



FLOW ■ TRADERS

Remuneration Report 2019 | Flow Traders N.V.

Remuneration

Key principles and policy

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 Remuneration Report in respect of the Management Board remuneration and the Supervisory Board remuneration assume to reflect the reporting requirements as provided by article 2:135b of the Dutch Civil Code (DCC), effective as per 1 December 2019 and implementing the EU Shareholder Rights Directive II (SRD II). We take note of the non-binding Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC ("Guidelines"). Currently these Guidelines are still in draft form. The Supervisory Board will propose amendments to the Remuneration Policy at the next Annual General Meeting to be held on 24 April 2020. Every year, the implementation of the Remuneration Policy, through the Remuneration Report, is put forward for an advisory vote to the AGM (in line with article 2:135b sub 2 DCC), the first time at the 2020 AGM.

Key principles of the Remuneration Policy include that it is consistent with, and promotes, sound and effective risk management. It encourages alignment of the risks taken by employees and of the company itself, and does not encourage risk taking which is inconsistent with our risk profile. It is in line with our business strategy, objectives, values and interests and includes measures to avoid conflicts of interest. Finally, it must not lead to the risk that third parties are treated improperly (although we do not provide any investment service or ancillary service to third parties).

Our global remuneration model

We are committed to attracting and retaining the best talent available. Our staff, including the members of the Management Board, receive competitive remuneration packages. This includes a fixed gross salary and a share from the singular firm-wide variable remuneration pool. The remuneration pool is accrued throughout the year based on Flow Traders' operating result over the performance year reflecting company performance. The variable component of the total remuneration is dynamic, as it is a function of operating results: if there is no or insufficient profit or capital, there will be no variable remuneration. For example, if in any given year no profit is made, none of our employees will receive any variable remuneration. If the company incurs a loss, deferred variable remuneration is reduced or forfeited entirely. This policy also applies to members of the Management Board.

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 four times a year.

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

If awarded, for most recipients variable remuneration is paid in cash in two or three annual instalments. 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 did not grant its employees any personal loans, guarantees or the like as part of their compensation package in 2019. No employee loans, guarantees or the like were outstanding on 31 December 2019. 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.

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. To promote shareholding and

reward loyalty we introduced the Flow Cash Incentive Plan (FCIP) in 2017 and promote the Flow Loyalty Incentive Plan (FLIP). Under the FCIP employees are offered the opportunity to buy company shares in the first open period of the year and receive an attractive annual cash incentive over a five-year period for as long as the shares are held by the participant. The right to the cash incentive is forfeited if the participant transfers his or her shares out of the FCIP or when the employment of the participant with Flow Traders ends. With the FLIP program, company shares are awarded 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. The cash incentive under the FCIP, as well as the shares awarded under the FLIP, are fully paid out from the variable compensation pool. The FCIP and the FLIP terms and conditions are subject to review by the Management Board annually. Both plans were approved by the Supervisory Board in 2017. As a part of these plans, shares have been and will be bought in the market.

The Management Board is not eligible to participate in either of these plans.

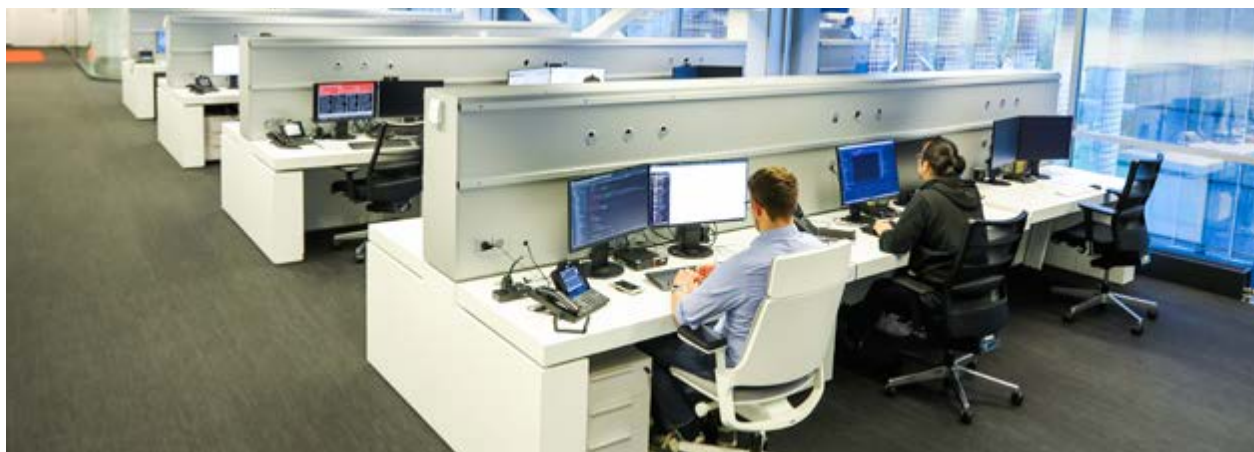
We encourage our employees to save for retirement. At our headquarters in Amsterdam, we partner with a pension provider, giving employees the freedom of choice to select the option that best suits their individual needs while incentivizing participation in the company-sponsored program. In our other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

Management Board Remuneration

Introduction

The remuneration of, and other agreements with, the members of the Management Board are required to be determined by the Supervisory Board with due observance of the General Remuneration Policy and applicable laws and regulations. The Supervisory Board has assessed the remuneration of our Management Board members based on their performance in 2019.

The remuneration of our Management Board members consists of a relatively modest fixed base salary and a variable, partially deferred, remuneration in cash. The variable pay element depends on company performance, individual performance, and how a Management Board member contributed to the long-term success of the company as a whole. In order to control the level of fixed costs within Flow Traders, provide effective risk mitigating incentives and provide significant rewards for employees and members of the Management Board only if the firm is actually profitable, the ratio between fixed and variable pay is skewed towards variable pay. Also, 'clawback'



clauses apply, so variable pay already paid or awarded must be paid back under certain conditions, some relating to the financial viability of the company.

Total remuneration

All members of the Management Board were awarded a gross fixed base salary of €94,608 over 2019. In addition

they were awarded variable remuneration related to their individual and team performance and the performance of the company. The table below shows the total remuneration awarded to the individual members of the Management Board over 2019. No shares or other financial instruments were awarded.

TOTAL REMUNERATION OF DIRECTORS

Name of Director, position (start/end)	Base salary (€)	Fixed remuneration		Variable remuneration		Extraordinary items	Pension scheme	Total remuneration	Proportion of fixed and variable remuneration	
		Fees	Other benefits	One-year variable	Multi-year variable				Fixed	Variable
Dennis Dijkstra, CEO (2014 –)	94,608	–	–	600,000	–	–	–	694,608	14%	86%
Folkert Joling, CTrO (2018 –)	94,608	–	–	600,000	–	–	–	694,608	14%	86%
Thomas Wolff, CTO (2018 –)	94,608	–	–	450,000	–	–	–	544,608	17%	83%
Sjoerd Rietberg Co-CEO (2014 – 8 May 2019)	94,608	–	–	150,000	–	–	–	244,608	39%	61%

¹ Above fixed salaries are all presented as if employed for the full year.

Incentives from previous share plans

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.

Variable remuneration

Based on actual performance over 2019, all members of the Management Board combined received an aggregate variable compensation of €1,800,000. The variable remuneration awards to the members of the Management Board are determined on the basis of the following principles:

- First, the maximum variable remuneration is set by the Supervisory Board within the limits of the firm-wide variable remuneration pool for a given year. As set out above, the pool is approximately 35 percent of the operating result and is directly contingent upon a positive operating result. Financial performance indicators are therefore integrated into this self-correcting mechanism: the variable remuneration of the members of the Management Board will be a direct reflection of actual realized company performance.

- Second, within those limits, the variable remuneration is determined annually on the basis of a management-assessment performance framework. This framework translates Flow Traders' strategic business objectives into predetermined, assessable performance criteria that can be influenced by the Management Board's performance within a Balanced Performance Scorecard. This Scorecard is composed of four non-financial focus areas, which aim to robustly assess the Management Board member's performance within Flow Traders' operating environment and stakeholder interests. These four areas comprise Growth, External Relationships, Internal Processes / Excellence, and People and Culture.
- Third, each year – within the Balanced Performance Scorecard framework – the Supervisory Board sets targets for the individual Management Board members for specific performance elements. These are assessed annually, in order to determine management's performance and variable remuneration.
- Fourth, during the year, the Supervisory Board discusses performance with the individual Management Board members in mid-year and year-end assessment meetings. The main messages and the year-end assessment of KPI's for the individual Management Board members are included in their year-end letter which also communicates their variable remuneration for the year.

BALANCED PERFORMANCE SCORECARD



Growth

- Increase footprint in US markets
- Continue to expand into other asset classes
- Scale up new initiatives



External Relationships

- Increase number of trading counterparties
- Ensure continuous compliance with rules and regulations and maintain positive relationships with regulators
- Keep the investor community properly informed
- Deepen relationships with issuers



Internal Process / Excellence

- Further improve latency
- Drive down costs of existing activities
- Minimize compliance and risk incidents
- Consolidate trading floors in Asia



People & Culture

- Maintain attractive and competitive remuneration practices
- Ensure succession planning for key roles
- Uphold a positive and challenging environment for employees

The above principles for determining variable remuneration were applied in the following manner in 2019.

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

As a result of lower operating results, the firm-wide variable remuneration pool for 2019 was considerably lower than in 2018 (€24.6 million in 2019 vs €87.6 million in 2018).

The available pool is one the key drivers of variable remuneration and compared to last year, it has meant significantly reduced levels of Management Board variable remuneration.

2. *Balanced Performance Scorecard*

See above table 1, for the elements that were included in the 2019 Balanced Performance Scorecard (Growth, External Relationships, Internal Process Excellence and People &

Culture). These elements represent the company wide objectives for which the performance of the Management Board as a team was assessed.

3. Individual targets

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

4. Assessing performance

Overall, Flow Traders' financial performance reflected the subdued market circumstances. However, the Management Board improved efficiency and maintained a tight control on execution and process management throughout the company. Lastly, the Management Board invested in people and technology as part of executing Flow Traders' growth strategy.

Adjustments to variable remuneration

Variable remuneration to members of the Management Board is paid in cash in multiple annual instalments and may be reduced or clawed back under circumstances described in the Remuneration Act. As explained in the section above on our global remuneration model, the deferred variable component acts as a first loss tranche to compensate any operating loss in the subsequent year, before such loss would impact shareholder equity. If the company incurs a loss, deferred variable remuneration is reduced or forfeited entirely. In addition to the reduction and claw back provisions of the Remuneration Act, Dutch law and the

Corporate Governance Code provide that the remuneration of the members of the Management Board may be reduced or they may be obliged to repay (part of) their variable remuneration to the company if certain circumstances apply.

Pursuant to the applicable laws and regulations, any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied, the Supervisory Board will have the power to adjust the value downwards or upwards. In addition, the Supervisory Board will have the authority under applicable Dutch law, including the Remuneration Act, to recover any variable remuneration awarded from a member of the Management Board on the basis of incorrect financial or other data (claw back). In addition, variable remuneration components may become subject to claw back and malus pursuant to the Remuneration Act and related regulations.

Pursuant to Dutch law, the Supervisory Board may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets and the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to requirements of reasonableness and fairness.

Scenario analyses carried out in respect of variable remuneration

The variable remuneration of the members of the Management Board is 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. 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.

As mentioned, compensation of the members of the Management Board is limited to a relatively modest fixed remuneration component and a variable component dependent on operating result being realized. They did not receive share-based remuneration or other elaborate incentive schemes. This limits the number of scenarios to be meaningfully assessed as prescribed by the best practice provisions.

Relation between company performance and Management Board Remuneration

The remuneration of our Management Board members is volatile and highly correlated with the company results. 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. The table demonstrates that when

the Net Trading Income and EBITDA go down, the absolute Management Board remuneration goes down. Similarly, when indicators for company performance go up,

the Management Board remuneration goes up (provided of course that the individual Management Board member has been performing well).

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

Annual change (numbers in thousands)		2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2019
Director's Remuneration (€)						
Dennis Dijkstra, (co-)CEO (2014 -)	Actual change	(1,228,250)	(1,388,107)	2,493,897	(2,320,540)	694,608
	Relative change	(39%)	(73%)	478%	(77%)	
Sjoerd Rietberg, co-CEO (2014 - 5/2019)	Actual change	(1,228,250)	(1,388,107)	2,493,897		244,608
	Relative change	(39%)	(73%)	478%		
Marcel Jongmans, CFO (10/2016 - 12/2018)	Actual change			816,021		-
	Relative change			171%		
Folkert Joling, CTrO (4/2018 -)	Actual change				(2,270,540)	694,608
	Relative change				(77%)	
Thomas Wolff, CTO (4/2018 -)	Actual change				(1,547,020)	544,608
	Relative change				(74%)	
Company's performance						
Net Trading Income (NTI) €million	Actual change	(54.7)	(84.1)	217.5	(167.0)	216.4
	Relative change	(18%)	(34%)	131%	(44%)	
EBITDA margin	Actual change	(3.90%)	(13.70%)	18.30%	(15.60%)	36.5%
	Relative change	(8%)	(29%)	54%	(30%)	
Basic and fully diluted earning per share	Actual change	(0.78)	(1.13)	2.61	(2.31)	1.15
	Relative change	(28%)	(57%)	307%	(67%)	
Average remuneration on a full-time equivalent basis of employees						
Employees of the company	Actual change	(111,632)	(131,480)	132,380	(128,600)	149,300
	Relative change	(29%)	(47%)	91%	(46%)	

Our reference market would be defined as other proprietary trading firms including but not limited to for example IMC and Optiver. However, most of these firms do not publicly disclose remuneration of their executives. Therefore, due to limited data availability, no meaningful market comparison can actually be performed.

The 2019 pay ratio (CEO total pay vs average total employee pay) is 4.65 compared to 10.8 in 2018.

No shares, pensions, loans and other benefits

In 2019 the members of the Management Board did not receive any shares and no personal loans, guarantees or the like were granted by the company to the members of the Management Board as part of their compensation package. No loans, guarantees or similar instruments to the members of the Management Board were outstanding on 31 December 2019. 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.

Limited severance payments

We do not award severance payments to members of the Management Board that exceed 100 percent of their annual fixed remuneration, and do not award severance payments if there is a serious imputable act or negligence by the employee in the fulfilment of their functions, where they resign voluntarily (unless this is the consequence of a serious imputable act or negligence (ernstig verwijtbaar handelen of nalaten) or failure by the company), and we do not intend to award such payments in the future. In addition, relevant limitations apply under the Remuneration Act.

Supervisory Board Remuneration

The General Meeting determines the remuneration of the members of the Supervisory Board following a proposal by the Supervisory Board. The remuneration of the members of the Supervisory Board consists of a fixed base salary and cannot be dependent upon the company's results.

None of the members of the Supervisory Board may receive shares, options for shares or similar rights to acquire shares as part of his or her remuneration. None of the members of the Supervisory Board may hold shares, options for shares or similar securities other than as a long-term investment. The members of the Supervisory Board may also not hold such securities, other than in accordance with the rules on

holding or transacting in the company's securities. Members of the Supervisory Board may not accept personal loans or guarantees from the company, other than in the normal course of business and subject to the prior approval of the Supervisory Board. During 2019, the company granted no personal loans, guarantees or the like to the members of the Supervisory Board. No personal loans, guarantees or the like to Supervisory Board members were outstanding on 31 December 2019.

Fixed gross compensation

The table below shows the total fixed compensation awarded to the individual members of the Supervisory Board. There are no separate committee fees paid.

	2019	2018	2017	2016	2015
	Annual fee (€)	Annual fee (€)	Annual fee (€)	Annual fee (€)	Annualized fee ¹ (€)
Eric Drok, Chairman SVB (2015)	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
Olivier Bisserier, SVB member (2015)	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
Roger Hodenius, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000
Han Sikkens, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000

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

No variable remuneration shares, pensions, loans and other benefits

The members of the Supervisory Board did not receive variable remuneration for their work as members of the Supervisory Board or any share-based remuneration, and no personal loans, guarantees or the like were granted by the company to the members of the Supervisory Board as part of their compensation package. We have not reserved nor

accrued any amounts to cover pension claims or retirement claims. We do not provide any other ancillary benefits for any member of the Supervisory Board.

Remuneration disclosures

In 2019, the total amount of variable remuneration awarded to all employees including members of the Management Board was €24.6 million (2018: €87.6 million).

In 2019, companywide average compensation paid per employee was approximately €149,300, while variable remuneration amounted to around 41 percent of total compensation in 2019. In 2019, no employees, including the Management Board, were awarded remuneration of €1 million or more (2018: 29).

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

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 of 2020 and 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.

