

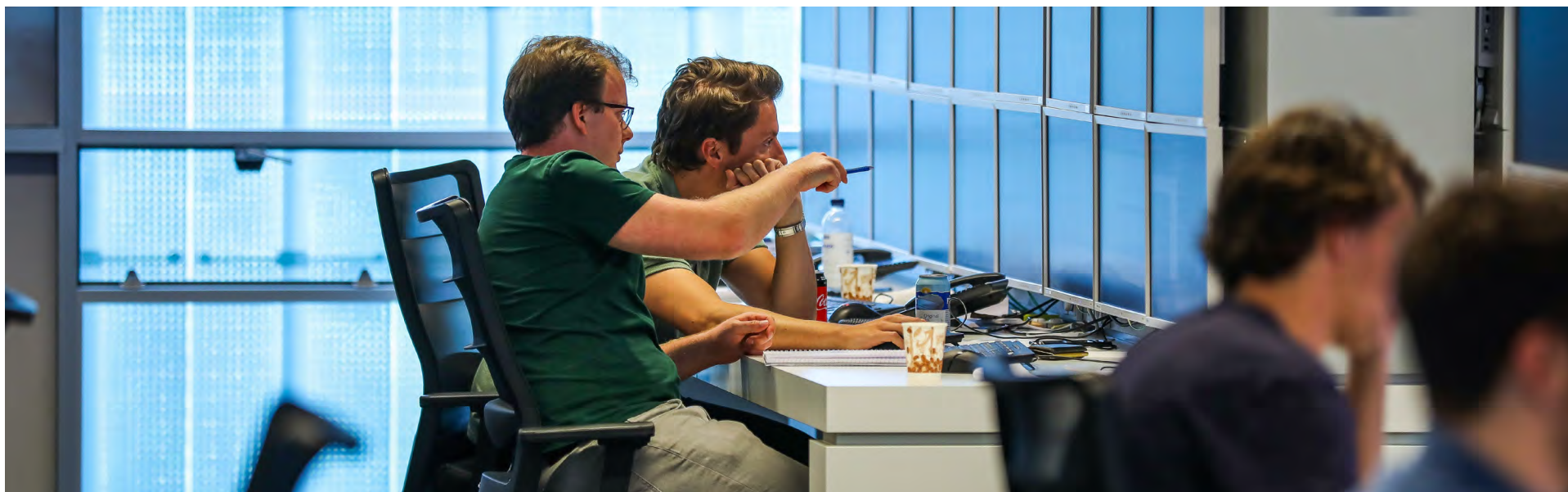






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Management Board report

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2020 at a glance

HIGHLIGHTS

- **Record year** financially
- **Strongest ever** trading volumes
- **Strong performance** across all regions and asset classes
- Enlarged our **global ETP footprint**
- **Enhanced coverage** of fixed income, commodities, currencies and crypto
- **Uninterrupted provision of liquidity** throughout the COVID-19 pandemic
- **Substantial capital returns** to shareholders
- Established the **Flow Traders Foundation**

2020 BY NUMBERS

Market ETP
Value Traded (€bn)

34,920

48%

2019: 23,588

EBITDA (€m)

586.6

2019: 78.9

Net Profit (€m)

464.5

2019: 53.1

Flow Traders ETP
Value Traded (€bn)

1,515

50%

2019: 1,099

Flow Traders Total
Value Traded (€bn)

5,210

30%

2019: 4,005

Net Trading Income
(NTI) (€m)

933.4

2019: 216.4

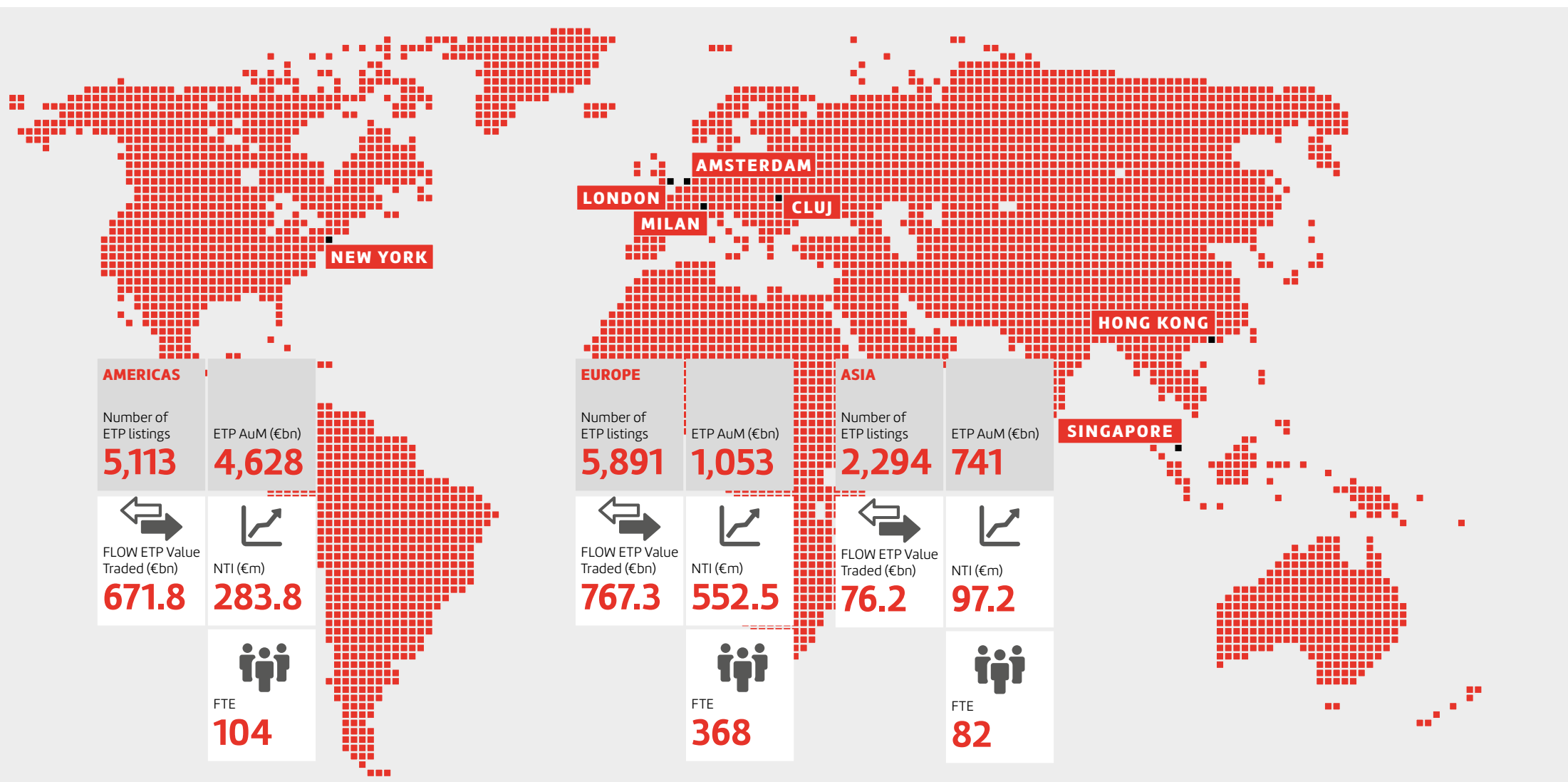
Earnings per share
(€)

10.26

2019: 1.15



2020 at a glance





2020 at a glance

2020 FINANCIAL OVERVIEW

In thousands of euro

	2020	2019
Net Trading Income	933,425	216,442
Employee expenses (fixed)	47,701	43,586
Technology expenses	46,544	39,740
Other expenses	24,404	16,510
Fixed operating expenses	118,649	99,836
Employee expenses (variable)	228,115	37,703
Total operating expenses	346,764	137,539
EBITDA	586,661	78,903
Depreciation / amortization	14,285	14,625
Write offs, tangible assets	103	61
(Result)/impairment of equity-accounted investees	358	(1,070)
Profit before tax	571,915	64,217
Tax	107,402	12,150
Net profit	464,512	53,137
Net trading capital	771,586	367,935
Regulatory capital available	438,929	286,953
Regulatory capital required	217,600	154,180
Excess capital	221,329	132,773
KPI		
EBITDA margin	62.8%	36.5%
Basic earnings per share	10.26	1.15
Fully diluted earnings per share	9.81	1.15



Message of the Management Board



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

“Our ability to adapt and respond to the pandemic has again demonstrated the resilience of our systems”

The COVID-19 pandemic and the associated market impacts were the key developments in 2020. Our primary focus throughout the year was on safeguarding the health and wellbeing of our people and their families, while ensuring our business operations could continue securely as normal and without interruption. This involved launching our business continuity plan (BCP) in the first quarter, leading to the vast majority of employees working from home and the creation of back-up trading locations across our three regions.

Our ability to adapt and respond to the pandemic has again demonstrated the resilience of our systems and infrastructure, the strength of the company culture with true global collaboration, and the flexibility of our people. We were able to operate continuously throughout the year, ensuring that investors had access to markets and could buy and sell without interruption.

Market developments

The ETP ecosystem proved itself once again in 2020. Not only do ETPs offer investors transparent, competitively priced, and easy-to-access investment opportunities, but the ecosystem as a whole remained particularly robust in the face of extraordinary market circumstances.

We maintained our position as the leading ETP liquidity provider across EMEA, our home market, where we are extremely well established. We continued to support the growing fixed income ETF market, and we enhanced our coverage of currencies, commodities and crypto trading. During 2020, Flow Traders became a top-3 market maker in spot metals on major FX ECNs.



In the United States, we further solidified our regional position and grew the number of institutional counterparties we trade with.

Our performance in the Asia-Pacific region strengthened as certain investments, such as those in Hong Kong, began to pay off. Structurally, we see growing adoption of request-for-quote (RfQ) systems and a further shift towards electrification, which plays into Flow Traders' core strengths.

Globally, we now trade with over 1,600 counterparties and provide liquidity in nearly 8,000 ETPs across around 180 venues.

Accelerating trends

The year's events confirmed our strategic direction, as we operate on the edge of innovation, leading to an acceleration in technological and operational changes, unifying our efforts to implement new growth projects. As demonstrated in the fourth quarter, the investments we have made in growing our non-ETP market making activities are starting to pay off and are positively contributing to the top line.

Our global ETP footprint expanded to reflect the broader trends of the ETP ecosystem, such as the greater prominence of fixed income and ESG products. Our FX business now trades more than \$5 billion daily through a growing number of platforms and institutional counterparties. We also expanded our fixed income structure in terms of interfaces and market data and increased market share across the board in fixed income ETFs.

From a technology perspective, we successfully launched a number of data programs, including in data analysis and creating a larger data lake, and enhanced our efficiency efforts through additional automation. This helped us decrease the average implementation time by 70%.

In addition, we intensified our storage cost-efficiency by shifting to the cloud as a major storage front, and introduced even more rigorous cyber-security protocols as our people began home working.

Looking ahead, we will continue to drive forward our existing growth strategy and will combine automation with data to help increase operational efficiency. We will also continue to invest in the stability and scalability of our platforms, while watching market developments closely.

Financial overview

We had a record year with NTI of €933.4 million and demonstrated strong operational leverage with an EBITDA margin of 63% and EBITDA of €586.6 million. Ultimately, we recorded a Net Profit of €464.5 million with an EPS of €10.26. This, along with our strong capital position, allowed the company to make substantial capital returns to our shareholders with an interim FY20 dividend of €4 per share and final proposed dividend of €2.50.

Our response to COVID-19

We were able to provide uninterrupted liquidity and pricing to the ETP markets on a global basis during the pandemic. This involved activating our business continuity plan, aimed at ensuring the health and well-being of our employees and their families. Employees adapted extremely well to the changing working environment. We also hired selectively.

“We believe we helped reassure the markets through our continuous presence, enabling investors and market participants to trade in all circumstances”



We provided continuous liquidity and pricing, despite extraordinary and challenging market circumstances. We believe we helped reassure the markets through our continuous presence, enabling investors and market participants to trade in all circumstances.

Regulatory changes

The new European Union IFR/IFD regulations will come into force in June 2021. We concluded in 2020 that because the new regulations are more tailored to Flow Trader's specific risk profile, our capital requirements will be markedly lower. It is envisaged that this capital relief will be partially offset by growth in business activities.

New board member

At the beginning of the year our Management Board was strengthened with the addition of Britta Achmann as Chief Risk Officer, whose appointment was approved by shareholders in June. Despite joining shortly before the outbreak of the COVID-19 pandemic, Britta quickly integrated herself into the company.

Britta's initial impressions were on how robust the company's risk management culture is, and how well we came through the COVID-19 crisis. Her primary focus area in 2020 was on the operations team, which remains a significant growth area going forward.

Looking ahead

Our initial focus in 2021 will be on ensuring that our people remain safe and healthy. This will include maintaining home working for as long as necessary, and establishing safe travelling protocols when international travel resumes fully. At the same time, it's important we continue to hire and

onboard new talent, and find ways to make people feel secure and fully integrated as they join the company.

Naturally, we will provide investors with uninterrupted market access, and capitalize on the accelerating trend of automation / electronification and greater use of data, which developed swiftly in 2020.

We will continue our growth strategy by expanding and deepening our global ETP footprint, as well enhancing trading in fixed income, currencies and crypto and there will be greater contributions from our non-ETP market making activities in 2021.

Finally, we want to thank our people for their adaptability, patience and hard work throughout the year. They are the engine that drives us forward. We would also like to recognize our shareholders and other stakeholders for their ongoing support and contribution.

Regards,

Dennis Dijkstra, Britta Achmann, Folkert Joling and Thomas Wolff.



Our profile

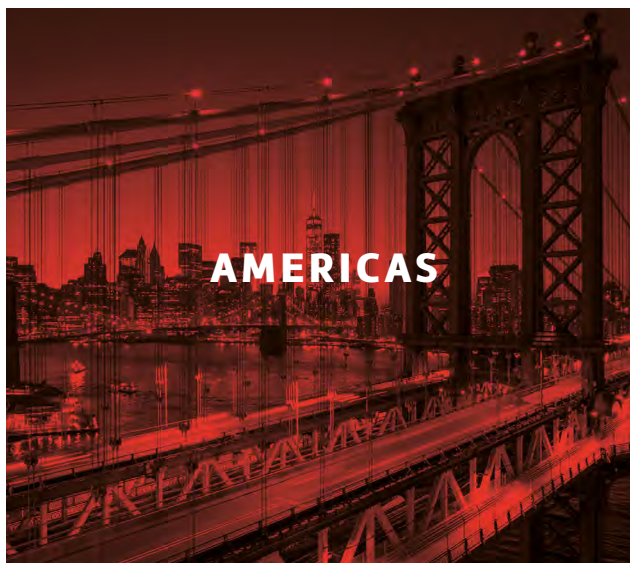
Who we are

Flow Traders is a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange Traded Products (ETPs), now 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, 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 and Bloomberg. More recently, we have commenced the diversification of our market making activities into other asset classes, such as Foreign Exchange (FX), commodities, cryptocurrencies and fixed income.





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:

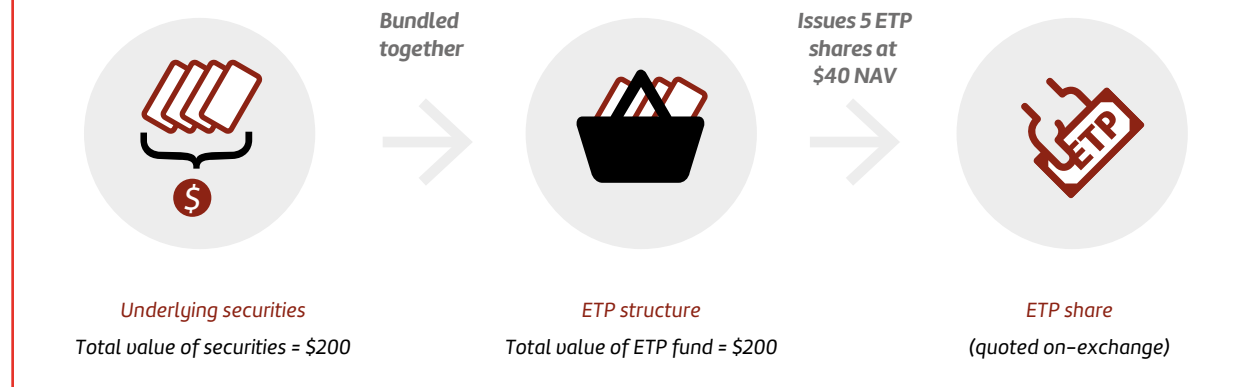
Exchange-traded funds (ETFs)

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

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 2020 mainly in FICC.

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 2020. 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. In 2020, Flow Traders also became a top three market makers 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, 2020 saw continued ETP market growth. Flow Traders has a strong position in this market, particularly in EMEA and in the US. During 2020, we further optimized our trading proposition in Fixed Income ETPs by also deepening our access to, and trading, the associated underlying instruments.

Flow Traders also trades cryptocurrency, which we consider to be a key part of our FICC proposition, which is a small but growing part of our overall business. Flow Traders is the number one market maker in cryptocurrency ETPs 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 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 2020, there were 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, 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 ETPs accurately

Being able to accurately price the ETPs 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 relationship between the ETPs and the underlying assets 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.

Cutting edge proprietary technology platform

Developing software in-house

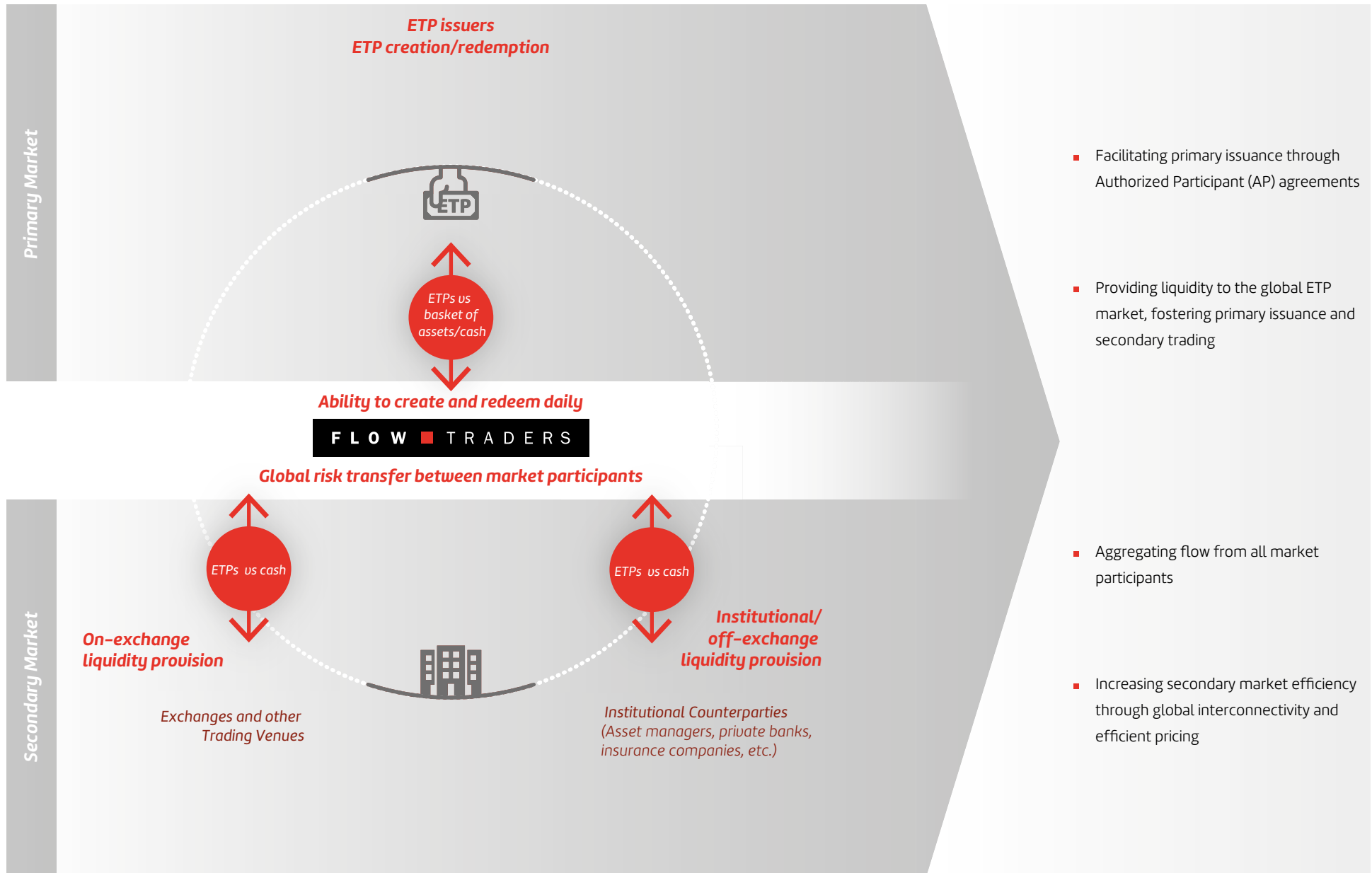
As noted, we are a technology company operating in the financial industry. As such, technology lies at the heart of our business, enabling us to provide liquidity in a variety of market environments across the globe. We trade using proprietary and scalable software with the vast majority of our applications 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 2020 our total technology expenses increased by 16 percent versus 2019 as we invested further in the trading business. In 2020 our technology expenses represented 40 percent of our total fixed expenses. In 2020, the number of technology FTEs grew to 221 from 204, in order to support the execution of our growth strategy.



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 2020. 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*	75%
Market cap at year end (€)	1,259,223,570

Source: Euronext as per 31 December 2020.

* Official Euronext definition.

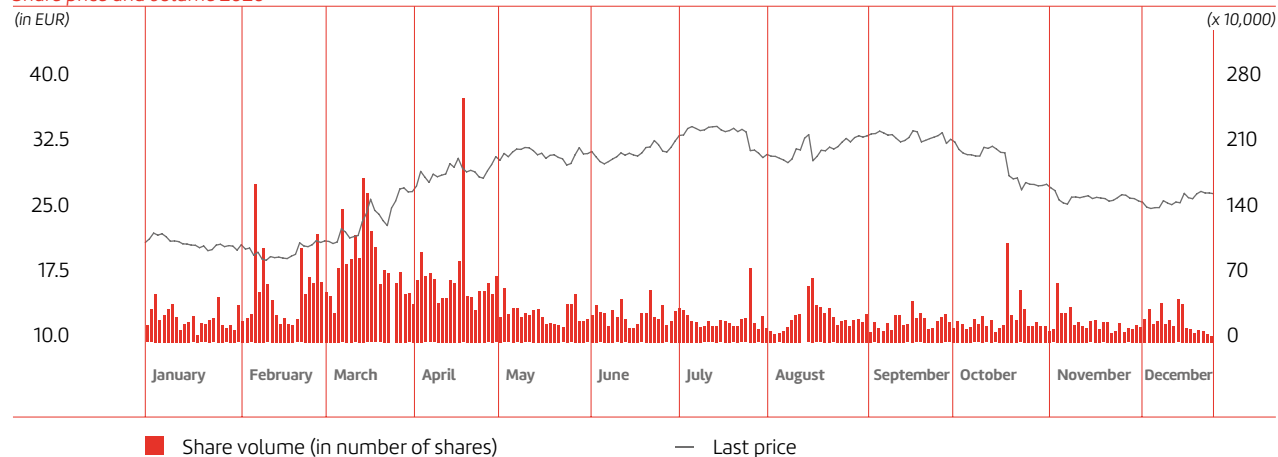
Performance and key figures

KEY FIGURES PER SHARE

Earnings per share	€10.26
P/E ratio	2.6
Interim dividend per share	€4.00
Final dividend per share	€2.50
Total dividend per share 2020	€6.50
Dividend yield	24.0%
Year-end share price*	€27.06

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

Share price and volume 2020





VOLUMES

Total annual volume	99,434,294
Daily volume - high	2,614,064
Daily volume - low	66,869
Average daily volume	386,904

Source: Euronext.

SHARE PRICE PERFORMANCE

Opening price 2 January 2020	€21.54
Annual highest price (closing)	€34.78
Annual lowest price (closing)	€19.42
Closing price 31 December 2020	€27.06

Source: Euronext.

Analyst coverage

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

Institution	Analyst
ABN AMRO	Lotte Timmermans
Bank Degroof Petercam	Michael Roeg
Exane BNP Paribas	Gregory Simpson
ING	Albert Ploegh
Jefferies	Martin Price
KBC Securities	Thomas Couvreur
UBS	Michael Werner

Financial calendar

Q1 Trading Update	20 April 2021
Annual General Meeting	23 April 2021
Ex-dividend final dividend 2020	27 April 2021
Record date final dividend 2020	28 April 2021
Payment date final dividend 2020	30 April 2021
H1 Results release	23 July 2021

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 2020

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 2020 (totaling €464.5 million), an amount of €172.2 million shall be added to the reserves. The remaining amount of €292.3 million is at the disposal of the General Meeting.

It is proposed to the General Meeting that a total cash dividend of €6.50 per share will be paid out to shareholders for the financial year 2020, subject to a 15 percent dividend withholding tax (dividendbelasting). An interim cash dividend of €4.00 per share was paid out on 21 August 2020. This means that the final cash dividend proposal to the General Meeting is €2.50 per share. Subject to approval by the General Meeting on 23 April 2021, shares will trade ex-dividend on 27 April 2021. Payment of the final dividend is anticipated to be made on 30 April 2021. Please also refer to the Dividend Policy section in the chapter Our governance.



Investor Relations

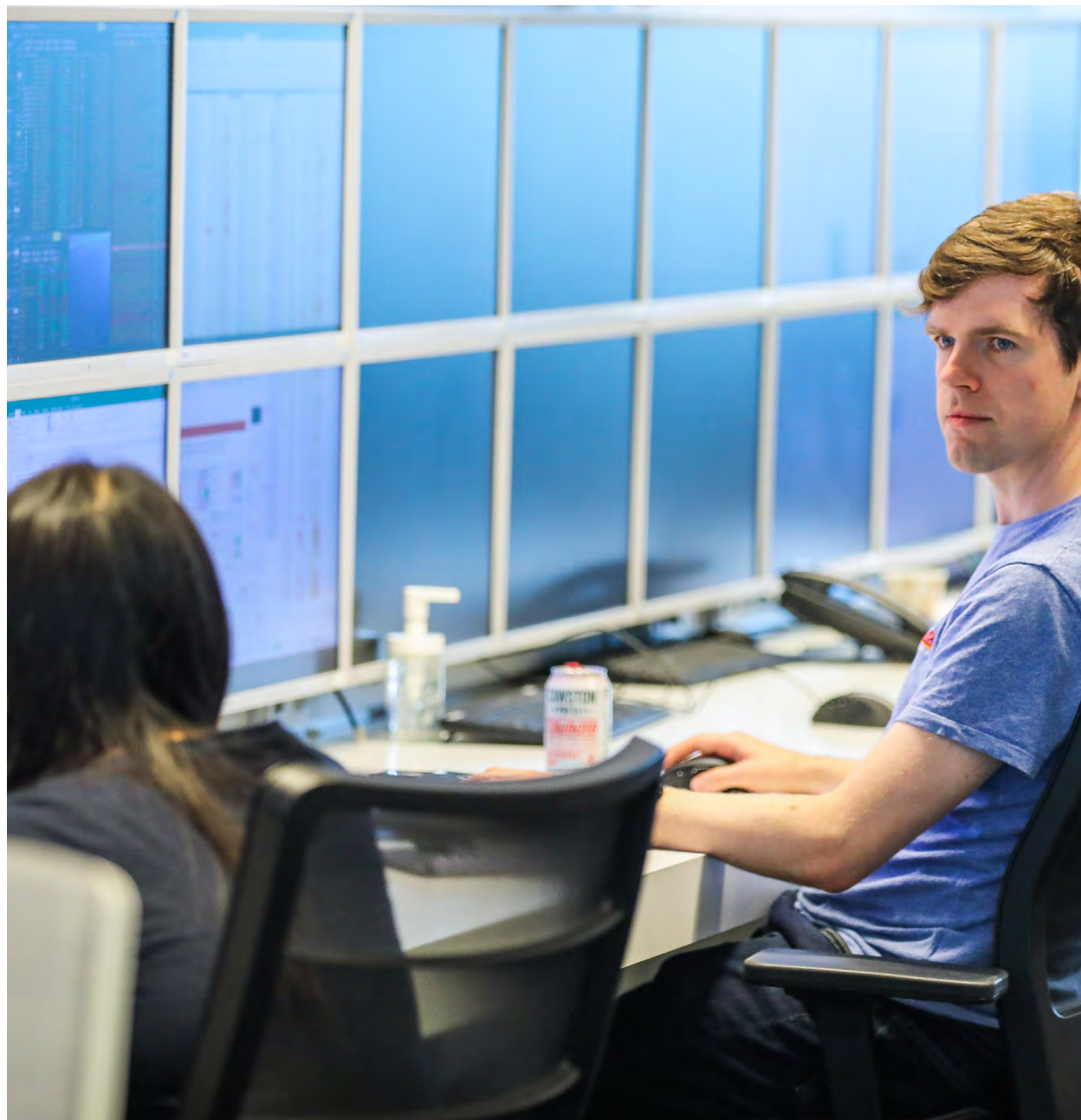
Investor Relations (IR) focuses on optimizing the communication and understanding between Flow Traders and the investor community, its advisors and the analyst community. By attending broker conferences, organizing roadshows to institutional investors after Half Year and Full Year results, organizing 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) 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

Jonathan Berger Investor Relations Officer

Telephone +31 20 799 6799

E-mail investor.relations@flowtraders.com





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. 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. 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 still a 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

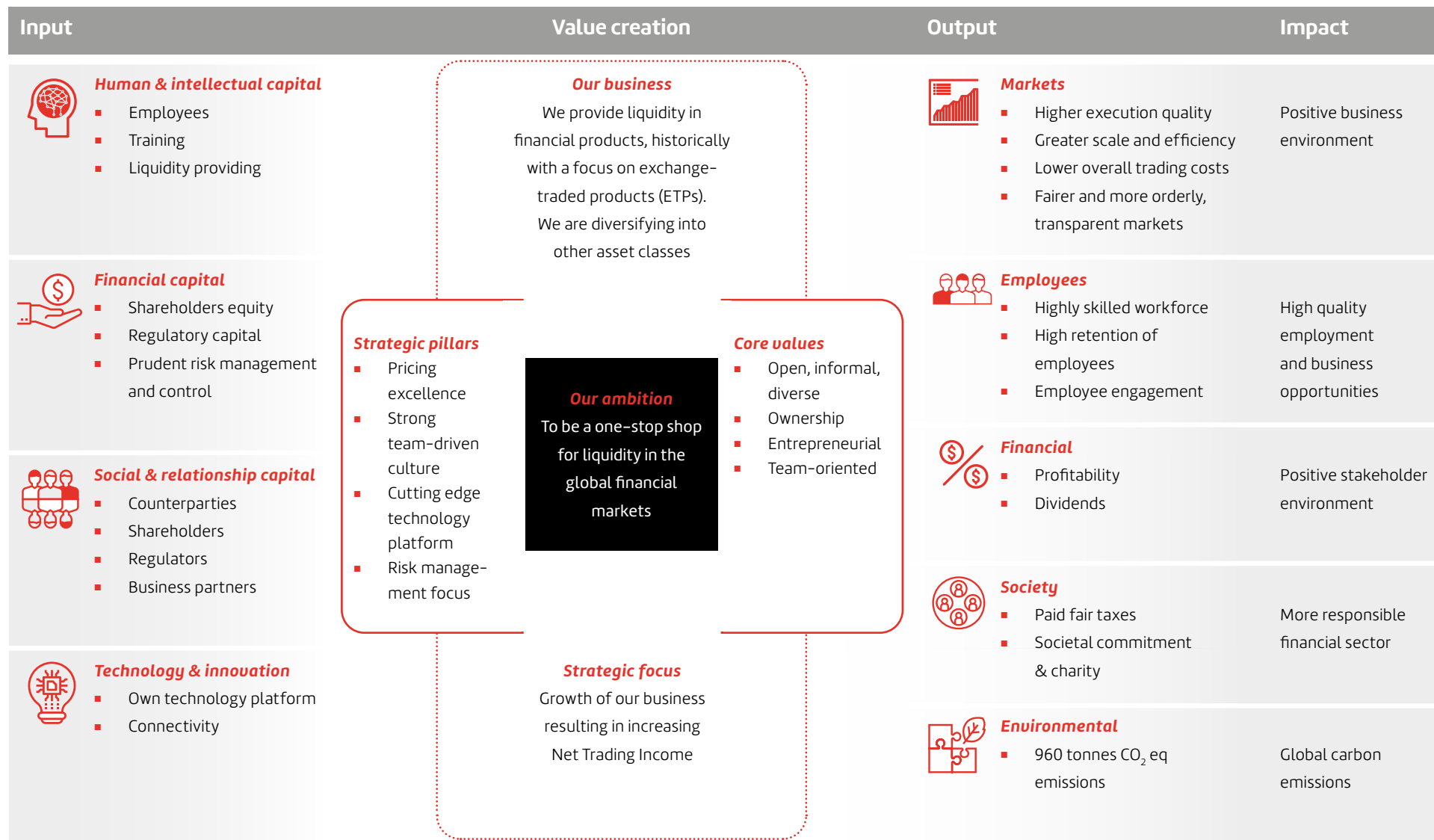
We will achieve our strategic ambition by continuing to grow our business and diversify into other asset classes.

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 2020 we had access to more than 180 trading venues in 40 countries around the world. We provide liquidity in over 7,900 ETP listings on- and off-exchange, which is around 65 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to more than 1,600 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 2020, 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 differences that are realized between buying and selling related or correlating assets. Whether that is between the

Flow Traders' market coverage

Products	Asset class				FICC
	Equity	Fixed income	Commodities	FX	
ETPs	Complete coverage	Complete coverage	Complete coverage	Complete coverage	
Futures	Complete coverage	Complete coverage	Complete coverage	Complete coverage	
Spot	Less coverage	In progress	In progress	Complete coverage	
FWD/NDF	Less coverage	n/a	n/a	In progress	

■ Complete coverage
 ■ In progress
 ■ Less coverage

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.

The ETP market

The popularity of ETPs has continued to grow in recent years. According to asset manager BlackRock, global ETP

AuM grew from €5,616 billion at the end of 2019 to €6,422 billion by the end of 2020. 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 2021: 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 2020

Global ETP markets grew by 14 percent in 2020 measured in AuM, driven again by the popularity of equity and fixed income ETPs. Annual global inflows of ETP AuM were €617 billion in 2020 (2019: €499 billion – source BlackRock Global ETP Landscape December 2020). Overall trading activity in 2020 increased significantly given elevated volatility levels as the markets reacted to the COVID-19 pandemic.

Global coverage

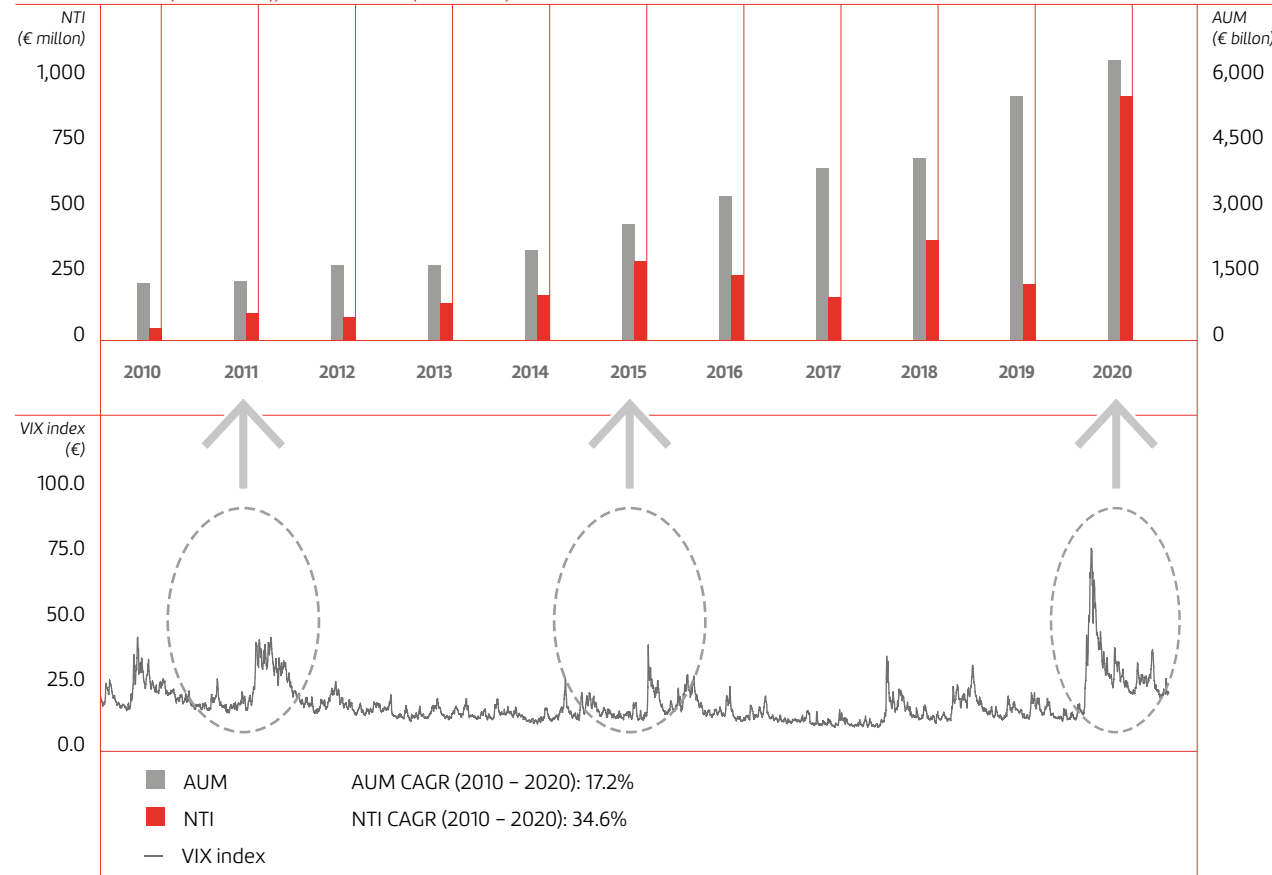
Following Flow Traders’ recent expansion, we trade globally from five offices: in Amsterdam, Hong Kong, London, New York and Singapore. In addition, we announced the opening of a branch office in Milan in November which is consistent with Flow Traders’ growth strategy to deepen its global footprint and it will enable Flow Traders to increase our proximity to institutional counterparties. In 2020, 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 €29.5 trillion in 2020. Our New York office’s total ETP value traded was €671.8 billion in 2020, markedly higher than in 2019 and, for the third year in a row, a record year for Flow Traders US since inception. With institutional trading gaining further momentum in 2020, Flow Traders US continued to grow and deepen its overall presence in this important market. In May, Flow Traders made a 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

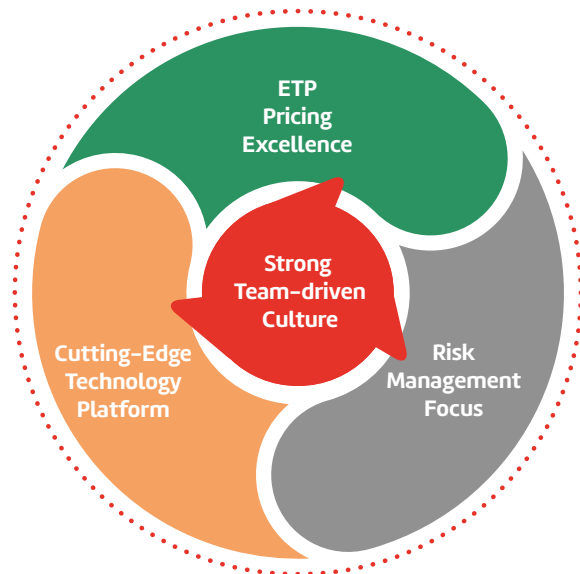
as market makers. This investment underlines our long-term commitment to the US equities ecosystem as we seek to grow our business and presence further.

The EMEA ETP market had a total ETP value traded of €2.0 trillion in 2020. Our total ETP value traded from our Europe offices was €767.3 billion in 2020. 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 €3.3 trillion in 2020, including China, while the total ETP value traded at our APAC offices was €76.2 billion. Flow Traders had

Flow Traders’ NTI (in € million), Market’s AUM (in € billion) and VIX index since 2010





a successful year in 2020 in APAC in terms of trading volumes, confirming the contribution of specific recent investments made in the region. A particular highlight in APAC in 2020 was the appointment by the HKEX of Flow Traders as the lead Tier 1 liquidity provider for the MSCI Asia and Emerging Market index futures and options suite.

ETP market remains 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 2020. MiFID II developments continued to have a beneficial impact on our counterparty base, as investors increased their focus on best execution, regardless of research access. With the expansion of our offices into London and Milan and the launch of liquidity provision in other asset classes, we have the building blocks in place to further increase our presence in Europe in 2021.

In the Americas, our ETP value traded continued to grow substantially in 2020, 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 2020 and is expected to grow further in 2021. 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.

“In Europe, we have cemented our position as the leading ETP liquidity provider”



Our performance

With the onset of the COVID-19 pandemic, the ETP market experienced increased levels of market activity as well as heightened volatility throughout 2020. This was particularly evident in March and April with truly exceptional market circumstances in terms of ETP value traded and extremely elevated volatility levels. In 2020, our NTI of €933 million (2019: €216 million) reflected these market circumstances.

Financial overview

Net Trading Income

2020 saw significantly heightened levels of overall market activity compared to 2019 as the COVID-19 pandemic spread globally. Volatility peaked in mid-March to early-April as the markets absorbed the potential impact of the pandemic with the VIX index reaching the 85 point mark in mid-March. Following these exceptional market circumstances, markets did proceed to normalize for the remainder of 2020, although the VIX index remained elevated compared to the levels seen in 2019. Given the impact of the pandemic, the global economy as well as the equity and bond markets received considerable support from governments and central banks. For example, the Federal Reserve System purchased fixed income ETPs throughout the course of 2020.

Given this market backdrop and our leading global ETP trading footprint, Flow Traders total value traded in 2020 grew to €5.2 trillion (2019: €4.0 trillion), of which €1.5 trillion (2019: €1.0 trillion) was traded in ETPs (on-exchange and off-exchange). The rest was traded in related financial products to facilitate competitive pricing in ETPs as well trading in other asset classes, such as FX. Meanwhile, ETP market value traded (on-exchange and off-exchange) also increased markedly during the same period to €34.9 trillion (2019: €23.6 trillion).

The market environment experienced in 2020 along with Flow Traders' own pricing, hedging and risk management capabilities translated into Net Trading Income (NTI) of €933

million (2019: €216 million) – a record year for Flow Traders by some distance. We saw clear outperformance in all regions and across all asset classes as the levels of market activity were broad based in nature. 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 2020, we were able to successfully leverage the recent investments made in the US and in fixed income.

In the fourth quarter of 2020, Flow Traders reported NTI of €130 million which reflected higher activity levels as markets reacted to the US elections and strategic reallocations by investors.

Market volatility

In 2020 market volatility increased markedly from the levels witnessed in 2019. The main volatility took place in March and April as the pandemic spread globally with average VIX levels of 58 and 42 respectively for those months. For the remainder of 2020, markets normalized although volatility levels remained above those seen in 2019.

Operational expenses

On the cost side, we maintained a firm discipline on costs with fixed operating expenses amounting to €118.6 million in 2020 (2019: €99.8 million), which is within the guided fixed cost growth rate of maximum 10 percent for 2020 (excluding €11.4 million of one-off expenses). The main drivers of the increase in fixed expenses were technology investments to support diversification initiatives and



efficiency improvements as well as new hires. FTEs increased by 8 percent to 554. There were also €11.4 million of additional one-off expenses in 2020 relating to the continued activation of the business continuity plan (€3.0 million) as well as a €8.5 million of donations to the Flow Traders Foundation. Variable employee expenses have increased to €228.1 million (2019: €37.7 million) which reflects the improved overall financial performance of the business during the year.

Given these income and cost dynamics, Flow Traders demonstrated strong operational leverage with an EBITDA margin of 63% in 2020 (2019: 36%) and EBITDA of €586.6 million (2019: €78.9 million).

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 €4.00 interim dividend in August 2020 and propose to pay €2.50 as a final dividend over 2020. Over the course of 2020 we therefore aim to return a total of €6.50 through dividends to

our shareholders, which represents a 63 percent dividend pay-out ratio.

As at 31 December 2020, our regulatory capital requirements under CRR were €218 million. As Flow Traders' regulatory capital stood at €439 million, this resulted in an excess capital position of €220 million.

Growth

We continued to grow our team, strategies and infrastructure in 2020. We increased our institutional counterparty base globally to over 1,600 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 554 by year-end (2019: 513).

Our Response to COVID-19

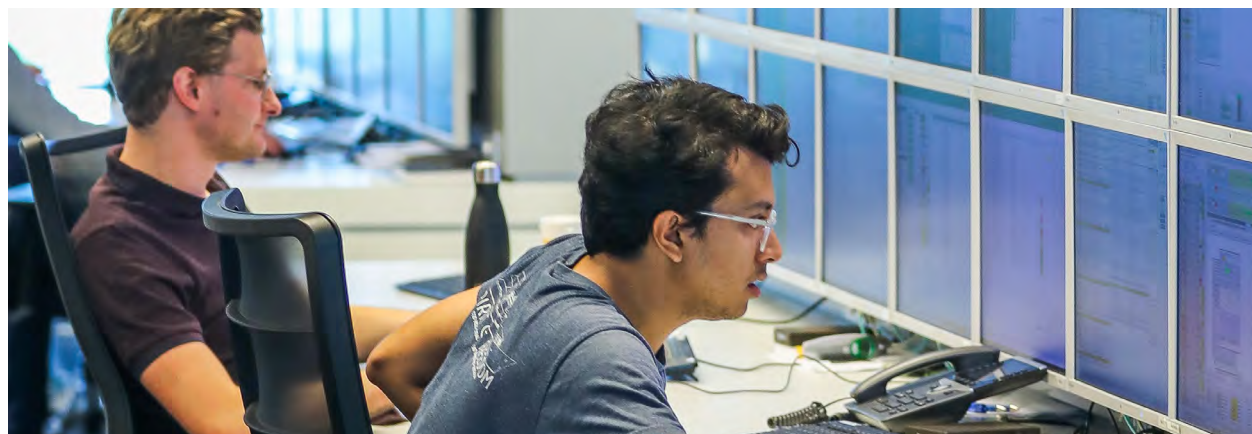
First and foremost, Flow Traders has been able to continuously provide liquidity and pricing to the ETP markets on a global basis during the pandemic. Our overall response has focused on three main areas - (1) People (2) Issuers,

investors & counterparties which also includes prime brokers and the exchanges and (3) Communities.

With regards to people, we successfully activated the business continuity plan with the primary focus being the health and well-being of our employees and their families. Employees have adapted well to the changing working environment. We have split teams and have activated back-up trading locations in Amsterdam, New York and Hong Kong. We have also continued to hire selectively and have paid all salaries without recourse to government support programs.

From an issuers, investors and counterparties perspective, we continuously provided liquidity and pricing despite some extraordinary and challenging market circumstances experienced at times during 2020. Indeed these market participants were reassured by our continuous presence when markets were under pressure which has enabled them to trade in all circumstances and when liquidity is most sought after. Market infrastructure, as well as our own, held up throughout this period and Flow Traders experienced no outages. Lastly, we committed to paying our FY19 and FY20 dividends.

In these unprecedented times, we feel that it is more important than ever to continue to contribute to society's health and well-being globally. To continue giving to our communities, we established the Flow Traders Foundation in April 2020 and have put in place its initial funding which includes a €8.5 million of donation from Flow Traders. In addition, we have accelerated and increased employees' annual charitable contributions which amounted to €2.5 million in 2020.





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 29](#)

■ **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 29-30](#)

■ **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 30](#)

■ **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 30](#)

■ **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 31-35](#)

■ **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 35-37](#)

■ **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 [page 37](#)

■ **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 [page 37](#)

■ **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 [page 38](#)



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

ESG FOCUS AREAS

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



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

Sustainable employment	Creating a context that contributes to sustainable employment	<ul style="list-style-type: none"> ■ Agenda set by the Management Board and implemented by senior management across the company 	<ul style="list-style-type: none"> ■ Absenteeism rate ■ Employee share ownership
Fair taxation	Pursuing the principle that tax should follow the business	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ Taxes paid by category ■ Overall tax disclosure
Societal commitments and charities	Supporting charitable initiatives	<ul style="list-style-type: none"> ■ Employee led with Management Board oversight 	<ul style="list-style-type: none"> ■ Total charitable contributions ■ Employee participation in the Flow Traders Foundation
Stakeholder engagement	Engaging with stakeholders that may be affected by our business	<ul style="list-style-type: none"> ■ Agenda set by the Management Board and monitored by the Supervisory Board 	<ul style="list-style-type: none"> ■ Number of meetings with investors ■ Engagement with issuers, exchanges, counterparties ■ Participation in leading industry events ■ Membership of industry associations
Carbon emissions, material use and waste	Reducing the amount of carbon we emit and the amount of waste we generate	<ul style="list-style-type: none"> ■ Agenda set by the Management Board and monitored by the Supervisory Board 	<ul style="list-style-type: none"> ■ CO₂ footprint ■ Remaining carbon neutral



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



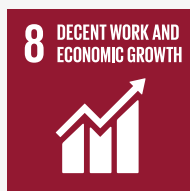
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

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 2020 the COVID-19 pandemic as well as Brexit 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 operate (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.

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 and helped us determine our ESG priorities. On the basis of the materiality matrix Flow Traders has identified 9 key issues, of which five are considered highly material.

Activities relating to ESG priorities

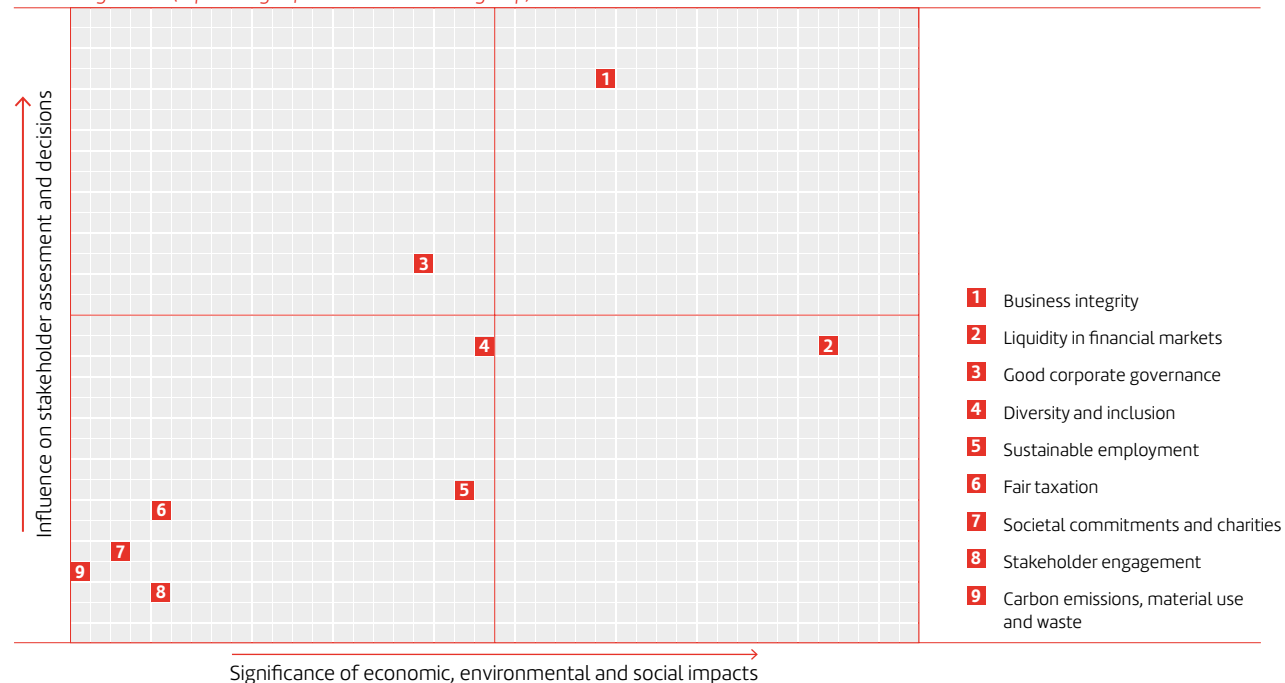
1. Business integrity

At Flow Trader, 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. 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 2020. 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 2020 we traded €17.3 billion off-exchange in more than 400 different ESG and SRI ETPs.

Materiality matrix (equal weight for each stakeholder group)



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 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 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. 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 we were delighted to welcome Britta Achmann as Chief Risk Officer and member of the Management Board in 2020. For any 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 continue giving to our communities in a more structured manner, in April 2020 we established the Flow Traders Foundation”

our business, and society. This is reflected in a low absenteeism rate of 0.90% globally seen in 2020.

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 2020 we continued to invest in the Graduate Software Development program, which will enhance the experience of new graduates joining the company in 2021. 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 the Global Head of Technology. 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

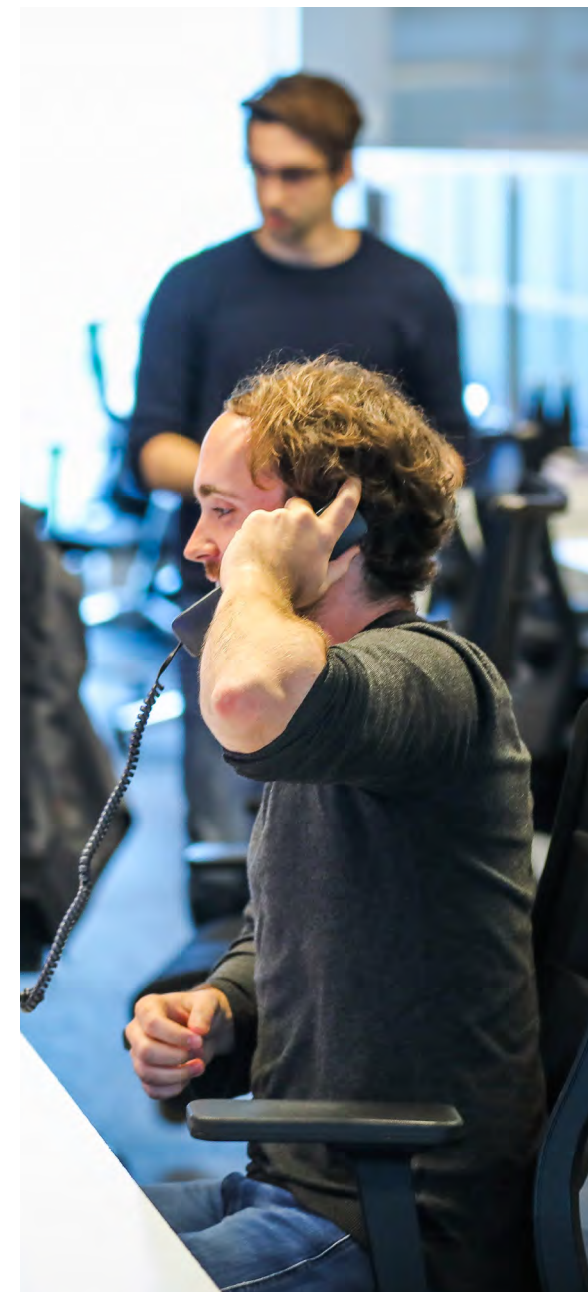


specialists in software development and trading, followed by a competitive hackathon.

In 2020 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, 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 2020 we welcomed over 138 new hires, resulting in a 8 percent increase in the number of employees 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 2020

												
	Dutch	American	Indian	British	Romanian	Russian	German	Italian	Chinese	Singaporean	Other	Total
Trading	64	38	8	12	1	0	8	6	6	2	34	179
Technology	36	22	25	13	17	19	7	11	6	1	66	223
Risk & Mid-Office	25	8	2	3	0	0	1	0	2	4	6	51
HR & Facilities	18	9	2	1	4	0	0	0	1	2	6	43
Legal & Compliance	12	5	0	3	0	0	0	0	1	0	6	27
Business Development	4	2	0	0	0	0	0	0	0	1	0	7
Finance	9	3	0	1	0	0	0	0	0	1	2	16
Managing Directors	6	0	0	0	1	0	2	0	0	0	1	10
Supervisory Board	3	0	0	0	0	0	0	0	0	0	2	5
Audit	3	0	0	0	0	0	0	0	0	0	0	3
Total	180	87	37	33	23	19	18	17	16	11	123	564

NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2020

								
	Amsterdam	Cluj	Hong Kong	London	Milan	New York	Singapore	Total
Female	55	4	10	1	-	14	6	90
Male	315	9	39	5	1	90	15	469
Total	370	13	49	6	1	104	21	564



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 2020, we further

expanded the available offerings, with mainly online training session formats.

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 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 (FC IP) and Flow Traders Loyalty Incentive Plan (FL IP) were introduced for employees (not the Management Board). The FC IP was replaced in 2020 by a new share plan for employees which provides the award up to 50% of variable remuneration in shares (or share-like instruments).

On 31 December 2020, out of 564 employees, 429 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 will be released on 1 June 2021.

In the event of termination of employment during the lock-up period the relevant people must offer their unreleased shares to the company for the lower of (i) the corresponding subscription price paid of €14.44 or (ii) the fair market value of the shares at the time of such termination, and in any event within five business days of Flow Traders having given notice to the relevant participant thereof. The company may at its discretion accept the offer, subject to any applicable restrictions under corporate or securities laws. See also note 25 in the Financial Statements.

NUMBER OF UNRELEASED SHARES*

	Shares subject to release	% of outstanding shares
Dennis Dijkstra (CEO)	12,500	0.03
Folkert Joling (CTrO)	21,875	0.05
Thomas Wolff (CTO)	2,250	0.00
Others (excluding members of the Supervisory Board)	153,000	0.33
Total	189,625	0.41

* Unreleased shares held by current employees and members of the Management Board.

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

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

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 2020 as also reflected in the relevant AFM register.

SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD

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

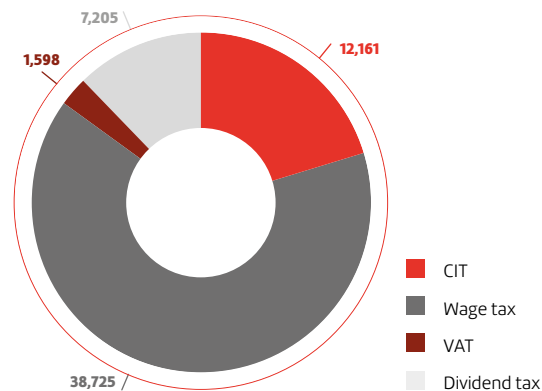
6. Fair taxation

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 2020 we incurred total corporate income taxes of €107 million (2019: €12 million) which was 19% 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.

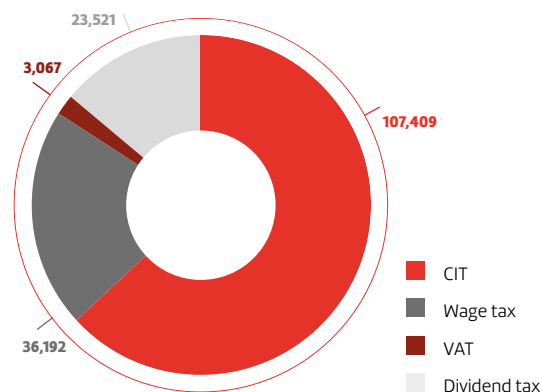
Flow Traders is prudent and transparent in respect of its financial reporting and its relations with tax authorities globally. With regard to financial reporting, conservative accounting principles are being applied and one-offs must



Total taxes due 2019 (€ 59,7 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

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 (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 FSI Schemes in Singapore and 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.

In the extraordinary times experienced for most of 2020, we feel it is more important than ever to look for additional ways to contribute to society. We have also accelerated and increased the annual charitable contributions made by employees, with €2.5 million donated to a select number of charitable organizations worldwide at the onset of the pandemic – including Erasmus MC, Vereniging van Voedselbanken Nederland, VentilatorPAL, The Courage Fund, The Community Chest and Mount Sinai Health System.

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), and Sjoerd Rietberg, former Co-CEO of Flow Traders, has agreed to serve as the first chairman of the board of the Foundation. The other members of the board comprise Flow Traders' two founders, Jan van Kuijk (treasurer) and Roger Hodenius (secretary). Flow Traders itself donated €8.5 million to the Foundation in 2020. In addition, Flow Traders' two founders as well as members of the Management Board, employees and former employees have committed to provide further funding of €2.5 million personally.

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 first focus of the Foundation will be the United Nations Sustainable Development Goal 1 – No Poverty.

Some of the charitable organizations already supported by the Foundation from the Amsterdam office include:

- Emergency Support for Moria (UNHCR)
- Clothing store for less fortunate people – Kledingbank Zaanstad
- Care Farm – Stichting Van Ravenswaaijstede
- Red Cross Vietnam

- JINC
- Foundation Sina – Stichting Samen is niet alleen
- Tiny Miracles
- Saint-Nicholas – Sinterklaas
- Make them laugh – Stichting Laat ze maar lachen
- Supporting youth with education in the third world
- Water, Sanitation and Hygiene Initiative for Kasese, Uganda

8. Stakeholder engagement

We enter the public dialogue with full transparency whether that is with shareholders, investors, regulators or any other body that has an interest in our company.

Our contributions to the regulatory dialogue are typically made public and we are always willing to discuss what we do, and how that impacts the world around us. We have extensive dialogue with interest groups, including those focusing on transparency, institutional and retail shareholder interests, academia and students, local governments, regulators and anyone else who has an interest in what we do, and how we do it. We commit to being approachable and fully transparent with the goal to promote fairness, transparency and the orderly functioning of the financial markets.

Management engages with shareholders and prospective investors throughout the year and had 194 such meetings in 2020 either one-on-one or at a conference. Notably, the Supervisory Board also engaged with shareholders, proxy agencies and governance bodies in 2020 regarding the remuneration policy for the Management Board, ESG and corporate governance developments. This stakeholder dialogue helps to shape Flow Traders' strategy as well as significant corporate governance topics.



9. Carbon emissions, material use and waste

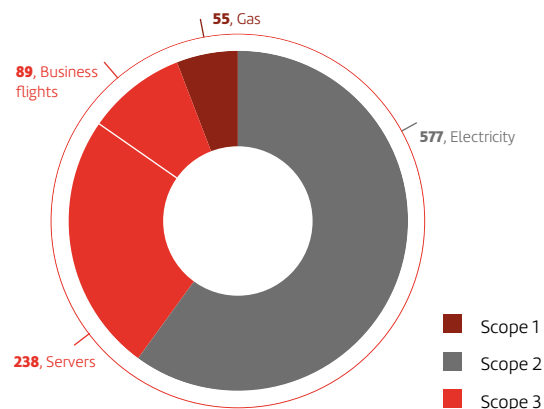
Flow Traders considers its overall direct impact on the environment to be low. Due to the nature of our business, Flow Traders has a relatively light carbon footprint. We promote public transport use by having conveniently located offices and by not offering lease cars. Where possible we use video-conferencing 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 has carried out an analysis of its carbon footprint in 2020 for the first time. As a result, this report contains significantly more data than our earlier reports. This footprint will serve as the baseline. Flow Traders will focus in the coming years on reducing its carbon footprint, and will define clear targets in the course of 2021. In the meantime, during 2020 Flow Traders became carbon neutral, committing to 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 960.0 tons CO₂eq that may be split as following:

- scope 1 = 55.5 tons CO₂eq representing 6% of Flow Traders' global carbon footprint, which are direct emissions from buildings;
- scope 2 = 577.2 tons CO₂eq representing 60% of Flow Traders' global carbon footprint, which comprises electricity consumption from buildings;
- scope 3 = 327.3 tons CO₂eq representing 34% of Flow Traders' global carbon footprint, which is currently calculated through business flights and the use of servers.

Carbon footprint (960 tonnes CO₂-eq)



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 2020

There have been many individual examples of outstanding behavior which has reinforced Flow Traders' strong culture.

Two examples which are worth highlighting:

- Various colleagues gave up their valuable spare time to assist with the establishment and implementation of the Flow Traders Foundation as well as its ongoing operation.
- Core group of trading staff camped in the main Amsterdam office for a short period at the onset of the extraordinary market conditions in late March to maintain the Remunerate provision of liquidity to the markets. This ensured that a bio-secure environment was created while the business continuity plan was fully activated.

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 2021 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:

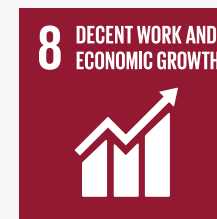
- Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



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.



Young students at the Primary Mohammed School of Zongo in the Democratic Republic of Congo. This private and registered school has 350 students, half of which are refugees from Central African Republic. © UNHCR/Colin Delfosse



UNHCR, the UN Refugee Agency, is a global organization dedicated to saving lives, protecting rights, and building better futures for forcibly displaced communities. We work to ensure that everybody has the right to find safe refuge, having fled violence, persecution, or war at home.

The office of the United Nations High Commissioner for Refugees (UNHCR) was created in 1950, during the aftermath of the Second World War, to help millions of Europeans who had fled or lost their homes. We had three years to complete our work and then disband.

Today, over 70 years later, our organization is still hard at work, protecting and assisting refugees around the world. More than 79.5 million individuals are forcibly displaced worldwide. Children below 18 years of age constitute a little less than half of the refugee population. We are

facing multiple crises on multiple continents and are providing vital assistance to refugees, asylum-seekers, internally displaced and stateless people, many of whom have nobody left to turn to. UNHCR works hard to protect and assist refugees with lifesaving support, but our ultimate goal is to find lasting solutions that allow them to rebuild their lives. As refugee situations are becoming more and more protracted and complex, creating sustainable solutions to empower refugees such as through education and livelihood are key.



Rebuilding lives of refugees through education

[Sustainable Development Goal 4](#) aims to deliver “inclusive and quality education for all and to promote lifelong learning”. Of the 20.4 million refugees under UNHCR’s care, 8.1 million are of school age. Their access to education is limited, with 3.9 million unable to attend school.

Education is a basic human right and helps refugee children to rebuild their lives after being forced to flee their home. It protects refugee children and youth from forced recruitment into armed groups, child labour, sexual exploitation, and child marriage. Education also empowers refugees, as it gives them the knowledge and skills to live productive, fulfilling, and independent lives. Education enacts long-lasting change, as it paves the way for employment, builds self-reliance and alleviates refugees from poverty for life.

UNHCR partners with governments and the private sector to ensure quality education for more refugee children and young people from host communities globally. Our education programmes improve the quality of teaching and learning and ensure safe learning environments for children. We also promote awareness and advocacy on the importance of education and strengthen capacity and partnerships with ministries of education and others to enable more refugee children to attend school.

Support from the private sector is of vital importance to UNHCR’s mission to support people forced to flee globally. Companies, foundations, and individuals help maximize our impact and improve our capacity to truly make a difference for refugees worldwide.

Karien Jeekel-van Acker

*Private Sector Partnerships & Philanthropy,
UNHCR Netherlands*



Thirteen-year-old South Sudanese refugee John Luis goes to school at Ofonze Primary School in Bidibidi refugee settlement in Uganda. © UNHCR/David Azia



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.

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 2020 financial statements. In reaching these

“The Group’s capital position is strong and therefore the Management Board believes that Flow Traders is well prepared for the future”

conclusions, the Group’s financial position as at 31 December 2020 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 2020 is set out on [pages 104 to 144](#). The Group’s capital position is strong and therefore the Management Board believes that Flow Traders is well prepared for the future

Capital Ratios

Prime Broker Excess Globally €221.3 million 2019: €104.3 million	CRR Capital Ratio 21.2% 2019: 19.6%
----------------------------------------------------------------------------------	--------------------------------------------------

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, capital available (Net Liquidation value) and excess liquidity as of the dates indicated:

	At 31 December	
	2020	2019
Net liquidity at clearings/ prime brokers	763,240	362,248
Cash at bank	8,345	5,687
Net trading capital	771,586	367,935
Prime broker margin to be posted	(358,194)	(263,559)
Prime broker excess liquidity	413,392	104,376

Regulatory capital requirements

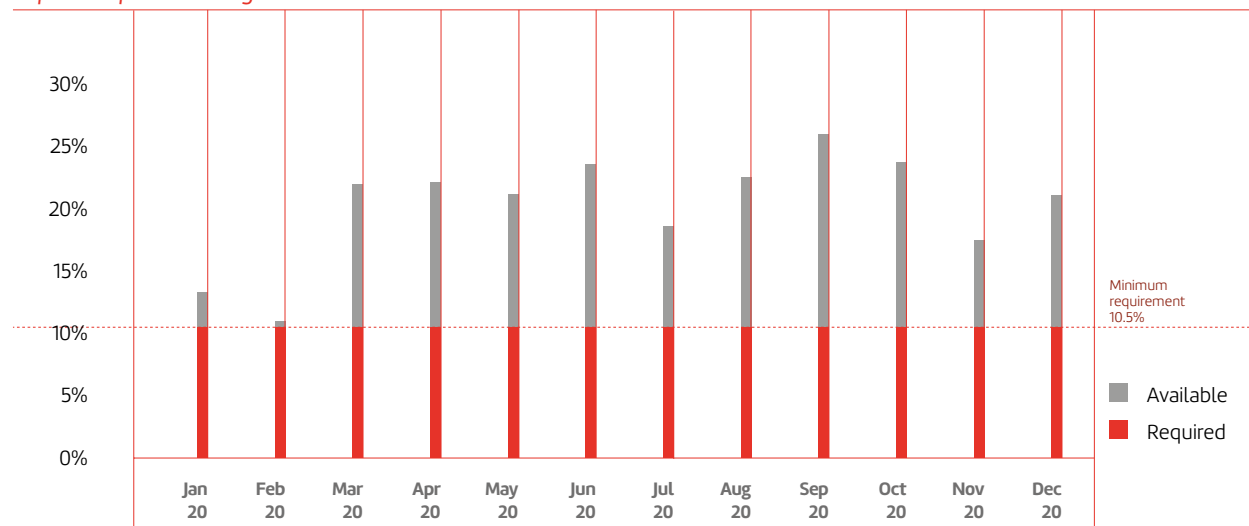
The company and our subsidiary Flow Traders B.V. are subject to separate regulatory capital requirements in the Netherlands and our subsidiary Flow Traders U.S. LLC is subject to regulatory capital requirements in the United States. Flow Traders Asia Pte. Ltd. is exempt from regulatory capital requirements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

Starting 31 March 2018 the company meets 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. The regulatory capital requirement consists of the requirements calculated under CRR, reflecting an 8 percent charge over risk weighted assets, and a Capital Conservation buffer of 2.5 percent, totaling 10.5 percent during 2020. The following graph sets out regulatory capital available, regulatory capital requirements and excess regulatory capital for Flow Traders N.V. as reported in regulatory filings as of the dates indicate, The EU’s new Investment Firm Regulation and Directive (IFR/IFD) will apply to Flow Traders from June 2021.

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 can be requested through our website 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.

Capital Requirement Regulation





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 daily prepares a report that shows all the group's positions and capital versus the CRR 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 Adequacy Assessment Process (ICAAP). The ICAAP comprises a review of prevalent risks, the capital management processes, the risk management framework and an assessment of capital adequacy and reports this to the Dutch Central Bank annually. The Dutch Central Bank assesses the capital adequacy based on this report.

In control statement

The Management Board is responsible for designing and maintaining an adequate system for risk management and internal control. In order to facilitate this, the Risk and Mid-Office department 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. For a more elaborate explanation of our efforts in this regard, please refer to the chapter Our governance.

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).

However, these systems cannot provide absolute certainty that no errors have occurred or that our targets will be achieved, or that a misstatement of Flow Traders' financial statements can be prevented.

Statement by the Management Board

As required by section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) we state that according to the best of our knowledge:

- The financial statements present a true and fair view of the assets, the liabilities, the financial position and the results of Flow Traders N.V. and the companies included in the consolidation; and
- The annual report provides a true and fair view of the position as at 31 December 2020 and the state of affairs during the financial year of Flow Traders N.V. and its affiliated companies, whose data have been included in its financial statements, and that the annual report describes the essential risks faced by Flow Traders N.V.

Amsterdam, 4 March 2021

Management Board

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



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 as well as 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. Please refer to the chapter 'Governance' for further information.

Management Board

Flow Traders has a highly experienced management team and a unique team-driven culture. As at 31 December 2020, our Management Board consists of Dennis Dijkstra (Chief

Executive Officer), Britta Achmann (Chief Risk Officer), Folkert Joling (Chief Trading Officer) and Thomas Wolff (Chief Technology Officer).

Composition of the Management Board



Dennis Dijkstra
(Age: 49 (1971), 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, Recruitment and Finance 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, Fxator 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: 49 (1971), 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: 41 (1979), male)

Folkert Joling was appointed as a member of the Managing 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.



Thomas Wolff
(Age: 41 (1979), male)

Thomas Wolff was appointed as a member of the Managing 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

Two board members can jointly represent the company, reflecting the four-eyes principle we operate across the company: two persons must sign off on significant business decisions. 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.

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.

Management has formulated a strategy in line with the long-term value creation. Subsequently, Management is responsible for creating a culture that entails long-term value creation for the company. The Management Board is supervised by the Supervisory Board in this regard. Management is alert to indications of misconduct or irregularities and reviews related policies regularly. In accordance with the Dutch Corporate Governance Code, Management 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 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).

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.



Our Supervisory Board

Composition of the Supervisory Board



Eric Drok, Chairman

Gender: male
Age: 60 (1960)
Nationality: Dutch
Second term (2019 – 2023)

Eric was appointed Chairman of the Supervisory Board on 9 July 2015. In 2019, Eric was reappointed for a second, four-year term, expiring in 2023. He serves on the Remuneration & Appointment Committee, the Audit Committee, the Risk Committee and the Trading & Technology Committee. Eric has 30 years domestic and international banking experience, including at ABN AMRO's predecessors, ING Bank and its predecessors and Rabobank. He served as CEO of ING Direct and ING Bank Australia between 2006 and 2009, before becoming a board member of ING Bank Śląski (Poland) until 2011. He then moved to Rabobank, serving three years as Chief International Direct & Retail Banking. He was non-executive board member at several banks in Europe, Africa and Australia/New Zealand. His other functions include sitting on the Supervisory Board of Commonwealth Bank Europe N.V. in Amsterdam and The Greenery B.V. He is a non-executive board member of Bison Bank in Portugal and a non-executive board member of Aion S.A./N.V. in Belgium. Eric is also an operating partner at HG-Capital in London.



Olivier Bisserier

Gender: male
Age: 53 (1967)
Nationality: French
Second term (2019 – 2022)

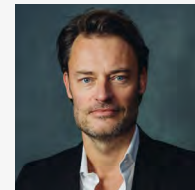
Olivier was appointed member of the Supervisory Board on 9 July 2015. In 2019, he was reappointed for a second, three-year term, expiring in 2022. He is Chairman of the Audit Committee and the Risk Committee, and serves as member on the Trading & Technology Committee. He has over 25 years of experience 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.



Rudolf Ferscha

Gender: male
Age: 59 (1961)
Nationality: Austrian
Second term (2018 – 2021)

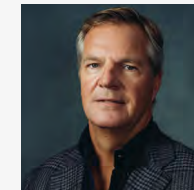
Rudolf was appointed member of the Supervisory Board on 9 July 2015. In 2018, Rudolf was reappointed for a second, three-year term, expiring in 2021. He is Chairman of the Remuneration & Appointment Committee, and is a member of the Trading & Technology Committee and the Risk Committee. Originally a 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.



Roger Hodenius

Gender: male
Age: 48 (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 Committee, the Trading & Technology Committee and the Remuneration & 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.



Jan van Kuijk, Vice-Chairman

Gender: male
Age: 54 (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. He is Chairman of the Trading & Technology Committee, and is a member of the Audit Committee, the Risk Committee and the Remuneration & 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.



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. Decisions are thus made in a balanced manner. 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.

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.

Up to June 2020, the Supervisory Board consisted of six members: Eric Drok (Chairman), Jan van Kuijk (Vice-Chairman), Olivier Bisselier, Rudolf Ferscha, Roger Hodenius and Han Sikkens. Han Sikkens chose not to opt for reappointment, his mandate ended at the end of the AGM, held on 24 June 2020. 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.

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 & Appointment Committee, Risk Committee, and Trading & Technology Committee. Each of the

“The Supervisory Board was delighted to nominate Britta Achmann as Chief Risk Officer and Member of the Management Board”

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.

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 (Interim) Global Head of Internal Audit and relevant others were invited to Audit Committee meetings.

The Audit Committee is not chaired by the Chairman 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 Bissier, has extensive experience of preparing and auditing financial statements from his time at PwC.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee drafts proposals for the company’s remuneration policy. 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, 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 & 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 & 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 & 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 & Appointment Committee meetings.

Compliant with the Corporate Governance Code provision 2.3.4, the Remuneration & Appointment Committee is not chaired by the Chairman 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 Risk and Mid-Office departments. In addition to the Management Board members, relevant others may, from time to time, be invited to attend the Risk Committee meetings.

Trading & Technology Committee

The Trading & 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 & Technology Committee meetings.

Dilemmas

We face a variety of dilemmas in our various roles as an entrepreneur, employer and listed company. In addition to applying internal rules and regulations, such as the Code of Conduct and the Whistleblower Policy, we try to assess and resolve any dilemmas by applying common sense, remaining aware of our role within society. However, some dilemmas are ongoing and require constant attention. One of the dilemmas we currently face is:

Maintaining our exceptional culture

Our internal culture is one of our most cherished strengths. Our entrepreneurial, innovative and team-oriented culture supports an open environment where everyone can be themselves, confident in the knowledge they can express their thoughts and ideas openly. Our dilemma is how to maintain this environment as the company grows. As we employ more people and expand geographically, it can become more challenging to maintain the 'family spirit' and

ensure everyone feels connected on the same level. This has been brought into further focus with the advent of increased levels of working from home following the onset of the COVID-19 pandemic. We have taken specific steps to ease some of the stresses caused by working from home as well as ensuring colleagues still feel connected to the broader company (by organizing online events etc.). We continue to carry out surveys to better understand how employees feel about Flow Traders, and whether they recognize and can relate to the culture, and discuss the importance of culture at the top levels of the organization.

Quoting every product vs being selective

Seeking to provide quotes on every product would theoretically provide greater opportunity to generate NTI. However, the dilemma exists as this needs to be balanced with the costs and effort required to achieve such coverage from a technology, trading and pricing and hedging perspective. Trading and regulatory capital would also be another key consideration given some products by their nature consume more capital than others.



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.

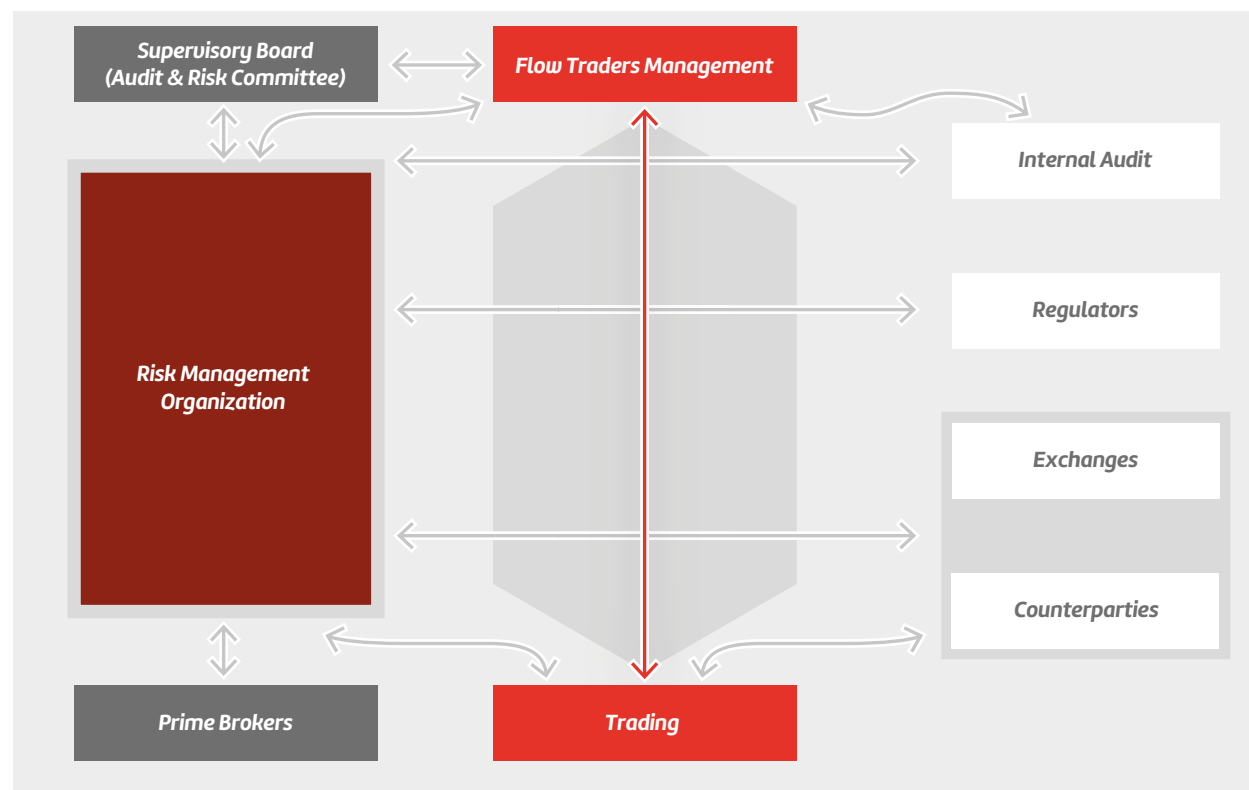


Figure 1.



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.

Our ERM activities follow the annual cycle. Every year our Management Board sets its business targets following the strategic goals. Based on the 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. To achieve this, we perform risk (self-) assessments (RSA) to identify and assess current and newly arisen risks. Following the RSAs, 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
STRATEGIC RISKS	
Business and Strategic risk	This concerns risk related to our strategy, business model and market conditions. 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.
Compliance and regulatory risk	Compliance risk is the threat posed to a company's earnings or capital as a result of violation or non-conformance with laws, regulations, or prescribed practices. It also concerns the risk of changing laws and regulations (regulatory risk). In addition, it includes the risk that the integrity of the organization or its operations is jeopardized as a result of unethical behavior of the organization, its staff members or management.
Concentration risk	Probability of loss arising from heavily lopsided exposure to a particular group of counterparties or products. Concentration risk also includes supplier dependency risks.
Legal risk	The legal risk is the risk of loss resulting from a claim, failure to adhere to legally binding agreements and requirements, or failure to adequately legally protect assets of the firm.
Reputation risk	The reputation risk is the risk of loss resulting from negative exposure to stakeholders.
OPERATIONAL RISKS	
IT risk	The IT risk concerns the risk of loss resulting from inadequate information technology and processing in terms of availability, manageability, integrity, controllability and continuity, insufficient protection, or inadequate IT strategy and policy or inadequate use.
IT security risk	This concerns risks relating to access management, cybersecurity and data integrity risks.
Operational risk	The operational risk is the risk of loss resulting from inadequate or failed internal processes and people or from external events. The main driver of operational risk is human error.
FINANCIAL RISKS	
Liquidity risk	Liquidity risk is the risk that there is not sufficient trading capital or regulatory capital available.
Market risk	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.
Credit risk	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.



	Category Definition	Risk Appetite
CREDIT RISK		
Strategic Risk	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. 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.
Financial Risk	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.
Operational Risk	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.





Risk Management Governance

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

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

The first line of defense is formed by Trading, Technology and Operations. These departments are crucial 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 regarding 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 assess the design and operation of our internal risk management and control systems. The IAF carries out its audit work in accordance with the Group Internal Audit Charter, as approved and implemented in March 2018.

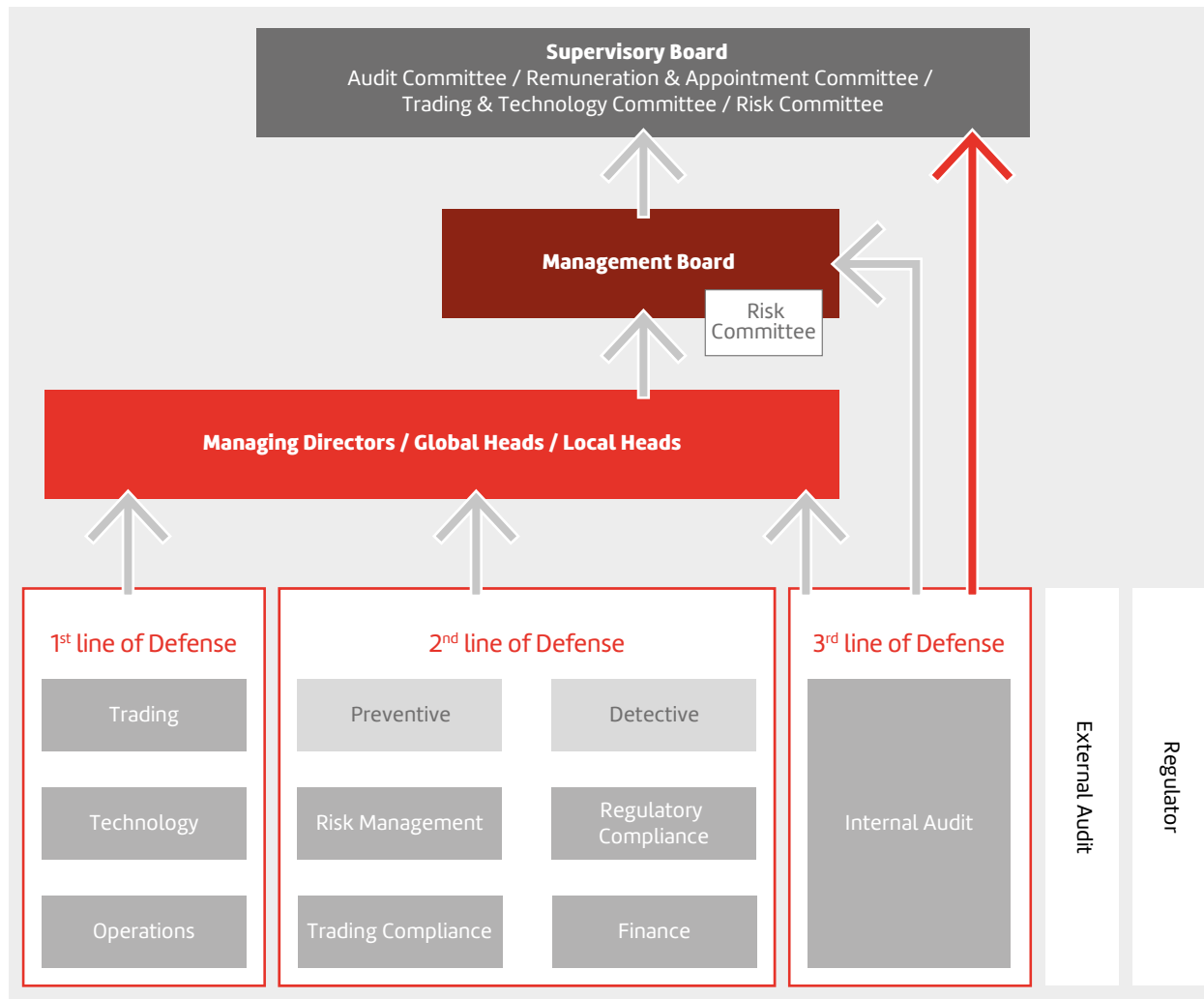


Figure 2. Flow Traders' defence model.



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:

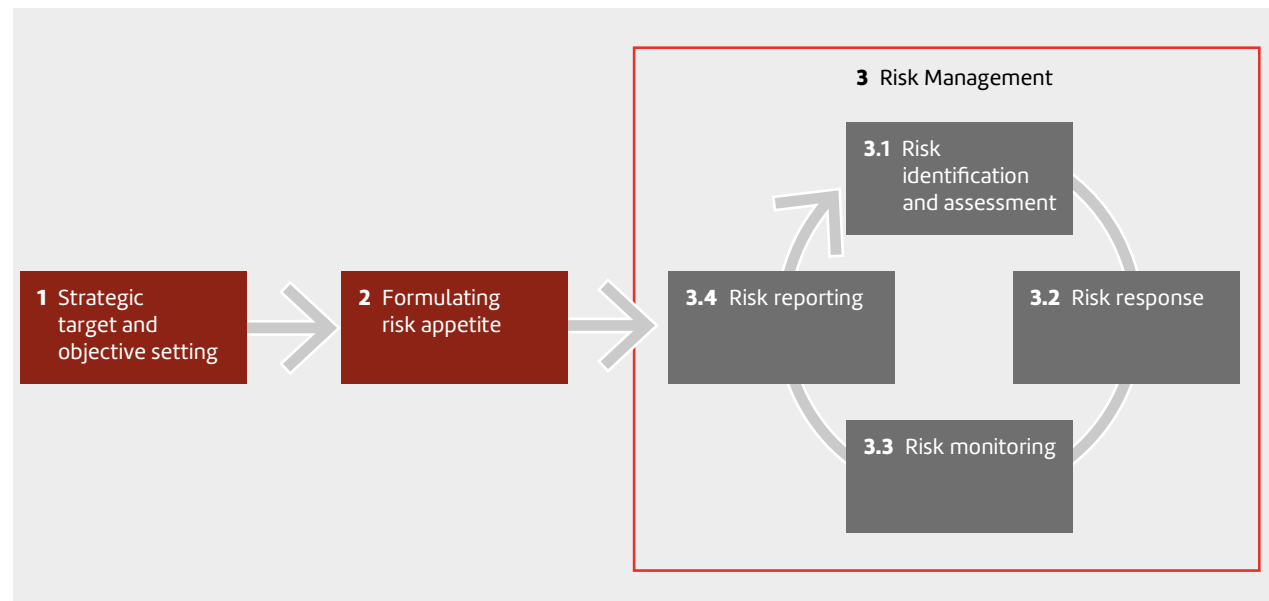


Figure 3. Flow Traders' Enterprise Risk Management cycle.



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

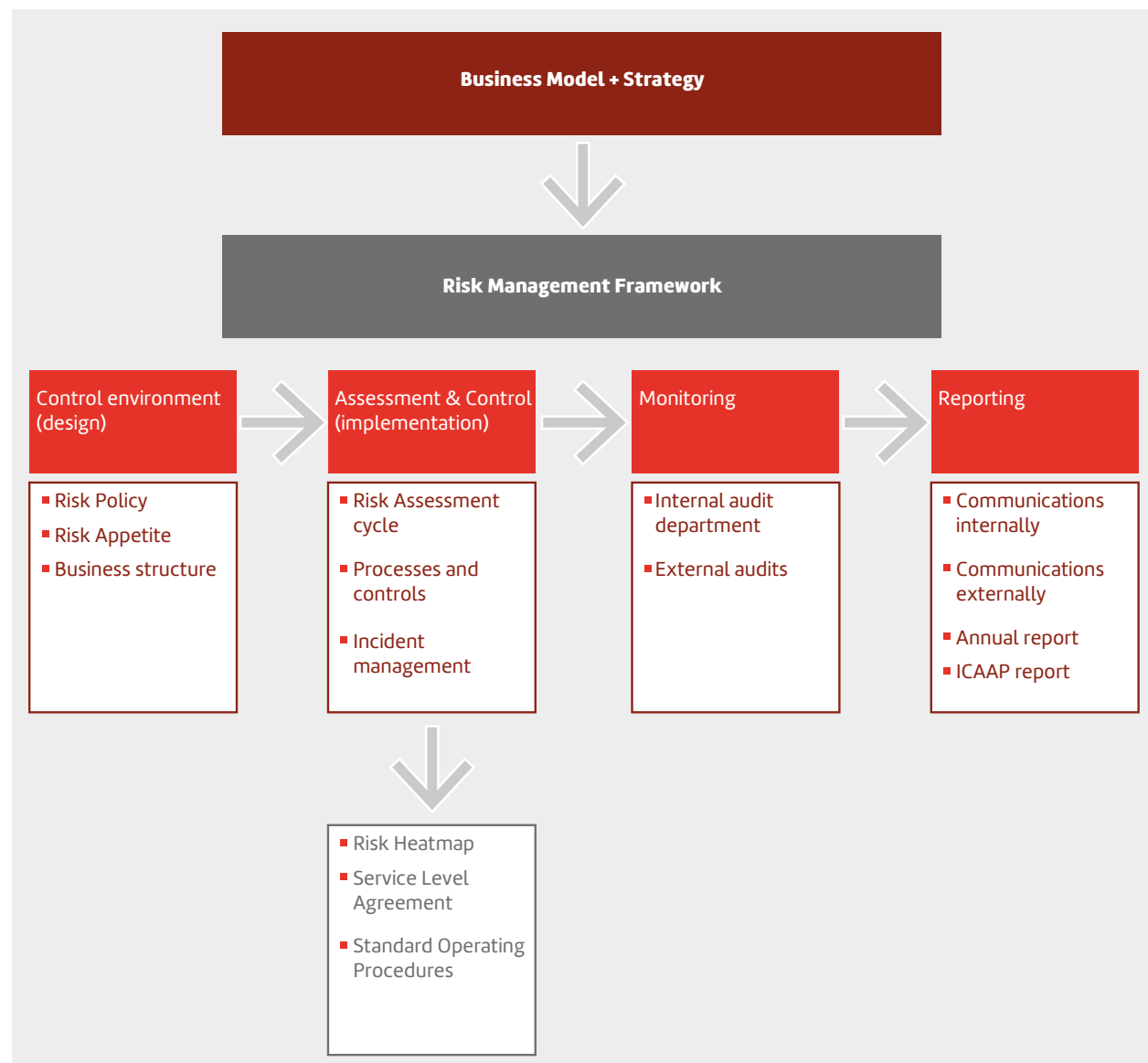


Figure 4.

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, comprised of our Global Head of Risk and the Management Board. Aside from ongoing ad-hoc communication, there is a recurring meeting set up in which they discuss all risk assessments and risk proposals related to position limits, strategies, procedures,



capital requirements and other requirements of 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, such as prices, when positions in financial instruments are held. 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, in combination with the use of straightforward

products and continuous monitoring, 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 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 in products and markets traded. 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' management information and control systems. As our operational risks are concentrated in technology 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, and progressive steps, is 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 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. This year with the COVID-19 global pandemic we made substantial changes to our back up site management.

We use risk-based onboarding procedures before we commence trading on new platforms, including platforms designated for trading digital assets. While many of such platforms remain unregulated, many have strongly improved their own onboarding procedures and counterparty identification procedures. While we believe our own procedures are strong and trading on such platforms is quite limited, the unregulated status of such 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 in addition we have opened a branch office in London in 2018 and a branch office in Milan in November 2020. 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.

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.

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.

We continuously invest in good professional relationships with trading venues, regulators and other relevant parties. Flow Traders is a founding member of the FIA European Principal Traders Association (FIA EPTA), a member of the FIA Principal Traders Group (FIA PTG) in the US and a member of FIA Asia. These are industry groups that consist of leading principal trading firms. We are also a member of the Dutch Association of Proprietary Traders (APT), operating as an industry body of Netherlands-based liquidity providers. As part of these important groups, we continue to promote, foremost, the principle that all markets and market participants should be adequately and transparently regulated. Within these groups we contribute to discussions regarding current and new regulations including IFR/IFD, MiFID II, Brexit, post trading matters, market structure and market regulations. We will continue to contribute to these discussions and will persist in maximizing transparency in respect of our industry, its benefits for all market participants and fair, orderly and transparent financial markets.

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 CO₂ and other greenhouse gas emissions. In addition, CO₂ pricing may have an impact on how we seek to offset our carbon footprint in the coming years.

Notwithstanding the above, we see opportunities relating to the environment and in mitigating climate change in that a relentless focus on energy efficiency and reducing waste can reduce our fixed operational expenses. This in turn makes our business more resilient and sustainable from a risk management perspective.

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.

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. 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. With the appointment of Britta Achmann as Chief Risk Officer and Management Board member, Flow Traders fully demonstrated its adherence to the Equal Opportunity Policy (Diversity Policy). 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.

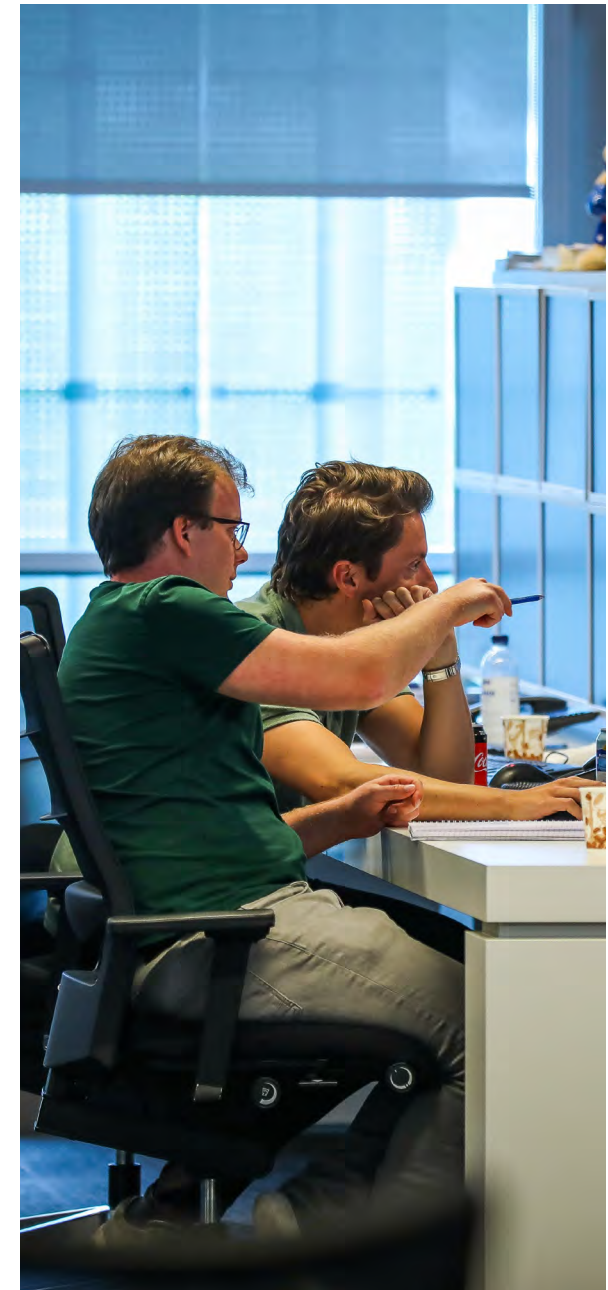
This diverse composition entails constructive dialogues and shared responsibility, resulting in an effective and efficient Supervisory Board. Our Equal Opportunity Policy can be found on our website: www.flowtraders.com.

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 the 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 2020, the AGM was held virtually due to the COVID-19 measures. During this AGM held on 24 June 2020, shareholders voted, inter alia, in favor of adopting the 2019 annual accounts, determining the total dividend at €0.90 per share, on the remuneration policy for the Supervisory Board, discharging members of the Management Board and Supervisory Board from liability, the appointment of Britta Achmann as member of the Management Board and Chief

Risk Officer, 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 2019. 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 no Extraordinary General Meeting in 2020. Our next AGM is scheduled to be held on 23 April 2021. 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 Temporary Act COVID-19 (Tijdelijke Wet COVID-19) coming into effect and the unprecedented

circumstances as a result of the pandemic, holding a physical AGM was not feasible this year and votes could not be cast in person.

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 2020 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 24 December 2021 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 24 December 2021.

At our next AGM, scheduled to be held on 23 April 2021, 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.

“To thank the employees for their exceptional commitment during these unprecedented times, employees were awarded an additional number of shares”

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 2020 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 24 December 2021, 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 two share repurchase plans in 2020. A €20 million share buyback was launched on 7 February 2020 and was completed on 5 May 2020. On 12 November 2020, Flow Traders' commenced the repurchase of shares for a total aggregate consideration of up to €30 million for a period of up to 12 months, 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. To thank the employees for their exceptional commitment during these unprecedented times, employees were awarded an additional number of shares, the number of shares varying between 50 and 250 per employee, depending on their tenure within the company. The company purchased part of such shares under the authority granted

by the General Meeting over the course of 2018, 2019 and 2020.

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.

Cancellation 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 2020 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 25 June 2020, i.e. up to 4,653,450 shares can be canceled. The cancellation 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 (data as published on 31 December 2020). 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. Our Bilateral Contacts Policy can also be found on our website.

SHAREHOLDINGS ON 31 DECEMBER 2020

		Filing / notification date
Flow Traders N.V.	3.92%	30 December 2020
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

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 by in treasury by Flow Traders are from the share repurchases conducted in 2020 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 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. This Code of Conduct can be found on our website 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 have to state what the purpose of an expense was and who the recipient was.

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 2020.

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. During 2018, all employees were required to participate in an online course on the Whistleblower Policy, as part of the Flow Academy. As of 2019, every new hire received this course, and every new hire will receive this course going forward, 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.





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.

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 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. 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).



INTERVIEW RON HEYDENRIJK, BILL STUSH & VIKTOR ÖSTEBÖ



Institutional Trading interview



The global volume of exchange-traded products (ETPs) continues to rise, and at Flow Traders one element of this is the off-exchange trades we carry out with institutional investors across Europe, the United States and Asia.

In 2020, our 29-strong team of institutional traders connected and traded with over 1,500 counterparties globally, and we expect this number to increase further in 2021. Ron Heydenrijk, European Head of Sales and External Relations, Bill Stush, Head of Institutional Trading (US), and Viktor Östebo, Head of Institutional Trading (APAC), discuss the importance of institutional trading for the company and their expectations for 2021.

What does Flow Traders offer institutional counterparties?

Bill: “Basically, the best execution available. We provide institutional counterparties with extremely broad ETF coverage, deep liquidity, competitive pricing, a global offering, and our response time is best-in-class.”

Ron: “Our global reach really is vital. Today’s investors are not regionally biased or limited—they want to invest wherever and whenever they want. With teams trading in Asia, Europe and the United States, we can provide institutional counterparties with seamless, round-the-clock trading.”

Can you highlight some notable trends you’re observing among institutional counterparties?

Viktor: “Globally, we’re seeing a strong rise in the use of Request for Quote (RfQ) platforms, which enable counterparties to seek and respond to a quote electronically. This is great for investors, because the platforms place liquidity providers in competition with each other, while giving investors the option to trade on the best provided quote or not trade at that price at all. This means counterparties really get offered the sharpest price.”



Ron

The COVID-19 pandemic has obviously been the key subject in 2020. What impact did it have on the Institutional Trading business?

Viktor: “It was different to what we might have expected. This is very much a people’s business, and we are used to travelling to meet (potential) counterparties for face-to-face discussions. Traveling, however, stopped almost completely, yet we still had very positive discussions virtually with potential counterparties on transparency, accuracy, efficiency, costs, reliability and response time: these issues were very important in 2020.”

Bill: “It was a surprisingly productive year. Our team responded tremendously well, working together, and we have managed to acquire new users in a shorter turnaround time than normal. I found that counterparties and potential counterparties were reaching out to me as much as I was to them, looking for advice or a chat.”

Ron: “Onboarding went significantly better than we had anticipated at the start of the pandemic. We are seeing a market change, with ETFs truly coming of age, as investors recognize their reliability and the ease of investing. And this



Bill

Name: Ron Heydenrijk

Position: European Head of Sales and External Relations

Background: Ron joined Flow Traders from ABN AMRO to lead Institutional Trading in the EMEA markets, and manages our dealings with counterparties as well as issuers.



Viktor

is having a knock-on effect for Institutional Trading, with more counterparties attracted to the products we offer and the strength of our service.”

What are the main trends we’re seeing regionally, and what are your 2021 focus areas?

Viktor: “We’re seeing a strong shift to electronification via RfQ platforms like Bloomberg RfQE and Tradeweb in the Asia-Pacific region, and we expect that to continue. In terms of our overall Institutional Trading focus in 2021, in some ways we’re becoming a ‘traditional’ firm. By that I mean that we are now trading with a huge variety of institutional counterparties, including central banks. And this is down to our long-term principles of communicating openly with the market, being great at what we do, and being patient. I think we can say that the company has really arrived.”

Ron: “In Europe, we already have strong market penetration in ETFs. We are connected to most of the counterparties that are trading, and so going forward it’s basically about increasing the number of products, in multiple asset classes, that we trade with our existing counterparties,

Name: Bill Stush

Position: Head of Institutional Trading (US)

Background: Bill heads up Flow Traders’ Institutional Trading in the United States, with a focus on securing new counterparties while maintaining connections with existing ones.

while growing the number of counterparties we’re connected to. And we will also be looking to utilizing our data richness to increase transparency towards counterparties and ETF issuers.”

Bill: “We want to head into 2021 with a full menu of offerings and the ability to provide counterparties with what they want. To achieve that, we’ll remain focused on being agile, reliable, and providing competitive quotes upon request.”

Finally, a question for Ron: having joined a few months ago, what are your initial views?

Ron: “I joined during the pandemic, so it was a very strange moment to arrive in a new job. I spent the first month working from home, and have yet to meet my team members in person. Only a limited number of staff are allowed in the office, mask wearing is compulsory, and everyone is focused on staying healthy. Yet what’s absolutely clear is the tremendous energy and drive here in the firm. People are extremely positive, optimistic and upbeat about what they’re doing, and that is very refreshing.”

Name: Viktor Östebo

Position: Head of Institutional Trading (APAC)

Background: Viktor leads our Institutional Trading in the Asia-Pacific region, with the aim of attracting new counterparties while continuing relationships with existing counterparties.



Report of the Supervisory Board

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Message of the Supervisory Board

Message of the Chairman

The Supervisory Board's primary focus in 2020 was on advising and supporting the Management Board as they navigated the COVID-19 pandemic, while ensuring the company continued to work towards its long-term value creation strategy.

Impact of COVID-19

The pandemic had a profound impact on Flow Traders in 2020. The Supervisory Board worked with the Management Board as the company launched its business continuity plan, which helped ensure investors were provided with uninterrupted market coverage and access to liquidity.

In March, the markets experienced exceptional volatility. While this created a particularly busy period for everyone in the company, they handled the situation professionally and skillfully. The Supervisory Board was proud of the efforts made by our people, many of whom were working from new locations or from home.

The Supervisory Board in 2020

During 2020 the Supervisory Board held one face-to-face meeting only, with the rest taking place via video conferencing. This worked smoothly.

Throughout the year, the Supervisory Board discussed a wide range of topics, from the company's response to the pandemic, the financial results, technology investments to support diversification initiatives, additional control procedures and cybersecurity, and strategic initiatives. The Supervisory Board also increased its contact with shareholders' representatives, ensuring that they were kept abreast of company developments.

The Supervisory Board focused on developments within the regulatory environment, including the introduction and implementation of the EU Shareholder Rights Directive II, and the new European Union IFR/IFD regulations, which will come into force in June 2021.



The Supervisory Board also held meetings through its four committees: The Audit committee, Remuneration and Appointment committee, Trading and Technology committee, and the Risk committee.

During the year the Supervisory Board discussed steps the company is taking to strengthen its environmental, social and governance (ESG) criteria. These include clarifying the company's purpose, mission and goals, and enhancing its stakeholder dialogue. The Supervisory Board believes that improved ESG propositions will improve the company's relationship with stakeholders and lead to greater transparency.

Another important discussion topic was succession planning. This year the company welcomed Britta Achmann as a member of the Management Board and Chief Risk Officer. And Han Sikkens chose not to stand for reappointment as member of the Supervisory Board at the 2020 AGM, having been a Supervisory Board member since 2015. The Supervisory Board would like to thank Han for his significant and highly valuable contribution over the years.

The Supervisory Board also carried out a self-assessment in 2020. From this, it arrived at three key conclusions. First, given the importance of the company's culture to its identity and success, going forward, a separate chapter on culture should be included in the Annual Report. Second, the Supervisory Board should spend more time, and have more in-depth discussions, on strategy developments, including M&A strategy. And third, the Supervisory Board will increase the frequency of its regulatory and governance related training.

Looking ahead

Looking ahead to the remainder of 2021, the Supervisory Board will continue to follow the impact of the COVID-19 pandemic on the company and the broader market, while planning for post-pandemic developments. Other key focus areas will be the further development of the company's FX business, and expansion into other asset classes or territories. Finally, the Supervisory Board will continue to help develop Flow Traders' ESG story and propositions. The Supervisory Board firmly believes that Flow Traders has a strong ESG proposition, particularly when considered in light of the highly material ESG priorities. The provision of liquidity to the financial markets has been a key focus of the Supervisory Board for many years and has underpinned the diversification strategy. The Supervisory Board has also fostered a robust governance culture to ensure the company operates with utmost business integrity. The recent re-emphasis of the company's culture by the Supervisory Board is an essential component of ensuring the offering of sustainable employment. This will be done by ensuring the company's public ESG disclosure is continuously improved as well as monitoring the expansion and development Flow Traders' capabilities in trading ESG related products.

The Supervisory Board would like to thank everyone within the company for their exceptional efforts and flexibility throughout 2020.

Regards,
Eric Drok
Chairman of the Supervisory Board

“During the year the Supervisory Board discussed steps the company is taking to strengthen its environmental, social and governance (ESG) criteria”



Supervisory Board report

Meetings of the Supervisory Board

In 2020 the Supervisory Board members met 14 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 including the business continuity plan**

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 March 2020, the Supervisory Board and the Management Board together discussed the business continuity plan, following the start of the COVID-19 pandemic. Additional meetings were held to closely monitor the roll-out of the business continuity plan and to keep the members of the Supervisory Board updated to the rapidly changing environment. In August 2020, the Management Board and Supervisory Board comprehensively discussed the company's strategy and related long-term value creation. This strategy session, amongst other sessions, was held virtually, making sure to limit travel movements of the participants as much as possible. The Supervisory Board agreed on financial and non-financial KPIs of the Management Board,

these KPIs are further explained in the chapter Our 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 Han Sikkens, as Supervisory Board member, expired in 2020. Han chose not to opt for reappointment during the 2020 AGM. The term of one Supervisory Board member will expire in 2021, hence succession planning of the Supervisory Board formed an important topic of discussion during the Supervisory Board and Remuneration & Appointment Committee meetings. Following the transition from three Management Board members to four Management Board members during 2020, 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 continues to form a very important role within Flow Traders, especially with most employees working from home during 2020 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 on several occasions during the year.

- **New legislation and regulation**

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

- **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 2020 the By-Laws of the Supervisory Board and the Management Board were reviewed, amended and re-adopted as well as the Terms of Reference of the Remuneration and Appointment Committee. The terms of reference of the Audit, Risk and Trading & Technology Committee were



amended and re-adopted in 2019. In 2019, a new related party transaction policy was adopted.

■ **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 2020 have been discussed and followed up during 2020.

■ **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 96 percent.

	Supervisory Board	Audit Committee	Remuneration & Appointment Committee	Risk Committee	Trading & Technology Committee
Eric Drok	14/14	5/5	7/7	4/4	3/3
Olivier Bisselier	14/14	5/5	-	4/4	3/3
Rudolf Ferscha	14/14	-	7/7	4/4	3/3
Roger Hodenius	12/14	-	7/7	4/4	3/3
Jan van Kuijk	14/14	5/5	7/7	4/4	3/3
Han Sikkens*	8/9	3/3	-	2/2	2/2

* Han Sikkens chose not to stand for reappointment during the AGM held on 24 June 2020.

Evaluation of the Supervisory Board

The Supervisory Board discussed the outcome of the self-assessment of 2019, 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 2020 the Supervisory Board also reviewed its own performance using a combination of an electronic survey and a group discussion. Compared to 2019, 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 ensuring 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 2020 was led by Eric Drok as independent Chairman of the Supervisory Board and Rudolf Ferscha as independent Chairman of the Remuneration & Appointment Committee. Following the assessment, the Supervisory Board confirmed

the independence of the board members Olivier Bisselier, Rudolf Ferscha and Eric Drok. 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 with two Supervisory Board members. The performance of the CRO, CTrO 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 2020, Flow Traders' culture and overall team performance. Based on these discussions the Remuneration & Appointment Committee provides feedback regarding its view on the Management Board's performance to the Supervisory Board, to guide year-end discussions as well as deliberations 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 overall balance in nationality, gender, age, experience, and executive and non-executive 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.

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.

Succession planning

Until 24 June 2020, the Management Board consisted of three members. Starting on 24 June 2020, the Management Board consisted of four members. During the AGM held on 24 June 2020, shareholders voted in favor of the appointment of Britta Achmann as member of the Management Board and Chief Risk Officer of the company. The full size and composition of the Management Board was discussed regularly during 2020. Our Equal Opportunity Policy was an important topic during these discussions. Han Sikkens chose not to opt for reappointment after the

end of his mandate in 2020 and no Supervisory Board members were (re)appointed during 2020. The figure in the middle column shows the terms of (re)appointment for all Supervisory Board members.

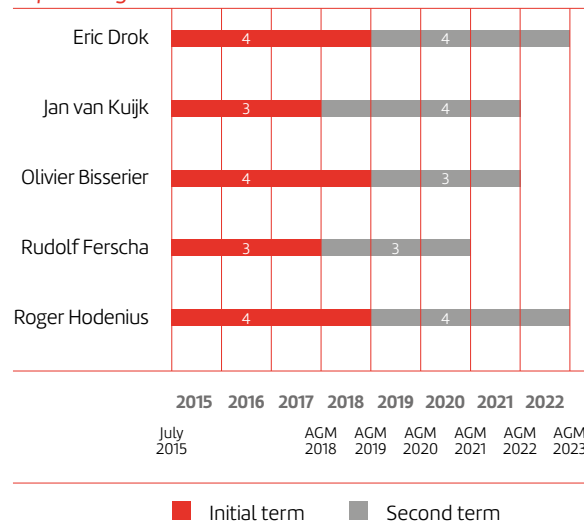
Independence of the Supervisory Board

The Chairman 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 Chairmen 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 one of the founders and former Management Board members of the company. For more information on the responsibilities of our committees, please refer to the chapter Our governance.

Supervisory Board rotation schedule





The composition of the committees is as follows:

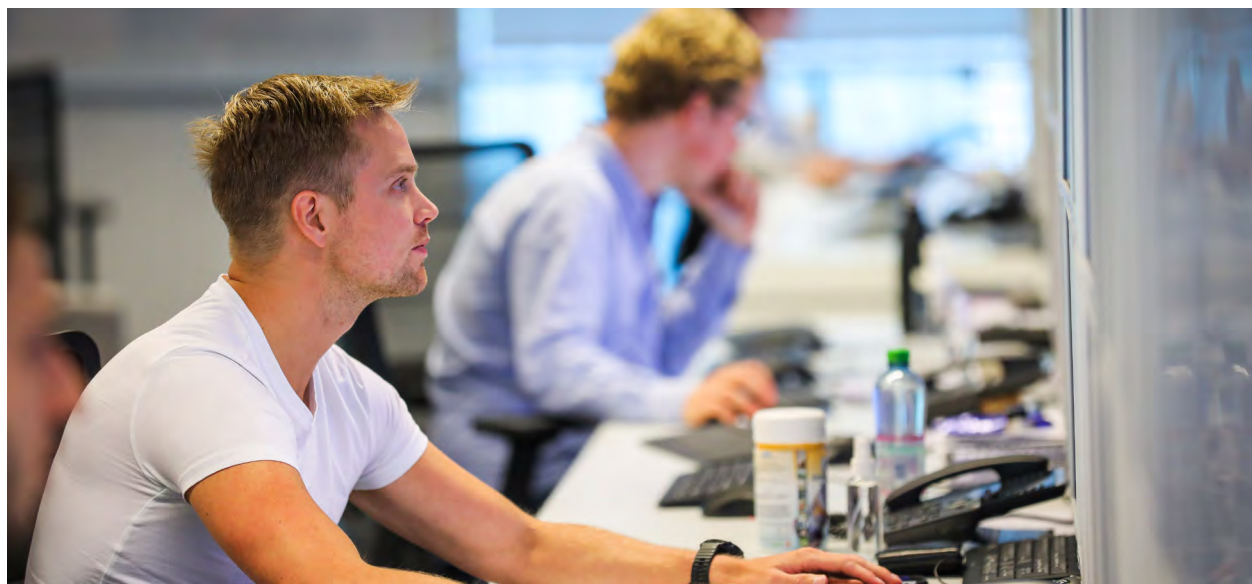
Audit Committee	Remuneration & Appointment Committee	Trading & Technology Committee	Risk Committee
Olivier Bisselier (Chairman)	Rudolf Ferscha (Chairman)	Jan van Kuijk (Chairman)	Olivier Bisselier (Chairman)
Eric Drok	Eric Drok	Olivier Bisselier	Roger Hodenius
Jan van Kuijk	Roger Hodenius	Rudolf Ferscha	Jan van Kuijk
	Jan van Kuijk	Roger Hodenius	Rudolf Ferscha
		Eric Drok	Eric Drok

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. Apart from a small number of meetings at the start of the year which were held at the company’s offices in Amsterdam, most of the meetings were held via conference call as a result of COVID-19.

Audit Committee

The Audit Committee met five times in 2020, with each meeting fully attended. Other attendees included the CEO, the Global Head of Finance, the Interim 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. The Risk and Mid-Office departments have been discussed extensively, following the appointment of Britta Achmann as CRO. Other topics discussed included the Management Board’s methods for the assessment of the effectiveness of the design and operation of the company’s internal risk and control systems, new and proposed legislative initiatives related to accounting, auditing and financial reporting, tax planning, tax strategy and monitoring, the company’s compliance with rules and regulations, the company’s Code of Conduct, the company’s financing strategy (including the interim dividend proposal) 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 2019, recommendations on the basis of the annual report, their audit plan for the financial year 2020 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 advises 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. 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. EY's lead audit partner was present at all Audit Committee meetings held in 2020. Based on the information provided by the Audit Committee, the Supervisory Board nominated EY as external auditor at the company's General Meeting in 2020. Subsequently, EY was reappointed by the General Meeting as external auditor for the financial year 2020.

Internal audit function

The Internal Audit Function (IAF) executed audits that form part of the internal audit plan, approved by the Supervisory Board. Focus areas in this audit plan included the resilience of our trading systems, transparency and IT processes. The Audit Committee and the Interim Global Head of Internal Audit discussed the audit results (findings, observations, recommendations, management feedback and follow-up). The Audit Committee maintains regular dialogue with the IAF. More information can be found in the chapter Our governance.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee met seven times in 2020, 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, the General Remuneration

Policy, the Equal Opportunity 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 and functioning 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 2020, 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 2020, with each meeting fully attended. Invitees of the meeting were the Management Board members, including the newly appointed CRO, 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 upcoming IFR/IFD regulation were also topics of discussion. More information can be found in the chapter Our governance.

Financial statements and dividend

The 2020 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 147](#) 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 2020;
- 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, 4 March 2021

Eric Drok
Jan van Kuijk
Olivier Bisselier
Rudolf Ferscha
Roger Hodenius



Remuneration report

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Remuneration report

The Remuneration & Appointment Committee

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



Chairman
Rudolf Ferscha

Members

Eric Drok

Roger Hodenius

Jan van Kuijk

Key objectives

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

Responsibilities

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

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



Letter from the Chairman of the Remuneration & Appointment Committee

Dear shareholders,

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

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

A record year against the backdrop of a global health crisis

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

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

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

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

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

Remuneration in 2020

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

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

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



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

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

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

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

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

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

Activities of the Committee in 2020

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

Stakeholder engagement

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

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

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



Main feedback from stakeholders

The policy appears to have a short-term focus

How we have acted upon this feedback

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

Management Board variable remuneration is uncapped

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

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

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

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

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



Flow Traders' approach to remuneration

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

Our mission and corporate identity

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

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

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

Our values and culture

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

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

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

Our remuneration principles

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

Application of our remuneration principles

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

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



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

Principle	Application
Sharing	<ul style="list-style-type: none"> ■ 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. ■ If we make no profit, we do not pay-out variable remuneration.
Operating a single & straightforward policy	<ul style="list-style-type: none"> ■ We reward all our employees, including the Management Board, based on the same remuneration policy. ■ We share one singular firm-wide variable remuneration pool. ■ The Management Board does not receive material ancillary benefits beyond variable remuneration.
Rewarding for exceptional performance	<ul style="list-style-type: none"> ■ Remuneration consists of a relatively modest base salary and variable remuneration linked directly to performance. ■ 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.
Guarding long-term interests & stimulating risk awareness	<ul style="list-style-type: none"> ■ We operate an integrated short-term and long-term variable remuneration plan. ■ We defer a significant portion of variable remuneration pay-outs for a multi-year period. ■ If the company incurs a loss, any outstanding deferred variable remuneration is reduced or forfeited entirely to cover that loss. ■ Our claw back provisions are comprehensive, irreversible and substantially exceed industry standards and regulatory requirements.

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



Our contribution to society

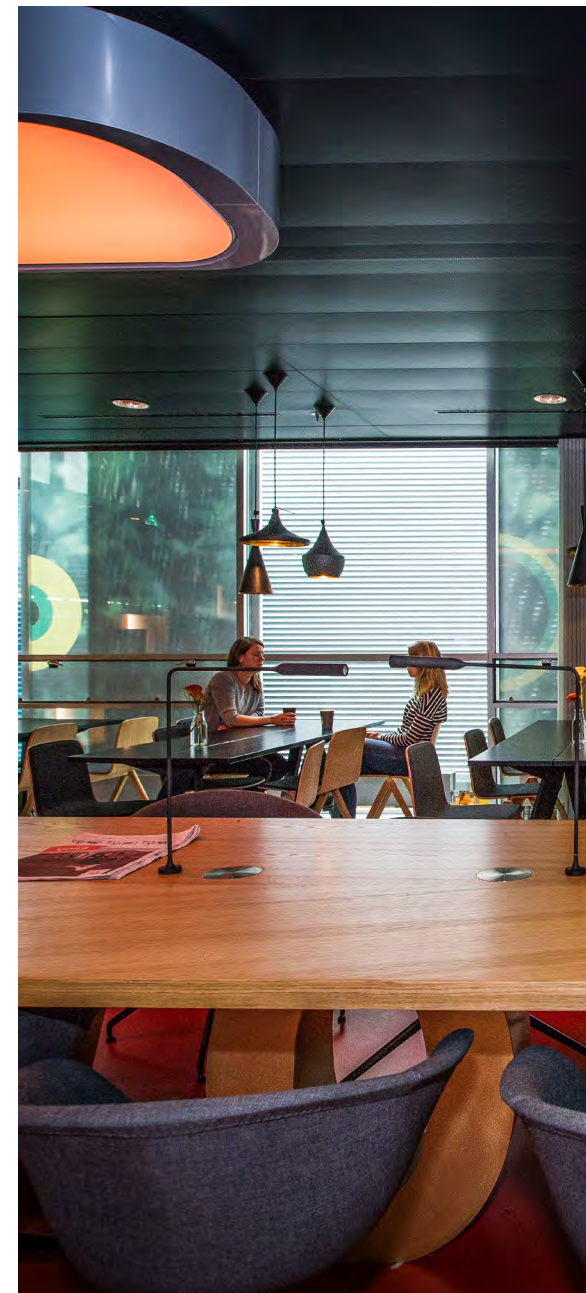
We are committed to our broader responsibility to society over and above our provision of liquidity and market making services globally (ensuring global markets keep functioning, under all circumstances) and are vocal proponents of fair markets and fair taxation. With this in mind, we have always steered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

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

Policy at a glance

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

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





FIXED REMUNERATION

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



VARIABLE REMUNERATION

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
Performance measurement	<ul style="list-style-type: none"> ■ Performance is measured over a one-year performance period ■ Variable remuneration awards are predominantly based on Flow Traders' result on operating profit ■ 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) ■ Although there is no formulaic relationship between performance on the KPIs and the variable remuneration award, significant underperformance or outperformance in respect of these KPIs results in reductions or increases of the profit share that is awarded to a Management Board member 	<ul style="list-style-type: none"> ■ Performance is measured over a one-year performance period ■ Variable remuneration awards are predominantly based on Flow Traders' result on operating profit ■ 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) ■ Although there is no formulaic relationship between performance on the KPIs and the variable remuneration award, significant underperformance or outperformance in respect of these KPIs results in reductions or increases of the profit share that is awarded to a Management Board member 	<p>No proposed changes in the design of the policy. However, we commit ourselves to disclose the individual KPIs and the individual performance assessments in our annual remuneration report</p>



VARIABLE REMUNERATION

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
Deferral and vesting	<ul style="list-style-type: none"> Above a certain threshold, variable remuneration is paid out in at least two instalments 	<ul style="list-style-type: none"> 50% of variable remuneration is paid out in equity 62.5% of variable remuneration is deferred over a multi-year period 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 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 All equity awards that vest are subject to a holding period of one year 	<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>
Maximum opportunity	<ul style="list-style-type: none"> The total variable remuneration pool available for all employees (including the Management Board) is set at a maximum of 40% of the operating profit 	<ul style="list-style-type: none"> The total variable remuneration pool available for all employees (including the Management Board) is set at a maximum of 35% of the operating profit Total remuneration for any individual Management Board member is capped at 20 times the average employee total remuneration 	<p>It is in our corporate DNA to share our profits fairly with our shareholders and employees, and we have done so since we were founded. We have now reflected this in our policy by introducing a cap on individual total remuneration pay-outs versus the average employee</p>



VARIABLE REMUNERATION

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

BENEFITS

Element	Current policy (2016)	Proposed policy (subject to 2021 AGM approval)	Rationale for change
Ancillary benefits	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 2021 AGM approval)	Rationale for change
Encouragement of share ownership	<ul style="list-style-type: none"> No share ownership guidelines in place 	<ul style="list-style-type: none"> 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 	<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</p>
Malus and Clawback	<ul style="list-style-type: none"> Malus and clawback provisions in place that are comprehensive, irreversible and substantially exceed regulatory requirements 	<ul style="list-style-type: none"> Malus and clawback provisions in place that are comprehensive, irreversible and substantially exceed regulatory requirements 	<p>Clarified that triggers apply to vested and/or unvested equity</p>
Post-termination transfer restrictions	<ul style="list-style-type: none"> No restrictions in place 	<ul style="list-style-type: none"> Upon termination, Management Board members are not allowed to sell more than 50% of their equity within the first 12 months after termination 	<p>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</p>
Change of control	<ul style="list-style-type: none"> Not covered by policy 	<ul style="list-style-type: none"> "Double-trigger" change of control clause 	<p>We further enhanced our corporate governance standards</p>
Governance	<ul style="list-style-type: none"> Not covered by policy 	<ul style="list-style-type: none"> Guidelines around procedure, annual review and deviations from the policy 	<p>We further enhanced our corporate governance standards</p>



Remuneration for the Management Board

Introduction

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

Total remuneration

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

Scenario analyses carried out in respect of variable remuneration

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

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

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

Use of external market data

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

TOTAL REMUNERATION OF DIRECTORS

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

¹ Extraordinary items include a sign-on bonus.

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

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



Base salary

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

Variable remuneration

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

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

Individual performance assessment

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

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

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

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

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

2. Individual KPIs

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

3. Assessing performance

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

4. Determining variable remuneration

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



Performance assessment

DENNIS DIJKSTRA, CHIEF EXECUTIVE OFFICER



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

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

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

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

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

FOLKERT JOLING, CHIEF TRADING OFFICER



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

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

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

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

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



THOMAS WOLFF, CHIEF TECHNOLOGY OFFICER



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

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

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

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

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

BRITTA ACHMANN, CHIEF RISK OFFICER



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

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

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

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

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



Shares held by employees and Management Board members

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

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

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

Comparative overview of company performance and remuneration

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





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

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



Internal pay ratios

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

No pensions, loans and other benefits

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

Supervisory Board Remuneration

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

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

¹ Presented as if a Supervisory Board member for the full year.

² Term expired in June 2020.

No variable remuneration shares, pensions, loans and other benefits

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

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

Shares indirectly held by members of the Supervisory Board

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



Remuneration for other employees

Our performance cycle

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

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

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

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

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

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

Stimulating share ownership

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

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

Pension

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

Variable compensation granted

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

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



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

Changes in regulation

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



Financial statements

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *In thousands of euro*

	Note	At 31 December 2020	At 31 December 2019
Assets			
Cash and cash equivalents	13	8,345	5,687
Financial assets held for trading	14	3,873,144	3,485,698
Trading receivables	15	4,494,361	3,196,439
Other receivables	16	14,190	14,592
Investments measured at fair value through OCI	17	3,622	1,271
Investments in associates	18	176	202
Property and equipment	19	40,745	43,301
Intangible assets	20	1,226	1,471
Current tax assets	12	7,351	5,386
Deferred tax assets	12	5,285	1,505
Total assets		8,448,445	6,755,552
Liabilities			
Financial liabilities held for trading	21	1,960,231	1,618,864
Trading payables	22	5,644,035	4,701,025
Lease liabilities	23	14,657	15,975
Other liabilities	24	192,786	85,270
Current tax liabilities	12	45,661	2,015
Deferred tax liabilities	12	1,137	1,352
Total liabilities		7,858,507	6,424,501
Equity			
Share capital	25	4,653	4,653
Share premium	25	117,046	152,880
Share based payment reserve	25	45,821	-
Retained earnings	25	417,337	158,238
Currency translation reserve	25	6,076	16,234
Fair value reserve	25	(995)	(954)
Total equity		589,938	331,051
Total equity and liabilities		8,448,445	6,755,552

The notes on [pages 109 to 138](#) 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	2020	2019
Gross trading income		1,090,455	352,537
Fees related to the trading activities		103,170	78,308
Net financial expenses related to the trading activities		53,860	57,787
Net trading income	9	933,425	216,442
Personnel expenses	11	275,816	81,289
Depreciation of property and equipment	19	13,946	14,238
Amortization of intangible assets	20	339	387
Impairment of tangible and intangible assets	19/20	103	61
Other expenses	11	70,948	56,250
Operating expenses		361,152	152,225
Operating result		572,273	64,217
Result/(impairment) of equity-accounted investees	18	(358)	1,070
Profit before tax		571,915	65,287
Tax expense	12	107,402	12,150
Profit for the period		464,513	53,137
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations	25	(10,158)	1,571
Items not reclassified to profit or loss			
Changes in fair value through other comprehensive income	17	(41)	(446)
Other comprehensive income for the year (net of tax)		(10,199)	1,125
Total comprehensive income for the year		454,314	54,262
Earnings per share			
Basic earnings per share ¹	8	10.26	1.15
Diluted earnings per share ¹	8	9.81	1.15

¹ 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 109 to 138](#) are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *In thousands of euro*

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2020	4,653	152,880	-	16,234	(954)	158,238	331,051
Profit	-	-	-	-	-	464,512	464,512
Total other comprehensive income	-	-	-	(10,158)	(41)	-	(10,199)
Total comprehensive income for the period	-	-	-	(10,158)	(41)	464,512	454,313
Transactions with owners of the Company							
Dividends	-	-	-	-	-	(205,413)	(205,413)
Treasury shares	-	(41,795)	-	-	-	-	(41,795)
Share based payments	-	5,961	45,821	-	-	-	51,782
Total transactions with owners of the company	-	(35,834)	45,821			(205,413)	(195,426)
Balance at 31 December 2020	4,653	117,046	45,821	6,076	(995)	417,337	589,938

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2019	4,653	154,509	-	14,663	(508)	167,734	341,051
Profit	-	-	-	-	-	53,137	53,137
Total other comprehensive income	-	-	-	1,571	(446)	-	1,125
Total comprehensive income for the period	-	-	-	1,571	(446)	53,137	54,262
Transactions with owners of the Company							
Additional share premium	-	61	-	-	-	-	61
Dividends	-	-	-	-	-	(62,633)	(62,633)
Treasury shares	-	(1,914)	-	-	-	-	(1,914)
Share based payments	-	224	-	-	-	-	224
Capital contribution	-	-	-	-	-	-	-
Total transactions with owners of the company	-	(1,629)	-	-	-	(62,633)	(64,262)
Balance at 31 December 2019	4,653	152,880	-	16,234	(954)	158,238	331,051



CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

For the year ended 31 December

	Note	2020	2019
Cash flows from operating activities			
Profit for the period		464,513	53,137
Adjusted for:			
Depreciation of property and equipment	19	13,946	14,238
Amortization of intangible assets	20	339	387
Write off of (in)tangible assets	19, 20	103	61
Result/(impairment) of equity-accounted investees (net of tax)	18	358	(59)
Share-based payment transactions	10	50,662	238
Share donation to Flow Traders Foundation	11	5,960	-
Tax expense	12	107,402	12,150
Changes in working capital			
■ (increase)/decrease financial assets held for trading	14	(387,446)	191,109
■ (increase)/decrease trading receivables	15	(1,297,922)	(156,564)
■ (increase)/decrease other receivables	16	402	(665)
■ increase/(decrease) financial liabilities held for trading	21	341,367	(982,665)
■ increase/(decrease) trading payables	22	943,010	1,000,470
■ increase/(decrease) other liabilities	24	107,516	(36,144)
■ Corporate income tax paid	12	(69,716)	(19,049)
■ (increase)/decrease other		(9,237)	2,525
Cash flows from operating activities		271,257	79,169
Cash flows from investing activities			
Acquisition of investment measured at fair value through OCI	17	(2,759)	(449)
Acquisition of property and equipment	19	(6,504)	(12,185)
Acquisition of intangible assets	20	(125)	(371)
Cash flows from investing activities		(9,388)	(13,006)



CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

For the year ended 31 December

	Note	2020	2019
Cash flows from financing activities			
Dividend paid		(205,413)	(62,633)
Payments of lease liabilities	23	(7,550)	(6,119)
Repurchases of shares	25	(45,908)	(1,958)
Capital contributions		-	61
Cash flows from financing activities		(258,871)	(70,649)
Effect of movements in exchange rates on cash and cash equivalents		(341)	118
Change in cash and cash equivalents		2,658	(4,367)
Change in cash and cash equivalents			
Cash and cash equivalents at opening	13	5,687	10,054
Cash and cash equivalents at close	13	8,345	5,687
Change in cash and cash equivalents		2,658	(4,367)



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 global technology-enabled liquidity provider that specializes in exchange traded products (ETPs).

The consolidated financial statements of the Group for the annual period ended 31 December 2020 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 4 March 2021 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;
- investments measured at fair value through OCI assets 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.

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.

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 and to the chapter regarding share based payments.

d) 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;
- 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;
- 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. 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.

Investments measured at fair value through OCI

Investments measured at fair value through OCI are non-derivative financial assets.

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 debt 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.

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) **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.

f) 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.

g) 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.

h) 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.

i) 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).

j) 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.

k) 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.

l) 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.

m) 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.

n) **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.

o) **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.

The Group had no assets and liabilities or operations for sale in the reporting and the comparative period.

5. **Operating segments**

The Group operates in the following regions via its subsidiaries and branches in Europe (the Netherlands, United Kingdom, Italy and Romania), the Americas (the United States of America) and Asia (Singapore and Hong Kong).

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 and trading payables. The Group's capital expenditures include additions to property, equipment and intangible assets as set out in notes 19 and 20.

The impact of COVID-19 on the results of the company is discussed in the Our Performance section of the Management Board report.



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	54,769	38,919	9,482	103,170
Net financial expenses related to the trading activities	21,875	27,207	4,778	53,860
Net trading income	552,464	283,798	97,163	933,425
Intercompany recharge	133,345	-	-	133,345
Total revenues	685,809	283,798	97,163	1,066,770
Employee 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
Operational expenses	223,280	188,171	68,658	480,109
EBITDA	462,529	95,627	28,505	586,661
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
Operating result	455,399	91,246	25,628	572,273
Result/(impairment) of equity-accounted investees	(440)	82	-	(358)
Profit before tax	454,959	91,328	25,628	571,915
Tax expense	86,481	19,498	1,423	107,402
Profit for the period	368,478	71,830	24,205	464,513
Assets	475,344	254,725	114,111	844,180
Capital expenditure	4,311	1,484	834	6,629
Liabilities	173,736	56,702	23,802	254,240

SEGMENT REPORTING

For the year ended 31 December 2019

	Europe	Americas	Asia	Total
Gross trading income	202,388	105,636	44,513	352,537
Fees related to the trading activities	38,268	34,321	5,719	78,308
Net financial expenses related to the trading activities	25,983	23,676	8,128	57,787
Net trading income	138,137	47,639	30,666	216,442
Intercompany recharge	4,441	-	-	4,441
Total revenues	142,578	47,639	30,666	220,883
Personnel expenses	49,869	17,825	13,595	81,289
Intercompany recharge	-	2,687	1,754	4,441
Other expenses	29,195	18,228	8,827	56,250
Operational expenses	79,064	38,740	24,176	141,980
EBITDA	63,514	8,899	6,490	78,903
Depreciation of property and equipment	7,413	3,946	2,879	14,238
Amortization of intangible assets	326	18	43	387
Write off of (in) tangible assets	12	29	20	61
Operating result	55,763	4,906	3,548	64,217
Result/(impairment) of equity-accounted investees	1,062	8	-	1,070
Profit before tax	56,825	4,914	3,548	65,287
Tax expense	10,187	1,155	808	12,150
Profit for the period	46,638	3,759	2,740	53,137
Assets	210,663	177,289	47,711	435,663
Capital expenditure	9,445	2,556	786	12,787
Liabilities	65,796	22,994	15,822	104,611



6. *New standards and interpretations*

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 2019.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

7. *Fair values of financial instruments*

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 Group measures fair values using the following fair value hierarchy, depending on the inputs used for making the measurements.

- Level 1: inputs that are quoted, unadjusted, market prices in active markets for identical instruments;
- Level 2: inputs, other than 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 considered inactive; or other valuation techniques in which all significant inputs are directly or indirectly observable 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 Group uses widely recognized valuation techniques and models (including net present value models and comparisons with similar instruments for which market observable prices

exist) 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 (including 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) 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).

Valuation framework

The Group has a control framework with respect to the measurement of fair values. This framework includes a Risk and Mid-Office department which is independent of the Trading department and reports directly to the Management Board. The Risk and Mid-Office department has 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.

The prime brokers of the Group provide electronic position statements on a daily basis, which are uploaded automatically into the Group's databases. The Group and its prime brokers agreed when files will be available and methods for transmission and communication. All data is normalized by the Group so it can be used in multiple internal systems. The information is mainly used for daily independent reconciliation of positions and prices, resulting in profit and loss accounts.



The following reconciliations are executed on a daily basis:

- reconciliation of the positions – The Risk and Mid-Office department reconciles the positions of the Trading department with information provided by the prime brokers. All differences are reconciled and agreed by the Trading department of the Group and the prime brokers;
- reconciliation of prices – The Risk and Mid-Office department reconciles prices as provided by the Trading Department with those of the prime brokers and/or data from external data vendors. All differences are reconciled and the Risk and Mid-Office department makes sure that any required follow up action is taken, either by the prime broker or the Trading department. Therefore, all prices are checked with independent sources.

Results of these reconciliation processes are communicated and agreed with Heads of Trading, the Risk and Mid-Office department and the Management Board on a daily basis.

a) Financial assets and liabilities held for trading

The Group mainly trades on regulated and active markets. The financial assets and liabilities held for trading are carried at fair value, based whenever possible on quoted market prices, as published by exchanges, market data vendors and prime brokers.

The valuation of trading positions, both the long and the short positions, is determined by reference to last traded prices from similar 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 traded closes. The Group's Risk and Mid-Office department checks the theoretical price independently. As part of its review, it monitors 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) 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.

c) Other receivables

The carrying value of other receivables with a maturity of less than one year is assumed to approximate their fair values.

Fair value hierarchy

	At 31 December 2020			
	Level 1	Level 2	Level 3	Total
Long positions in equity securities- trading	58,252	3,814,448	-	3,872,700
Mark to market derivatives assets	-	444	-	444
Financial assets held for trading	58,252	3,814,892	-	3,873,144
Trading receivables	4,494,361	-	-	4,494,361
Investments measured at fair value through OCI	-	761	2,861	3,622
Total long positions	4,552,613	3,815,654	2,861	8,371,127
Short positions in equity securities- trading	37,934	1,922,071	-	1,960,005
Mark to market derivatives liabilities	-	226	-	226
Financial liabilities held for trading	37,934	1,922,297	-	1,960,231
Trading payables	5,644,035	-	-	5,644,035
Total short positions	5,681,969	1,922,297	-	7,604,266



Fair value hierarchy

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
Long positions in equity				
securities-trading	123,246	3,360,404	-	3,483,650
Mark to market derivatives assets	-	2,048	-	2,048
Financial assets held for trading	123,246	3,362,452	-	3,485,698
Trading receivables	3,196,439	-	-	3,196,439
Investments measured at fair value through OCI	-	1,271	-	1,271
Total long positions	3,319,685	3,363,723	-	6,683,408
Short positions in equity				
securities-trading	21,433	1,597,431	-	1,618,864
Financial liabilities held for trading	21,433	1,597,431	-	1,618,864
Trading payables	4,701,025	-	-	4,701,025
Total short positions	4,722,458	1,597,431	-	6,319,889

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.

Hedge of net investments in foreign operations

Included in financial liabilities held for trading at 31 December 2020 was a borrowing of USD 136,500,000 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

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Notional amount (US\$000)	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period(€000)	Notional amount (US\$000)	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period(€000)
	136,500	111,561	(16,137)	115,000	102,450	1,775

NET INVESTMENT IN FOREIGN SUBSIDIARIES

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	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)
	(16,137)	(16,137)	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.

	For the year ended 31 December	
	2020	2019
Profit for the year	464,513	53,137
Profit attributable to ordinary shareholders	464,513	53,137
Weighted average number of ordinary shares	45,276,693	46,367,533
Dilutive effect of share-based payments	2,065,037	-
Weighted average number of ordinary shares for diluted net profit	47,341,730	46,367,533
Basic earnings per share	10.26	1.15
Diluted earnings per share	9.81	1.15

9. Net trading income

Gross trading income comprises the realized and unrealized income on financial instruments.

Fees related to the trading activities consist of 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	
	2020	2019
Wages and salaries	37,103	31,677
Social security charges	4,119	3,556
Recruitment and other employment costs	6,479	8,353
Variable compensation paid in cash	177,453	37,186
Variable compensation paid in shares	50,662	517
Personnel expenses	275,816	81,289

The wages and salaries increased in line with the FTE development from 513 as per 31 December 2019 to 544 as per 31 December 2020. Overall employee expenses increased by 242% as a result of the increase in variable compensation paid to employees. The increase in variable compensation is also reflected in the increase 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 2020 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 expense recognized for employee services received during the year is shown in the following table:

	For the year ended 31 December	
	2020	2019
Expenses arising from equity-settled share-based payments	50,662	517
Expenses arising from cash-settled share-based payments	814	-
Total expenses arising from share-based payments	51,476	517



2019, company loyalty and sign-on package share plans

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. The weighted average fair value of shares granted during the year was €27.26 (2019: €24.02). 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 €4,861 thousand (2019: €517 thousand).

	For the year ended 31 December	
	2020	2019
Outstanding at 1 January	47,500	-
Shares granted during the year	244,580	47,500
Shares vested during the year	(118,500)	-
Shares forfeited during the year	(9,000)	-
Shares modified during the year	2,500	-
Outstanding at 31 December	167,080	47,500

2020 share plan

Under the 2020 share plan, shares are granted to employees as part of their variable compensation. The shares vest in four equal installments 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 €96,318 thousand. 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 2021.

Therefore, the number of shares included in the table below is based on the fixed variable remuneration amount awarded, divided by the fair value at grant date of €28.58 and is not final. 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 €45,801 thousand (2019: nil).

For the year ended 31 December

	2020	2019
	Outstanding at 1 January	-
Shares granted during the year	3,370,127	-
Shares vested during the year	-	-
Shares forfeited during the year	-	-
Shares modified during the year	-	-
Outstanding at 31 December 2020	3,370,127	-

Share appreciation rights

Certain employees are awarded share appreciation rights (SARs) as part of their variable compensation, settled in cash. The SARs vest in equal installments over a period of four 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 2020 was €814 thousand (2019: nil). The fair value of SARs that were vested at 31 December 2020 was nil (2019: nil).

11. Other expenses

	For the year ended 31 December	
	2020	2019
Technology	46,544	39,738
Housing	2,735	2,768
Advisors and assurance	3,183	3,001
Regulatory costs	2,483	1,581
Fixed exchange costs	3,765	3,508
Travel expenses	994	3,080
Various expenses	2,783	2,574
Donation to Flow Traders Foundation	8,461	-
Other expenses	70,948	56,250



Technology expenses increased due to initiatives to optimize our infrastructure. Increase in regulatory costs is due to higher variable fees based on the revenue of the company. Travel expenses have been limited due to reduced business travel due to COVID-19. 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	
	2020	2019
Tax recognised in profit or loss	107,402	12,150
Current tax expense	112,330	10,707
Movement deferred tax asset	(3,780)	1,496
Movement deferred tax liability	(215)	134
Adjustment for prior years	(933)	(187)
Tax expense excluding share of tax of equity-accounted investees	107,402	12,150

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	
	2020	2019
Profit before tax	571,915	65,287
Dutch standard tax rate	25.0%	25.0%
Income tax expected	142,979	16,322
Actual income tax charge	107,402	12,150
In percentage	18.8%	18.6%
Difference in tax expense	(6.2%)	(6.4%)

RECONCILIATION OF EFFECTIVE TAX RATE	For the year ended 31 December			
	2020 (€)	2020	2019 (€)	2019
Dutch standard tax rate	142,979	25.0%	16,322	25.0%
Different weighted average statutory rate of group	(7,180)	(1.3%)	(92)	(0.1%)
Income (partly) exempted	(27,259)	(4.8%)	(4,005)	(6.1%)
Other non deductible costs	(1,138)	(0.2%)	(75)	(0.1%)
Subtotal	(35,577)	(6.3%)	(4,172)	(6.4%)
Effective tax rate	107,402	18.8%	12,150	18.6%

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.

Effective tax rate per country

An overview of the effective tax rate per country per segment is presented in the table below.

EFFECTIVE TAX RATE PER COUNTRY	For the year ended 31 December 2020	
	Statutory tax rate	Effective tax rate
Europe	25.0%	19.0%
of which:		
■ Netherlands	25.0%	19.0%
■ United Kingdom	19.0%	19.0%
■ Romania	16.0%	10.9%
Americas	22.0%	21.3%
of which:		
■ United States of America	22.0%	21.3%
Asia & Middle East	16.7%	10.3%
of which:		
■ Singapore	17.0%	16.7%
■ Hong Kong	16.5%	7.4%
Group	25.0%	18.8%



EFFECTIVE TAX RATE PER COUNTRY

	For the year ended 31 December 2019	
	Statutory tax rate	Effective tax rate
Europe	25.0%	17.9%
of which:		
■ Netherlands	25.0%	18.0%
■ United Kingdom	19.0%	19.0%
■ Romania	16.0%	4.8%
Americas	22.1%	23.5%
of which:		
■ United States of America	22.1%	23.5%
Asia & Middle East	16.8%	22.8%
of which:		
■ Singapore	17.0%	21.4%
■ Hong Kong	16.5%	25.5%
Group	25.0%	18.6%

CURRENT TAX ASSETS AND LIABILITIES

	At 31 December	
	2020	2019
Assets		
Europe (the Netherlands)	49	113
Americas (US)	7,164	5,025
Asia (Singapore and Hong Kong)	138	248
Total current tax assets	7,351	5,386
Liabilities		
Europe (the Netherlands)	44,310	686
Americas (US)	(131)	16
Asia (Singapore and Hong Kong)	1,483	1,313
Total current tax liabilities	45,662	2,015

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	
	2020	2019
Assets		
Other liabilities	5,285	1,505
Liabilities		
Property and equipment	(1,137)	(1,352)
Net asset/(liability)	4,148	153

The utilization of the deferred tax asset is dependent upon the US achieving sufficient future taxable profit and subsequently the deductibility of the variable compensation instalments.



Taxes paid per country

An overview of the taxes paid is presented in the table below.

TAXES PAID PER COUNTRY	For the year ended 31 December 2020				
	Corporate income tax	Value added tax	Payroll tax	Dividend withholding tax	Total
Europe (the Netherlands)	86,488	2,993	27,415	23,521	140,417
Americas (US)	19,498	74	8,377	-	27,949
Hong Kong	1,190	-	-	-	1,190
Singapore	233	-	400	-	633

TAXES PAID PER COUNTRY	For the year ended 31 December 2019				
	Corporate income tax	Value added tax	Payroll tax	Dividend withholding tax	Total
Europe (the Netherlands)	10,198	1,585	26,415	7,205	45,403
Americas (US)	1,155	13	12,310	-	13,478
Hong Kong	302	-	-	-	302
Singapore	506	-	-	-	506

13. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	At 31 December	
	2020	2019
Europe	4,410	1,563
Americas	255	478
Asia	3,680	3,646
Total cash and cash equivalents	8,345	5,687

Cash and cash equivalents include a bank guarantee of €285,256 for office rent (2019: €285,256). The other cash and cash equivalents are available on demand.

14. Financial assets held for trading

FINANCIAL ASSETS HELD FOR TRADING	At 31 December	
	2020	2019
Long position in equity securities-trading	3,872,700	3,483,650
Mark to market derivatives assets	444	2,048
Total financial assets held for trading	3,873,144	3,485,698

Financial assets held for trading relate to settled positions and are closely related to financial liabilities held for trading, trading receivables and trading payables. 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.

Please also refer to note 15, 21 and 22.

15. Trading receivables

TRADING RECEIVABLES	At 31 December	
	2020	2019
Receivables for securities sold	4,494,361	3,196,439
Total trading receivables	4,494,361	3,196,439

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. Trading receivables are measured at fair value.

Please also refer to note 14, 21 and 22.



16. Other receivables

OTHER RECEIVABLES	At 31 December	
	2020	2019
Prepayments	6,461	5,626
Dividend withholding tax	1,174	1,686
Security deposits	1,613	1,827
Receivable from employees	632	15
Other receivables	4,310	5,438
Total other receivables	14,190	14,592

For more information, please refer to note 28 for a maturity analysis of other receivables.

17. Investments measured at fair value through OCI

INVESTMENTS MEASURED AT FAIR VALUE THROUGH OCI	At 31 December	
	2020	2019
Net book amount 1 January	1,271	1,267
Additions	2,759	449
Price movements	9	(468)
Effect of movements in exchange rate	(417)	23
Total Investments measured at fair value through OCI	3,622	1,271

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.

Acquisitions in Investments measured at fair value through OCI relates to the Group’s equity investments in MEMX in 2020 and to ErisX in 2019.

18. Investments in associates

INVESTMENTS IN ASSOCIATES	At 31 December	
	2020	2019
Net book amount 1 January	202	356
Investments	-	9
Cash distribution	(93)	(178)
Share of result of subsidiary	82	8
Effect of movement in foreign exchange differences	(15)	7
Total investments in associates	176	202

Investments in associates includes the Group’s 10% ownership in Pick Two LLC , a joint venture entity.

The Group holds Joint Back Office Clearing agreements with three prime brokers for a total amount of €62 thousand in their preferred shares.

Included in result on equity-accounted investees is €0.4 million impairment loss related to the fair value remeasurement of contingent consideration relating to a disposed associate.

**19. Property and equipment****PROPERTY AND EQUIPMENT**

	Hardware	Office fixtures	Office space right-of-use assets	Hardware right-of-use assets	Total
Cost					
Balance at 1 January 2019	24,046	20,224	15,546	5,596	65,412
Additions	10,555	1,630	924	-	13,109
Disposals	(3,891)	(778)	-	-	(4,669)
Exchange rate differences	69	61	272	22	425
Balance at 31 December 2019	30,779	21,137	16,742	5,619	74,277
Balance at 1 January 2020	30,779	21,137	16,742	5,619	74,277
Additions	6,009	495	1,456	5,167	13,127
Disposals	(4,416)	(7,517)	-	(654)	(12,690)
Effect of movements in exchange rates	(1,198)	(583)	(1,109)	2	(2,785)
Balance at 31 December 2020	31,174	13,532	17,089	10,133	71,929
Depreciation and impairment losses					
Balance at 1 January 2019	9,575	9,498	-	1,887	20,960
Depreciation for the year	4,942	4,077	4,104	1,115	14,238
Disposals	(3,473)	(824)	-	-	(4,297)
Exchange rate differences	35	19	6	14	75
Balance at 31 December 2019	11,079	12,770	4,110	3,017	30,976
Balance at 1 January 2020	11,079	12,770	4,110	3,017	30,976
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)
Balance at 31 December 2020	10,071	8,115	8,012	4,985	31,184
Carrying amounts					
At 1 January 2019	14,471	10,726	15,546	3,709	44,452
At 31 December 2019	19,700	8,367	12,632	2,602	43,301
At 31 December 2020	21,103	5,416	9,078	5,148	40,745

Right-of-use assets are disclosed in more detail in note 23 and must be considered along with software right-of-use assets in note 20.



20. Intangible assets

INTANGIBLE ASSETS *In thousands of euro*

	Software	Software right-of-use assets	Goodwill	Total
Cost				
Balance at 1 January 2019	1,760	126	502	2,388
Additions	371	230	-	601
Disposals	(469)	-	-	(469)
Exchange rate differences	2	-	-	2
Balance at 31 December 2019	1,665	356	502	2,523
Balance at 1 January 2020	1,665	356	502	2,523
Additions	125	-	-	125
Disposals	(559)	-	-	(559)
Exchange rate differences	(20)	-	-	(20)
Balance at 31 December 2020	1,212	356	502	2,070
Depreciation and impairment losses				
Balance at 1 January 2019	1,033	74	-	1,107
Depreciation for the year	354	33	-	387
Disposals	(441)	-	-	(441)
Exchange rate differences	(1)	-	-	(1)
Balance at 31 December 2019	945	107	-	1,052
Balance at 1 January 2020	945	107	-	1,052
Depreciation for the year	264	71	-	336
Disposals	(536)	-	-	(536)
Exchange rate differences	(7)	-	-	(7)
Balance at 31 December 2020	666	178	-	844
Carrying amounts				
At 1 January 2019	779	-	502	1,281
At 31 December 2019	720	249	502	1,471
At 31 December 2020	546	178	502	1,226

Right-of-use assets are disclosed in more detail in note 23 and must be considered along with office space and hardware right-of-use assets in note 19.



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 €502 thousand.

There were no additions or impairments to the goodwill in 2020 and 2019.

21. Financial liabilities held for trading

	At 31 December	
	2020	2019
Short positions in equity securities-trading	1,960,005	1,618,864
Mark to market derivatives liabilities	226	-
Total financial liabilities held for trading	1,960,231	1,618,864

Please also refer to note 14, 15 and 22.

22. Trading payables

	At 31 December	
	2020	2019
Payables for cash market products	4,458,259	3,113,915
Borrowings	1,185,776	1,587,110
Total trading payables	5,644,035	4,701,025

Please also refer to note 14, 15 and 21.

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), totaling €2,450 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.



23. 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 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	(559)	(616)
As of 31 December 2020	14,474	14,657

LEASES	At 31 December 2019	
	Right-of-use assets	Lease liabilities
As at 1 January 2019	19,306	20,367
Additions	1,154	1,130
Depreciation expense	(5,252)	-
Interest expense	-	450
Payments	-	(6,119)
Exchange rate differences	274	146
As of 31 December 2020	15,482	15,975

For more information, please refer to notes 19 and 20 for further details of the right-of-use assets.

24. Other liabilities

	At 31 December	
	2020	2019
Long-term variable compensation payable	76,080	23,240
Subtotal non current liabilities	76,080	23,240
Wages and variable compensation payable	95,518	45,052
Wages tax payable	5,364	2,234
Dividend payable	6	-
Creditors and accruals	15,818	14,744
Subtotal current liabilities	116,706	62,030
Total other liabilities	192,786	85,270

25. 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	
	2020	2019
In issue 1 January	46,534,500	46,534,500
Treasury shares	(1,832,879)	(234,941)
Total	44,701,621	46,299,559

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.



Shares acquired by participants in 2015 as part of the EEP 2015 and further set out on [page 35](#) are subject to a lock-up period. When a participant leaves the Company before the end of the lock-up period, the participant must offer any such unreleased shares to the Company at the lower of the price paid by the participant or the market price. During 2018, 2019 and 2020 these shares were used into the Flow Loyalty Incentive Plan whereby all employees receive 100 shares in the company at their two years working anniversary. Part of these shares are held by the Company as treasury shares.

Treasury shares held by the company are not cancelled. Treasury shares are recognized at cost and deducted from equity as part of the retained earnings. 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 retained earnings. Treasury shares are used to distribute to employees.

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 2020 (totaling €464.5 million), an amount of €172.2 million shall be added to the reserves. The remaining amount of €292.3 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 €6.50 per share will be paid out to shareholders for the financial year 2020, subject to a 15% dividend withholding tax. An interim cash dividend of €4.00 per share was paid out on 21 August 2020. This means that the final cash dividend proposal to the General Meeting of 23 April 2021 is €2.50 per share.

26. 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 fulfills the service obligation. Therefore these costs will be recognized in future years in profit and loss. In 2020 the company recognized €2.6 million of costs relating to this plan (2019: €3.1 million). The contingent liability from this plan is as follows:

ON- AND OFF- BALANCE SHEET LIABILITY AMOUNTS

	2021	2022	2023	2024
Cash incentive plan 2017	440	440	440	-
Cash incentive plan 2018	1,353	1,353	1,353	-
Cash incentive plan 2019	690	690	690	690

27. 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 2020 and 2019. Base salaries and variable compensation paid in cash is short-term in nature.

REMUNERATION MANAGEMENT BOARD AND SUPERVISORY BOARD 2020

	Base salary	Variable compensation			Total
		Cash	Share-based payments	Extra-ordinary	
Management Board	467	10,588	10,588	191	21,833
Supervisory Board	325	-	-	-	325

REMUNERATION MANAGEMENT BOARD AND SUPERVISORY BOARD 2019

	Base salary	Variable compensation			Total
		Cash	Share-based payments	Extra-ordinary	
Management Board	378	1,800	-	-	2,178
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.

During 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. The 2020 contribution to the Foundation was for a total value of €10 million and consisted of the following items:

- i. 235,000 Flow Traders NV shares, and (total value of €6.0 million already transferred and €2.0 million accrued and transferred in February 2021)
- ii. A cash donation of €500,000, and
- iii. Multiyear right to appoint charities the Foundation supports as the main shirt sponsor of a Dutch professional football club (total value of the commitment €1.5 million)

Group companies

SUBSIDIARIES

	Country of incorporation	Ownership interest	
		2020	2019
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 Asia Pte. Ltd.	Singapore	100%	100%
Flow Traders Hong Kong Ltd	Hong Kong	100%	100%
Flow Traders Hong 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)

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.



28. Financial risk management

Overview

The Group is exposed to the following risks arising from financial instruments:

- credit risk;
- market risk;
- liquidity 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.

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	
	2020	2019
Cash and cash equivalents	8,345	5,687
Trading receivables	4,494,361	3,196,439
Other receivables	14,190	14,592

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 cryptocurrency 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.

During 2020, the Group observed no significant concentration of credit risks towards single counterparties and geographically there was no concentration of credit risk. Based on the Group’s counterparty credit risk monitoring, the Group believes that no impairment is necessary in respect of trading and other receivables.

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 22 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.

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 depositary receipts (ADR s), options, warrants, futures, forward rate agreements (FRA s), exchange-traded products (ETP) and cryptocurrencies. 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 2020 is 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.

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 securities. 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:

	At 31 December 2020		
	Carrying amount	Contractual cash flow	3 months or less
Payable for securities bought	4,458,259	4,458,259	4,458,259
Borrowings	1,185,776	1,185,776	1,185,776
Total trading payables	5,644,035	5,644,035	5,644,035

	At 31 December 2019		
	Carrying amount	Contractual cash flow	3 months or less
Payable for securities bought	3,113,915	3,113,915	3,113,915
Borrowings	1,587,110	1,587,110	1,587,110
Total trading payables	4,701,025	4,701,025	4,701,025



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 2020				
	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
Assets					
Cash and cash equivalents	8,345	8,345	-	-	-
Financial assets held for trading	3,873,144	3,873,144	-	-	-
Trading receivables	4,494,361	4,494,361	-	-	-
Other receivables	14,190	-	11,403	1,174	1,613
Investments measured at fair value through OCI	3,622	-	-	-	3,622
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
Total assets	8,448,445	8,417,821	11,403	8,525	10,696
Liabilities					
Financial liabilities held for trading	1,960,231	1,960,231	-	-	-
Trading payables	5,644,035	5,644,035	-	-	-
Variable compensation payable	167,969	-	91,889	-	76,080
Lease liabilities	14,657	-	1,795	4,873	7,988
Other payables	24,817	-	-	24,817	-
Current tax liabilities	45,661	-	-	45,661	-
Deferred tax liabilities	1,137	-	-	-	1,137
Total liabilities	7,858,507	7,604,266	93,684	75,351	85,205



At 31 December 2019

	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
Assets					
Cash and cash equivalents	5,687	5,687	-	-	-
Financial assets held for trading	3,485,698	3,485,698	-	-	-
Trading receivables	3,196,439	3,196,439	-	-	-
Other receivables	14,592	-	11,079	1,686	1,827
Investments measured at fair value through OCI	1,271	-	-	-	1,271
Investments in associates	202	-	-	-	202
Property and equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-
Current tax assets	5,386	-	-	5,386	-
Deferred tax assets	1,505	-	-	-	1,505
Total assets	6,710,780	6,687,824	11,079	7,072	4,805
Liabilities					
Financial liabilities held for trading	1,618,864	1,618,864	-	-	-
Trading payables	4,701,025	4,701,025	-	-	-
Variable compensation payable	68,292	-	45,052	-	23,240
Lease liabilities	15,975	-	1,486	4,470	10,019
Other payables	16,978	-	-	16,978	-
Current tax liabilities	2,015	-	-	2,015	-
Deferred tax liabilities	1,352	-	-	-	1,352
Total liabilities	6,424,501	6,319,889	46,539	23,462	34,611

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 2020, the Group held €8.3 million in cash and cash equivalents compared to €5.7 million as of 31 December 2019. 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

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 its capital as well as the level of dividends to its shareholders.

29. Subsequent events

No material subsequent events have occurred since 31 December 2020 that require recognition or disclosure in this year's financial statements.



PARENT COMPANY BALANCE SHEET (AFTER RESULT APPROPRIATION)

	Note	31 December 2020	31 December 2019
Assets			
Investments in participating interests	1	617,402	338,790
Receivables from related parties		39,834	-
Other receivables		1,369	3,260
Current Tax Assets		1	83
Cash		3,407	8
Total assets		662,013	342,141
Liabilities			
Liabilities to related parties		9,851	1,127
Current tax liabilities	2	43,874	-
Other liabilities	3	18,350	9,963
Total liabilities		72,075	11,090
Equity			
Share capital		4,653	4,653
Share premium		117,046	152,880
Share based payment reserve		45,821	-
Retained earnings		417,337	158,238
Currency translation reserve		(6,076)	16,234
Fair value reserve		(995)	(954)
Total equity		589,938	331,051
Total equity and liabilities		662,013	342,141



PARENT COMPANY INCOME STATEMENT

	Note	31 December 2020	31 December 2019
Personnel expenses	5	17,011	2,523
Other expenses	6	9,075	490
Operating expenses		26,086	3,013
Operating result		26,086	3,013
Share in result from participating interests, after taxation	1	488,810	54,514
Result/(impairment) of equity-accounted investees		(440)	1,062
Profit before tax		462,284	52,563
Tax expense		2,228	574
<i>Profit for the period</i>		464,512	53,137



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. Participating interest in Group companies

	At 31 December	
	2020	2019
Participating interest in group companies	617,402	338,790
Total participating interest in group companies	617,402	338,790

The movements of the participating interest in Group companies can be shown as follows:

	At 31 December	
	2020	2019
Balance at 1 January	338,790	360,151
Changes:		
■ exchange rate differences	(10,158)	1,571
■ revaluation reserve	(41)	(446)
■ share in result of participating interests	488,810	54,514
■ dividend declared	(200,000)	(77,000)
Balance at 31 December	617,401	338,790

2. Current tax liabilities

	At 31 December	
	2020	2019
Corporate income tax	43,874	-
Total current tax liabilities	43,874	-

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.



3. Other liabilities

	At 31 December	
	2020	2019
Long term variable remuneration payable	5,294	4,770
Subtotal non current liabilities	5,294	4,770
Wages and variable remuneration payables	9,050	4,936
Wages tax payable	544	19
Dividend payable	6	-
Other current liabilities	3,456	238
Subtotal current liabilities	13,056	5,193
Total other liabilities	18,350	9,963

4. Equity

	2020						Total
	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Fair value reserve	Retained earnings	
Balance at 1 January 2020	4,653	152,880	-	16,234	(954)	158,238	331,051
Profit	-	-	-	-	-	464,512	464,512
Total other comprehensive income	-	-	-	(10,158)	(41)	-	(10,199)
Total comprehensive income for the period	-	-	-	(10,158)	(41)	464,512	454,313
Transactions with owners of the Company							
Additional share premium	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(205,413)	(205,413)
Treasury shares	-	(41,795)	-	-	-	-	(41,795)
Share based payments	-	5,961	45,821	-	-	-	51,782
Capital contribution	-	-	-	-	-	-	-
Total transactions with owners of the company	-	(35,834)	45,821	-	-	(205,413)	(195,426)
Balance at 31 December 2020	4,653	117,046	45,821	6,076	(995)	417,337	589,938



							2019
	Share capital	Share premium	Share based payment reserve	Translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2019	4,653	154,509	-	14,663	(508)	167,734	341,051
Profit	-	-	-	-	-	53,137	53,137
Total other comprehensive income	-	-	-	1,571	(446)	-	1,125
Total comprehensive income for the period	-	-	-	1,571	(446)	53,137	54,262
Transactions with owners of the Company							
Additional share premium	-	61	-	-	-	-	61
Dividends	-	-	-	-	-	(62,633)	(62,633)
Treasury shares	-	(1,914)	-	-	-	-	(1,914)
Share based payments	-	224	-	-	-	-	224
Capital contribution	-	-	-	-	-	-	-
Total transactions with owners of the company	-	(1,629)	-	-	-	(62,633)	(64,262)
Balance at 31 December 2019	4,653	152,880	-	16,234	(954)	158,238	331,051

5. Employee expenses

	For the year ended	
	2020	2019
Wages and salaries	697	671
Bonuses	10,773	1,816
Share Based Payments	5,506	-
Social security charges	33	33
Recruitment and other employment costs	2	3
Total employee expenses	17,011	2,523

6. Other expenses

	For the year ended	
	2020	2019
Advisors and assurance	169	111
Regulatory costs	77	97
Shareholder meeting costs	138	122
Donation Flow Traders foundation	8,461	-
Various expenses	230	160
Other expenses	9,075	490



7. Result of equity-accounted investments

For more information, refer to note 18 Investments in associates in the consolidated financial statements.

8. Off-balance sheet commitments

The Company has no off-balance sheet commitments.

9. Claims

The Company is not involved in any significant legal procedures and/or claims.

There are no other contingent liabilities.

10. Related parties

For more information, refer to note 27 Related parties in the consolidated financial statements.

11. Profit appropriation

For more information, refer to note 8 Earnings per share and note 25 Equity in the consolidated financial statements.

12. Subsequent events

No material subsequent events have occurred since 31 December 2020 that require recognition or disclosure in this year's financial statements.

13. 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

	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
Total auditor fees 2020	360	79	439

FEES OF THE AUDITOR *In thousands of euro*

	Ernst & Young Accountants LLP	Other EY member firms and affiliates	Total EY
			2019
Statutory audit of annual accounts	250	75	325
Other assurance services	26	6	32
Total auditor fees 2019	276	81	356

Amsterdam, 4 March 2021

The Management Board:

Britta Achmann Dennis Dijkstra Folkert Joling Thomas Wolff

The Supervisory Board:

E.D. Drok J.T.A.G. van Kuijk O.J. Bisselier R. Ferscha R.H.C. Hodenius



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 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Flow Traders N.V., based in Amsterdam (referred to as the company). The financial statements comprise the consolidated financial statements and the parent 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 2020, and of its result and its cash flows for 2020 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 parent company financial statements give a true and fair view of the financial position of Flow Traders N.V. as at 31 December 2020, and of its result for 2020 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 2020
- The following statements for 2020: 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 parent company financial statements comprise:

- The parent company balance sheet as at 31 December 2020
- The parent company income statement for 2020
- 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. 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.

Our audit approach

Our understanding of the business

Flow Traders N.V. is a global financial technology-enabled liquidity provider that specializes in exchange traded products. 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 started by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations 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.



We performed our procedures in connection to the 2020 audit to a greater extent remotely due to the Covid-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€28.6 million (2019: €3.3 million)
Benchmark applied	5% of pre-tax income (rounded)
Explanation	We applied pre-tax income as this benchmark is an important metric for the users of the financial statements of Flow Traders N.V.

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 €1,4 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 of Flow Traders N.V.

As 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 component entity Flow Traders B.V.
- used the work of another (non-EY) audit firm for auditing the component entity Flow Traders U.S. LLC
- performed specific audit procedures at other component entities

By performing the procedures mentioned above at component level, 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 liquidity providing industry.

We included specialists in the areas of IT audit, tax positions and -expense, transfer pricing, forensics and cryptocurrencies and have made use of our own experts in the areas of valuations of trading positions.

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 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.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the company and its environment, including the company’s internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of



management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control. We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and Risk and Middle Office) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. In our risk assessment we considered the potential impact of management override of controls related to the fair value of financial instruments.

In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 7 to the financial statements. We have also used data analysis to identify and address high-risk journal entries. Our audit procedures to address the assessed fraud risks did not result in a key audit matter.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

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 (incidents) reports as well as of relevant communication with regulators, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally

we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. The management board 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, noting no events or conditions that may cast doubt on the company's ability to continue as a going concern. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. 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. 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.

General audit procedures

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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- 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



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.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach	Key observations
<p>Fair value measurement of financial assets and liabilities held for trading (note 7 of the financial statements)</p>		
<p>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 be different than closing prices at various stock exchanges or different than prices from clearers, for example due to market illiquidity, variety in opening hours of the stock exchanges and the use of hedging instruments.</p> <p>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 significant risk within our audit.</p>	<p>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.</p> <p>We performed risk-based sample testing on the valuation of individual positions by evaluating the internally developed prices against market prices from independent sources.</p> <p>Furthermore, we evaluated the presentation and disclosure in the financial statements for compliance and consistency with IFRS 7 and IFRS 13 on disclosure requirements for financial assets and liabilities held for trading, including the fair value hierarchy.</p>	<p>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.</p>



Risk	Our audit approach	Key observations
<p>Digital assets transactions and balances (“Our Profile”, “Enterprise Risk Management” in the Management board report and note 27 of the Financial Statements)</p>		
<p>Flow Traders trades in cryptographically secured digital assets (‘cryptocurrencies’). The cryptocurrencies positions are recorded as part of financial 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. Ownership of cryptocurrencies is determined by whoever has access to the private key required to transact cryptocurrencies between wallets.</p> <p>Therefore, we recognize a risk in the existence of the cryptocurrency positions. In addition, a risk of incorrect valuation of cryptocurrencies exists given the high volatility and large number of different exchanges. We therefore consider 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 (IFRIC agenda decision, June 2019).</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.</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 2020.</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

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board report
- the supervisory board report
- the remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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 and Sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code

We have read the other information. 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 board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the 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

Engagement

We were engaged by the 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 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.

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 Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

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, 4 March 2021

Ernst & Young Accountants LLP

Signed by: T. de Kuyper



Glossary

AGM	Annual General Meeting of shareholders
AML	Anti-Money Laundering
AMX	Amsterdam Midcap Index
AP	Authorized Participant
APT	Dutch Association of Proprietary Traders
AuM	Asset Under Management
AuM CAGR	Asset Under Management Compound Annual Growth Rate
CEO	Chief Executive Officer
CID procedure	Counterparty Identification Procedures
CRD IV	EU Capital Requirements Directive (2013/36/EU)
CRR	EU Capital Requirements Regulation (575/2013)
CSDR	Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories
CTO	Chief Technology Officer
CTrO	Chief Trading Officer
DNB	Dutch Central Bank
ERM	Enterprise Risk Management
ETC	Exchange-Traded Commodities
ETF	Exchange-Traded Funds
ETN	Exchange-Traded Notes
ETP	Exchange traded product
EY	Ernst & Young Accountants LLP, the company's external auditor
General Meeting	Annual General Meeting of Shareholders
FCIP	Flow Cash Incentive Plan
FIA EPTA	FIA European Principal Traders Association
FIA PTG	FIA Principal Traders Group
FICC	Fixed income, currency and commodities
FLIP	Flow Loyalty Incentive Plan
FSI Schemes	Fast Semi-Iterative schemes
FWD	Forward

FX	Forex (Currency trading)
IA	Internal audit function
IFD	Directive (EU) 2019/2034 on the prudential supervision of investment firms
IFR	Regulation (EU) 2019/2033 on the prudential requirements of investment firms
IR	Investor Relations
KPI	Key Performance Index
MIFID II	Markets in Financial Instruments Directive (Directive 2014/65/EU; as amended)
NDF	Non-Deliverable Forward
NTI	Net Trading Income
NTI CAGR	Net Trading Income Compound Annual Growth Rate
OECD	Organization for Economic Cooperation and Development
OTC	Over the counter
RMF	Risk Management Framework
RSA	Risk (self-) assessments
SDG	Sustainable Development Goals
UN	United Nations



EU Non-Financial Reporting Directive (NFRD)

Requirements EU Directive	Subtopic	Chapter/section reference
A brief description of the business model	Business model	Our profile: What we do, p. 9
	Business environment	Value creation and strategy: Markets and trends, p. 19-21
	Organization and structure	Our governance, p. 46-51
	Our market	Our profile: Products, p. 10-12, Value creation and strategy: Markets and trends, p. 19-21
	Strategy and objectives	Value creation and strategy: Our ambition and strategy, p. 17
	Long-term market drivers	Value creation and strategy: Markets and trends, p. 19-21
Relevant social and personnel topics	A description of the policies pursued	Our performance: Sustainable employment, p. 31-35
	The outcome of these policies	Our performance: Sustainable employment, p. 31-35
	Principle risks in own operations and within the value chain	Our risk management: Operational risk, p. 52-62
	How risks are managed	Our risk management: Enterprise risk management, p. 52-65
	Non-financial key performance indicators	Our performance: Sustainable employment, p. 31-35
Relevant environmental topics	A description of the policies pursued	Our performance: Carbon emissions, material and waste, p. 38
	The outcome of these policies	Our performance: Carbon emissions, material and waste, p. 38
	Principle risks in own operations and within the value chain	Our risk management: Environmental risk, p. 61
	How risks are managed	Our risk management: Environmental risk, p. 61
	Non-financial key performance indicators	Our performance: Carbon emissions, material and waste, p. 38
Relevant human rights topics	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. 31-35 on our way of working. As part of the development of an ESG strategy in the course of 2021 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	Chapter/section reference
Addressing anti-corruption and bribery	A description of the policies pursued	Our risk management: Compliance and transparency, p. 65-69
	The outcome of these policies	Our risk management: Compliance and transparency, p. 65-69
	Principle risks in own operations and within the value chain	Our risk management: Compliance and transparency, p. 65-69
	How risks are managed	Our risk management: Compliance and transparency, p. 65-69
	Non-financial key performance indicators	Our risk management: Compliance and transparency, p. 65-69
Addressing board diversity	A description of the policies pursued	Our risk management: Diversity, p. 62
	Diversity objectives	Our risk management: Diversity, p. 62
	Implementation of policy	Our risk management: Diversity, p. 62
	Results of the diversity policy	Our risk management: Diversity, p. 62



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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