

9 April 2021

Dear Shareholders,

At Flow Traders' next Annual General Meeting (AGM) to be held on 23 April 2021, 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 as well as how we have reflected this feedback in the 2020 Remuneration Report.

The Supervisory Board has taken shareholder feedback extremely seriously and has thought carefully about striking the right balance between making significant changes and maintaining the core principles underlying Flow Traders' approach to remuneration which we believe plays a significant role in driving our success and delivering value to shareholders.

Dutch regulation requires the support of least 75% of votes cast for a remuneration-related resolution to be approved. If this threshold is not reached, the current remuneration policy will remain in place. This would mean that we will not be able to implement important improvements that our shareholders have been asking for, including equity based compensation, multi-year deferral, shareholder guidelines and the encouragement of share ownership, and the introduction of a cap for individual Management Board members' remuneration.

Remuneration philosophy

Before reviewing the key elements of the proposed remuneration policy, we feel that it is important to underline the core principles of Flow Traders' approach to remuneration and the critical role these play in our company's success. We are of the firm belief that the success of Flow Traders since inception has been made possible by our people and our company culture. Our remuneration philosophy has been consistent from the outset and it has contributed to attracting and retaining the right talent to develop Flow Traders into the company it is today.

The fundamentals of our overall remuneration philosophy and approach are as follows:

- At its core, it is about sharing the upside as well as the downside among all employees and shareholders
- Equity ownership is strongly encouraged among all employees, with more than 10% of the company's shares-held by employees
- A longer term outlook on remuneration is taken. Any deferred compensation remains at full risk for future years
- Remuneration and strategy are evaluated on a multi-year basis to ensure both employees and shareholders benefit from and are exposed to the returns of continuous growth investments, also during any less profitable periods

Proposed 2021 remuneration policy

While a 58.7% majority of shareholders supported the proposed remuneration policy at the 2020 AGM, this was not sufficient for the adoption of the proposed policy enhancements, as this requires a 75% majority of votes. Over the last year we have continued to engage in comprehensive consultations with all stakeholder groups regarding their preferences for updates to our remuneration policy. The feedback from these consultations is reflected in our proposed 2021 remuneration policy.

The proposed remuneration policy offers significant improvements over the current policy including *inter alia* the introduction of **share-based compensation** and **longer deferral periods** as well as **share ownership guidelines**, a **reduced overall variable remuneration pool**, and **capping individual Management Board members’ remuneration** at 20 times the average full time employee’s remuneration.

The table below shows in more detail how we have incorporated feedback into our proposed 2021 remuneration policy.

Main feedback from stakeholders	How we have acted upon this feedback
<p>The policy appears to have a short-term focus</p>	<ul style="list-style-type: none"> ▪ 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 ▪ In addition to already operating above market standard clawback provisions, we propose to introduce post-termination transfer restrictions ▪ 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 ▪ We have restructured our remuneration policy, with the aim to better explain the design of our remuneration policy and in particular the working of our variable remuneration plan
<p>Management Board variable remuneration is uncapped</p>	<ul style="list-style-type: none"> ▪ 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 cap on Management Board Members’ individual total remuneration levels with such cap to be determined annually by taking into account the average full time employee total remuneration levels ▪ Total remuneration for any Management Board member to be capped at 20x the average full time employee’s total remuneration
<p>Transparency and disclosure on pay-for-performance can be improved</p>	<ul style="list-style-type: none"> ▪ We have included further explanations on the working of our variable compensation plan in the proposed policy and intend to disclose on an annual basis the individual KPIs and details of the individual Management Board members’ performance assessments in our restructured annual remuneration report ▪ We have retained and made clearer the rule that any deferred payment 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

2020 Remuneration Report

In conjunction with the review of our Management Board remuneration policy, we have overhauled our remuneration report. We believe that our updated remuneration report helps to better explain our remuneration decisions and the rationale for these decisions. Again, the updated remuneration report reflects the feedback we have received from our stakeholders.

Impact of current environment on 2020 remuneration decisions

As mentioned in our remuneration report, we have given extensive consideration to the individual variable remuneration awards for the members of the Management Board. We have taken various perspectives into account, including but not limited to individual KPIs, business performance, competitive dynamics, the impact of COVID-19 and other volatility drivers such as Brexit and the US governance crisis on business performance, the impact of COVID-19 on society, how to responsibly share our profits with shareholders and employees and our overall responsibility to society.

Perspective	Context
Business performance	<ul style="list-style-type: none"> ▪ We realized a record year against the backdrop of a global health crisis and a perfect storm in the capital markets due to multiple volatility drivers. This was achieved through the tremendous effort and hard work of all employees ▪ Colleagues' collective efforts delivered EPS of €10.26 for shareholders in 2020 ▪ We have been fortunate enough not to have had to reduce our workforce (or reduce their pay) as a result of the pandemic and have actually added people to our payroll throughout the year ▪ We did not apply for any COVID-19 related government support schemes ▪ We continued to pay significant dividends to our shareholders
Remuneration outcomes	<ul style="list-style-type: none"> ▪ We have not considered any pay raises in fixed remuneration for Management Board members ▪ Already in the spring of 2020, as the COVID epidemic was beginning to unfold, we decided in consultation with the Management Board to cut back the available variable compensation pool for 2020 to half its original size, and donated an equivalent of half of the Management Board's variable remuneration pool to the newly established Flow Traders Foundation ▪ We share our profits fairly with our shareholders and employees. Although individual award levels for members of the Management Board may be considered substantial, all other employees also benefit substantially from participation in the variable remuneration pool. Incidentally, the total 2020 variable remuneration pool figure of €257m for all employees was lower than the amount paid in dividends to shareholders (€292m) ▪ We decided to already follow the principles of our proposed 2021 remuneration policy by employing the proposed deferral structure and paying out 50% of the 2020 variable remuneration awards in share-like instruments and defer payment over a multi-year period (instead of 100% cash pay-out in at least two installments) ▪ In line with our policy, any deferred payment remains at risk until vesting

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 capitalisations. As the vast majority of our peers in a global competitive arena are privately held businesses, who incidentally 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 similarly 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 (please contact Jonathan Berger, Investor Relations Officer, at +31 (0) 20 799 6149 / investor.relations@flowtraders.com).



Rudolf Ferscha
Chairman of the Supervisory Board