

ADDITIONAL Q&A AND UPDATE ON THE PROPOSED REFLECTION PERIOD

4 NOVEMBER 2022 AND 14 NOVEMBER 2022¹

1 INTRODUCTION

This additional Q&A supplements the Q&A published on Friday 21 October 2022 (which is available on the AGM section of our website, [here](#)) on the basis of conversations we have had with shareholder representative and advisory organizations. Shareholders that wish to submit further questions can do so in accordance with the instructions set out in the convening notice for the EGM.

Following feedback from the investor community we will propose to reduce the maximum term of the reflection period from 250 days to 90 days. Reference is made to paragraph 3.9 below.

2 STRATEGIC RATIONALE

2.1 *Can Flow Traders further specify its strategic objectives to the Proposed Update to the Holding Structure?*

The strategic rationale for the Proposed Update to the Holding Structure is set out in the investor presentation that is also published on the AGM section of our website, [here](#) (please see slides 3–5).

In summary, we performed a comprehensive strategic review during the first half of this year. Based on this, we outlined our strategy and ambition at the Capital Markets Update which was held in July 2022. This strategy combines both organic and inorganic elements and therefore it is essential to ensure that our legal structure is ‘future proofed’ as we execute upon this strategic growth agenda. Accordingly, we expect that the Proposed Update to the Holding Structure will provide this and also ensure strategic optionality from both an organic and inorganic standpoint.

Considering that the Proposed Update to the Holding Structure will facilitate greater efficiency in terms of capital allocation at the group level without affecting the applicability of capital requirements at the level of individual regulated subsidiaries, the proposed transfer is in our view fully recognisant of the currently applicable EU legislative framework tailored to investment firms and their specific characteristics. The envisaged structure serves the dual purpose of enabling growth where possible while maintaining sufficient regulatory capital in accordance with relevant requirements at the regulated subsidiary level.

2.2 *How did Flow Traders select Bermuda as a suitable jurisdiction?*

We have considered various alternative jurisdictions whilst also considering the option of remaining a Dutch company. Bermuda meets our strategic objectives, while allowing us to maintain key elements of our corporate governance structure and crucially Dutch tax residency. Based on our thorough analysis, the United States, for example, would not allow Flow Traders to exclusively maintain Dutch Tax residency.

2.3 *Bermuda does not have a good track record on tax aspects. Was this factored in the decision to select Bermuda as a suitable jurisdiction?*

¹ Initially published on 4 November 2022 and update to Q&A 3.8 and 3.13 on 14 November 2022.

Flow Traders' tax residence will not change and therefore the fiscal climate has not played a role in assessing the legal environment.

2.4 *What are the tax consequences of the Proposed Update to the Holding Structure?*

The Proposed Update to the Holding Structure does not change Flow Traders' tax residence in the Netherlands.

Flow Traders pursues the principle that tax should follow the business, with the consequence that Flow Traders will continue to pay taxes in those countries where profits are earned, predominantly in the Netherlands.

We do not expect the Proposed Update to the Holding Structure to result in a change in the effective tax rate of Flow Traders at the group level. We do also not expect that the Proposed Update to the Holding Structure will have an impact on the tax rate applicable to shareholders, nor do we expect to use any tax incentives designed by the government authorities of Bermuda.

2.5 *Flow Traders has not signed the Dutch Tax Governance Code. Why not?*

Fair taxation is a key ESG materiality factor for Flow Traders. As also stated in our press release, the Proposed Update to the Holding Structure does not change our tax residence in the Netherlands and Flow Traders continues to apply its policy that tax should follow the business. We do not use 'tax haven' jurisdictions for tax avoidance purposes and believe it is vital to operate a fair, transparent, and straightforward tax policy. As a member of the Dutch trade association APT, we are driving the industry's Principles of Fair Taxation. Flow Traders is prudent and transparent in respect of its financial reporting and its relations with tax authorities globally.

As we were never approached by VNO-NCW to sign this code and since we already have this robust, clear, and transparent tax policy in place, we did not sign the Dutch Tax Governance Code. However, this is something we expect to look into further in the future.

3 GOVERNANCE AFTER THE PROPOSED UPDATE TO THE HOLDING STRUCTURE

3.1 *As Flow Traders remains listed on Euronext Amsterdam, will it continue to adhere to the Dutch Corporate Governance Code?*

The Dutch Corporate Governance Code is designed to apply to Dutch companies, wherever listed and not to companies listed at a Dutch exchange, wherever incorporated. Consequently, Flow Traders Ltd will not be required to apply the Dutch Corporate Governance Code.

Having said that, we intend to develop and apply best governance practices for a Bermuda law governed entity listed on Euronext Amsterdam, whereby the Dutch Corporate Governance Code will be an important point of reference for us, also in view of our intention to continue our current governance practices to the extent reasonably possible. We will however not report as if the Dutch Corporate Governance applies to us.

3.2 *Flow Traders will switch from a two-tier to a one-tier board structure. Is this a requirement under Bermuda company law?*

Yes, Bermuda corporate law only provides for a one-tier board system.

We believe our governance includes appropriate checks and balances with countervailing powers for the non-executive directors respectively the independent directors.

3.3 *How will Flow Traders deal with audited accounts and rotation of its auditor?*

As a company formally registered abroad (*formeel buitenlandse vennootschap*), we will continue to report in accordance with Book 2 Title 9 of the Dutch Civil Code which allows us to report under EU-IFRS for the consolidated financial statements and the company financial statements and requires us to have our accounts audited by a Dutch qualified auditor. No additional reporting requirements will be required under Bermuda law.

Our board rules will provide that we will observe the same auditor rotation requirements as currently apply to us under Regulation (EU) No 537/2014.² This means that Ernst & Young Accountants LLP will be our auditor for the reporting year 2022 and that a proposal to appoint an auditor firm for the reporting year 2023 will be on the agenda of the AGM to be held in 2023. Ultimately by 2026, we will propose a different Dutch qualified auditor and auditor firm for appointment. We will continue to invite the auditor for our annual general meetings.

Following the Proposed Update to the Holding Structure, the annual accounts will be adopted by the board and included on the agenda of the AGM as a discussion item as a matter of mandatory Bermuda law.

3.4 Is shareholder approval required for dividend distributions after the Proposed Update to the Holding Structure?

The bye-laws provide that dividends will be declared by the board.

Our current articles of association provide that the management board, subject to the approval of the supervisory board, may resolve to add the profits realised during a financial year fully or partially to the reserves and that the remaining amount, if any, is at the disposal of the general meeting. This allows the general meeting to "vote down" a dividend proposal.

Feedback from EUMEDION made us aware that shareholders may consider it important as 'residual claimants' to maintain this option to vote down a dividend proposal. We will therefore propose at our first general meeting held after the Update of the Holding Structure to include a provision in our bye-laws providing for the same.

For the avoidance of doubt, this will not limit the power of the board to declare an interim dividend at any time, as also provided for in our current governance framework.

3.5 What will be the procedure for discharge of directors after the Proposed Update to the Holding Structure?

Discharge of directors for the performance of their duties under Bermuda law will not be a recurring agenda item at the annual general meeting of shareholders. This is in accordance with market practice for Bermuda law governed listed companies.

It would be practically impossible for us to change this: such annual discharge would require the consenting vote of each individual shareholder which is not achievable for listed companies.

Therefore, our bye-laws will include, as is the standard for Bermuda listed companies, a waiver of liability (see also under Discharge of Directors in the comparison table, see also the governance comparison table published on the AGM section of our website, [here](#)). The waiver does not cover fraud or dishonesty.

3.6 The governance table published on the website states that "prior to the completion of the Update of the Holding Structure, FT Ltd will adopt a

² Amending the board rules will require the consenting vote of the majority of the independent directors.

remuneration policy materially the same as those of the FT NV remuneration policies." Is it correct that only immaterial elements changes and if so, which elements will change?

That is correct. It only includes immaterial changes. The main change is that the remuneration policies that we currently have (SB and MB) need to be merged into a one-tier board policy.

None of these immaterial elements will broaden or limit the discretionary powers of the supervisory board / non-executive directors to set director remuneration, or to award remuneration that cannot be awarded under the current policies.

3.7 Why do the bye-laws include a mandatory offer provision?

The bye-laws include provisions on mandatory offers as set out in Dutch law. These were included as part of our intention to continue our current governance practices to the extent reasonably possible. If these provisions would not have been included, no mandatory offer rules would have applied upon completion of the Proposed Update to the Holding Structure.

The provisions under the bye-laws shall be binding upon our shareholders. Flow Traders could seek specific performance of the bye-laws by the relevant shareholders before a Bermuda court.

3.8 The governance documents include a quorum of 100% of the issued capital for certain shareholders resolutions. Why was this included?

First, we want to clarify that the 100% quorum does not apply if a shareholder proposes the appointment, dismissal or suspension of a director. In deviation from Dutch market practice, and reflecting our approach to transparent governance, shareholders can currently (subject to the reflection period under Dutch law) nominate candidates to fill vacancies on the board (we do not apply the so-called binding nomination system under which only the board can nominate directors for appointment). Shareholders can also table the dismissal or suspension of a director as a voting item.

This will remain the same: shareholders can still table the appointment, suspension and dismissal of directors in which case the same voting thresholds will apply as currently apply. This is subject to the reflection period, as is also currently the case (see also the governance comparison table published on the AGM section of our website, [here](#)).

The quorum requirement will only apply to other shareholder proposals. Currently, our articles of association provide that various shareholder resolutions (including for example an amendment to the articles of association, dissolution of the company, a capital reduction, the issuance of shares) can only be adopted upon a supervisory board approved proposal of the management board. Shareholders can request that proposals regarding these items are included on the agenda as a discussion item. The 100% quorum requirement serves the same purpose. Shareholder proposals subject to the 100% quorum requirement will still be included on the agenda and be dealt with at the relevant shareholders meeting as a discussion item.

The quorum requirement has been included in view of our aim to mirror the existing governance as closely as reasonably possible. As such, the proposed governance (including the quorum requirement) reflects current best practices for Dutch listed companies. We acknowledge that such best practices may change over time, for example pursuant to new case law or legislative developments. The board will continue to monitor relevant governance developments, including those regarding companies listed in the Netherlands, and will propose amendments to our corporate governance framework if necessary or desirable in view of our ongoing objective to comply with the highest standards of corporate governance framework if necessary or desirable in view of our ongoing objective to comply with the highest standards of corporate governance and taking into account all relevant stakeholder interests.

3.9 *Why has a reflection period been included in the governance documentation?*

Currently, Dutch law provides for a reflection period of 250 days. We consider this an acquired tool for the company aimed at safeguarding all stakeholders' interests. Additionally, it follows from the principle that we aim to mirror the existing governance as closely as reasonably possible. As Bermuda has a different legal system it is difficult to replicate the provisions in an identical way. With our proposal we believe we have kept the core of the provisions.

To address the feedback we received from the investor community after the convocation of the extraordinary general meeting, we have however decided to shorten the reflection period substantially. At the first general meeting that will be held after the Proposed Update to the Holding Structure, we will propose an amendment to the bye-laws pursuant to which the term of the reflection period will be reduced to **a period not exceeding 90 days, instead of the 250 days currently provided for** and provide that this 90 day period will start on the day of the convocation of the respective general meeting. We believe that this proposal addresses the feedback received, while still providing the board sufficient time, to ensure that all stakeholders' interests will be sufficiently considered and decision making on such shareholder proposal can take place on a well-informed basis.

The relevant provision provides for the appointment of independent experts as further set out in the comparison table and the bye-laws published on the AGM section of our website, [here](#). To safeguard the independency in proceedings on the reflection period, the board rules will provide that if an expert is to be appointed, this will be done by the independent directors on the board.

The bye-laws provide for an appointment of the expert as shareholders of a Bermuda entity cannot initiate proceedings before the Dutch Enterprise Chamber. Shareholders that consider the expert not sufficiently independent, can challenge the appointment of the experts before a Bermuda court.

3.10 *Will Flow Traders still need to adhere to European legislation after the Proposed Update to the Holding Structure?*

Once we have completed the Proposed Update to the Holding Structure, we will qualify as an issuer incorporated under the laws of a non-EEA member state with the Netherlands as home member state. Consequently, several European regulations and directives will continue to be applicable, including the market abuse regulation, the prospectus regulation, the directive on takeover bids and the transparency directive (with respect to the directives as implemented in the Netherlands). As set out above, we will also continue to report in accordance with Book 2 Title 9 of the Dutch Civil Code.

The non-financial reporting directive will apply to us as well and we currently expect to also fall under the scope of directive on corporate sustainability due diligence (noting that currently only a proposal of such directive is available).

3.11 *Flow Traders has indicated that it commits to comply with the quota currently applicable to Flow Traders N.V. Where will this commitment be included?*

The board rules will include provisions on diversity, similar to those laid down in Dutch law for Dutch listed companies.³

³ Amending the board rules will require the consenting vote of the majority of the independent directors.

3.12 Will directors still need to be approved by the Dutch Central Bank after the Proposed Update to the Holding Structure?

Currently, management board members will need to be assessed before their appointment on integrity and reputation in view of the qualified interest that Flow Traders holds in its Dutch regulated subsidiary, Flow Traders B.V.

Following the Proposed Update to the Holding Structure, this remains the same, meaning that executive directors of Flow Traders Ltd will also need to be assessed on integrity and reputation in view of the qualified interest that Flow Traders Ltd will hold in Flow Traders B.V.

As is also currently the case for the supervisory directors, we expect no assessment requirements will apply to the non-executive board members of Flow Traders Ltd following the Proposed Update to the Holding Structure.

3.13 Why will the convocation period be shortened upon completion of the Proposed Update to the Holding Structure?

Following the completion of the Proposed Update to the Holding Structure, the minimum convocation period for a shareholders' meeting will be 20 business days instead of 42 calendar days.

The 42-day notice period is generally considered as long also compared to international practices. The convocation period of 20 business days is in line with the relevant European directive, which provides for a minimum convocation period of 21 calendar days.

We will however still apply a 42 days' notice period for our 2023 AGM and envisage doing the same for subsequent AGMs or general meetings in which a resolution as set out in Bye-laws 25.4 would be proposed by the board.

4 IMPLEMENTATION OF THE PROPOSED UPDATE TO THE HOLDING STRUCTURE

4.1 Why will the Proposed Update to the Holding Structure take place via Luxemburg?

The Proposed Update to the Holding Structure consists of three steps.

- (i) The first step was the incorporation of Flow Traders S.A. by Flow Traders N.V.
- (ii) The second step is a cross-border merger between these two companies, whereby Flow Traders N.V. will be the disappearing company and Flow Traders S.A. the acquiring company.
- (iii) After implementation of the merger, Flow Traders S.A. will be converted into a Bermuda entity, with the name Flow Traders Ltd.

The steps are further set out in the shareholders' circular under paragraph 2.2 as published on our website.

The second step functions as a steppingstone, as Dutch law does not contain a legal framework for mergers or conversions outside the Economic European Area.

5 EXTRAORDINARY GENERAL MEETING

5.1 Why will the extraordinary general meeting be held virtually?

We are operating under the Dutch legal framework which allows virtual general meetings. From our perspective, virtual general meetings have proved to be an efficient and effective tool to organize shareholder meetings.

Shareholders will have the possibility to vote in advance of the Extraordinary General Meeting, which is the approach Flow Traders has always followed during virtual meetings.

As set out in the notice, we will take all necessary measures should the applicable legal framework change prior to the date of the extraordinary general meeting.

5.2 *What happens if the Proposed Update to the Holding Structure is not approved?*

If the required proposals will not be adopted, the Proposed Update to the Holding Structure will not be implemented and consequently Flow Traders will remain a Dutch NV. We would then not benefit from the Proposed Update to the Holding Structure in the ways described in the shareholders' circular that is also published on the AGM section of our website, [here](#).

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