

# Audit Committee Charter

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Approved and adopted by the Board on 13 January 2023



## Contents

<b>Clause</b>	<b>Page</b>
1 INTRODUCTION; DEFINITIONS AND INTERPRETATION .....	3
1.1 Introduction .....	3
1.2 Definitions .....	3
1.3 Interpretation.....	3
1.4 Schedules .....	3
1.5 Annexes .....	3
2 COMPOSITION OF THE AUDIT COMMITTEE .....	3
3 DUTIES OF THE AUDIT COMMITTEE .....	4
4 DUTIES REGARDING THE AUDITOR AND THE INTERNAL AUDIT FUNCTION .....	5
5 COMMITTEE MEETINGS AND DECISION-MAKING.....	6
4.1 Meetings .....	6
4.2 Decision-making .....	7
6 REPORTING TO THE BOARD .....	7
7 MISCELLANEOUS .....	8

## Schedules

Schedule 1 Definitions

## Annexes

- Annex 1 Supervision of Auditor and internal audit function
- Annex 2 Supervision of financial reporting and publications
- Annex 3 Supervision of compliance with legislation and regulation
- Annex 4 Financing and finance related strategies
- Annex 5 Guidance to the report of the Auditor

## **Introduction definitions and interpretation**

### **1.1 Introduction**

- 1.1.1 This Charter has been drawn up by the Board pursuant to clause 4.3 of the Board Rules and Bye-Law 27.2 of the Bye- Laws.
- 1.1.2 The Audit Committee is a permanent committee of the Board.

### **1.2 Definitions**

In this Charter, and in the annexes to this Charter that do not form an integral part of this Charter, capitalised terms have the meaning as set out in Schedule 1. capitalised terms have the meaning as set out in Schedule 1.

### **1.3 Interpretation**

- 1.3.1 Words importing the singular number include the plural number and vice versa.
- 1.3.2 Any reference to a gender includes all genders and non-binary individuals.
- 1.3.3 Any reference to writing includes all modes of representing or reproducing words in a visible form, including in the form of an Electronic Record.
- 1.3.4 In the event of lack of clarity or difference of opinion on the interpretation of any provision of this Charter, the opinion of the Chairman shall be decisive.

### **1.4 Schedules**

Schedule 1 forms an integral part of this Charter.

### **1.5 Annexes**

Annexes do not form an integral part of this Charter.

## **Composition of the Audit Committee**

- 2.1 The Audit Committee shall consist of at least two members. All members of the Audit Committee must be Non- Executive Directors. More than half of the members of the Audit Committee should be Independent Directors.
- 2.2 The members of the Audit Committee shall be appointed and may be replaced at any time by the Board. The Board shall appoint one of the members of the Audit Committee as chair of the Audit Committee. The Audit Committee shall be chaired by an Independent Director. The Audit Committee shall not be chaired by the Chairman or by a former Executive Director of the Company or former member of the management board of Flow Traders N.V.
- 2.3 The Secretary shall act as secretary to the Audit Committee. The Secretary may delegate his duties under this Charter, or parts thereof, to a deputy appointed by him in consultation with the chair of the Audit Committee.

## **Duties of the Audit Committee**

3.1 The Audit Committee undertakes preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the compliance with audit legislation and regulations. Working within the Board, the Audit Committee, where applicable together with the Risk Committee and/or the Trading and Technology Committee, is charged in particular with:

(a) to supervise the Executive Directors with respect to:

(i) the supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;

(ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the annual accounts, forecasts, work of Auditors, etc.);

(iii) compliance with recommendations and observations of the internal auditor and the Auditor;

(iv) the policy of the Company on tax planning;

(v) relations with the Auditor, including, in particular, his independence and remuneration (see also clause 4); and

(vi) the financing of the company.

(b) giving advice to the Board on the nomination by the Board to the General Meeting for the appointment of the Auditor and by submitting a proposal to the Board for the Auditor's engagement to audit the financial statements. The Board should resolve on the content of the engagement proposed to the General Meeting;

(c) where necessary, to make proposals to the Board on the policy applied in respect of the independence of the Auditor and possible (potential) conflicts of interest between the Auditor and the Company;

(d) recommending to the Board to approve both the appointment and dismissal of the senior internal auditor;

(e) giving advice to the Board with regard to the internal audit function with respect to the matters listed in Annex 1; and

(f) to prepare meetings of the Board where the annual report, the annual accounts, the half-yearly and the quarterly figures of the Company are discussed.

3.2 The following Annexes to this Charter contain further details on some of the duties of the Audit Committee described in clause

**Annex 1** - Supervision of the Auditor and internal audit function;

**Annex 2** - Supervision of financial reporting and publications;

**Annex 3** - Supervision of compliance with legislation and regulations;

**Annex 4** - Financing and finance related strategies; and

**Annex 5** - Guidance to the report of the Auditor.

- 3.3 Each member of the Audit Committee has access to all relevant books, records and offices of the Company and the authority to interview Officers and (other) employees of the Company to the extent necessary or useful for the proper performance of his duties. Members of the Audit Committee shall exercise this right in consultation with the chair of the Audit Committee.
- 3.4 When performing its duties the Audit Committee may seek assistance or information from one or more experts appointed by it at a reasonable price agreed upon with the Audit Committee and in consultation with either one of the Executive Directors, which will be paid by the Company, provided that at least two fee proposals has been obtained and these experts do not jeopardize the independence of the Auditor. The Board may request to review the fees spent on experts by the Audit Committee on reasonableness on a semi-annual basis.
- 3.5 While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.
- 3.6 The Audit Committee may only exercise such powers as are explicitly attributed or delegated to it by the Board and may never exercise powers beyond those exercisable by the Board as a whole.

## **Duties regarding the Auditor and the internal audit function**

- 4.1.1 The Audit Committee shall act as the principal contact for the Auditor if the Auditor discovers irregularities in the content of the financial reports. The Auditor should inform the chair of the Audit Committee without delay if, during the performance of his duties, he discovers or suspect an instance of misconduct or irregularity. If the actual or suspected misconduct or irregularity pertains to the functioning of a Board member, the Auditor should report this directly to the Chairman.
- 4.1.2 The remuneration of the Auditor shall be approved by the Board on the recommendation of the Audit Committee.
- 4.1.3 The Audit Committee shall determine how the Auditor should be involved in the content and publication of financial reports of the Company other than the annual accounts.
- 4.1.4 The Audit Committee shall request that the Auditor will include in his report the matters which the Auditor wishes to bring to the attention of the Board in relation to his audit of the annual accounts and the related audits, which in any event will include the matters listed in Annex 5.
- 4.1.5 Supplementary to the Board's assessment thereof, the Audit Committee should report annually to the Board on the functioning of, and the developments in, the relationship

with the Auditor. The Audit Committee should advise the Board regarding the Auditor's nomination for appointment/reappointment or dismissal and should prepare the selection of the Auditor. Also on this basis, the Board should determine its nomination for the (re)appointment of the Auditor to the General Meeting.

- 4.1.6 The Audit Committee should annually discuss with the Auditor:
  - (a) the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the Auditor in the audit plan; and
  - (b) based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the financial statements and the management letter.
- 4.1.7 The Audit Committee shall form an opinion on the way in which the internal audit function fulfils its responsibilities at least annually in order for the Board to take this into account when assessing the same.
- 4.1.8 The Audit Committee shall be involved when the internal audit function draws up an audit plan, also involving the Board and the Auditor in this process. The audit plan should be submitted to the Board for approval. In this internal audit plan, attention should be paid to the interaction with the Auditor.
- 4.1.9 The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the Audit Committee and the Auditor. Records should be kept of how the Audit Committee is informed by the internal audit function.
- 4.1.10 The internal audit function should report its audit results to the Board and the essence of its audit results to the Audit Committee and should inform the Auditor. The research findings of the internal audit function should, at least, include the following:
  - (a) any flaws in the effectiveness of the effectiveness of the internal audit processes;
  - (b) any findings and observations with a material impact on the risk profile of the Company and its affiliated Business; and
  - (c) any failings in the follow-up of recommendations made by the internal audit function.

## **Committee meetings, and decision-making**

### **5.1 Meetings**

- 5.1.1 The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee. The Audit Committee shall meet at least once a year with the Auditor without the Executive Directors being present. The meetings are as much as possible scheduled annually in advance and are held as far as possible shortly before the meetings of the Board. The Audit Committee shall meet earlier if this is deemed necessary by the chair of the Audit Committee or by two other members of the Audit Committee.

- 5.1.2 Meetings of the Audit Committee are in principle called by the secretary of the Audit Committee on behalf of the Chairman, in consultation with the chair of the Audit Committee. Save in urgent cases, to be determined by the chair of the Audit Committee, the agenda for the meeting shall be sent at least seven calendar days before the meeting to all members of the Audit Committee. To the extent possible, written explanations and/or other related documents will be enclosed for each item on the agenda.
- 5.1.3 The Audit Committee shall decide if and when the Executive Directors, the internal auditor and/or the Auditor should attend its meetings. In addition and subject to clause 3.4, the Global Head of Finance, the Global Head of Tax and/or independent experts may be invited to attend meetings of the Audit Committee. Each Non-Executive Director may attend meetings of the Audit Committee.
- 5.1.4 The Audit Committee may require any Officer or (other) employee of the Company, its external legal advisers or the Auditor to attend a meeting of the Audit Committee or to consult with members or advisers of the Audit Committee.
- 5.1.5 The secretary of the Audit Committee or any other person designated for such purpose by the chair of the meeting shall draw up minutes of the meeting of the Audit Committee.
- 5.2 **Decision-making**
  - 5.2.1 Only to the extent explicitly provided by the Board in writing, the Audit Committee has the authority to adopt resolutions regarding the matters that fall within the tasks and responsibilities allocated to it on behalf of the Board with due observance of the Board Rules and this Charter.
  - 5.2.2 Provisions 5.2, 5.5, 5.6, 5.8, 5.10 and 5.11 of the Board Rules shall apply mutatis mutandis to decision-making by the Audit Committee.

## **Reporting to the Board**

- 6.1 The Audit Committee must inform the Board in a clear and timely manner about the way it has used delegated powers and of major developments in the area of its responsibilities.
- 6.2 The Audit Committee shall report annually, and earlier if required, to the Board on its dealings with the Auditor, in particular on the Audit Committee's views of the Auditor's independence (including the desirability of rotation of the responsible partners of the Auditor).
- 6.3 The Audit Committee, where applicable together with the Risk and Compliance Committee and/or the Trading and Technology Committee, shall provide the Board with a report of its deliberations, findings and recommendations. This report must, at least, include the following information:

- (a) the methods used to assess the effectiveness of the internal and external audit processes;
  - (b) the material considerations regarding financial reporting; and
  - (c) the way material risks and uncertainties referred to in the Board Report have been analysed and discussed, along with a description of the most important findings of the Audit Committee.
- 6.4 The reports of meetings of the Audit Committee are distributed among all members of the Board prior to the subsequent meeting of the Board.
- 6.5 If requested, the chair of the Audit Committee shall at meetings of the Board provide the Board with further information on the outcome of the discussions of the Audit Committee.
- 6.6 Every Non-Executive Director has unrestricted access to all records of the Audit Committee. A Non-Executive Director shall exercise this right in consultation with the chair of the Audit Committee and the Secretary.

## **Miscellaneous**

- 7.1 The chair of the Audit Committee (or one of the other Audit Committee members) shall be available to answer questions regarding the Audit Committee's activities at the annual General Meeting.
- 7.2 The Board may occasionally decide at its sole discretion not to comply with this Charter, subject to applicable law and regulations.
- 7.3 The Audit Committee aims to review and re-assess the adequacy of this Charter annually, report its assessment to the Board and recommend, where appropriate, any proposed changes to the Board.
- 7.4 The Board can at all times amend this Charter and/or revoke any powers granted by it to the Audit Committee.
- 7.5 Clauses 15.2.1 to 15.2.4 inclusive of the Board Rules apply by analogy to the Audit Committee, while for the application of this Charter the power of the Board referred to in these clauses is considered a power of the Board.
- 7.6 This Charter and the composition of the Audit Committee are posted on the Company's website.



**Schedule 1 Definitions**

- "**Audit Committee**" means the audit committee of the Board;
- "**Auditor**" has the meaning given to such term in the Bye-Laws;
- "**Board**" has the meaning given to such term in the Bye-Laws;
- "**Board Rules**" means the Company's board rules;
- "**Business**" means the business of the Group;
- "**Bye-Laws**" means the Company's bye-laws;
- "**Chairman**" has the meaning given to such term in the Board Rules;
- "**Charter**" means this Audit Committee charter;
- "**Companies Acts**" has the meaning given to such term in the Bye-Laws;
- "**Company**" means Flow Traders Ltd., an exempted company limited by shares registered in Bermuda;
- "**Director**" has the meaning given to such term in the Bye-Laws;
- "**Electronic Record**" has the meaning given to such term in the Bye-Laws;
- "**Executive Director**" has the meaning given to such term in the Bye-Laws;
- "**General Meeting**" means the corporate body that consists of shareholders or members of the Company, or the meeting in which such persons ensemble;
- "**Group**" has the meaning given to such term in the Bye-Laws;
- "**Global Head of Finance**" means the global head of the finance of the Company;
- "**Global Head of Tax**" means the global head of tax of the Company;
- "**Independent Director**" has the meaning given to such term in the Bye-Laws;
- "**Non-Executive Director**" has the meaning given to such term in the Bye-Laws;
- "**Officer**" has the meaning given to such term in the Bye-Laws;
- "**Relationship Agreement**" means the relationship agreement entered into by the Company with Javak Investments B.V. and Avalon Holding B.V. dated 13 January 2023, as amended from time to time;
- "**Risk Committee**" means the risk committee of the Board;
- "**Secretary**" has the meaning given to such term in the Bye-Laws; and
- "**Trading and Technology Committee**" means the trading and technology committee of the Board.

**Annex 1      Supervision of Auditor and internal audit function**

- (a) Assess and evaluate the Auditor and the lead partner of the audit team of the Auditor.
- (b) Obtain and review a report from the Auditor (at least annually) regarding (i) the Auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five months with respect to one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues and (iv) all relationships between the Auditor and the Company. Evaluate the qualifications, performance and independence of the Auditor, including considering whether the Auditor's quality controls are adequate, and taking into account the opinions of the Board.
- (c) Ensure the rotation of the lead (or co-ordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as well as the other members of the Auditor, as required by law, regulation or the Board Rules.
- (d) Meet with the Auditor prior to the audit to discuss the planning, scope and staffing of the audit.
- (e) Discuss the internal audit function's audit plan. Attention should be paid to the interaction with the Auditor.
- (f) Discuss the essence of internal audit function's reports on its audit results. The research findings of the internal audit function should, at least, include the following:
  - (i) any flaws in the effectiveness of the effectiveness of the internal audit processes;
  - (ii) any findings and observations with a material impact on the risk profile of the company and its affiliated Business; and
  - (iii) any failings in the follow-up of recommendations made by the internal audit function.

**Annex 2 Supervision of financial reporting and publications**

- (a) Discuss whether and, if so, how the Auditor should be involved in the content and publication of financial reports other than the financial statements. Review and discuss with the Board and the Auditor the annual audited financial statements, including disclosures made in management interviews, analyses and the like.
- (b) Review and discuss with the Board and the Auditor the interim financial statements prior to their release, including the results of any review by the Auditors of the interim financial statements.
- (c) Discuss with the Board and the Auditor significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including the quality of earnings, significant deviations between planned and actual performance, any significant changes in the Company's selection or application of accounting principles, any issues as to the adequacy of the Company's internal controls and any special steps adopted in light of control deficiencies.
- (d) Review and discuss reports of the Auditor on:
  - (i) all major elements of the accounting policies and the methods used;
  - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Board or any member thereof, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Auditor; and
  - (iii) other important written communications between the Auditor and the Board or one of its members, e.g. management letters.
- (e) Discuss with the Board the Company's (i) earnings press releases, including the use of non-GAAP information and (ii) plans and policies of the Company with respect to comments on financial information and earnings guidance given by analysts and rating agencies.
- (f) Discuss with the Board and the Auditor the consequences of legislative or regulatory initiatives as well as of off-balance structures for the financial reporting by the Company.

**Annex 3      Supervision of compliance with legislation and regulation**

- (a) Obtain reports from the Board, the internal audit function and the Auditor (where applicable) to the effect that the Company and its subsidiaries comply with the applicable legislation and regulations and the internal rules of the Company. Review reports on and intended disclosures on insider and affiliated party transactions. Advise the Board on policy and procedures of the Company for compliance with applicable legislation and regulations.
  
- (b) Discuss with the Board and the Auditor any correspondence with supervisory authorities, market authorities or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
  
- (c) Discuss with the relevant persons of the Legal and Compliance Department of the Company the legal or compliance related issues that may materially affect the financial reports or the policy of the Company regarding its compliance with legislation and regulations.

**Annex 4      Financing and finance related strategies**

- (a) Review and discuss with the Board at least once a year the general financial strategy of the Company.
  
- (b) Review and discuss with the Board the financial policy and financial procedures of the Company, including its currency, policies and procedures.

**Annex 5      Guidance to the report of the Auditor**

The report of the Auditor shall contain the matters which the Auditor wishes to bring to the attention of the Board in relation to its audit of the annual accounts and the related audits.

**The following examples can be given:**

- (a) With regard to the audit:
  - (i) information about matters of importance to the assessment of the independence of the Auditor; and
  - (ii) information about the course of events during the audit and co-operation with external auditors, matters for discussion with the Board, a list of corrections that have not been made, etc.
  
- (b) With regard to the financial figures:
  - (i) analyses of changes in shareholders' equity and results which do not appear in the information to be published and which, in the view of the Auditor, contribute to an understanding of the financial position and results of the Company; and
  - (ii) comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies when other choices were possible, and particular effects of such policies, etc.
  
- (c) With regard to the effectiveness of the internal audit processes and related control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:
  - (i) points for improvement, gaps and quality assessments;
  - (ii) comments about threats and risks to the Company and the manner in which they should be reported in the particulars to be published; and
  - (iii) compliance with Bye-Laws, instructions, regulations, loan covenants, requirements of external supervisors, etc.