

18 March 2022

Dear Shareholders,

At Flow Traders' next Annual General Meeting (AGM) to be held on 29 April 2022, we will seek your support for the updated, significantly enhanced remuneration policy for the Management Board.

I would like to take this opportunity to share with you how we have taken on board stakeholders' feedback in developing our proposed remuneration policy.

### ***Stakeholder engagement following the 2021 AGM***

Dutch regulation requires the support of at least 75% of votes cast for a remuneration-related resolution to be adopted. As the remuneration policy for the Management Board at the 2021 AGM did not reach this threshold with 67.42% of shareholders voting for the policy, the Remuneration & Appointment Committee conducted consultations with shareholders and proxy advisors to see whether we could further align our remuneration practices to shareholder expectations. The Supervisory Board has taken the feedback seriously and welcomes an open dialogue with all stakeholders on every aspect of remuneration.

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

While keeping the main principles in our remuneration philosophy intact, we are proposing a new remuneration policy for the Management Board at the 2022 AGM with a number of improvements. The new remuneration policy also includes enhancements compared to the policy proposed at the 2021 AGM. In line with what we proposed at the 2021 AGM, we are proposing to introduce a variable pay cap for each individual member of the Management Board and introduce significant deferral and vesting provisions for variable remuneration, where half of any award will be paid in the form of Flow Traders' equity.

In line with Dutch regulation, if the 75% threshold is not reached, the current remuneration policy will remain in place. This 2016 remuneration policy for the Management Board limits us from awarding any variable remuneration in form of shares, has no deferral provisions or shareholding guidelines, and does not have a cap on variable remuneration for each member of the Management Board. As such, should the proposed policy not receive the required 75% approval at the upcoming AGM, we will not be able to implement the key improvements our shareholders have been asking for.

### ***Proposed 2022 remuneration policy***

The feedback from these shareholder consultations is reflected in our proposed 2022 remuneration policy and we are proposing to:

- Introduce share-based compensation;
- Enhance deferral and vesting provisions;
- Encourage share ownership;
- Reduce the remuneration pool;
- Introduce a cap on individual Management Board members' remuneration;
- Provide KPI scorecards for each member of the Management Board.

The table below shows in more detail how we have incorporated feedback into our proposed 2022 remuneration policy and changes we have made to enhance the transparency in our remuneration report.

Main feedback from stakeholders	How we have acted upon this feedback
<p><b>The policy appears to have a short-term focus</b></p>	<ul style="list-style-type: none"> <li>▪ Long-term value creation and share ownership are cornerstones of our remuneration philosophy. We propose to further align our remuneration policy with our philosophy and to defer a significant part of any variable remuneration award (62.5%) for a multi-year period (up to 4 years). A significant part (50%) of the variable remuneration is paid out in equity and is subject to a holding period of one year after vesting</li> <li>▪ In addition to already operating above market standard clawback provisions, we propose to introduce post-termination transfer restrictions</li> <li>▪ We propose to encourage our Management Board members to retain 50% of the shares granted as part of remuneration (after tax) until the end of employment</li> <li>▪ We will further enhance our disclosure practices in 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, including better disclosure around individual KPI scorecards and deferral and vesting schedule for each member of the Management Board.</li> </ul>
<p><b>Management Board variable remuneration is uncapped</b></p>	<ul style="list-style-type: none"> <li>▪ 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 reduce the size of the variable remuneration pool from 40% to 35% of the operating profit in any given year. In addition, we propose to introduce a hard cap on individual variable remuneration award levels for the Management Board of 20 times the average employee pay. The average employee will be calculated in accordance with the recommendation of the Dutch Monitoring Commission.</li> <li>▪ This translates to a hard cap of €4,066,000 on variable remuneration for each member of the Management Board in 2021. The total remuneration of each individual of the Management Board is well within this limit.</li> </ul>
<p><b>Transparency and disclosure on pay-for-performance can be improved</b></p>	<ul style="list-style-type: none"> <li>▪ Following shareholder feedback, we will propose to introduce a KPI scorecard for each member of the Management Board with both financial and non-financial (including ESG) performance measures. The financial measures will ensure that any remuneration awarded considers multiple aspects of financial performance and not only operating profit, while non-financial measures will be selected to ensure sustained long-term performance. The annual targets will be set in the context of Flow Traders' long-term strategic goals.</li> <li>▪ We will restructure our remuneration report with the aim to better explain the working of our variable remuneration plan by including more details on the working, dynamics, KPIs and performance assessment of each member of the Management Board.</li> <li>▪ We believe these changes will increase the transparency and certainty for shareholders and the Management Board.</li> </ul>

**Remuneration decisions in 2021**

In addition to shareholder engagement and reviewing our remuneration policy, we have also assessed other aspects of our remuneration practices. The Supervisory Board, in close consultation with the Remuneration & Appointment Committee, has made the following decisions:

- In line with our remuneration principle of rewarding for exceptional performance only, we did not award any base salary increases to the Management Board in 2021. Further, the new CFO, Mike Kuehnel, was appointed at a base salary of €94,608, in line with the base salary levels for the CEO and CTO.
- We have decided that the total company-wide variable remuneration pool size will amount to 35% of the operating profit, as we have proposed in the 2022 remuneration policy. Following an assessment of the performance of the Management Board, the Supervisory Board decided to award 6.1% of the variable remuneration pool to the Management Board.
- The variable remuneration awards for the Management Board will be deferred in accordance with the deferral and vesting provisions proposed in the 2022 remuneration policy. However, as the current remuneration policy does not allow for share-based awards, the equity portion of the award will be paid in share-like instruments.

- Any deferred and unvested awards remain at risk until vesting.

For further details, please see our 2021 remuneration report. We do acknowledge that proxy advisors and other advisory groups face a difficult challenge gauging our business and remuneration model, particularly in comparison with other Dutch-listed companies who happen to have similar sized market capitalizations. As the vast majority of our peers in a global competitive arena are privately held businesses, who employ remuneration structures much similar to ours, we regularly find Flow Traders being assigned to peer groups which do not reflect our characteristics as a financial market making and liquidity provider with a global business. This also applies to management compensation comparisons, which, if appropriately taking into account actual competitors and multi-year periods, show that we are in line with industry peer compensation levels. The Supervisory Board strongly encourages shareholders to review our proposal and to make an informed decision, based on their own assessment of Flow Traders' business model and competitive dynamics, and in light of the significant proposed enhancements.

We will continue to consult with shareholders on policy and on any significant developments and take stakeholders' views into account before presenting proposals. The Remuneration and Appointment Committee and the Supervisory Board believe that ongoing dialogue with all of our stakeholders is of key importance and we will continue to review their feedback when looking to further refine our remuneration approach over time. Should you have any queries, please do get in touch with Jonathan Berger, Investor Relations Officer, at +31 (0) 20 799 6149 / [investor.relations@flowtraders.com](mailto:investor.relations@flowtraders.com).

Linda Hovius  
*Chair of the Remuneration & Appointment Committee*

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