operates in an industry where the risk of modern slavery and human trafficking is inherently low and in jurisdictions where labour standards are high. Nonetheless, we have applied to become a signatory to the United Nations Global Compact. Flow Traders' complies with these fundamental rights, conventions and recommendations,

notably social rights, freedom of association and equality, abolishment of forced and child labour. An example of our business integrity can be seen in the fact we have zero tolerance towards bribery and corruption and we actively ensure that no such behavior occurs. No cases of bribery or corruption were reported in 2021. Continuous training of staff as well as robust risk and compliance controls contribute to the business integrity of Flow Traders.

### 2. Liquidity in financial markets

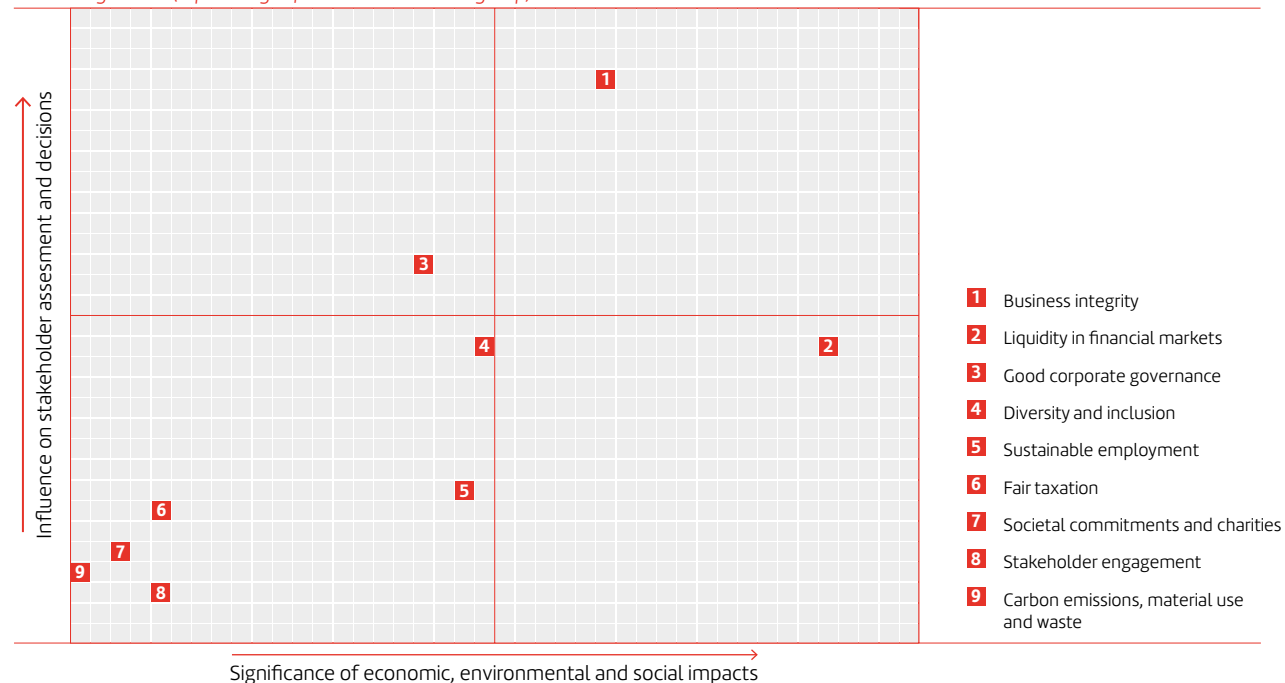
As a liquidity provider we are active on global financial markets and we contribute to transparency in the pricing process, enabling market participants to invest at fair prices and lower costs. We enable thousands of exchange-traded

products (ETPs) and other financial products to be traded across the world's markets, by continuously quoting bid and ask prices. As an innovative segment of global financial markets, ETPs have introduced efficiencies and cut investment costs substantially for a wide range of investors, from pension funds to retail investors. Increased liquidity, higher execution quality, and lower overall trading costs are just some of the benefits that liquidity providers, such as Flow Traders, offer through these innovative financial products compared to more traditional investment products. In 2020 we saw an increase in the amount of ESG ETFs and ETPs, including ESG products focused on clean/ alternative energy investments. As a leading liquidity provider in ETPs globally, Flow Traders naturally trades ESG-related products with its counterparties. For example, in 2021 we traded €26.9 billion off-exchange in more than 490 different ESG and SRI ETPs in Europe alone.

Our role is to enable trading in widely diversified investment products to anyone at any time, allowing end-investors to invest with lower costs and thus produce potentially higher returns. As a result of the efforts of liquidity providers such as ourselves, over the years trading costs have dropped dramatically and access to transparent and inexpensive investment products for anyone has never been more open or efficient. This benefits institutional investors, individual investors and, ultimately, society at large by creating a more open and accessible financial market.

This role was never more important than during the exceptional and extraordinary market circumstances evident in late March and early April 2020 when Flow Traders was able to continuously provide liquidity and pricing to the ETP markets on a global basis. End-investors, issuers and counterparties have been reassured by our continuous

Materiality matrix (equal weight for each stakeholder group)







presence when markets were under pressure which has enabled them to trade in all circumstances and when liquidity is most sought after.

We are not a bank, broker or investment manager and do not have our own Assets under Management (AuM). We also do not develop or make products, do not provide any services and do not have (consumer) clients. Our value chain comprises, among others, of our institutional counterparties, prime brokers and regulators.

### 3. **Good corporate governance**

We operate a two-tier governance structure, consisting of a Management Board and a Supervisory Board.

The Management Board is responsible for the day-to-day management of the company, formulating strategies and policies, and setting and achieving our objectives.

The Supervisory Board supervises and advises the Management Board. Each board is accountable to the General Meeting for the performance of its duties.

Our governance is reflected in our internal rules and regulations, including our Articles of Association, Management Board By-Laws, Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and our Code of Conduct. These, together with our policies, can be found on our website.

Flow Traders remains focused on long-term value creation, culture and risk management while balancing the interests of our many stakeholders, such as shareholders, senior management executives, counterparties, suppliers, investors, employees, regulators and the community. When making decisions, both boards carefully weigh the interest of all these stakeholders in relation to our company

objectives and ESG priorities. ESG strategy and agenda is determined and set by the Management Board with regular monitoring by the Supervisory Board. Please refer to the chapter 'Governance' for further information.

### 4. **Diversity and inclusion**

Flow Traders is a multinational company with offices across the globe. This naturally creates an environment where people of diverse cultures and backgrounds collaborate and drive our organization forward, excel every day, and perform at the highest level possible. We believe that a diverse workforce, which has open communication channels and the freedom to collaborate and introduce best practices, helps create a richer variety of ideas and can better develop solutions to the challenges we face.

We have a long-standing policy of recruiting and retaining the best talent available and aim to provide an inclusive working environment regardless of the gender, ethnicity, faith or sexual orientation of our employees. We are committed to providing equal employment opportunities to all qualified job applicants. As a result, we employ people from 53 nationalities across our offices. The composition of our workforce tracks the outflow of the education system in the various roles we offer. We strongly encourage women to apply for any function within the firm, particularly when they have a background in fields that traditionally have a higher proportion of male employees. This is supported by our Equal Opportunity Policy (please refer to the chapter Our governance for further information).

We are committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. This also holds for our Management Board and Supervisory Board and we were

delighted to welcome Linda Hovius and Ilonka Jankovich to the Supervisory Board in 2021. Accordingly, Flow Traders already meets the new Dutch legislative requirement that at least one-third of its Supervisory Board consists of women and one-third consists of men. For any further future Management Board and Supervisory Board appointments, due regard will of course be made towards our Equal Opportunities Policy.

We also believe in open communication and encourage collaboration across the company. Everyone within the company has unrestricted, direct access to senior management and are regularly informed and consulted about key developments. People are encouraged to speak their minds to help make Flow Traders a better place to work. Information travels freely and is not restricted unless we need to protect overriding interests, such as those concerning regulations, commercial sensitivities or to protect our intellectual property.

We are a sponsor of Women in ETFs and have co-organized inspirational women events for the Amsterdam Chapter of Women in ETFs.

### 5. **Sustainable employment**

Since the day we were founded, our goal has been to foster a culture that encourages innovation, entrepreneurialism and risk-awareness, while focusing on drive, teamwork and ownership. By developing talent in-house and maintaining a committed and substantial employee shareholder base, we have strengthened internal bonds and helped create a loyal, forward-looking team. We are proud that we create and maintain high-quality jobs, which result in a stable and trusting working environment that benefits our people,



“To experience the world of trading first hand, we invite a select group of students to our Business Courses in our Amsterdam and New York offices.”

our business, and society. This is reflected in a low absenteeism rate of 1.51% globally in 2021 (2020: 0.90%).

Our offices are all growing, and we look to hire as many qualified applicants as we can find. However, our selection standards remain high – our candidates need to go through a number of tests and interviews, with less than 1 percent of applicants for trading positions ultimately receiving a job offer. To find people with the unique skill sets needed for a global liquidity provider we recruit across the globe, advertising and searching across multiple platforms. We also visit campuses in India, Hong Kong, Australia, Singapore, the US, and across Europe, meeting talents in career fairs and workshops. This year, due to the pandemic and the resulting restraints, we have moved the bulk of our recruitment efforts online. We still recruit for all disciplines and look for the best caliber available, regardless of their gender, age, ethnicity, faith or sexual orientation. To take an unbiased decision, in our recruitment process for certain events, certain data, including names and gender, is blacked out.

Graduate traders are typically recruited straight from university. Although our traders have a varied educational background, they share a strong numerical aptitude, which is why a numerical test is an important part of the selection procedure. To experience the world of trading first hand, we invite a select group of students to our Business Courses in our Amsterdam and New York offices. The two-day event is packed with interesting and challenging trading exercises and simulations and includes quantitative and technical cases to mirror the evolving nature of the role. In a similar fashion, we host the Flow Traders Arbitrage Challenge case competition in Singapore and Hong Kong. We also host numerous informal events such as the annual poker

tournaments in Amsterdam, Australia and New York, chess tournaments in Amsterdam, and trading competitions in select universities in Canada, the US, Australia, Hong Kong and Singapore.

As a technology enabled firm, we facilitate opportunities for young talent in technology. In 2021 we continued to invest in the Graduate Software Development program, which will enhance the experience of new graduates joining the company in 2022. The program was designed for ambitious, skilled and creative graduates who like to be challenged every day and who strive to make visible contributions to the further growth of our business. Successful applicants join the company's development teams for one year to work on a variety of projects. One of the goals is to improve the proprietary technology platform that enables Flow Traders to trade on exchanges worldwide. The projects cover multiple areas of our technology landscape. After completing their project, participants present their results to a jury, led by senior members of the Technology department. Throughout the program, graduates receive continuous support from dedicated mentors, not only in the field of technology, but also in the area of personal development.

Graduate Software Developers are typically recruited straight from university, having Computer Science or Engineering-related educational backgrounds. All graduates share a strong interest in either C++ or Java, which is why a coding test is an important part of the selection procedure. To experience development at Flow Traders first hand, we invite an exclusive group of students to our technology event CODE@FLOW in our Amsterdam office. The two-day challenge gives participants an opportunity to engage in



high-tech discussions and technical cases with our specialists in software development and trading, followed by a competitive hackathon.

In 2021 we continued hosting, participating in, and sponsoring a variety of events, ranging from in-house days to a special event for women who are curious about a career in the trading industry to various meet ups. With the opening of our new London branch in 2018, we have structurally increased our presence at the relevant universities in the UK and held multiple recruitment campaigns.

All our offices are designed to provide a pleasant and ergonomically sound place to work. They are flooded with light, have attractive, well laid out interiors and ergonomically-optimized furniture. In addition, to give our people the opportunity to perform at their best, we offer healthy breakfast and lunch options, have our own bar in Amsterdam, Hong Kong, New York and Singapore, and organize great company trips and parties. In Amsterdam, we also have our own in-house gym facilities and an in-house barber in New York. We not only use our newly-designed bars for after work gatherings, but also for recruiting events and quarterly staff updates. We believe these benefits are important to maintain a healthy and happy workforce and to stimulate bonding and connections beyond employees' direct circle of colleagues, helping to encourage teamwork across the whole company. This year, as was the case in 2020, these workplace related benefits could not be enjoyed to the fullest as a large portion of our staff was working from home due to the COVID-19 pandemic. Therefore, we invested in people's home office environments by granting a budget for buying equipment and offering other support measures to staff.













We are a fast growing company, which creates good jobs across a variety of departments. In 2021 we welcomed 165 new hires (2020: 138), resulting in a 11 percent increase in the number of FTEs year-on-year. Our new colleagues join us from all parts of the world. To make sure they feel at home quickly we offer full relocation support for everyone moving to our offices from abroad. We help with finding a home, applying for a visa and getting to know the local culture. We also offer our international employees based in

Amsterdam the opportunity to attend Dutch language classes. This year specifically, we had to onboard a large part of our new hires online, as we were limiting presence in the offices by having the majority of our staff working from home for a prolonged period of time, to help reduce the spread of COVID-19.














### EMPLOYEES PER BUSINESS UNIT/NATIONALITIES ON 31 DECEMBER 2021

	 Dutch	 American	 Indian	 British	 Romanian	 German	 Russian	 Italian	 Chinese	 French	 Other	 TOTAL
Trading	58	36	8	15	1	10	1	6	7	7	37	186
Technology	38	23	32	12	20	7	20	10	5	4	70	241
Risk & Operations	19	9	4	4	0	1	0	0	1	2	13	53
Management Team	10	0	0	0	0	3	0	1	0	0	1	15
Supervisory Board	4	0	0	0	0	0	0	0	0	1	1	6
Legal & Compliance	14	7	1	6	0	0	0	1	0	1	5	35
HR & Facilities	19	9	2	2	4	0	0	0	1	0	7	44
Finance & Tax	8	2	0	1	1	0	0	0	0	0	3	15
Business Development	1	2	0	0	0	0	0	0	1	0	3	7
Audit	3	0	0	0	0	0	0	0	0	0	0	3
<b>TOTAL</b>	<b>174</b>	<b>88</b>	<b>47</b>	<b>40</b>	<b>26</b>	<b>21</b>	<b>21</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>140</b>	<b>605</b>

### NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2021

	 Amsterdam	 Cluj	 London	 Milan	 Paris	 Singapore	 Hong Kong	 New York	 TOTAL
Female	65	4	3	0	0	5	11	17	105
Male	340	8	5	1	1	13	49	83	500
<b>Total</b>	<b>405</b>	<b>12</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>60</b>	<b>100</b>	<b>605</b>



**AT A GLANCE**



**Culture**

Informal ‘work hard–play hard’ culture

- Casual dress code
- Highly skilled people
- Drive, teamwork, ownership
- Aiming to be the best
- Playing to win
- Enjoying life, organizing great events



**Office**

Stimulating collaboration and collegiality

- Open office spaces
- In-house bar
- Annual company trips



**Lifestyle**

Enabling a healthy lifestyle

- Free healthy breakfast and lunch
- In-house gym
- Sports programs and events
- Personal trainers
- Chair massage
- Free drinks and snacks
- Quarterly health checks
- In-house barber

We invest in our people. For example, we provide them with a range of excellent training programs, benefitting them and the company.

Our new hires in trading and technology start with an intensive introduction program, bringing them up to speed with our way of working and training them in the specific skills they need to do their job well. All junior traders – including those hired for our Asian and the US offices – begin their global training program at our offices in Amsterdam.

And all new employees receive an introduction to Flow Traders through the Flow Academy, including online and on-site training that provides programs in a wide variety of subjects, including culture, technology, regulatory developments, trading for non-traders, and the Whistleblower Policy, including anti-corruption. Through Flow Academy we offer everyone varied training opportunities, aimed at improving function-specific skills or

for their own personal development. In 2021, we further expanded the available offerings, with mainly online training session formats.

In total, employees undertook 13,413 training hours during the course of 2021 which comprised external training, mandatory training and onboarding (general and technology).

Many of our managers are ‘home-grown’, having developed into their positions after a number of years working with the company. They set an example and act as an inspiration for new hires, illustrating the career paths open to them. And to complement self-growth, we also like to give our employees the chance to transfer between our offices and experience life and work elsewhere.

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 Remuneration Policy that permits variable pay only when a profit is made. We are constantly looking for ways to improve our remuneration principles. 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. In addition, we promote employee shareholding through rewarding a significant part of variable remuneration in shares. This aligns the interests of the company and its shareholders with those of our employees by creating ‘skin in the game’.

### 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 (FCIP) and Flow Traders Loyalty Incentive Plan (FLIP) were introduced. The FCIP was replaced in 2020 by a new share plan which provides the award up to 50% of variable remuneration in shares (or share-like instruments).

On 31 December 2021, out of 605 active employees, 407 (31 December 2020, 429 out of 564) employees are active participants of various employee share plans.

In 2015 a group of employees bought shares in Flow Traders. These shares are subject to a six-year lock-up period. 25 percent of these shares have been released on 1 June 2018, 1 June 2019 and 1 June 2020. The last 25 percent of the shares was released on 1 June 2021.

#### SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

		% of outstanding total shares
<i>(31 December 2021)</i>		
Dennis Dijkstra (CEO)	1,075,000	2.31
Folkert Joling (CTrO)	414,817	0.89
Thomas Wolff (CTO)	31,000	0.07
Britta Achmann (CRO)	7,500	0.02
Mike Kuehnel (CFO)	-	-
<b>Total</b>	<b>1,528,317</b>	<b>3.28</b>

#### Shares held by members 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 2021 as also reflected in the relevant AFM register.

#### SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD

		% of outstanding total shares
<i>(31 December 2021)</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>

### 6. Fair taxation

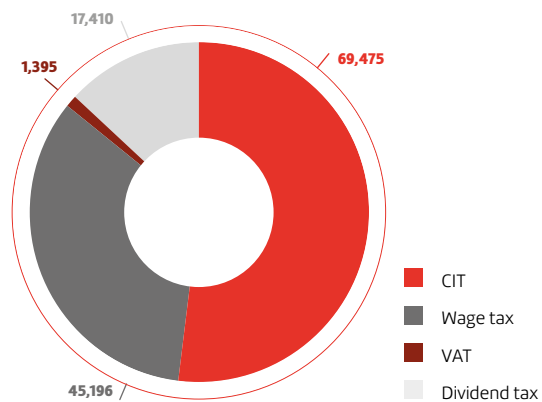
We are committed to being good corporate citizens, bringing positive value to the communities we operate in. We pay taxes where they are due and subscribe to fair taxation in terms of corporate income tax. We note that taxes are not limited to corporate income tax but also include VAT, wages tax, social securities, dividend withholding tax, stamp duties and other transaction taxes. In 2021 we incurred total corporate income taxes of €30 million (2020: €107 million) which was 21% of our taxable income. We believe it is vital to operate a fair, transparent and straightforward tax policy, which is required when running a sustainable business and delivering long-term value to all our stakeholders.

Flow Traders is prudent and transparent in respect of its financial reporting and its relations with tax authorities globally. With regard to financial reporting, conservative accounting principles are being applied and one-offs must occur infrequently and be clearly documented. In the current rapid changing tax landscape and the associated various (new) tax reporting requirements, Flow Traders as a technology enabled liquidity provider strives to automate tax filing processes as much as possible. Flow Traders is a strong believer that by automating tax processes it improves the compliance quality and the insight of the company’s tax position.

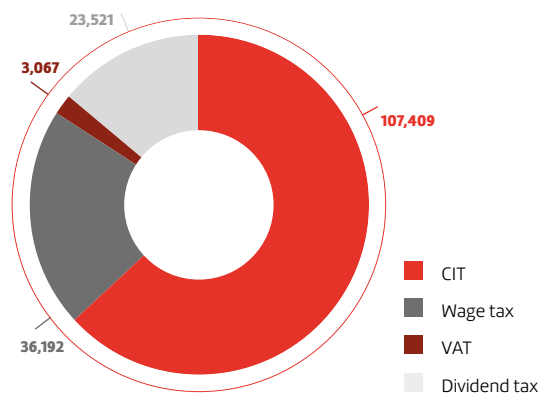
The dialogue we have with stakeholders includes discussions on our financial reporting and tax policy and, as with all stakeholder input, is considered during our decision-making process. However, so far we have not seen a desire among stakeholders for a change to our tax policy. We support transparency initiatives, such as country-by-country reporting and Base Erosion and Profit Shifting from the Organization for Economic Co-operation and Development



Total taxes due 2021 (€ 114.4 million)



Total taxes due 2020 (€ 170.2 million)



Note: Total taxes due shows the total amount of tax due as a result of the financial performance of the Group in the respective year

(OECD), and frequently assess the impact of such initiatives. We also closely monitor the reporting thresholds under the country-by-country reporting rules, to ensure that we meet our reporting obligations when we fall under the scope of this rule. Where necessary or relevant, we take the appropriate actions to adopt these initiatives in our tax control framework. Further details on our tax policy can be found under Tax Principles on our website. The tax principles also serve as KPIs throughout our performance measurement. The tax function within the company will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences.

We have good standing relationships with the tax authorities in each region in which we operate. We proactively manage our relationship with the tax authorities with the aim of minimizing the risk of challenge, dispute or damage that could have an impact on our credibility. We concluded a horizontal supervision agreement with the Dutch Tax Authority (horizontaal toezicht) with a view to further strengthening our transparent and professional relationship with the tax authorities. Tax laws, rules and interpretations are continuously subject to a changing social view towards tax and we cannot be certain of continued benefit from certain tax regimes, such as the innovation box regime in the Netherlands. Given the complexity of the continuously changing tax legislation, and the fact that this may create uncertainty for Flow Traders, we obtain independent external tax advice through reputable tax firms or, when appropriate, approval is obtained from tax authorities on specific material or complex tax matters.

The key participants in the Tax Control Framework are well established and include the Supervisory Board, Management Board, Finance department, Tax department, internal auditors and external auditors. They are able to assess and weigh the risks associated with the tax decision process for our business and stakeholders. Under Flow Traders Tax Control Framework, significant tax positions, including the tax strategy, are always shared with and subject to the approval of the Management Board.

Flow Traders pays taxes where profits are earned in accordance with local tax legislation. We do not use tax haven jurisdictions for tax avoidance purposes and carry out our business through entities in jurisdictions where we factually operate our business. With this simple tax philosophy in place, the company can operate its business in line with its belief that it is part of the corporate social responsibility duty to pay taxes where it operates. In addition to corporate income taxes, Flow Traders pays many other taxes, including but not limited to, payroll taxes and social security contributions on the wages of its employees, value added taxes and property taxes. All these taxes are a significant basis of funding governmental public services. It is our social responsibility to contribute through taxes in the regions we operate in. For more information on our tax position, please refer to note 11 of the financial statements.

### 7. Societal commitments and charities

At Flow Traders, we believe it is important for us to back initiatives that contribute to society. We've done so for many years – through the firm and through our colleagues' personal efforts. We support a number of charities, not only financially but also by offering access to our knowledge and experience. Our people are enthusiastic about supporting charitable initiatives, which has always been part of our



working culture. We do this by supporting Flow Traders employees in fundraising activities by giving time or access to our network.

Once again, instead of the usual holiday gifts, the Institutional Trading team in EMEA asked counterparties to select a shortlisted charity for a €50 donation to be made. Ultimately, 210 selections were made and donations were made to charities including The Ocean Cleanup, Free a girl, Flow Traders Foundation, the International Red Cross and Caritas.

To continue giving to our communities in a more structured manner, in 2020 we established the Flow Traders Foundation (the Foundation). In 2021 we continued to support several global charities and projects. Given the Flow Traders Foundation was established in 2020, we could build on the set structure in 2020 but of course we also improved as an organization.

The Board of the Foundation (Sjoerd Rietberg, former Co-CEO of Flow Traders) kept his role as first Chairman. Also the roles of Jan van Kuijk (treasurer) and Roger Hodenius (secretary) remained the same.

Flow Traders itself donated €10.0 million – mostly consisting of Flow Traders shares – to the Foundation in 2020. In the year 2021, these shares yielded €873.000 in the form of dividends for the benefit of the Foundation. The two founders as well as members of the Management Board, employees and former employees have committed to provide further funding, adding up to a total contribution of €3.25 million which will be received over a period of five years. In addition, the Foundation has received €500.000, in cash from Flow Traders N.V. and will receive an additional

allocation of €430,000 from the 2021 variable remuneration pool.

This funding allowed the Foundation to commence fulfilling its aim of promoting and funding health and well-being charities globally. At the Flow Traders Foundation, there will be a pursuit of making things better by tackling problems through supporting highly transparent and cost-effective causes that improve people’s lives. The strategy of the Foundation is based on the United Nations Sustainable Development Goal 1 – No Poverty. In 2021 the focus within this strategy was Education in the light of fighting Poverty. This resulted in annual donations to several projects which supported and stimulated Education for people in poverty. The charities and projects of the Flow Traders Foundation are divided in 3 different categories:

1. Ad-hoc
2. One - year (based on the annual theme, Education in 2021)
3. Long term (3 years)

Based on the categories and the annual theme of 2021 we supported 40 different charities/ projects across the globe. Next to this we continued our support for the long term projects from 2020 such as SINA, JINC and Tiny Miracles.

Some of the charitable organizations supported by the Foundation in 2021:

- Free a Girl
- Hack your Future
- War Child
- Flor Ayuda
- UNHCR
- IIMPACT
- Feeding America Bank

- Robin Hood Foundation
- Moustaqbel
- Jeugd Sportfonds Amsterdam

## 8. Stakeholder engagement

Flow Traders operates in one of the most regulated and competitive markets and in an innovative industry. In the era in which we find ourselves today, business, politics and society merge almost seamlessly together.

New opportunities, challenges and regulatory change are always on the horizon as the industry continues to innovate. To be able to take our corporate responsibility agenda to the next level, we engage with our stakeholders on a regular basis to understand whether we have a mutual vision on business developments and essential reforms in our regulatory environment. We consistently carry out materiality assessments to categorize topics that may affect our business operations and that could inform our strategy, targets and reporting.

### Commitment

We commit to continuously providing liquidity to secure global financial markets which are essential for real economic growth and create value for all people. We always enter the public debate with full transparency, substantiate our long-term vision with data-driven arguments and identify viable improvements for the financial markets. Our contributions to the regulatory and legislative dialogue are typically made public and we are always willing to discuss our position and the interests we take into account.

In 2021, one of the main issues we addressed in our engagement with regulators marked the capital requirement regime for investment firms. Aligned with this issue we campaigned along with industry peers an



alternative proposal on capital requirements related to digital assets. As a consequence the Basel Committee is now considering a new requirement. Besides the onerous changes in capital requirements and thresholds, the IFR/IFD implementation also impacted other internal policies which were discussed with the national competent authorities. These encounters and pending issues demonstrate that the review process of IFR/IFD starting in 2023, will be detrimental in creating a viable and competitive European regulatory framework that supports innovation and enables imminent developments regarding digital assets and decentralized finance.

Furthermore, 2021 was characterized by intensifying proactive work to position Flow Traders in the discussions regarding the MiFIR Review, assessing the impact of the Digital Resilience package (DORA), the new EU Markets in Crypto Assets (MiCA) rules and responding to the UK Wholesale Markets Review. The MiFIR review includes some important topics for proprietary trading firms like the consolidated tape and a ban on payment for order flow (PFOF). We have reconfirmed our position to robust market transparency and believe PFOF has a negative effect on efficient price discovery and harms investors in the long run.

### Collaboration

As part of our regulatory strategy and agenda, we collaborate with other market participants, governments, regulators, interest groups and trade associations to align on key issues impacting the industry we operate in. Flow Traders also through all its activities continuously strives for fair, transparent and efficient financial markets. One of the key pillars of this strategy is to establish open dialogue with our stakeholders, responding to their views and concerns to be able to balance competing expectations. We are always

keen to address pressing issues, demonstrates our positive impact to society and ultimately improve our business. As part of our collaborative strategy, we are participating in the board of the Dutch Association of Proprietary Traders (APT) and the Executive Committee of the European Proprietary Traders Association (FIA-EPTA). In both trade associations we have representation on several committees regarding market structure, prudential regulation, digital assets and DeFi, sustainable finance and ESG, diversity and well-being. Flow Traders is also a member of the International Capital Markets Association (ICMA), Holland Fintech and participates in several other professional networks.

Our Management Board engages with shareholders, prospective investors and other stakeholders throughout the year and had 205 engagement meetings in 2021 either one-on-one, in market intelligence meetings or at a (virtual) conference. Notably, the Supervisory Board also engaged with shareholders, proxy agencies and governance bodies regarding the remuneration policy for the Management Board, ESG and corporate governance developments. In addition, our employees contribute to our engagement efforts. Together, as a team, we serve society by improving financial markets, supporting innovation and inspiring people.

### 9. Carbon emissions, material use and waste

Flow Traders considers its overall direct impact on the environment to be low. Due to the nature of our business, Flow Traders has a relatively light carbon footprint in relation to its direct activities. We promote public transport by having conveniently located offices and by not offering lease cars as well as where possible using video-conferencing to limit travel.

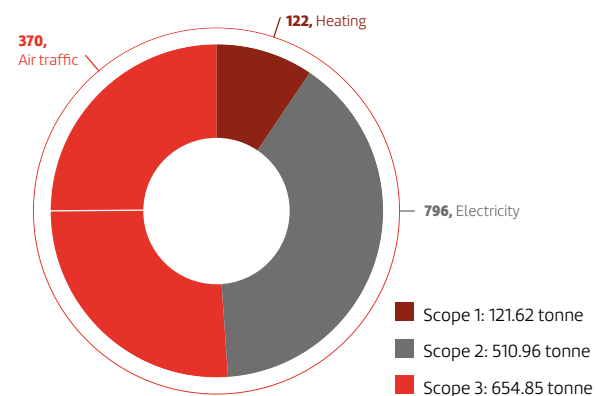
Nevertheless, conscious of the challenges linked to climate change, the need to reduce greenhouse gas emissions and to manage natural resources prudently and sparingly, Flow Traders has sought to integrate environmental issues into its activities and strategy. In this context, Flow Traders carried out an analysis for the first time of its carbon footprint in 2020 which serves as the baseline. Flow Traders will focus in the coming years on reducing its carbon footprint. In the meantime, during 2020 Flow Traders became a Carbon-Neutral company for our own operations, committing to zero emissions by offsetting our entire carbon footprint. By measuring, mitigating and offsetting our remaining carbon footprint, we aim to do our part in tackling global climate change, while supporting sustainable development in local communities.



Flow Traders reports its scope 1 & 2 emissions via the operational control approach. Scope 2 represents market-based emissions from electricity. For more information please refer to our Carbon footprint report, which can be requested from Investor Relations. Flow Traders' carbon footprint is equivalent to 1,287 tons CO<sub>2</sub>eq (2020: 960 tons CO<sub>2</sub>eq) that may be split as following:

- scope 1 = 122 tons CO<sub>2</sub>eq representing 9% of Flow Traders' global carbon footprint, which are direct emissions from buildings;
- scope 2 = 511 tons CO<sub>2</sub>eq representing 40% of Flow Traders' global carbon footprint, which comprise electricity consumption from buildings;
- scope 3 = 655 tons CO<sub>2</sub>eq representing 51% of Flow Traders' global carbon footprint, which currently calculated through business flights and the use of servers but exclude our strategic investments which have additional carbon footprints.

CO<sub>2</sub> emissions per scope (1,287 tonnes)



Flow Traders' primary GHG emissions arise from energy use in its offices and data centers, from staff travel, and indirectly from its supply chain (Scope 3). Flow Traders has a direct grasp only on Scope 1 and 2, which represent only 66% of the complete GHG emissions. For scope 3, we will need to initiate a dialogue with our entire value chain (upstream and downstream) to act on the bulk of these emissions.

In addition, for several years, Flow Traders has taken care to reduce its consumption of paper and water in its offices and data centers as well as reduce its waste to minimize its ecological footprint. We have stopped using single-use water bottles and provided employees with reusable water bottles. This has limited the plastic waste within the company significantly. When refurbishing our offices, we sought to use more environmentally friendly solutions for lighting and water consumption. We also offer a full lunch to all our employees, healthy and free of charge. We work to limit our food waste as much as possible by responsible purchasing of ingredients and making sure leftovers are consumed the next day.

## Our culture and values

We have always believed 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. We live by our values every day – they are at the core of what we do:

- We make investing cheaper, fairer and more efficient for end-investors
- We support markets with liquidity provision under all circumstances
- We promote fair, transparent and orderly markets
- We promote competition on a level playing field
- We comply with all rules and regulations
- We subscribe to fair taxation and transparent reporting
- We are open, informal and diverse
- We want colleagues to take ownership, be entrepreneurial and be team players
- We reward responsibility, performance and initiatives that benefit the firm as a whole
- We always give back to society and the communities we live in

These values are a reflection of the things we believe in. And they shape our culture. We believe that how you perform is more important than what you wear. So our employees dress comfortably for work – jeans, t-shirts and sneakers are common. We believe that what someone says is more important than who says it. We believe that the contributions of our team-members are crucial to the success of the company. We believe that two people know more than one, and that people can have great ideas even in areas different to their core expertise. Which is why we welcome and encourage everyone to share their opinions.





Anyone with a good idea, in their own area of expertise or another, is encouraged to share. This is part of the open, informal and diverse culture that makes us who we truly are.

### ***Nurturing our culture***

Maintaining, preserving and nurturing our culture is extremely important to everyone across the organization. This is done by the Management Board through the organization of firm-wide events and company outings as well regular all-staff updates. Colleagues themselves also reinforce the strength of our culture by organizing their own events, competitions and charitable endeavors.

### ***Outstanding behavior in 2021***

There have been many individual examples of outstanding behavior which has reinforced Flow Traders' strong culture. An example which is worth highlighting – various colleagues continue to give up their valuable spare time to assist with the ongoing operation of the Flow Traders Foundation.





## Sustainable Development Goals

The United Nations (UN) has identified 17 SDGs that are designed to help bring peace and prosperity for people and the planet as we work collectively towards the 2030 Agenda for Sustainable Development. In 2020 we performed a materiality analysis to identify our ESG priorities. Based on these ESG priorities we analyzed the SDGs on subtarget level, to identify the three SDGs we (can) have an impact on. In 2022 we will be developing our ESG strategy to steer towards more positive impact on these SDGs.



**SDG 4**  
**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

Within SDG 4, there is one target that we are focused on:

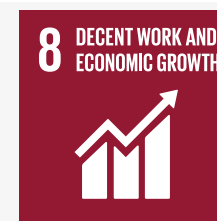
- Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



**SDG 5**  
**Achieve gender equality and empower all women and girls**

Within SDG 5, there are two targets that we are focused on:

- End all forms of discrimination against all women and girls everywhere.
- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.



**SDG 8**  
**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

Within SDG 8, there are five targets that we are focused on:

- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.
- Promote decent job creation, entrepreneurship, creativity and innovations.
- Contribute to decent work for everyone, including young people and persons with disabilities, and equal pay for work of equal value.
- Promote a safe and secure working environment for everyone.
- Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



## Outlook

Our aim is to continue to look for ways to strengthen our ESG focus and associated disclosure. With this in mind, we will seek to develop a full ESG and sustainability strategy. This will include alignment with GRI as well as setting targets and associated KPIs. We will also develop and adopt specific policies, including human rights policy, environmental policy and supply chain policy. Given the EU Taxonomy is relatively new and contains some significant uncertainties around specific implementation, Flow Traders will continue to assess the eligibility and the extent of the Taxonomy alignment during the course of 2022. Accordingly, this may impact the way in which Flow Traders addresses EU Taxonomy reporting in 2022.

## Going concern

Flow Traders, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the 2021 financial statements. In reaching these conclusions, the Group's financial position as at 31 December 2021 and the strong free cash flow of the Group, the Group's ability to access capital markets and the principal risks facing the Group are taken into consideration.

A commentary on the Group's cash flows, financial position and liquidity for the year ended 31 December 2021 is set out on pages 82 to 122. The Group's capital position is strong and therefore the Management Board believes that Flow Traders is well prepared for the future.

## Capital metrics

Own Funds Requirement

**€243**  
million

2020: €218 million

Excess Capital

**€240**  
million

2020: €221 million

Own Funds Ratio

**199%**

2020: 202%

## Capital management

The Management Board's policy is to maintain a strong capital base well above the required margins in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Management Board monitors the return on capital as well as the level of dividends to shareholders while complying with prime broker and regulatory capital requirements.

The available capital in the trading companies is monitored on a daily basis to ensure that requirements are met at all times and sufficient capital is available to support the Group's strategy.

### Capital requirements

The Group needs to comply with capital requirements from its prime brokers, as well as regulatory capital requirements. Capital is being managed by the Group in order to maintain net liquidity (which represents the value of our trading positions, principally long and short positions in equity securities, plus cash and cash equivalents) in excess of our various capital requirements at all times, while simultaneously exceed the regulatory capital requirements.

### Prime broker capital requirements

The prime brokers require the Group to maintain certain minimum capital levels. Prime brokers use various internal systems to calculate required capital amounts (e.g., the 'internal haircut model' and the 'margin based approach model', both intending to ensure sufficient levels of risk allowances) and have different limits structure, pre-funding possibilities and cut-off times for wiring capital.



The aggregate capital that the prime brokers require is significantly higher than their risk exposure. For example, we may clear two legs of one transaction through two different prime brokers. Even when the transaction is fully hedged (the risk is fully offset), each prime broker will still require capital for such position as if the risk is not being offset. The prime brokers cannot establish that the other prime broker has an offsetting position so they will charge a full capital requirement. This increases the capital they require us to maintain beyond what would be necessary. In addition, margin requirements of prime brokers are conservatively determined by the sophistication of their models and the regulatory requirements, which might not necessarily be efficient in respect of our business model and trading portfolios.

The following table sets out the capital required to be posted with our prime brokers and capital available (Net Liquidation value):

	At 31 December	
	2021	2020
Net liquidity at clearings/ prime brokers	605,642	763,240
Cash at bank	4,949	8,345
<b>Net trading capital</b>	<b>610,591</b>	<b>771,586</b>

## Regulatory capital requirements

The company and our subsidiary Flow Traders B.V. are subject to separate regulatory capital requirements in the Netherlands and our subsidiary Flow Traders U.S. LLC is subject to regulatory capital requirements in the United States. Flow Traders Asia Pte. Ltd. is exempt from regulatory

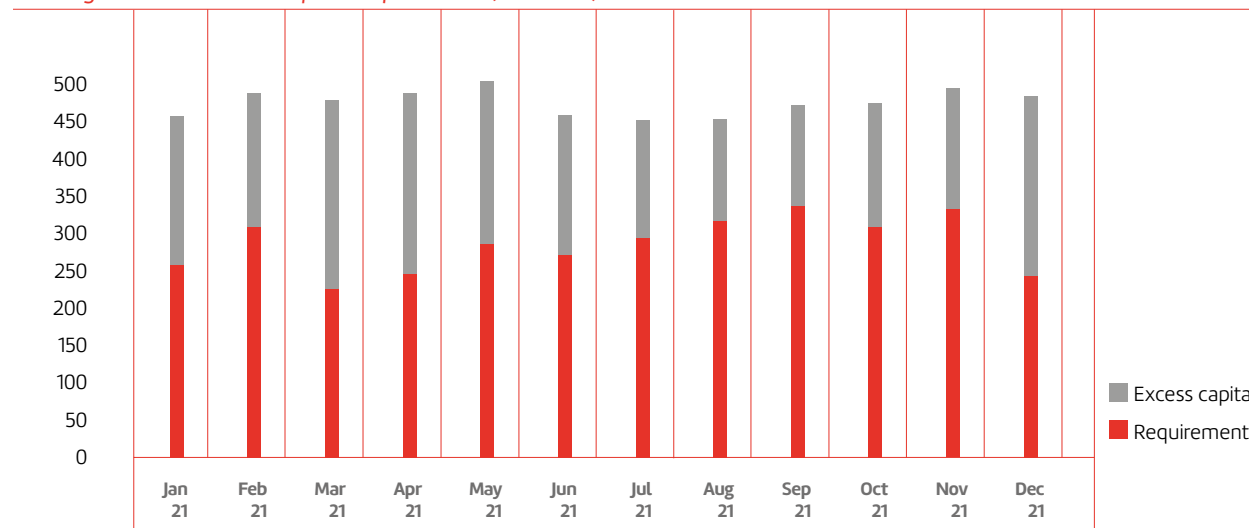
capital requirements and Flow Traders Hong Kong Limited has a capital requirement in Hong Kong. Failure to comply with regulatory capital requirements could result in sanctions, including citations, fines, limits to our trading and revocation of a regulatory license.

From 31 March 2018 until 25 June 2021, the company met the regulatory requirements of the EU Capital Requirement Regulation (CRR), which prescribes capital and reporting requirements. These regulatory capital requirements are supervised by the Dutch Central Bank in respect of Flow Traders B.V. and the company. As of 26 June 2021, the EU's new Investment Firm Regulation and Directive (IFR/IFD) has applied to Flow Traders and is implemented and supervised by the Dutch Central Bank.

All available capital is CET1, the quality highest capital, reflecting equity and retained earnings. In addition, as set out in the chapter Remuneration, part of our variable remuneration is fully discretionary and deferred over multiple instalments. If the company faces operational losses these variable compensation elements are reduced or forfeited entirely to cover for such loss. Although this is an important additional capital buffer, this is not reflected in the regulatory capital calculations above.

Our Pillar III disclosures pursuant to CRR and IFR/IFD can be requested through our website [www.flowtraders.com](http://www.flowtraders.com) around the time the Financial Statements of our Dutch trading entity, Flow Traders B.V., have been approved and published, which is expected to be within the next months.

Monthly CRR and IFR / IFD Capital Requirements (€ millions)





## Management and control

Our global capital position is managed on a daily and intra-day level by the Risk and Mid-Office department. The Risk and Mid-Office department checks our positions and capital posted at every prime broker for correctness and compares these numbers with the relevant prime broker or regulatory requirements. Separately, the Finance department prepares a rolling 15-month forecast for our capital positions, every month.

As part of our regulatory capital management cycle, the Risk and Mid-Office departments prepare a daily report that shows all the group's positions and capital versus the regulatory capital requirements. At the end of every quarter the company and Flow Traders B.V. report their capital requirements and corresponding coverage to the Dutch Central Bank.

A final part of the internal risk management and capital cycle is the annual Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP). The ICLAAP comprises a review of prevalent risks, the capital management processes, the risk management framework and an assessment of capital adequacy and liquidity and is reported to the Dutch Central Bank annually. The Dutch Central Bank assesses the capital adequacy based on this report.





# Our risk management

**Flow Traders’ Risk Management Framework (RMF) forms the foundation of our approach to managing risks. The RMF is documented in Flow Traders’ Risk Management Policy and is reviewed annually by our Management Board.**

Where possible, we identify, assess, monitor, quantify and document potential risks which are inherent to trading in an automated environment. In the very dynamic environment of automated trading we designed our RMF in such a way that it is robust, efficient and transparent. In the figure below we summarize our stakeholders to which we are obliged to deliver such a framework.

The RMF helps us to ensure sufficient internal control and (internal) capital through a consistent, continuous and careful method for addressing, managing and prioritizing our key risks in the context of our enterprise-wide strategic objectives.

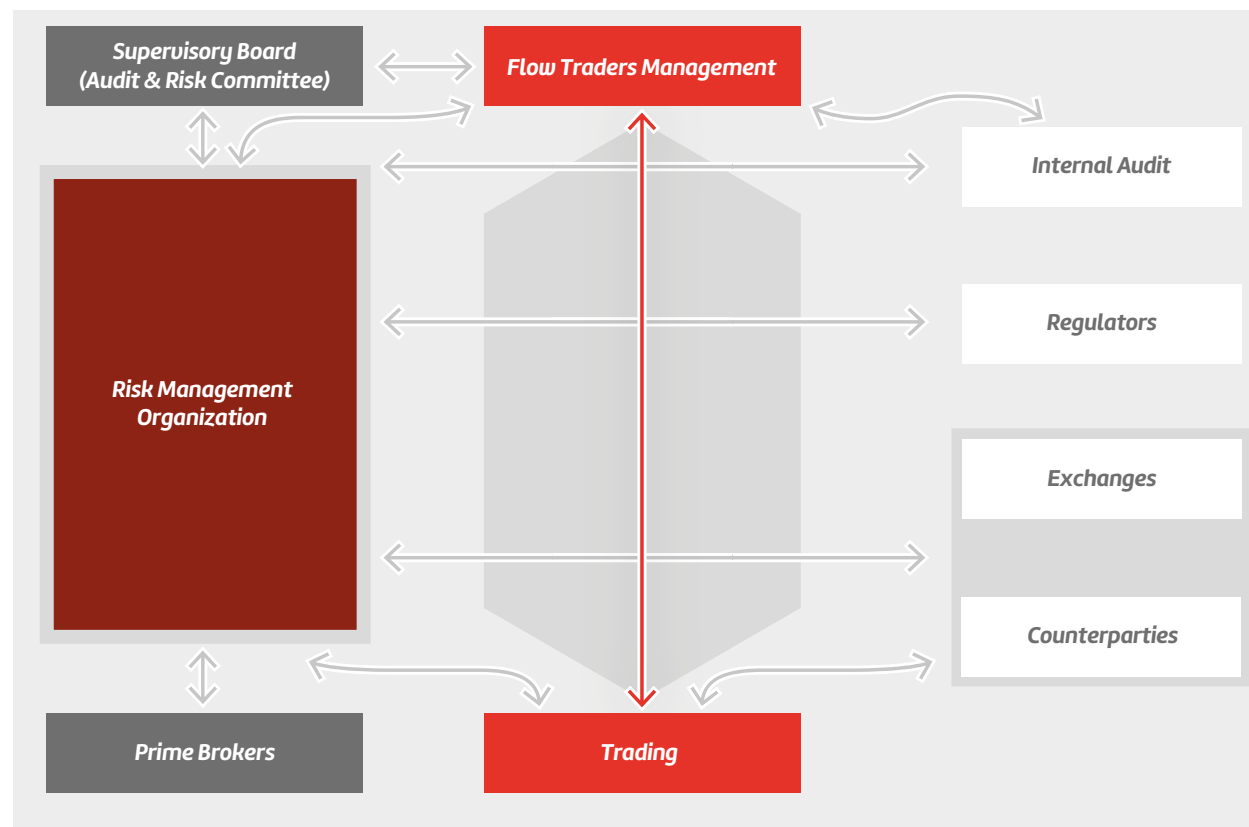


Figure 1.



## Enterprise Risk Management

We aim for a good balance between our business activities, return on capital and related risks. Flow Traders' Risk Management adopts its Enterprise Risk Management (ERM) approach to ensure that our risk appetite and profile are integrated in our day-to-day operations and strategic, tactical and operational objective setting and decision making.

Every year, our Management Board derives its business targets after determining its strategic goals. Based on these targets and objectives, the Management Board formulates its risk appetite. The targets, objectives and risk appetite give direction to the various departments within the company and are used to derive our strategic risks.

We implement our Risk Management cycle to ensure that the residual risk profile is (and remains) in line with the set risk appetite. In order to achieve this, we perform risk control self-assessments (RCSA) to assess current risks and identify risks that have newly arisen. Following the RCSAs, the Management Board decides on the appropriate risk response.

### Risk categories

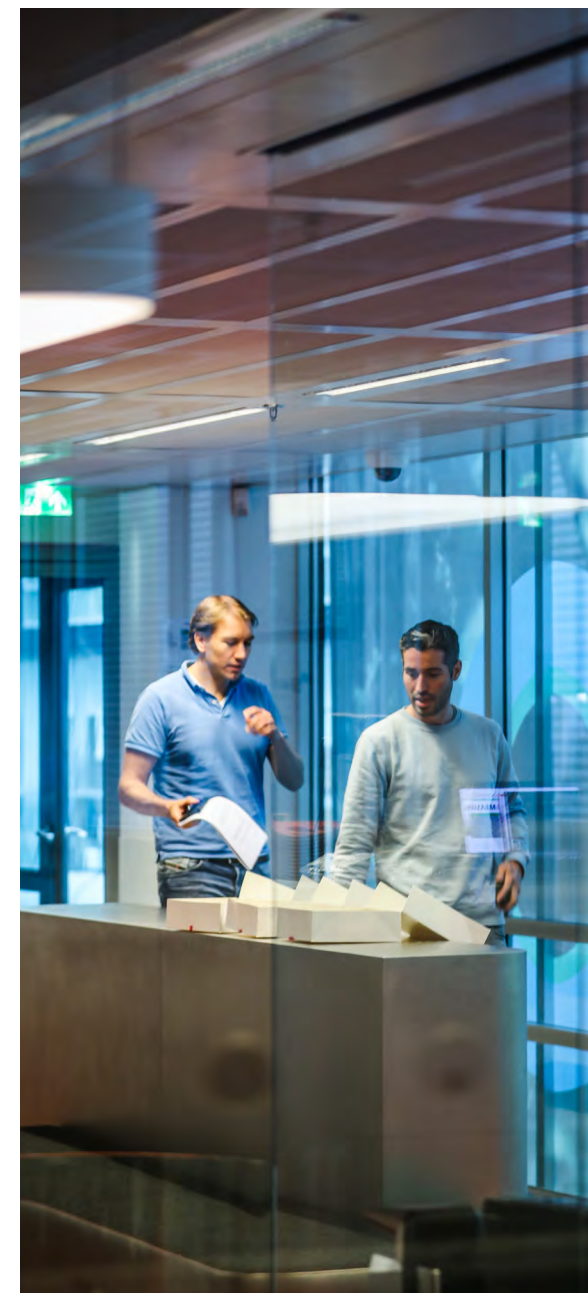
We identify three general risk categories – Strategic risks, Operational risks and Financial risks – each with their own specific risks areas:

Risk category	Context
<b>BUSINESS AND STRATEGIC RISKS</b>	
<b>Strategic risk</b>	Risk that may arise from the pursuit of Flow Traders's business plan, from strategic changes in the business environment, and/or from adverse strategic business decisions. Market activity risk is part of this risk as our NTI and profitability are primarily a function of the level of trading activity, or trading volumes, in the financial instruments in which we trade.
<b>Concentration risk</b>	Probability of loss arising from heavily lopsided exposure to a particular group of counterparties or products. Concentration risk also includes supplier dependency risks.
<b>Project risk</b>	The risk of inaccurate project management leading to inadequate realization of project objectives.
<b>COMPLIANCE AND ETHICS RISKS</b>	
<b>External fraud</b>	Acts intended to defraud, misappropriate assets, deceive or circumvent regulations or the law, attempted or perpetrated against the entity by a party without a direct relationship to the entity, without the involvement of an employee or affiliate of the entity.
<b>Internal fraud</b>	Acts intended to defraud, misappropriate assets, deceive or circumvent regulations, the law or company policies, attempted or perpetrated against the entity by an internal party, including instances where an employee or affiliate is acting in collusion with external parties.
<b>Conduct</b>	Failure to act in accordance with internal and external stakeholders' and society's best interests, fair market practices, and codes of conduct.
<b>Financial crime</b>	The risk of money laundering, sanctions violations, bribery and corruption, and Know Your Customer (KYC) failure.
<b>Regulatory compliance risk</b>	Failure to comply with any legal or regulatory obligations that are not captured through other risks.
<b>Reputation risk</b>	The reputation risk is the risk of loss resulting from negative exposure to stakeholders.
<b>FINANCIAL RISKS</b>	
<b>Capital and Liquidity risk</b>	The risk the entity is not able to cover the cumulative net cash outflow or available capital (e.g. needed trading capital or regulatory capital) over a certain period.
<b>Market risk</b>	Market risk is the risk to an institution resulting from movements in market prices; in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices. ESG risks are also having an increasing impact here.
<b>Credit risk</b>	Credit risk is the risk of a counterparty and/or issuing institution involved in trading in or issuing a financial instrument defaulting on an obligation. ESG risks are also having an increasing impact here.



**OPERATIONAL RISKS**

<b>Business continuity risk</b>	The risk of failure to provide and maintain appropriate business continuity management (BCM), including inadequate business continuity plans.
<b>Trading execution risk</b>	The risk of losses due to errors in the execution.
<b>People risk</b>	The risk that the entity is not able to develop, retain and attract the necessary skills/talents and diverse workforce to realize strategic objectives.
<b>Model risk</b>	The risk of incorrect model design, improper implementation of a correct model, or inappropriate application of a correct model.
<b>Legal risk</b>	The risk that applicability, enforceability and interpretation of contracts, laws and regulations and uncertainty about the outcome of legal actions against or initiated by the entity.
<b>Reporting risk</b>	The risk of not being able to report adequately to stakeholders (e.g. annual financial report, regulatory reporting).
<b>Tax risk</b>	The risk of unexpected tax charges, including interest and penalties including tax related events resulting in for example a damaged reputation with the tax authorities, investors, employees and the public at large.
<b>Third party risk</b>	The risk of failing to manage third party relationships and risks appropriately.
<b>Trade settlement risk</b>	The risk of ineffective trading leading to financial performance variability and non-compliance with internal and external regulation.
<b>Physical security</b>	The risk of damage to the organisation's physical assets or harming of employees at the workplace.
<b>TECHNOLOGY RISKS</b>	
<b>Technology strategy risk</b>	The risk that the IT strategy is not described, unclear or incomplete and thereby not sufficient contributes to IT and business objectives. This includes the risk of the strategy not being properly executed.
<b>Technology system risk</b>	Risk of loss of information caused by failure, loss of confidentiality, integrity and/or availability of information and/or systems.
<b>Data management risk</b>	The risk of failing to appropriately manage and maintain data, including all types of data, for example, client data, employee data, and the organisation's proprietary data.
<b>Project risk</b>	The risk of inaccurate project management leading to inadequate realization of project objectives.





	Category Definition	Risk Appetite
<b>Business and strategic risk</b>	Risk that may arise from the pursuit of Flow Trader’s business plan, from strategic changes in the business environment, and/or from adverse strategic business decisions.	Flow Traders is prepared to take risk in a responsible way which: (i) takes our stakeholders’ interests into account and (ii) is consistent with our business objectives.
<b>Compliance and ethics risk</b>	Compliance risk lies in Flow Traders’s potential exposure to legal fines, financial penalties and substantial loss, resulting from its failure to act according to industry laws and regulations, internal policies or industry best practices. Ethics risk refers to dealing with the negative consequence of acting unethically.	Considering the advance notice regulated firms get from their regulators about new regulations, Flow Traders has a low risk appetite to this risk since our Compliance department keeps abreast on an ongoing basis with the latest regulations and ensure we are compliant on Day One. We hold ourselves, as well as our employees, responsible for acting with honesty, integrity and respect, including complying with our Code of Conduct, applicable laws and regulations everywhere we do business.
<b>Financial risk</b>	Risk relating to positions in our Trading Book, including risks primarily related to Market Risk, Liquidity Risk and Credit Risk.	The firm manages Financial risk carefully by applying a strict set of criteria in its dealings with counterparties, issuers and other relevant financial institutions. In addition we manage our financial positions through sound risk management principles.
<b>Operational risk</b>	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.	Flow Traders is inevitably exposed to Operational Risk, as a result of conducting its business operations at operational, tactical and strategic levels. The firm does not aim to completely eliminate this risk as this would significantly impair its ability to achieve its business objectives.
<b>Technology risk</b>	Risk to technology or data or applications that negatively impact Flow Traders’ operations.	About 40% of our employees work in our Technology Department. Technology is the backbone of Flow Traders and lies in one of its main competitive advantages. As a result, our risk appetite is moderate due to the complexity and intricacies of the trading venues we trade at. But we do spend a lot of time and effort to mitigate this risk to a minimum.



### Risk Management Governance

The effectiveness of risk management is unavoidably linked to commitment and integrity. It is therefore crucial that the Management Board, the global and local department heads, and all Flow Traders employees are aware of the company's risk exposure and their own responsibilities in managing it efficiently.

Our risk management is embedded in the organization in line with the three lines model.

The first line of defense is formed by Trading, Technology and Operations. These departments are critical for the core processes within Flow Traders and are responsible for incorporating preventive and detective controls in the day to day trading and IT processes and for the continuous monitoring of Flow Traders' systems and trading controls.

The second line of defense is responsible for oversight and monitoring of risks, rules and requirements. Risk Management, Compliance and Finance manage risks through a combination of preventive and detective controls. Together they are responsible for the continuous risk management of Flow Traders.

The third line of defense is formed by Flow Traders' Internal Audit Function (IAF). They provide independent and objective assurance and advice on the adequacy and effectiveness of governance, risk management and control systems. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the governing body to promote and facilitate continuous improvement. The IAF carries out its audit work in accordance with the approved and implemented Group Internal Audit Charter.

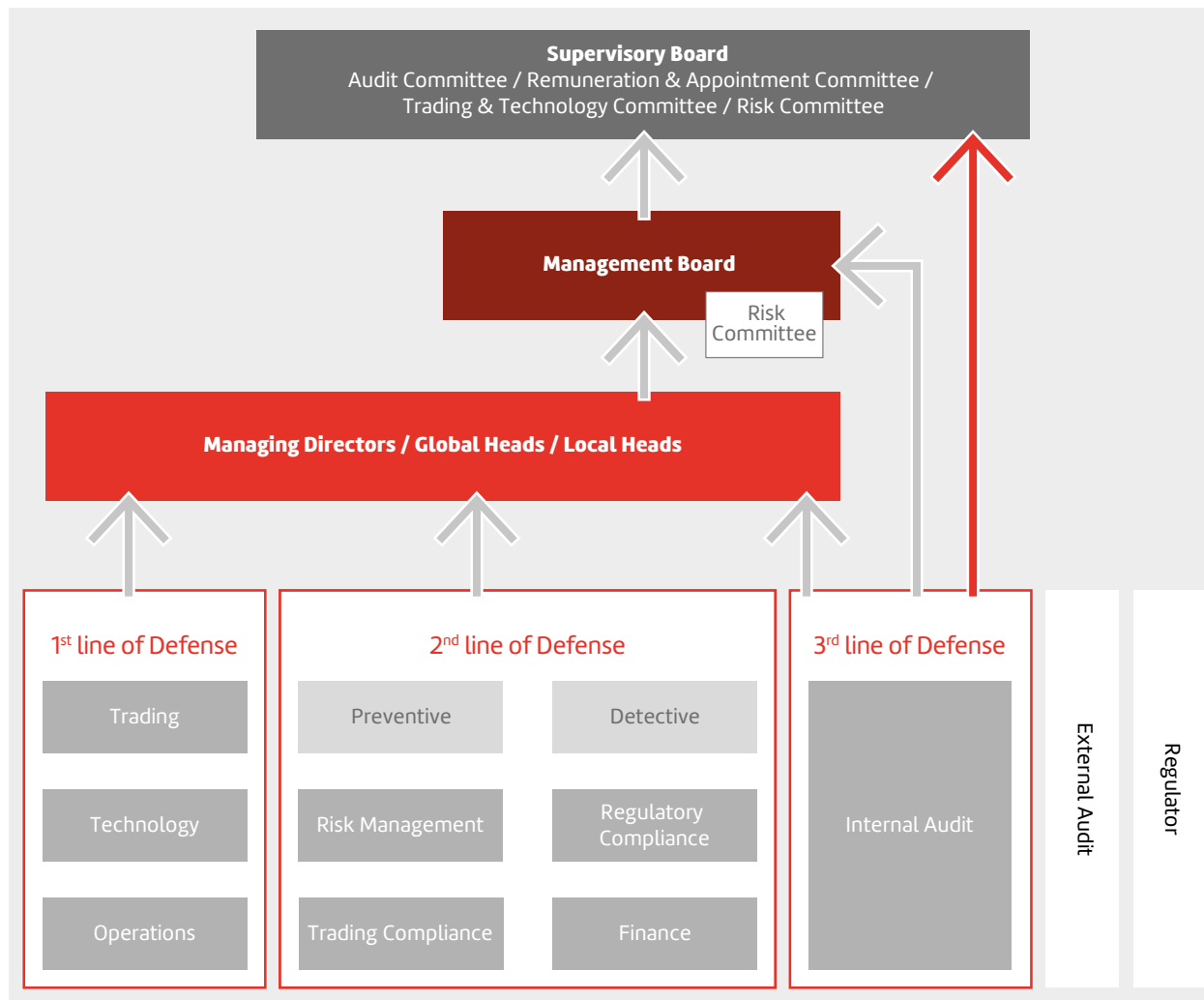


Figure 2. Flow Traders' defence model.





### Enterprise Risk Management roles and responsibilities

The role of the Risk Committee of the Supervisory Board is to:

- Supervise the Management Board with respect to:
  - Identifying and analyzing the risks associated with the strategy and activities of the company and its affiliated enterprise;
  - Establishing the risk appetite, and putting in place the measures in order to counter the risks being taken;
  - Designing, implementing and maintaining adequate internal risk management and control systems;



- Monitoring the operation of the internal risk management and control systems and carrying out a systematic assessment of their design and effectiveness at least once a year. Where necessary, improvements should be made to internal risk management and control systems;
- Accounting for the effectiveness of the design and the operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 of the Dutch Corporate Governance Code together with the Audit Committee.
- Advise, and where applicable supervise, the Management Board with respect to:
  - the company's overall risk appetite, tolerance and strategy;
  - the current risk exposures and future risk strategy;
  - the intended appointment and/or removal of the Chief Risk Officer.
- Review, in relation to the company's internal risk management and control systems:
  - the company's overall risk assessment processes that inform the Management Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - on an annual basis, the parameters used for these processes and the methodology adopted;
  - the accurate and timely monitoring of certain risk types of high importance;
  - the company's capability to identify and manage new risk types;
  - reports on any material breaches of risk limits and the adequacy of proposed action.
- Monitor the manner in which the company's risk management function is provided with adequate

- resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Risk Committee shall also keep under review that the function has the adequate independence and is free from management and other restrictions;
- Prepare reports, recommendations and deliberations on its findings regarding the company's internal risk management for purposes of the meetings of the Supervisory Board or the Audit Committee;
  - Review, and where applicable monitor, the Management Board's responsiveness to the reports, findings and recommendations of the Chief Risk Officer.

The role of the Audit Committee of the Supervisory Board is to:

- Supervise the Management Board with respect to discussing the effectiveness of the design and operation of the internal risk management and control systems.

The Management Board is responsible for:

- Setting companywide objectives;
- Setting boundaries for risk taking by communicating our risk appetite;
- Successfully promoting, sponsoring and coordinating the development of a risk management culture throughout the company;
- Guiding the inclusion of risk management practices in all strategic and operational decision making;
- Maintaining and monitoring the effectiveness of the framework to manage, monitor and report risk;
- Identifying and evaluating the significant risks related to Flow Traders' strategy;



- Discussing current risk developments with the standing risk committee of the Management Board. The Management Board invites stakeholders within the firm to report on new and existing risk exposures;
- Reporting on the outcomes of the risk management activities to the Risk Committee of the Supervisory Board.

Flow Traders’ Managing Directors are responsible for:

- Setting local department targets and objectives in line with companywide objectives together with the Global Heads;
- Supporting the company in the identification, handling, monitoring of risks related to its objectives;
- Identifying and evaluating the significant risks related to our objectives and operations;
- Managing the risk self-assessment cycle (non-trading Managing Directors);
- Monitoring of risks related to our objectives;
- Providing advice and follow-up on risk mitigating measures;
- Reporting on risks and risk management towards the Management Board.

Flow Traders’ Global/Local Heads are responsible for:

- Setting global/local department targets and objectives in line with companywide objectives;
- Performing annual risk self-assessments to identify assess and document existing and new risks and their impact on proposed plans;
- The adoption of risk management practices;
- Awareness and training on risk management;
- The results of risk management activities, relevant to their area of responsibility;

- Reporting on risks and risk management towards the Risk Department, the local Managing Directors and/or (Global) Head.

Flow Traders’ Risk Department is responsible for:

- Monitoring, improving and controlling the ERM;
- Triggering risk self-assessments for all departments;
- Gathering the necessary information and creating risk reports for internal stakeholders and the Management Board.

Flow Traders’ Internal Audit Function is responsible for:

- Evaluating risk exposure relating to achievement of the organization’s strategic objectives;
- Monitoring and evaluating the effectiveness of Flow Traders Group’s risk management processes.

Flow Traders’ employees are responsible for:

- Giving input to annual risk self-assessments to identify, assess and document existing and new risks and their impact on proposed plans;
- Identifying areas where risk management practices should be adopted and are to advise their supervisors accordingly.

The below figure shows the ERM cycle of Flow Traders:

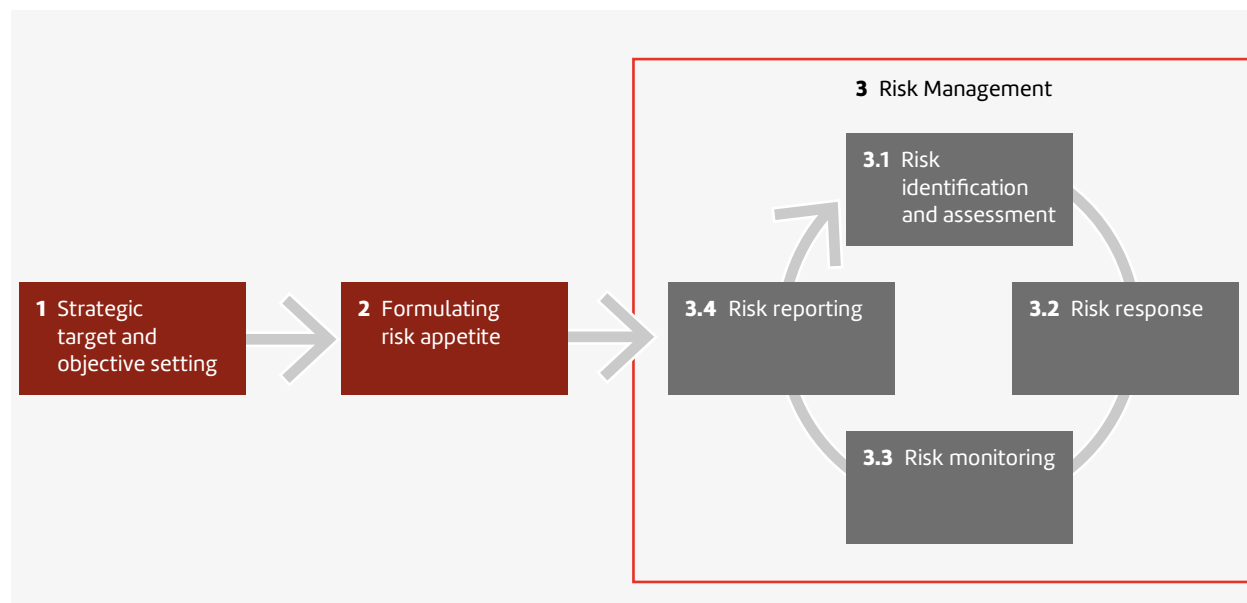


Figure 3. Flow Traders' Enterprise Risk Management cycle.



The annual risk management cycle follows the below risk management framework:

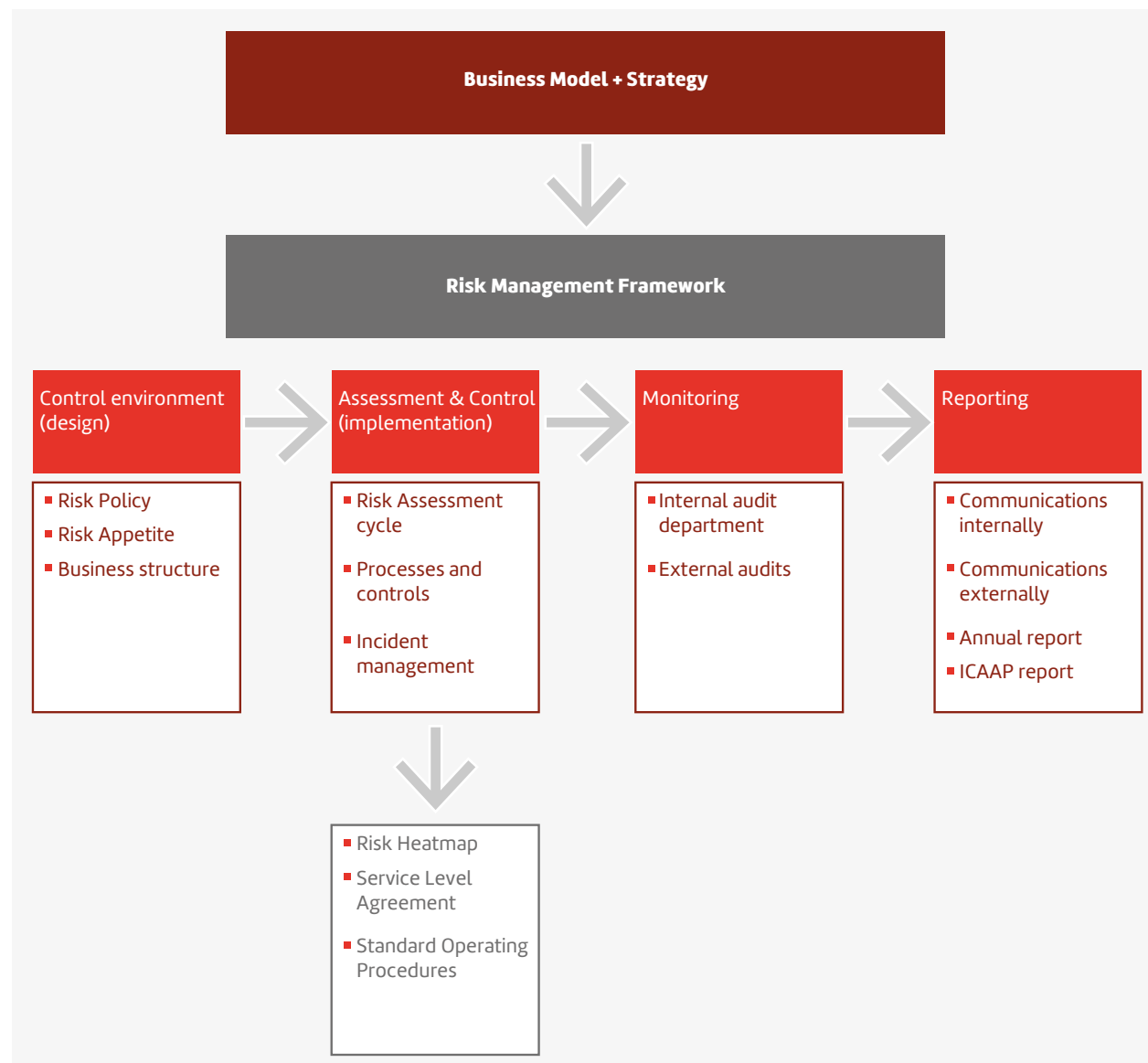


Figure 4.

Every year the Management Board sets its business targets following the strategic goals. The strategic goals are generally formulated in November/December. The Supervisory Board, together with the Management Board, approves the strategic goals and business targets. Additionally, the Supervisory Board is involved in the strategy setting exercise. Based on these long-term goals, short-term targets are determined. These targets are then translated into annual companywide, departmental and individual goals and discussed in an annual meeting with the Management Board and all Managing Directors.

Based on the targets and objectives, the Management Board formulates the risk appetite of the company. The targets, objectives and risk appetite give direction to the various departments within Flow Traders and are used to derive the company’s strategic risks.

Flow Traders’ Risk Management cycle is implemented to ensure that the net risk profile is and stays in line with the set risk appetite. To do so, we perform Risk Self Assessments to identify and assess current and newly arisen risks. Following the Risk Self Assessments, department heads in cooperation with the Management Board will decide on the appropriate risk response. The effects of the chosen risk responses will be monitored and every year the actual net risk profile will be mapped versus the appetite.

**Risk reporting**

We have a standing Risk Committee that continuously assesses the risks we face in our business, and is composed of our Global Head of Risk and the Management Board. Aside from ongoing ad-hoc communication, there is a monthly meeting set up in which they discuss all risk assessments and risk proposals related to position limits,



strategies, procedures, capital requirements and other requirements from prime brokers and market developments. Any major changes to our risk systems, strategies and limit setting must subsequently be approved by the Management Board.

In addition to the standing Risk Committee, the company has a Risk Committee of the Supervisory Board. All members of the Supervisory Board are members of this Risk Committee. The Management Board informs the Risk Committee of the Supervisory Board about the effectiveness of the internal risk management and control systems. This includes the reasonable assurance that the aforementioned systems do not contain any material inaccuracies. In addition, the tasks of the Risk Committee of the Supervisory Board includes supervision and monitoring, as well as advising the Management Board on the operation of the company's internal risk management and control systems. The Risk Committee is also responsible for providing advice to the Management Board on the company's development, performance, and sustainability of its trading strategies, as well as reviewing the risk of the company. It maintains regular contact with the company's Trading and Risk and Operations departments. For more information on the responsibilities of our Risk Committee, please see the chapter Our governance.

Following a review of the company's risk assessment processes, the monitoring of the company's internal risk management and control systems has been identified as a priority and as a joint responsibility of the Supervisory Board and its committees. All risks relevant to each of the committees of the Supervisory Board are monitored in the Risk Committee of the Supervisory Board. This means that the relevant items set out in best practice provision 1.4.1 of

the Corporate Governance Code have been discussed by the Supervisory Board, as all members of the Supervisory Board are members of the Risk Committee. For more information, please refer to the chapter Report of the Supervisory Board.

### Key risks

#### Market risk

Market risk is the risk of loss resulting from unfavorable market movements in various drivers of a security's price that may result in a financial loss for its holder. For illustration, the value of a financial instrument may fluctuate because of changes in factors such as equity prices, currency rates, future dividend expectations, interest rates and volatilities. Our hedging strategies (a combination of underlying securities and vanilla derivatives) along with our continuous monitoring of the positions aim to minimize this risk. Our trading philosophy is that we hedge our positions as perfectly as possible and therefore minimize exposures.

#### Market activity risk (business risk)

Our NTI and profitability are primarily a function of the level of trading activity, or trading volumes, in the financial instruments in which we trade, and the bid-ask spreads (which largely determine the profit on the trade, or margins, we capture). Trading volumes in securities, derivatives, currencies, commodities, digital assets and other financial instruments on exchanges and in other trading venues worldwide are directly affected by factors beyond our control, including economic and political conditions, broad trends in business and finance, regulatory requirements, actions by central banks, and changes in the markets in which such transactions occur.

To cope with periods of little market activity, we diversify our trading in products and markets. This is to safeguard

that we are not too dependent on the levels of market activity in one asset class or product category.

#### Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or external events. Operational risk management is an integral part of Flow Traders' risk and control systems. As our operational risks are concentrated in technology related events at exchanges and clearing members, our investment in technology is important to mitigate those associated risks.

We operate an integrated, in-house developed, high-performance and customized technology platform with frequent and controlled deployments of new hardware and software. Our infrastructure has a modular design which allows us to rapidly test and implement improvements in both hardware and software on an ongoing basis. Controlled releases of hardware and software enhancements provide for minimal disruption to our business.

The environment in which our trading software (or updates of our trading software) is being developed is strictly separated from the environment in which such trading software operates in production. Access to the source code is strictly controlled and limited. Prior to releasing our trading software, or an update into the production environment, any element of our trading software is subjected to a review of its code, testing in an environment that is separate from our production environment, validation in limited production (processing a strictly limited number of trades) on one trading desk in respect of trading a single financial instrument, followed by more extensive testing across multiple desks and/or trading multiple financial instruments. Each step is appropriately documented.



We have a monitoring system in place to control uninterrupted trading activities in real time. Multilayer monitoring is employed to avoid errors. But when these occur the relevant teams are immediately notified via multiple notification channels. We rely on multiple third party service providers for business and market data.

Our risk management system is fully integrated with our proprietary technology platform, analyzing real-time pricing data, and is designed to ensure that our order activity is conducted within strict pre-determined trading and position limits. For example, our pre-trade risk controls are designed to prevent the trading engines from sending quotes which deviate from our pre-defined risk parameters, such as price and volume limits set by the Risk Management department, which keeps our ordering, trading and positions well within tolerance levels. Our monitoring tools reconcile trades, prices and positions against those of our exchanges and prime brokers.

Our IT systems are regularly subjected to penetration tests by external experts. We have a comprehensive IT security system that is designed to protect us from attacks both from inside and outside the platform. Where we have a technical interface with institutions like our prime brokers and exchanges, the integrity of the connection between the systems and the data that is being exchanged is subject to prior conformance testing and continuous monitoring. Unexpected deviations are flagged and investigated. We also have a disaster recovery plan in place which, we continuously review to ensure it adequately captures relevant scenarios. As a result of the ongoing COVID-19 global pandemic we have made substantial changes to our back up site management.

We use risk-based onboarding procedures before we start trading on any new platforms, including platforms designated for trading digital assets. While many of these platforms remain unregulated, many have strongly improved their own onboarding procedures and counterparty identification procedures. While we believe our own procedures are strong, the unregulated status of these platforms and their location in emerging economies makes them inherently less institutionalized and supervised than regulated platforms in developed economies.

### Regulatory risk

While we do not have clients and do not provide investment services or ancillary services to third parties, our markets and nearly all aspects of our business are heavily regulated. Where applicable, entities forming part of our group have obtained the regulatory licenses and approvals needed to operate their regulated businesses.

Flow Traders' trading operations are established in four international jurisdictions and with branch offices established in London, Milan and Paris. As a group we currently trade on more than 180 venues worldwide. In addition, we operate on various venues through brokers. As we have to comply with our home regulations, local regulations and trading rules of all venues on which we trade, our regulatory landscape is vast. Legislators and regulators worldwide strengthen their supervision within our environment, demanding a professional and well-structured compliance organization. During 2022 we plan to migrate the activities of our branch office in London to a new legal entity expected to be licensed by the Financial Conduct Authority ("FCA") in the UK. The authorisation process with the FCA is currently ongoing and we anticipate that the transition will be completed by the end of 2022.

Our Compliance department assists management and operations at group and local level by identifying, advising on, reviewing and reporting on regulations. It also seeks to maintain a compliant business environment through training and monitoring in order to ensure and enhance the group's conformance with its regulatory obligations.

Compliance together with Public Affairs monitors and assesses upcoming regulations. During 2021 and 2022 this included amongst others:

- The European Central Securities Depositories Regulation which became effective on February 1st, 2022. The regulation introduces a new settlement regime for securities cleared by European central securities depositories. Most notably it introduces cash penalties for late settlement of transactions. Flow Traders has been preparing for this regulation throughout 2021, and will continue to monitor its impact after implementation and adapt as needed.
- The MiFID/MiFIR review that was announced by ESMA in 2021. The review aims to further improve the framework introduced by MiFID II. Flow Traders is engaging with regulators and various stakeholders to continue our push for transparency in all markets we are active in.
- Over the course of 2021, implementing IFR/IFD was a key theme for Flow Traders. We held dialogues with regulators, trade associations and our peers to be able to match the best practices in the market. These conversations will continue in 2022 as the final aspects of implementation still need to be set.
- Digital Assets and related forthcoming regulations are a global phenomenon that attract a lot of attention. Governments and regulators are taking quite different approaches to this emerging and quickly developing





asset class. As a liquidity provider we are following these developments closely and are an active contributor to regulatory consultations. We anticipate the regulatory uncertainty will continue for most of 2022. We are engaging with regulators on a global and local level to push for a clear regulatory framework. We anticipate that a clear regulatory framework will lead to a mature ecosystem with sustainable institutional growth for digital assets.

The Compliance, Risk and Operations departments have promulgated and implemented risk controls, internal rules and regulations that were developed following regulatory requirements, guidelines from market authorities, industry best practices and our own best practices. Laws and regulations, including tax laws, are subject to change or can be interpreted differently in practice over time.

Actual or alleged non-compliance with applicable laws or regulatory requirements could adversely affect our reputation, profitability and prospects. This may also be the case for differences in interpretation or lack of timely or complete implementation of regulatory requirements. Sanctions could include fines, penalties, disgorgements and censures, suspension or expulsion from trading venues or the revocation or limitation of licenses. We aim to minimize such risks by focusing considerable management attention, employing highly-qualified compliance and risk professionals, deploying training, monitoring and reporting systems, and continuously evaluating and implementing current and upcoming regulation on our operations. Notwithstanding such efforts, given the highly regulated nature of our business, we are regularly subject to routine (and sometimes more targeted) inquiries and audits from regulators and trading venues. It is difficult to predict or

manage the outcome of such inquiries, although we aim to be as transparent and cooperative as possible given the circumstances.

Information on the remuneration of the Management Board members and the Supervisory Board members can be found in the chapter Remuneration.

#### **Environmental risk**

While Flow Traders considers its overall impact on the environment to be low, we have nonetheless identified certain environmental risks to our business:

- Physical environmental risks such as earthquakes, forest fires and floods could negatively impact our physical infrastructure. This is particularly relevant to our server locations which are distributed globally. Climate change will likely lead an increase in extreme weather events in the future. We mitigate this risk by having a widely distributed server infrastructure high degree of system redundancy. In addition, recent forest fires in South East Asia have led to the closure of our Singapore office. This was mitigated by activities transferring to other office locations.
- Regulation may affect Flow Traders financially by putting a price on CO<sub>2</sub> and other greenhouse gas emissions. In addition, CO<sub>2</sub> pricing may have an impact on how we seek to offset our carbon footprint in the coming years.

#### **External risk**

Given the highly interconnected nature of the financial markets ecosystem we are a part of, we recognize that should any of the risks referenced within this section materialize, there could be a negative impact on various external third parties. Specifically, market and operational







risk events could negatively impact key parties within our value chain; namely counterparties and prime brokers. There could be a risk to our counterparties' ability to trade with us or settlement trades effectively on a timely basis. Moreover, the various prime brokers we work closely with could also be exposed to risk.

### IBOR Transition

Hundreds of trillions of US dollars of various types of financial products use Interbank offered rates ('Ibors') for pricing, risk measurement and benchmarking purposes. In July 2017, the UK's Financial Conduct Authority ('FCA') announced that it will discontinue administering the London interbank offered rate ('Libor') after 2021. On 8 June 2016, the European Parliament and Council released Regulation 2016/1011 on indices used as benchmarks in financial instruments and financial contracts to safeguard the accurateness, robustness and integrity of interest rate benchmarks.

As a result of the scheduled termination of the London interbank offered rates ('Libor'), Euro Overnight Index Average ('Eonia') and other Ibors, we conducted a thorough analysis of the financial (potential reduction in funding due to counterparties' reluctance to transition their positions) and non-financial (difficulty to negotiate fallbacks with certain counterparties, implementation of fallback provision and operational impairments due to the transition) risks to our business model and contracts. We ensured that financial instruments and contracts impacted by the transition contained appropriate fallback language or are being amended through bilateral negotiation or leveraging industry-wide protocols.

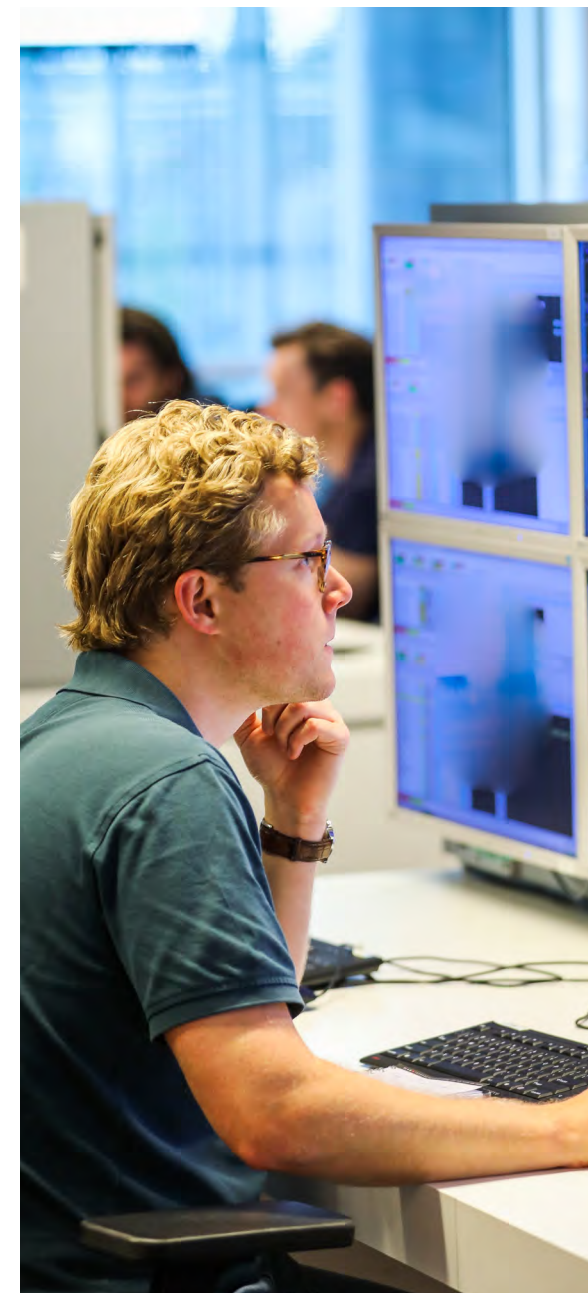
Our assessment showed no impact to our business model and a very limited impact to a very few of our contracts which were successfully renegotiated with the concerned counterparties.

## Compliance and transparency

### *Focus on anti-bribery, anti-corruption and anti-money laundering*

Flow Traders is a strong proponent of effective, efficient and equal regulation and contributes to the regulatory dialogue in our key jurisdictions as we want markets to be fair, transparent and functioning in an orderly fashion. We commit to complying with all relevant laws and regulations that apply to us, wherever we operate, including in respect of anti-corruption, anti-bribery and anti-money laundering laws. Integrity and transparency is central to the way we run our business, from our Management Board and Supervisory Board to all our staff, regardless of their role.

The company encourages an open culture within its organization and expects its employees to comply with applicable laws, regulations and internal policies. Each employee is responsible for ensuring an honest and ethical conduct of business within the company. We have issued a Code of Conduct, which forms part of our employment documentation. Ensuring compliance with the Code of Conduct is the responsibility of the Management Board. Any reported potential breaches are investigated fully by the Management Board and other members of our senior management team in accordance with existing clearly laid out procedures and policies. This Code of Conduct can be found on our website [www.flowtraders.com](http://www.flowtraders.com).





We have anti-bribery, anti-corruption and anti-money laundering (AML) policies in place that apply to all our staff. We expect our counterparties, business partners, intermediaries, contractors and subcontractors to adhere to the same standards. We believe that the risk of bribery or corruption is very limited as we do not hold or manage client money or assets. We trade financial instruments for our own account and own risk only. We do not maintain production facilities or source raw materials. Nevertheless, staff receives training in anti-bribery, anti-corruption and AML practices, as the Management Board underlines the importance of these trainings.

Key to our anti-bribery and anti-corruption policy is that officials or counterparties may never be placed in an uncomfortable position. No gifts nor favors may lead (or have the appearance to lead) to obligations or embarrass any recipient, and no gifts nor favors of any substantial value may be given to authorities. Facilitation payments are not permitted. We provide clear and recurring guidance in that respect. As part of our constant monitoring, all expenses and gifts relating to external parties are checked by senior managers and employees must state the purpose and recipient of an expense.

We have zero tolerance towards bribery and corruption and we actively ensure that no such behavior occurs. No cases of bribery or corruption were reported in 2021.

### **Whistleblowers**

In addition to our very strong culture of openness, transparency and participation, we also have an elaborate Whistleblower Policy in place for all staff and relevant contractors, approved by the Management Board and Supervisory Board. Employees are free to raise issues and have the responsibility to report misconduct and incidents,

or any reasonable suspicions. All employees are required to participate in an online course on the Whistleblower Policy, as part of the Flow Academy, to create awareness and guidance on how to deal with misconducts and incidents described in Flow Traders whistleblower policy.

Circumstances may arise that cause an employee to feel insecure or unsafe to the extent that they may not want to use the usual reporting lines. The company provides employees with a safe way of reporting suspected misconducts within its organization and offers adequate protection. The Whistleblower Policy has wide applications, including in respect of topics such as fraud, market abuse, corruption, anti-money laundering, theft, bribery, dishonoring Flow Traders Global tax policy and any other structural misconduct that threatens the integrity and proper business conduct of Flow Traders. The Whistleblower Policy provides whistleblowers with anonymity, confidentiality, and the company will not impose sanctions on disclosure (or affect an employee's legal position) when the employee reports a suspected misconduct in good faith, unless the employee is involved in the issue that is being reported. We respect a non-retaliation policy when a suspected misconduct is reported. Flow Traders' Whistleblower Policy can be found on our website [www.flowtraders.com](http://www.flowtraders.com).

### **Internal audit**

The Internal Audit Function seeks to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. An efficient and effective Internal Audit Function contributes to strong internal controls and to a robust corporate governance structure, which can address significant risks. The scope of internal audit work includes the examination and evaluation of the

adequacy and effectiveness of Flow Traders' risk management, control and governance processes. Audit work includes also assessments of the quality of performance in carrying out assigned responsibilities to achieve Flow Traders' stated goals and objectives.

Our Group Internal Audit Charter defines the Internal Audit Function's purpose, authority, responsibility and position within Flow Traders. This charter is aligned with the Corporate Governance Code and with guidance provided by the Institute of Internal Auditors.

The Internal Audit Function is an integral part of our reporting cycle. The Internal Audit Function reports to the Audit Committee and to the CEO. It aligns its efforts with the external auditor and reports its audit results to the Management Board, the essence of its audit results to the Audit Committee and informs the external auditor.

The Management Board assesses the way in which the Internal Audit Function fulfils its responsibility annually and takes the opinion of the Audit Committee into account.



## Governance

**Our board structure is organized as a two-tier governance structure, consisting of a Management Board (composed of 5 executive members) and a Supervisory Board (composed of 6 non-executive members). The Management Board is responsible for the day-to-day management of the company, formulating strategies and policies, and setting and achieving our objectives including our ESG priorities. The Supervisory Board supervises and advises the Management Board. Each board is accountable to the General Meeting for the performance of its duties.**

Our governance is reflected in our internal rules and regulations, including our Articles of Association, Management Board By-Laws, Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and our Code of Conduct. These, together with our policies, can be found on our website.

Flow Traders remains focused on long-term value creation, culture and risk management while balancing the interests of our many stakeholders, such as shareholders, senior management executives, counterparties, suppliers, investors, employees, regulators and the community.



## Management Board

Flow Traders has a highly experienced Management Board and a unique team-driven culture. As at 31 December 2021,

our Management Board consists of Dennis Dijkstra (Chief Executive Officer), Britta Achmann (Chief Risk Officer),

Folkert Joling (Chief Trading Officer), Thomas Wolff (Chief Technology Officer) and Mike Kuehnel (Chief Financial Officer).

### Composition of the Management Board



**Dennis Dijkstra**

Age: 50 (1971)  
Gender: male

Dennis Dijkstra was reappointed as a member of the Management Board and CEO in May 2019. He joined Flow Traders as Chief Financial Officer in 2009 and was first appointed Co-CEO in January 2014. Dennis leads our Institutional Trading, HR and Recruitment departments. He additionally focuses on strategy, internal audit, organizational structure and relationships with issuers, investors, and regulators. Prior to joining Flow Traders, Dennis held various positions at Arthur Andersen, Fxtrac Securities, NIBC and Sparck. He currently serves as a board member (treasurer) of APT, the Association of Proprietary Traders in the Netherlands. Furthermore, Dennis is a supervisory director of DMF Investment Management B.V.

Dennis Dijkstra is a Dutch national who holds a Master's degree in Business Economics from the University of Amsterdam.



**Britta Achmann**

Age: 50 (1971)  
Gender: female

Britta Achmann was appointed as a member of the Management Board and Chief Risk Officer (CRO) on 24 June 2020. She joined Flow Traders on 1 February 2020. Prior to joining Flow Traders, Britta gained over 15 years of relevant risk and control experience at major US and UK financial institutions and held the position of Head of Business Implementation, Market Risk at Deutsche Bank in London. Previously, she also held senior risk positions at RBS and held various derivative structuring and trading roles at JPMorgan. Britta is responsible for Legal, Compliance and Risk departments.

Britta Achmann is a German national who holds a MBA from Carnegie Mellon University (Pittsburgh, USA), a Master of Science, Probability and Statistics degree from Syracuse University (Syracuse, USA) and a Diploma in Mathematics from the Technische Universität Berlin (Germany).

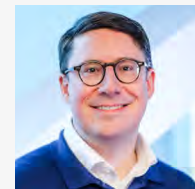


**Folkert Joling**

Age: 42 (1979)  
Gender: male

Folkert Joling was appointed as a member of the Management Board and Chief Trading Officer in April 2018. He joined Flow Traders in 2006 as a trader and was named Head of Trading in 2011 and Global Head of Trading in 2016. As Chief Trading Officer, Folkert Joling has responsibility for the development and realization of our trading strategies, business development, trading processes and our daily trading operations.

Folkert Joling is a Dutch national who holds a Master's degree in Applied Mathematics from Twente University.



**Mike Kuehnel**

Age: 44 (1977)  
Gender: male

Mike Kuehnel was appointed as a member of the Management Board and Chief Financial Officer (CFO) on 10 September 2021. He joined Flow Traders on 1 August 2021. Mike is responsible for overseeing Finance & Tax alongside Strategy, M&A and Investor Relations. Mike has over twenty years of investment banking and strategy consulting experience in the global financial market infrastructure space. Immediately prior to joining Flow Traders, Mike served as a partner at Bain & Company leading the Investment Banking and Financial Markets Infrastructure practice for EMEA. Before that, he worked at Goldman Sachs, where he was responsible for advising on large-scale equity and M&A transactions in the European banking, insurance, asset management, private wealth and exchanges sectors.

Mike Kuehnel is a German national who holds a MBA in Accounting and Finance from the University of Chicago. Prior to that, he obtained his Bachelor in Business Administration (BBA), majoring in Banking & Finance, from the Frankfurt School of Finance & Management.



**Thomas Wolff**

Age: 42 (1979)  
Gender: male

Thomas Wolff was appointed as a member of the Management Board and Chief Technology Officer in April 2018. He joined Flow Traders in 2009 as a senior system administrator. He was promoted to Global Head of IT in 2013 and Global Head of Technology in 2016, leading the development, quality assurance and the technology operations departments. Prior to joining Flow Traders, Thomas worked for nine years at an independent trading software vendor.

Thomas Wolff is a German national who holds a diploma from the FOM Hochschule Frankfurt am Main.



## General

The Management Board is responsible for the continuity of the company and is guided by the interests of the company and its business, taking into consideration the company's long-term value creation and the interests of the company's stakeholders, including our employees and our shareholders. This ensures decisions are made in a balanced manner.

The Management Board is charged with managing the company, subject to the limitations set out in the Articles of Association and the Management Board By-Laws. Two board members can jointly represent the company, reflecting the four-eyes principle we operate across the company: two persons must sign off on business decisions.

The Management Board has formulated a strategy in line with its vision on long-term value creation. Subsequently, the Management Board is responsible for creating a culture that entails long-term value creation for the company. The Management Board is alert to indications of misconduct or irregularities and reviews related policies regularly. In accordance with the Dutch Corporate Governance Code, the Management Board has also taken measures to avoid conflicts of interest.

The members of the Management Board are eager to keep their knowledge and skills up to date and spend sufficient time on their duties and responsibilities. The Management Board is accountable to the Supervisory Board and to the AGM.

The Management Board is also responsible for identifying and managing risks associated with the company's strategy and activities. Management ensures that the company has

adequate internal risk management and control systems in place. Moreover, the Management Board takes account of the effectiveness of the design and the operation of the internal risk management and control systems. The Internal Audit Function is the responsibility of Management. Management maintains regular contact with the Global Head of Internal Audit, responsible for the Internal Audit Function.

Before the Management Board can approve any resolutions entailing a significant change in the identity or nature of the company, it must obtain the approval of the General Meeting. The Management Board also has to obtain the approval of the Supervisory Board for a number of resolutions specified in the Management Board By-Laws.

## Appointing and dismissing Management Board members

As set out in more detail in our Articles of Association and the Management Board By-Laws, the Supervisory Board makes a non-binding nomination or proposal to appoint, suspend or remove a Management Board member. Following a nomination by the Supervisory Board, the General Meeting can appoint members of the Management Board by an absolute majority of the votes cast, representing more than one third of the issued capital of the company. Appointment of a different candidate than the one proposed by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company. Management Board members are appointed for a maximum term of four years at a time. According to the Dutch Corporate Governance Code, there is no limitation in the duration of their entire service. Any (re)appointment of

a member of the Management Board must be approved by the Dutch Central Bank (DNB).

In the Extraordinary General Meeting held in 2021, the general meeting of shareholders approved the proposal to appoint Mike Kuehnel as member of the Management Board and CFO for the maximum term of four years.

The General Meeting can suspend or remove a member of the Management Board upon a proposal by the Supervisory Board with an absolute majority of the votes cast. If votes within the Supervisory Board meeting tie on a proposed nomination, suspension, or dismissal, the General Meeting shall decide. Suspension or removal of a Management Board member, not proposed by the Supervisory Board, requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company.

The functioning of the Management Board as a whole and the functioning of its members individually is evaluated several times per year. A succession plan for the Management Board is in place and discussed regularly. Moreover, we have a transparent procedure in place for the (re)appointment of Management Board members. Management Board members are appointed for a term of four years and may be reappointed for a term of a maximum of four years at a time. The Equal Opportunity Policy will be taken into account at each (re)appointment. In accordance with legislation effective per 1 January 2022, we will have appropriate and ambitious objectives regarding diversity for our Management Board, 'sub-top' (i.e. categories of employees in managerial positions to be determined by the company) and Supervisory Board and have a plan on how to achieve such objectives.



## Our Supervisory Board

### Composition of the Supervisory Board



**Rudolf Ferscha, Chairman**

Gender: male  
Age: 60 (1961)  
Nationality: Austrian  
Third term (2021 – 2023)

Rudolf was first appointed as a member of the Supervisory Board on 9 July 2015. In 2018, Rudolf was reappointed for a second term and in 2021 he was reappointed for a third term, which expires in 2023. He was appointed Chair of the Supervisory Board on 11 March 2021. He is a member of the Remuneration and Appointment Committee, the Trading and Technology Committee, the Audit Committee and the Risk Committee. Originally a corporate finance and capital markets lawyer, he has over 25 years' board-level experience at international financial institutions, including executive roles on the management boards of Goldman Sachs Bank in Frankfurt and of Deutsche Börse AG. For more than a decade, he held direct oversight responsibility for FSA and BaFin regulated derivatives and securities trading businesses. Between 2000 and 2005, Rudolf served as CEO of Eurex, and from 2003 to 2005 Rudolf was Chairman of the Management Board of the Frankfurt Stock Exchange. He is currently a partner at Gledhow Capital Partners and Chairman of the Advisory Board at Mainberg Asset Management GmbH.



**Jan van Kuijk, Vice-Chairman**

Gender: male  
Age: 55 (1966)  
Nationality: Dutch  
Second term (2018 – 2022)

Jan was appointed Vice-Chairman of the Supervisory Board on 9 July 2015. In 2018, Jan was reappointed for a second, four-year term, expiring in 2022. The Supervisory Board will propose the reappointment of Jan at the AGM 2022. Jan is Chair of the Trading and Technology Committee, and is a member of the Audit Committee, the Risk Committee and the Remuneration and Appointment Committee. Jan is one of the co-founders of Flow Traders and served as its Co-CEO from its inception in 2004 until January 2014. Until 1996, Jan served as a partner at Optiver, a proprietary trading firm, and was involved in setting up its first electronic trading activities at Deutsche Börse in 1993. In 1997 he co-founded Newtrade Financial Group, an options market-making firm which discontinued after he co-founded Flow Traders in 2004.



**Olivier Bisserier**

Gender: male  
Age: 54 (1967)  
Nationality: French  
Second term (2019 – 2022)

Olivier was appointed member of the Supervisory Board on 9 July 2015. In 2019, he was reappointed for a second, three-year term, expiring in 2022. The Supervisory Board will propose the reappointment of Olivier at the AGM 2022. Olivier is Chair of the Audit Committee and the Risk and Compliance Committee, and serves as member on the Trading and Technology Committee. He has over 25 years of experience in international financial roles. He was a senior manager for PwC until 2000, then had finance director roles and served as European CFO of TNS, an LSE-listed market research group. Until March 2019, Olivier was CFO of Booking.com.



**Roger Hodenius**

Gender: male  
Age: 49 (1972)  
Nationality: Dutch  
Second term (2019 – 2023)

Roger was appointed member of the Supervisory Board on 9 July 2015. In 2019, Roger was reappointed for a second, four-year term, expiring in 2023. He is a member of the Risk & Compliance Committee, the Trading and Technology Committee and the Remuneration and Appointment Committee. Roger is one of the co-founders of Flow Traders and served as its Co-CEO from its inception in 2004 until January 2014. Roger was responsible for developing Flow Traders' vision and culture, the trading strategies and the trading floor.



**Ilonka Jankovich**

Gender: female  
Age: 58 (1963)  
Nationality: Dutch  
First term (2021 – 2025)

Ilonka was appointed member of the Supervisory Board on 23 April 2021. Her first four year term will expire in 2025. She is a member of the Audit Committee, the Risk Committee and Trading and Technology Committee. Ilonka is trained as an M&A lawyer with 10 years of M&A experience with an international law firm and has owned her own law firm. She has transformed herself into a serial entrepreneur – building and selling several HR companies – and after that into a venture capital investor. Ilonka is currently a venture partner at Rubio Impact Ventures and a venture partner at Randstad Innovation Fund. She serves as a supervisory board member of Exact, and of Crunchr, Brazen and Shiftboard.



**Linda Hovius**

Gender: female  
Age: 60 (1961)  
Nationality: Dutch  
First term (2021 – 2025)

Linda was appointed member of the Supervisory Board on 23 April 2021. Her first four year term will expire in 2025. She is Chair of the Remuneration and Appointment Committee and is a member of the Risk Committee and the Trading and Technology Committee. Linda has more than 30 years of experience in managing professional organizations, setting strategic direction and implementing change. After 20 years with McKinsey & Company, she founded in 2012 Aberkyn – Change Leadership Partners, with its head office in the Netherlands, to serve top teams of multinationals in the transformation of their leadership and organizations. She is currently a Supervisory Board member of Royal Flora Holland and of Triple Jump Impact Investment, and serves as an Advisory Board member of Vereniging Rembrandt and Karmijn Capital. She is vice-Chair of the Board of the Koninklijke Nederlandsche Maatschappij der Wetenschappen. Linda is currently the owner of Hovius Consultancy, specializing in boardroom consultancy.



**General**

The Supervisory Board supervises the Management Board and the general course of affairs of the company and its business. The Supervisory Board supervises the company's focus on long-term value creation and the way in which this is implemented in the company's strategy and culture.

The Supervisory Board considers the organizational structure of the company as a whole, as well as general and financial risks and the internal risk management and control systems. In performing its duties, the Supervisory Board acts in accordance with the interests of the company and takes the relevant interests of the company's stakeholders into account. The Supervisory Board is alert to indications of misconduct or irregularities. It supervises the Management Board when appropriate follow-up actions are taken. In case

of a conflict of interest, the Supervisory Board is responsible for the decision-making on how to handle conflicts of interest. In 2021, there have been no cases of conflicts of interest, transactions between the company and members of the Management Board or Supervisory Board, or transactions with shareholders holding at least 10% of the shares of Flow Traders.

The functioning of the Supervisory Board as a whole and the functioning of its members individually is evaluated at least once a year. A succession plan for the Supervisory Board is in place, with the Supervisory Board Profile and the Equal Opportunity Policy taken into account. We also have a transparent procedure in place for the (re)appointment of Supervisory Board members.

As at 31 December 2021, the Supervisory Board consists of six members: Rudolf Ferscha (Chairman), Jan van Kuijk (Vice-Chairman), Olivier Bisselier, Roger Hodenius, Linda Hovius and Ilonka Jankovic. Eric Drok, the former Chairman of the Supervisory Board chose not to seek reappointment and therefore his term of appointment ended at the end of the 2021 AGM, held on 23 April 2021. In anticipation of his mandate ending, Eric stepped down from his Chairmanship in March. The Supervisory Board unanimously appointed Rudolf Ferscha as Chairman of the Supervisory Board. Both Ilonka Jankovich and Linda Hovius were appointed as members of the Supervisory Board during the 2021 AGM. For more information, please refer to the chapter Report of the Supervisory Board and the Supervisory Board Rotation schedule as published on our website.

**Appointing and dismissing Supervisory Board members**

Supervisory Board members are appointed for a term of a maximum of four years and may be reappointed for a second term of a maximum of four years. After having served two terms, a Supervisory Board member may then be reappointed for a term of maximum two years, which may be extended by at most two years. The Supervisory Board Profile and the Equal Opportunity Policy will be taken into account at each (re)appointment. With respect to gender, as of 1 January 2022 Dutch law stipulates that Supervisory Boards of large Dutch public companies, such as Flow Traders, are deemed to have a balanced composition if they consist of at least one-third female and one-third male members. The current composition of the Supervisory Board complies with that requirement as there are two female and four male members.

When a member of the Supervisory Board is to be appointed, suspended or removed, the Supervisory Board





makes a non-binding nomination or proposal. Following a nomination by the Supervisory Board, the General Meeting may appoint a Supervisory Board member by an absolute majority of the votes cast, representing more than one third of the issued capital of the company. Appointment of a different candidate than the one proposed by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company. If votes within the Supervisory Board meeting tie on the proposed nomination, the General Meeting decides. Any appointment of a member of the Supervisory Board must be approved by the Dutch Central Bank (DNB). The DNB needs to be notified in writing in case of reappointments of members of the Supervisory Board.

Following a proposal by the Supervisory Board the General Meeting may suspend or remove members of the Supervisory Board by an absolute majority of the votes cast. The suspension or removal of a Supervisory Board member without a proposal by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company.

### **Internal organization Committees**

The Supervisory Board has an Audit Committee, Remuneration and Appointment Committee, Risk Committee and Trading and Technology Committee. Each of the committees has a preparatory and/or advisory role to the Supervisory Board. They each report their findings to the Supervisory Board, which is ultimately responsible for all decision-making. Terms of Reference apply for each committee and the relevant Management

Board members and relevant others having a standing invitation for each committee meeting. ESG matters are addressed, where relevant, in each Board committee.

### **Audit Committee**

The Audit Committee discusses the annual, half-yearly and quarterly results and supervises the provision of the company's financial information. It also advises the Supervisory Board on the nomination of the external auditor, who is appointed by the General Meeting. The Audit Committee is in regular contact with the Internal Audit Function and the external auditor, monitors the auditor's independence and discusses the audit plans and recommendations of the internal and external auditor.

In addition to advising the Management Board on financing, tax policy and tax risk framework, the Audit Committee is also responsible for supervising relevant (tax) legislation and regulations and the Code of Conduct. The design and operation of the internal risk management and control systems are discussed in the Risk Committee in more detail, as well as in the Audit Committee.

In addition to the Management Board members, the Global Head of Finance, the Global Head of Internal Audit and relevant others were invited to Audit Committee meetings.

The Audit Committee is not chaired by the Chair of the Supervisory Board or a former member of the Management Board. More than half of its members is independent. The Chair of the Audit Committee, Olivier Bisselier, has extensive experience of preparing and auditing financial statements from his time at PwC.

### **Remuneration and Appointment Committee**

At Flow Traders, the remuneration and selection and appointment committees have been merged into one. It proposes the remuneration of the individual members of the Management Board to the Supervisory Board, proposes the Management Board's remuneration policy to the general meeting and reviews the proposal of the Management Board of the annual remuneration and variable compensations of all employees. It is also responsible for carrying out annual assessments of the individual members of the Supervisory Board and the Management Board and the composition and size of the respective Boards. Where necessary, the Remuneration and Appointment Committee drafts proposals for (re)appointments, drafts selection criteria and appointment procedures for the Supervisory Board and Management Board. The committee draws up a plan for the succession of Management Board and Supervisory Board members. It also supervises the Management Board regarding the selection criteria and appointment procedures for senior management. The Remuneration and Appointment Committee takes note of the individual Management Board members' view regarding the amount and structure of their own remuneration.

The Management Board sets values contributing to the long-term value creation. The Remuneration and Appointment Committee discusses these values, focusing on the strategy and business model, the environment and the existing culture within the company.

Depending on the topics discussed, the Management Board members, relevant Global Heads or relevant others are present at the Remuneration and Appointment Committee meetings.



Compliant with the Corporate Governance Code provision 2.3.4, the Remuneration and Appointment Committee is not chaired by the Chair of the Supervisory Board or a former member of the Management Board.

### Risk Committee

The duties of the Risk Committee include supervising and monitoring the operation of our internal risk management and control systems, and advising the Management Board on these operations. It reviews the company's risk assessment processes and control systems, at least annually. The committee also monitors the manner in which the company's risk management function is provided with adequate resources and appropriate access to information, bearing in mind that it should be able to function sufficiently

independently from Management. The Risk Committee also undertakes preparatory work for the Supervisory Board's decision-making regarding the supervision of the integrity and quality of the effectiveness of the company's internal risk management and control systems. Subsequently, the effectiveness of the design and operation of the internal risk management and control systems are discussed with the Management Board, and reported to the Supervisory Board.

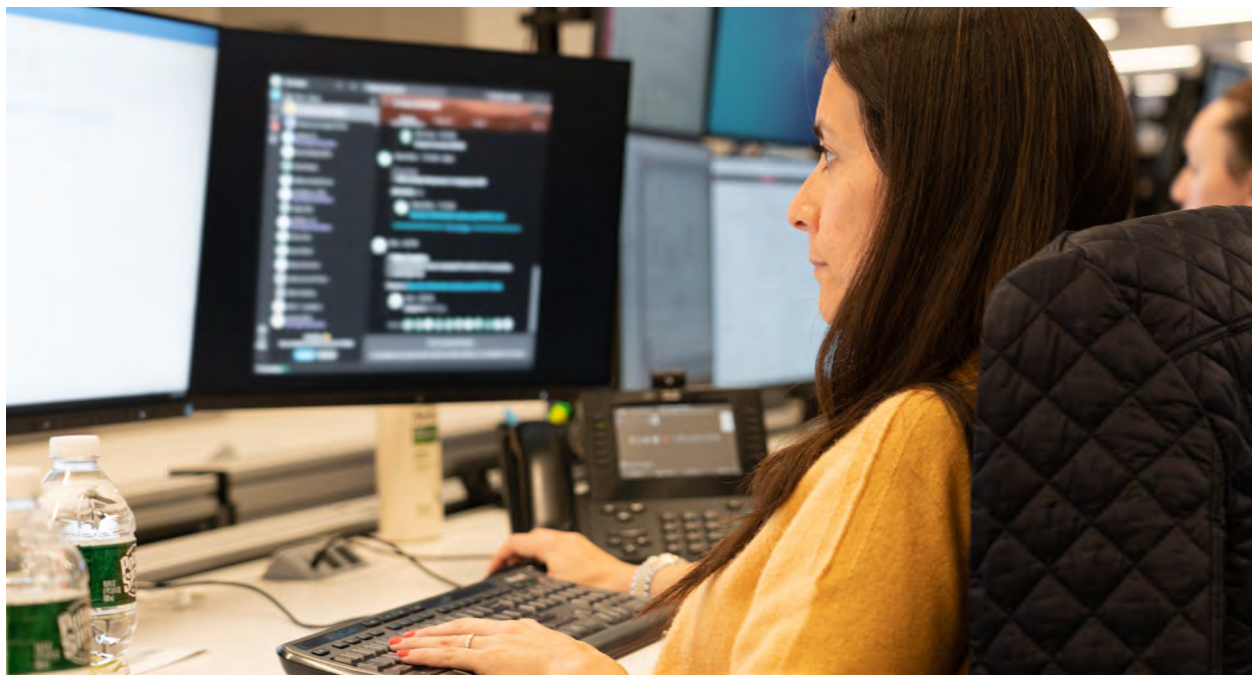
The committee maintains regular contact with the company's Chief Risk Officer. In addition to the Management Board members, relevant Global Heads or others may, from time to time, be invited to attend the Risk Committee meetings.

### Trading and Technology Committee

The Trading and Technology Committee is responsible for providing advice to the Management Board on the company's development, performance and sustainability of its trading strategies. It is also responsible for reviewing the company's technology budget, supervising the operation of the company's security systems, and assessing the state of the company's technology in terms of competitiveness and functionality at least once a year. The committee supervises the Management Board on the operations of the company's security systems and related risks. It maintains regular contact with our trading and technology departments. The Management Board members and relevant others may, from time to time, be invited to the Trading and Technology Committee meetings.

### Diversity

The Supervisory Board has drawn up and adopted an Equal Opportunity Policy (Diversity Policy). In this policy we explain our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. We are committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. We are a firm believer in the benefits of a diverse workplace and we do not make any concessions to quality. Our objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all of our employees, provided they perform highly. In addition, we have provided unconscious bias training to all employees during the course of 2021. When positions become available, we actively encourage all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and





employees. We aim to provide an inclusive work environment for all employees. This also holds for our Management Board and Supervisory Board. When it comes to diversity in the Supervisory Board and the Management Board, we adhere to the same principles of equal opportunity as set out above. Our current Supervisory Board, as a result of the Equal Opportunity Policy, is diverse in terms of, inter alia, age, education, nationality, and professional backgrounds. This diverse composition entails constructive dialogues and shared responsibility, resulting in an effective and efficient Supervisory Board. Our Equal Opportunity Policy can be found on our website: [www.flowtraders.com](http://www.flowtraders.com).

## General Meeting, shares and shareholders

Flow Traders highly encourages shareholder participation in the decision-making of the General Meeting. It is of great importance to the company that its shareholders have an actual say in the Annual General Meeting (AGM), and the company therefore encourages an open dialogue. Flow Traders ensures that the General Meeting is adequately provided with information.

Agenda items of the AGM that need to be handled as separate agenda items on the basis of the Corporate Governance Code, the Dutch Civil Code or the Articles of Association will be handled as such.

Flow Traders holds an AGM within six months following the end of the financial year. The agenda for this meeting includes the adoption of the annual accounts, the content of the annual report covering the previous year's financial business, the policy of the company on additions to reserves

and on distributions of profits, any proposal to distribute profits, (re)appointment of the external auditor, substantial changes in the governance structure of the company and in compliance with the Corporate Governance Code, material changes to the Articles of Association, filling vacancies on the Management Board and/or Supervisory Board, proposals placed on the agenda by the Management Board, and the release from liability of the members of the Management Board and the Supervisory Board for their performance during the previous financial year. In accordance with the Shareholders Rights Directive, the remuneration report and, every four years, the remuneration policy is on the agenda for the AGM.

General Meetings can be held as often as the Management Board or the Supervisory Board deem necessary. A General Meeting is also convened in case of a decision entailing a significant change in the identity or character of the company or its business.

One or more shareholders representing at least the statutory threshold of three percent of the voting rights may request that the Management Board places items on the agenda of a General Meeting. The Management Board must honor such a request provided that the request is received in writing at least 60 days before the date of such a meeting.

Each shareholder is entitled – either in person or via proxy – to attend the AGM and to vote during the AGM. The AGM is the perfect place for shareholders and the Management Board and Supervisory Board to interact. At an AGM, shareholders can ask questions directly to the Management Board and/or the Supervisory Board. Our Management Board and Supervisory Board strongly encourage shareholders to interact.

In 2021, the AGM was held virtually due to the COVID-19 measures. During this AGM held on 23 April 2021, shareholders voted, inter alia, in favor of adopting the 2020 annual accounts, determining the total dividend at €6.50 per share, the remuneration policy for the Supervisory Board, discharging members of the Management Board and Supervisory Board from liability, granting the authority to issue shares and the authority to restrict or exclude pre-emptive rights (see below for more detail), granting the authority to acquire own shares and the authority to cancel own shares (see below) and reappointing EY as our external auditor. A positive advisory vote was cast on the remuneration report over the year 2020. The General Meeting and the Management Board discussed the results, dividend policy and governance structure of the company. The General Meeting voted against the Remuneration Policy for the members of the Management Board.

Extraordinary General Meetings will be held if the Management Board or the Supervisory Board is requested to that effect in writing by one or more holders of shares (or holders of rights in rem (beperkte rechten) who also hold the voting rights in relation to those shares) individually or jointly representing ten percent or more of the issued share capital, specifying the details to be discussed.

The company held an Extraordinary General Meeting on 10 September 2021 for the proposed appointment of Mike Kuehnel as member of the Management Board and CFO. The EGM adopted the appointment with 99.4% of the registered votes. Our next AGM is scheduled to be held on 29 April 2022. More information will become available on our website in due course.





### **Voting rights**

Each share carries one vote at the AGM. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. Votes can be cast at the AGM either in person or by proxy. These proxies can be granted electronically or in writing to the company or to independent third parties, such as a civil-law notary. Following the prolongment of the Temporary Act COVID-19 (Tijdelijke Wet COVID-19) and the circumstances as a result of the pandemic, holding a physical AGM was not feasible this year and votes could not be cast in person.

“In order to align our employees’ interests with those of our shareholders, the company awards 100 shares in the company to most employees with a tenure of over two years.”

### **Amendment to the Articles of Association**

The General Meeting may pass a resolution to amend the Articles of Association or to wind up the company with an absolute majority of the votes cast. This can only be done if the Management Board has proposed to amend the Articles of Association or wind up the company. Such proposal has to be approved by the Supervisory Board.

When a proposal to amend the Articles of Association or to wind up the company is made to the General Meeting, the intention to propose such resolution must be stated in the relevant notice convening the General Meeting. If it concerns an amendment to the Articles of Association, a copy of the proposal in which the proposed amendment is quoted verbatim must at the same time be deposited at the company’s office and this copy shall be made available for inspection by the shareholders until the end of the General Meeting.

### **Issue of shares**

Shares are issued by a decision of the Management Board. This decision must be approved by the Supervisory Board.

During the 2021 AGM, our shareholders renewed the authority of the Management Board, subject to the Supervisory Board’s approval, to issue ordinary shares or to grant rights to subscribe for ordinary shares up to and including 23 October 2022 for up to ten percent of the total number of shares issued at the time of the General Meeting for any purposes. Any issuance exceeding this limit needs approval by the General Meeting.

In addition, the General Meeting renewed the authority of the Management Board, subject to the Supervisory Board’s approval, to restrict or exclude applicable pre-emptive

rights when issuing ordinary shares or granting rights to subscribe for ordinary shares up to and including 23 October 2022.

At our next AGM, scheduled to be held on 29 April 2022, the Management Board intends to request that the General Meeting renews its authorization to issue shares for up to ten percent of the total number of shares issued at the time of the AGM for any purposes.

### **Repurchase and purchase of shares**

Shares may be repurchased by the company by a decision of the Management Board. This decision must be approved by the Supervisory Board. During the 2021 AGM, our shareholders renewed the authority of the Management Board to, subject to the Supervisory Board’s approval, acquire shares in the capital of the company, either through purchase on a stock exchange or otherwise. The authority applies up to and including 23 October 2022, under the following conditions: the repurchase (i) may constitute up to ten percent of the total number of shares issued at the time of the General Meeting; (ii) provided that the company will not hold more shares in stock than ten percent of the issued share capital; and (iii) at a price (excluding expenses) not less than the nominal value of the shares and not higher than the opening price on Euronext Amsterdam on the day of repurchase plus ten percent. Any repurchases exceeding these limits need approval by the General Meeting. Flow Traders announced one share repurchase plan in 2021. Several share buy backs were conducted during the course of 2021 to satisfy the requirements of various employee incentive plans as launched on 23 July 2021 and completed in November 2021 in connection with its employee incentive plans.



In order to align our employees' interests with those of our shareholders, the company awards 100 shares in the company to most employees with a tenure of over two years. The company purchased part of such shares under the authority granted by the General Meeting over the course of 2018, 2019, 2020 and 2021.

At the 2021 AGM the Management Board will propose to the General Meeting to (i) renew its authorization to repurchase shares in the company, and (ii) cancel shares in the share capital of the Company held or repurchased by the Company under the aforementioned authorization to repurchase shares in the Company.

**Cancelation of shares**

Shares may be canceled by the company by a decision of the Management Board. This decision must be approved by the Supervisory Board. During the 2021 AGM, our shareholders voted for the authorization of the Management Board to, subject to the Supervisory Board's approval, cancel shares in the share capital of the company. The number of shares that can be canceled, shall be determined by the Management Board, but may not exceed ten percent of the issued share capital at 24 April 2021, i.e. up to 4,653,450 shares can be canceled. The cancelation may be executed in one or more parts.

**Major shareholders**

The following shareholders filed their interests in the capital of the company exceeding 3% to be included in the AFM's register of substantial holdings and gross short positions as published on the website [www.afm.nl](http://www.afm.nl) (data as published on 31 December 2021). A shareholder must file or update its holdings if its interest exceeds, or drops below, 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

Based on the publications in two of the public AFM Registers: the Register on substantial holdings and gross short positions; and the Register on notifications by directors and members of the supervisory board, the table below shows the most accurate formation. For further details on individual shareholdings please refer to the AFM's registers.

Information which is relevant to our shareholders and which is required to publish or submit pursuant to the provisions of company law and securities law, is posted in a separate section of our website [www.flowtraders.com](http://www.flowtraders.com). Our Bilateral Contacts Policy can also be found on our website.

**SHAREHOLDINGS ON 31 DECEMBER 2021**

		<b>Filing / notification date</b>
J.T.A.G. van Kuijk (Javak Investments B.V.)	12.22%	2 May 2018
R. Hodenius (Avalon Holding B.V.)	10.07%	7 December 2018
Flow Traders N.V.	7.51%	31 December 2021
Invesco	3.15%	2 November 2021

The shares indirectly held by Roger Hodenius (Avalon Holding B.V.) and Jan van Kuijk (Javak Investments B.V.) are long-term investments. The shares held in treasury by Flow Traders are from the share repurchases conducted in 2020 and 2021 predominantly connected with various employee incentive plans.

**Relationship agreement and shareholders agreement**

Avalon Holding B.V. and Javak Investments B.V. entered into a relationship agreement with the company and a shareholders' agreement (amongst each other).

The relationship agreement is a Dutch law-governed agreement that contains certain arrangements regarding the relationship between the parties thereto. The agreement currently grants each of Avalon Holding B.V. and Javak Investments B.V. a specific right to nominate or designate one Supervisory Board member for appointment (and replacement). This right expires, in respect of each relevant party, if such party ceases to, directly or indirectly, hold more than five percent of the shares in the company provided that and for as long as, in aggregate, Avalon Holding B.V. and Javak Investments B.V. together continue to, directly or indirectly, hold more than five percent of the company's shares, Avalon Holding B.V. and Javak Investments B.V. shall be entitled to jointly designate one Supervisory Board member for appointment. The relationship agreement also governs the composition of the Supervisory Board committees. The agreement terminates in respect of each of the shareholders, if such party's aggregate shareholding in the company (be it direct, indirect or together with a permitted transferee) falls below five percent of the company's outstanding share capital. In case of, among other things, the company becoming subject to insolvency procedures, liquidation, delisting, a merger or a spin-off (with the company as disappearing entity), the agreement automatically terminates.

Under the shareholders' agreement governed by Dutch law, Avalon Holding B.V. and Javak Investments B.V. have agreed on certain arrangements in respect of their shareholding in the company. These arrangements include an obligation for each of the parties to vote in favor of the appointment of any individual designated by any of them as a member of the Supervisory Board in accordance with the terms of the relationship agreement (as described above). Furthermore, the parties agreed to reserve the right to consult with each





other and coordinate the exercise of their voting rights attached to their respective shares in the company. The shareholders' agreement terminates for any party if such party's aggregate shareholding in the company (be it direct or indirect) falls below three percent of the company's outstanding share capital and in case of, among other things, the company becoming subject to insolvency procedures, liquidation, delisting, a merger or spin-off (with the company as disappearing entity).

**No dedicated take-over protection structures**

Flow Traders does not employ any of the following dedicated take-over protection structures: preference shares, depositary receipts or call options issued to vehicles conducive to protecting the company's interest or independence.

**Compliance with the Corporate Governance Code**

The Corporate Governance Code defines a company as a long-term form of collaboration between the principal corporate bodies of a company. For Flow Traders, these corporate bodies include the Management Board, the Supervisory Board and the General Meeting. The Management Board values and considers the interests of the various stakeholders involved. Good corporate governance results in effective decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency, and trust. The company has a long standing focus on a long-term value creation strategy, culture and risk. We acknowledge the importance of good corporate governance and endeavor to comply in general with the provisions of the Corporate

Governance Code and comply fully with it, with the exception of the following provisions:

- **Equal Opportunity Policy (Diversity Policy)**  
Best practice provision 2.1.5 provides that the Supervisory Board should draw up a diversity policy for the composition of the Management Board and Supervisory Board. The policy should address the concrete targets relating to diversity. Flow Traders deviates from best practice provision 2.1.5 and 2.1.6 as no concrete targets are set on diversity within the company. However, the Supervisory Board has drawn up and adopted an Equal Opportunity Policy addressing the diversity aspects of the composition of the Management Board and Supervisory Board. We believe that this policy also attains the purpose of best practice provision 2.1.5. In our view, the policy contributes to good governance, as it reflects our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. Flow Traders is committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. The company is a firm believer in the benefits of a diverse workplace and does not make any concessions to quality. The objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all employees, provided they perform highly. When positions become available, Flow Traders actively encourages all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and employees. This also holds for the Management Board and Supervisory Board. When it comes to diversity in the Supervisory Board and the Management Board, Flow Traders adheres to the same principle of equal opportunity as set out above.





The Management Board comprises 20% (1 out of 5 members) female members and our Supervisory Board comprises 33.3% (2 out of 6 members) female members. As a result, our current Supervisory Board is diverse in terms of, inter alia, age, education, nationality, and professional backgrounds.

■ **Independence of Supervisory Board members**

Best practice provision 2.1.7 provides that any one of the criteria referred to in best practice provision 2.1.8 (i.-v.) should be applicable to at most one Supervisory Board member and that the total number of Supervisory Board members to whom the criteria referred to in best practice provision 2.1.8 are applicable, should account for less than half of the total number of Supervisory Board Members. Jan van Kuijk and Roger Hodenius, as founders of the company, were attracted to their role as Supervisory Board members because of their specific business-related expertise. They do not qualify as independent under the provisions of the Corporate Governance Code as they are former members of the Management Board of the company prior to its conversion and because they represent shareholders of the company owning an interest of over ten percent. Deviation from this provision is likely to continue until Roger Hodenius and Jan van Kuijk cease to be members of the Supervisory Board.

■ **Independence of committee members**

As Jan van Kuijk and Roger Hodenius do not qualify as independent Supervisory Board members as set out above, this also affects two Supervisory Board committees of which they are members. Best practice provision 2.3.4 provides that more than half of the members of the Audit Committee and the Remuneration & Appointment Committee should be independent. Both Jan van Kuijk and Roger Hodenius are

members of the Remuneration & Appointment Committee, implying that half (and not more than half) of its members are independent. Deviation from this provision is likely to continue until Roger Hodenius and Jan van Kuijk cease to be members of the Supervisory Board.

■ **Analyses carried out in respect of variable compensation**

Best practice provision 3.2.1 of the Corporate Governance Code provides that the Remuneration & Appointment Committee should submit a proposal to the Supervisory Board concerning the remuneration of individual members of the Management Board. The proposal is drawn up in accordance with the Remuneration Policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the company and its affiliated enterprises. We do not fully comply with the scenario analyses that are carried out as the variable remuneration for the members of the Management Board is contingent upon a future, unknown, metric: the accrued firm-wide variable remuneration pool which itself depends on 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 compensation 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. Semi-annual discussions take place between the

Management Board members and the Remuneration & Appointment Committee for this purpose. In this manner, the Supervisory Board regularly assesses the performance indicators and the potential resulting variable compensation for the Management Board members. Targets are set for each individual Management Board member and the Management Board as a whole. Significant underperformance or overperformance in respect of these targets can result in reductions or increases of the profit share that is awarded to a Management Board member.

■ **Quorum**

Best practice provision 4.3.3 provides that the General Meeting of a company that is not subject to the statutory large company regime (structuurregime) may adopt a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to remove a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. According to the Corporate Governance Code, it may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination or to remove a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting. In deviation of this best practice provision, the company's Articles of Association provide that the General Meeting may pass a resolution to cancel the binding nature of a nomination for the



appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to remove a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast, representing more than 50 percent of the company's issued capital. In addition, the company's Articles of Association provide that if this quorum is not present or represented at the meeting, such resolution cannot be adopted and in order for such a resolution to be adopted, a new meeting should be convened in which more than 50 percent of the company's issued capital is represented and an absolute majority of the votes are cast in favor of such resolution.

## Corporate governance statements

### Dutch decree on the content of the Management Board report

*(besluit inhoud bestuursverslag)*

The information required by section 2a of the Decree is included in the chapters Our governance and Supervisory Board Report:

- our compliance with the Corporate Governance Code can be found in the chapter Our governance;
- the main features of our internal risk management and control systems relating to the financial reporting process can be found in the chapter Our governance;
- the functioning of our General Meeting and the authority and rights of our shareholders can be found in the chapter Our governance;
- the composition and functioning of our Management Board, the Supervisory Board and its Committees can be found in the chapters Supervisory Board Report and Our governance;

- the diversity policy regarding the composition of the Management Board and the Supervisory Board including its aims, how it is being effected and the results can be found in the chapters Our governance and the Supervisory Board Report (section 3a sub d of the Decree); and
- the disclosure of the information required by the Decree on Section 10 EU Takeover Directive can be found in the chapter Our governance (section 3b of the Decree).

## Management Board In Control Statement

In accordance with best practice provision 1.4.3 of the 2016 Dutch Corporate Governance Code, Management Board of Flow Traders N.V. states that it is responsible for the design, implementation and functioning of Flow Traders's internal risk management and control systems. Flow Traders' internal risk management and control is a process, effectuated by the Management Board, senior management, and other personnel. It is designed to mitigate risks and provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial and non-financial information;
- Compliance with laws, regulations and internal policies;
- Safeguarding of assets, identification and management of liabilities; and
- Strategic goals of the Flow Traders group.

The Risk Management section as part of the Report of the Management Board elaborates on Flow Traders' identified financial and non-financial risks and how these risks are managed. These chapters provide insight into the potential

impact on the results of Flow Traders N.V. that come forth from these identified risks. The design and functioning of the internal risk management and control systems is based on the Flow Traders Risk Management Framework (RFM). The framework explained in detail in the Risk Management section, combine various financial and non-financial risk disciplines into a single converged approach and provide the businesses with an overview on their risks and the way these are managed. The Risk and Mid-Office department and Internal Audit Function assessed the controls in this process and reported its findings to the Management Board. These findings have been evaluated by the Management Board and by the Supervisory Board. This view allows the Executive Board and senior management to form an opinion on the adequacy of internal risk management and control systems regarding the risks they face while pursuing the Management Board's strategy.

On the basis of the above, and in accordance with best practice provision 1.4.3 of the Corporate Governance Code, and with due observance of the limitations stated below, we confirm that to the best of our knowledge:

- The annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (see chapter Our governance);
- The aforementioned systems provide reasonable assurance that the financial and tax reporting does not contain any material inaccuracies (see chapter Our governance);
- Based on the current state of affairs and initial prognoses, it is justified that the financial reporting is prepared on a going concern basis (see chapters Value creation and strategy, Our performance and Financial statements); and



- The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (see chapters Value creation and strategy, Our performance, Our governance and Financial statements).

It should be noted that the above does not imply that these systems and procedures provide absolute assurance to Flow Traders N.V. as to the realisation of financial and strategic business objectives, or that internal risk management and control systems can prevent or detect all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

Amsterdam, 3 March 2022

#### **Management Board**

Dennis Dijkstra, Chief Executive Officer  
 Mike Kuehnel, Chief Financial Officer  
 Britta Achmann, Chief Risk Officer  
 Folkert Joling, Chief Trading Officer  
 Thomas Wolff, Chief Technology Officer

### **Conformity statement**

The Management Board is required to prepare the Annual Accounts and the Annual Report of Flow Traders NV. for each financial year in accordance with applicable Dutch law and those International Financial Reporting Standards (IFRS) that were endorsed by the European Union.

#### **Conformity statement pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht).**

The Management Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The Flow Traders N.V. 2021 Annual Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of Flow Traders N.V. and the enterprises included in the consolidation taken as a whole; and
- the Flow Traders N.V. 2021 Annual Report gives a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2021 of Flow Traders N.V. and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks Flow Traders N.V. is being confronted with.

Amsterdam, 3 March 2022

#### **Management Board**

Dennis Dijkstra, Chief Executive Officer  
 Mike Kuehnel, Chief Financial Officer  
 Britta Achmann, Chief Risk Officer  
 Folkert Joling, Chief Trading Officer  
 Thomas Wolff, Chief Technology Officer



INTERVIEW

“  
The size of individual electronic trades is growing  
”

*How has COVID-19 impacted the credit markets?*

Jasper: “We have seen a significant increase in the number of tickets traded electronically over the past year; in €investment grade (IG), for example, electronic trading is well above 40%. And while high-yield (HY) and emerging market debt (EMD) have a much lower electronic execution rate, we have still seen an uptick in electronification in these areas and expect it to continue to increase. The size of individual electronic trades is also growing; where in the past tickets of €250k–€500k were predominantly executed electronically, now it is not uncommon to see RFQs of €1 million or more.”

*What do you think is the future of credit trading?*

Ramon: “While in the past credit markets could not be compared to other asset classes, this seems to be changing as a consequence of electronification and algorithmic trading driven mainly by market regulation and the penetration of non-bank liquidity providers such as Flow Traders. What has become clear is that we are close to the inflection point of electronification, resulting in more efficient and transparent execution. Looking at the technology developments we have seen over the past 10–15 years in other classes, such as equity index products or FX, we can expect to see similar developments in bond markets.”

Once we are past the inflection point, we expect to see electronic trading volumes developing by at least a multiplier of three, or higher”

*What do you think will be the impact of algo trading on credit markets?*

Matheus: “Applying our advanced algorithms in bond trading has enabled us to absorb all available market information and arrive at the most competitive price. Additionally, it allows us to quote on average within five seconds, leading to more efficient execution. If algo trading continues to increase at this pace, this will lead to a market equilibrium where information is immediately reflected in the price, leading to the best price for the investor.”



**What do you think will be the main driver for dealer selection in the future?**

Ramon: “We foresee that firm/live pricing markets will dominate the credit market. With firm prices being updated virtually every second, we can provide certainty to the investor that ‘what you see is what you get’ and that this is the best possible price reflecting the current market. The buy-side already uses firm prices as a factor but it will become increasingly more important for decision making.”

**What is your view on the type of protocols that will be used in the future?**

Jasper: “We believe all protocols that promote pre-trade transparency and cost efficiencies – such as firm prices, requests for two-way markets, and CLOBs – will increase in volume and importance. We think that two-way markets will also solve some of the concerns the buy-side has around information leakage just as we have seen in ETF markets. Additionally, we believe PT will continue to be an important protocol.”

**Do you think there is room in the market for new bond venues?**

Matheus: “We believe that competition among venues and new platforms has a positive impact on the market in general. It drives innovation, which leads to new trading

**Name:** Ramon Baljé

**Position:** Head of Fixed Income, EMEA

protocols, an increase in electronic execution rates, and a rise in more sophisticated auto-execution mechanisms, as well as driving down direct and indirect execution costs.”

**What are the major benefits of portfolio trading?**

Jasper: “The benefits of PT are certainty of execution, cost savings, and transparency. PT allows end investors to receive a fair and competitive price for all their bonds, including their illiquid ones. In our opinion, the all-or-nothing protocol is one of the more important and innovative concepts in PT. Increasingly, other asset classes within Fixed Income are being used for PT, such as £ credit, as well as large mixed portfolios consisting of rates and credit products. The ETF ecosystem will also add additional liquidity to the credit markets, as a lot of bonds are traded by ETF market makers on the back of their Authorized Participant (AP) activities. As ETFs are used as hedging tools for PTs and they are traded without going to the bond market, such as on exchanges, this means liquidity can also enter the bond market in this way.”

**What are the portfolio trading market developments in Europe and the US?**

Ramon / Matheus: “According to our estimates, PT in Europe has grown from virtually nothing to around €16bn of

**Name:** Matheus Haserick-Lara

**Position:** Managing Director, Head of Trading, US

executed volumes per month in just two years, representing around 6% of total trading in European credit markets. This growth was already evident in the US, and we expect that the increase in executed volumes will continue to grow in both regions to at least 10% of the total market. PT trading is still dominated by IG, but we also see fast growth in HY and EM. We also embrace the initiatives of the venues to automate trading processes. Where in the past PTs were predominantly priced via sheets and negotiated in chats, we now see a clear trend towards electronic methods ways of execution. Additionally, the size of trades has also increased and it is now not uncommon to see trades above €500 million.”

**The Central Securities Depositories Regulation (CSDR) implementation is on everyone’s agenda. How do you think this regulation will impact the market?**

Ramon: “We expect that CSDR will affect liquidity, especially on the offer side. This will increase the importance of dealers, who are providing constant liquidity and who have substantial bond inventories from axes. Past settlement performance and dealer relationships will increase in value for buy-side investors, as the penalties for failing settlements and buy-in risks will be very costly.”

**Name:** Jasper Jansen

**Position:** Head of Fixed Income Trading





# Report of the Supervisory Board

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# Message of the Supervisory Board



**Rudolf Ferscha**  
Chairman of the Supervisory Board

## Message of the Chairman

The primary focus of the Supervisory Board in 2021 was to guide and help prepare the company for significant growth and further extensive development of the business, with the aim of the Company playing a more pro-active role in its expanding ecosystem and leveraging the rapidly-evolving opportunities within the financial-markets landscape.

### Record new talent recruitment

This ambition led to the planning and implementation of successful hiring initiatives at all levels of the organization, and across all regions in which Flow Traders operates.

In 2021, Flow Traders recruited a record number of new team members, with more than 160 hires and multi talent cycles for our Trading Graduate and Technology Graduates, as part of our ambition to continue to foster up and coming talent.

### Experienced new board members

We are delighted to have been welcoming two new and highly experienced additions to Flow Traders' Supervisory Board, Linda Hovius and Ilonka Jankovich. Their collective experience is a real asset to the Supervisory Board as we deepen our expertise and bring in a dynamic mindset to help support the business as it continues to grow.

Importantly, the Management Board was also further strengthened in 2021, with Mike Kuehnel joining as Chief Financial Officer. Mike's broad skill set and extensive professional experience will help the team as it pursues and executes an accelerated strategic agenda.

### Open dialogue at all levels:

Throughout the year the Supervisory Board focused on direct engagement and open dialogue with our people, holding a series of meetings where employees could share their feedback and insights. This included a significant number of sessions held separately from formal Supervisory Board meetings.

These engagement sessions, which were facilitated by several Supervisory Board Members, enabled us to discuss priorities and aspirations with employees from all parts and levels of the organization. The Supervisory Board found the discussions to be extremely useful, and we view them as powerful opportunities to support the business. We want to thank everyone who participated for their open and productive feedback. We are committed to continuing this dialogue, as we believe such opportunities of direct involvement benefit the whole organization and help inform the shaping of our roles on the Supervisory Board.

### The Supervisory Board in 2021

During 2021, the Supervisory Board held a total of 37 meetings across the year. The Supervisory Board held 14 plenary meetings and 20 through its four committees: The Audit committee, the Remuneration and Appointment committee, the Trading and Technology committee, and the Risk committee. The Supervisory Board and its committees continue to operate effectively with competent and diligent members, who bring extensive and broadly diversified experience to the table and ensure we have progressive dialogues on all our key topics.



Throughout the year, the Supervisory Board discussed a wide range of topics including the performance, evaluation and targets of Management Board members, the Supervisory Board's own performance, the remuneration of Management Board members as well as the proposal for a new remuneration policy, strategic investments and projects, succession planning and the talent pipeline on key positions.

The Supervisory Board also sought opportunities to engage with various shareholders, representing a wide range of holding sizes. In addition, several Supervisory Board members undertook direct engagement with proxy advisors in 2021, to engage in open and proactive dialogue on a range of topics, including our talent retention and remuneration philosophy.

During the year the Supervisory Board continued to discuss steps the company is taking to strengthen its environmental, social and governance (ESG) efforts. This includes social responsibility towards the workforce and enabling equal opportunities for all. Flow Traders also carried out the necessary assessments to determine its CO<sub>2</sub> footprint and ensure it remains carbon neutral.

### Looking ahead

Looking ahead, the Supervisory Board aims to intensify its dialogue with key stakeholders and to continue to engage in the timely evaluation of important themes related to the business. It will remain connected to main regulatory, talent, ESG and technology developments to ensure the Supervisory Board can continue to support the business with impact. One important focus area will be the continued development of the company's ESG propositions, as we believe this will improve Flow Traders' relationship with stakeholders and lead to greater transparency.

Other important areas of attention will be supporting the business as it executes the strategy, taking advantage of new opportunities, both organic as well as non-organic, and in building the team which will take Flow Traders to the next level. We will also support the entire organization during the planned investor day in 2022.

On behalf of the Supervisory Board I would like to compliment the Flow Traders team for their exceptional efforts and achievements in 2021. Our gratitude goes out to everyone on our team for their tremendous contributions during a second year operating under highly challenging conditions.

Our culture of informal collaboration, effective communication and rapid innovation, our strengthened leadership team and the tremendous energy and extraordinary talent of our people will allow us to aim even higher in 2022, as we continue to pursue our ambitious goals. This will enable the company to achieve sustainable returns for all of our stakeholders.

*With best regards,*

Rudolf Ferscha

Chairman of the Supervisory Board

3 March 2022



# Supervisory Board report

## Meetings of the Supervisory Board

In 2021 the Supervisory Board members met 13 times to hold formal Supervisory Board meetings and met several times without holding a formal meeting. Examples of meetings without holding a formal meeting include a preparation session for the AGM, education and strategy days and the self-assessment day. During these meetings a number of topics, including the following, were discussed:

### ■ The company's strategy

The Management Board focuses on the long-term value creation of the company and has involved the Supervisory Board in translating this long-term value creation into the company's strategy. The Supervisory Board regularly discusses the strategy, the implementation of the strategy, and any associated risks. During the year, starting in February 2021, the Supervisory Board and the Management Board together discussed the company's strategic direction. Input was also provided into the detailed and thorough review of Flow Traders' capital structure being undertaken by the Management Board which commenced in the latter part of the year. The Supervisory Board agreed on financial and non-financial KPIs of the Management Board, these KPIs are further explained in the chapter on Governance.

### ■ Strategy-associated risks

Reviewing the company's risk assessment processes and the monitoring of the company's internal risk management and control systems remain a priority and joint responsibility of the Supervisory Board and all committees. The assessment comprises an overview of all relevant risks the company is exposed to, the internal

controls in place to address these risks, and the Management Board's views on such risks.

### ■ Succession planning and diversity

The term of Rudolf Ferscha, as Supervisory Board member, expired in 2021. Eric Drok choose not to opt for reappointment during the 2021 AGM, hence succession planning of the Supervisory Board formed an important topic of discussion during the Supervisory Board and Remuneration & Appointment Committee meetings. Eric Drok stepped down from his Chairmanship in March, and the Supervisory Board unanimously appointed Rudolf Ferscha as Chair of the Supervisory Board. Both Ilonka Jankovich and Linda Hovius were appointed as members of the Supervisory Board during the 2021 AGM held on 23 April 2021. Following the transition from four Management Board members to five Management Board members during 2021, the succession planning of the Management Board was also discussed. When discussing succession planning, the company's Equal Opportunity Policy is always taken into account.

### ■ Culture and core values

Culture has always and will always form a very important role within Flow Traders, especially with most employees working from home during 2021 as a result of COVID-19. Culture and the company's core values have been regularly discussed during the Remuneration & Appointment Committee meetings and the Supervisory Board meetings. The Whistleblower Policy and the company's Code of Conduct and the awareness of employees thereof have been discussed during the year.

### ■ New legislation and regulation

The Supervisory Board was regularly updated on and discussed upcoming regulation and implementation of

regulation. This includes the revision of the European capital and remuneration requirements set out in the EU Investment Firm Regulation and EU Investment Firm Directive and the implementation of the Shareholders Rights Directive II. During the Supervisory Board meetings, there were regular updates on specific projects and the company's regulatory capital requirements under CRR and other prime broker capital requirements. The Supervisory Board is fully aligned with the Management Board in continuing to advocate for a level playing field in terms of capital requirements across our global ecosystem.

### ■ Financial results

The Supervisory Board was updated on the company's financial, legal and compliance risks through the Audit Committee and the Risk Committee. Other topics discussed were the annual, half-yearly and quarterly results.

### ■ The company's governance structure and related documentation

Each year the Supervisory Board assesses all of the company's policies, By-Laws and Terms of Reference of each of the committees. In 2021 the By-Laws of the Management Board were reviewed, amended and re-adopted as well as the Terms of Reference of the Audit Committee. The By-Laws of the Supervisory Board and the terms of reference of the Remuneration and Appointment Committee were amended and re-adopted in 2020, the terms of reference of the Risk and Trading & Technology Committee were amended and re-adopted in 2019.



■ **Industry-related updates**

Relevant updates and educations sessions were provided by the heads of specific departments and external advisors. This included updates and education sessions about cybersecurity and new asset classes.

■ **Large investments**

The Management Board explained and discussed any large investments with the Supervisory Board.

■ **Remuneration and variable compensation of Management Board and employees**

The Remuneration & Appointment Committee updated the Supervisory Board on remuneration and variable compensation plans for both employees and the Management Board. Succession planning for both the Management Board and the Supervisory Board was regularly discussed during the meetings.

■ **The Internal Audit Function**

The recommendations of the Internal Audit Function, the functioning of the Internal Audit Function and the progress on the Internal Audit Plan 2021 have been discussed and followed up during 2021.

■ **Attendance Supervisory Board**

The table on the right shows the attendance record of the Supervisory Board members of the Supervisory Board Meetings and the various committee meetings. The attendance is shown as number of meetings attended out of the total number of meetings held. The Management Board also attended each meeting in full or in part. Due to the COVID-19 measures and the corresponding travel restrictions, most of the meetings were held via conference call. The Supervisory Board meetings achieved an average attendance rate of 98.6%.

	Supervisory Board	Audit Committee	Remuneration & Appointment Committee	Risk Committee	Trading & Technology Committee
Eric Drok*	10/10	4/4	4/4	2/2	2/2
Olivier Bisselier	14/14	6/6	-	4/4	3/3
Rudolf Ferscha	14/14	2/2	7/7	4/4	3/3
Roger Hodenius	13/14	-	7/7	4/4	3/3
Jan van Kuijk	14/14	6/6	7/7	4/4	3/3
Linda Hovius**	4/4		3/3	2/2	1/1
Ilonka Jankovich**	4/4	1/1	-	2/2	1/1

\* Eric Drok chose not to stand for reappointment during the AGM held on 23 April 2021.

\*\* Linda Hovius and Ilonka Jankovich were appointed in the AGM held on 23 April 2021 and started to attend the meetings thereafter.

**Evaluation of the Supervisory Board**

The Supervisory Board discussed the outcome of the self-assessment of 2020, and the follow-up on conclusions of that self-assessment. As a result of the conclusions of the assessment, the Supervisory Board continued the initiative launched in 2018 to host a dedicated Strategy Day, even though the set-up has changed during the COVID-19 pandemic. Additionally, the Supervisory Board ensured a clear link between the company KPI's and its strategy. In 2021, the Supervisory Board also reviewed its own performance using a combination of an electronic survey and a group discussion. Using the same questionnaire year over year enabled comparisons with last year's results. Compared to 2021, the Supervisory Board concluded that it has continued to function well. Specific items for follow up that arose this year included continued focus on strategy, the composition of the Supervisory Board and in-depth knowledge of the business of Flow Traders and its regulatory environment.

The Supervisory Board's self-assessment includes an independence-assessment. The independence assessment

in 2021 was led by Rudolf Ferscha as independent Chair of the Supervisory Board and Linda Hovius as independent Chair of the Remuneration and Appointment Committee. Following the assessment, the Supervisory Board confirmed the independence of the board members Olivier Bisselier, Rudolf Ferscha and Linda Hovius and Ilonka Jankovich. Roger Hodenius and Jan van Kuijk were considered non-independent Supervisory Board members. For additional information, please refer to the chapter Our governance.

**Evaluation of the Management Board**

The performance of the CEO is discussed at least two times a year between two Supervisory Board members. The performance of the CRO, CTrO, CFO and the CTO are discussed at least twice a year between a Supervisory Board member and the CEO. During performance discussions, the representatives speak with the Management Board members individually and with the Management Board as a whole. Guiding structures for these conversations include the Management Board KPI overview, the strategic project goals set for 2021, culture and team performance. Based on



these discussions the Remuneration and Appointment Committee provides feedback regarding its view on the Management Board’s performance to the Supervisory Board, to guide year-end discussions on variable rewards.

**Profile of the Supervisory Board**

The Supervisory Board Profile provides that the qualifications of a particular candidate and fit with the company’s needs shall always prevail when filling a position. When selecting members, the Supervisory Board aims for a balance in nationality, gender, age, experience, and active or retired backgrounds. In addition, balance in the experience and affinity with the nature and culture of the business of the company will be sought. The Supervisory Board strives to realize a diverse composition in the nomination and appointment process for vacancies, while taking into account the overall profile and selection criteria for appointments of suitable candidates to the Supervisory Board. As such, diversity, including gender-related, is an important consideration in the selection process for the (re) appointment of Supervisory Board members. The Supervisory Board Profile can be found on our website: [www.flowtraders.com](http://www.flowtraders.com).

**Training and Induction**

Our new Supervisory Board members, Linda Hovius and Ilonka Jankovich, were provided with an induction program, including presentations from Management Board and Global Heads. The training also included modules that are part of the Flow Academy and available for all employees, such as trading for non-traders. The Supervisory Board members are trained on a regular basis on the landscape that Flow Traders operate in. In 2021, the education day held for the Supervisory Board focused on the various aspects of Digital Asset trading.

**Equal Opportunity Policy (Diversity Policy)**

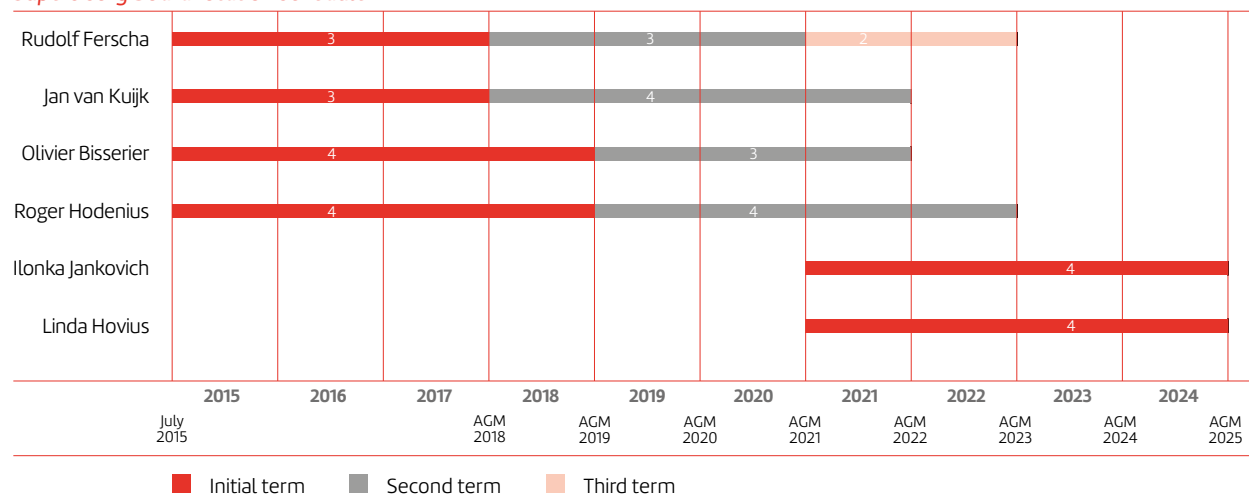
The company has an Equal Opportunity Policy in place. In this policy we explain our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. We are committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. We are a firm believer in the benefits of a diverse workplace and we do not make any concessions to quality. Our objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all of our employees, provided they perform highly. When positions become available, we actively encourage all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and employees. This also holds for our Management Board and Supervisory Board. When it comes to diversity in the Supervisory Board and the Management Board, we adhere to the same principles of equal opportunity as set out above. As a result, our current Supervisory Board is diverse in terms of, inter alia, age,

education, nationality, and professional backgrounds. Our Equal Opportunity Policy can be found on our website [www.flowtraders.com](http://www.flowtraders.com).

**Succession planning**

Until 10 September 2021, the Management Board consisted of four members. During the EGM held on 10 September 2021, shareholders voted in favor of the appointment of Mike Kuehnel as member of the Management Board and Chief Financial Officer of the company. The full size and composition of the Management Board was discussed regularly during 2021. Our Equal Opportunity Policy was an important topic during these discussions. Eric Drok choose not to opt for reappointment after the end of his mandate in 2021 and Rudolf Ferscha replaced him as Chair of the Supervisory Board and was reappointed at the AGM in 2021 together with the appointments of Linda Hovius and Ilonka Jankovich. The figure in the middle column shows the terms of (re)appointment for all Supervisory Board members.

**Supervisory Board rotation schedule**







### Independence of the Supervisory Board

The Chair of the Supervisory Board is not a former member of the company's Management Board and is independent within the meaning of best practice provision 2.1.8 of the Corporate Governance Code. Supervisory Board members Jan van Kuijk and Roger Hodenius do not qualify as independent under the provisions of the Corporate Governance Code as they, as founders of Flow Traders, are former members of the company's Management Board and represent shareholders of the company.

### Committees

The Supervisory Board has four committees: the Audit Committee, the Remuneration & Appointment Committee, the Trading & Technology Committee, and the Risk Committee. Each committee has a preparatory and/or advisory role to the Supervisory Board and reports to the Supervisory Board accordingly. The Chairs of the Audit Committee, Remuneration & Appointment Committee and the Risk Committee all qualify as independent under the provisions of the Corporate Governance Code. The Trading & Technology Committee and the Risk Committee were established to cater for the monitoring of and advising on specific business related topics and reflect our business model of focusing on pricing, cutting-edge technology platform and risk management. The Trading & Technology Committee is chaired by the one of the founders and former Management Board member of the company. For more information on the responsibilities of our committees, please refer to the chapter Governance.

With Erik Drok stepping down as a supervisory board member as of the AGM on 23 April 2021 and the subsequent appointments of Linda Hovius and Ilonka Jankovich as new supervisory board members, the committees were also

changed to reflect the new appointments. The supervisory board resolved to amend the composition of the committees as follows with effect from 1 September 2021:

Audit Committee	Remuneration & Appointment Committee	Risk Committee	Trading & Technology Committee
Olivier Bisselier (Chair)	Linda Hovius (Chair)	Olivier Bisselier (Chair)	Jan van Kuijk (Chair)
Rudolf Ferscha	Rudolf Ferscha	Rudolf Ferscha	Rudolf Ferscha
Jan van Kuijk	Jan van Kuijk	Jan van Kuijk	Olivier Bisselier
Ilonka Jankovich	Roger Hodenius	Roger Hodenius	Roger Hodenius
		Ilonka Jankovich	Ilonka Jankovich
		Linda Hovius	Linda Hovius

The committees report to the Supervisory Board by sharing their advice and recommendations during the Supervisory Board meetings and by providing an update of the deliberations during the Supervisory Board meetings.

#### Audit Committee

The Audit Committee met six times in 2021, with each meeting fully attended. Other attendees included the CEO, the CFO and other members of the Finance team, the Global Head of Internal Audit, who had a standing invitation to each meeting, and the external auditor.

During these meetings, the Audit Committee discussed the annual results, the half-yearly results and the quarterly results and shared the items discussed with the Supervisory Board. Other topics discussed reviewing significant new and proposed legislative initiatives related to accounting, auditing and financial reporting, tax planning, tax strategy and monitoring, assessing whether there were significant deficiencies and material weaknesses in internal control

over financial reporting, the company's financing strategy and capital management policy (including dividend proposals), assessing the company's compliance with rules and regulations (including among others, CRR and IFR/IFD), the company's Code of Conduct and the methods used to assess the effectiveness of the internal and external audit processes. The company's external auditor, Ernst & Young Accountants LLP (EY), attended all meetings. Topics discussed with the external auditor included the financial statements over the financial year 2020, recommendations on the basis of the annual report, their audit plan for the financial year 2021 and their interim review report. The Audit Committee reviewed the management letter and recommendations included in the auditor's report, as issued by the external auditor and discussed the actions taken by management to address any recommendations and observations. The Audit Committee evaluates the performance of the external auditor and discusses this with the Supervisory Board and subsequently with the external auditor. In light of this, the Audit Committee advised the



Supervisory Board about the reappointment of the external auditor, before the Supervisory Board determines its nomination for the appointment of the external auditor to the General Meeting Of 2021. Given the nature of our business, the application of information and communication technology by the company, including risks relating to cyber security, are discussed in detail in the Trading & Technology Committee. Subsequently, key items in respect of these items are also discussed in the Audit Committee.

### External auditor

The Audit Committee and the Management Board reported to the Supervisory Board on EY's functioning as the external auditor, the company's relationship with the external auditor, on its fees, as well as on other audit and non-audit services it provided to the company. EY performed a review of the company's interim financial statements and issued an unqualified review report. The Audit Committee evaluated the qualifications, performance and independence of EY, taking into account the opinions of the Management Board. The Audit Committee also obtained a report from the external auditor regarding, among other topics, its internal quality control procedures. EY confirmed its independence from Flow Traders in accordance with the professional standards applicable to it. Based on the information provided by the Audit Committee, the Supervisory Board nominated EY as external auditor at the company's General Meeting in 2021. Subsequently, EY was reappointed by the General Meeting as external auditor for the financial year 2021.

### Internal audit function

The Internal Audit Function (IAF) executed audits that form part of the internal audit plan, approved by the Supervisory Board. On 25 January 2021, a new Global Head of Internal Audit started his role at Flow Traders. Focus areas in this audit plan of 2021 included, the resilience of our trading systems and controls, IT tools and adherence to regulatory requirements, among others. The Audit Committee and the Global Head of Internal Audit discussed the audit results from 2020 (findings, observations, recommendations, management feedback and follow-up). The IAF also delivered an updated Internal Audit Charter as well as an updated audit plan for 2022. The Audit Committee maintains regular dialogue with the IAF, particularly in relation to

ongoing internal audit items being conducted. More information can be found in the chapter Governance.

### Remuneration & Appointment Committee

The Remuneration & Appointment Committee met seven times in 2021, with each meeting fully attended. Other attendees to the meetings included the CEO and the Global Head of HRM & Recruitment. During the meetings the Remuneration & Appointment Committee discussed the company's culture in general including feedback on an employee engagement survey, the General Remuneration Policy, and drafted proposals to the Supervisory Board for the remuneration practices to be pursued for the Management Board and staff of the company. It also discussed and further outlined proposals for the remuneration of the individual members of the Management Board for adoption by the Supervisory Board. The size, composition, functioning and succession planning of the Supervisory Board and Management Board was reviewed and findings reported to the Supervisory Board. Other duties included the monitoring of developments of the Corporate Governance Code and regulations in relation to remuneration policies and the preparation of the Remuneration Report.

Before determining the remuneration of the Management Board members, the Remuneration & Appointment Committee took note of the individual Management Board members' views with regard to the amount and structure of their own remuneration.

### Trading & Technology Committee

The Trading & Technology Committee met three times in 2021, with each meeting fully attended. As the core business of the company is discussed in this committee, all of the



Supervisory Board members are members of the Trading & Technology Committee. The committee addresses trading topics such as, but not limited to, the general market conditions, the (relative) performance of the trading desks across the various regions Flow Traders operates in, Flow Traders' focus areas and growth strategies. Competitiveness, infrastructure and trading relationships, innovation and (cyber-) security were the main technology topics discussed during the year.

### **Risk Committee**

The Risk Committee met four times in 2021, with each meeting fully attended. Invitees of the meeting were the Management Board members, a new global head of Risk and relevant others. The main focus in the meetings was the Management Board's risk assessment. The attendees discussed in detail the relevant risks the company is exposed to, the internal controls in place to address these risks, the Management Board's views on such risks, as well as the effectiveness of the design and operation of the internal risk management and control system. The committee has discussed the way material risks and uncertainties have been analyzed and discussed, the ICAAP and the Capital Requirement Regulation as well as the IFR/IFD regulation were also topics of discussion. More information can be found in the chapter Governance.

## **Financial statements and dividend**

The 2021 financial statements were prepared by the Management Board. They were discussed both with the Audit Committee and the Supervisory Board, in attendance of EY. The financial statements were audited by EY, who issued an unqualified auditor's report. Reference is made to the auditor's report on page 165 of the financial statements. The Supervisory Board approved the financial statements as audited by EY, including the company's dividend proposal. We invite the General Meeting to:

- adopt the financial statements for 2021;
- adopt the dividend proposal as proposed by the Management Board and approved by the Supervisory Board; and
- discharge the Management Board for their management and the Supervisory Board for its supervision of the company in the financial year under review.

Information on the remuneration of the Management Board members can be found in the chapter Remuneration.

## **Thank you**

Finally, the Supervisory Board would like to thank the members of the Management Board and all of Flow Traders' employees for their tireless efforts and exceptional flexibility during the past year.

Amsterdam, 3 March 2022

Rudolf Ferscha  
Jan van Kuijk  
Olivier Bisselier  
Roger Hodenius  
Linda Hovius  
Ilonka Jankovich



# Remuneration report

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# Remuneration report

## The Remuneration & Appointment Committee

The key objective of the Remuneration Committee is to advise the Supervisory Board on the design and execution of the remuneration policy and to ensure that the decision making is in line with the remuneration policy, Flow Traders performance and strategic priorities. Further, during the year, the Committee engaged in a comprehensive consultation with stakeholders regarding the current remuneration policy. Based on this consultation, an updated remuneration policy will be submitted for shareholder approval at our 2022 AGM.



Chair  
**Linda Hovius**

### Members

- Rudolf Ferscha**
- Jan van Kuijk**
- Roger Hodenius**

The committee held 6 formal meetings in 2021 and each meeting had full attendance.

### 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 2021 and establishing their individual key performance indicators for 2022
- Preparing the annual remuneration report





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

### Dear shareholder,

On behalf of the Remuneration & Appointment Committee, I am pleased to present our 2021 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 2021 in accordance with this policy. The full remuneration policy has been published on our website [www.flowtraders.com](http://www.flowtraders.com). The remuneration report reflects the reporting requirements originating from the updated EU Shareholder Rights Directive and the Dutch implementation of this Directive.

In addition, this report details our proposed updates to our policy we will submit to the 2022 AGM. As a growing organization, Flow Traders' revised policy has been proposed following an extensive dialogue with various stakeholders, peer analysis and the need to create a policy to continue to be able to retain and attract talent of the highest caliber.

## Company performance and progress

Market conditions in 2021 were more stable compared to 2020. Volatility, as measured by the VIX index, averaged at 19.88 (2020: 29.49), with a high of 37.51 (2020: 85.47). Nevertheless, 2021 was a successful year for Flow Traders. Total value traded in 2021 amounted to €5.7 trillion (2020: €5.2 trillion); of which, €1.54 trillion was traded in ETPs (2020: €1.52 trillion). In terms of Net Traded Income (NTI), we experienced a highly successful year with NTI reaching €384 million. This is the second highest NTI result in Flow Traders' history after 2020.

On the cost side, we continued to maintain a firm discipline with fixed operating expenses amounting to €122.1 million in 2021 (2020: €118.6 million), which is within the cost guidance provided in the beginning of 2021. We saw an increase in FTEs to 613 as of 31 December 2021 compared to 554 on 31 December 2020. Despite this increase, variable employee expenses saw a significant decrease to €102.5 million in 2021 (2020: €228.1 million), reflecting the reduced variable remuneration pool. In light of the reduced top line compared to 2020 and, as a result, reduced operational leverage, net profit amounted to €114.9 million (2020: €464.5 million), while EBITDA achieved in 2021 is €159.4 million (2020: €586.6 million), with an EBITDA margin of 41%.

The wellbeing of our people has continued to be a point of focus throughout 2021. We have continued to facilitate working from home for the majority of our staff. As the pandemic evolved, we welcomed many of our colleagues back into our offices, with many adopting a hybrid working model. Further, Flow Traders opened a new office in Paris during 2021.

## Remuneration in 2021

The Supervisory Board, in close consultation with, and supported by, the Management Board has decided that the 2021 firm-wide variable remuneration pool will be €83.3 million<sup>1</sup>, corresponding to 35% of the operating result in 2021. The Supervisory Board has also determined the 2021 variable remuneration awards to the members of the Management Board, upon the proposal of the Remuneration Committee, in accordance with the remuneration policy adopted at the 2016 AGM, while also considering the new policy proposed at the 2022 AGM. The performance of the Management Board has been reviewed against their individual KPI scorecards, which cover both quantitative and qualitative targets. Following extensive considerations and thorough review of the performance of each member of the Management Board, we have decided that 6.1% of the variable remuneration pool shall be allocated to the Management Board. This is what we believe is a fair allocation and aligns with our long-standing company philosophy of sharing our profits and creating equal opportunities to share in both success and risk, followed since we were founded and has contributed to the success Flow Traders has achieved. This approach provides a relatively modest base salary, no benefits and a profit share that directly reflects company performance – therefore varying considerably in successful and less successful financial years.

<sup>1</sup> Amended on 18 March 2022 to €83.3m from €88.3m as previously stated





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

- We believe in rewarding for performance. 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 a significant portion 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 will be forfeited and used to cover this loss.
- We share our profits fairly with our shareholders and employees. Although individual award levels for members of the Management Board may be considered substantial, the other employees are paid from the same variable remuneration pool and equally benefit from the company's performance.

## Activities of the Committee in 2021

In 2021, we put forward our revised remuneration policies for both the Management Board and Supervisory Board (binding vote) and our 2020 remuneration report (advisory vote) for the AGM's approval. The remuneration policy for the Supervisory Board was approved by over 97% of shareholders, while 66% of shareholders voted in favor of the remuneration report. The revised policy for the Management Board was approved by 67% of our shareholders and therefore did not obtain the required 75% majority vote from 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 all aspects of remuneration. As the remuneration policy for the Management Board did not receive the required 75% vote at the 2021 AGM and a minority of shareholders voted against our remuneration report at the 2021 AGM, the Committee conducted consultations with those shareholders and proxy advisors to see whether we could further align our remuneration practices to shareholder expectations.

We recognize the evolution of the corporate governance landscape in recent years. We believe that the principles that underlie our approach remain relevant. We align employee pay, including the Management Board, with the interests of shareholders and our financial performance. We aim to pay levels of total pay that are competitive with our predominantly international, and in many cases privately-owned, competitors and design our remuneration structures to encourage all our employees to stay with us for the longer term. To summarize, in light of the feedback

“We take our stakeholder's views very seriously and welcome an open dialogue with on all aspects of remuneration.”

we have received, we have enhanced the disclosure around individual KPIs and vesting schedule of deferred awards in our 2021 remuneration report, and we have further discussed the Management Board's remuneration policy proposed at the 2021 AGM to see where we can further align with shareholders expectations. We summarize the main feedback provided, 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 significant part of any variable remuneration award (62.5%) for a multi-year period (up to 4 years). A significant part (50%) of the variable remuneration is paid out in equity and subject to a holding period of one year after 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 Management Board members to retain 50% of the shares granted as part of remuneration (after tax) until end of employment.
- We have further enhanced our disclosure practices in the 2021 remuneration report, with the aim to better explain the design of our remuneration policy and in particular the working of our variable remuneration plan, including better disclosure around individual KPI scorecards, and deferral and vesting schedule for each member of the Management Board.

**Variable compensation 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. The total variable remuneration pool available for all employees (including the Management Board) is capped at a maximum of 35% of operating result. In addition to this proposed change at the 2021 AGM, we propose to also introduce hard cap on Management Board individual variable remuneration award levels of 20 times versus the average employee variable remuneration awards levels.
- This translates to a hard cap of €4,066,000 on variable remuneration for each member of the Management Board in 2021. 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 working of our variable remuneration plan.

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

- Following shareholder feedback, we will propose to introduce a KPI scorecard for each member of the Management Board with both financial and non-financial performance measures. The financial measures will ensure that any remuneration awarded considers multiple aspects of financial performance and not just operating profit, while non-financial measures will be selected to ensure sustained long-term performance.
- We have restructured our remuneration report, with the aim to better explain the working of our variable remuneration plan. We have included more details on the working, dynamics, key performance indicators and performance outcomes of the Management Board member's individual KPIs.
- We believe that these changes will increase transparency and certainty for shareholders and the Management Board.

On behalf of the Committee, I thank all shareholders for the constructive feedback and are looking forward to continuing our dialogue in 2022.

Linda Hovius

Chair of the Remuneration & Appointment Committee

3 March 2022



## 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 organization.

### *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 organization.

### *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> <li>■ As permitted by the remuneration policy, variable remuneration of Management Board members is voluntarily capped at a multiple of the average employee 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>■ A significant part of any variable remuneration award is made in equity.</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 clawback provisions are comprehensive, irreversible and substantially exceed industry standards and regulatory requirements.</li> </ul>
<b>Stimulating share ownership</b>	<ul style="list-style-type: none"> <li>■ A significant part of any variable remuneration award is made in equity.</li> <li>■ We encourage our Management Board members to retain a substantial part of equity granted as part of remuneration.</li> </ul>

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



## Our contribution to society

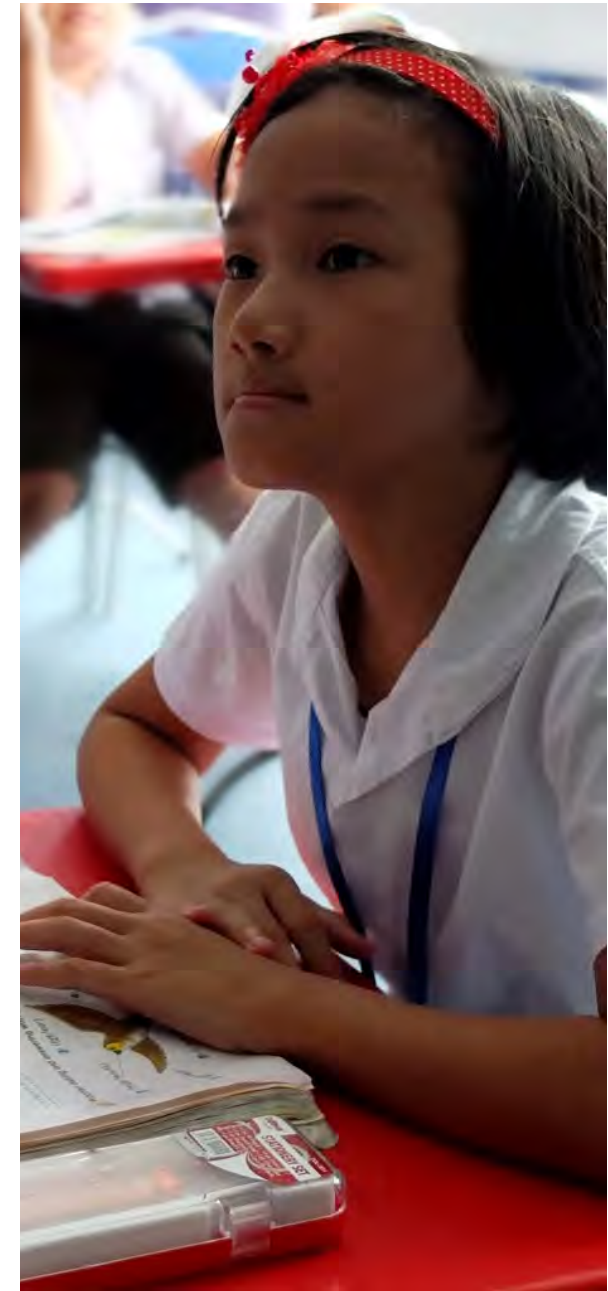
We are committed to our broader responsibility to society over and above our provision of liquidity and market making services globally (ensuring global markets keep functioning under all circumstances) and are vocal proponents of fair markets and fair taxation. With this in mind, we have always steered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

In 2021, Flow Traders' equity with a value of €2.0 million (2020: €6.0 million) and a cash donation €0.5 million were transferred to the Foundation. These transfers have already been accrued for in 2020. Further, we have committed to donate a further €0.4 million in 2022. In addition, in 2021, we contributed a total value of €0.6 million (2020: €0.2 million) to the Flow Traders Foundation in relation to the right to appoint charities which the Foundation supports.

## 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 remuneration policy (subject to shareholder approval at the 2022 AGM). We have highlighted the main changes. The full proposed policy will be published in combination with our 2022 AGM convening notice on our website.





**FIXED REMUNERATION**

Element	Current policy (2016)	Proposed policy (subject to 2022 AGM approval)	Rationale for change
Base salary	Relatively modest base salary	Relatively modest base salary	No proposed changes

**VARIABLE REMUNERATION**

Element	Current policy (2016)	Proposed policy (subject to 2022 AGM approval)	Rationale for change
Maximum variable pay	<ul style="list-style-type: none"> <li>Management Board members 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>Management Board members 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 – minus applicable adjustments – over the performance year is available for variable remuneration</li> </ul>	Further to shareholder feedback, we have reduced the maximum pool size from 40% to 35% of Flow Traders' operational profit
Management Board variable pay cap	<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 capped at a maximum of 35% of the operating profit</li> <li>Variable remuneration for any Management Board member is capped at 20 times the average employee variable remuneration. Any amount above this cap is forfeited. The remuneration of each Management Board member and average employee will be calculated in accordance with the recommendations of the Dutch Monitoring Commission. In accordance with the aforementioned, the hard cap on variable remuneration for each Management Board member in 2021 corresponds to €4,066,000.</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 shareholders concerns in our policy by introducing a hard cap on individual variable remuneration pay-outs of Management Board members versus the average employee.</p> <p>The proposed cap ensures that our total remuneration levels are competitive with the industry we operate in, while addressing shareholder concerns around uncapped variable remuneration approach.</p>





**VARIABLE REMUNERATION**

Element	Current policy (2016)	Proposed policy (subject to 2022 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>Management Board member's individual performance on individual KPIs can have an upwards or downwards impact on the award size in case of overperformance or underperformance</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>Management Board members' individual performance will be assessed against a KPI scorecard with both short-term and long-term targets. The KPI scorecard along with performance against targets will be disclosed in the annual remuneration report</li> <li>Management Board member's individual performance on individual KPIs can have an upwards or downwards impact on the award size in case of overperformance or underperformance</li> </ul>	<p>To further align our remuneration policy with shareholder expectations, we will assess each Management Board member's individual performance against a specific KPI scorecard and disclose their performance against these in the annual remuneration report.</p> <p>The proposed change is a further enhancement of what we proposed in 2021.</p>
<b>Deferral and vesting</b>	<ul style="list-style-type: none"> <li>Variable remuneration is paid out fully in cash</li> <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 period up to four years</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> <p>Furthermore, the deferral provisions are designed to encourage retention as deferred awards do not give rise to any immediate entitlement.</p>



**VARIABLE REMUNERATION**

Element	Current policy (2016)	Proposed policy (subject to 2022 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>	<p>No proposed changes, however, we have clarified the risk mitigating provisions in our policy</p>



**BENEFITS**

Element	Current policy (2016)	Proposed policy (subject to 2022 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**

Element	Current policy (2016)	Proposed policy (subject to 2022 AGM approval)	Rationale for change
<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>	<p>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 and promotes alignment to the long-term interests of Flow Traders and its shareholders</p> <p>To further emphasize confidence in the strategy and performance of Flow Traders, we have enhanced our proposed policy in 2021 by introducing shareholding guidelines for the Management Board</p>
<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 2021.

### Total remuneration

The table below shows the total remuneration awarded to the individual members of the Management Board in 2021.

### 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 overperformance 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 second reference.

### TOTAL REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD in thousands of euro

Name of Director, position (start/end)	Fixed remuneration						Variable remuneration				Extraordinary items		Pension scheme		Total remuneration		Proportional split (%) of remuneration in fixed/variable		
	Base salary (€)		Fees		Other benefits		Cash		Company share-like instruments <sup>1</sup>		2021	2020	2021	2020	2021	2020	2021	2020	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020									
Dennis Dijkstra, CEO (2014 -)	95	95	-	-	-	-	725	3,850	725	3,850	-	-	-	-	1,545	7,795	6%:94%	1%:99%	
Folkert Joling, CTrO (2018 -)	95	95	-	-	-	-	725	3,850	725	3,850	8 <sup>2</sup>	8 <sup>2</sup>	-	-	1,553	7,803	6%:94%	1%:99%	
Thomas Wolff, CTO (2018 -)	95	95	-	-	-	-	400	1,925	400	1,925	8 <sup>2</sup>	8 <sup>2</sup>	-	-	903	3,953	10%:90%	2%:98%	
Britta Achmann, CRO (2020 -)	200	183 <sup>3</sup>	-	-	-	-	188	963	188	963	97 <sup>4</sup>	175 <sup>4</sup>	-	-	672	2,283	30%:70%	8%:92%	
Mike Kuehnel, CFO (2021 -) <sup>5</sup>	40	-	-	-	-	-	500	-	500	-	-	-	-	-	-	1,040	-	4%:96%	-

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

<sup>2</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.

<sup>3</sup> Britta Achmann joined the Flow Traders on 1 February, 2020.

<sup>4</sup> Expense recognized in respective years for sign-on share award awarded to Britta Achmann in 2020. The share award will vest over a four-year period. No additional award was made in 2021.

<sup>5</sup> Mike Kuehnel was appointed to the Management Board as CFO on 10 September 2021 and joined Flow Traders on 1 August 2021. His base salary for 2021 is pro-rated for time served.



### Base salary

None of the current members of the Management Board received any base salary increases during 2021. As such, the Chief Executive Officer, Chief Trading Officer and Chief Technology Officer continue to receive an annual base salary of €94,608, while the Chief Risk Officer receives an annual base salary of €200,000. Mike Kuehnel was appointed as the Chief Financial Officer on 10 September 2021 with an annual base salary of €94,608.

### 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 highest caliber.

### Total Management Board Remuneration

■ The more normalized conditions led to lower top line in 2021 than 2020. We maintained a disciplined approach towards the cost side with the costs remaining within the guidance provided at the beginning of 2021. As a result, we achieved a strong EBITDA in 2021 of €159.4 million (2020: €586.6 million). While we saw a reduction in the operational profit, 2021 was a successful year for Flow Traders. The Net Trading Income (NTI) achieved was the second highest in our history and we made significant progress in terms of executing our strategic growth agenda with the expansion into single bond market, broadening and deepening our digital assets and completing several strategic investments.

■ The more normalized market conditions and reduced operational profit translated into a significantly smaller variable remuneration pool in 2021 compared to 2020. The firm-wide variable remuneration pool in 2021 is 35% of the operating profit. The Management Board has been awarded 6.1% of the variable remuneration pool in 2021.

■ In line with the proposed cap on variable remuneration in the 2022 remuneration policy, the hard cap on variable remuneration for each Management Board member in 2021 is €4,066,000. The cap is based on average employee pay of €203,300, calculated according to the recommendation of the Dutch Monitoring Commission.

As shown below, variable remuneration for the Management Board saw a significant reduction in 2021 in comparison to 2020. Despite the reduction, performance-based variable remuneration continues to be the key driver of compensation for the Management Board.

### TOTAL REMUNERATION OF DIRECTORS

Name of Director	Total cash award 2021 (€)	Total share-based award 2021 (€)	Cash to be paid in 2022 (€)	Share-like instruments to vest in 2022 (€)	Cash to be paid in 2023 (€)	Share-like instruments to vest in 2023 (€)	Share-like instruments to vest in 2024 (€)	Share-like instruments to vest in 2025 (€)	Share-like instruments to vest in 2026 (€)
Dennis Dijkstra, CEO	725,000	725,000	362,500	-	362,500	181,250	181,250	181,250	181,250
Folkert Joling, CTrO	725,000	725,000	362,500	-	362,500	181,250	181,250	181,250	181,250
Thomas Wolff, CTO	400,000	400,000	200,000	-	200,000	100,000	100,000	100,000	100,000
Britta Achmann, CRO <sup>2</sup>	187,500	187,500	93,750	-	93,750	46,875	46,875	46,875	46,875
Mike Kuehnel, CFO <sup>1</sup>	500,000	500,000	250,000	-	250,000	125,000	125,000	125,000	125,000
<b>Total</b>	<b>2,537,500</b>	<b>2,537,500</b>	<b>1,268,750</b>		<b>1,268,750</b>	<b>634,375</b>	<b>634,375</b>	<b>634,375</b>	<b>634,375</b>

<sup>1</sup> The above award includes the minimum first year guaranteed variable compensation with the award terms outlined in the 2021 EGM Convening Notice and approved by shareholders at the 2021 EGM.

<sup>2</sup> The variable remuneration award does not include the portion of the sign-on bonus awarded in 2020 that vested in 2021.



### Deferral and vesting

To ensure that the variable remuneration award of the Management Board is aligned with long-term value creation and shareholder experience, the Supervisory Board has decided to defer 50% of the 2021 award of the Management Board into share-like instruments. The remaining 50% is settled in cash, paid in 2022 and 2023. As shareholders have not approved awarding 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 Flow Traders' share price development from time of grant to vesting. Further, any outstanding variable remuneration (deferred or unvested) is at risk of being reduced or forfeited if Flow Traders incurs an operating loss. All equity-based awards are subject to a holding period of one year after vesting.

### 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. 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, product diversification and P/E ratio, and non-financial but quantifiable KPIs on operational performance, strategic agenda setting, organization development and role modeling desired leadership behaviors.

### 2. 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.

### 3. 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



**Age:** 50  
**Education:** Masters degree in Business Economics from the University of Amsterdam  
**Flow Traders Tenure:** 13

As the CEO, Dennis Dijkstra plays a pivotal role in shaping the company’s strategy. He also leads our Institutional Trading, HR, Recruitment and Corporate Staff 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 in further defining and progressing on the firm’s strategic agenda in light of growing opportunities across the broader global financial market infrastructure ecosystem. In this context, Dennis has made valuable contributions in advancing with an improved structure for a transparent monitoring and an accelerated execution of the firm’s strategy. Moreover, he performed strongly in developing and maintaining external relationships and in inspiring the organization with his passion and drive for excellence.

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 sharing these.

KPIs	Description/measurement
<b>Role modeling</b>	Drive for excellence, accountability, teamwork, integrity
<b>Leadership</b>	Building high performance MB and GMT, inspiring organization
<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



**Age:** 42  
**Education:** Masters degree in Applied Mathematics from Twente University  
**Flow Traders Tenure:** 16

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 Folkert’s continued dedication and focus on further advancing the firm’s diversification strategy across all existing and emerging asset classes and geographies. He has introduced an increased rigor and structure to the trading operation, which has significantly helped to further excel on the execution of all underlying business plans, thereby building out the firm’s foundation for continued growth. Moreover, he contributed strongly to overall strategy development and is a highly valued leader for the trading organization.

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 sharing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, continuous improvement, drive, integrity, accountability
<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 in e.g. FI and Crypto
<b>Continuous improvement</b>	Optimizing set up and trading organization



**THOMAS WOLFF, CHIEF TECHNOLOGY OFFICER**



**Age:** 42  
**Education:** Applied science degree from FOM Hochschule Frankfurt a.M.  
**Flow Traders Tenure:** 13

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 Thomas’ continued focus on further building the firm’s Technology suite and operations, thereby also improving the firm’s resilience and reliability across all key systems and applications globally. Thomas’ contributions have also significantly helped the organization to align on the firm’s most relevant mid- to long-term priorities as a basis for a dedicated Technology development roadmap that will support the growth of the company going forward. Moreover, he is highly valued for his deep expertise and committed leadership.

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 sharing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, continuous improvement, drive, integrity, accountability
<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:** 50  
**Education:** MBA from Carnegie Mellon University Pittsburg  
**Flow Traders Tenure:** 2

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

In determining her variable remuneration, the Remuneration & Appointment Committee took into account Britta’s continued contributions in further defining and implementing a dedicated risk control framework across the firm. In this context, Britta also continued to focus on building her global team, particularly through additional senior hires to systematically strengthen the firm’s risk and compliance capabilities across all regions.

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 sharing these.

KPIs	Description/measurement
<b>Role modeling</b>	Team building, continuous improvement, drive, integrity, accountability
<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 Organizational efficiency</b>	Automation, settlement rates, staffing
<b>Regulatory adherence</b>	Compliance to relevant regulation, incident management



**MIKE KUEHNEL, CHIEF FINANCIAL OFFICER**



**Age:** 44  
**Education:** MBA in Accounting and Finance from University of Chicago  
**Flow Traders Tenure:** 1

Mike is responsible for overseeing Finance & Tax alongside Strategy, M&A and Investor Relations.

In determining his variable remuneration, the Remuneration & Appointment Committee took into account Mike’s dedication and focus on assessing and advancing on the formulation of the firm’s existing strategy and related broader ecosystem approach. Mike’s experiences helped the firm to also advance on its equity story and the related communication towards external stakeholders.

In this context, Mike’s contributions helped to accelerate the firm’s execution of its strategic priorities to further spur the company’s growth and the Committee is pleased to recognize Mike’s demonstrated ability to integrate effectively into the business quickly. He is highly valued for his inspiring leadership and drive for excellence.

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

KPIs	Description/measurement
<b>Role modeling</b>	Team building, continuous improvement, drive, integrity, accountability
<b>Strategy Leadership</b>	Driving and communicating the strategic agenda
<b>Shareholder Engagement</b>	Equity Story development
<b>M&amp;A Agenda</b>	Development of processes and capabilities
<b>Company performance</b>	Cost development, Balance sheet management, P/E ratio



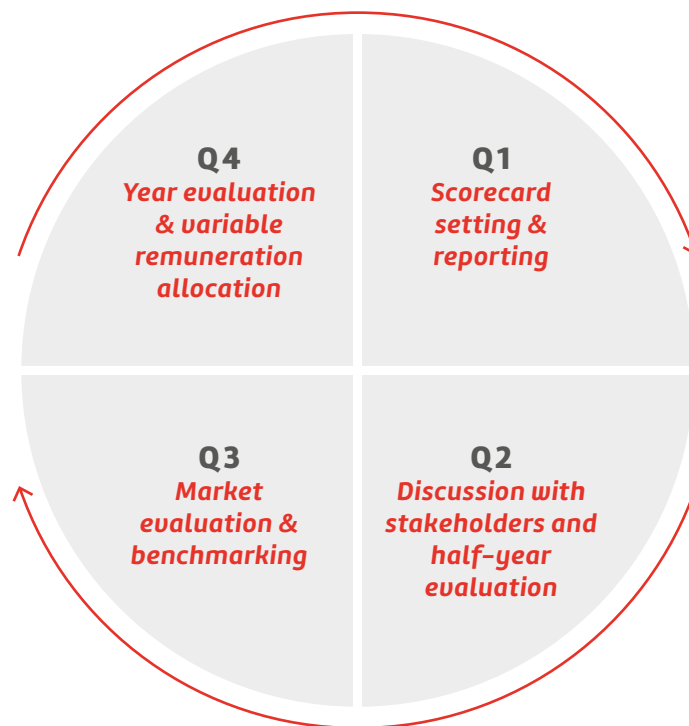
## Diligent cycle of evaluation, KPI setting and variable remuneration allocation

### December

- Year-end evaluation of Management Board by Supervisory Board
- Management Board determines company-wide variable remuneration pool
- Remuneration & Appointment Committee proposes variable remuneration taking into account Management Board view on structure and extent
- Supervisory Board sets Management Board variable remuneration based on performance evaluation and relative to employee pool (circa. Top 50)

### November

- Management Board performs self-evaluation
- Remuneration & Appointment Committee prepares year-end evaluation of Management Board



### September

- Remuneration & Appointment Committee discusses stakeholder feedback and performs market and benchmarking analysis

### April

- Supervisory Board discusses remuneration report with stakeholders

### May

- Remuneration & Appointment Committee prepares mid-year evaluation of Management Board

### June

- Mid-year evaluation of Management Board by Supervisory Board

### January

- Supervisory Board sends written feedback on performance and communicates variable remuneration to Management Board
- Management Board input on scorecard for current year
- Remuneration & Appointment Committee prepares scorecard
- Supervisory Board defines scorecard for Management Board
- Chair of the Supervisory Board and Chair of the Remuneration & Appointment Committee discuss scorecards with each Management Board

### February

- Remuneration & Appointment Committee prepares remuneration report
- Supervisory Board discusses remuneration report and evaluates remuneration policy

### March

- Remuneration policy updates to AGM, if any



## 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 (FCIP) and Flow Traders Loyalty Incentive Plan (FLIP) were introduced. The FCIP was replaced in 2020 by a new share plan which provides the award up to 50% of variable remuneration in shares (or share-like instruments).

### SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

	<b>Total number of shares</b>	<b>% of outstanding total shares</b>
<i>(31 December 2021)</i>		
Dennis Dijkstra (CEO)	1,075,000	2.31%
Mike Kuehnel (CFO)	-	-%
Britta Achmann (CRO)	7,500	0.02%
Folkert Joling (CTrO)	414,817	0.89%
Thomas Wolff (CTO)	31,000	0.07%
<b>Total</b>	<b>1,528,317</b>	<b>3.28%</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 in 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

Annual change (numbers in thousands)		2017	2018	2019	2020	2021
<b>Director's Remuneration (€)</b>						
Dennis Dijkstra, (co-)CEO (2014 - )	Actual level	521,251	3,015,148	694,608	7,794,608	1,544,608
Sjoerd Rietberg, co-CEO (2014 - 5/2019)	Actual level	521,251	3,015,148	189,240	-	-
Marcel Jongmans, CFO (10/2016 - 12/2018)	Actual level	478,587	1,294,608	-	-	-
Folkert Joling, CTrO (4/2018 - )	Actual level		2,965,148	694,608	7,802,608	1,552,608
Thomas Wolff, CTO (4/2018 - )	Actual level		2,091,628	544,608	3,952,608	902,608
Britta Achmann, CRO (6/2020 -)	Actual level				2,282,839	672,337
Mike Kuehnel, CFO (9/2021 -)	Actual level					1,039,750
<b>Company's performance</b>		<b>2018 vs 2017</b>	<b>2019 vs 2018</b>	<b>2020 vs 2019</b>	<b>2021 vs 2020</b>	<b>2021</b>
Net Trading Income (NTI) €million	Actual change	217.5	(167.0)	716.9	(546.8)	384.0
	Relative change	131%	(44%)	331%	(59%)	
EBITDA margin	Actual change	18.30%	(15.60%)	26.40%	(22%)	41%
	Relative change	54%	(30%)	72%	(35%)	
Basic and fully diluted earnings per share	Actual change	2.61	(2.31)	9.11	(7.63)	2.63
	Relative change	307%	(67%)	792%	(74%)	
<b>Average remuneration on a full-time equivalent basis of employees</b>						
Employees of the company	Actual change	132,380	(128,600)	366,900	(246,800)	269,400
	Relative change	91%	(46%)	246%	(48%)	





### Internal pay ratios

The 2021 pay ratio (CEO total pay vs average total employee pay) is 5.73 compared to 15.1 in 2020. While 2021 was a strong year for Flow Traders, the decrease is due to reduced operating profit in 2021 compared to 2020, driven by net trading income in 2021.

### No pensions, loans and other benefits

In 2021, no 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 2021. 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

No variable remuneration has been clawed back during 2021.

### Temporary deviations from the remuneration policies

No temporary deviations took place from the respective policies in 2021.

## 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. As approved by the 2021 AGM, committee members and committee chairs received separate fees for additional responsibilities and time commitment required for committee work in 2021. As such, the aggregate fees paid in 2021 have increased compared to previous years.

### REMUNERATION OF THE SUPERVISORY BOARD

### Committee fees, annualized (€)

	Board fee (€)	Audit	Remuneration & Appointment	Risk	Trading & Technology	Total annualized fees (€)	Actual fees paid, 2021 <sup>1</sup> (€)
Rudolf Ferscha	100,000	7,500	7,500	7,500	7,500	130,000	105,354
Jan van Kuijk	70,000	7,500	7,500	7,500	10,000 (C)	102,500	88,863
Olivier Bisselier	70,000	15,000 (C)		10,000 (C)	7,500	102,500	86,193
Roger Hodenius	70,000		7,500	7,500	7,500	92,500	79,299
Ilonka Jankovich	70,000	7,500		7,500	7,500	92,500	55,757
Linda Hovius	70,000		15,000 (C)	7,500	7,500	100,000	58,257
<b>Total 2021</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>473,723</b>

<sup>1</sup> Former Chair, Erik Drok, invoiced Flow Traders €45,688 for his services to the Supervisory Board until his resignation at the 2021 AGM.

<sup>2</sup> (C) chair of the respective committee



**FIVE-YEAR OVERVIEW OF TOTAL REMUNERATION, SUPERVISORY BOARD**

	2021	2020	2019	2018	2017
	Annualized fee (€)	Annualized fee (€)	Annualized fee (€)	Annualized fee (€)	Annualized fee <sup>1</sup> (€)
Rudolf Ferscha, Chair SVB (2015) <sup>2</sup>	130,000	50,000	50,000	50,000	50,000
Jan van Kuijk, Vice Chair (2015)	102,500	50,000	50,000	50,000	50,000
Olivier Bisselier, SVB Member (2015)	102,500	50,000	50,000	50,000	50,000
Roger Hodenius, SVB Member (2015)	92,500	50,000	50,000	50,000	50,000
Ilonka Jankovich, SVB Member (2021)	92,500				
Linda Hovius, SVB Member (2021)	100,000				
<b>Total current members</b>	<b>620,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
Erik Drok, Former Chair SVB (2015-2021) <sup>3</sup>	75,000	75,000	75,000	75,000	75,000
Han Sikkens, Former SVB Member (2015-2020) <sup>3</sup>		50,000	50,000	50,000	50,000
<b>Total former members</b>	<b>75,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>

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

<sup>2</sup> Appointed chair of the Supervisory Board in 2021.

<sup>3</sup> Presented as if a Supervisory Board member for the full year.

**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 2021 as also reflected in the relevant AFM register.

**SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD**

		% of outstanding total shares
<i>(31 December 2021)</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 two times a 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). From performance year 2020 we have started rewarding directly in company shares. The higher variable remuneration an individual receives, the higher is the proportion of variable pay 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 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 2021, the total amount of variable remuneration awarded to all employees including members of the Management Board was €80.6 million (2020: €256.5 million).

In 2021, companywide average compensation paid per employee was approximately €269,400, while variable remuneration amounted to around 65 percent of total compensation in 2021. In 2021, 16 employees, including the Management Board, were awarded remuneration of €1 million or more (2020: 66).

Business Unit	Number of employees to whom an annual remuneration of €1 million or more was awarded			
	2021	2020	2019	2018
Europe	13	41	0	15
Americas	3	16	0	10
Asia	0	9	0	4
<b>Total</b>	<b>16</b>	<b>66</b>	<b>0</b>	<b>29</b>

## Changes in regulation

Remuneration regulations are 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 are 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 for certain identified staff. For such identified staff, the guidelines emphasizes that their variable remuneration is aligned with the investment firm’s risk profile. We have

reviewed these guidelines and have already determined that we are largely compliant with these guidelines, and as such, any impact on us will be minor. Nonetheless, we continuously are vigilant for 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.



# Financial statements

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *In thousands of euro*

	Note	At 31 December 2021	At 31 December 2020
<b>Assets</b>			
Cash and cash equivalents	13	4,949	8,345
Financial assets held for trading	14	4,501,097	3,873,144
Trading receivables	15	6,160,238	4,633,469
Other assets held for trading	16	78,122	18,684
Other receivables	17	14,727	14,190
Investments measured at fair value through OCI	18	9,282	3,622
Investments measured at fair value through PL	19	1,716	-
Investments in associates	20	2,670	176
Property and equipment	21	39,609	40,745
Intangible assets	22	2,345	1,226
Current tax assets	12	1,340	7,351
Deferred tax assets	12	7,628	5,285
<b>Total assets</b>		<b>10,823,723</b>	<b>8,606,237</b>




**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *In thousands of euro*

	Note	At 31 December 2021	At 31 December 2020
<b>Liabilities</b>			
Financial liabilities held for trading	23	2,138,072	1,960,231
Trading payables	24	7,969,972	5,801,002
Other liabilities held for trading	25	25,771	825
Lease liabilities	26	16,175	14,657
Other liabilities	27	162,117	192,786
Current tax liabilities	12	1,014	45,661
Deferred tax liabilities	12	2,433	1,137
<b>Total liabilities</b>		<b>10,315,554</b>	<b>8,016,299</b>
<b>Equity</b>			
Share capital	28	4,653	4,653
Share premium	28	56,330	117,046
Share based payment reserve	28	50,523	45,821
Retained earnings	28	379,904	417,337
Currency translation reserve	28	15,510	6,076
Fair value reserve	28	1,249	(995)
<b>Total equity</b>		<b>508,169</b>	<b>589,938</b>
<b>Total equity and liabilities</b>		<b>10,823,723</b>	<b>8,606,237</b>

The notes on pages 118 to 155 are an integral part of these consolidated financial statements.



## Consolidated statement of profit or loss and other comprehensive income

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *In thousands of euro*

For the year ended 31 December

	Note	2021	2020
Gross trading income		542,351	1,090,455
Fees related to the trading activities		95,160	103,170
Net financial expenses related to the trading activities		63,150	53,860
<b>Net trading income</b>	<b>9</b>	<b>384,041</b>	<b>933,425</b>
Personnel expenses	<b>10</b>	157,073	275,816
Depreciation of property and equipment	<b>21</b>	14,738	13,946
Amortization of intangible assets	<b>22</b>	549	339
Write off of (in) tangible assets	<b>21/22</b>	20	103
Other expenses	<b>11</b>	67,519	70,948
<b>Operating expenses</b>		<b>239,899</b>	<b>361,152</b>
<b>Operating result</b>		<b>144,142</b>	<b>572,273</b>
Result/(impairment) of equity-accounted investees	<b>20</b>	585	(358)
<b>Profit before tax</b>		<b>144,727</b>	<b>571,915</b>
Tax expense	<b>12</b>	29,793	107,402
<b>Profit for the period</b>		<b>114,934</b>	<b>464,513</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences - foreign operations	<b>28</b>	9,434	(10,158)
<b>Items not reclassified to profit or loss</b>			
Changes in fair value through other comprehensive income	<b>18/20</b>	2,244	(41)
<b>Other comprehensive income for the year (net of tax)</b>		<b>11,678</b>	<b>(10,199)</b>
<b>Total comprehensive income for the year</b>		<b>126,612</b>	<b>454,314</b>
<b>Earnings per share</b>			
Basic earnings per share <sup>1</sup>	<b>8</b>	2.63	10.26
Diluted earnings per share <sup>1</sup>	<b>8</b>	2.52	9.81

<sup>1</sup> The impact of COVID-19 on the results of the company is discussed in the Financial Overview section of Our Business report.

The notes on pages 118 to 155 are an integral part of these consolidated financial statements.



	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance at 1 January 2021</b>	4,653	117,046	45,821	6,076	(995)	417,337	589,938
Profit						114,934	114,934
Total other comprehensive income				9,434	2,244		11,678
<b>Total comprehensive income for the period</b>	-	-	-	<b>9,434</b>	<b>2,244</b>	<b>114,934</b>	<b>126,612</b>
<b>Transactions with owners of the Company</b>							
Dividends						(152,367)	(152,367)
Treasury shares		(74,100)					(74,100)
Share based payments		13,384	4,702				18,086
<b>Total transactions with owners of the company</b>	-	<b>(60,716)</b>	<b>4,702</b>	-	-	<b>(152,367)</b>	<b>(208,381)</b>
<b>Balance at 31 December 2021</b>	<b>4,653</b>	<b>56,330</b>	<b>50,523</b>	<b>15,510</b>	<b>1,249</b>	<b>379,904</b>	<b>508,169</b>

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance at 1 January 2020</b>	4,653	152,880	-	16,234	(954)	158,238	331,051
Profit						464,513	464,513
Total other comprehensive income				(10,158)	(41)		(10,199)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(10,158)</b>	<b>(41)</b>	<b>464,513</b>	<b>454,314</b>
<b>Transactions with owners of the Company</b>							
Dividends						(205,414)	(205,414)
Treasury shares		(41,795)					(41,795)
Share based payments		5,961	45,821				51,782
<b>Total transactions with owners of the company</b>	-	<b>(35,834)</b>	<b>45,821</b>	-	-	<b>(205,414)</b>	<b>(195,427)</b>
<b>Balance at 31 December 2020</b>	<b>4,653</b>	<b>117,046</b>	<b>45,821</b>	<b>6,076</b>	<b>(995)</b>	<b>417,337</b>	<b>589,938</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS** *In thousands of euro*

For the year ended 31 December

	Note	2021	2020
<b>Cash flows from operating activities</b>			
<b>Profit for the period</b>		<b>114,934</b>	<b>464,513</b>
Adjusted for:			
Depreciation of property and equipment	21	14,738	13,946
Amortization of intangible assets	22	549	339
Write off of (in) tangible assets	21/22	20	103
Result/(impairment) of equity-accounted investees (net of tax)	18/20	(585)	358
Share-based payment transactions	10	23,242	50,662
Share donation to Flow Traders Foundation	11	2,005	5,961
Tax expense	12	29,793	107,402
<b>Changes in working capital</b>			
■ (increase)/decrease financial assets held for trading	14	(627,953)	(387,446)
■ (increase)/decrease trading receivables	15	(1,526,769)	(1,437,030)
■ (increase)/decrease digital assets held for trading	16	(59,438)	(18,684)
■ (increase)/decrease other receivables	17	(537)	402
■ increase/(decrease) financial liabilities held for trading	23	177,841	341,367
■ increase/(decrease) trading payables	24	2,168,970	1,099,977
■ increase/(decrease) digital liabilities held for trading	25	24,946	825
■ increase/(decrease) other liabilities	27	(27,521)	98,279
■ Corporate income tax paid	12	(69,476)	(69,716)
<b>Cash flows from operating activities</b>		<b>244,759</b>	<b>271,258</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment measured at fair value through OCI	18	(2,928)	(2,759)
Acquisition of investment measured at fair value through PL	19	(1,725)	-
Acquisition of share interest in associates	20	(2,427)	-
Acquisition of property and equipment	21	(5,503)	(6,504)
Acquisition of intangible assets	22	(1,252)	(125)
<b>Cash flows from investing activities</b>		<b>(13,835)</b>	<b>(9,388)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS** *In thousands of euro*

For the year ended 31 December

	Note	2021	2020
<b>Cash flows from financing activities</b>			
Dividend paid		(152,367)	(205,413)
Payments of lease liabilities	26	(8,152)	(7,550)
Repurchases of shares	28	(74,100)	(45,908)
<b>Cash flows from financing activities</b>		<b>(234,619)</b>	<b>(258,871)</b>
Effect of movements in exchange rates on cash and cash equivalents		299	(341)
<b>Change in cash and cash equivalents</b>		<b>(3,396)</b>	<b>2,658</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents at opening	13	8,345	5,687
Cash and cash equivalents at close	13	4,949	8,345
<b>Change in cash and cash equivalents</b>		<b>(3,396)</b>	<b>2,658</b>



## Notes to the consolidated financial statements

All amounts in thousands of euro, unless stated otherwise.

### 1. Reporting entity

Flow Traders N.V. (referred to as the 'Company') is a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands, having its seat (statutaire zetel) in Amsterdam, the Netherlands, having its registered office at Jacob Bontiusplaats 9, 1018 LL Amsterdam, the Netherlands and registered with the Trade Register of the Chamber of Commerce (Kamer van Koophandel, afdeling Handelsregister) under number 34294936.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

The Group is a leading technology-enabled global multi-asset class liquidity provider with its core business in Exchange Traded Products (ETP) actively expanding in fixed income, FX, commodities and digital assets, while systemically increasing its presence in the global ecosystem through strategic partnerships and investments.

The consolidated financial statements of the Group for the annual period ended 31 December 2021 incorporate financial information of Flow Traders N.V., its subsidiaries and associates.

The annual financial statements were authorized for issue by the Company's Management Board and the Supervisory Board on 3 March 2022 subject to adoption by the General Meeting of shareholders.

### 2. Going concern

These financial statements have been prepared on the basis of the going concern assumption.

### 3. Basis of preparation

#### a) Statement of compliance

The Group applies International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and title 9 book 2 of Dutch Civil Code. IFRS-EU provides several options in accounting principles. The Group's accounting principles IFRS-EU and its decisions regarding the options available are set out in the section 'Significant accounting policies' below.

#### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items and unless otherwise indicated:

- financial assets and liabilities held for trading are measured at fair value with changes recognized in profit or loss;
- other assets and liabilities held for trading are measured at fair value with changes recognized in profit or loss;
- investments measured at fair value through OCI are measured at fair value with changes in fair value recognized in other comprehensive income, except for impairment losses which are recognized in profit or loss;
- investments measured at fair value through PL are measured at fair value with changes in fair value recognized in profit and loss.

#### c) Functional and presentation currency

These consolidated financial statements are presented in euros, which is also the functional currency of the parent company: Flow Traders N.V.. All financial information presented in euros has been rounded to the nearest thousand, except when otherwise indicated.

#### d) Use of estimates and judgements

The preparation of the financial statements requires management to form opinions and make estimates and assumptions that influence the reported value of assets and liabilities and of income and expenditure. The actual results may differ materially from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised. For more details, we refer you to the chapter on Fair values of financial instruments, other assets and liabilities and share based payments. The accounting treatment of all aspects of the digital assets and blockchain industry have not yet been addressed by current IFRS guidance. The Company is required to make significant assumptions and judgments as to its accounting policies and the application thereof, which are disclosed in the note 6 New standards and interpretations, note 7 fair values of financial instruments and other assets and liabilities held for trading and note 31 financial risk management to these consolidated financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the company financial position as currently presented.





#### e) Principles for the preparation of the consolidated statement of cash flows

The cash flow from operating activities of the consolidated statement of cash flows is based on the indirect method, the cash flow from investing and financing of the consolidated statement of cash flows is based on the direct method.

The cash flows are split into cash flows from operations, including trading activities, investment activities and financing activities. Receivables from and payables to clearing organizations are included in the cash flow from operating activities. The Group has elected to classify interest received and interest paid (including interest on lease liabilities and interest arising from revenue contracts, if there is any) as cash flows from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments other than in the course of operations, as well as acquisitions and sales of subsidiaries and associates, property and equipment. Financing activities include the payment of dividend to shareholders, the (re)-purchase of shares, the issuance and repayment of financial debt, including financial lease liabilities, and capital contributions.

### 4. Significant accounting policies

The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements.

#### General

##### a) Basis of consolidation

The Group accounting policies have been applied consistently by all group entities. Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

##### Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee. The financial statements of

subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

When the Group loses control over a subsidiary it derecognizes the assets and liabilities of the subsidiary, any related non-controlled interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over its financial and operating activities. Control or significant influence follows from facts and circumstances, but there is a rebuttable presumption that significant influence when the Group holds between 20 percent and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### Business combinations

Business combinations are accounted for using the acquisition method as at the date control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.



Contingent consideration is measured at fair value at the acquisition date. Any gain or loss resulting from the fair value remeasurement of contingent consideration is recognized in profit or loss.

#### b) Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the respective entities of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date, with the foreign currency difference recognized in profit or loss. Differences arising on the translation of investments measured at fair value through OCI are recognized in other comprehensive income unless the instrument is impaired.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

##### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euros at exchange rates at the reporting date.

The income and expenses of foreign operations are translated to euros at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) of equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

#### c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

#### d) Financial assets and liabilities

##### Recognition

The Group initially recognizes loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

##### Classification

The Group classifies its financial assets into the following categories:

- trading receivables, measured at fair value through profit and loss;
- investments measured at fair value through OCI;
- investments measured at fair value through PL;
- financial assets held for trading at fair value through profit or loss; and
- other financial assets at amortized costs.

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, into the following categories:

- trading payables, measured at fair value through profit and loss;
- financial liabilities held for trading at fair value through profit or loss; and
- other financial liabilities measured at amortized costs.

##### Financial assets and liabilities held for trading

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.



Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

#### Trading receivables and payables

Such assets are recognized initially at fair value with any directly attributable transaction costs recognized in profit or loss.

#### Investments measured at fair value through OCI

Investments measured at fair value through OCI are non-derivative financial assets that the Group considers long-term investments of strategic relevance for the growth of the company. Investments measured at fair value through OCI are recognized initially at fair value. Transaction costs are recognized in other comprehensive income as part of the change in fair value at the next remeasurement and they are never reclassified into profit or loss.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than foreign currency differences on fair value through OCI instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is not reclassified to profit or loss.

#### Investments measured at fair value through profit and loss

Investments measured at fair value through profit and loss are non-derivative financial assets that the group holds for long term trading purposes. Investments measured at fair value through profit and loss are recognized initially at fair value. Transaction costs are recognized in the profit and loss as part of the change in fair value, any re-measurement of the investments is classified to profit or loss.

Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in profit and loss. When an investment is derecognized, the gain or loss is classified to profit or loss.

#### Other financial liabilities

Non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

#### Hedge of a net investment in foreign operations

The Group applies hedge accounting to hedge the exposure to foreign exchange risk associated with its capital contributions to the United States and Singapore subsidiaries. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

#### Offsetting

Financial assets and liabilities are presented on a net basis when a legal right of offset is agreed between the parties and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS-EU, for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

#### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group



determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group prices its daily trading positions based on theoretical prices whereby the price differences are recorded through the profit or loss account. Those theoretical prices can differ from quoted market prices. The Group's Risk and Mid-Office department monitors whether all differences can be substantiated.

Portfolios of financial assets and financial liabilities that are managed by the Group on the basis of the net exposure to either their market or credit risk are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure.

Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk exposure of each of the individual instruments in the portfolio.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

#### e) **Other assets Held for Trading**

The Other assets Held for trading comprises the amount of digital assets that the group holds as a broker-trader. The group applies IAS 2 for its digital assets and these are measured at fair value through profit and loss.

As a global market maker in digital assets determining the fair value and pricing of these assets is core to our business model. Providing our bid-ask prices to other market participants is impacting the principal markets. All digital assets positions in our Trading Book relate to very short-term holding periods and are based upon our business model in which trading positions are economically hedged. For the determination of the fair value, the group constantly collects

reference prices from multiple crypto exchanges and active markets for the mark-to-market treatment. If assets are not actively traded than the valuation is based upon quoted prices or observable inputs from similar assets per crypto exchange. Given the IFRS 13 requirements and our current pricing & fair value models used for the valuation of our other assets-held-for-trading and other liabilities-for-trading these are recognized as Level 2 Fair Values.

#### f) **Property and equipment**

##### Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed once incurred.

Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- hardware: 5 years;
- office fixtures: 5 years;
- other: 5 years.

The depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



### Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are recorded in property and equipment and intangible assets on the statement of financial position.

#### g) Intangible assets

##### Recognition and measurement

Intangible assets are amortized on a straight-line basis in profit or loss over the estimated useful lives of each component. The estimated useful life of significant intangible assets is 5 years.

##### Goodwill

Goodwill is initially recognized and in subsequent years measured at cost less accumulated impairment losses.

Goodwill in respect of equity-accounted investees is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Goodwill is tested annually for impairment.

#### h) Impairment

##### Non-derivative financial assets

The allowance for expected credit losses (“ECL allowance”) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’, is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL).

Impairment losses on investments measured at fair value through OCI are recognized in other comprehensive income and do not reduce the carrying value of the investment.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

For other receivables, the Group applies a simplified approach in calculating ECLs as these receivables relate to operating activities of the Group. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However in certain cases, the Group may reconsider a financial asset to be in default when internal or external information indicated that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that



generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### i) **Employee benefits**

##### Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash variable compensation or (profit-sharing) structures if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### j) **Share based payments**

The fair value of equity-settled transactions granted to employees is determined by the fair value of the shares at the date when the grant is made. When employees render services as consideration for equity instruments, the expense is recognized in employee expenses, together with a corresponding increase in equity (retained earnings), over the period in which the service conditions are fulfilled (the vesting period). The awards vest in tranches on various dates over a total period of three to five years. Vesting is conditional upon the employee being actively employed by the Group on the vesting date. If the employee is terminated or resigns, any unvested tranches of the award will be forfeited. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to

which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The fair value of share appreciation rights (SARs) granted to employees, which are cash-settled, is recognized in employee expenses, together with a corresponding increase in other liabilities, over the period during which the service conditions are fulfilled (the vesting period). The liability is remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. Estimates used are reassessed at the end of each reporting period.

Share based payments have a dilutive effect on earnings per share (refer to note 8).

#### k) **Other liabilities Held for Trading**

As part of its trading activities, the Company enters into digital asset payables. The borrowed digital assets payables are measured at fair value through profit or loss.

#### l) **Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market





assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

#### m) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities on the statement of financial position measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term or in case of other reassessments or modifications.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

#### n) Income recognition

Net trading income comprises gross trading income less fees and net financial expenses related to the trading activities.

The fees and net financial expenses are directly linked to the trading activity and are therefore directly recognized in the profit and loss account under trading income.

#### o) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to

tax payable or receivable in respect of previous years. Current tax payable also includes any withholding tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will be revised in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and management judgement. This assessment relies on estimates and assumptions and may involve judgement about future events. New information may become available that would cause the Group to change its judgement regarding the adequacy of existing tax liabilities or the collectability of tax assets. Such changes will impact tax expense in the period that such a change in estimate is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity which intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.



A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date.

p) **Treasury shares**

The Group's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

q) **Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

## 5. **Operating segments**

The management board examines the group performance from a regional perspective and has identified three reportable segments of its global trading business: Europe, the Americas and Asia. Europe consists of the activities in the Netherlands with branches for institutional trading in France, UK, Italy and IT activities in Romania. Americas consists of the subsidiaries in the USA. Asia contains our subsidiaries in Hong Kong and Singapore. The management board considers this segmentation to be relevant to understand the group financial performance because it allows investors to understand the primary method used by management to evaluate the operating performance and decision making about allocation of resources and trading capital. The group measures results on IFRS basis and reconciles the total segment results on net trading income, profit before tax and net profit. Significant transactions and balances between geographic regions occur primarily as result of group operating companies incurring the operating expenses such as employee compensation, communication, software development and data processing and overhead costs for the purpose of providing services to affiliated operating companies (line items intercompany recharge income and expenses).

The Group's trading assets and liabilities attributable to each segment are reported to management on the basis of net liquidity. Consequently, the reported total assets in each segment are net of the segment's financial liabilities held for trading, trading payables and other liabilities held for trading. The Group's capital expenditures include additions to property, equipment and intangible assets as set out in notes 21 and 22.



**SEGMENT REPORTING**

For the year ended 31 December 2021

	Europe	Americas	Asia	Total
Gross trading income	326,305	136,771	79,275	542,351
Fees related to the trading activities	54,534	30,119	10,507	95,160
Net financial expenses related to the trading activities	25,933	32,233	4,984	63,150
<b>Net trading income</b>	<b>245,838</b>	<b>74,419</b>	<b>63,784</b>	<b>384,041</b>
Intercompany recharge	26,967			26,967
<b>Total revenues</b>	<b>272,805</b>	<b>74,419</b>	<b>63,784</b>	<b>411,008</b>
Employee expenses	102,289	33,466	21,318	157,073
Intercompany recharge	-	8,986	17,981	26,967
Other expenses	40,798	16,881	9,840	67,519
<b>Total operating expenses</b>	<b>143,087</b>	<b>59,333</b>	<b>49,139</b>	<b>251,559</b>
<b>EBITDA</b>	<b>129,718</b>	<b>15,086</b>	<b>14,645</b>	<b>159,449</b>
Depreciation of property and equipment	7,111	4,705	2,922	14,738
Amortization of intangible assets	493	33	23	549
Write off of (in) tangible assets	19	1	-	20
<b>Operating result</b>	<b>122,095</b>	<b>10,347</b>	<b>11,700</b>	<b>144,142</b>
Result/(impairment) of equity-accounted investees	589	(4)	-	585
<b>Profit before tax</b>	<b>122,684</b>	<b>10,343</b>	<b>11,700</b>	<b>144,727</b>
Tax expense	26,702	1,820	1,271	29,793
<b>Profit for the period</b>	<b>95,982</b>	<b>8,523</b>	<b>10,429</b>	<b>114,934</b>
<b>Assets</b>	<b>431,280</b>	<b>188,230</b>	<b>70,398</b>	<b>689,908</b>
Capital expenditure	2,917	2,015	1,823	6,755
<b>Liabilities</b>	<b>100,596</b>	<b>49,872</b>	<b>31,271</b>	<b>181,739</b>
<b>FTEs</b>	<b>422</b>	<b>111</b>	<b>80</b>	<b>613</b>

**SEGMENT REPORTING**

For the year ended 31 December 2020

	Europe	Americas	Asia	Total
Gross trading income	629,108	349,924	111,423	1,090,455
Fees related to the trading activities	54,768	38,919	9,483	103,170
Net financial expenses related to the trading activities	21,876	27,207	4,777	53,860
<b>Net trading income</b>	<b>552,464</b>	<b>283,798</b>	<b>97,163</b>	<b>933,425</b>
Intercompany recharge	133,345			133,345
<b>Total revenues</b>	<b>685,809</b>	<b>283,798</b>	<b>97,163</b>	<b>1,066,770</b>
Personnel expenses	177,660	65,811	32,345	275,816
Intercompany recharge	-	105,647	27,698	133,345
Other expenses	45,620	16,713	8,615	70,948
<b>Total operating expenses</b>	<b>223,280</b>	<b>188,171</b>	<b>68,658</b>	<b>480,109</b>
<b>EBITDA</b>	<b>462,529</b>	<b>95,627</b>	<b>28,505</b>	<b>586,661</b>
Depreciation of property and equipment	6,821	4,274	2,851	13,946
Amortization of intangible assets	277	34	28	339
Write off of (in) tangible assets	32	73	(2)	103
<b>Operating result</b>	<b>455,399</b>	<b>91,246</b>	<b>25,628</b>	<b>572,273</b>
Result/(impairment) of equity-accounted investees	(440)	82	-	(358)
<b>Profit before tax</b>	<b>454,959</b>	<b>91,328</b>	<b>25,628</b>	<b>571,915</b>
Tax expense	86,481	19,498	1,423	107,402
<b>Profit for the period</b>	<b>368,478</b>	<b>71,830</b>	<b>24,205</b>	<b>464,513</b>
<b>Assets</b>	<b>475,344</b>	<b>254,725</b>	<b>114,111</b>	<b>844,180</b>
Capital expenditure	4,311	1,484	834	6,629
<b>Liabilities</b>	<b>173,736</b>	<b>56,702</b>	<b>23,802</b>	<b>254,240</b>
<b>FTEs</b>	<b>380</b>	<b>104</b>	<b>70</b>	<b>554</b>



## 6. New standards and interpretations

### New accounting policy: Digital assets and liabilities

All accounting policies are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2021 except for the accounting for digital assets. The Group has decided, based on the materiality of the digital assets in the 2021 financial statements to develop an accounting policy for digital assets and liabilities based on the IFRS Interpretation Committee guidelines on the accounting of cryptocurrencies (July 2019). This change mainly affects the presentation of the assets and liabilities, since the valuation has not changed compared to prior years. This change is applied retrospectively, therefore the comparative numbers have been restated. Management has assessed that for the holding of digital assets the Group acts as a broker-trader and applies IAS 2 – inventories held for sale in the normal course of business. IAS 2 requires the measurement of inventories at fair value less costs to sell. The accounting for derivatives in relation to digital assets and stablecoins remains unchanged within financial assets and liabilities held for trading. This has resulted in balance sheet reclassifications from financial assets and liabilities held for trading and trading receivables and payables to other assets and liabilities held for. This has resulted in additional disclosures in note 4 significant accounting policies, note 7 fair values of financial instruments and other assets and liabilities held for trading and note 31 financial risk management. The Group has made assumptions and judgements relating to its accounting policy of digital assets and liabilities and the application thereof, given the limited specific guidance in IFRS. Future developments by the IASB may impact the current accounting as applied by the Group.

### Restatement of prior period error

For our 31 December 2020 financials the IAS 32 netting rules in respect of amounts due from brokers and borrowings from brokers were incorrectly applied. As a result €139 million of balances due from brokers was reclassified from trading payables to trading receivables, resulting in an increase of trading receivables as well as trading payables with €139 million as per 31 December 2020. The balance sheet reclassification has resulted in a restatement of the cash flow statement, the (increase)/decrease trading receivables cash outflow increased with €139 million and the increase/(decrease) trading payables cash inflow increased with the same amount. There is no impact on the profit and loss accounts and no impact on the financial statement for 2021.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

## 7. Fair values of financial instruments and other assets and liabilities held for trading

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between independent market participants at the measurement date.

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Group determines fair values using other valuation techniques.

The Group measures fair values using the following fair value hierarchy, depending on the inputs used for making the measurements.

- Level 1: fair value of financial instruments based upon inputs that are quoted, unadjusted, market prices in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments, for example unlisted equity securities.

The Group uses widely recognized valuation techniques and models for determining the fair value of common, simple financial instruments that use only observable market data and



require little management judgement and estimation. Observable prices or model inputs used in valuation techniques include risk-free and benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations, which are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and thus reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

When the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

The Group has an established control framework with respect to the measurement of fair values. This framework involves both the Risk and Operations department which are independent of the Trading department and report directly to the CRO who is a member of the Management Board. The Risk and Operations department have overall responsibility for independently verifying the results of trading and all significant fair value measurements. The daily reconciliation of the positions and prices between the prime brokers and the Trading department is most important.

#### a) Financial assets and liabilities held for trading

The valuation of trading positions, both the long and the short positions, is determined by reference to last traded prices from identical instruments from the exchanges at the reporting date. Such financial assets and liabilities are classified as Level 1.

A substantial part of the financial assets and liabilities held for trading which are carried at fair value are based on theoretical prices which can differ from quoted market prices. The theoretical prices reflect price adjustments primarily caused by the fact that the Group continuously prices its financial assets and liabilities based on all available information. This includes prices for identical and near-identical positions, as well as the prices for securities underlying the Group's positions, on other exchanges that are open after the exchange on which the financial asset or liability is primarily traded closes. The Group's Risk and Operations department checks the theoretical price independently. As part of their review, they monitor whether all price adjustments can be substantiated with market inputs. Consequently, such financial assets and liabilities are classified as Level 2.

For offsetting (delta neutral) positions, the Group uses mid-market prices to determine fair value.

#### b) Trading receivables and payables

These items are valued at fair value through profit or loss on initial recognition and changes in fair value recognized in profit or loss as they arise. In accordance with the Group Accounting Policy of trade-date accounting for regular-way sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased but not yet settled as at the reporting date. Receivables from and payables to broker-dealers, including cash balances held at the Group's clearing firms and the net amount receivable or payable for securities transactions pending settlement are included in this category. The group maintains portfolio financing facilities with its prime brokers to facilitate its trading activities to finance the purchase and settlement of financial instruments. These Financial liabilities are included at amortized cost. Gains, and losses, including on derecognition, interest expense and foreign exchange gains and losses are recognized in profit or loss.

#### c) Investments measured at fair value through OCI

The fair value of Investments measured at fair value through OCI is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique and are classified as Level 2 or Level 3, conditional upon the regular availability of quoted closing bid prices.



**d) Investments measured at fair value through profit and loss**

The fair value of Investments measured at fair value through profit and loss is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique and are classified as Level 3.

**e) Other assets Held for Trading**

The Company's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins, as the company uses its own fair value models based on quoted prices or observable inputs for the valuation of the digit assets, these assets are classified as Level 2.

**f) Other liabilities held for trading**

From time to time, the Company borrows digital assets as part of its trading strategy. The borrowed digital assets payables are measured at Fair Value through profit or loss, as the company uses its own fair value models based on quoted prices or observable inputs for the valuation of the borrowed digit assets, these liabilities are classified as Level 2.

FAIR VALUE HIERARCHY	At 31 December 2021			
	Level 1	Level 2	Level 3	Total
Long positions in equity securities-trading	104,094	4,029,415		4,133,509
Long positions in debt securities-trading	-	357,847		357,847
Mark to market derivatives assets	94	9,647		9,741
<b>Financial assets held for trading</b>	<b>104,188</b>	<b>4,396,909</b>	-	<b>4,501,097</b>
Trading receivables	6,159,201	1,037		6,160,238
Other assets held for trading	-	78,122		78,122
Investments measured at fair value through PL		-	1,716	1,716
Investments measured at fair value through OCI		1,073	8,209	9,282
<b>Total long positions</b>	<b>6,263,389</b>	<b>4,477,141</b>	<b>9,925</b>	<b>10,750,455</b>
Short positions in equity securities-trading	81,982	1,722,311		1,804,293
Short positions in debt securities-trading	-	327,750		327,750
Mark to market derivatives liabilities	6	6,023		6,029
<b>Financial liabilities held for trading</b>	<b>81,988</b>	<b>2,056,084</b>	-	<b>2,138,072</b>
Trading payables	7,968,557	1,415		7,969,972
Other liabilities held for trading	-	25,771		25,771
<b>Total short positions</b>	<b>8,050,545</b>	<b>2,083,270</b>	-	<b>10,133,815</b>





**FAIR VALUE HIERARCHY**

At 31 December 2020

	Level 1	Level 2	Level 3	Total
Long positions in equity securities-trading	47,387	3,521,348	-	3,568,735
Long positions in debt securities-trading	-	303,965	-	303,965
Mark to market derivatives assets	-	444	-	444
<b>Financial assets held for trading</b>	<b>47,387</b>	<b>3,825,757</b>	<b>-</b>	<b>3,873,144</b>
Trading receivables	4,631,065	2,404	-	4,633,469
Other assets held for trading	18,684			18,684
Investments measured at fair value through PL				-
Investments measured at fair value through OCI		761	2,861	3,622
<b>Total long positions</b>	<b>4,697,136</b>	<b>3,828,922</b>	<b>2,861</b>	<b>8,528,919</b>
Short positions in equity securities-trading	47,788	1,516,508	-	1,564,296
Short positions in debt securities-trading	-	395,709	-	395,709
Mark to market derivatives liabilities	-	226	-	226
<b>Financial liabilities held for trading</b>	<b>47,788</b>	<b>1,912,443</b>	<b>-</b>	<b>1,960,231</b>
Trading payables	5,798,637	2,365		5,801,002
Other liabilities held for trading		825		825
<b>Total short positions</b>	<b>5,846,425</b>	<b>1,915,633</b>	<b>-</b>	<b>7,762,058</b>

Due to the short holding period between acquisition and sale, there are no transfers between Level 1 and Level 2. The current level 3 positions consist of equity investments in MEMX and ErisX exchanges and long term investments in start-up companies in Digital Assets and CO<sub>2</sub> trading environment.

**Hedge of net investments in foreign operations**

Included in financial liabilities held for trading at 31 December 2021 was a borrowing of USD 37 million which has been designated as a hedge of the net investments in the United States and Singapore subsidiaries, which have their functional currencies in USD. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the borrowing.



The impact of the hedging instrument recorded in financial liabilities held for trading on the statement of financial position is as follows:

**FOREIGN CURRENCY DENOMINATED BORROWING**

Notional amount (US\$000)	For the year ended 31 December 2021		Notional amount (US\$000)	For the year ended 31 December 2020	
	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period(€000)		Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period(€000)
37,000	32,536	6,340	115,000	102,450	1,775

**NET INVESTMENT IN FOREIGN SUBSIDIARIES**

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Change in fair value used for measuring ineffectiveness (€000)	Foreign currency translation reserve (€000)	Change in fair value used for measuring ineffectiveness (€000)	Foreign currency translation reserve (€000)
	6,340	6,340	1,775	1,775

The hedging gain recognized in OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in profit or loss.

**8. Earnings per share**

The calculation of the basic earnings per share is based on profit for the year attributable to ordinary shareholders and the number of ordinary shares outstanding.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

Diluted earnings per share is determined by adjusting the basic earnings per share for the effects of all dilutive share-based payments to employees.

**EARNINGS PER SHARE**

	For the year ended 31 December	
	2021	2020
Profit for the year	114,934	464,513
<b>Profit attributable to ordinary shareholders</b>	<b>114,934</b>	<b>464,513</b>
Weighted average number of ordinary shares	43,699,300	45,276,693
Dilutive effect of share-based payments	1,921,736	2,065,037
<b>Weighted average number of ordinary shares for diluted net profit</b>	<b>45,621,037</b>	<b>47,341,730</b>
<b>Basic earnings per share</b>	<b>2.63</b>	<b>10.26</b>
<b>Diluted earnings per share</b>	<b>2.52</b>	<b>9.81</b>



## 9. Net trading income

Gross trading income comprises the realized and unrealized income on financial instruments, digital assets and certain fees which the group receives as a liquidity provider from exchanges and issuers of products.

Fees related to the trading activities consist of expenses such as exchange fees, clearing fees and other trading related fees. Net financial expenses related to the trading activities mainly relate to interest expense on the credit facilities with the prime brokers calculated on the drawn amount during the year.

## 10. Employee expenses

	For the year ended 31 December	
	2021	2020
Wages and salaries	41,433	37,103
Social security charges	4,970	4,119
Recruitment and other employment costs	8,201	6,479
Variable compensation paid in cash	79,227	177,453
Variable compensation paid in shares	23,242	50,662
<b>Employee expenses</b>	<b>157,073</b>	<b>275,816</b>

The wages and salaries increased in line with the FTE development from 554 as per 31 December 2020 to 613 as per 31 December 2021. Overall employee expenses declined by 43% as a result of the decrease in variable compensation paid to employees. The decrease in variable compensation is also reflected in the decrease in other liabilities. The amount of variable compensation payable is based on the operational profit of the company.

The amounts recognized in profit and loss during 2021 do not fully reconcile with the remuneration report due to the deferred recognition of expenses in future years due to the service condition element of the employee share plans.

### Share-based payments

The company awards its employees with shares based on their loyalty, sign-on package or as part of their variable compensation. The shares awarded under the 2019, company loyalty and sign-on package share plans are awarded based on a net basis, which entails that the company

is liable for the employee income tax due for these plans. Shares awards under the 2020 or 2021 share plan are gross awards, which entails that the employee income tax obligations are to be paid out of these awards.

In either case the Group is responsible for withholding wage taxes upon vesting in the Netherlands and in most other countries of operations. The estimated amount of wage taxes can be up to 50% in the Netherlands, for which future cash outflows are covered by the selling of part of the Treasury Shares kept in the Share Premium Account.

	For the year ended 31 December	
	2021	2020
2019, company loyalty and sign-on package share plans	2,348	5,225
2020 share plans	10,486	45,437
2021 share plans	10,408	-
<b>Total expenses arising from equity settled share based payments</b>	<b>23,242</b>	<b>50,662</b>
Expenses arising from cash settled share based payments	9,605	814
<b>Total expenses arising from cash-settled share-based payments</b>	<b>9,605</b>	<b>814</b>
<b>Total</b>	<b>32,847</b>	<b>51,476</b>

### a) 2019, company loyalty and sign-on package share plans - equity settled

Under the 2019, company loyalty and sign-on package share plans, shares are granted as a part of variable compensation to certain employees. The shares vest over a period of three to five years, depending on the share plan and agreement with the employee, subject to the condition that the employee remains employed on the vesting date.

The fair value of the share options is estimated at the grant date. Throughout 2021 the company awarded employees shares based on a fixed monetary value of €0.6 million, reflecting a weighted average fair value of shares granted of €32.51 (2020: €27.26). The exercise price of the share option is equal to the market price of the underlying shares on the date of grant.



The following table illustrates the number of shares and movements in share awards during the year. The expense recognized during the year was €2.3 million (2020: €4.9 million).

**Number of shares**

	For the year ended 31 December	
	2021	2020
<b>Outstanding at 1 January</b>	<b>167,080</b>	<b>47,500</b>
Shares granted during the year	20,100	244,580
Changes in shares due to dividend reinvestment	33,895	-
Shares vested during the year	(56,104)	(118,500)
Shares forfeited during the year	(2,500)	(9,000)
Shares modified during the year	-	2,500
<b>Outstanding at 31 December</b>	<b>162,471</b>	<b>167,080</b>

**b) 2020 share plan – equity settled**

Under the 2020 share plan, shares are granted to employees as part of their variable compensation. The shares vest in four equal instalments during the first open period of the year over a period of four years subject to the condition that the employee remains employed on the vesting date.

At yearend 2020, employees were granted shares based on a fixed monetary value of €96.3 million, reflecting a grant date fair value share price of €28.58 (2020: €28.58). The final number of shares granted as at 31 December 2020 was determined based on the volume weighted average price (VWAP) of the first open period of 2021 of €32.20, resulting in an updated calculation of the shares awarded, as is shown in the table below. The expense recognized during the year was €10.5 million (2020: 45.8 million).

**Number of shares**

	For the year ended 31 December	
	2021	2020
<b>Outstanding at 1 January</b>	<b>3,370,127</b>	-
Shares granted during the year	-	3,370,127
Changes in shares due to dividend reinvestment	191,681	-
Shares vested during the year	(661,762)	-
Shares forfeited during the year	(128,967)	-
Change in shares recalculated based on final VWAP	(802,390)	-
<b>Outstanding at 31 December</b>	<b>1,968,689</b>	<b>3,370,127</b>

**c) 2021 share plan – equity settled**

Under the 2021 share plan, shares are granted to employees as part of their variable compensation. The shares vest in four equal instalments during the first open period of the year over a period of four years subject to the condition that the employee remains employed on the vesting date.

The fair value of the shares is estimated at grant date at €20.9 million. Employees are granted shares based on a fixed monetary value. The final number of shares will be determined based on the volume weighted average price (VWAP) of the first open period of 2022 and is not final. Therefore, the number of shares included in the table below is based on the fixed bonus amount awarded, divided by the fair value at grant date of €33.10. The exercise price of the share option is equal to the market price of the underlying shares on the date of grant. The expense recognized during the year was €10.4 million (2020: nil).

**Number of shares**

	For the year ended 31 December	
	2021	2020
<b>Outstanding at 1 January</b>	-	-
Shares granted during the year	633,026	-
Changes in shares due to dividend reinvestment	-	-
Shares vested during the year	-	-
Shares forfeited during the year	-	-
Change in shares recalculated based on final VWAP	-	-
<b>Outstanding at 31 December</b>	<b>633,026</b>	-



### Total share awards outstanding per plan

	For the year ended 31 December	
	2021	2020
2019, company loyalty and sign-on share plans	162,471	167,080
2020 share plan	1,968,689	3,370,127
2021 share plan	633,026	-
<b>Outstanding at 31 December</b>	<b>2,764,187</b>	<b>3,537,207</b>

### Share appreciation rights – cash settled

Certain employees are awarded share appreciation rights (SARs) as part of their variable compensation, settled in cash. The SARs vest in equal instalments over a period of four to five years subject to the condition that the employee remains employed on the vesting date. The liability for the SARs is measured, initially and at the end of each reporting period until settled, at the fair value of the SARs. The carrying amount of the liability relating to the SARs at 31 December 2021 was €10.4 million (2020: €0.8 million). The expense recognized during the year was €9.6 million (2020: €0.8 million).

### 11. Other expenses

OTHER EXPENSES	For the year ended 31 December	
	2021	2020
Technology	49,769	46,544
Housing	3,142	2,735
Advisors and assurance	3,026	3,183
Regulatory costs	2,607	2,483
Fixed exchange costs	5,338	3,765
Travel expenses	1,078	994
Various expenses	2,559	2,783
Donation to Flow Traders Foundation	-	8,461
<b>Other expenses</b>	<b>67,519</b>	<b>70,948</b>

Technology expenses increased due to initiatives to optimize our infrastructure. In 2020 the company donated €8.5 million in cash and shares to the Flow Traders Foundation.

### 12. Taxation

CURRENT TAX EXPENSES	For the year ended 31 December	
	2021	2020
Tax recognised in profit or loss	29,793	107,402
Current tax expense	31,023	112,330
Movement deferred tax asset	(2,343)	(3,780)
Movement deferred tax liability	1,296	(215)
Adjustment for prior years	(183)	(933)
<b>Tax expense excluding share of tax of equity-accounted investees</b>	<b>29,793</b>	<b>107,402</b>

Reconciliation of the weighted average statutory income rate to the Group's effective income tax rate is as follows:

RECONCILIATION OF EFFECTIVE TAX RATE	For the year ended 31 December	
	2021	2020
Profit before tax	144,727	571,915
Dutch standard tax rate	25.0%	25.0%
Income tax expected	36,182	142,979
Actual income tax charge	29,793	107,402
In percentage	20.6%	18.8%
<b>Difference in tax expense</b>	<b>(4.4%)</b>	<b>(6.2%)</b>

RECONCILIATION OF EFFECTIVE TAX RATE	For the year ended 31 December			
	2021	2021	2020	2020
	(€)		(€)	
<b>Dutch standard tax rate</b>	<b>36,182</b>	<b>25.0%</b>	<b>142,979</b>	<b>25.0%</b>
Different weighted average statutory rate of group	(1,896)	(1.3%)	(7,180)	(1.3%)
Income (partly) exempted	(9,387)	(6.5%)	(27,259)	(4.8%)
Other non deductible costs	4,894	3.4%	(1,138)	(0.2%)
<b>Subtotal</b>	<b>(6,389)</b>	<b>(4.4%)</b>	<b>(35,577)</b>	<b>(6.3%)</b>
<b>Effective tax rate</b>	<b>29,793</b>	<b>20.6%</b>	<b>107,402</b>	<b>18.8%</b>



The effective tax rate differs from the (nominal) statutory tax rate. This difference is mainly caused by applying the participation exemption and Dutch innovation box regime. In addition the effective tax rate is impacted by non-deductible share plan costs that occur in each region.

### Effective tax rate per region

An overview of the effective tax rate per region is presented in the table below.

EFFECTIVE TAX RATE PER REGION	For the year ended 31 December 2021	
	Statutory tax rate	Effective tax rate
Europe	25.0%	21.8%
Americas	21.0%	17.6%
Asia	16.6%	10.9%
Group	25.0%	20.6%

EFFECTIVE TAX RATE PER COUNTRY	For the year ended 31 December 2020	
	Statutory tax rate	Effective tax rate
Europe	25.0%	19.0%
Americas	22.0%	21.3%
Asia	16.7%	10.3%
Group	25.0%	18.8%

CURRENT TAX ASSETS AND LIABILITIES PER REGION	At 31 December	
	2021	2020
<b>Assets</b>		
Europe	136	49
Americas	773	7,164
Asia	431	138
<b>Total current tax assets</b>	<b>1,340</b>	<b>7,351</b>
<b>Liabilities</b>		
Europe	635	44,309
Americas	108	(131)
Asia	271	1,483
<b>Total current tax liabilities</b>	<b>1,014</b>	<b>45,661</b>

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES	At 31 December	
	2021	2020
<b>Assets</b>		
Other liabilities	7,628	5,285
<b>Liabilities</b>		
Property and equipment	(1,177)	(1,137)
Unrealized FX result on net investment hedge	(1,256)	
<b>Net asset/(liability)</b>	<b>5,195</b>	<b>4,148</b>

The deferred tax asset mainly relates to US temporary differences in the deductibility of the variable compensation instalments.





### Taxes paid per region

An overview of the taxes paid is presented in the table below.

	For the year ended 31 December 2021				
	Corporate income tax	Value added tax	Payroll tax	Dividend withholding tax	Total
Europe	69,249	1,391	53,099	17,410	69,249
Americas	(2,832)	5	1,672	-	(2,832)
Asia	3,059	(1)	405	-	3,059

	For the year ended 31 December 2020				
	Corporate income tax	Value added tax	Payroll tax	Dividend withholding tax	Total
Europe	86,488	2,993	27,415	23,521	86,488
Americas	19,498	74	8,377	-	19,498
Asia	1,423	-	400	-	1,423

In 2021, Flow Traders US Holding LLC received a refund of €4.6 million excluding interest from the IRS in relation to carry back filings for 2015 and 2016.

### 13. Cash and cash equivalents

	At 31 December	
	2021	2020
Europe	1,643	4,410
Americas	1,379	255
Asia	1,927	3,680
<b>Total cash and cash equivalents</b>	<b>4,949</b>	<b>8,345</b>

Cash and cash equivalents include a bank guarantee of €0.3 million for office rent (2020: €0.3 million). The other cash and cash equivalents are available on demand.

### 14. Financial assets held for trading

	At 31 December	
	2021	2020
Long position in equity securities-trading	4,133,510	3,568,734
Long position in debt securities-trading	357,847	303,966
Mark to market derivatives assets	9,740	444
<b>Total financial assets held for trading</b>	<b>4,501,097</b>	<b>3,873,144</b>

Financial assets held for trading relate to settled positions and are closely related to financial liabilities held for trading, trading receivables, trading payables, other assets held for trading and other liabilities held for trading. The sum of these positions is our net liquidity position at our prime brokers and together with cash used in the management report as trading capital. The Group enters into derivative contracts such as futures, forwards, swaps and options for trading and economic hedge purposes. Futures contracts are transacted at standardised amounts on regulated exchanges and are subject to cash margin requirements. The table above shows the fair values of derivative financial instruments recorded as assets. Forwards are customised contracts transacted in the over-the-counter market. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index. The Group's derivative assets and financial liabilities are generally not offset in the statement of financial position unless the IFRS netting criteria are met. The Group's trading capital exposures including derivative contracts is monitored on daily basis as part of its overall risk management framework.

Please also refer to note 15, 16, 23 and 24.

### 15. Trading receivables

	At 31 December	
	2021	2020
Receivables for securities sold	5,940,513	4,491,957
Due from brokers and exchanges	218,688	139,108
Mark to market derivatives assets	1,037	2,404
<b>Total trading receivables</b>	<b>6,160,238</b>	<b>4,633,469</b>



In accordance with the Group's policy of trade date accounting for regular way sale and purchase transactions, receivables for securities sold represent amounts of receivables for securities that are sold, but not yet settled as at the reporting date and amounts due from brokers and exchanges. Trading receivables are measured at fair value.

Please also refer to note 14, 16, 23 and 24.

### 16. Other assets held for trading

	At 31 December	
	2021	2020
Other assets held for trading	78,122	18,684
<b>Total other assets held for trading</b>	<b>78,122</b>	<b>18,684</b>

Per year end the group held other assets with a total value of €78.1 million which comprises of digital assets.

### 17. Other receivables

	At 31 December	
	2021	2020
Prepayments	7,692	6,461
Dividend withholding tax	1,042	1,174
Security deposits	1,551	1,613
Receivable from employees	12	632
Other receivables	4,430	4,310
<b>Total other receivables</b>	<b>14,727</b>	<b>14,190</b>

For more information, please refer to note 28 for a maturity analysis of other receivables.

### 18. Investments measured at fair value through OCI

	At 31 December	
	2021	2020
Net book amount 1 January	3,622	1,271
Additions	2,928	2,759
Price movements	2,495	9
Effect of movements in exchange rate	237	(417)
<b>Total Investments measured at fair value through OCI</b>	<b>9,282</b>	<b>3,622</b>

The investments of the Group in various exchanges, through participations or "member seats", are classified as investments measured at fair value through OCI. Member seats provide access to various exchanges. These investments are measured at fair value determined on the last available bid before year end in the foreign currencies which are translated to euros at exchange rates at the reporting date. The price movements are related to the fair value updates for the investment in ErisX (Eris Digital Holding LLC) and MEMX. On October 20, 2021 CBOE Global Markets Inc. announced to acquire ErisX, the transaction is expected to close in the first half of 2022. The additions in 2021 in Investments measured at fair value through OCI relates to the Group's additional equity investment in MEMX as part of an additional funding round, a strategic investment in D2X Group NV, an EU regulated exchange for options and futures for digital assets in Europe and in various other strategic investments companies active in digital assets and other investments in companies active in the digital assets.



### 19. Investments measured at fair value through PL

INVESTMENTS MEASURED AT FAIR VALUE THROUGH PL	At 31 December	
	2021	2020
Net book amount 1 January	-	
Additions	1,725	
Remeasurement recognized in profit or loss	(44)	
Effect of movements in exchange rate	35	
<b>Total Investments measured at fair value through PL</b>	<b>1,716</b>	

The additions in 2021 in Investments measured at fair value through PL relates to the Group's equity investments in various unlisted digital assets trusts that are planning to list in 2022.

The remeasurement recognized in profit or loss is reported in the result of equity-accounted investees.

### 20. Investments in immaterial associates

INVESTMENTS IN IMMATERIAL ASSOCIATES	At 31 December	
	2021	2020
Net book amount 1 January	176	202
Investments	2,427	-
Cash distribution	(19)	(93)
Result from associates	40	82
Effect of movement in foreign exchange differences	46	(15)
<b>Total investments in immaterial associates</b>	<b>2,670</b>	<b>176</b>

The Group's historical investments in immaterial associates include;

- A 10% ownership in Pick Two LLC (2020: 10%), a US incorporated company active in trading telecommunications. Per year end 2021 the investment had a total value of €0.2 million (2020: €0.1 million)
- Joint Back Office Clearing agreements with three prime brokers for a total amount of €0.1 million in their preferred shares per end 2021 (2020: €0.1 million)

In 2021 the group made the following strategic investments;

- On 17 September, 2021 the Group acquired a 25% share interest in Q-Shape B.V. for €0.7 million, a Dutch company active in the creation of an active market place in for energy and environmental commodities. Next to its share interest the Group has one seat on the supervisory board of Q-Shape B.V.
- On October 13, 2021 the Group acquired a 3.85% share interest in LedgerEdge Inc. for €1.7 million, a US incorporated company active in creating an ecosystem for trading corporate bonds using a DeFi strategy. Next to its share interest the Group has the right to appoint one director to the board of LedgerEdge Inc.

Included in the result on equity-accounted investees is a €0.6 million gain related to the fair value remeasurement of contingent consideration relating to a disposed associate (2020: €0.4 million loss).



## 21. Property and equipment

### PROPERTY AND EQUIPMENT

	Hardware	Office fixtures	Office space right-of-use assets	Hardware right-of-use assets	Total
<b>Cost</b>					
<b>Balance at 1 January 2020</b>	<b>30,779</b>	<b>21,137</b>	<b>16,742</b>	<b>5,619</b>	<b>74,277</b>
Additions	6,009	495	1,456	5,167	13,127
Disposals	(4,519)	(7,517)	-	(654)	(12,690)
Exchange rate differences	(1,095)	(583)	(1,109)	2	(2,785)
<b>Balance at 31 December 2020</b>	<b>31,174</b>	<b>13,532</b>	<b>17,089</b>	<b>10,133</b>	<b>71,929</b>
<b>Balance at 1 January 2021</b>	31,174	13,532	17,089	10,133	71,929
Additions	5,393	110	5,250	4,157	14,910
Disposals	(3,519)	(3,858)	-	(1,903)	(9,280)
Effect of movements in exchange rates	863	430	1,062	199	2,554
<b>Balance at 31 December 2021</b>	<b>33,911</b>	<b>10,214</b>	<b>23,401</b>	<b>12,586</b>	<b>80,113</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2020</b>	<b>11,079</b>	<b>12,770</b>	<b>4,110</b>	<b>3,017</b>	<b>30,976</b>
Depreciation for the year	3,821	3,124	4,312	2,689	13,946
Disposals	(4,373)	(7,457)	-	(654)	(12,484)
Exchange rate differences	(456)	(322)	(410)	(67)	(1,254)
<b>Balance at 31 December 2020</b>	<b>10,071</b>	<b>8,115</b>	<b>8,012</b>	<b>4,985</b>	<b>31,184</b>
<b>Balance at 1 January 2021</b>	10,071	8,115	8,012	4,985	31,183
Depreciation for the year	4,848	1,908	4,770	3,232	14,758
Disposals	(2,602)	(3,853)	(75)	(312)	(6,842)
Exchange rate differences	460	240	570	135	1,405
<b>Balance at 31 December 2021</b>	<b>12,777</b>	<b>6,410</b>	<b>13,277</b>	<b>8,040</b>	<b>40,504</b>
<b>Carrying amounts</b>					
At 1 January 2020	19,700	8,367	12,632	2,602	43,301
<b>At 31 December 2020</b>	<b>21,103</b>	<b>5,416</b>	<b>9,077</b>	<b>5,148</b>	<b>40,745</b>
<b>At 31 December 2021</b>	<b>21,134</b>	<b>3,804</b>	<b>10,124</b>	<b>4,546</b>	<b>39,609</b>

Right-of-use assets are disclosed in more detail in note 26 and must be considered along with software right-of-use assets in note 22.



## 22. Intangible assets

### INTANGIBLE ASSETS *In thousands of euro*

	Software	Software right-of-use assets	Goodwill	Total
<b>Cost</b>				
<b>Balance at 1 January 2020</b>	1,665	356	502	2,523
Additions	125	-	-	125
Disposals	(559)	-	-	(559)
Exchange rate differences	(20)	-	-	(20)
<b>Balance at 31 December 2020</b>	1,212	356	502	2,070
<b>Balance at 1 January 2021</b>	1,212	356	502	2,070
Additions	1,252	407	-	1,659
Disposals	(230)	(126)	-	(356)
Exchange rate differences	23	1	-	24
<b>Balance at 31 December 2021</b>	2,257	638	502	3,397
<b>Depreciation and impairment losses</b>				
<b>Balance at 1 January 2020</b>	945	107	-	1,052
Depreciation for the year	264	71	-	336
Disposals	(536)	-	-	(536)
Exchange rate differences	(7)	-	-	(7)
<b>Balance at 31 December 2020</b>	666	178	-	844
<b>Balance at 1 January 2021</b>	666	178	-	844
Depreciation for the year	428	121	-	549
Disposals	(354)	(1)	-	(355)
Exchange rate differences	14	-	-	14
<b>Balance at 31 December 2021</b>	754	298	-	1,052
<b>Carrying amounts</b>				
At 1 January 2020	720	249	502	1,471
At 31 December 2020	546	178	502	1,226
At 31 December 2021	1,503	340	502	2,345

Right-of-use assets are disclosed in more detail in note 26 and must be considered along with office space and hardware right-of-use assets in note 21.



## Goodwill

In December 2010 the Group obtained control of TradeSense Solutions B.V. and its subsidiary Flow Traders Technologies SRL (formerly TradeSense Solutions SRL), a software development company with special focus on trading in electronic markets. The goodwill amounted to €0.5 million.

There were no additions or impairments to the goodwill in 2021 and 2020.

## 23. Financial liabilities held for trading

	At 31 December	
	2021	2020
Short positions in equity securities-trading	1,804,293	1,564,296
Short positions in debt securities- trading	327,750	395,709
Mark to market derivatives liabilities	6,029	226
<b>Total financial liabilities held for trading</b>	<b>2,138,072</b>	<b>1,960,231</b>

Please also refer to note 14, 15, 16, 24 and 25.

## 24. Trading payables

	At 31 December	
	2021	2020
Payables for cash market products	6,113,792	4,438,595
Borrowings	1,854,765	1,360,042
Mark to market derivatives liabilities	1,415	2,365
<b>Total trading payables</b>	<b>7,969,972</b>	<b>5,801,002</b>

Please also refer to note 14, 15, 16, 23 and 25.

### Payables for securities bought

In accordance with the Group's policy of trade date accounting for regular way sale and purchase transactions, payables for securities bought represent amounts payable for securities that were purchased, but not yet settled as at the reporting date. The amount payable is based on the net unsettled amount per clearing institution.

## Borrowings

The Group maintains portfolio financing facilities with its prime brokers to facilitate the trading activities (i.e. to finance the purchase and settlement of financial instruments). The drawn amounts on these facilities continuously fluctuate based on our trading positions at any given moment.

The Group entered into interest-bearing credit facilities with ABN AMRO Clearing Bank N.V. (AACB), totalling €2,825 million per year end, comprising of a EUR denominated facility of €2,350 million and a USD denominated facility of \$ 540 million. In addition, the Group entered into interest-bearing credit facilities for portfolio margin financing with Bank of America Merrill Lynch (BA ML), NatWest Markets, Goldman Sachs, Barclays Bank, Mizrahi-Tefahot Bank and Sova Capital. These facilities can be modified or terminated at any time. The facilities are exclusively for the financing of positions of the financial instruments traded in the ordinary course of the trading activities using the various prime brokers.

Our prime brokers require the Group to post cash to cover the haircut or margin requirements (representing a minor portion of our portfolio's size, which is variable and calculated on a daily basis depending on portfolio size and composition) in cash or securities as security for our positions held with the relevant prime broker. The positions are subject to pledge and collateral arrangements.

## Covenants

Pursuant to the main covenants included in our facilities, the Group is required to comply with a net liquidation balance that exceeds the haircut calculated by the prime broker. Both the net liquidation balance and haircut are variable and calculated on a daily basis, depending on portfolio size and composition. The main covenants prescribe certain maximum portfolio-to-loan size (variable and calculated on a daily basis, depending on portfolio composition). In addition, they require us to maintain a solvency ratio of at least 4%, calculated by shareholders equity divided by credit limit.

The main covenants also require the Group to supply our prime brokers with financial statements and other information, including information on our trading activities and trading counterparties, and permission to inspect our books and records. Furthermore, they require us to maintain all relevant authorizations and memberships required in order to conduct our





business, and comply with all applicable laws, rules and regulations and place restrictions on mergers and disposition of our assets outside the ordinary course of our business.

## 25. Other liabilities held for trading

	At 31 December	
	2021	2020
Other liabilities held for trading	25,771	825
<b>Total other liabilities held for trading</b>	<b>25,771</b>	<b>825</b>

Per year end the group had other liabilities held for trading with a total value of € 25.8 million comprising of loans denominated in digital currencies or held with digital asset brokers.

## 26. Leases

The Group has lease contracts for office space, software and hardware with lease terms between one and five years. The Group also has certain leases with lease terms of 12 months or less, for which the 'short-term lease' recognition exemption is applied.

Set out below are the carrying amounts of the Group's right-of-use assets (included under property and equipment and intangible assets) and lease liabilities and the movements during the period:

LEASES	At 31 December 2021	
	Right-of-use assets	Lease liabilities
As at 1 January 2021	14,403	14,657
Additions	9,814	8,700
Depreciation expense	(8,123)	-
Disposals	(1,639)	-
Interest expense	-	390
Payments	-	(8,152)
Exchange rate differences	555	580
<b>As of 31 December 2021</b>	<b>15,010</b>	<b>16,175</b>

## LEASES

	At 31 December 2020	
	Right-of-use assets	Lease liabilities
As at 1 January 2020	15,482	15,975
Additions	6,623	6,457
Depreciation expense	(7,072)	-
Interest expense	-	391
Payments	-	(7,550)
Exchange rate differences	(630)	(616)
<b>As of 31 December 2020</b>	<b>14,403</b>	<b>14,657</b>

For more information, please refer to notes 21 and 22 for further details of the right-of-use assets.

## 27. Other liabilities

	At 31 December	
	2021	2020
Long-term variable compensation payable	30,344	76,080
<b>Subtotal non-current liabilities</b>	<b>30,344</b>	<b>76,080</b>
Wages and variable compensation payable	111,051	95,518
Wages tax payable	2,438	5,364
Dividend payable	-	6
Creditors and accruals	18,284	15,818
<b>Subtotal current liabilities</b>	<b>131,773</b>	<b>116,706</b>
<b>Total other liabilities</b>	<b>162,117</b>	<b>192,786</b>

The long-term and current variable compensation payables relate to payables to the company's employees in respect of the variable cash remuneration and the payables for the recognized shares appreciation rights - cash settled (see note 10 - Employee expenses, note 29 - Other Contingent Liabilities). As set out in the chapter Remuneration Chapter the cash variable compensation and the SARS programs are deferred in multiple instalments. If the group faces operational losses these variable compensation elements are reduced or forfeited entirely to cover for such loss.



## 28. Equity

### Share capital and share premium

All ordinary shares rank equally with regard to the Company's residual assets. There are no preferred shareholders.

#### ORDINARY SHARES

At 31 December

	2021	2020
In issue 1 January	46,534,500	46,534,500
Treasury shares	(3,498,134)	(1,832,879)
<b>Total</b>	<b>43,036,366</b>	<b>44,701,621</b>

#### Ordinary shares

Holders of the Company's ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Total authorized capital of the Company is €10 million consisting of 100 million shares of which currently 46,534,500 shares are issued. The nominal value per share is €0.10 each, and therefore the issued and paid up capital amounts to €4,653,000.

#### Share Premium Account / Treasury shares

As at 31 December 2021 Flow Traders NV and/or its subsidiaries hold 3,498,134 (2020: 1,832,879) of ordinary shares (treasury shares). Treasury shares held by the Group are not cancelled and are recognized at cost and deducted from Equity Share Premium Account. No gain or loss is recognized in the P&L on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any differences between the carrying amount and the consideration, if reissued, is recognized in the Share Premium Account. The purchases of these ordinary shares on the market are primarily intended to be used in relation to the variable remuneration programs for employees and the employee Flow Loyalty Incentive Plan (FLIP).

#### Share Based Payment Reserve

The Share Based Payment Reserve is used to recognize the grant date fair value of shares issued to employees, the grant date fair value of deferred shares granted to employees but not yet vested as well as the reinvested dividends for the unvested shares for employees. At the delivery of the shares to the employees the shares will be reclassified reducing the Share Based Payment Reserve and increasing the Share Premium Account. Please also refer to note 10.

#### Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This also includes the hedge results.

#### Fair value reserve

The fair value reserve comprises the fair value movements on all Investments measured at fair value through OCI of the Group.

#### General distributions

Pursuant to Article 24.1 of the company's Articles of Association, the Management Board, with the approval of the Supervisory Board, has decided that of the profit for 2021 (totalling €114.9 million), an amount of €55.9 million shall be added to the reserves. The remaining amount of €59.0 million is at the disposal of the General Meeting of Shareholders (General Meeting).

#### Dividends

It is proposed to the General Meeting that a total cash dividend of 1.35 per share will be paid out to shareholders for the financial year 2021, subject to a 15% dividend withholding tax. An interim cash dividend of €1.00 per share was paid out on 20 August 2021. This means that the final cash dividend proposal to the General Meeting of 29 April 2022 is 0.35 per share.

## 29. Other contingent liabilities

#### Claims

The Group is not involved in any significant and material legal procedures and/or claims and there are no other contingent liabilities.

#### Fiscal unity

The Group constitutes a fiscal unity with its fully owned Dutch subsidiaries for Dutch income tax purposes. Moreover, Flow Traders B.V. forms part of a fiscal unity for VAT purposes, covering part of the Dutch Group. All companies in the fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.



### Cash incentive provided to employees

Up until and including 2019, employees had the possibility to participate in an employee incentive plan and are eligible to a cash incentive depending on their share position in the company. One of the conditions for this cash incentive is that the employee needs to be employed at the company at time of the payment of the cash incentive. Payments will be made in the first, second, third, fourth and fifth year of the plan. Based on IAS 19, costs related to the cash incentive may not be recognized until the employee fulfils the service obligation. Therefore these costs will be recognized in future years in profit and loss. In 2021 the company recognized €2.3 million of costs relating to this plan (2020: €2.6 million).

As from 2020 certain employees receive part of their variable compensation in share appreciation rights (SARs). The SARs vest in equal instalments over a period of four to five years subject to the condition that the employee remains employed on the vesting date. The SARs are expenses and recognized in the financial statements in line with the IFRS 2 Share based payment – cash settled accounting rules (refer also to note 10 – Employee Expenses).

The contingent liability from these plans are as follows:

	2022	2023	2024	2025	2026	Total
Cash incentive plan 2017	308					308
Cash incentive plan 2018	839					839
Cash incentive plan 2019	455	455				910
Share appreciation rights 2020		1,343	1,911	1,819		5,072
Share appreciation rights 2021		645	754	817	505	2,721
<b>Total</b>	<b>1,602</b>	<b>2,443</b>	<b>2,664</b>	<b>2,636</b>	<b>505</b>	<b>9,851</b>

### Guarantees

Flow Traders BV and Flow Traders US Holding LCC have provided several guarantees for the obligations of Flow Traders US Institutional Trading LCC to external counterparties in relation to trading relationships. Obligation under the guarantees require Flow Traders Institutional Trading to fulfil claims that company has not fulfilled one of its obligations directly related to the trading relationships. These guarantees are in effect for periods ranging from 1 year to an indefinite term as of the signing date of the agreement, which can be withdrawn with 1 week notice.

### 30. Related parties

#### General

The members of the Group's Supervisory Board and the Management Board are considered the persons responsible for managing, controlling the Group and supervising the group for the Supervisory Board.

#### Key management employee and Supervisory Board compensation

Key management employee compensation comprised the Management Board compensation over 2021 and 2020. Base salaries and variable compensation paid in cash is short-term in nature.


**REMUNERATION MANAGEMENT BOARD AND SUPERVISORY BOARD 2021**

	Variable compensation				Total
	Base salary	Cash	Share-based payments	Extra-ordinary	
Management Board	524	2,538	2,538	113	5,712
Supervisory Board	620				620

**REMUNERATION MANAGEMENT BOARD AND SUPERVISORY BOARD 2020**

	Variable compensation				Total
	Base salary	Cash	Share-based payments	Extra-ordinary	
Management Board	467	10,588	10,588	116	21,758
Supervisory Board	325	-	-	-	325

**Flow Traders Foundation**

As some of Flow Traders' Supervisory Board members sit on the board of the Flow Traders Foundation ("Foundation"), the foundation is considered a related party.

In 2020 Flow Traders established the Flow Traders Foundation, a Charity or Foundation ("Stichting") to better structure its historic engagement in giving to others in society who need (financial) help. During 2020 Flow Traders has put in place the funding to make sure that a significant financial basis has been laid so that the Foundation has the financial means to make not only an annual but also a structural impact and meets its purpose.

In 2021 Flow Traders contributed a total value of €0.6 million (2020: €0.2 million) related to the Multiyear right to appoint charities the Foundation supports as the main shirt sponsor of a Dutch professional football club and €0.4 million of the 2021 cash bonus reserved for employees will be donated to the Flow Traders Foundation in 2022 (2020: nil). Furthermore, 60,000 Flow Traders NV shares for a total value of €2.0 million and a cash donation of €0.5 million were transferred to the Foundation. These transfers were already accrued for in 2020.

In 2020 Flow Traders made contributions to the Foundation for a total value of €10 million.

**Associates**

The Group has entered into transactions with associates, reference is made to note 20.

**Group companies**
**SUBSIDIARIES**

	Country of incorporation	Ownership interest	
		2021	2020
Flow Traders Holding B.V.	Netherlands	100%	100%
Flow Traders B.V.	Netherlands	100%	100%
Flow Traders Technologies B.V.	Netherlands	100%	100%
INIT Capital B.V.	Netherlands	100%	100%
Flow Traders Investment B.V.	Netherlands	100%	-
Flow Traders Asia Pte. Ltd.	Singapore	100%	100%
Flow Traders UK Services Ltd.	United Kingdom	100%	-
Flow Traders London Ltd.	United Kingdom	100%	-
Flow Traders Investment Ltd.	Jersey	100%	-
Flow Traders Hong Kong Ltd	Hong Kong	100%	100%
Flow Traders Hong Kong Services Ltd	Hong Kong	100%	100%
Flow Traders U.S. Holding LLC	United States of America	100%	100%
Flow Traders U.S. LLC	United States of America	100%	100%
Flow Traders U.S. Institutional Trading LLC	United States of America	100%	100%
Flow Traders Technologies SRL	Romania	100%	100%

**Other branches**

The Group has the following branches:

	Country	Trading Name
London	United Kingdom	Flow Traders B.V. (London Branch)
Milan	Italy	Flow Traders B.V. (Milan Branch)
Paris	France	Flow Traders B.V. (Paris Branch)



### Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which its subsidiaries operate. Please refer to the Capital Management section of this report for more information.

## 31. Financial risk management

### Overview

The Group is exposed to the following risks arising from financial instruments:

- Operational risk;
- Credit risk;
- Market risk;
- Foreign Exchange risk;
- Interest Rate risk;
- Liquidity risk;
- Concentration risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Our Group Operational Risk framework contributes to raise awareness of these risks to all our employees and stimulates a risk mitigation culture in all our processes that are well documented and periodically updated. The risk governance and independent organization of the Risk team ensures that the risk appetite is appropriately implemented, monitored and reported to Management on a regular basis. We maintain an internal operational risk event database that captures any incident that may have occurred (irrespective if it led to a financial loss/profit or not). We routinely perform an in-depth analysis of these incidents in order to avoid a reoccurrence. Every year, we conduct Risk Control Self Assessments (RCSA) in every team to update the main inherent risks that could be the most impactful and ensure they

remain within our risk appetite. Any deviation is escalated to Management and a Taskforce is put in place to bring back the residual risk scoring within our risk appetite. This ongoing vigilance ensures we dedicate the appropriate amount of time and resources to improve our control environment in a consistent way.

### Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and can also arise from the settlement of off-exchange transactions.

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. These amounts significantly exceed expected loss in the event of counterparty default, as expected loss takes into account the likelihood of such an event and collateral or security. The likelihood of counterparty default is deemed to be remote due to the creditworthiness of the counterparties and the central counterparties. The maximum exposure to credit risk at the reporting date was as follows:

CARRYING AMOUNT	At 31 December	
	2021	2020
Cash and cash equivalents	4,949	8,345
Trading receivables	6,160,238	4,633,469
Other receivables	14,727	14,190

Credit risk related to transactions on exchanges is limited since these are guaranteed by the central counterparty or clearing house related to that exchange. Members of these clearing houses are required to deposit substantial amounts of cash, bonds or equities as collateral for any failure to settlement of trading. While still a limited part of our business, there is an inherent risk related to transactions on digital assets exchanges as they are generally unregulated. This risk is mitigated by strict onboarding procedures and limiting the value traded on exchange to minimize the maximum risk.



The Group manages credit risk through its Risk and Mid-Office department that provide specific guidelines, rules and procedures for identifying, measuring and reporting credit risk.

Policies include amongst others:

- limits for individual product types;
- limits per counterparty;
- limits on the duration of the exposure;
- limits for settlement types;
- strict monitoring procedures for late settlements.

Creditworthiness of counterparties is continuously assessed and counterparty exposures are monitored on an intra-day basis.

#### **Offsetting financial assets and financial liabilities**

The disclosures set out in this paragraph include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, securities borrowing and securities lending agreements. Financial instruments, such as loans and deposits, are not disclosed in this paragraph unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right to offset recognized amounts for the parties to the agreement that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events.

In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group has outsourced collateral management to its prime brokers. It can receive and grant collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

The Group receives and grants collateral in the form of cash and marketable securities as set out in notes 15 and 24 in respect of derivatives (including swaps). Such collateral is subject to standard industry terms including, where appropriate, an ISDA Credit Support Annex. This means that securities received/granted as collateral can be pledged or sold during the term of the transaction, but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

#### **Offsetting**

The Group has various netting agreements in place with counterparties to manage the associated credit risks. Such arrangements primarily include: securities borrowing and lending arrangements, and over-the-counter and exchange traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus, reducing credit exposure. However, the offsetting criteria in IAS 32 are not met in all cases.



At 31 December 2021

	Offsetting recognized on the balance sheet			Netting potential not recognized on the balance sheet			Maximum exposure to risk	
	Gross assets/liabilities before offset	Offsetting with gross liabilities (IAS 32)	Net positions recognized on the statement of financial position	Netting potential	Positions after consideration of netting potential	Positions not subject to netting arrangements	Positions recognized in the statement of financial position	After consideration of netting potential
<b>Financial assets</b>								
Long positions, cash market products and amounts receivable from clearing agent	11,158,860	(497,525)	10,661,335	(10,108,044)	553,291		10,661,335	553,291
Other assets held for trading						78,122	78,122	78,122
<b>Total financial assets</b>	<b>11,158,860</b>	<b>(497,525)</b>	<b>10,661,335</b>	<b>(10,108,044)</b>	<b>553,291</b>	<b>78,122</b>	<b>10,739,457</b>	<b>631,413</b>
<b>Financial liabilities</b>								
Short positions, cash market products amounts payable to clearing agents, and borrowings	10,605,569	(497,525)	10,108,044	(10,108,044)	-		10,108,044	-
Other liabilities held for trading						25,771	25,771	25,771
<b>Total financial liabilities</b>	<b>10,605,569</b>	<b>(497,525)</b>	<b>10,108,044</b>	<b>(10,108,044)</b>	<b>-</b>	<b>25,771</b>	<b>10,133,815</b>	<b>25,771</b>





At 31 December 2020

	Offsetting recognized on the balance sheet			Netting potential not recognized on the balance sheet			Maximum exposure to risk	
	Gross assets/liabilities before offset	Offsetting with gross liabilities (IAS 32)	Net positions recognized on the statement of financial position	Netting potential	Positions after consideration of netting potential	Positions not subject to netting arrangements	Positions recognized in the statement of financial position	After consideration of netting potential
<b>Financial assets</b>								
Long positions, cash market products and amounts receivable from clearing agent	9,240,990	(734,377)	8,506,613	(7,761,233)	745,380		8,506,613	745,380
Other assets held for trading						18,684	18,684	18,684
<b>Total financial assets</b>	<b>9,240,990</b>	<b>(734,377)</b>	<b>8,506,613</b>	<b>(7,761,233)</b>	<b>745,380</b>	<b>18,684</b>	<b>8,525,297</b>	<b>764,064</b>
<b>Financial liabilities</b>								
Short positions, cash market products amounts payable to clearing agents, and borrowings	8,495,610	(734,377)	7,761,233	(7,761,233)	-		7,761,233	-
Other liabilities held for trading						825	825	825
<b>Total financial liabilities</b>	<b>8,495,610</b>	<b>(734,377)</b>	<b>7,761,233</b>	<b>(7,761,233)</b>	<b>-</b>	<b>825</b>	<b>7,762,058</b>	<b>825</b>

**Market risk**

The market risk for the Group relates to the risk of the value of a financial instrument fluctuating because of changes in factors including, but not limited to, interest rates, volatilities, currency rates, future dividend expectations and equity prices. The Risk and Mid-Office department monitors market risk exposure on a continuous basis (including intra-day). Based on the limits set per product or the aggregated risk for the Group, limit breaches, if any, will trigger action from the Risk and Mid-Office department in order to reduce the risk.

In addition to the Group’s Risk and Mid-Office department, the trading positions are also monitored daily. The applicable haircut and margins are computed by the Group’s prime brokers. The Risk and Mid-Office department computes the haircut using internal models enabling intra-day monitoring. Limits are set on both capital- and credit usage. Long and short

trading positions include securities and derivatives such as: shares, American depository receipts (ADR s), options, warrants, futures, forward rate agreements (FRA s), exchange-traded products (ETP) and digital assets. All traded financial instruments are liquid instruments. Therefore, the portfolio can always be liquidated within a short time frame and with limited costs.

The Group seeks to hedge its trading positions to minimize the risk for market movements and does not engage in long and/or short only positions. The direction of market movements, i.e. what the Group considers directional market risk, is not relevant for the Group because of this long/short trading strategy. Because of the manner in which the Group hedges foreign currency, interest rate risk and other price risk, the directional market risk is close to zero. Therefore, no sensitivity analysis has been disclosed.



The overall market risk (including interest rate risk, credit risk, foreign currency risk and settlement risk) of the financial assets and liabilities held for trading are captured in the risk and margin requirements which the Group is required to post at its prime brokers and clearing firms. The consolidated margin and haircut requirements over 2021 are shown in the Capital management paragraph. Although the positions are fully hedged, a minimum risk close to zero remains as a result of inefficiencies in the models of the prime brokers.

### **Market risk factors relating to digital assets and liabilities**

In a similar matter to traditional assets, the price of a digital asset or liability fluctuates according to its supply and demand. We manage this risk by holding digital assets in the same proportion as liabilities (long/short delta neutral book). Per year end we had a total exposure to digital assets of €0.4 million (2020 €0.5 million).

### **Foreign currency risk**

The Group is exposed to currency risk arising from trading positions denominated in a currency other than the respective functional currencies of Group entities, primarily the euro, but also United States dollars and Singapore dollars.

Foreign currency risk also arises on net investments in foreign operations, as well as net results of these foreign operations during the year.

The Group manages foreign currency risk through daily monitoring of the positions by currency. Generally, the Group seeks to hedge foreign currency exposures in currencies other than the functional currency.

The Group does use financial instruments to hedge the translation risk related to net investments in foreign operations or net results of foreign operations.

### **Interest rate risk**

Interest rates will affect future profitability of the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of arranged interest rates of assets and liabilities. The Group has limits in place on interest rate gaps for stipulated periods. These limits ensure that interest rate risks are hedged. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. All financial instruments are held for trading purposes and are accounted for at fair value on the

balance sheet. All positions carried on the balance sheet are short term and listed on exchanges and therefore liquid and tradable.

As mentioned in the paragraph trading payables, the Group has a credit facility available to facilitate the trading positions accounted for on the balance sheet. In order to match the liquidity and short holding period of these trading positions, the facility has an interest rate payable, which is floating. The Group runs a limited risk on the floating interest due to the fact that the interest is also embedded in the funding and financing of the long/short positions and in the EFP of the future.

### **Other price risk**

Equity price risk and commodity price risk arises from trading positions as well as the Group's investments in investments measured at fair value through OCI. In addition, for its option positions, the implied volatility of the underlying contract is an additional risk factor. Other factors to consider are time and dividend expectations.

The Group manages other price risks by defined limits in terms of individual positions per product and aggregate position per trading desk relating to the size of the exposure, concentrations, pricing and valuation parameters and natural hedging between these long and short positions.

As the Group is active in liquidity provision and does not speculate on directional moves in underlying values, the net delta positions of the portfolios should be close to zero.

In addition to daily internal monitoring measures, applicable haircut and margins are computed by the Group's prime brokers. The haircut analysis measures all positions, individual and correlated, and reflects the different risk components. The third party haircut calculation confirms the internal assessment that completes the Group's overview of the risks that it is exposed to on a daily and overnight basis. An overview of the overall market risk is presented under Market risk.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed



conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's cash position, as well as the other available credit lines with prime brokers, is monitored on a daily basis.

Maturity based on contractual undiscounted cash flows is as follows:

	<b>At 31 December 2021</b>		
	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>3 months or less</b>
Payable for securities bought	6,113,792	6,113,792	6,113,792
Borrowings	1,854,765	1,854,765	1,854,765
Mark to market derivatives liabilities	1,415	1,415	1,415
<b>Total trading payables</b>	<b>7,969,972</b>	<b>7,969,972</b>	<b>7,969,972</b>

	<b>At 31 December 2020</b>		
	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>3 months or less</b>
Payable for securities bought	4,438,595	4,438,595	4,438,595
Borrowings	1,360,042	1,360,042	1,360,042
Mark to market derivatives liabilities	2,365	2,365	2,365
<b>Total trading payables</b>	<b>5,801,002</b>	<b>5,801,002</b>	<b>5,801,002</b>

### Concentration Risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's policies and procedures and the broad geographic and industry spread of its activities limit its exposure to any concentration risk. Additionally management has established credit limits for geographic and counterparty exposures, which are monitored on a daily basis. We monitor the distribution of assets and off-balance sheet items by geographic region and industry sector on an ongoing basis.

### Maturity analysis of financial assets and liabilities

The following table shows an analysis of the assets and liabilities according to when they are expected to be recovered or settled.



At 31 December 2021

	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
<b>Assets</b>					
Cash and cash equivalents	4,949	4,949			
Financial assets held for trading	4,501,097	4,501,097			
Trading receivables	6,160,238	6,160,238			
Other assets held for trading	78,122	78,122			
Other receivables	14,727		12,134	1,042	1,551
Investments measured at fair value through OCI	9,282				9,282
Investments measured at fair value through PL	1,716				1,716
Investments in associates	2,670				2,670
Property and equipment	39,609				
Intangible assets	2,345				
Current tax assets	1,340			1,340	
Deferred tax assets	7,628				7,628
<b>Total assets</b>	<b>10,823,723</b>	<b>10,744,406</b>	<b>12,134</b>	<b>2,382</b>	<b>22,847</b>
<b>Liabilities</b>					
Financial liabilities held for trading	2,138,072	2,138,072			
Trading payables	7,969,972	7,969,972			
Other liabilities held for trading	25,771		25,771		
Variable compensation payable	137,476		103,342		34,134
Lease liabilities	16,175		1,919	5,281	8,975
Other payables	24,641			24,641	
Current tax liabilities	1,014			1,014	
Deferred tax liabilities	2,433				2,433
<b>Total liabilities</b>	<b>10,315,554</b>	<b>10,108,044</b>	<b>131,032</b>	<b>30,936</b>	<b>45,542</b>



	At 31 December 2020				
	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
<b>Assets</b>					
Cash and cash equivalents	8,345	8,345			
Financial assets held for trading	3,873,144	3,873,144			
Trading receivables	4,633,469	4,633,469			
Other assets held for trading	18,684	18,684			
Other receivables	14,190		11,403	1,174	1,613
Investments measured at fair value through OCI	3,622				3,622
Investments measured at fair value through PL	-				-
Investments in associates	176				176
Property and equipment	40,745				
Intangible assets	1,226				
Current tax assets	7,351			7,351	
Deferred tax assets	5,285				5,285
<b>Total assets</b>	<b>8,606,237</b>	<b>8,533,642</b>	<b>11,403</b>	<b>8,525</b>	<b>10,696</b>
<b>Liabilities</b>					
Financial liabilities held for trading	1,960,231	1,960,231			
Trading payables	5,801,002	5,801,002			
Other liabilities held for trading	825	825			
Variable compensation payable	14,657		1,795	4,873	7,989
Lease liabilities	167,969		91,889		76,080
Other payables	24,817			24,817	
Current tax liabilities	45,661			45,661	
Deferred tax liabilities	1,137				1,137
<b>Total liabilities</b>	<b>8,016,299</b>	<b>7,762,058</b>	<b>93,684</b>	<b>75,351</b>	<b>85,206</b>



## Liquidity and capital resources

Besides equity, the principal source of funds has been liquidity provided by the prime brokers through uncommitted credit lines and margin financing, as well as cash generated from our operating activities. As of 31 December 2021, the Group held €4.9 million in cash and cash equivalents compared to €8.3 million as of 31 December 2020. These balances are maintained primarily to support operating activities, including ensuring that the Group has sufficient short-term access to liquidity, and capital expenditures.

The Group maintains a highly liquid balance sheet, with a large portion of its total assets consisting of cash, highly liquid marketable securities and short-term trading receivables (arising from securities transactions).

The Group actively manages its liquidity on an intra-day basis and maintains significant portfolio financing facilities with the prime brokers in order to facilitate trading. These facilities are secured by cash and cash equivalents, as well as all financial assets in accounts held at the respective prime brokers. The Group has no outstanding borrowings other than the portfolio financing facilities with prime brokers.

## Capital management

### Objectives and processes of managing capital

The management board's policy is to maintain a strong capital base well above the required margin in order to maintain investor, creditor and market confidence and to sustain future development of the business. The management board monitors the regulatory capital and prime broker margin requirements ratio's consolidated and for its key regions, the return on its capital as well as the level of dividend to its shareholders. The process of allocation capital to different regions and activities is subject to review to the Risk Committee.

### Regulatory Capital

Capital adequacy and the use of required regulatory capital are based on the guidelines developed by Investment Firm Regulation and Investment Firm EU Directives (IFR/IFD). The group's lead regulator, the Dutch Central Bank, sets and monitors capital requirements for the group as a whole and for the operating company. In addition, the activities of our subsidiaries in the USA and APAC are supervised by their local regulators. The Dutch Central Bank adopted the IFR/IFD capital requirements as from June 26, 2021. As part of the IFR/IFD Capital Requirements Flow Traders NV is categorized as Category II Investment Firm and applying

K-factor risk model, fixed overhead costs and minimum capital requirements as the Pillar I requirements. The Dutch Central bank on top of Pillar I has set additional Pillar II capital requirements.

The group and its individually regulated subsidiaries have complied with all externally imposed capital requirements.

	At 31 December	
	2021	2020
<b>CAPITAL POSITION ACCORDING TO IFR/IFD/CRR</b>		
Shareholders Equity EU-IFRS	508,169	589,938
Proposed Dividend	(15,442)	(112,691)
Share buy backs proposed and executed after year end	-	(30,578)
Deduction for intangible assets and investments	(10,125)	(7,740)
<b>Available Common Equity Tier 1 Capital</b>	<b>482,602</b>	<b>438,929</b>
Required regulatory capital	242,640	217,600
<b>Excess regulatory capital</b>	<b>239,962</b>	<b>221,329</b>

## 32. Subsequent events

No material subsequent events have occurred since 31 December 2021 that require recognition or disclosure in this year's financial statements.

## 33. Authorization of consolidated financial statements

Amsterdam, 3 March 2022

The Management Board:

Britta Achmann    Dennis Dijkstra    Folkert Joling    Thomas Wolff    Mike Kuehnel

The Supervisory Board:

L. Hovius    J.T.A.G. van Kuijk    O.J. Bisselier    R. Ferscha    R.H.C. Hodenius    I. Jankovich



**PARENT COMPANY BALANCE SHEET (BEFORE RESULT APPROPRIATION)**

	Note	31 December 2021	31 December 2020
<b>Assets</b>			
Investments in group companies	1	549,979	617,402
Receivables from group companies	2	81,637	39,834
Other receivables		938	1,369
Current tax assets		36	1
Cash		15	3,407
<b>Total assets</b>		<b>632,605</b>	<b>662,013</b>
<b>Liabilities</b>			
Liabilities to group companies	3	74,120	9,851
Current tax liabilities	4	267	43,874
Other liabilities	5	16,239	18,350
<b>Total liabilities</b>		<b>90,626</b>	<b>72,075</b>
<b>Equity</b>			
Share capital		4,653	4,653
Share premium		89,428	117,046
Share based payment reserve		50,523	45,821
Retained earnings		380,616	417,337
Currency translation reserve		15,510	6,076
Fair value reserve		1,249	(995)
<b>Total equity</b>		<b>541,979</b>	<b>589,938</b>
<b>Total equity and liabilities</b>		<b>632,605</b>	<b>662,013</b>





**PARENT COMPANY INCOME STATEMENT**

	Note	31 December 2021	31 December 2020
Personnel expenses	7	6,494	17,011
Other expenses	8	756	9,075
<b>Operating expenses</b>		<b>7,250</b>	<b>26,086</b>
<b>Operating result</b>		<b>(7,250)</b>	<b>(26,086)</b>
Share in result from participating interests, after taxation	1	120,899	488,811
Other results		712	-
Result/(impairment) of equity-accounted investees		559	(440)
<b>Profit before tax</b>		<b>114,920</b>	<b>462,285</b>
Tax expense		(726)	(2,228)
<b><i>Profit for the period</i></b>		<b>115,646</b>	<b>464,513</b>



## Notes to the parent company financial statements

All amounts in thousands of euro, unless stated otherwise.

### Principles for the measurement of assets and liabilities and the determination of the result

In setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its parent Company financial statements, the Group applies the option provided in section 2:362 (8) of the Netherlands Civil Code. The principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the parent company financial statements are the same as those applied for the consolidated IFRS -EU financial statements. Participating interests over which the Company has significant influence, are measured at equity value. Please see notes to consolidated statements chapter 1 to 4 for a description of the Group's IFRS -EU principles.

The profit from participating interests consists of the Company's share in the results of these participating interests. Results on transactions, comparing the transfer of assets and liabilities between (i) the Group and its participating interests on (ii) between participating interests themselves, are not recognized.

### 1. Investments in Group companies

	At 31 December	
	2021	2020
Investments in group companies	549,979	617,402
<b>Total investments in group companies</b>	<b>549,979</b>	<b>617,402</b>

The movements of the investments in Group companies is as follows:

	At 31 December	
	2021	2020
Balance at 1 January	617,402	338,790
Changes:		
■ exchange rate differences	9,434	(10,158)
■ revaluation reserve	2,244	(41)
■ share in result of investments	120,899	488,811
■ dividend declared	(200,000)	(200,000)
<b>Balance at 31 December</b>	<b>549,979</b>	<b>617,402</b>

### 2. Receivables from group companies

	At 31 December	
	2021	2020
Share based payment receivable group companies	47,827	10,992
Intercompany loans provided to group companies	33,810	28,842
<b>Balance at 31 December</b>	<b>81,637</b>	<b>39,834</b>

Per 31 December 2021, the parent Company had mainly share based payment receivables towards Flow Traders B.V. for €29.0 million (2020: nil), Flow Traders US LLC €11.4 million (2020: €10.1 million) and Flow Traders Hong Kong Services Ltd for €5.1 million (2020: nil).

The intercompany loan receivable was towards Flow Traders B.V. (2020: of €24.3 million).



### 3. Liabilities to group companies

	At 31 December	
	2021	2020
Intercompany loans from group companies	74,120	9,851
<b>Balance at 31 December</b>	<b>74,120</b>	<b>9,851</b>

The liabilities to group companies pertain mainly to an intercompany loan from Flow Traders Holding B.V. of €73.4 million (2020: €9.9 million).

### 4. Current tax liabilities

	At 31 December	
	2021	2020
Corporate income tax	267	43,874
<b>Total current tax liabilities</b>	<b>267</b>	<b>43,874</b>

The parent Company forms part of the Group fiscal unity for corporate income tax purposes. All companies in the fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity. The parent Company's tax assets or liabilities face the tax authorities on behalf of the fiscal unity.

### 5. Other liabilities

	At 31 December	
	2021	2020
Long term bonus payable	6,429	5,294
<b>Subtotal non-current liabilities</b>	<b>6,429</b>	<b>5,294</b>
Wages and bonuses payables	9,547	9,050
Wages tax payable	63	544
Dividend payable	-	6
Other current liabilities	200	3,456
<b>Subtotal current liabilities</b>	<b>9,810</b>	<b>13,056</b>
<b>Total other liabilities</b>	<b>16,239</b>	<b>18,350</b>



## 6. Equity

							2021
	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance at 1 January 2021</b>	4,653	117,046	45,821	6,076	(995)	417,337	589,938
Profit						115,646	115,646
Total other comprehensive income				9,434	2,244		11,678
<b>Total comprehensive income for the period</b>	-	-	-	9,434	2,244	115,646	127,324
<b>Transactions with owners of the Company</b>							
Dividends						(152,367)	(152,367)
Treasury shares		(41,002)					(41,002)
Share based payments		13,384	4,702				18,086
<b>Total transactions with owners of the company</b>	-	(27,618)	4,702	-	-	(152,367)	(175,283)
<b>Balance at 31 December 2021</b>	4,653	89,428	50,523	15,510	1,249	380,616	541,979

							2020
	Share capital	Share premium	Share based payment reserve	Translation reserve	Fair value reserve	Retained earnings	Total
<b>Balance at 1 January 2020</b>	4,653	152,880	-	16,234	(954)	158,238	331,051
Profit						464,513	464,513
Total other comprehensive income				(10,158)	(41)		(10,199)
<b>Total comprehensive income for the period</b>	-	-	-	(10,158)	(41)	464,513	454,314
<b>Transactions with owners of the Company</b>							
Dividends						(205,414)	(205,414)
Treasury shares		(41,795)					(41,795)
Share based payments		5,961	45,821				51,782
<b>Total transactions with owners of the company</b>	-	(35,834)	45,821	-	-	(205,414)	(195,427)
<b>Balance at 31 December 2020</b>	4,653	162,234	45,821	6,076	(995)	417,337	589,938



The difference of €33.8 million per 31 December 2021 between the Shareholders Equity according to the parent company financial statement and the consolidated financial statements is due to the intercompany receivable in relation to the lending of treasury shares towards group entities. For the parent company financial statements this translates into an intergroup receivable (refer to note 2), while for IFRS consolidated reporting all the treasury shares held by group entities are deducted from shareholders equity.

### 7. Employee expenses

	For the year ended	
	2021	2020
Wages and salaries	1,015	697
Social security charges	51	33
Recruitment and other employment costs	29	2
Variable compensation paid in cash and shares	5,399	16,279
<b>Total employee expenses</b>	<b>6,494</b>	<b>17,011</b>

### 8. Other expenses

	For the year ended	
	2021	2020
Advisors and assurance	266	169
Regulatory costs	81	77
Shareholder meeting costs	114	138
Donation Flow Traders foundation	-	8,461
Various expenses	295	230
<b>Other expenses</b>	<b>756</b>	<b>9,075</b>

### 9. Result of equity-accounted investments

For more information, refer to note 20 Investments in associates in the consolidated financial statements.

### 10. Off-balance sheet commitments

The Company has no off-balance sheet commitments.

### 11. Claims

The Company is not involved in any significant legal procedures and/or claims. There are no other contingent liabilities.

### 12. Related parties

For more information, refer to note 30 Related parties in the consolidated financial statements.

### 13. Profit appropriation

For more information, refer to note 8 Earnings per share and note 28 Equity in the consolidated financial statements.

### 14. Subsequent events

No material subsequent events have occurred since 31 December 2021 that require recognition or disclosure in this year's financial statements.



### 15. Auditor fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by Ernst & Young Accountants LLP and its member firms and affiliates to the Group, its subsidiaries and other consolidated entities, which did not include tax advice:

#### FEES OF THE AUDITOR *In thousands of euro*

	Ernst & Young Accountants LLP	Other EY member firms and affiliates	Total EY
			2021
Statutory audit of annual accounts	302	76	378
Other assurance services	156	6	162
<b>Total auditor fees 2021</b>	<b>458</b>	<b>82</b>	<b>539</b>

#### FEES OF THE AUDITOR *In thousands of euro*

	Ernst & Young Accountants LLP	Other EY member firms and affiliates	Total EY
			2020
Statutory audit of annual accounts	260	73	333
Other assurance services	100	6	106
<b>Total auditor fees 2020</b>	<b>360</b>	<b>79</b>	<b>439</b>

### 16. Authorization of company financial statements

Amsterdam, 3 March 2022

The Management Board:

Britta Achmann    Dennis Dijkstra    Folkert Joling    Thomas Wolff    Mike Kuehnel

The Supervisory Board:

L. Hovius    J.T.A.G. van Kuijk    O.J. Bisselier    R. Ferscha    R.H.C. Hodenius    I. Jankovich



# Other information







## Provisions in the Articles of Association governing the appropriation of profit

The provisions in the articles of association governing the appropriation of profit read as follows:

1. The Management Board may decide, with the approval of the Supervisory Board, that the profits realized during a financial year will fully or partially be appropriated to increase and/or from reserves. The profits remaining after application to or from reserves shall be put at the disposal of the general meeting at the proposal of the Management Board, with the approval of the Supervisory Board. A proposal to pay dividends shall be dealt with as a separate agenda item at the general meeting. Distributions from the company's distributable reserves are made pursuant to a resolution of the general meeting at the proposal of the Management Board, with the approval of the Supervisory Board. Provided it appears from an interim statement of assets signed by the Management Board that the requirements concerning the position of the company's assets has been fulfilled, the Management Board may, with the approval of the Supervisory Board, make one or more interim distributions to the holders of shares. The Management Board may decide, with the approval of the Supervisory Board, that a distribution on shares shall not take place as a cash payment but as a payment in shares, or decide that holders of shares shall have the option to receive a distribution as a cash payment and/or as a payment in shares, out of the profit and/or at the expense of reserves, provided that the Management Board is designated by the general meeting. With the approval of the Supervisory Board, the Management Board shall determine the conditions applicable to the aforementioned choices.
2. The company's policy on reserves and dividends shall be determined and can be amended by the Management Board, with the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the general meeting under a separate agenda item.
3. Distributions can only be made up to the amount of the distributable part of the shareholders' equity.
4. Dividends and other distributions will be made payable pursuant to a resolution of the Management Board within four weeks after adoption, unless the Management Board sets another date for payment.
5. The claim of a shareholder to receive any distributions shall lapse within five years after they have become due for payment.
6. For all dividends and other distributions in respect of shares included in the Statutory Giro System the company will be discharged from all obligations towards the relevant shareholders by placing those dividends or other distributions at the disposal of, or in accordance with the regulation of, Euroclear Netherlands.
7. In calculating the amount of any distribution on shares, shares held by the Company shall be disregarded.



## Independent auditor's report

To: the shareholders and supervisory board of Flow Traders N.V.

### Report on the audit of the financial statements 2021 included in the annual report

#### Our opinion

We have audited the financial statements 2021 of Flow Traders N.V. based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Flow Traders N.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of Flow Traders as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021
- the following statements for 2021: the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the parent company balance sheet as at 31 December 2021
- the parent company income statement for 2021
- the notes comprising a summary of the accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Flow Traders N.V. (hereinafter also referred to as the company or Flow Traders) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

#### Our understanding of the business

Flow Traders N.V. is a global financial technology-enabled multi-asset class liquidity provider with its core business in Exchange Traded Products (ETP), which includes fixed income, FX, digital assets (cryptocurrencies) and commodities. Flow Traders N.V. is at the head of a group of entities. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the nature of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and



appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Materiality**

Materiality	€7.3 million (2020: €28.6 million)
Benchmark applied	5% of profit before tax (rounded)
Explanation	We applied profit before tax as this benchmark is an important metric for the users of the consolidated financial statements. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €0.3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

**Scope of the group audit**

Flow Traders N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities, being Flow Traders B.V. and Flow Traders U.S. LLC, based on the relative financial size of these components.

We have:

- Performed audit procedures ourselves for the group entity Flow Traders B.V.
- Used the work of another (non-EY) auditor for auditing the group entity Flow Traders U.S. LLC
- Used other EY audit firms to perform specific audit procedures at other group entities

We sent instructions to component auditors, covering the significant areas and the information required to be reported to us. Based on our risk assessment, we determined the level of involvement in component audits. Because of the continuing travel restrictions and social distancing due to the Covid-19 pandemic, our site visit for the component team in the US was virtual and encompassed some, or all, of the following activities: reviewing key local working papers and conclusions, videoconferencing with local management teams and obtaining an understanding of key processes. We interacted regularly with the US and other component teams during various stages of the audit, through the use of videoconferencing facilities.

By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

**Teaming, use of specialists**

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the business of providing liquidity to financial markets. We included specialists in the areas of IT audit, forensics, tax and transfer pricing and have made use of our own experts in the areas of valuations of trading positions, digital assets (crypto currencies) and actuaries.

**Our focus on fraud and non-compliance with laws and regulations**

**Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.



### **Our audit response related to fraud risks**

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 'Enterprise risk management' of the management board report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation, and where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. We also considered whether the Covid-19 pandemic gives rise to specific fraud risk factors with remote working, office closures or illness possibly diluting the effectiveness of internal controls.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls and when identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition. For the risks related to management override of controls we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates, in particular relating to fair value measurement as disclosed in Note 7 to the financial statements. We have also used data analytics to identify and address high-risk journal entries. These risks did however not require significant auditor's attention during our audit.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, risk management, finance, human resources, head of operations and regional directors) and the supervisory board.

The presumed fraud risks, enquiries and other available information did not lead to specific indications of fraud or suspected fraud potentially materially impacting the view of the financial statements.

### **Our audit response related to risks of non-compliance with laws and regulations**

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures. Given that the company operates in a highly regulated environment, there is an increased risk of non-compliance with laws and regulations that may result in fines, litigation or other consequences for the company that could have a material effect on the financial statements.

We inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

### **Our audit response related to going concern**

As disclosed under '2. Going concern' in the notes to the consolidated financial statements and in the section 'Going concern' included in the management board report, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with management, exercising professional judgment and maintaining professional skepticism.



We considered whether management’s going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company’s ability to continue as a going concern, also focusing on whether the company meets the regulatory solvency requirements for an investment firm.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company’s ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.

**Risk**

**Our audit approach**

**Key observations**

**Fair value measurement of financial assets and liabilities held for trading**

As disclosed in note 7 of the financial statements, Flow Traders’ fair value measurement of financial assets and liabilities held for trading is based on internally determined theoretical prices, which are also used for quoting purposes. As such, valuation can differ from closing prices at various stock exchanges or prices from clearers, for example due to market illiquidity, variety in opening hours of the stock exchanges and the use of hedging instruments.

The fair values recorded could include estimates which are subjective by nature. Therefore, we identified the valuation of financial assets and liabilities held for trading as a key audit matter.

Our audit procedures included, amongst others, assessing the appropriateness of Flow Traders’ accounting policies related to valuation of financial assets and liabilities according to IFRS 9 “Financial Instruments” and IFRS 13 “Fair Value Measurement”. In addition, we obtained an understanding of the valuation process, including verifications done by the Risk and Mid-Office department. We evaluated the design and implementation of internal controls relevant to fair value measurement, involving our own experts in the area of valuation of trading positions. We performed risk-based sample testing on the valuation of individual positions by evaluating the internally developed prices against market prices from independent sources.

Furthermore, we evaluated the presentation and disclosure in the financial statements for compliance and consistency with IFRS 7 “Financial Instruments: Disclosure” and IFRS 13 on disclosure requirements for financial assets and liabilities held for trading, including the fair value hierarchy.

Based on our procedures performed, we consider the fair value of the financial assets and liabilities held for trading to be reasonable and we consider the related disclosures to be adequate and appropriate in accordance with the requirements under EU-IFRS.



Risk	Our audit approach	Key observations
<p><b>Digital assets transactions and balances</b></p> <p>Flow Traders trades in cryptographically secured digital assets ('cryptocurrencies') as disclosed in note 16 to the financial statements. The cryptocurrencies positions are recorded as other assets held for trading and results recorded as part of trading income. Cryptocurrencies are exchangeable directly between two parties through decentralized ('blockchain') networks that record anonymous transaction data. Alternatively, direct trades are executed between members of non-regulated cryptocurrency exchanges. Reference is made to the information on cryptocurrencies in Note 31 Financial risk management. For entities that use third parties to store the private keys that provides access to the digital assets, ownership has to be established based on legal terms. This determines whether an entity should recognize the assets or a right to the assets.</p> <p>We recognized a risk in the existence of the cryptocurrency positions. In addition, we recognized a risk of incorrect valuation of cryptocurrencies, given the high volatility and large number of different exchanges. We therefore considered the existence and valuation of cryptocurrency positions and transactions as a key audit matter.</p>	<p>Our audit procedures included, amongst others, assessing the appropriateness of Flow Traders' accounting policies related to classification and measurement of cryptocurrency positions under IFRS-EU.</p> <p>We performed procedures to evaluate the design and implementation of procedures related to cryptocurrencies by Flow Traders, including reviews performed by the Risk and Mid-Office and the compliance departments in onboarding exchanges as well as trading in new cryptocurrencies, involving our own experts in the area of digital assets.</p> <p>Furthermore, we evaluated the design and implementation of the daily trades reconciliation controls and procedures for deposits and withdrawals with cryptocurrency exchanges. Last, by observing the positions at each of the exchanges at year-end and subsequently testing on the valuation of individual positions by comparing the internally developed prices to independent sources, we independently tested the valuation and existence of the cryptocurrencies position of Flow Traders at 31 December 2021.</p>	<p>Based on the procedures performed, we did not identify any material audit findings in relation to the existence or carrying values of the cryptocurrency assets.</p>



## Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements and ESEF

### Engagement

We were engaged by supervisory board as auditor of Flow Traders N.V. on 19 May 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## European Single Electronic Reporting Format (ESEF)

Flow Traders N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Flow Traders, complies in all material respects with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

## Description of responsibilities for the financial statements

### Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the





management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

### **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication**

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect, we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

The Hague, 3 March 2022

Ernst & Young Accountants LLP  
Signed by: R. Koekkoek



## Glossary

<b>AGM</b>	Annual General Meeting of shareholders
<b>AML</b>	Anti-Money Laundering
<b>AMX</b>	Amsterdam Midcap Index
<b>AP</b>	Authorized Participant
<b>APT</b>	Dutch Association of Proprietary Traders
<b>AuM</b>	Asset Under Management
<b>AuM CAGR</b>	Asset Under Management Compound Annual Growth Rate
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CID procedure</b>	Counterparty Identification Procedures
<b>CRD IV</b>	EU Capital Requirements Directive (2013/36/EU)
<b>CRR</b>	EU Capital Requirements Regulation (575/2013)
<b>CSDR</b>	Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories
<b>CTO</b>	Chief Technology Officer
<b>CTrO</b>	Chief Trading Officer
<b>DNB</b>	Dutch Central Bank
<b>ERM</b>	Enterprise Risk Management
<b>ETC</b>	Exchange-Traded Commodities
<b>ETF</b>	Exchange-Traded Funds
<b>ETN</b>	Exchange-Traded Notes
<b>ETP</b>	Exchange traded product
<b>EY</b>	Ernst & Young Accountants LLP, the company's external auditor
<b>General Meeting</b>	Annual General Meeting of Shareholders
<b>FCIP</b>	Flow Cash Incentive Plan
<b>FIA EPTA</b>	FIA European Principal Traders Association
<b>FIA PTG</b>	FIA Principal Traders Group
<b>FICC</b>	Fixed income, currency and commodities
<b>FLIP</b>	Flow Loyalty Incentive Plan
<b>FSI Schemes</b>	Fast Semi-Iterative schemes

<b>FWD</b>	Forward
<b>FX</b>	Forex (Currency trading)
<b>IA</b>	Internal audit function
<b>IFD</b>	Directive (EU) 2019/2034 on the prudential supervision of investment firms
<b>IFR</b>	Regulation (EU) 2019/2033 on the prudential requirements of investment firms
<b>IR</b>	Investor Relations
<b>KPI</b>	Key Performance Index
<b>MiFID II</b>	Markets in Financial Instruments Directive (Directive 2014/65/EU; as amended)
<b>NDF</b>	Non-Deliverable Forward
<b>NTI</b>	Net Trading Income
<b>NTI CAGR</b>	Net Trading Income Compound Annual Growth Rate
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>OTC</b>	Over the counter
<b>RMF</b>	Risk Management Framework
<b>RSA</b>	Risk (self-) assessments
<b>SDG</b>	Sustainable Development Goals
<b>UN</b>	United Nations
<b>VWAP</b>	Volume weighted average price



## EU Directive

Requirements EU Directive	Subtopic	Chaper/section reference
<b>A brief description of the business model</b>	Business model	Our profile: What we do, p. 9
	Business environment	Value creation and strategy: Markets and trends, p. 18-23
	Organization and structure	Our governance, p. 61-67
	Our market	Our profile: Products, p. 10-14, Value creation and strategy: Markets and trends, p. 20-23
	Strategy and objectives	Value creation and strategy: Our ambition and strategy, p. 18
	Long-term market drivers	Value creation and strategy: Markets and trends, p. 20-23
<b>Relevant social and personnel topics</b>	A description of the policies pursued	Our performance: Sustainable employment, p. 33-38
	The outcome of these policies	Our performance: Sustainable employment, p. 33-38
	Principle risks in own operations and within the value chain	Our risk management: Operational risk, p. 48-60
	How risks are managed	Our risk management: Enterprise risk management, p. 53-60
	Non-financial key performance indicators	Our performance: Sustainable employment, p. 33-38
<b>Relevant environmental topics</b>	A description of the policies pursued	Our performance: Carbon emissions, material and waste, p. 41-42
	The outcome of these policies	Our performance: Carbon emissions, material and waste, p. 41-42
	Principle risks in own operations and within the value chain	Our risk management: Environmental risk, p. 58
	How risks are managed	Our risk management: Environmental risk, p. 58
	Non-financial key performance indicators	Our performance: Carbon emissions, material and waste, p. 41-42
<b>Relevant human rights topics</b>	A description of the policies pursued	Due to the nature of our business as well as our geographical presence, Flow Traders is not materially exposed to human rights violations. For our employees we are compliant to all applicable laws and regulations, please refer to p. 30-38 on our way of working. As part of the development of an ESG strategy in the course of 2022 we will again evaluate the exposure of Flow Traders to human rights violations.
	The outcome of these policies	
	Principle risks in own operations and within the value chain	
	How risks are managed	
	Non-financial key performance indicators	



Requirements EU Directive	Subtopic	Chaper/section reference
<b>Addressing anti-corruption and bribery</b>	A description of the policies pursued	Our risk management: Compliance and transparency, p. 59-60
	The outcome of these policies	Our risk management: Compliance and transparency, p. 59-60
	Principle risks in own operations and within the value chain	Our risk management: Compliance and transparency, p. 59-60
	How risks are managed	Our risk management: Compliance and transparency, p. 59-60
	Non-financial key performance indicators	Our risk management: Compliance and transparency, p. 59-60
<b>Addressing board diversity</b>	A description of the policies pursued	Our governance: Diversity, p. 67-68
	Diversity objectives	Our governance: Diversity, p. 67-68
	Implementation of policy	Our governance: Diversity, p. 67-68
	Results of the diversity policy	Our governance: Diversity, p. 67-68



## Colophon

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### Concept & realisation

Domani B.V.

The Hague



This document contains “forward-looking statements” which relate to, without limitation, our plans, objectives, strategies, future operational performance, and anticipated developments in the industry in which we operate. These forward-looking statements are characterized by words such as “anticipate”, “estimate”, “believe”, “intend”, “plan”, “predict”, “may”, “will”, “would”, “should”, “continue”, “expect” and similar expressions, but these expressions are not the exclusive means of identifying such statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or our actual results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such factors include, among other things, reduced levels of overall trading volume and lower margins; dependence upon prime brokers, ETP issuers, trading counterparties, CCPs and custodians; losing access to an important exchange or other trading venue; occurrence of a systemic market event; incurrence of trading losses; failures or disruption of our trading platform or our or third-party technical infrastructure; risks associated with operational elements of our business and trading generally; ineffective risk management systems, processes and strategies; intense competition in our business; dependence on continued access to sources of liquidity; capacity constraints of computer and communications systems; dependence on third-party software, infrastructure or availability of certain software systems; damage to our reputation and the reputation of our industry; loss of key staff or failure to attract and retain other highly skilled professionals; changes to applicable regulatory requirements; compliance with applicable laws and regulatory requirements, including those specific to our industry; enhanced media and regulatory attention and its impact upon public perception of us or of companies in our industry; and other risks.

The forward-looking statements contained in this document are based on assumptions, beliefs and expectations that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given the risks and uncertainties associated with forward-looking statements, you are cautioned not to place undue reliance on such forward-looking statements.

Such forward-looking statements speak only as of the date on which they are made. Accordingly, other than as required by applicable law or the rules of the stock exchange on which our securities are listed, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking statements should not be regarded as a representation or warranty by us or any other person with respect to the achievement of the results set out in such statements or that the underlying assumptions used will in fact be the case. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected.

Statements regarding the market, industry and trends, including the FX market and development in ETP Assets under Management in certain markets, ETP value traded in certain markets and Flow Traders’ competitive position are based on outside data and sources.



**F L O W ■ T R A D E R S**

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