2021

Annual Report

adyen

Cover image

Keo — Operational Support Specialist, Amsterdam

“ I never learned more in a year than I did in 2021. I work in the Operational Support team and it’s just not possible to only learn one thing – you have to know a million things at once, and come to work with a fresh mind every day ready to soak it all up. Starting out, it was a bit stressful to take in so much information at once, but now I go over every day with confidence in myself and my role, knowing I can handle a lot of things. 2021 taught me that. ”

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Tita — Performance Marketing Manager, Madrid

" It has been an unexpected but fun twist how working from home changed the way we connect to people at work – I'm part of the Madrid office but my closest friends in Adyen are actually located in Berlin and Milan. I have never met them in person, but we talk every day! We jump on a call often to share updates and milestones. We even have virtual drinks sometimes with just the three of us. "

01 Management Report

Message from the CEO

I'm writing this on the 4th of March, a Friday afternoon, in one of our Amsterdam offices with sunny skies behind me. However, a little over 2,000 kilometers away the world is on fire. It's impossible for me not to make a note of the invasion in Ukraine. My heart goes out to everyone affected. More far-reaching than the evolving humanitarian crisis, the state of the world order — the relative stability we've enjoyed in the West since the Second World War — is seriously at risk. This is a note of reflection on the past year, as it is every year, and I hope sincerely that this invasion and its impact won't be the subject the next time I'm writing this.

Onto 2021. In the annual exercise of re-reading last year's annual report cover letter before writing this year's, I was struck by the consistency in themes — in those that were addressed in the note I was reading, and those that I wanted to address here.

The theme of societies in lockdown and open societies existing side-by-side, the theme of focusing on wellbeing during a crisis without a set end date, the theme of Zoom and other video services acting as a great equalizer for the team. These were as relevant in 2021 as they were in 2020.

The pandemic and its impact turned out to be a real marathon — and in many ways we're still running it.

With the luxury of hindsight, I'm happy to have not attached any finish lines to the shifting realities we were faced with during the year. This is something we stressed at length internally — to focus on making our days engaging and productive and on working side-by-side with our merchants, not potentially naively looking forward to a hopeful end date. Quickly adjusting the company toward predominantly working online helped us become more resilient. We benefited throughout the year from infrastructure we put in place immediately as the pandemic hit.

It's premature to say we've emerged from the pandemic, as its long-term impact is still to be properly assessed. However, if it is the case that the worst of COVID-19 is now behind us, I can say with emphasis that we've emerged from the pandemic stronger than we entered it. The team has grown to over 2,000, we processed over half a trillion of our merchants' volume, and we continue to execute decisively. I'm incredibly proud of the teams across the world that have worked to make this happen.

To build a growing company, at scale, with a different reality on a weekly basis — that's an incredible feat from the team.

It's equally true that the environment we now find ourselves in is markedly different from when we entered the pandemic. The acceleration of longer-term trends due to the rapid digitalization during the pandemic has changed the landscape, permanently. And with it, our position in it too. We've talked at length in previous publications about the fact that unified commerce has moved from what was previously a nice value-add to being critical infrastructure for businesses to survive and thrive. We've been able to be one of the drivers here as businesses were looking to adapt.

That's not all that changed during the pandemic. Platforms had been successfully democratizing access to global markets for SMEs and smaller sellers for years. This too has accelerated greatly due to the pandemic, as an increasingly digital reality provided another catalyst for platforms across verticals. With this trend now entrenched, they are looking to deepen the relationship with their customers — with turnkey or plug-and-play solutions increasingly becoming the norm. To us, this is reason to look beyond the natural fit of our unified commerce offering to other embedded products. With our proven single platform and our licensing footprint, there is an opportunity here for us to serve as the infrastructure for a significant shift towards platform business models in the market.

We now operate at a different scale, amid a changing environment in which we are well positioned. As we look to capitalize on this opportunity, we are seeing a great appetite for office attendance and in-person cooperation in our growing team. Therefore, we've made a deliberate investment in offices around the world. We realize that this goes against what is largely a full-remote trend within tech and feel that the key is to find the right balance. What has changed from the pre-pandemic environment is that we now approach the working environment with a more flexible mindset.

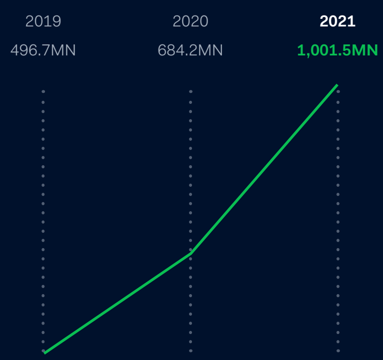
As we continue to evolve in our role of providing financial infrastructure to growing businesses, our approach to social and environmental responsibility topics has grown too. Throughout 2021, this became evident in the build out of our Impact product suite, the growth of our internal sustainability and Diversity, Equity & Inclusion efforts, and the maturation of our reporting frameworks. Our roots dictate that we do first, and tell stories later — having said that, this is an area in which I expect to be able to report significant progress going forward.

At over half a trillion processed in 2021, I want to end this note with an appreciation of the fact that what started as a moonshot goal in Adyen's first years (one trillion in volume) is now well within reach. I remain firmly convinced that we will be able to again deliver on what now seems like new moonshot goals 5-10 years from now. We have the track record, we have the product, and we have the team to get us there.

Processed volume

70% YOY

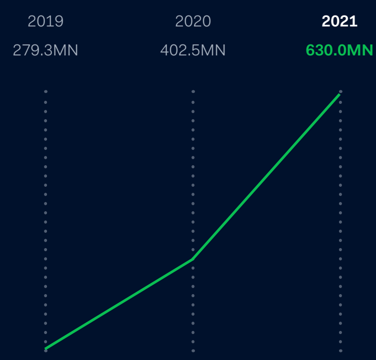
€516.0BN



Net revenue *

46% YOY

€1.0BN



EBITDA *

57% YOY MARGIN 63%

€630.0MN

Surpassing half a trillion in processed volume for the first time

Monumental developments in scaling our Impact products portfolio, as total processed donation volume through Giving hit 10x growth

A strong year for platforms as we roll out Adyen for Platforms at scale, with further success in unified commerce

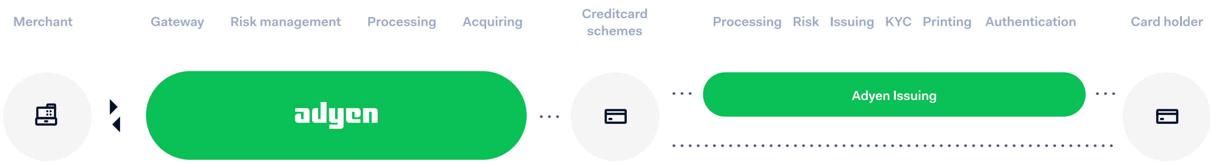
Talent remains central to our growth and strategy — expanding the team and opening tech hubs in Madrid and Chicago

* Comparative figures have been restated on account of our previously disclosed accounting adjustment. Refer to our annual consolidated financial statements of 2020 for details on the correction.

Leif — Product Manager, San Francisco

“ Last year I transitioned from my former company to Adyen — it was a unique experience, leaving a job remotely, starting my new job remotely again. But that’s where the Adyen culture came in handy, everybody was genuinely excited to meet me, across all offices people jumped on Zoom, no matter the time. Connecting as a team majorly happened online and we had some crazy team events — including a fully digital magic show from an authentic Peruvian magician! ”

Figure 1
The Adyen value chain



Description of business activities

Adyen operates a global payments platform, integrating the full payments stack — gateway, risk management, processing, issuing, acquiring, and settlement. Adyen issuing was launched in 2019, and enables merchants to provide virtual and physical cards to their customers. Issuing meets various merchant needs, as it gives them the ability to issue cards for a variety of use cases, either online, in-app and in-store. The Adyen offering includes a common back-end infrastructure for authorizing payments across merchants' sales channels, as well as feature-rich APIs.

The platform services a range of global and local merchants across different verticals, connecting them directly to Visa, Mastercard, and many other payment methods. Additionally, it provides a high level of reliability, performance, and data insights.

For this service of payments processing, Adyen earns processing and settlement fees — gateway and acquiring services, respectively — as well as some smaller fees related to products or functionalities aimed at reducing complexity and friction for merchants. For a full breakdown of fees, refer to Note 2 'Revenue and segment reporting ' of the attached Consolidated Financial Statements for more information.

Business strategy

The majority of our yearly volume growth (consistently over 80% from each half-year period since IPO in 2018) comes from the growth of merchants already on our platform when the period began. This fact underscores the success of our land-and-expand strategy, with which we are able to win additional volume as the years of our merchant partnerships progress. This requires a co-creative approach, working closely with merchants on their plans and pain points.

In order to execute this strategy, the Adyen organization is divided into solutions, composed of workstreams, which are in turn comprised of product, technical, and commercial staff. These workstreams work closely with our merchants and are thus able to efficiently prioritize their needs. Our yearly product roadmaps are built with these needs in mind. They are constantly subject to adaptation, ensuring our speed and agility are maintained as we grow.

The Enterprise segment (e.g. large international businesses) is what the Adyen platform was built for from day one — tackling the most impactful challenges faced by large multinational businesses. The fact that our growth comes largely from existing Enterprise merchants, paired with very low volume churn, proves our success in this space. More recently, this segment has seen the rise of platform businesses — themselves servicing large numbers of SMEs — allowing us to efficiently reach the long tail of the market through our partnering with these platforms. We see the following as key drivers of future growth in the Enterprise segment:

1. Existing merchants: Our merchants' organic growth combined with us expanding our relationships with them (i.e. adding new channels and/or expanding across geographies) continues to drive a majority of our growth. This leads to a deepening of our product offering, as well as an increase in our proportion of transaction volume with our current merchants (i.e. growth of wallet share).
2. New merchants: Adding new merchants to our Enterprise portfolio is another avenue for growth. We have a direct sales approach focused on onboarding new merchants in all geographies where we are present and verticals we are targeting, both of which are constantly expanding.
3. Capitalizing on evolution in the industry: Our strength is in our speed and ability to react to market developments that can help our merchants due to the structure of our technology and our teams. The increasing dominance of platform models is an opportunity for us to build enterprise-level partnerships that allow us to service large groups of SMEs without the need to alter our marketing and sales approach.
4. In platforms especially, the opportunity to deepen the relationship with our merchant partners is significant. These businesses are often looking for turnkey solutions that they in turn offer to the large number of SMEs that comprise their customer base.

Alexander — Chief Technology Officer, Amsterdam

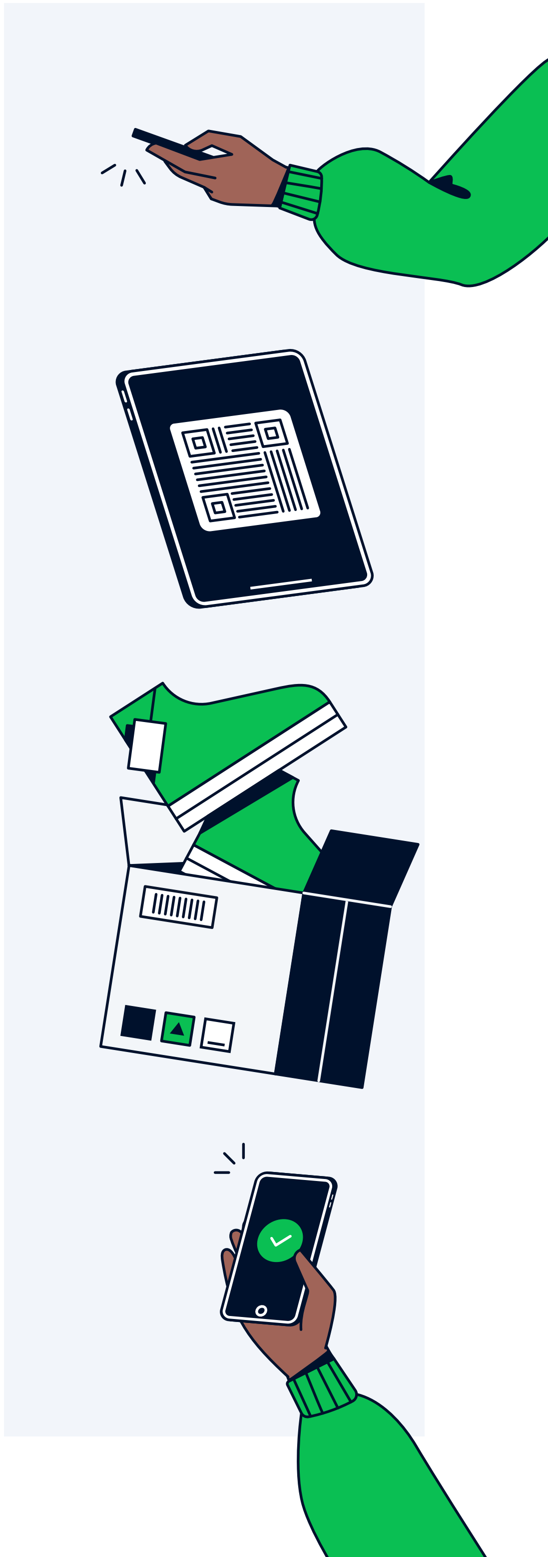
“ The last year, with changing macroeconomic circumstances in every region, definitely had an impact on how we are evolving as a company. You think more carefully about how we can grow together in a sustainable way. This also contributed majorly in our decision to open two new technology hubs in Chicago and Madrid — building out our technology teams is a key priority for us. ”

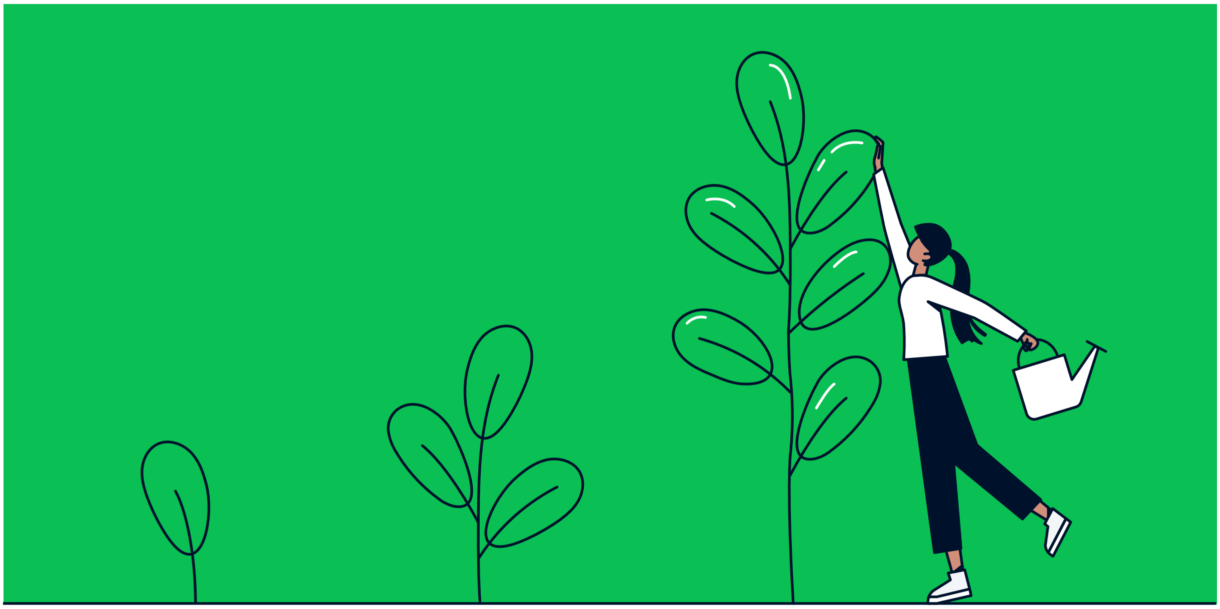
Another segment worth highlighting is Unified Commerce. Shifting consumer behavior is increasingly driving a need for merchants to present a single brand across all sales channels (i.e. offline and online). In industries such as retail, hospitality, and food & beverage, merchants can no longer afford to present either single, or diffuse channels to their shoppers. We are confident on the opportunity in this space due to our capacity to offer the following:

1. Holistic view of payments: A unified, single platform to process all payments, irrespective of channel, is foundational to how we have built our technology since the start of our company. This approach allows the collection of data that can deliver unique shopper insights and simultaneously help to combat fraud. Our back-end infrastructure for processing and settling payments is the same across all channels, providing merchants with a single view of all shopper transactions.
2. Seamless shopper journeys across channels: The Adyen platform enables merchants to offer a uniform experience to shoppers across all sales channels. This allows merchants to significantly improve the quality of service to their shoppers — for example, through one-click payments online or on mobile for shoppers recognized from in-store visits, through improved offer targeting, and through facilitation of home delivery.
3. Improvements in point-of-sale (POS) technology: Since the launch of our POS offering in 2015, we have seen growth mainly due to the increasingly obsolete infrastructure in the POS landscape still in place all over the globe. This technology is simply not built for the shoppers expectations described above. Due to this reality, merchants see vast improvements in performance when implementing our technology.

Historically, we built the Adyen platform focused on the needs of Enterprise merchants. We have since seen that a broader range of merchants is finding value in our offering. To meet this demand, we have invested in making our single platform more accessible to businesses in the next adjacent segment to enterprise, mid-market. Every merchant on our platform has access to the same performance and functionality as the world's largest businesses.

With 26 offices worldwide, our continuously expanding global footprint provides a local presence, local payment methods and local expertise in our key markets. This allows us to partner with ambitious businesses at a relatively early stage of their growth. By partnering with us, these businesses will be able to avoid being hampered by the complexity in business operations that so often comes with growth — such as adding additional payments channels, or expanding into new regions.





Discussion of financial results

Processed volume for 2021 was €516.0 billion, up 70% year-on-year. Of these volumes, POS accounted for 13% — totaling €64.6 billion. This is up 100% year-on-year as we continue to scale our capabilities in this space.

Net revenues were €1.0 billion for the year, up 46% from 2020. Net revenue contribution from non-EMEA regions came in at over 40% for the second half — this was the first time that happened since we started reporting per region. The regional diversification of our net revenues is evidence of the success of our global approach, and something we view as a positive for the business.

Full year take rate for 2021 was 19.4 bps, down 13.8% year-on-year as we continue to win additional volume primarily from enterprise merchants already on the platform.

Operating expenses for 2021 came in at €406.8 million, up 31% year-on-year and comprising 41% of net revenues. The largest contributor to these were employee benefits — which totaled €240.5 million, growing 34% year-on-year. The team totalled 2,180 FTE at the end of the year, up from 1,747 FTE at the end of year 2020. It is our intention to ramp up hiring during the following periods.

The operational leverage inherent to our business model and platform is illustrated by the 63% EBITDA margin for 2021.

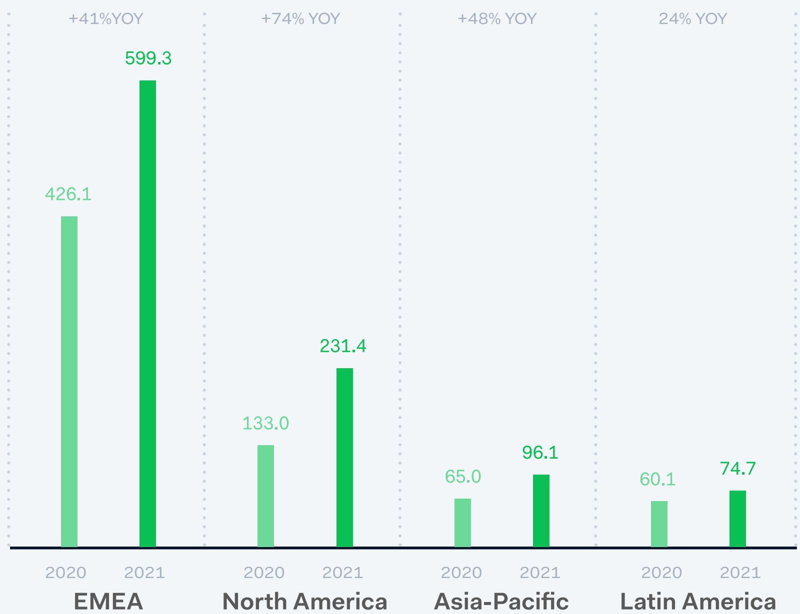
Full year EBITDA was €630.0 million for 2021, up 57% year-on-year.

Net income was €469.7 million in 2021, up 80% year-on-year.

CapEx were €54.3 million for the period, as we dealt with a significant one-off in the investment in new offices in Amsterdam. Consequently, CapEx was 5% of net revenues for the full year.

2021 free cash flow was €566.6 million, up 53% year-on-year. Free cash flow conversion ratio was 90%.

Figure 2
Net revenue per region (in EUR millions). Comparative figures have been updated to reflect the Net Revenue geographical breakdown as disclosed further in note 2.4 Non-IFRS financial measures, in the 2021 consolidated financial statements.



Financial objectives

We have set the following financial objectives[1].

Net revenue growth: We aim to continue to grow net revenue and achieve a CAGR between the mid-twenties and low-thirties in the medium term by executing our sales strategy.

EBITDA margin: We aim to improve EBITDA margin, and expect this margin to benefit from our operational leverage going forward and increase to levels above 65% in the long-term.

Capital expenditure: We aim to maintain a sustainable capital expenditure level of up to 5% of our net revenue.

[1] Adyen has not defined, and does not intend to define, "medium-term" or "long-term". Adyen's medium-term and long-term financial objectives should not be read as forecasts, projections or expected results and should not be read as indicating that Adyen is targeting such metrics for any particular year, but are merely objectives that result from Adyen's pursuit of its strategy. Adyen's ability to meet its medium term and long-term objectives is based upon the assumption that Adyen will be successful in executing its strategy and, furthermore, depends on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond Adyen 's control and are subject to known and unknown risks, uncertainties and other factors that may result in Adyen being unable to achieve these objectives.

Caroline — Partner Marketing Manager, San Francisco

“ The most exciting thing for me last year and this year is seeing my function grow - I’m part of our small but constantly expanding group of partner marketeers. It’s amazing to see the interest in partner marketing developing organically all around the globe, we now already have colleagues in Spain, the UK, Latin America, and Asia. Marketeers identified the need for dedicated partner marketing, took the initiative and made it happen – and we’re really seeing it take off everywhere. ”

Building Adyen for the long term

Introduction

The principles of the Adyen Formula have guided the way we work as a team since we founded the company in 2006. One of these Formula points describes making good choices to build an ethical business and drive sustainable growth for our merchants. During the summer of 2021, we published The Adyen Way of Building an Ethical Business, a document that explains what making good choices means to us. In this document, we highlight our approach and policies with regards to several environmental, social and governance (ESG) topics. As we continue to expand our ESG efforts, we aim to share more and be transparent on the initiatives we have implemented. These initiatives are part of our ongoing commitment to build a sustainable, responsible and inclusive business.

This Annual Report reflects how we aim to have a positive impact on topics related to social, environmental and governance, and how we create long-term value for our merchants, our team and other stakeholders. To us, making good choices is inherent to ethical behavior and trust — these have been constant themes in our decision-making over the course of building Adyen. In our ESG strategy, we focus on three pillars: (i) People & culture, (ii) Social & environmental responsibility, and (iii) Responsible governance, risk and compliance.

Adyen's social and environmental pillars (Impact technology, local initiatives and environmental sustainability) are aligned with the United Nations' Sustainable Development Goals (SDGs) as we acknowledge the importance of the SDGs as important metrics in the long-term prosperity of people and planet.

Stakeholder engagement & materiality

Throughout 2021, we engaged with stakeholders on environmental-, social- and governance-related (ESG) topics to better understand their views and priorities in both formal and informal conversations and dialogues. Our stakeholders include, but are not limited to, employees, merchants, investors, governance bodies, suppliers, and peers. These initial conversations have provided us with a good understanding of what is material and valuable to our stakeholders in the context of ESG topics, and help us define material topics in preparation for the Corporate Sustainability Reporting Directive (CSRD). These topics, such as people and culture, training and education, diversity and equal opportunity, environmental sustainability, tax, anti-corruption and compliance have been addressed throughout this Annual Report, where our pillars describe in more detail how we currently focus on and manage our responsibilities that arise from ESG topics.

We see this informal assessment as a move forward with our ESG strategy. We are committed to dive deeper into the views of our stakeholders and what they deem important to better understand how we can implement, improve and report on these topics in the future, while simultaneously continuing to integrate ESG further into our business strategy.

In 2022, we plan to carry out a comprehensive, in-depth materiality assessment focused on identifying, prioritizing and benchmarking material topics. Implementing KPIs on our material topics will be our focus in 2022, as it will further develop our initiatives, activities, progress, metrics, performance and disclosures. This materiality assessment will include, but not be limited to, the set of stakeholders described above.

Oversight and responsibility of ESG matters

We consider building an ethical business and driving sustainable growth for our merchants the responsibility of the entire Adyen team. Activities related to ESG matters are managed across several functions and levels (strategic, functional and operational), and are all subject to Management Board and Supervisory Board oversight.

Recently, we have supported the creation of cross-functional working groups focused on diversity and sustainability. These working groups cooperate with our Communications and Reporting teams, and are, together with our Management Board and Supervisory Board, responsible for coordinating and reporting on our ESG strategy, initiatives and disclosures.

Solid governance practices are a critical success factor for driving long-term, sustainable growth. Our two-tier board structure allows for sound oversight, transparency and accountability. Governance of specific ESG topics is shared amongst various Management Board and Supervisory Board committees, and is overseen by the Supervisory Board as the highest governance body.

Supervisory Board committees

Nomination and Remuneration Committee

- Culture
- Executive compensation
- Remuneration
- Diversity and inclusion
- Succession planning
- Talent management and retention
- Learning & development

Audit and Risk Committee

- Risk Management
- Ethics, integrity and compliance
- IT (information security and data privacy)
- Tax

Please refer to the Report of the Supervisory Board for a complete overview of topics discussed by the Supervisory Board in 2021, and to adyen.com/investor-relations/governance for the Terms of Reference of the Supervisory Board committees.

ESG reporting & regulations

Compliance with existing and future sustainability reporting standards allows for increased transparency and comparability, as well as visibility into our business activities for our stakeholders.

From January 1, 2022, we are required to report on our environmentally sustainable economic activities in line with EU taxonomy regulation ("the EU taxonomy"). The EU taxonomy was introduced to provide a common classification system for sustainable economic activities in support of the action plan on financial sustainable growth and EU's climate and energy targets for 2030.

Starting from January 1, 2023, the EU Taxonomy requires credit institution, such as Adyen, to report their Green Asset Ratio (GAR) which illustrates the proportion of a credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets.

In accordance with the EU directive, we have performed an initial assessment to identify total assets covered by the taxonomy, in addition to the numerator and denominator used in the calculation of the Green Asset Ratio. Please refer to the details below:

Gross carrying amount	Gross Carrying amount	Total assets (%)	Total GAR assets (%)
Exposures to EU Taxonomy-eligible economic activities	—	—	—
Exposures to EU Taxonomy non-eligible economic activities	591,328	10%	18%
Total GAR numerator	**591,328**	—	—
Derivatives	—	—	—
On-demand interbank loans	—	—	—
Exposures to undertakings that are not in scope of the NFRD	137,227	2%	4%
Other assets excluded from GAR numerator	2,481,307	43%	77%
Excluded from GAR numerator	**2,618,534**	**45%**	**82%**
Total Assets Covered	**3,209,862**	**56%**	**100%**
Trading portfolio	—	—	
Exposures to central governments, central banks and supranational issuers	2,565,744	44%	
Total assets	**5,775,606**	**100%**	

We initiated our assessment using Adyen's Q4 2021 FINREP report to identify total covered assets in addition to the components of the GAR numerator and denominator. The EBA FINREP report provides the classification of the gross carrying amount of Adyen's assets.

As a first step, exposures to central banks, such as cash and cash equivalents, were identified as being outside of the scope of the GAR. Next, assets excluded from the numerator were identified. These included cash and cash related assets, exposures to undertakings not obliged to publish NFS under NFRD (SMEs and non-obliged NFC's, non-EU counterparties) and other assets (i.e. tangible assets, other assets, etc.). Finally, an assessment was carried out to identify what exposures to financial and non-financial corporates are deemed eligible assets (assets exposed to activities included in the EU Taxonomy Delegate Act). This exercise was performed by referring to the NACE code of each counterparty. It was concluded that as at December 31, 2021, we do not have any assets financing or investing in taxonomy-eligible activities and as such have a negligible GAR. This is due to the nature of our business, which is currently not involved in investing in or financing any type of activities. We will continue to monitor the regulation and update our disclosures, business strategy and product design accordingly.

In light of the CSRD proposal and its upcoming regulatory requirements, we are taking the necessary steps to prepare for compliance with the regulation by full year 2023 (for publications after January 1, 2024).

In the meantime, we would like to disclose how we are taking steps to positively contribute and responsibly manage our impact on the environment and society through other available non-financial disclosure frameworks, such as the Global Reporting Initiative (GRI). GRI provides a standard to guide us in reporting and communicating our economic, environmental and social impacts.

Providing transparency and comparability by reporting in reference to GRI (evidenced by the GRI Index content table in the 'Other information' section of this Annual Report) allows us to inform our stakeholders of the activities that we perform to promote sustainable business practices in a broader financial and non-financial context. Please refer to the GRI Index table for further details of the disclosures included and their location.

Elisa — **Enterprise Sales Manager, Mexico City**

“ I now have the best mix of working from home and the office I’ve ever had. I enjoy the days I spend at home and being able to visit my mum more often, but I’m also looking forward to the days I go to the office, with a team of just 17 people, it feels like I'm with my friends. And as a runner, I love that we have showers at the office – sometimes I go for a run in the morning, take a shower, and go back to work. People think I'm crazy but it’s perfect for me! ”

Benjamin — Account Manager, Paris

“ 2021 definitely became the year of reconnection in my opinion. In 2020 we lost so many shared moments, and in 2021 we could luckily go back and make up for more socially isolated times. It's all about people to me, I also go to the office whenever I can to work with colleagues. But I also reconnected to myself in a way last year – I found more time to live slowly and to prioritize things that bring me joy. ”

People & culture

Building the Adyen team for the long term

We value people for their skills and what they bring to the company. When building for long-term success, we need a team that comprises different perspectives. Whether we're attracting top talent in a new market, developing our people via training and stretch them to make most out of opportunities presented, or when supporting our leadership teams.

We provide our team at Adyen with autonomy. People are challenged intellectually, given ownership, and held accountable. We prefer promoting from our own ranks before considering external hires, and encourage growth across the teams. How far our team members go, and what they focus on, is largely up to them. Working here is an investment in your professional development, as much as it is in Adyen.

The Adyen Formula

We build to **benefit all merchants** (not just one)

We make **good choices** to build an ethical business and drive sustainable growth for our merchants

We **launch fast** and iterate

Winning is more important than ego; we work as a team — across cultures and time zones

We **don't hide behind email,** instead we pick up the phone

We **talk straight** without being rude

We include **different people** to sharpen our ideas

We **create our own path** and won't be slowed down by "stewards"

Formula

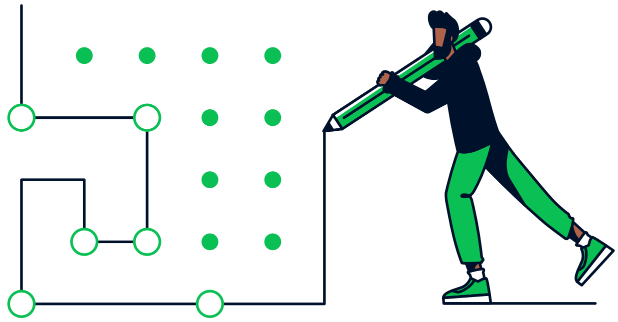
The way we work with our merchants, and as a team, is guided by the Adyen Formula. Consisting of eight guiding principles, the Formula describes our culture and touches upon every aspect of the business. The Formula fosters speed, which is the foundation of our company. We think fast. We work fast. We launch fast. The eight principles that make up this Formula are not permanent — but are constantly evolving to keep pace with our merchants, our business, and the growth of the team.

The Adyen Formula leads how we recruit, grow, and retain colleagues around the world. While building this business for the long term, we believe that maintaining our culture is critical to its continued success.

To ensure that the Formula is as familiar and top of mind for new joiners as it is for early-day employees, we've introduced the Formula Journey.
The program comprises workshops, fireside chats and video materials that help introduce and explain the concepts and principles on which Adyen is built. The program expands on the Adyen Formula and other Adyen staples, including the No Blush policy, Normal Course of Life and our Own Your Career track.

Alberto — Head of Business Development ES & PT, Madrid

“ We really learned to master flexible schedules and routines last year as a family. My wife and I managed to fit in work time, gym time, dinner time, and play time with the kids. Especially with two babies, we got very creative with inventing games — How-can-we help-Martina-to-start-walking-today for example. ”



Talent development

We don't do pre-set career paths at Adyen. You join, learn, and grow in the way that best fits you and the business. We look for the right learning opportunities on an individual level. At Adyen, everyone creates their own path.

Our rule of thumb is to promote internally. Our talent is key to our growth — and we want them to grow with us. The following initiatives help us to ensure we scale the Adyen culture as our company grows, while also sustaining our existing team:

The Adyen Way of Leading Teams is a program that provides team leads with board-led training sessions that teach the mechanics and philosophy of the Adyen leadership style.

- We provide a wide range of trainings for all employees, including career development trainings, professional skills, and an international exchange program that actively encourages people to work across Adyen offices in order to gain experience and train across teams, geographies, and cultures.
- We've built the Adyen Sales Academy, which aims to further train sales staff across the regions wherein we are active.
- We run a number of trainings that relate to running Adyen in a safe and secure way — including mandatory data privacy, security, and compliance trainings for all staff members. These trainings keep the team informed on the latest developments in these areas, and are centered around awareness and the mitigation of risks.
- Leadership-led Dilemma Chats help involve everyone in the company in strategic problem-solving, talking through the tough decisions the team makes every day.
- This year, we launched our Senior Leadership Training Program aiming to help grow leaders in Adyen in tandem with the growth of the company.
- Also new this year, we've built an internal Jobs Board to facilitate career mobility — to create visibility on the opportunities the team has at their hands at scale.
- The Adyen Academies are continually built out, this year saw the launch of the Tech Academy, Account Management Academy, and Operations Academy. Much like the Sales Academy, these programs help shorten onboarding timelines and improve individual and team performance.

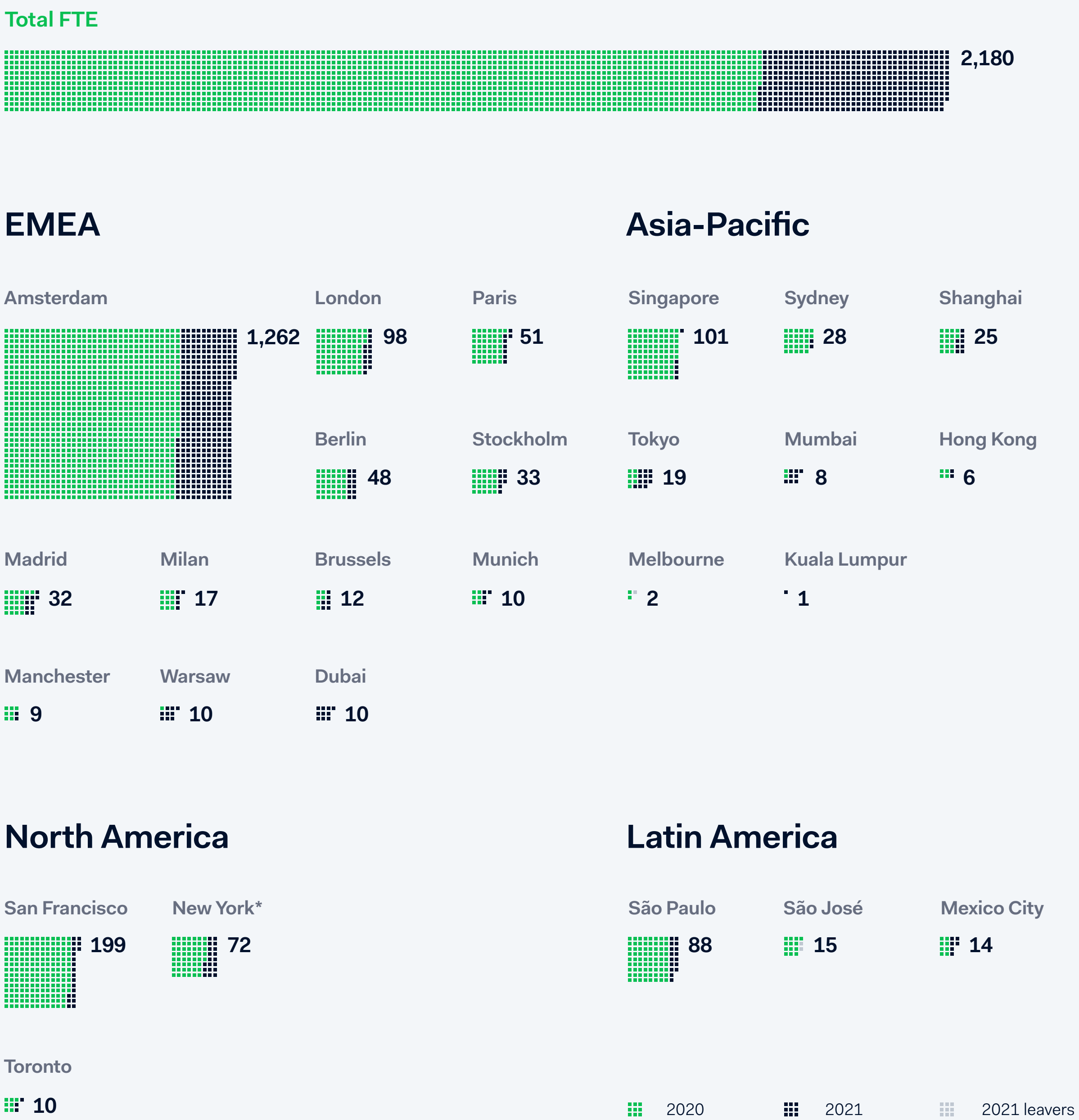


Figure 3
2021 FTE growth

* Boston FTE is categorized under New York as official office location.

Growing the Adyen team

Following the move to working-from-home setting in March 2020, we continued to onboard and train new joiners virtually through introduction sessions and onboarding programs. Again, the team proved highly flexible — something that will remain invaluable for us in the future. We were able to host several social and team-building events during the year, ranging from team sessions to hikes and drinks.

Recently, we have launched two tech hubs in Chicago and Madrid. These tech hubs should provide us with increased global coverage and scale as we build out a technical organization that has historically operated primarily out of Amsterdam. We continue to pursue a hiring strategy of sustainable growth at scale, keeping our rate of absorption in mind.

In 2021, we added 433 FTE to the team, totaling 2,180 FTE at the end of December 2021.

Diversity, Equity, and Inclusion

Key to our long-term success is cultivating an inclusive environment — one designed with equity in mind. This philosophy is also reflected in the Adyen Formula, wherein we stress the importance of involving others to sharpen our ideas. The broader the set of philosophies the team encompasses, the better we can foster innovation and avoid groupthink. In 2020 we founded the Diversity, Equity, and Inclusion (DEI) working group — a team of global Adyen colleagues that help identify key areas to improve on from a DEI perspective.

We are aware that all aspects of diversity are vital to the business, enabling the Boards and the company to look at issues and opportunities from different angles and to respond to challenges in new ways. Diversity is a key driver for innovation and allows us to attract and retain our talented people.

Designing for inclusion: Building a fair and equitable Adyen

In line with the Adyen Formula to include different people to sharpen our ideas, we strive for diversity in all dimensions, including but not limited to race, ethnicity, gender, sexuality, age, culture, disabilities, religion, interest and upbringing. Our guiding principles are captured in our Diversity, Equity and Inclusion policy below, and apply throughout the organization, including for potential members of the Management Board and Supervisory Board.

Diversity, Equity, and Inclusion Policy

1. Improving diversity is a top priority for us. We actively **include a diverse group** of people to sharpen our ideas, strengthening our team by considering all perspectives when making decisions.
2. We proactively look for ways to **add diversity to our teams.** During the hiring process, our diverse hiring team assesses individuals based on the same performance, skills and formula fit criteria.
3. When we hire, promote or reward, we question who else was considered, whether we were fair, and why we made this decision. **We provide credit where credit is due,** and explain the reasoning to all that were considered in the process.
4. We **treat each other fairly** and adapt our approach to individual needs. We support each other in navigating the normal course of life.
5. With an annual DEI survey, we measure progress and aim to improve upon our efforts with every cycle, to **build a more inclusive Adyen.**
6. We make a **conscious effort** to avoid making decisions based on unconscious bias.

ERGs at Adyen

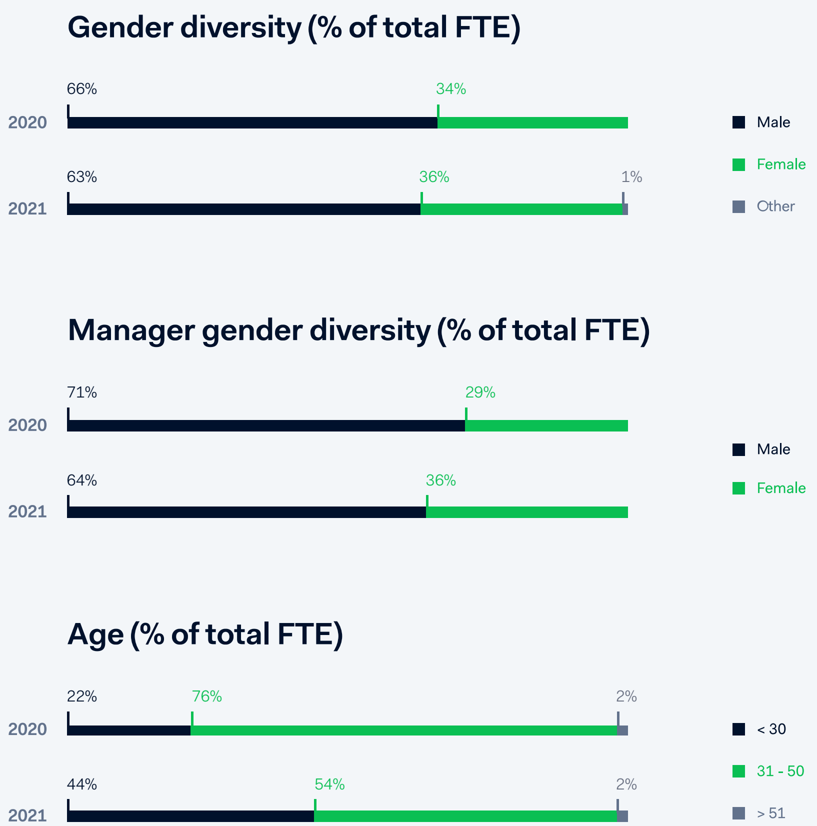
Employee resource groups (ERGs) are employee-led and employee-founded, and provide our diverse workforce with a space to come together, to promote representation and to use a resource for information. ERGs are crucial to the representation of underrepresented communities, and play a part in the building and retention of diverse workplaces. We are proud to see the number of Adyen's ERGs grow, currently including the Adyen Pride community, Parents at Adyen, Women at Adyen, Latinx at Adyen, Black at Adyen, and Asians at Adyen.

Initiatives

In support of our DEI Policy, we have launched a range of initiatives to help track, measure, and improve our efforts. The first and most foundational of these is our annual DEI survey, which anonymously polls every Adyen employee on a variety of DEI benchmarks, both qualitative and quantitative.

In order to bolster our efforts further, we continue to facilitate Unconscious Bias trainings, Building Diverse Teams chats for Team Leads, and Building and Leading Inclusive Teams sprints. We further invested in partnerships with external organizations to help bring in perspectives from underrepresented groups, and we ensured the implementation of diverse interview panels and gender-neutral job descriptions.

Figure 4
2021 Adyen FTE - gender and age



Commitments

We strongly believe in the benefits of a diverse workplace and strive for diverse teams at all levels. In 2021, we have committed to hire, promote and enable underrepresented groups across all levels of the organization, as well as include diverse candidates in our hiring process. As an organization, we will ensure that those from underrepresented groups can be themselves, are able to speak up and be heard, and excel at all levels. Furthermore, we have committed to increase the gender balance of our Management Board and senior management to consist of at least one-third female members.

In 2021, we saw that our efforts and initiatives as mentioned above have resulted in an increased percentage in gender diversity across new starters, our overall workforce, and team leads. We will continue to report on our progress in our Annual Reports.

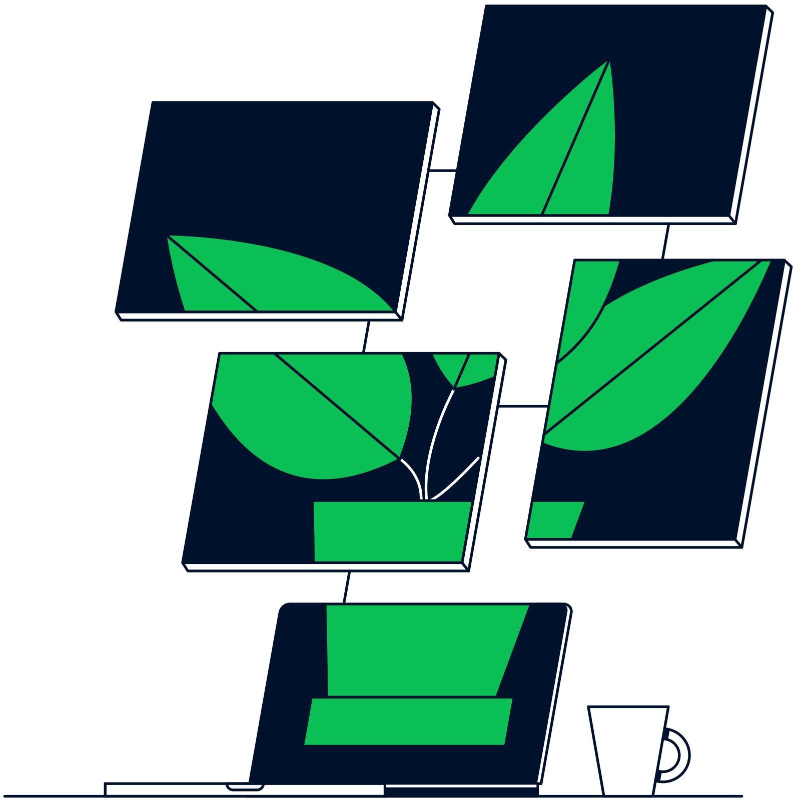
Wellbeing

Due to the unrelenting impact of the COVID-19 pandemic and lockdown restrictions and their resulting working-from-home reality, we invested more deliberately in wellbeing initiatives in 2021. The aim of these initiatives is to improve the physical and mental wellbeing of the team. In order to achieve this, we've designed a range of programs:

- Recharge Week: A week where it's all about reconnecting and having fun by learning some healthy skills and habits both from our own colleagues and even from some of our merchants and external experts in the field. It helps us pause to consider where we are, what we're doing and how we're doing it. We launched Recharge Week to encourage a more holistic understanding of how work ties in and influences our physical and mental wellbeing.
- Company-wide one-year membership to the Calm meditation app, and increased support for mental health services.
- Built out our Normal Course of Life facilities, allowing employees to take time off more flexibly, and to work from different locations.
- Wellbeing trainings and workshops for all members of the Adyen team.

Gbonjubola — Java Developer, Amsterdam

“ It definitely has been a learning process to balance work and life last year. When working from home, I try to be very strict and close my laptop at 5:00 to spend time with my family. For many activities I prefer the vibe of the office. I’m taking Dutch classes for example, and it’s much more engaging and fun to practice with my colleagues in the office while sharing a coffee. ”



Social & environmental responsibility

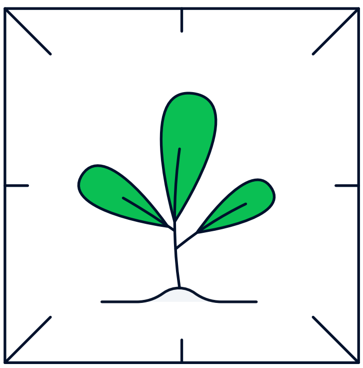
Driving sustainable growth and making good decisions have been central themes to building Adyen since foundation. In our social and environmental responsibility initiatives these values come to life by both addressing traditional criteria, such as offsetting our emissions and facilitating employee volunteering and the build-out of our product suite with technology to do good. Our social and environmental responsibility efforts are guided by the United Nations' Sustainable Development Goals (SDGs). We acknowledge the importance of the SDGs as key metrics in the long-term prosperity of people and planet.

Impact Technology

Our technology allows us to extend our Impact strategy to our merchants and beyond. We believe that we create the most positive impact when staying close to our core. For us, this means supporting our vast merchant network through our single platform. Shoppers' expectations continue to evolve beyond payment acceptance, now expecting to be facilitated in making positive impact in the payment process.

Simultaneously, donor behavior is moving away from structured monthly donations to one-off contributions. As always, we listen to our merchants and their request for donation functionalities — so they can engage with consumers by together positively contributing to social and environmental causes.

Through our Impact products Giving and Restore, we built functionalities to help our merchants and their shoppers do good. In 2021, we further invested in a strong infrastructure that helps businesses generate funds for charities and climate action projects that are close to their brand and strategy. We look forward to continue doing so in the future. We deliver on this promise by building products that are straightforward to implement, do not interfere with business operations and ensure processing costs do not take away from generating funds for good causes — we are not seeking additional margin when it comes to our Impact products.



Rifad — Software Engineer, Amsterdam

“The job of a developer is far more collaborative than people expect, you are not an island writing code all day – especially for bigger projects, you need input from others. Working from home might be great for focus, but at the office, aspects like discussing technical issues or asking questions that pop up in the moment are much more seamless.”

Giving

Giving is our first and most mature Impact product for merchants. Giving enables them to accept donations at checkout online, in-app and in-person. Today, over 35 of our merchants have adopted Giving, predominantly in digital and retail industries in Europe, North America, the United Kingdom and Australia. After building a solid foundation over the past years, the product is ready for scale.

At the core of the product, we ensure that there is no impact to our merchant's business operations. We do so by creating a separate donation transaction which has no impact on our merchant's reconciliation, reporting or existing financial operations. For our merchants, this benefit, paired with the ease of integration as the production is a natural extension of the payment flow, sets the solution apart to traditional donation options in the market.

Our merchants are in the driver's seat to choose their preferred charity, either from their own network or via Adyen's pre-approved charity library (charities we have performed extensive due diligence on) that support the UN Sustainable Development Goals. Giving is flexible and built to cater to merchant's local sustainability and social impact fundraising campaigns. We absorb the full transaction costs of each donation to ensure that 100% of the donated amount goes to the good cause.

Etsy

" Adyen's solution has enabled us to seamlessly engage the Etsy community in supporting our Uplift Fund. It's been amazing to see how a small change in checkout can have such a major impact in addressing the gap in resources available to many communities who are eager to use their entrepreneurial talents. "

Kruti Patel Goyal — Chief Product Officer, Etsy

“ Giving helps us to make it easy and secure for our merchants to donate to charities in our stores with just one tap. In addition, it ensures the transparency we are looking for since our shoppers can contact the NGO directly for any information they need about their donation. For us, Adyen is the perfect partner to continue supporting social causes and facilitate merchants to do good. ”

Nuria Ramirez — Chief Sustainability Officer, H&M Spain

Prince's Trust

“ We've been blown away by the volume of donations. It's so hard to generate that scale of income any other way. ”

Catherine Hutchinson — Partnership and Fundraising, The Prince's Trust UK

Results in 2021

Illustrative to how Giving is scaling is how processed donation volume developed year-on-year. In 2021, we processed €3,423,280 in donation volume – ten times the amount processed in 2020. The funds processed have created additional revenue streams for over 50 charities ranging from global organizations like UNICEF, The Red Cross, UNHCR and Charity: Water, to more localized charities such as Les Restos du Coeur in France, Surfers Against Sewage in the UK and the Prinses Maxima Centrum in the Netherlands.

While Giving supports merchant's local charity campaign needs, we also see the product helping to foster long-term partnerships between our merchants and charities, as inviting their shoppers to give back while they shop creates additional exposure and funding to the charities. In some cases, we even see new partnerships emerge between our merchants and charities in our pre-approved charity library. Considering this, we are solidifying our position to facilitate partnerships for the SDGs, and are able to create long-term value for our merchants, their shoppers, and society.

Jeanne — Event Manager, Paris

“ My biggest moment of pride last year was seeing how the partnership I started with our local charity L’Un Est l’Autre, which cooks and serves meals for homeless and immigrants, blossomed into something beautiful when our entire team here at the Paris office joined! We still use our chat group to share pictures and people still go on the weekend and help out on their own. It was amazing being able to do something nice for the community, and as a lovely plus we connected as a team in a completely new way. ”

KAZIDOMI

“We choose to partner with businesses that maintain a forward-thinking approach to sustainability, as we are a frontrunner in sustainable consumerism. Innovating over shared beliefs, like we did when integrating Restore, is illustrative of how we like to work"

Olivier Vangest — Head of Technology, Kazidomi

Restore

Restore, formally known as Offsets in Checkout, is our latest Impact product. This product enables our merchants and their shoppers to compensate the carbon emissions for either the delivery or the life-cycle of goods at checkout. This provides a simple way for shoppers and our merchants to support climate action projects. Our merchants have expressed a growing need for carbon compensation products in checkout and therefore Restore helps solve this.

In order to ensure the data quality of emissions per purchase calculated, we partnered with South Pole to build a greenhouse gas emissions[2] calculator. Currently, Restore is in pilot phase as we work with our merchants to iterate and build the best product fit for them.

[2] The product feature measures greenhouse gas emissions in tonnes of Carbon Dioxide Equivalents (tCO2e) — covering the six greenhouse gases defined in the Kyoto Protocol by the United Nations Framework Convention on Climate Change. These six gases are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perufluorocarbons (PFCs) and sulphur hexafluoride (SF6).

Local initiatives

Through our local initiatives program we enable our teams to organize grassroots initiatives for the issues their communities face. Our local teams know their communities best and that's why we foster employee-lead, grassroots activities across the globe.

The majority of our offices have created dedicated working groups to assist and implement local initiatives and have the autonomy to set their own goals for their activities, as long as these contribute to at least one of the SDGs. Key themes we see across all offices are fostering long-term partnerships with largely hyper-localized charities, making sustainable choices when it comes to office practices, providing volunteering opportunities for Adyen employees and ensuring team building is incorporated. Here are some highlights from the local initiatives we've seen across the globe this year, selected per region where we are active:

North America San Francisco

Our San Francisco team partnered with the Children's Book Project and collected over 60 books for local Bay Area children in-need. The team had over 40 donors from our west-coast office and plans to continue to foster a relationship with the organization through future book drives and in-person volunteering. The San Francisco office also actively partners with and supports Surf-Rider Foundation and Hamilton Families.

LATAM São Paulo

Our Sao Paulo office supports three education-focused NGO's through ongoing partnerships and funding — Generation Brasil, Instituto Semear and Recode. Generation Brasil offers minorities across 14 countries the possibility to go through one of 26 training programmes focused on developing skills for employability. Instituto Semear was established with the objective of providing quality education to young people from low-income backgrounds through preparing teenagers to attend university and continue throughout their studies by providing financial assistance as well as mentoring. Recode prepares vulnerable youths for a career in tech by providing training in technical and soft skills through its Recode Pro programme. Up until now, more than 30 colleagues volunteered in these initiatives, and more than 120 students were funded.

North America New York

The New York team hosted a virtual Career Day in the spring of 2021 for 40 local college students in partnership with America Needs You (ANY). ANY helps first-generation college students find success through mentorship, career development curriculum and extensive networking. A new initiative in the New York office in the fall was launched with Sharebite, a catering company that prioritizes social impact. Through Sharebite, our New York team was able to work with a local food bank to give back to the community. Furthermore, the New York office supports the Hudson River Park and Room to Grow.

EMEA Amsterdam

Our Amsterdam team revamped the cooperation with Hack Your Future, a non-profit which trains refugees in coding skills. We have currently more than 100 colleagues from the Amsterdam team participating — and received positive feedback with many of the participants landing jobs in the tech industry since. Another education-focused initiative is how colleagues from our Amsterdam office volunteered at JINC, a charity which coaches and trains primary and pre-vocational secondary education students from socio-economically disadvantaged neighborhoods. Close to a hundred children were included in our volunteering contributions and Adyen donated over 80 laptops. The Amsterdam office also supports New Tech Kids, Manara, and IMC Weekendschool.

EMEA Paris

L'Un Est l'Autre is a charity which cooks and serves around 1600 meals per week for homeless and immigrants. In 2021, our French team helped to distribute more than 5500 meals over the year. Adyen financially contributed to the recent upgrade of L'Un Est l'Autre's kitchen equipment in order to improve efficiency for the organization. Furthermore, our French office supports Café Joyeux — a non-for-profit coffee shop with the purpose of training and employing people with cognitive disabilities, such as Down syndrome or autism.

APAC Sydney

Colleagues from our Sydney office participated in Fred's Big Run supporting the The Fred Hollows Foundation, a non-for-profit which aims to restore sight in third-world countries.

Alejandro — Office Manager, Mexico City

“ Being an office manager during COVID has had its ups and downs, so when the office you’re supposed to manage is closed you need to get creative. I made it my priority to build a great culture everywhere, so whether people are at home or in the office, they feel comfortable and welcome. I love that people are slowly coming back – not because they feel pushed but because they really want to and miss it. ”

Environmental sustainability

At Adyen, we constantly strive to ingrain sustainability in the way we work as a business. The decisions we make — from selecting service providers to opening new office locations to business travel and beyond — need to consider our commitment to the planet.

We believe that limiting our environmental impact is part of our license to operate in today's society and recognize that our impact on the planet is a concern for us and our stakeholders. While Adyen's exposure to physical and transitional climate risk is limited (as detailed further under 'Environmental, Social and Governance risk' in the Risk Management section), we are committed to reducing our carbon emissions. For those emissions that cannot yet be reduced, we offset them in order to maintain our status as a carbon neutral company. We are currently assessing how best to invest our resources to make a positive impact on our environment.

In 2021, we established a global Sustainability working group to further implement sustainability across the company. The Sustainability working group raises awareness, identifies strategic sustainable initiatives and focuses its efforts on reducing Adyen's carbon footprint. Furthermore, the team seeks out ways to minimize Adyen's environmental impact, both within local communities and worldwide. Our Chief Financial Officer oversees the Sustainability working group, and upholds the responsibility of its decisions to the chairman of the Supervisory Board.

The below sections illustrate the outcomes of some of the initiatives we are working on and details the progress we are making as we further embark on our sustainability journey.

Reduction

Four significant emitters Adyen intends to target, include, but are not limited to, the supply chain of terminals, the energy used by our data centers, the expansion and building of new offices and business travel. The following case studies illustrate some of the work that we have undertaken in 2021 in each of these areas:

Terminal recycling

In 2013, Adyen expanded its product offering to include POS. Starting from 2016, we have been refurbishing and recycling our terminals, and we began to record our recycling practices in 2019.

To date, we refurbished and reused 66% of the terminals returned to us. The remaining 34% were recycled with our certified partners. While our preference would be to refurbish as many terminals as possible, recycling is considered when terminals are reaching their end-of-life and must be replaced by newer models.

Data centers

One of our key reduction efforts has been the optimization of our data centers' energy usage. In 2021, 88% of the energy we used in our data centers was covered by renewable energy.

As we continue to expand globally — and sourcing renewable energy is not yet equally accessible across countries — it will be a challenge to maintain and improve on the high level of renewable energy coverage we currently maintain. Notwithstanding, we will strive for solutions to keep this coverage as high as possible, improving our efficiency on a global scale.

New office buildings

We continue to open new offices and up-sizing existing locations at scale and particularly focus on sustainability and social impact while doing so. For example, with expanding and leasing new offices in Amsterdam we utilized local, sustainable materials and worked with local companies during the construction process to support the Amsterdam communities. In London, we worked together with a local design team to use locally-sourced products throughout the build. This commitment to local products contributed to keeping unnecessary delivery emissions to a minimum. We used a variety of different refurbished and recycled materials across the fitting of the office.

Travel

Adyen was built on the foundation of working together as a team and creating meaningful relationships with our merchants. As a result, we are aware that business travel is one of our largest emitters — one that we must act upon. This is why we introduced the Adyen 'Travel Formula' this year. The Travel Formula is aimed at making us travel smarter than we did pre-pandemic, with key points around the necessity of travel, sustainable alternatives, and efficiently planning international meetings. With local lockdowns lifting and travel restrictions relaxing, we look to the future and a slow return to travel where we will use this Formula as a guidance towards making more sustainable choices and limiting our emissions.

In addition to our Travel Formula, we invested in carbon removal credits to match the volume of CO2 emitted from our business travel. For 2021, we purchased 1,668tCO2 of the CarbonCure project in the US.

CarbonCure - Enabling the concrete industry to improve operations while reducing its carbon footprint, USA

The carbon emitted from the manufacturing of building materials and construction is estimated to account for nearly 50% of carbon emissions from new construction over the next three decades. CarbonCure's technology is retrofitted into concrete plants to allow concrete producers to inject a precise amount of captured CO_2 into fresh concrete during mixing. Once injected into the concrete mix, the CO_2 reacts with the calcium ions in the cement to form a nano-sized mineral, Calcium Carbonate, which becomes embedded in the concrete. Best of all, the CO_2 mineralization also increases the concrete's strength, resulting in economic and climate benefits—truly a win-win solution.

Next steps

Now we have a clear view of what our material emission sources are, we are focusing on how to design our reduction efforts. In 2022, we will be formalizing these reduction targets. We recognize the need to further monitor and report on reducing our footprint. Targets are not a goal in and of itself, but help us hold ourselves accountable. This will be our priority, alongside the continued expansion of our reduction efforts and the strategic sustainability investments that we have begun.

Carbon neutrality

We annually calculate our carbon footprint through a greenhouse gas (GHG) audit, which measures the amount of CO_2e emissions for which we are accountable. Through our partnership with South Pole, we are able to offset these emissions by supporting environmental sustainability projects. As outlined above, we recognize that carbon reduction tops carbon compensation and remain committed to offsetting the remainder of our emissions.

We follow the scopes of the Greenhouse Gas Protocol: Accounting and Reporting Standard to measure Adyen's GHG emissions. Scope 1 and 2 emissions are calculated using data from our offices across the world, reflecting how we heat and cool our offices along with the electricity we use. Scope 3 emissions stem from mileage (air travel and ground transportation), data center energy use, hotel stay duration, spend on purchased goods, and outsourced activities.

Meliza & Sabine — Facilities Managers, Amsterdam

“ Whether it was from home or from the office – we have been working hard on facilitating the opening of our new Amsterdam office spaces. Our main priority for the buildings is that it has to feel like a great place for our colleagues to come back to and experience all the little things they missed while working from home. Having a chat at the coffee corner, bumping into a colleague in the elevator, and bouncing off ideas during lunch – we wanted the new office to be a home and a testament of how we work together as a team. ”

Adyen's 2021 operational GHG emissions, measured in $tCO2e$[3]

Scope	Emissions (tC02e)	% of total	tCO2e/ FTE
Scope 1: direct GHG emissions These emissions are emissions from sources owned or controlled by us — such as refrigerants used to heat or cool our offices.	231	1%	0.11
Scope 2: indirect GHG emissions from purchased electricity, heating and cooling These emissions cover indirect emissions, such as purchased electricity for our buildings and data centers.	2,212	12%	1.01
Scope 3: other indirect GHG emissions These emissions stem from activities that are not directly owned or controlled by Adyen — think of air travel, hotel stays and employees' homes.	15,792	87%	7.24
Total GHG emissions	**18,235**	**100%**	**8.36**

For the second year running, we have decided to take our responsibility one step further and include the energy usage of our products in our footprint calculations. That means that we calculate the emissions generated by each individual transaction on our platform — on POS terminals, online and through mobile payments — and include it in the emissions that we offset.

The effect of working from home was considered in our calculations for the second year in a row too. Normally, our emissions are mainly derived from the operations within our offices and business travel. As a natural result of the COVID-19 pandemic, many of our employees continued to work from home across 2021, meaning lower office emissions, but higher personal emissions within each employee's homes. For this reason, we included an estimation of increased CO2e emissions from homes, so that we could still consider all of our business activities in our annual offsetting calculations.

Overall, we saw an increase in Scope 3 emissions when compared to 2020. This is primarily due to the expansion of the business both in terms of our team and offices. The purchase of new servers for our data centers and the increase in the number of transactions on the Adyen platform in 2021 led to significant increases in the overall scope emissions. The new leases and office expansions that we took on worldwide also played a significant role in the elevated numbers.

Environmental sustainability projects

This year, the environmental sustainability projects we supported were focused on the SDGs of climate action and quality education. We have chosen to continue our support for the projects in which we invested in in 2020 — TIST (Uganda) and Kariba (Zimbabwe), as we firmly believe in the long-term goals of these ongoing projects.

We also added a new project to our portfolio, focusing on metro travel improvements in India, as we have expanded our business in the country. Each of the projects are helping to bring lasting solutions to these Sustainable Development Goals.

[3] The measure for our greenhouse gas emissions is tonnes of Carbon Dioxide Equivalents (tCO2e) — covering the six greenhouse gases defined in the Kyoto Protocol by the United Nations Framework Convention on Climate Change. These six gases are carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perufluorocarbons (PFCs) and sulphur hexafluoride (SF6).

Delhi Metro Rail Corporation — Metro energy efficiency, India

This project reduces energy consumption levels of the Delhi Metro Rail Corporation (DMRC), creating greener transport infrastructure and supporting a range of programs that contribute to the sustainable development, setting a standard for implementation across India. The project activity reduces electricity consumption through various energy efficiency systems in lifts, escalators, lighting and air conditioning.

TIST Program Empowering subsistence farmers in Uganda

Farming for the survival of an individual or family, also known as subsistence farming, is commonplace throughout the majority of rural communities in Uganda. Via education-focused projects, the International Small Group and Tree Planting Program (TIST) aims to break the cycle of deforestation, drought, famine, and poverty by empowering populations reliant on subsistence farming via education-focused projects. These projects empower and train local farmers in their reforestation and agricultural efforts — for example, by educating on how to plant trees for maximum protection from runoff and erosion, and simultaneously conserve water and stabilize soil to increase crop yields. In terms of building sustainable livelihoods, participants in the TIST Program receive stipends from the sale of carbon credits based on the GHG benefits created by their efforts.

Kariba Reforestation and wildlife protection on the shores of Lake Kariba, Zimbabwe

In recent decades, more than a third of forests have been cleared in Zimbabwe to make space for subsistence farming and fuelwood, as the rocky political and economic climate has left many communities with no other option. The Kariba project protects around 785,000 hectares on the shores of Lake Kariba from deforestation and land degradation. This large biodiversity corridor is home to many vulnerable and endangered species, and prevents 3.5 million tonnes of CO_2 from being released into the atmosphere annually. The project also supports regional sustainable development and promotes the independence of local communities by providing healthcare, clean drinking water and education on project-related activities such as agricultural practice, beekeeping and borehole maintenance.

Risk management

Adyen recognizes that risks are associated with achieving its strategy and business objectives. Adyen aims to be risk aware without being unduly risk averse. Adyen therefore actively manages its risks to protect and grow the company, it has adopted a uniform and systematic approach for managing risks. Adyen's integral risk management framework is based on the Enterprise Risk Management (ERM) model as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2017.

Risk governance

Adyen has established a risk governance that is consistent with the size and complexity of the organization and the risk profile of the company. Adyen's governance identifies, establishes and reinforces the importance of oversight responsibilities for risk management. The Supervisory Board supervises and advises the Management Board. The Audit and Risk Committee is charged with supervising, monitoring, and advising the Management Board in relation to the functioning of the internal risk management and control systems.

The Management Board is responsible for maintaining an adequate system for risk management and internal control. The Management Board has instituted a Risk Committee to support them with risk management oversight. The CFO, CLCO, and CTO represent the Management Board in the Risk Committee. The Corporate Risk and Internal Control team reports its findings from monitoring Adyen's risk profile to the Risk Committee. The Risk Committee keeps the Management Board informed of the observations, recommendations, and deliberations on findings regarding risk management and internal control. The Risk Committee reports any material risk limit breach that would place Adyen at risk of exceeding its risk appetite promptly to the Management Board.

Three-lines-model

Adyen has adopted the three-lines-model, which reflects the segregation between operations (first line management), the risk management, security and compliance functions (second line), and the independent internal audit function (third line). The first line owns and manages risks, the second line sets control standards and monitors adherence to them, and the third line—internal audit—provides assurance on the adequacy of the first two. The Corporate Risk and Internal Control team supports the Management Board and Risk Committee with its risk oversight, management of the risk framework, setting of the relevant risk management policies, risk appetite, and independent monitoring of key risks, limits, and controls.

Soraia — Marketing Manager, Sao Paulo

“ I had quite some me-time in 2021, and actually really enjoyed that. I got to explore different clothing styles, I changed my hair, tried new work-out classes, I pretty much had time to find a new me. In between lockdowns, I even got to go on my first work trip, which was such an adventure! We worked the full week on a big marketing project, it was an intense week but so much fun, definitely a highlight of my year. ”

The Adyen Way of Being In Control

We always **ask why** and are **critical**, we don't just tick the box

Your work impacts others, **involve them**

We evidence our work **at the source**, we don't replicate it

If you see a problem, **act on it**

We all make mistakes, we **seek help** and **share** as soon as we find out

Always look for improvement, **automate** processes continually & **challenge** the status quo

The **formula** guides our behavior, policies **support it**

Risk culture

Culture is a key aspect of risk management at Adyen. Our people establish the mission, strategy, and business objectives, and put risk management practices in place. Adyen believes that a strong culture serves as a safety net to guide people in making good decisions. Therefore, Adyen promotes and safeguards the key elements of culture through the Adyen Formula and the Adyen Way of Being In Control.

Strategy, objective setting, and risk appetite

At Adyen, risk management, strategy, and objective-setting work together. Operational objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

Risk appetite defines the amounts and types of risk Adyen is willing to accept in pursuit of its objectives. A low risk appetite implies a low acceptable residual risk and therefore requires a stronger risk response and stricter internal controls. A higher risk appetite may allow for additional activity and less strong internal controls. Adyen's risk appetite is aligned with its strategy. Changes in strategy and willingness to assume risks or external developments may result in an updated risk appetite, which is ultimately bound by Adyen's risk capacity.

Adyen has translated its view on risk appetite into risk appetite statements, which set the overall tone for Adyen's approach to risk taking. In 2021, the Management Board performed its annual review and updated Adyen's risk appetite statements and risk limits, which were discussed in the Audit and Risk Committee, and approved by the Supervisory Board.

Event identification and risk assessment

Adyen performs a top-down, company-wide risk assessment at least annually. The purpose is to assess principal and emerging risks in order to focus attention on the most significant threats and opportunities. The Management Board has updated its company-wide risk assessment in 2021. For a more detailed description of the principal risks, see the Risk Factors section. The top-down, company-wide risk assessment is complemented by a multitude of bottom-up risk assessments. These can be conducted at process level or can be aimed at specific risk categories. A notable example of the latter category is the Systemic Integrity Risk Analysis ('SIRA') which focusses on integrity risks.

Adyen has continued in 2021 with expanding the use of its GRC tooling to support the evaluation of the effectiveness of its control framework. One of the additions allows us to map our risks and controls to various industry and regulatory compliance frameworks simultaneously. This creates significant efficiency gains for both first and second line functions.

Control activities

Adyen uses COSO's Internal Control — Integrated Framework (2013) as a reference for its design, implementation, and evaluation of control activities as part of a system of internal control. Adyen has implemented internal risk management and control systems to manage the risks effectively and efficiently and to provide reasonable assurance that objectives can be met. Policies and procedures ensure that employees understand their role in Adyen's risk and control systems. Fraud risk prevention, for example, starts with the identification of potential internal and external fraud risk scenarios. This identification is a process that continues throughout the year, with a notable detailed analysis during the yearly SIRA exercise. As a first step the identification, analysis and determination of the internal and external fraud risks relevant to Adyen takes place, followed by the nature and inherent size of these risk. Subsequently, the relevant controls that are in place are mapped to the risks. Finally, Adyen concludes on the overall residual risk and an assessment is made to what extent the remaining residual risk is within Adyen's risk appetite. Adyen's key internal fraud risk scenarios include the manipulation of financial results, the misuse of confidential information, and the misappropriation of assets. Relevant mitigating controls mapped to these internal fraud risk scenarios vary in origin. There are governance measures, such as oversight by the Management Board, Internal Audit, Compliance and the Audit Committee. Adyen also applies measures aimed at people, conduct and culture, such as an anti-fraud policy, employee background screening, a whistleblower policy and a targeted training program. Furthermore a broad range of detective controls at process level are present, such as system monitoring, reconciliation and auditing. These are complemented by preventive measures that include review and approval flows and segregation of duties. Whenever fraud is suspected or reported, an internal investigation is conducted and corrective actions are taken. Adyen's key external fraud risk scenarios include merchants providing Adyen with fraudulent documents, circumvention of Adyen's fraud prevention system through brute force or fraud rings, and merchants initiating fraudulent transactions. Relevant mitigating controls mapped to these external fraud risk scenarios include both preventative and detective controls, such as customer due diligence, customer screening, security monitoring, vulnerability management, access controls, and transaction monitoring. Adyen by ways of it's management assessed that the relevant controls and mitigating measures in place sufficiently mitigate the identified internal and external fraud risk scenarios. There were not any internal fraud cases or suspects thereof identified. During the year, no significant external fraud cases were identified. However, with regards to any minor cases identified, Adyen undertook timely corrective actions.

Stress testing

Adyen uses stress testing to understand the potential impact of adverse events on its business model, capital, and liquidity ratios. The stress scenarios are based on exceptional but plausible events with an adequate degree of severity. Adyen also performs stress testing to evaluate the reliability of capital and liquidity plans under stressed conditions using scenarios and risk factors prescribed by the regulator. Adyen performs these tests in accordance with EBA guidelines on stress testing. In 2021, Adyen's Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) confirmed its high financial shock absorption capacity and high capital and liquidity ratios.
More information on Adyen's capital and liquidity ratios can be found in the 2021 Transparency and Disclosure Report (Pillar 3) at www.adyen.com/ir.

Effectiveness of risk management and internal control systems

In compliance with principle 1.2 of the Dutch Corporate Governance Code, the Management Board is responsible for establishing and maintaining an adequate system for risk management and internal control.
Adyen has implemented internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with financial reporting standards. In compliance with principle 1.4 of the Dutch Corporate Governance Code, the Management Board annually evaluates the effectiveness of the design and operating of its risk management and control systems. Per December 31, 2021, no major failings in the effectiveness of the internal risk management and control systems were observed, nor were significant changes to these systems made or major improvements planned. The Management Board has discussed the evaluation of its risk management and control systems with the Audit and Risk Committee and Supervisory Board.

Risk factors

In compliance with principle 1.4 of the Dutch Corporate Governance Code, the Management Board has updated its company-wide risk assessment in 2021. This section describes the principal risks that could potentially affect Adyen, with further detail on financial risks provided in note 12 of the financial statements. While Adyen believes that the risks described below are the material risks concerning Adyen's business, they are not the only risks relevant to Adyen. Other risks, facts, or circumstances not presently known to Adyen or that Adyen currently deems to be immaterial, could individually or cumulatively prove to be significant and could have a material adverse effect on Adyen's business, results of operations, financial condition, and prospects.

Strategic and business risk

Adyen accepts strategic and business risk knowing that in order to achieve its strategic objectives it will consume capital when investing in new assets, people, and processes. In pursuance of its strategic objectives Adyen values a solid financial and capital outlook.

Reputational risk

Adyen has low appetite for reputational risk and aims to avoid actions that trigger negative international media attention and/or significant reputational damage. Any negative publicity about Adyen, the quality and reliability of its products and services, changes to its products and services, its ability to effectively manage and resolve complaints, its privacy and security practices, litigation, regulatory activity, and the experience of merchants and shoppers with its products or services, could adversely affect its reputation and the confidence in and use of its products and services. Harm to Adyen's brand can arise from many sources, including failure by Adyen or its partners to satisfy expectations of service and quality, inadequate protection of sensitive information, compliance failures and claims, litigation and other claims, employee misconduct, rumors or false stories, and misconduct by its partners, service providers, or other counterparties. Adyen wants to build an ethical and sustainable business and therefore actively mitigates risks that could negatively affect the Adyen reputation or brand. Failure to meet carbon-reducing policy goals, for example, could cause reputational damage and result in low ratings in sustainable investment indexes, affecting the share price. Adyen prides its commitment to goals that improve the business, social and environmental footprint. Refer to the ‘Social Responsibility’ section for an overview of Adyen’s sustainability efforts.

Competition

Adyen competes against a wide range of businesses. These competitors might have a dominant position, or offer other products and services to shoppers and merchants that Adyen does not offer. Some competitors have greater merchant bases, volume, scale, resources, and market share compared to Adyen, which may provide significant competitive advantages. Furthermore, Adyen is facing competitive pressure from non-traditional payments processors and other parties entering the digital payments industry, which may compete in one or more of the functions performed in processing merchant transactions. Adyen has a moderate risk appetite for competition as it is accepted that it will experience competition as it seeks to increase market share, thereby potentially reducing profit margins. But not at all cost — if pricing is not sustainable, then Adyen will not pursue a deal. In general, Adyen is able to react quickly to market developments due to how its technology and solutions are structured.

Disruptive innovation

Adyen expects that rapid and significant advancements in technology will continue. These changes may be more superior, cheaper, and impair or render obsolete the products and services Adyen offers. If Adyen is unable to provide enhancements and new features that achieve market acceptance or keep pace with rapid technological developments and evolving industry standards, its business could be materially and adversely affected. Adyen accepts disruption and innovation as standard market practices. As such, Adyen continues to build and actively invest in its single platform solution. Adyen has established solutions and workstreams that continuously work on improving its service offering based on merchants' needs. Through the setup of the solutions and workstreams with product, technical, and commercial staff, Adyen can work closely with its merchants and quickly address their evolving needs.

Access to card networks

The majority of transactions processed on the Adyen platform go through international credit and debit card networks. In order to access these card scheme networks to provide acquiring, processing, and issuing services, Adyen must have the relevant geographically based operating licenses or memberships. In some markets where it is not feasible or possible for Adyen to have a direct license with a card network, Adyen has a relationship with a local financial institution to act as a local sponsor for the license. Adyen has low appetite for failure to comply with card network rules or for any other deterioration in its relationships with the card networks, which could result in the restriction, suspension, or termination of Adyen's own licenses, or the use of sponsoring banks' licenses.

Concentration of merchants

Some of Adyen's largest merchants provide significant contributions to its net revenue. Large merchants typically have arrangements with multiple payment service providers (primarily in order to mitigate their single-point-of-failure risk). These merchants could terminate their contracts or shift business away, leading to lower processed volumes and net revenues. Adyen has low risk appetite for commercial dependency and therefore continues to execute its growth strategy to board new merchants from different verticals on its platform. Adyen believes that its merchant portfolio is well diversified, as was evidenced during the pandemic.

Macroeconomic conditions

Adyen accepts that entering and operating in markets with some macroeconomic volatility could lead to financial losses. Uncertainty about global and regional economic events and conditions, may result in shoppers and merchants postponing spending, which could have a material adverse impact on the demand for Adyen's products and services. Adyen therefore monitors relevant indicators and has for example observed inflation rates going up in several key markets during 2021, to which it was able to formulate risk responses during the year.

In December 2020, Adyen formally applied for providing regulated services through a UK Branch. Currently awaiting formal authorization, Adyen makes use of the Temporary Permission Regime to continue servicing UK merchants on a cross-border basis without disruption.

Intellectual property rights

As substantially all of Adyen's intellectual property is developed in-house, the protection of such intellectual property, including Adyen's platforms, trademarks, copyrights, domain names, trade dress, and trade secrets is important to the success of its business. Adyen seeks to protect its intellectual property rights by relying on applicable laws and regulations, as well as a variety of administrative procedures. Nevertheless, Adyen's intellectual property rights may be contested, circumvented, or found unenforceable or invalid, and Adyen may not be able to prevent third-parties from infringing, diluting, or otherwise violating them. Any failure to adequately protect or enforce Adyen's intellectual property rights or significant costs incurred in doing so could diminish the value of its intangible assets.

As the number of products in the technology and payments industries increases and the functionality of these products further overlaps, Adyen may become subject to intellectual property infringement and other claims. Adyen’s international growth and development of intellectual property in new jurisdiction can also influence it’s risk of claims. The ultimate outcome of any allegation is often uncertain and, regardless of the outcome, any such claim, with or without merit, may be time-consuming, result in costly litigation, divert management's time and attention, and require Adyen to, among others, stop providing transaction processing and other payment-related services or redesign, stop selling its products or services, pay substantial amounts to satisfy judgments or settle claims or lawsuits, pay substantial royalty or licensing fees, or satisfy indemnification obligations that Adyen has with certain parties with whom Adyen has commercial relationships.

Execution risk

Central to the success of Adyen has always been the ability to innovate and respond quickly to opportunities that arise. The organizational competences of speed and decisiveness will also be key in realizing future strategic objectives. Adyen therefore actively mitigates its execution risk, which it has defined as increased complexity leading to a loss of organizational focus and loss of ability to act effectively. Most notably this can be seen via its organizational structure and governance. This structure is relatively flat, aimed at direct co-creation and focuses on growing the business through solutions and workstreams.

Environmental, Social and Governance risk

Climate and environment-related risks are commonly understood to comprise two main risk drivers: Physical and transition risks. Physical risk refers to the financial impact of a changing climate. Physical risk is categorized as “acute” when it arises from extreme events, such as droughts, floods, and storms, and “chronic” when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction, and resource scarcity. This can directly result in, for example, damage to Adyen property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of the Adyen supply chain. Transition risk on the other hand, refers to a financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

Adyen is not a traditional bank and does not hold assets on its balance sheet that have an inherently high exposure to physical climate risk. It is also not straightforward to make the connection between transition risk and Adyen’s payments business model. As a result, there is not a broad array of inherently high risk climate and environment-related risks.

As its main inherent climate risk, Adyen does recognize the potential adverse impact on Adyen’s ability to provide services to its merchants. Prolonged power outages due to natural disasters could have a devastating impact on critical infrastructure used by Adyen and its service providers. Adyen's headquarters are located in Amsterdam, which is a city potentially vulnerable to flood due to the gradual rise of sea levels. Physical risk could also occur in other locations where Adyen's offices or vendors are located. Adyen's offices are typically close to its merchants in metropolitan areas, which could make Adyen vulnerable to the adverse impact from pandemics.

There are structural measures Adyen has implemented that mitigate its environmental risk exposure. The one single platform of Adyen is designed to create redundancy in its critical infrastructure and operations, surpassing traditional back-up setups, as is detailed in the section on availability. Adyen furthermore continues to diversify its global customer portfolio to mitigate any reliance on sectors and markets, which could be more vulnerable to climate-related and environmental risks, both physical as well as transitional.

Adyen also considers the risks it may encounter due to social developments. Specifically how its own workforce develops and the relationship to the society in which it operates, and the political environment. Society sees a role for private companies to support positive social change and Adyen is contributing. It would be limited to only point at reputational risks in this context, diversity is seen as fundamental to Adyen's company culture. It is included in the Adyen Formula which states we involve others to sharpen our ideas. Adyen's Diversity, Equity and Inclusion (DEI) initiatives and DEI policy are further testament to this. Adyen risk management identifies and monitors social factors and their effects throughout the year during risk assessments. Adyen also conducts a yearly culture audit, and actively considers geopolitical developments in light of its supply chain as well as interest and inflation expectations.

Governance risk relates to decision making, at Adyen in particular with respect to the distribution of rights and responsibilities among different participants in the company, including the board of directors, managers, shareholders and stakeholders. Mitigating factors are sound management structures, policies and procedures, healthy employee relations, well-thought remuneration and tax compliance.

Adyen sees governance risks as directly connected with the robustness and resourcefulness of the procedures for compliance with the framework of relevant laws and regulations wherein Adyen operates. However, Adyen does go beyond evaluating just the formal routines for compliance, as the company consciously connects to voluntary frameworks such as GRI and sees the company culture as a prime measure in mitigating governance risks.

A considerable amount of new ESG regulation, with accompanying disclosure frameworks, approach Adyen, as explained earlier in this Annual Report. In preparation, Adyen has further integrated ESG during 2021 in its overall risk management framework.

Operational risk

Adyen recognizes that operational risks are associated with achieving its business objectives. Operational risk concerns the risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events, including legal risk. Adyen has a moderate appetite for operational losses. During 2021, Adyen remained well within its risk limits that were set as a reflection of its risk appetite for operational risks.

Merchants' potential liability for shopper chargebacks

When shoppers claim that a merchant has not delivered goods or services as agreed, issuing banks can file chargebacks. Adyen seeks to offset such chargebacks with the payouts to the merchant, but may not be able to succeed in full. While Adyen has implemented risk mitigation, including withholding funds from the payouts to its merchants based on assumptions and estimates that Adyen believes are reasonable to cover such eventualities, the measures, including the withheld funds, may not be sufficient.

Adyen has a dedicated MPL team that closely follows the development of this risk. The team frequently discussed its observations and recommendations with the Merchant Risk Committee, Management and Supervisory Board throughout the year. Despite the prolonged pandemic lockdown measures in 2021 Adyen has not incurred sizeable MPL losses due to chargebacks during the year. The cumulative MPL losses were well within the set risk appetite.

Availability, connectivity, and performance of products and services

Adyen has a low appetite for issues in the availability, connectivity and performance of the platform. Adyen's systems and those of its third-party service providers, including data center facilities and communication networks, have experienced service interruptions in the past and may experience significant service interruptions in the future. Frequent or persistent availability, connectivity, or performance issues could cause current or potential merchants to believe that its systems are unreliable, leading them to switch to a competitor or to avoid Adyen's products and services, potentially harming Adyen's reputation and brand permanently. Moreover, to the extent that any platform failure or similar event results in damages to Adyen's merchants or their business partners, the merchants or partners could seek significant compensation or contractual penalties from Adyen for their losses, which, even if unsuccessful, could likely be time-consuming and costly for Adyen to address and divert management attention. Furthermore, frequent or persistent interruptions could lead to regulatory scrutiny, significant fines and penalties, and/or mandatory and costly changes to its business practices and could ultimately cause Adyen to lose existing regulatory licenses or prevent or delay Adyen from obtaining additional regulatory licenses that Adyen needs to expand its business.

Adyen has built its platform and services to avoid the presence of single points of failure, and to ensure that sufficient capability exists to continue normal operations for critical processes despite the loss or unavailability of corporate resources, from information technology, physical locations or even personnel and whole departmental structures. The highly available platform is designed to withstand individual telecommunications, systems and data center instance failures. During 2021, on one operational incident Adyen underperformed the Wft norm. However, no claims were identified and this incident was resolved and used as input for further improvements to configuration. Adyen staff is fully equipped to work remotely, and have been doing so without impact to our payment processing ability.

Information security risk

Adyen and its merchants, partners, and others who use its services, obtain and process a large amount of sensitive data. Adyen's and its partners' IT systems may be vulnerable to physical and electronic breaches, computer viruses and attacks by cyber-criminals, internet fraudsters, employees or others. This could lead to, amongst other things, a leakage of merchants' data, damage related to incursions, destruction of documents, inability or delays in processing transactions, and unauthorized transactions. Adyen has a low appetite for information security risk which includes cyber security risk. Any real or perceived privacy breaches or improper use of, disclosure of, or access to such data could harm Adyen's reputation as a trusted brand in the handling and protection of this data. Although Adyen carries cyber liability insurance that it believes to be reasonable to cover such eventualities, such insurance may not be sufficient to cover all potential losses or could come at a price where it is no longer economically sensible to take out in the future.

Adyen's Security Officer is responsible for managing the Information Security Program. The goal of the Information Security Program is to ensure the ongoing confidentiality, integrity, and availability of data, systems, and processes at Adyen, and to ensure that specific information security compliance programs are maintained and externally assessed as appropriate. Adyen undertakes background checks for new hires. Training is undertaken on IT security on the first day at Adyen. A follow-up general security introduction, which addresses privacy and confidentiality policies, must be completed within two months of start date. Annual refresher training on topics as privacy and security is mandatory for all employees. Adyen's risk-based approach has resulted in an efficient and flexible IT infrastructure, which enabled a very steady and stable transition to the work-from-home environment.

Information security will be a structural risk for Adyen, and strengthening our capabilities to mitigate the evolving risk is therefore continuous. Information security risk was not necessarily higher in 2021 compared to previous years, but did have its specific events.

Adyen saw for example increased DDoS threats in the beginning of the year which Adyen was able to shield effectively, but logically also led to lessons learned. Another example was the Log4j event in December 2021. Within 12 hours from first becoming aware of the Apache Log4j vulnerability, the Adyen platform was upgraded and the fix was verified by Adyen's Security team. A second and third iteration were done when Log4j versions 2.16.0 and 2.17.0 became available. Although the mitigating factors and existing measures confirmed no exploitation would be possible, Adyen patched all platform and supporting services diligently and also here took on the lessons learned for future development.

Third party risk

Vendors and supply chain dependencies could negatively impact Adyen's operations and security of data, systems, and services. Adyen has a low appetite for dependency on third-parties in its critical processes. Adyen strives to minimize outsourcing of activities directly related to its core processes or platform to avoid dependency on suppliers. Adyen believes that not being limited by third-party software in its core operations is a key factor in its ability to rapidly increase the number of transactions that the platform can process. Adyen has established a Third Parties Policy, which defines a framework, including clear ownership, for assessing third-party risk. Adyen is monitoring third-party risk on a continuous basis with support of a third party risk management tool. In 2021, Adyen carried out a periodic review on its most important third parties to update their risk profile and monitor compliance with the policy. The review was completed on all in-scope vendors, resulting in reclassifications, updates of third-party risk profiles or off-boarding advice due to inactivity.

Data privacy

Adyen is subject to several privacy and data protection laws and regulations, such as the GDPR, CCPA and LGPD (referred to as "privacy laws") relating to the collection, use, retention, security, processing, and transfer of personal data about its merchants, shoppers, third-parties and others, and their transactions in the countries wherein Adyen operates. Adyen's expanding global footprint and product offering requires Adyen to steadily adapt, improve and strengthen its processes and procedures and closely monitor any changes to new and existing privacy laws.

Any failure, or perceived failure, by Adyen to comply with its privacy policies or with any applicable privacy laws in one or more jurisdictions could result in proceedings or actions against Adyen by governmental entities or others, including class action privacy litigation in certain jurisdictions, significant fines, penalties, judgments, and reputational damage. Adyen has a low appetite for data privacy risks and promotes a culture of diligence and high ethical standards with regards to the collection of information. Please refer to the 'Data Privacy' section in this Annual Report for more information on the topic.

Entrepreneurial culture

Adyen is committed to maintaining its entrepreneurial company culture, which fosters innovation, diversity, and talent development, and therefore has a low appetite for elements threatening this culture. Adyen's entrepreneurial culture has been one of the primary drivers of its historical growth. As Adyen continues to grow, it may not be able to maintain its entrepreneurial culture. If Adyen does not successfully manage its growth, and is not able to differentiate its business from those of its competitors, drive value for and retain merchants, or effectively align its resources with its goals and objectives, Adyen may not be able to compete effectively against its competitors, leading to declining growth and net revenues. Adyen promotes and safeguards the key elements of its culture through the Adyen Formula.

During 2021, Adyen saw the benefits of the changes that were made to accommodate working-from-home. The onboarding process and the company introduction sessions are delivered online, with real-life interaction possible and complementary if the regional situation permits. Senior management spent significant time on the online company introductions by hosting Adyen Formula chats and continued to meet every new hire before they joined the team. When possible, company events were organized that emphasized Adyen’s unique culture and the shared responsibility of maintaining it.

Talent

Adyen's future performance substantially depends on the continued services of key talent and its ability to attract, retain, and motivate such talent. The loss of services of any of Adyen's key talent or Adyen's inability to attract highly qualified key talent may adversely affect its operations. Adyen has low appetite for the loss of key talent and actively manages the composition and quality of its talent pool.

2021 continued to impact Adyen’s relatively young labor force in different ways. Working from home often became the default for employees and sustainable and structural ways to develop, grow and bind talent were implemented. Many of these measures placed team leads in a central role, but personal lessons learned and guidance from the Management board also took shape via the “The Adyen from Home Formula”. Adyen has been able to grow the team considerably during 2021, but, despite Adyen being a preferred employer in the Netherlands, finding the right (technical) skills is becoming an increasingly global challenge which is expected to remain a challenge in the upcoming years. Therefore, two Adyen tech hubs in Chicago and Madrid were announced. These two locations are focused on technically growing the platform, provide an inspiring environment for engineers and tap into the locally available talent pool. Adyen furthermore strives to hire, promote, and enable underrepresented groups, while challenging the status quo in the communities in which it operates. In realizing this aspiration, Adyen deployed a number of actions during 2021. The 'People and Culture' section in this Annual Report provides more information.

Integrity risk

Integrity risk is the risk of inappropriate behavior of employees and board members or third-parties (merchants, suppliers, advisers) posing a current or future threat to Adyen and/or the proper functioning of the financial system that can be attributed to Adyen or in which Adyen acts imputable. Inappropriate behavior generally refers to insufficient compliance with relevant rules or regulations, internal policies, and/or the Adyen Formula. If Adyen (or a third-party it does business with) fails to comply with laws and regulations, or expectations by the market or society of ethical business conduct, supervisory authorities may initiate legal and regulatory proceedings against Adyen. Fraud is a risk Adyen is exposed to both internal as well as external. Merchants (and their shoppers) and Adyen employees may attempt to act in such a way intended to obtain personal gain. Adyen has a low risk appetite for non-ethical behavior of its management, employees, and third-parties that could negatively affect Adyen's reputation or brand, lead to compliance breaches of laws or regulations or endanger its future existence.

Adyen has no risk appetite for facilitating money laundering or terrorist financing and therefore sets limits on acceptance of prospective merchants as well as the nature of services offered to accepted merchants. Although Adyen has policies and procedures that it believes are sufficient to comply with currently applicable anti-money laundering, anti- corruption, bribery and sanctions rules and regulations, it cannot guarantee that such policies and procedures completely prevent situations of money laundering, terrorism financing or corruption, including actions by Adyen's employees, merchants, third-parties, or other related persons for which Adyen might be held responsible. Such events may have severe consequences, including litigation, sanctions, administrative measures, fines, criminal penalties, and reputational consequences.

Tax

Adyen has a low appetite for risk forthcoming from its tax obligations. Adyen wants to meet its obligation to pay the amount of tax legally due in any territory, in accordance with rules set by governments. The determination of Adyen's worldwide provision for income taxes, value-added taxes, and other tax liabilities requires estimation and significant judgment. Like many other multinational corporations, Adyen is subject to tax in multiple tax jurisdictions. Key tax risks, that could potentially affect the strategic and operational objectives, are identified through the annual top-down and bottom-up company-wide risk assessments. When a specific tax risk is encountered, we may seek for professional advise and strive for open communication towards tax authorities.

Adyen's determination of its tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. Any adverse outcome of any such audit or review could have a negative effect on Adyen's business and the ultimate tax outcome may differ from the amounts recorded in its financial statements. Adyen has not observed adverse impact from the COVID-19 pandemic on its ability to report taxes in a timely and accurate manner. For more information, please refer to the 'Tax' section in this Annual Report.

Financial reporting

Gaps in internal controls could negatively impact the accuracy of our financial and management reporting. Adyen has a low appetite for errors in financial reporting and does not accept material misstatements in the financial statements. Adyen has implemented internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with financial reporting standards. Due to its inherent limitations, internal control over financial reporting can't provide absolute assurance that a misstatement in Adyen's financial statements would be prevented or detected. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Financial risks

Adyen has a limited appetite to incur losses from financial risks, please refer to Note 12 'Financial Risk Management' of the attached Consolidated Financial Statements for additional disclosure.

Credit risk in respect of counterparties, including other financial institutions

Credit risk at Adyen can originate from the risk that a counterparty will not settle the full value of an obligation — neither when it becomes due, nor thereafter (default risk), or the risk of losses stemming from on- and off-balance sheet positions arising from concentrations in exposures to a single counterparty or a group of connected counterparties (concentration risk). Within the regulatory limits set by the Large Exposure framework Adyen has a moderate risk appetite. Adyen makes good choices in our financial counterparties and actively monitor them, nevertheless engaging with partner banks resulting in a credit exposure is unavoidable in certain circumstances for providing payment services. Adyen did not see a material increase in counterparty credit risk that can be directly related to the COVID-19 pandemic. For markets or jurisdictions that are considered key to successful operations, Adyen seeks to work with at least two different partner banks. During the year 2021, Adyen remained comfortable within its internally set risk appetite limits for its credit risk related indicators, as well as within the regulatory relevant limits.

Fluctuations in foreign currency exchange rates

The strengthening or weakening of the euro impacts the translation of Adyen's net revenues generated from its international operations that are denominated in foreign currencies into the euro. Additionally, in connection with providing its services in multiple currencies, Adyen generally sets its foreign exchange rates once per day. Adyen may face financial exposure if Adyen incorrectly sets its foreign exchange rates or as a result of fluctuations in foreign exchange rates between the times that Adyen sets them. Given that Adyen also holds some merchants' and own funds in non-euro currencies, its financial results are affected by the translation of these non-euro currencies into euro. While Adyen has measures in place intended to manage its foreign exchange risk, primarily natural hedges and spot trades for any net open positions forthcoming its acquiring activities for merchants, no assurance can be given that fluctuations in foreign exchange rates will not have a significant impact on Adyen's results of operations. Adyen is also exposed to foreign exchange risk on its assets and liabilities denominated in currencies other than the functional currency, including certain contract assets, its holding of Visa Inc. shares and the assets and liabilities of its subsidiaries. The majority of these assets to which Adyen is exposed to are denominated in US dollars. Adyen pays specific risk management attention to the FX position that originates through the international payment services it provides for its merchants, this FX position originates as a result of transactions done by merchants. Contrary to its own longer term balance sheet positions, Adyen does not control this FX origin directly and during 2021 Adyen performed spot trades on a daily basis to maintain FX positions within its risk appetite set limits. Note 12 of the financial statements supports this, as it shows the limited effect that a 10% shock of the Euro FX rate has on the 31-12-2021 net position of USD (EUR 3.2 million) and GBP (EUR 0.0 million).

Price risk of financial instruments

Adyen's exposure to price risk of financial instruments at fair value arises from a holding of Visa Inc. shares and a derivative financial liability. Any movements in the underlying share prices could have a significant impact on Adyen's financial condition and results of operations. Adyen obtained the Visa Inc. shares as the result of its previous holding in Visa Europe, which subsequently was acquired by Visa Inc., which resulted in amongst others Adyen being issued shares of Visa Inc. as consideration for the acquisition. Adyen has no appetite to take on additional equity positions and resulting price risk.

Interest rate risk of cash and cash equivalents

Adyen's customer centric business model is fee-based and doesn't depend on the transformation of assets or any interest spread. Therefore, the currently low interest rates do not impact Adyen's revenues. However, Adyen is exposed to interest rate risk in the banking book in relation to its high-quality liquid assets in the form of cash held at central banks within EU for which it is subject to negative interest rates. Second, a limited amount of cash is invested in money-market funds that hold US-government T-bills. Despite this low risk profile, in 2021 Adyen quantified the impact of interest rate movements in its earnings as well as market value changes of its financial instruments and their direct effect on capital for each significant currency. The results of this exercise show minimal impact, as is also supported by the overall limited impact of finance expense in our financial statements of EUR 12.8 million, which can be primarily attributed to negative interest paid on the DNB central bank account.

Liquidity and funding risk

Liquidity risk is the risk that Adyen could not meet its short- to medium-term payment and collateral obligations without affecting daily operations. Adyen has no appetite for not being able to meet its payment and collateral obligations without affecting daily operations. Funding risk is the risk that Adyen will not have stable sources of funding in the medium and long term, resulting in the current or prospective risk that it cannot meet its financial obligations, such as payments and collateral needs, as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably. Adyen aims for a simple, stable, and solid funding position and the central ratio it monitors in this context is its Net Stable Funding ratio.

Secure financing on favorable terms

Adyen has funded its operations since inception through equity financing. Adyen is currently able to generate sufficient cash through operational results to fund its upcoming operations, but there is no guarantee that Adyen will be able to continue doing so in the future. Going forward, Adyen may require additional funding to respond to business opportunities or unforeseen circumstances and may decide to engage in equity or debt financings or enter into credit facilities for other reasons, and may not be able to secure any such debt or equity financing or refinancing on favorable terms in a timely manner, or at all. If Adyen is unable to obtain adequate financing or financing on terms satisfactory when it requires it, its ability to continue to grow or support its business and to respond to business challenges could be significantly limited.

Emerging risks

Regulatory environment

Adyen does not only need to comply with laws and regulations in the jurisdictions in which it operates, but also with laws and regulations that have worldwide application. The laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity or unclear application to the business of non-traditional market participants such as Adyen. As a result, their application in practice may evolve over time as new guidance is provided by supervisory authorities and the interpretation of requirements by supervisory authorities and courts may be further clarified over time. If Adyen's efforts to comply with laws, regulations, and standards differ from the activities intended by regulatory bodies or supervisory authorities, they may initiate legal and regulatory proceedings against Adyen. To ensure that applicable laws and regulations are identified and mapped to the activities and services Adyen offers in local markets, Adyen performs ongoing regulatory scanning by regulatory compliance specialists with validation from external legal counsel.

Adyen believes that the use of a single platform is best overlaid with a global compliance and risk framework, whereby Adyen strives for global application of best practices while being cognizant of the need to implement local deviations where required or for better fit. Maintaining a proactive approach to regulation, Adyen is well placed to deal with regulatory complexity and differences in supervisory approaches in a sustainable manner. However, accents and focus areas of supervisors within regulatory frameworks differ across the globe. To manage the variety of supervisory conversations, Adyen actively invests in the relationships with regulators and payment schemes, maintaining transparent and constructive interactions.

Protectionism

Adyen’s growth strategy is focused on its single platform approach. Changes in foreign policies and trade laws in certain key markets, including tariffs and sanctions, could lead to negative impact on the trade levels and flows of our merchants. The changes could also create boundaries to us. For example, if the use of certain (foreign) payment methods would not be allowed in a market, or if (foreign) payment service providers would not be allowed to charge fees for their services under a policy that payments should be free of charge.

Thomas — VP Business Development, Dubai

" We opened the Dubai office in 2020, and built the team and our presence here from scratch. I was the second colleague here and moved with my entire family during the pandemic. Interestingly, Dubai became even more relevant as a fintech hotspot than before, since business was able to continue here more than elsewhere and many entrepreneurs moved their companies to the region. A nice side effect was that with comparably low local infection rates, many colleagues from other offices could come and visit us here, and connect in-person. "

Compliance

The Compliance Opportunity

We are building for the long-term based on a strong culture of integrity. To this end, we ensure that compliance forms an integral part of everyday decision making by integrating a global compliance program into daily business activities and strategic planning. In light of our growth, the effectiveness of the compliance program depends on scalable compliance solutions. Consistent with our core business, this scalability is achieved primarily through the use of technology and data-driven solutions, in the pursuit of lasting and sustainable growth.

In addition to the technology-driven approach to compliance, each and every employee is encouraged to act as the "eyes and ears" of Adyen. This principle of joint responsibility is reflected in the three-lines-model employed as part of Adyen's governance framework and promoted openly by both tiers of the Board — tone starts at the top.

As a technology company operating within the financial services space, effectively managing compliance risk not only serves as Adyen's license to operate, it also maximizes Adyen's opportunities in the market and enhances Adyen's competitive position by building trust.

We make good choices to build an ethical business and drive sustainable growth for our merchants

Adyen Formula

Compliance and integrity

Central to Adyen's compliance framework is the identification, mitigation and monitoring of integrity risks, being the risk of inappropriate behavior of employees and board members or third parties (merchants, suppliers, advisers) posing a current or future threat to Adyen and/or the proper functioning of the financial system, that can be attributed to Adyen or in which Adyen acts imputable. Inappropriate behavior generally refers to insufficient compliance with relevant rules or regulations, internal policies and/or the Adyen Formula.[4]

To ensure Adyen proactively identifies and effectively mitigates integrity risks that may affect its business, including to account for evolution with respect to the product offering, the markets in which Adyen operates and the general growth as a business, a systematic integrity risk analysis (SIRA) is performed on an ongoing basis. The SIRA assists Adyen to identify, mitigate, measure and monitor potential integrity risk scenarios as described below.

Integrity Risk Identification

Adyen identifies a number of integrity-related topics as being core to maintaining control from a compliance perspective[5]:

- Money laundering
- Terrorist financing
- Circumvention of sanctions legislation
- Corruption (bribery), fraud and conflicts of interest
- Non-compliance with relevant laws and regulations — including evasion or avoidance of tax regulation
- Socially unacceptable behavior and market manipulation
- Data privacy and cybercrime

Consideration of the how the identified integrity risks could manifest to impact compliance at Adyen, applicable laws, regulations, industry standards, and best practice related to payments or financial services are continually monitored to identify compliance obligations and standards. Once identified, the obligations and standards are mapped and translated into principle-based policies and procedures that act as the starting point for Adyen's compliance program.

[4] Adyen's definition of Integrity Risk also includes the related concept of conduct risk.

[5] Other Integrity Risk topics such as cybercrime and fraud are referenced in the Risk Management section of this Annual Report.

Integrity Risk Mitigation

Adyen's policies and procedures set minimum standards for all employees, and give direction to business operations in accordance with business objectives and the Adyen Formula. Such policies and procedures set out due diligence requirements with respect to both Adyen's employees, merchants and partners in relation to (amongst others) risks of bribery, fraud, human rights violations and other socially unacceptable behaviors. In 2021, Adyen has continued to develop and refine principle-based policies, supported by globally applicable scalable procedures, to combat misuse of the financial system and build scalable compliance solutions to meet Adyen's regulatory obligations as a financial institution. For example, Adyen has launched this year Adyen Speak Up, an online integrity reporting tool allowing stakeholders to report suspected wrongdoing on an anonymous basis.

Particular focus continues to be given to anti-money laundering, counter-terrorist financing (AML, CFT) and sanctions regulations as further described in the Risk section of this report.

The Compliance Handbook and its related policies and procedures additionally promotes integrity and ethical conduct throughout Adyen. The Handbook, and associated standards, are communicated initially through introductory sessions and subsequently promoted on an ongoing basis, including through annual refresher training sessions. The Compliance Handbook is applicable to all Adyen employees worldwide.

With specific reference to Integrity Risks associated with Adyen's merchant base (and the industries in which such merchants operate), Adyen maintains a Prohibited and Restricted List in relation to customer business models. The Prohibited and Restricted List (supported by Adyen's Customer Risk Methodology and related Integrity Procedures) acts as an articulation of Adyen's risk appetite — specifying which merchants Adyen will do business with based on relevant scheme rules, regulations, industry standards and Adyen's own long-term objectives. The Prohibited and Restricted List was continually updated throughout 2021 to align with developments in scheme rules, regulations and emerging trends/industries.

To ensure new products, features or markets are appropriately accounted for in Adyen's compliance program, a Product Approval and Review Process (PARP) is undertaken as part of launch preparations. The purpose of the PARP is to ensure relevant stakeholders can identify and assess potential risks for both Adyen and its merchants, and ensures mitigating actions are taken when necessary. In 2021, the PARP was updated to ensure scalability and numerous PARPs were undertaken in connection with new products or markets and expansion in existing markets, including by way of example, the launch of Adyen Bank. In addition, during the year, additional features to exiting products were reviewed as well as new products being approved. In total six products were reviewed and/or approved in 2021.

In line with the Formula, Adyen ensures, when engaging with partners, suppliers and merchants, it takes into consideration integrity topics including human rights, environmental protection standards and appropriate working conditions, including the prohibition of child labor.

Integrity Risk Monitoring

In accordance with the three-lines model, teams within the second line of defense are mandated with an independent position from which to monitor and advise on the implementation of integrity risk controls within Adyen. This independent position is warranted by (without limitation), the power to investigate, challenge and escalate any concerns without influence from the business.

As part of the ongoing maturity of Adyen's compliance program, the independent second line compliance monitoring team has been focusing on the development and maintenance of data-driven monitoring tools to provide oversight on the implementation of integrity risk controls in a scalable and technology-led manner.

Regulatory Environment, including AML, CFT and Sanctions Regulation

The global regulatory landscape for payment and financial services is varied and constantly changing. Still, Adyen continues to see alignment between the underlying principles and objectives of financial regulation around the globe and leverages this as the basis for its global compliance program. As a result, Adyen continues to embrace regulation in building for the long term. Regulation allows Adyen to continually improve the quality of processes, sharpen thinking and explore and develop new product opportunities.

Throughout 2021, key focus areas for Adyen to maintain control and leverage regulation as an opportunity included:

- Utilizing the growing commonality in the purpose and objective of AML, CFT and Sanctions regulation to future proof the scalability of Adyen's core integrity policies and procedures, including to ensure such policies and procedures can be applied irrespective of merchant type, merchant location, or the financial products and services provided to such merchants.
- Supporting Adyen's expanding global footprint from a regulatory perspective, including to identify new or changing obligations and implement appropriate controls, in relation to (without limitation):
  - North America and the United Kingdom in relation to the applications for bank branch authorizations;

    - Asia-Pacific — new payments/financial licenses or authorizations for Adyen's locally operating subsidiaries, owing to both regulatory change and/or expansion in the activities of such subsidiaries;
    - Latin America — increasing regulatory requirements relating to expansion in the activities of locally operating subsidiaries.
    - Middle East — newly issued set of regulations applicable to payment service providers.
- Investing in data-driven compliance technology to support scalable compliance efforts, with particular focus on the use of post-event transaction monitoring systems and machine learning to combat misuse of the financial system and meet Adyen's regulatory obligations arising out of AML, CFT and Sanctions regulation.
- Taking advantage of opportunities created by the Second Payment Services Directive (PSD2) with particular focus on new Strong Customer Authentication (SCA) requirements to reduce fraud within the financial system.

Through the power of a unified platform, Adyen is well positioned to deal with increasing regulatory complexity. Adyen continues to take a proactive approach to building relationships with regulators and payment schemes, maintaining transparent and constructive interactions to build a sustainable business. Adyen is committed to maintaining and strengthening its global compliance program to support sustainable business and drive growth for merchants.

Given the regulated nature of Adyen's activities in several jurisdictions, Adyen is subject to the on-going supervision by competent authorities ensuring proper oversight over Adyen's operations. In 2021, as part of the authorization and supervision cycles of these competent authorities, Adyen was subject to integrity oversight and audits by Dutch Central Bank in the Netherlands, the Federal Reserve and Office of the Comptroller of the Currency in the United States and the Monetary Authority of Singapore. Adyen has been working on addressing and implementing the feedback received from these competent authorities as part of Adyen's continued commitment to improve its integrity framework on an ongoing basis.

Tax

To help our merchants grow, we focus on long-term, scalable solutions. As such, responsible tax behavior is an essential element of our business. We pay taxes in the countries wherein we have a taxable nexus, dependent on the laws of the respective countries. In line with this approach and our values, we do not seek refuge in tax havens and, when making decisions, we respect relevant laws and regulations. We support the principles that are the fundamentals of the OECD's work on Base Erosion and Profit Shifting (BEPS), including country-by-country reporting to tax authorities. We maintain an open relationship with all relevant tax authorities, which includes that we may conclude a tax agreement.

When it comes to tax, Adyen has a low risk appetite. We operate a global, scalable tax framework which aims to support the business in its growth, while simultaneously allowing us to be in control of our tax position. Our global tax framework covers Adyen's total tax contribution, both the corporate income taxes paid and the taxes collected, such as: Value added tax, withholding tax, and payroll tax. More details on the taxes paid and taxes collected can be found in the Financial Statements.

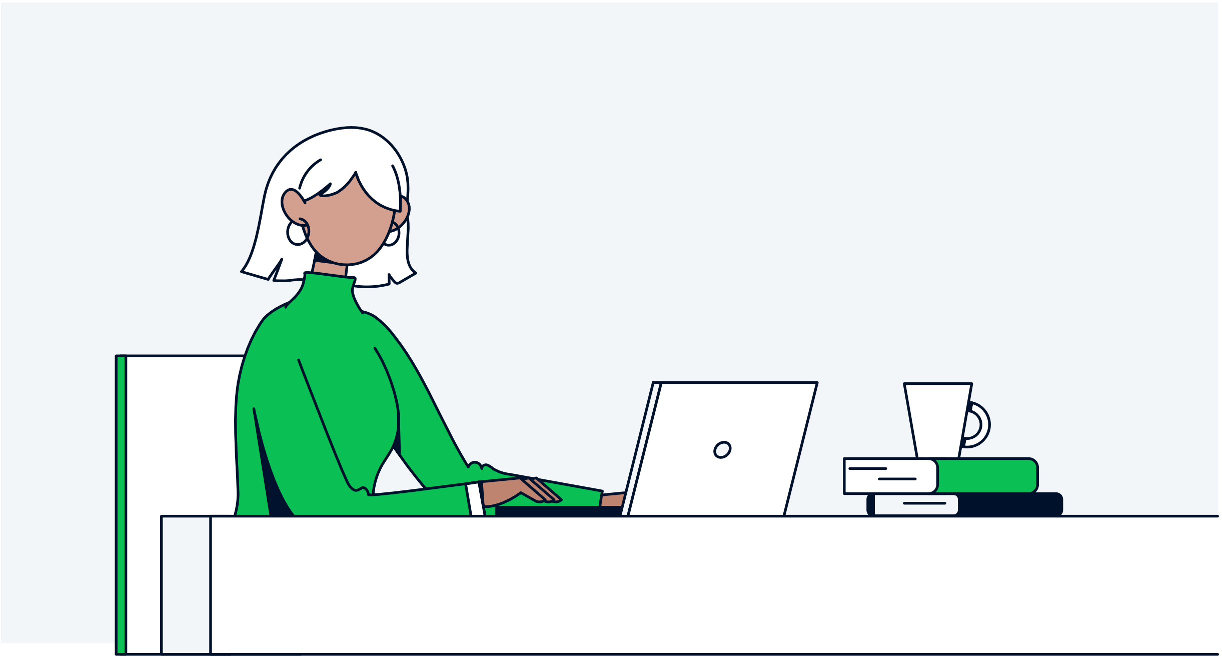
Tax governance, control, and risk management

Adyen utilizes a tax control framework to manage and control Adyen's global tax risks, compliance requirements, and processes. Having a robust governance, control, and risk management system for tax ensures Adyen's tax strategy and approach to tax are properly embedded within the organization.

The tax control framework[6] defines the roles and responsibilities within Adyen when it comes to managing tax risks and ensuring compliance requirements are met. Adyen's tax team is responsible for all Adyen's tax affairs around the world. Members of the tax team enrol in external tax trainings. Compliance with the tax control framework is effectuated through a set of internal controls for which evidence is documented and collected on a regular basis. Internal Audit Control continuously monitors and tests compliance with the tax control framework. As part of our internal control processes, we perform an annual tax in-control statement. We continuously seek for ways to embed technology in all areas of our tax control framework, including tax processes and tax data management.

The tax strategy is monitored by the tax team on a continuous basis and is formalized in the tax policy. The tax team updates the tax policy at least annually or in case of significant changes. The Risk Committee reviews the

[6] Governed in accordance with the three-lines-model as defined in the 'Risk management' section of this Annual Report.



policy before submitting it to the Management Board for their approval. The tax strategy as included in this Annual Report and as included in the tax policy is ultimately signed-off by the Management Board. We refer to our Whistleblowing Policy for the mechanism for anyone within Adyen to report its concerns about unethical or unlawful behavior in relation to tax.

Stakeholder engagement and management of concerns related to tax

Adyen maintains an open relationship with all relevant tax authorities. We are open to participate in cooperative compliance agreements in order to seek an active real-time audit, whereby clearance is obtained for any significant transactions or tax risks. This may result in Adyen concluding a tax agreement with a tax authority to get upfront certainty on any tax implications that may arise.

Adyen typically refrains from public policy advocacy on tax, nor engages in any lobbying activities related to tax. There is no active involvement in the development of tax systems, legislation, and administration. Within Adyen, tax follows the business. Adyen's tax team is well embedded in the organization to engage with (external) stakeholders and address any views and/or concerns. The description of our tax strategy, as presented in this Annual Report, is constantly evaluated and iterated following an active dialogue with stakeholders.

Data Privacy

Data privacy compliance is one of the key commitments Adyen makes to all of its merchants. Building for the long run means building a platform that has privacy ingrained in its design, from the outset. In 2021 Adyen continued to improve and strengthen its privacy compliance framework by designing and incorporating specific internal data privacy controls. These controls monitor the effectiveness of Adyen's procedures and policies focusing on the rights of individuals and the lawfulness of processing activities. Furthermore, there are adequate processes in place to ensure that Privacy by Design-principles are addressed during Adyen's product approval process and data privacy impact assessments.

Adyen continues to strive for a global privacy approach, thereby taking into account applicable privacy legislation from different regions such as the General Data Protection Regulation (the GDPR), the California Privacy Rights Act (the CRPA) and the Lei Geral de Proteção de Dados (the LGPD) in Brazil. To facilitate Adyen's global footprint, Adyen transfers data to its affiliated companies across the globe. During 2021 the new Standard Contractual Clauses (SCCs), containing "Schrems II" obligations, were published. Adyen has implemented the new SCCs into its contractual framework and plans to replace the existing SCCs in 2022. Adyen has also finalized several data transfer impact assessments in order to ensure its transfers are compliant with both "Schrems II" and the new SCCs.

Data privacy is a responsibility for everyone at Adyen. The Privacy team works in close collaboration with the Information Security team, and is closely involved in both strategy setting and day-to-day operations (e.g. launching new products and expanding into new markets). Every Adyen employee is comprehensively trained on data privacy, security and confidentiality principles, including an annual mandatory refresher training to remind all team members of the significance of keeping our data and our merchants' data safe. Adyen is committed to further improve, develop and strengthen its privacy compliance efforts and standards.

For Adyen's internal data privacy compliance, in 2021, Adyen continued to focus on its third-party process to make sure that Adyen's vendors and suppliers match Adyen's privacy and security standards.

In 2021, Adyen has reported two notifiable data breaches to the Dutch Supervisory Authority, *'de Autoriteit Persoonsgegevens'.* The affected individuals were informed about the incident and no indication of misuse of the data has been reported. Furthermore, Adyen has not identified any substantiated complaints related data privacy matters from relevant regulators and/or third parties.

Statement by the Management Board

The Management Board of Adyen is responsible for establishing and maintaining an adequate system for risk management and internal control. This system is designed to manage risks effectively and efficiently, to provide reasonable assurance that objectives can be met, that financial and non-financial reporting is reliable and that laws and regulations are complied with.

Internal control over financial reporting is an integral part of the risk management and control systems of Adyen. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with IFRS and IFRIC interpretations as endorsed by the European Union and in accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code. Internal control over financial reporting includes:

- Maintaining records that, in reasonable detail, accurately, and fairly reflect our transactions
- Providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Management Board has performed a company-wide risk assessment and described the principal risks facing the Company in relation to its risk appetite in the section 'Risk factors' of this Annual Report.

The Management Board has assessed the effectiveness of the design and operation of the risk management and control systems as of December 31, 2021. The results were shared with the Audit Committee and the Supervisory Board and discussed with the independent external auditor (hereafter "external auditor").

Based on the assessment and with reference to best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Management Board confirms that to the best of its knowledge and belief:

- This Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (see section 'Risk management');
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see section 'Risk management');
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis (see 'Financial statements'); and
- This Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this report (see section 'Risk Factors' and 'Financial statements').

However, the risk management and internal control systems cannot provide absolute assurance that missing of objectives, misstatements, fraud or non-compliance with laws and regulations will not occur.

In accordance with Article 5:25c of the Financial Supervision Act, the Management Board confirms that to the best of its knowledge and belief:

- The financial statements of 2021 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The Annual Report 2021 gives a true and fair view of the position as at December 31, 2021, the development and performance during 2021 of Adyen, together with a description of the principal risks that Adyen faces.

Amsterdam, the Netherlands, March 9, 2022

P.W. van der Does
CEO

K. Zaki
COO

I.J. Uytdehaage
CFO

M.B. Swart
CLCO

R. Prins
CCO

A. Matthey
CTO

Rajan — Account Manager, Singapore

" I became a father last year which helped me to connect with myself but also with my merchants, many of which are parents as well, in a very different way – you know each other's struggles and joys while working from home with a newborn. "

02
Governance

Corporate Governance

A solid, transparent, and seamless corporate governance structure is key to Adyen. It is consistent with the Adyen Formula and allows us to focus on growing our business. In setting up and maintaining our governance structure Adyen is guided by Dutch statutory requirements, the Dutch Corporate Governance Code (the Code), European Banking Association (EBA) Guidelines on Internal Governance and international best practices. As Adyen is operating globally, international developments are closely monitored.

Adyen's corporate governance is reflected in its Articles of Association, the Management Board By-Laws, the Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and certain other internal policies and procedures. These documents are available on Adyen's website (www.adyen.com/investor-relations/governance).

Management structure

Adyen maintains a two-tier board structure consisting of a Management Board and a Supervisory Board, each of which have specific responsibilities. The Management Board is collectively responsible for the overall management, which includes, among others, developing and executing Adyen's strategy and risk management policy, and setting and achieving Adyen's objectives. The Supervisory Board oversees and advises the Management Board, and can give guidance to its general development. Each board is accountable to the General Meeting for the performance of its duties.

Management Board

Composition, Powers, and Function

Per December 31, 2021, Adyen's Management Board is composed of the following members (the Managing Directors):

Name	Year of birth	Nationality	Gender	Position	Member since	Term
Pieter Willem van der Does	1969	NL	Male	CEO	July 6, 2007	June 2022
Roelant Prins	1975	NL	Male	CCO	September 9, 2009	June 2022
Ingo Jeroen Uytdehaage	1973	NL	Male	CFO	June 1, 2011	June 2025
Kamran Zaki	1973	US	Male	COO	January 1, 2020	January 2024
Mariëtte Bianca Swart	1980	NL	Female	CLCO	January 1, 2020	January 2024
Alexander Matthey	1981	DE	Male	CTO	February 12, 2021	February 2025

Each Managing Director has duties related to their specific area of responsibilities and expertise. In performing their duties, the Managing Directors are required to be guided by the best interests of the Company and the business connected thereto, taking into consideration the interests of the Company's stakeholders. The Management Board By-Laws set out rules regarding the composition, responsibilities and objectives of the Management Board.

Per April 1, 2021 Mariëtte Swart also heads up both Security and Corporate Risk in her position as Chief Legal and Compliance Officer (CLCO), following Management Board approval. Until this date, Ingo Uytdehaage (CFO) had assumed the responsibilities for risk management, while Mariëtte Swart had assumed the responsibilities for security.

Arnout Schuijff stepped down as Chief Technology Officer (CTO) as per January 1, 2021. Alexander Matthey has taken over the position of CTO after approval of shareholders during the Extraordinary General Meeting held on February 12, 2021.

More information on the Management Board can be found at www.adyen.com/about.

Subject to certain statutory exceptions, the Management Board as a whole is authorized to represent the Company. Two Managing Directors acting jointly are also authorized to represent the Company. This reflects the four-eyes principle that Adyen operates across the organization: (At least) two Adyen Managing Directors must sign off on significant business decisions.

Appointment and dismissal

The Articles of Association provide that the Management Board shall consist of two or more members and that the Supervisory Board determines the exact number of Managing Directors after consultation with the Management Board.

Managing Directors will be appointed for a maximum term of four years, after which they may be reappointed for another four years. The General Meeting appoints Managing Directors upon a nomination by the Supervisory Board in accordance with the Articles of Association. The Supervisory Board shall make one or more nominations to the General Meeting in case a Managing Director is to be appointed.

In the event that the Supervisory Board has made a nomination, the resolution of the General Meeting to appoint such nominee shall be adopted by an absolute majority of the votes cast. However, the General Meeting may at its discretion appoint a Managing Director other than upon the nomination of the Supervisory Board, provided that a proposal to appoint such other person has been put on the agenda of the relevant General Meeting. A resolution of the General Meeting to appoint a

Managing Director other than in accordance with a nomination of the Supervisory Board, but in accordance with the agenda for such General Meeting, shall require a majority of two thirds of the votes cast representing more than half of the Company's issued share capital.

Adyen is a licensed credit institution, which means that any appointment of a Managing Director must be approved by the Dutch Central Bank (DNB). In connection with its approval procedure, DNB will test the proposed new Managing Director on integrity and suitability.

The General Meeting may at any time, at the proposal of the Supervisory Board, suspend or remove a Managing Director with a resolution adopted by an absolute majority of votes cast. Should the General Meeting wish to suspend or remove a Managing Director other than in accordance with a proposal of the Supervisory Board, such suspension or dismissal needs to be adopted by a majority of two thirds of the votes cast representing more than half of the Company's issued capital. The Supervisory Board may at any time suspend but not dismiss a Managing Director. A General Meeting must be held within three months after a suspension of a Managing Director has taken effect, in which meeting a resolution must be adopted to either terminate or extend the suspension, provided that in the case that such suspension is not terminated, the suspension does not last longer than three months in aggregate. The suspended Managing Director must be given the opportunity to account for his or her actions at that meeting. If neither such resolution is adopted nor the General Meeting has resolved to dismiss the Managing Director, the suspension will cease after the period of suspension has expired.

Supervisory Board

Composition, powers, and function

Adyen's Supervisory Board is composed of the following members (the Supervisory Directors) as of December 31, 2021:

Name	Year of birth	Nationality	Gender	Position	Member since	Term
Piero Overmars	1964	NL	Male	Chairman	January 20, 2017	January 2025
Delfin Rueda Arroyo	1964	SP	Male	Member	January 20, 2017	January 2026
Joep van Beurden	1960	NL	Male	Member	January 20, 2017	January 2024
Pamela Joseph	1959	US	Female	Member	May 21, 2019	May 2023
Caoimhe Keogan	1978	IE	Female	Member	February 12, 2021	February 2025

The Supervisory Board oversees the conduct and policies of the Management Board and the general course of affairs of the Company and its business. The Supervisory Board also provides advice to the Management Board. In performing their duties, the Supervisory Directors are required to be guided by the interests of Adyen which includes the interests of the business connected with it, taking into consideration the interests of the Company's stakeholders. These interests are driven by Adyen's focus on long-term value creation and its implementation in Adyen's strategy and culture. The Supervisory Board also has due regard for corporate social responsibility issues relevant to the Company. The Supervisory Board By-Laws set out rules regarding the composition, responsibilities and objectives of the Supervisory Board.

On February 12, 2021, Caoimhe Keogan was appointed as Supervisory Director during the Extraordinary General Meeting of shareholders. Following her appointment, she also became a member of the Nomination and Remuneration Committee. More information on her background can be found in the 'Report of the Supervisory Board' below.

Appointment and dismissal

The Articles of Association provide that the Supervisory Board must consist of three or more individuals, with a maximum of five persons. The exact number of Supervisory Directors is to be determined by the Supervisory Board. Only natural persons may be appointed as Supervisory Director.

Supervisory Directors will be appointed for a maximum term of four years, after which they may be reappointed for another four years. Reappointment after eight years shall be motivated in the Supervisory Board Report. After this term, a Supervisory Director may once again be reappointed for a term of two years, which can be extended for another two years. Supervisory Directors are appointed by the General Meeting upon a nomination of the Supervisory Board in accordance with the Articles of Association. The Supervisory Board shall make one or more nominations in case a Supervisory Director is to be appointed.

In the event that the Supervisory Board has made a nomination, the resolution of the General Meeting to appoint such nominee shall be adopted by an absolute majority of the votes cast. However, the General Meeting may at its discretion appoint a Supervisory Director other than upon the nomination of the Supervisory Board, provided that a proposal to appoint such other person has been put on the agenda of the relevant General Meeting. A resolution of the General Meeting to appoint a Supervisory Director other than in accordance with a nomination of the Supervisory Board, but in accordance with the agenda for such General Meeting, shall require a majority of two thirds of the votes cast representing more than half of the Company's issued share capital. The Supervisory Board shall appoint one of its members as chairman and shall appoint one of its members as vice-chairman.

Any appointment of a Supervisory Director must be approved by DNB. In connection with its approval procedure, DNB will test the proposed new Supervisory Director on integrity and suitability.

The General Meeting may at any time, at the proposal of the Supervisory Board, suspend or remove a Supervisory Director with a resolution adopted by an absolute majority of votes cast. Should the General Meeting wish to suspend or remove a Supervisory Director other than in accordance with a proposal of the Supervisory Board, such suspension or dismissal needs to be adopted by a majority of two thirds of the votes cast representing more than half of the Company's issued capital.

Supervisory Board committees

The Supervisory Board has appointed from among its members two permanent committees: A 'Nomination and Remuneration Committee' and an 'Audit and Risk Committee' (the Committees). Each of these Committees has a preparatory and/or advisory role to the Supervisory Board. The Committees report their findings to the Supervisory Board, which is ultimately responsible for all decision making. Terms of Reference apply for each Committee, which can be found at www.adyen.com/investor-relations/governance. All Supervisory Directors have a standing invitation to attend meetings of Committees of which they are not a member and have accepted these invitations on a frequent basis in 2021.

Nomination and Remuneration Committee

The Supervisory Board has assigned certain tasks to the Nomination and Remuneration Committee. This Committee drafts proposals for Adyen’s remuneration policy, and it proposes the remuneration of the individual Managing Directors and Supervisory Directors. It analyses developments of the Code and other applicable laws and regulations, and prepares proposals for the Supervisory Board on these topics. It further advises the Supervisory Board on its duties regarding the selection and appointment of Managing Directors and Supervisory Directors. The Committee is also responsible for carrying out annual assessments on the functioning of the individual Managing Directors and Supervisory Directors and on the functioning of the Management Board and Supervisory Board as a collective.

Where necessary, the Nomination and Remuneration Committee prepares proposals for (re)appointments and drafts the selection criteria for the (re) appointment of Managing Directors and Supervisory Directors.

The Nomination and Remuneration Committee meets as often as required for a proper functioning of the Committee. The meetings are scheduled semi-annually, and as of 2022, three times a year. The Committee consists of at least three Supervisory Directors. The Committee members are Joep van Beurden (Chairman), Piero Overmars, and Caoimhe Keogan, who became a member of the Nomination and Remuneration Committee as of her appointment as Supervisory Director on February 12, 2021.

The composition and number of members of the Committee provide for sufficient capacity to carry out the supervisory functions. The members of the Committee have the specific skills and experience required to properly carry out their duties.

Adyen's CEO, CFO and CLCO have a standing invitation for each Committee meeting. The Company's HR Director also attends the meetings of the Committee.

Audit and Risk Committee

The Supervisory Board has assigned certain tasks to the Audit and Risk Committee (formerly: Audit Committee). This Committee supervises the provision of the Company's financial information. The Committee issues preliminary advice to the Supervisory Board regarding the approval of Adyen's interim and annual accounts.

It also advises the Supervisory Board on the nomination of the external auditor, who is appointed by the General Meeting. It is in regular contact with the internal audit function and the external auditor, and monitors the auditor's independence. In addition to advising the Management Board on tax and finance matters, it is also responsible for supervising compliance with relevant legislation and regulations.

The Audit and Risk Committee meets as often as required for a proper functioning of the Committee. The meetings are held at least four times a year. The Committee consists of at least three Supervisory Directors. The Committee members are Delfin Rueda Arroyo (Chairman), Piero Overmars and Pamela Joseph. The composition and number of members of the Committee provide for sufficient capacity to carry out the supervisory functions. The members of the Audit and Risk Committee have the specific skills and experience required to properly carry out their duties.

Adyen's CEO, CFO and CLCO have a standing invitation for each Committee meeting. The Company's internal auditor and external auditor also attend the meetings of the Committee.

General Meeting, shares and shareholders

Extraordinary General Meeting

On February 12, 2021, an Extraordinary General Meeting was held to appoint Alexander Matthey as member of the Management Board as Chief Technology Officer and Caoimhe Keogan as member of the Supervisory Board. Both were appointed for a four-year term.

General Meetings

Adyen holds a General Meeting of shareholders within six months of the end of the financial year. The agenda for this meeting includes (i) the adoption of the annual accounts, (ii) the Annual Report, (iii) the remuneration policy and remuneration of the Management Board and the Supervisory Board, (iv) the release from liability of the members of the Management Board and the Supervisory Board for their performance during the financial year, (v) the policy of the Company on additions to reserves and on distributions of profits, (vi) any proposal to distribute profits, (vii) the auditor's report, and (viii) any other proposals placed on the agenda by the Management Board.

General Meetings can be held as often as the Management Board or the Supervisory Board deem necessary. A General Meeting is also convened in case of a decision entailing a significant change in the identity or character of the Company or its business. One or more shareholders representing at least the statutory threshold of 3% of the voting rights may request that the Management Board places items on the agenda of a General Meeting. Such a request must be honoured by the Management Board provided that the request is received in writing at least 60 days before the date of such a meeting.

The Annual General Meeting of 2021 was held on June 3, 2021. Aside from the topics of this meeting as listed above, Ingo Uytdehaage was re-appointed as CFO and member of the Management Board for a period of four years, and Delfin Rueda Arroyo was re-appointed as member of the Supervisory Board for a period of four years, effective June 3, 2021.

Our next Annual General Meeting will be held on June 1, 2022.

Voting rights

Each share reflects one vote in the General Meeting. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. Votes can be cast at the General Meeting either in person or by proxy.

Amendment to the Articles of Association

The General Meeting may pass a resolution to amend the Articles of Association with an absolute majority of the votes cast. A proposal to amend the Articles must be made by the Management Board and must be approved by the Supervisory Board. When a proposal to amend the Articles of Association is made to the General Meeting, the intention to propose such resolution must be stated in the relevant notice convening the General Meeting.

Issue of shares

Shares can only be issued pursuant to a resolution of the General Meeting, unless the General Meeting has designated this authority to the Management Board. During the Annual General Meeting held on June 3, 2021, the General Meeting granted the Management Board — subject to the Supervisory Board's approval — the authority to issue ordinary shares or to grant rights to subscribe for ordinary shares for a term of 18 months as of June 3, 2021 for up to 10% of the total number of shares issued at the time of the General Meeting for any purpose. Hence, within the aforementioned limit shares can be issued by a decision of the Management Board, which allows the Management Board to react promptly when for example a business opportunity arises which requires such issuance. This decision must be approved by the Supervisory Board. Any issuance exceeding the aforementioned limit needs approval by the General Meeting.

In addition, the General Meeting granted the Management Board — subject to the Supervisory Board's approval — the authority to restrict or exclude applicable pre-emptive rights when issuing ordinary shares or granting rights to subscribe for ordinary shares for a term of 18 months as of June 3, 2021.

Repurchase of shares

Shares can only be repurchased by Adyen pursuant to a resolution of the General Meeting and subject to any required regulatory approvals. The General Meeting may designate the authority to repurchase shares to the Management Board. During the General Meeting held on June 3, 2021, the shareholders granted the Management Board — subject to the Supervisory Board's approval — the authority to acquire shares in the capital of the Company, either through purchase on a stock exchange or otherwise. The authority applies for a term of 18 months as of June 3, 2021, under the following conditions: The repurchase (i) may constitute up to 10% of the total number of shares issued at the time of the General Meeting; (ii) provided that the Company will not hold more shares in stock than 10% of the issued share capital; and (iii) at a price not less than the nominal value of the shares and not higher than 110% of the opening price at Euronext Amsterdam at the date of the acquisition. Any repurchases exceeding these limits need approval by the General Meeting.

Issued capital and shareholdings

Adyen's issued capital and voting rights are notified to the Dutch Authority for the Financial Markets (AFM) from time to time. This reporting can be found in the register issued capital on www.afm.nl. Shareholders owning 3% or more of the issued capital and/or voting rights of a listed company must report this to the AFM as soon as the threshold is reached or exceeded. This reporting by shareholders can be found in the 'Register of substantial holdings and gross short positions' at www.afm.nl.

Report of the Supervisory Board

The Supervisory Board is pleased to present its report for 2021 — again a challenging year for society, our team and many businesses due to the COVID-19 pandemic. In 2021, the Adyen platform processed €516.0 billion, growing 70% year-on-year. Adyen has proven resilient due to the further diversification of its merchant base across geographies and verticals, despite the difficult macroeconomic environment continuing to be a disrupting factor to many of its merchants. In 2021, Adyen was able to grow the team to a total of 2,180 FTE as of December 31, 2021.

This report includes a more specific description of the Supervisory Board's activities during the financial year 2021 and other relevant information on its functioning.

Composition

Adyen has established a two-tier board structure consisting of the Management Board and the Supervisory Board, as explained in the section 'Governance' of this Annual Report. The Supervisory Board functions as a separate corporate body and is fully independent from the Management Board. The composition of the Supervisory Board is such that members are able to act independently of one another, the Management Board and any particular interest and allows for properly carrying out all Supervisory Board tasks, including staffing of committees. The Supervisory Board is capable of assessing the broad outline of the overall policy of the Company and of the most important risks incurred. The background, knowledge and expertise of each Supervisory Director adds to the Board's effectiveness, enabling it to fulfil its duties in the Company's best interest.

As of December 31, 2021, the Supervisory Board is composed of five members — Piero Overmars (Chairman), Delfin Rueda Arroyo, Joep van Beurden, Pamela Joseph and Caoimhe Keogan.

Piero Overmars serves as a member of the Management Board of Stichting Continuiteit PostNL and as a member of the Supervisory Board of Dura Vermeer Group N.V. and Dutch Organic International Trade B.V. Previously, he served as a member of the Management Board of Randstad Beheer B.V. and was Chairman of the Supervisory Boards of Nutreco and SNS Reaal, and member of the Supervisory Board of Amsterdam UMC. He also served as President of the Nyenrode Foundation, following an extensive career at ABN Amro that culminated in a Board Member position. Piero Overmars holds an MBA from Nyenrode Business University.

Delfin Rueda Arroyo serves as CFO and Vice-Chair of the Executive Board and Management Board of NN Group, and is a member of the Supervisory Board of Allfunds Bank S.A.U. and Allfunds Group plc. Previously, he was CFO and member of the Management Board of ING Insurance, following an extensive career at Andersen Consulting, UBS, JP Morgan and Atradius. Delfin Rueda Arroyo holds a master degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid (Spain). He also holds an MBA from the Wharton School, University of Pennsylvania (USA).

Joep van Beurden is CEO and member of the Executive Board of Kendrion and member of the Supervisory Board of the Twente University of Technology (the Netherlands). In addition to these positions, Joep serves as a member of the Advisory Board of PlantLab. Previously, he served as CEO of CSR Plc. (UK) and NexWave Inc. (France), following a career at Royal Dutch Shell, McKinsey, Philips and Canesta Inc. Joep van Beurden holds a degree in Applied Physics from Twente University of Technology.

Pamela Joseph is CEO and member of the Management Board of Clearent, holds a position as Chair of the Board of Directors of TransUnion and is a non-executive member in the Board of Directors of Paychex. In addition to these positions, Pamela serves as Operating Partner at Advent International. Previously, she served U.S. Bank corp. Payment Services as a Vice-Chairman, and prior to that Elavon as President and COO. She started her career at Wells Fargo Bank and VISA International. She holds a degree in Business Administration from the University of Illinois (USA).

Caoimhe Keogan serves as CPO (Chief People Officer) for Aveva Group plc. Previously, she served as Chief People Officer for Moneysupermarket Group plc, and as SVP People, Places & Community at SoundCloud. Prior to these roles, she was Senior HR Business Partner at Google. Caoimhe Keogan holds a degree in Occupational Psychology from Queen's University Belfast (UK).

Supervisory Board meetings

The Supervisory Board convened for eight regular meetings, of which two were held at the offices of Adyen, and six were held via videoconferencing due to the COVID-19 pandemic. The meetings were held in the months February, March, May, July, August, November and December. Members of the Management Board were also present during these meetings.

In 2021, Pamela Joseph was absent at one Supervisory Board meeting. Her attendance rate was therefore 87,5%. The attendance rate of the other Supervisory Directors was 100%.

The Supervisory Board meets at a minimum each half year before the publication of the half-yearly results, and discusses these results with the Management Board, as well as the draft press release and auditor's report on the procedures performed. These documents are first discussed in the Audit and Risk Committee meeting prior to the Supervisory Board meeting.

In addition to the regular agenda for the Supervisory Board meeting — which includes topics such as risk management, business performance, strategic updates and the development of the financials — the Supervisory Board discussed topics related to culture, diversity, social responsibility and sustainability, compliance with relevant legislations, relations with regulators, brand positioning and the preparation and evaluation of the Annual General Meeting of Shareholders. Furthermore, deep dives and educational sessions on topics relevant to Adyen's business were held, such as security, privacy, PSP and Bank, brand positioning, and compliance & regulatory complexity.

The Supervisory Board also discussed Adyen's (long-term) strategy including its Solutions, Streams, focus areas and associated risks, and reviewed proposed annual and other financial reporting.

The Company Secretary attended all Supervisory Board meetings and Committee meetings, and acted as the secretary of the Supervisory Board and its committees. The Chairman of the Supervisory Board met regularly during the year with the CEO and other Managing Directors to discuss the performance of the Company and projects as part of executing the strategy. The Supervisory Directors also interacted individually and collectively with Managing Directors outside the formal Supervisory Board meetings.

In 2021, there were no conflicts of interest between Adyen and Managing Directors or Supervisory Directors.

Committee reporting

The Supervisory Board has established two Committees, as further explained in the chapter 'Governance': The Nomination and Remuneration Committee and the Audit and Risk Committee. The main considerations and conclusions of each Committee were shared with the full Supervisory Board.

Nomination and Remuneration Committee

The duties and composition of the Nomination and Remuneration Committee are described in the section 'Governance' of this Annual Report.

The Nomination and Remuneration Committee convened twice in 2021. All Committee members attended all meetings. The Committee has reviewed the composition of the Supervisory Board and Management Board. The Committee monitored and analyzed developments of the Code and applicable laws and regulations in relation to remuneration policies, reviewed Adyen's Remuneration Policy and its execution for compliance with the Code and the Dutch Act on Remuneration Policies Financial Undertakings (Wet beloningsbeleid financiële ondernemingen) as implemented in the Dutch Financial Supervision Act (Wet op het financieel toezicht). For more information on the Remuneration Policy, please refer to the section 'Remuneration Report' of this Annual Report.

The Nomination and Remuneration Committee leads the evaluation of the performance of the individual Managing Directors and Supervisory Directors. During the evaluation the Committee took note of the Managing Directors' views on their own remuneration. The Committee drafted proposals to the Supervisory Board for the remuneration of the individual Managing Directors and Supervisory Directors. The remuneration of the Supervisory Directors remained unaltered in 2021. The Nomination and Remuneration Committee has drawn up a plan for the succession of the Managing Directors and the Supervisory Directors.

Audit and Risk Committee

The duties and composition of the Audit and Risk Committee are described in the section 'Governance' of this Annual Report.

In 2021, the Audit and Risk Committee convened for four regular meetings. The Committee discussed the quarterly results and the financial statements. Furthermore, the Committee discussed the reports from internal and external auditors, reviewed the Annual Report and the H1 and H2 Shareholder Letter including the relevant press releases, and discussed the overall internal control environment. The Committee also discussed other topics including compliance, governance, ICLAAP, SREP, tax, information security, legal, risk, merchants' potential liability, investor relations and treasury. The members of the Committee met with the internal and external auditors outside the Committee meetings to ensure all relevant information was discussed. The Committee evaluated the performance and remuneration of the external auditor. All Committee members, the internal auditor and the external auditor attended all meetings held in 2021.

Diversity

The Supervisory Board values and promotes diversity, both within the Supervisory Board and the Management Board, as within Adyen in general. Differences in amongst others educational background, nationality, age, race, gender, experiences and beliefs are vital to the business, enabling the Boards and the Company to look at issues and opportunities differently and to respond to challenges in new ways. Diversity is a key driver for innovation and allows Adyen to attract and retain the most talented and smart people. This standpoint has also been embedded in the Adyen Diversity, Equity and Inclusion (DEI) Policy, which has been adopted in 2021 — please refer to the 'People and Culture' section and 'Compliance with the Dutch Corporate Governance Code' section of this Annual Report.

The Supervisory Board aims for a balance in its composition with respect to gender, nationality, age, experience and affinity with the nature and culture of the business of Adyen in all countries in which it is active. In line with the Company's DEI Policy and the adoption of the legislative proposal introducing stricter gender diversity measures for Dutch listed (in line with the SER's guideline on Supervisory Board composition), Caoimhe Keogan has been appointed as Supervisory Director in the Extraordinary General Meeting which was held on February 12, 2021. The Supervisory Board now consists of 40% women.

Independence

Throughout the year, four Supervisory Directors — Piero Overmars (Chair), Delfin Rueda, Pamela Joseph, and Caoimhe Keogan — were independent from the Company within the meaning of Best Practice Provisions 2.1.7, 2.1.8 and 2.1.9 of the Code. One Supervisory Board Director, Joep van Beurden, has acted as an advisor to the Company in the years preceding his appointment in 2017, and is therefore considered not to be independent within the meaning of Best Practice Provision 2.1.8 (iii) of the Code. The Supervisory Board is, as a body, independent as defined in the Code.

Performance assessment

In 2021, the Supervisory Board has assessed its performance and composition and that of its Committees. The Supervisory Board has conducted the annual self-assessment without the Managing Directors being present. The main results of the self-assessment have subsequently been shared with the Management Board. The performance of the Supervisory Board, the Nomination and Remuneration Committee and the Audit and Risk Committee has been assessed as satisfactory.
The functioning of the Supervisory Board fully complies with the relevant principles and best practices as set out in the Dutch Corporate Governance Code.

The points for follow-up as proposed in last year's external evaluation have been implemented successfully, such as the set-up of additional bilateral meetings with fellow Supervisory Directors and the Supervisory Board as a body. For the upcoming year, the Supervisory Directors among others aim to dedicate even more time to second-line functions within the Company.

Financial statements

The Financial Statements for the year ended December 31, 2021, were prepared by the Management Board and approved by the Supervisory Board. The Report of the Independent Auditor, PricewaterhouseCoopers Accountants N.V. (PwC) is included in the Independent Auditor's Report in the 'Other Information' section of the Financial Statements.
The Supervisory Board recommends that the General Meeting adopts these Financial Statements.

Appreciation

Looking back at 2021, the Supervisory Board would like to thank all Adyen employees for their contribution during what has again been a challenging year in many aspects. The Supervisory Board is proud to see the team was able to continue to serve the interests of merchants, shareholders and other stakeholders of the Company with the highest standards.

Relevant documents on our Governance website

- Remuneration Policy — Management Board and Supervisory Board
- General Remuneration Policy
- Reporting and Whistleblower Policy
- Terms of Reference Nomination and Remuneration Committee
- Terms of Reference Audit and Risk Committee
- Diversity, Equity and Inclusion Policy
- Disclosure and Bilateral Dialogue Policy

These documents can be found on www.adyen.com/investor-relations/governance.

Compliance with the Dutch Corporate Governance Code

Adyen acknowledges the importance of good corporate governance. The Company agrees with the general approach and with the provisions of the Code[7]. As such, it fully complies with the Code with the exception of Best Practice provision 4.3.3 of the Code, which provides that the general meeting of shareholders of a company not having statutory two-tier status may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. However, Adyen applies a higher proportion of one-half, which follows from a previous arrangement with Adyen's shareholders.

In line with the request from the Monitoring Commission Corporate Governance Code to comply and explain over 2021 with regards to the topics of long-term value creation, culture and diversity, the Company provides insight into these topics below.

Long-term value creation, as set out in Principle 1.1 of the Code, is one of the leading topics for the Adyen, and therefore for the Management Board. When formulating the mid- to long-term strategy, the Supervisory Board is kept informed and is asked to provide feedback on a continuous basis. This not only with regards to the overarching organizational structure, but also on a more granular implementation level. The Supervisory Directors have one-on-one meetings with key people within the Company, and are involved in the assessment of risks, not only via the regular Supervisory Board and Committee meetings, but also in an informal way. Please refer to the 'Management Report' for further information.

[7] For the full version of the Dutch Corporate Governance Code 2016 please refer to www.mccg.nl.

On diversity, as set out in Best Practice 2.1.5 and 2.1.6 of the Code, Adyen has adopted a Diversity, Equity, and Inclusion Policy in 2021. The Policy sets out the Company's guiding principles while designing for diversity, as well as the accompanying commitments. One of the commitments is to maintain a Supervisory Board that is at least one-third female (currently two out of five Supervisory Directors are female). Next to this, Adyen is committed to increase the gender balance of its Management Board and Senior Management together, to consist of at least one-third female members. The Senior Management Group includes among others direct reports to the Management Board, Critical Roles, as well as the Global Leadership Group. As mentioned in the 'People & culture' section of this Annual Report, the Company is committed to hire, promote, and enable underrepresented groups across all levels of the organization. The full DEI Policy can be found at adyen.com/investor-relations/governance.

With regards to culture as set out in Best Practice 2.5.4, this is of the utmost importance to Adyen, as it enables an open and inclusive environment which is key to innovation. The Adyen Formula defines the key principles on culture within the Company, and is valued highly. Culture is furthermore yearly audited by the Internal Auditor in the Culture Audit. Please refer to the 'People and Culture' section in the Management Report for further information.

Remuneration report

This remuneration report explains how the remuneration policy for the Management Board and Supervisory Board was put into practice in 2021. The current remuneration policy was approved by the General Meeting in 2020 with a 98.61% approval rate. The remuneration report has been prepared in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code. It will be presented for an advisory vote to the shareholders at the 2022 General Meeting of Shareholders.

Reward Principles

Equal pay

We are committed to ensure equal pay between women and men. We value all perspectives, so we see no reason to reward one more than the other — same role, same pay. Our annual equal pay audit is designed to safeguard same pay and uphold this standard.

Remuneration

The size of an individual remuneration package is based on the scope of responsibilities, the employee's experience and performance, and the local market circumstances, which varies depending on country.

The total remuneration of individual staff members, including the Managing and Supervisory Directors, is determined by considering the long-term strategy of Adyen and aimed at ensuring a sustainable and durable company for stakeholders.

The remuneration of the Management Board is reviewed annually and any adjustment of the remuneration will be in accordance with the remuneration policy. Remuneration decisions such as pay increases will take account of the individual Managing Directors delivering on specific areas of focus, including sustainability and the Adyen Formula, as well as company performance.

Remuneration may consist of a base salary, share-related remuneration, pension entitlements and other emoluments. For certain employees remuneration may also include variable pay.

Adyen has the right pay mix in place to mitigate short-term orientation and contribute to the long-term performance of the company. This is specifically achieved by awarding staff members, including the Management Board, with (long-term) share-related remuneration. The purpose of the share-based payments is to put staff members in a financial ownership-like position where shares are concerned and for them to obtain an economic interest in the pursuit of Adyen's long-term objectives such as sustainable growth, development, profitability, and financial success of Adyen.

Adyen remuneration policy

The objective of our remuneration policy is to recruit and retain the best talent worldwide by offering competitive payment structures that take account of our strategy to focus on our merchants' growth, changing the payment landscape and having fun while doing so.

Adyen observes the laws and regulations applicable to the company, which includes the remuneration regulations as provided in the Act on Remuneration policy Financial Undertakings (Wet beloningsbeleid financiële ondernemingen) and the EBA Guidelines on Sound Remuneration Policies (EBA Guidelines) (the Remuneration Regulations). Moreover, this Remuneration Report has been inspired by the EC Guidelines on the standardised presentation of the remuneration report. Adyen's remuneration policy is in line with the Remuneration Regulations.

Our remuneration policies are consistent with, and promote, sound and effective risk management and are always aligned with our strategy and the Adyen Formula to create long-term value for our company and our merchants. As such, our remuneration policy does not contain incentives that exclusively benefit staff members themselves or encourage improper risk-taking.

The remuneration policy of Adyen is published on Adyen's website.

There have been no deviations from the remuneration policy or the procedure for its implementation in the financial year 2021.

Variable remuneration

In the financial year 2021, Adyen has not rewarded any variable remuneration to the members of the Management Board. Adyen does not award variable remuneration to members of the Supervisory Board.

The total global company-wide amount of variable remuneration awarded over 2021 was EUR 19,861,792 (2020: EUR 17,092,364) compared to total staff expenses of EUR 240,538,495 (2020: EUR 180,013,967).

Malus and Claw Back

In accordance with the Remuneration Regulations, variable remuneration will be subject to hold back and claw back instruments. As no variable remuneration has been awarded to the members of the Management Board or the Supervisory Board in the financial year 2021, no variable remuneration has been adjusted or clawed back over 2021 or previous years in accordance with these instruments .

Identified staff

In 2021 there were 26 employees (2020: 21) identified as “Identified Staff”.

Total annual remuneration

In 2021 there were 3 employees to whom total annual remuneration (including employer pension contributions and any severance payments made) of EUR 1,000,000 or more was awarded.

Management Board Remuneration

The remuneration policy that applies to the Managing Directors is in line with the remuneration policy that applies to all staff. Adyen’s Management Board remuneration is consistent with and promotes a sound and effective risk management and has always been aligned with Adyen’s strategy to create long-term value for its merchants. It is thus set up with the aim to contribute to Adyen's long-term goals. As such, the remuneration policy provides an incentive for prudent and sustainable risk-taking.

The remuneration of the Managing Directors is determined by the Supervisory Board with due observance of the remuneration policy as adopted by the General Meeting.

Base salary

The Managing Directors provide the Nomination and Remuneration Committee with their individual views with regard to the amount and structure of their own remuneration. In 2021 base salaries of the Managing Directors were increased with 3%, in line with the average salary increase of an Adyen employee in 2020.

The Management Board’s remuneration is compared to AEX companies. The Management Board remuneration is below the median of the benchmark.

In 2022, Adyen will apply the same principle of increasing Management Board compensation in line with the organization. Two exceptions will be made. Per January 1, 2022, the total remuneration of Adyen’s Chief Legal & Compliance Officer will be adjusted to EUR 750,000, based on full-time employment to reflect the increased scope of role and responsibilities, and to bring it towards more market competitive level. An adjustment will also be made for Adyen’s Chief Technology Officer. To recognize experience and ensure the remuneration change is in line with the technology organization and external technology sector, the total remuneration will be adjusted to EUR 600,000.

Variable remuneration

No variable remuneration has been awarded to members of the Management Board in 2021.

Pension & Benefits

Pension

As from January 2017, all Dutch Managing Directors participate in the Collective Defined Contribution (CDC) pension plan, with respect to their salary up to EUR 112,189 gross per year for 2021 ((2020: EUR 110,111). On behalf of each Managing Director, Adyen pays a contribution of 4% of the pensionable salary — being 12 times the monthly fixed salary plus holiday pay up to the fiscally allowed maximum minus a deductible — for the accrual of old age pension benefits as well as the administration costs. If and as far as fiscally allowed, each Managing Director has the possibility to make additional contributions in order to accrue additional pension capital.

Kamran Zaki participates in a 401k retirement plan in the US, for which Adyen provides an employer match of up to 2% of base salary.

Benefits

All Managing Directors are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

All Dutch Managing Directors are insured for the risk of death and disability, for which Adyen pays the insurance premiums.

Scenario Analysis

In line with the revised Dutch Corporate Governance Code, Adyen performed a scenario analysis and back-test on Management Board remuneration. All scenarios resulted in the same outcome as the remuneration of the Managing Directors is not linked to variable remuneration elements.

Pay Ratio

The internal ratio of the Managing Directors' remuneration and all other Adyen staff was determined. For this ratio, Adyen included all remuneration components of the CEO compared to the average total remuneration of all Adyen employees worldwide. For the CEO a ratio of 7:1 applies (2020: [7:1]). For the other Managing Directors, a ratio of 6:1 applies (2020: [6:1]).

Management Board Remuneration in 2021

The table below provides an overview the Management Board remuneration in 2021 and 2020. Compared to last years report, all allowances and benefits have moved to a separate column to ensure better transparency on base salary paid. Total remuneration numbers did not change.

The Managing Directors did not receive variable remuneration. Share-based compensation refers to share-based fixed remuneration awarded in depository receipts.

Managing Director	Reported Year	Base salary	Pension and benefits	Share-based compensation	Variable income	Total Remuneration
Pieter van der Does	2021	612,710	15,975			628,685
	2020	594,864	17,900			612,764
Roelant Prins	2021	497,376	15,975			513,351
	2020	482,890	17,900			500,790
Ingo Uytdehaage	2021	576,668	15,975			592,643
	2020	559,872	17,900			577,772
Kamran Zaki	2021	727,510	17,217			744,727
	2020	656,000	15,617			671,617
Mariëtte Swart*	2021	347,625	15,975	115,863		479,463
	2020	345,814	17,900	104,166		467,880
Alexander Matthey	2021	375,000	15,975	125,000		515,975
	2020					
Former Managing Director						
Arnout Schuijf**	2020	289,657	17,900			307,557
Sam Halse	2020	65,234	821			66,055
Joop Wijn	2020	248,777	6,653	87,112		342,542
Total	**2021**	**3,136,889**	**97,092**	**240,863**		**3,474,844**
	2020	**3,243,108**	**112,591**	**191,278**		**3,546,977**

All amounts are in EUR
* 0.9 FTE
**0.6 FTE

Stock options awarded in previous years

The table below provides an overview of the stock options per December 31, 2021 that have been granted to Managing Directors as part of their share-based compensation. No new grants were given in 2021.

The stock options held by Ingo Uytdehaage and Roelant Prins expired on December 1, 2021. Mr. Uytdehaage and Mr. Prins gradually sold their stock options in the period running from July 1, 2019 (i.e. after expiry of the Post-IPO Shareholders' lock-up period) until December 1, 2021. The stock options were sold on a monthly basis in portions equally divided over the 3 (three) calendar years with due observation of a 15% daily trading-cap. The stock options held by Kamran Zaki expired on January 1, 2022. Mr. Zaki instructed ABN Amro to sell to cover in order to exercise and hold the remainder of his stock option portfolio. As per the instruction the stock options shall be sold at any given market-price. Upon each sale appropriate notifications were made via the AFM register.

The stock options held by Mariëtte Swart are due to expire November 1, 2023.

The stock options held by Alexander Matthey are due to expire December 1, 2023.

2021	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	—	—	—	—
Roelant Prins	—	—	—	—
Ingo Uytdehaage	—	—	—	—
Kamran Zaki	—	—	—	—
Mariëtte Swart	2015	3,400	—	—
Alexander Matthey	2015	1,250	—	—

2020	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	—	—	—	—
Roelant Prins	2014	24,133	—	—
Ingo Uytdehaage	2014	40,633	—	—
Kamran Zaki	2014	80,391	—	—
Mariëtte Swart	2015	4,000	—	—
Arnout Schuijff*	—	—	—	—

2019	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	—	—	—	—
Arnout Schuijff*	—	—	—	—
Roelant Prins	2014	48,266	—	—
Ingo Uytdehaage	2014	80,632	—	—
Sam Halse*	2015	17,829	—	—
Joop Wijn*	2017	20,154	6,719	6,719

2018	Grant date	Number of Options Vested	Number of Options Non-Vested	Number of Options expected to Vest
Pieter van der Does	—	—	—	—
Arnout Schuijff*	—	—	—	—
Roelant Prins	2014	72,378	—	—
Ingo Uytdehaage	2014	120,632	—	—
Sam Halse*	2014	24,072	—	—
	2015	24,727	—	—
Joop Wijn*	2017	26,875	37,625	37,625

*Former Managing Director

Pieter Van der Does (through Spreng BV) has irrevocably instructed a bank to gradually sell 100,000 shares from April 2022 until March 2023. The shares shall be sold on a monthly basis, in substantially equal portions divided over the calendar year. As per the instruction, the shares shall be sold at any given market-price. Upon each sale, appropriate notifications shall be made via the AFM register.

Share and Depositary Receipt holdings

The table below reflects the equity position directly or indirectly held by the Managing Directors as per December 31, 2021, 2020 and 2019:

	Shareholdings (aggregate number of Shares and/or Depositary Receipts			
	2021	2020	2019	2018
Pieter van der Does	1,022,539	1,022,539	1,202,987	1,415,278
Roelant Prins	287,309	287,309	338,011	338,011
Ingo Uytdehaage	195,182	195,182	229,570	229,570
Kamran Zaki	47,168	21,440	—	—
Mariëtte Swart	79	52	—	—
Alexander Matthey	84	—	—	
Arnout Schuijff*	—	1,371,655	1,613,589	1,898,339
Sam Halse*	—	—	—	—
Joop Wijn*	—	8,061	2,156	2,156

*Former Managing Director

Service and Severance Agreements

All Managing Directors have entered into a service agreement (overeenkomst van opdracht) with Adyen N.V. effective as of the date of the listing of Adyen, whereby Kamran Zaki is currently assigned to Adyen N.V. San Francisco Branch. The terms and conditions of these service agreements have been aligned with the Dutch Corporate Governance Code. The service agreements will be entered into for a term of 4 years. The service agreements provide for a severance of one annual base salary if the Managing Director is not re-appointed or otherwise terminated by Adyen (for any reason other than urgent cause within the meaning of article 7:678 of the Dutch Civil Code (dringende reden)), in accordance with the Dutch Corporate Governance Code. In the financial year 2021, no severance payment has been paid to any Managing Director.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Managing Directors.

Remuneration and Company Performance Development

The below table shows the difference in Management Board remuneration compared to the previous year and company performance over the last two reported financial years:

Annual change	2021 vs 2020	2020 vs 2019
Director's remuneration (in EUR)		
Pieter van der Does	15,921	42,987
Roelant Prins	12,561	34,693
Ingo Uytdehaage	14,871	40,395
Kamran Zaki	73,110	671,617
Mariëtte Swart	11,583	467,880
Alexander Matthey*	515,975	—
Company Performance (in EUR '000)		
Net revenues	317,317	149,900
EBITDA	227,512	82,245
Average remuneration comparative on FTE basis (in EUR)		
Wages and Salaries / FTE	4,663	1,703

* Became Managing Director as per 2021

Supervisory Board Remuneration

The total remuneration received by the Supervisory Board in 2021 amounted to EUR 386,000 (2020: EUR 292,705). The current remuneration structure of the Supervisory Board was approved in the Annual General Meeting on May 21, 2020.

Role	Amount (in EUR)
Chair	80,000
Member	60,000
Chair Audit Committee	15,000
Member Audit Committee	10,000
Chair Nomination & Remuneration Committee	10,000
Member Nomination & Remuneration Committee	7,000

No increases have been made to the Supervisory Board remuneration in the financial year 2021. No increases will be made for the financial year 2022.

The table below provides an overview of the remuneration of each Supervisory Director for the financial year 2019, 2020, 2021. In addition to the remuneration, expenses incurred by the members of the Supervisory Board in the performance of their duties are reimbursed in full. Supervisory Directors do not receive variable remuneration or share-based compensation.

	2021		2020		2019	
(in EUR)	Remuneration in cash	Total Remuneration	Remuneration in cash	Total Remuneration	Remuneration in cash	Total Remuneration
Piero Overmars	97,000	97,000	90,200	90,200	80,000	80,000
Delfin Rueda Arroyo	75,000	75,000	69,000	69,000	60,000	60,000
Joep van Beurden	70,000	70,000	66,000	66,000	60,000	60,000
Pamela Joseph	77,000	77,000	67,505	67,505	40,000	40,000
Caoimhe Keogan	67,000	67,000	—	—	—	—
Total	**386,000**	**386,000**	**292,705**	**292,705**	**240,000**	**240,000**

Share-based compensation

The table below provides an overview of the aggregate number of Shares and/or Depositary Receipts per December 31, 2021 that have been granted prior to the Company's IPO in 2018 to Supervisory Directors as part of their share-based compensation.

	Shareholdings (aggregate number of Shares and/or Depositary Receipts)		
	2021	2020	2019
Piero Overmars	1,094	1,094	1,094
Delfin Rueda Arroyo	—	—	—
Joep van Beurden*	1,719	1,719	1,719
Pamela Joseph	—	—	—
Caoimhe Keogan	—	—	—

*Options were granted in his role as an advisor to Adyen prior to becoming a member of the Supervisory Board.

As the Supervisory Directors are not allowed to be remunerated via share-based compensation after the listing of Adyen in 2018, the annual remuneration per Supervisory Directors with unvested Options that expired as per June 1, 2018 was increased by €30,000 to €80,000 for Piero Overmars and to €60,000 for Joep van Beurden per year starting at that date.

Additionally, Piero Overmars and Joep van Beurden committed not to sell, transfer or otherwise dispose of any Shares and/or Depositary Receipts, during the term of their appointment.

Insurance

The Supervisory Directors of Adyen are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as supervisory directors.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Supervisory Directors.

Mahmoud — VP Acquiring Middle East

" Here at Adyen, everyone leaves their ego at home, and we work together whatever the task at hand requires. When we moved into a bigger office last year, we all carried the furniture ourselves, taking care of the curtains, making sure it's soundproof – it became our home because we built it. No matter what we'll face in the future, I'm looking back fondly on the times spent in that office already. "

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Consolidated Statement of Comprehensive Income

For the years ended December 31, 2021 and 2020
(all amounts are in EUR thousands unless otherwise stated)

	Note	2021	2020
Revenue	2	5,995,419	3,641,389
Costs incurred from financial institutions	2	(4,960,951)	(2,935,182)
Costs of goods sold	2, 3	(32,951)	(22,007)
Net revenue		*1,001,517*	*684,200*
Wages and salaries	4	(199,141)	(151,440)
Social securities and pension costs	4	(41,398)	(28,574)
Amortization and depreciation	13,14,17	(35,011)	(28,567)
Other operating expenses	5	(131,236)	(101,889)
Other income		250	183
Income before net finance expense and income taxes		**594,981**	**373,913**
Finance income		1,039	1,334
Finance expense	17	(12,788)	(9,406)
Other financial results	6	(2,385)	(42,661)
Net finance expense		**(14,134)**	**(50,733)**
Income before income taxes		580,847	323,180
Income taxes	7	(111,130)	(62,161)
Net income for the year		**469,717**	**261,019**
Net income attributable to owners of Adyen N.V.		*469,717*	*261,019*
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss:			
Currency translation adjustments subsidiaries		11,373	(11,764)
Other comprehensive income/ (expense) for the year		**11,373**	**(11,764)**
Total comprehensive income for the year (attributable to owners of Adyen N.V.)		**481,090**	**249,255**
Earnings per share (in EUR)			
– Net profit per share - Basic	23	15.40	8.63
– Net profit per share - Diluted	23	15.31	8.51

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at December 31, 2021, and 2020
(all amounts are in EUR thousands unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Intangible assets	13	9,841	9,970
Plant and equipment	14	72,981	35,746
Right-of-use assets	17	128,063	124,328
Other financial assets at FVPL	11	22,504	20,883
Contract assets	2.2	79,341	124,113
Deferred tax assets	7	127,782	106,337
Total non-current assets		**440,512**	**421,377**
Inventories	3	22,138	19,548
Receivables from merchants and financial institutions	15	633,249	883,939
Trade and other receivables	15	56,852	75,079
Current income tax receivables	7	6,761	8,794
Other financial assets at amortized cost	11	—	12,238
Cash and cash equivalents	10	4,616,094	2,737,486
Total current assets		**5,335,094**	**3,737,084**
Total assets		**5,775,606**	**4,158,461**
Share capital	8	310	304
Share premium	8	335,725	194,608
Other reserves		137,457	149,931
Retained earnings		1,336,922	873,291
Total equity attributable to owners of Adyen N.V.		**1,810,414**	**1,218,134**
Derivative liabilities	11	81,700	68,400
Deferred tax liabilities	7	16,401	23,924
Lease liability	17	119,968	118,051
Cash-settled share-based payment plan	4.3	5,601	—
Total non-current liabilities		**223,670**	**210,375**
Payables to merchants and financial institutions	16	3,608,531	2,588,863
Trade and other payables	16	100,116	111,547
Lease liability	17	22,996	13,434
Current income tax payables	7	9,879	16,108
Total current liabilities		**3,741,522**	**2,729,952**
Total liabilities and equity		**5,775,606**	**4,158,461**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2021 and 2020
(all amounts are in EUR thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves			Retained earnings	Total equity
				Legal reserves	Share-based payment reserve	Warrant reserve		
Balance - January 1, 2020		**301**	**179,296**	**9,095**	**66,734**	**53,401**	**609,507**	**918,334**
Net income for the year							261,019	261,019
Currency translation adjustments				(11,764)				(11,764)
Total comprehensive income for the year		**—**	**—**	**(11,764)**	**—**	**—**	**261,019**	**249,255**
Adjustments:								
Intangible assets				2,330			(2,330)	—
Other adjustments				(1,165)	1,165		5,095	5,095
		—	—	*1,165*	*1,165*	—	*2,765*	*5,095*
Transactions with owners in their capacity as owners:								
Deferred tax on share-based compensation	7		(321)		32,159			31,838
Options exercised			2,795		(2,795)			—
Proceeds on issuing shares	8	3	12,838					12,841
Share-based payments	4.3				771			771
		3	*15,312*	—	*30,135*	—	—	*45,450*
Balance - December 31, 2020		**304**	**194,608**	**(1,504)**	**98,034**	**53,401**	**873,291**	**1,218,134**

	Note	Share capital	Share premium	Other reserves: Legal reserves	Other reserves: Share-based payment reserve	Other reserves: Warrant reserve	Retained earnings	Total equity
Balance - January 1, 2021		**304**	**194,608**	**(1,504)**	**98,034**	**53,401**	**873,291**	**1,218,134**
Net income for the year							469,717	469,717
Currency translation adjustments				11,373				11,373
Total comprehensive income for the year		**—**	**—**	**11,373**	**—**	**—**	**469,717**	**481,090**
Adjustments:								
Intangible assets				(129)			129	—
Other adjustments							59	59
		—	—	*(129)*	—	—	*188*	*59*
Transactions with owners in their capacity as owners:								
Equity transfer on exercise of warrant	2.1		34,100			(26,700)	(7,400)	—
Deferred tax on share-based compensation	7		—		5,548			5,548
Options exercised			1,732		(1,732)			—
Proceeds on issuing shares	8	6	105,285					105,291
Share-based payments	4.3				292			292
Other adjustments						(1,126)	1,126	—
		6	*141,117*	—	*4,108*	*(27,826)*	*(6,274)*	*111,131*
Balance - December 31, 2021		**310**	**335,725**	**9,740**	**102,142**	**25,575**	**1,336,922**	**1,810,414**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020
(all amounts are in EUR thousands unless otherwise stated)

	Note	2021	2020
Income before income taxes		**580,847**	**323,180**
Adjustments for:			
– Finance income		(1,039)	(1,334)
– Finance expenses		12,788	9,406
– Other financial results	6	2,385	42,661
– Depreciation of plant and equipment	14	15,315	11,230
– Amortization of intangible fixed assets	13	3,088	2,465
– Depreciation of right-of-use assets	17	16,608	14,872
– Equity-settled share-based compensation *	4.3	292	922
– Cash-settled share-based payment plan		5,601	—
Changes in working capital:			
– Inventories	3	(3,851)	(12,528)
– Trade and other receivables	15	19,780	(15,213)
– Receivables from merchants and financial institutions	15	250,690	(440,606)
– Payables to merchants and financial institutions	16	1,019,668	1,129,637
– Trade and other payables *	16	(11,048)	21,351
– Amortization and additions of contract assets	2.2	48,198	10,641
Cash generated from operations		*1,959,322*	*1,096,684*
Interest received		1,039	1,334
Interest paid		(12,788)	(9,406)
Income taxes paid		(127,427)	(71,965)
Net cash flows from operating activities		**1,820,146**	**1,016,647**
Purchases of financial assets at FVPL		(211)	—
Redemption of financial assets at amortized cost	11	12,427	13,088
Purchases of financial assets at amortized cost	11	—	(13,355)
Purchases of plant and equipment	14	(51,387)	(17,097)
Capitalization of intangible assets	13	(2,959)	(4,795)
Net cash used in investing activities		**(42,130)**	**(22,159)**
Proceeds from issues of shares	8	105,285	12,832
Lease payments	17	(9,045)	(9,439)
Net cash flows from financing activities		**96,240**	**3,393**
Net increase in cash, cash equivalents and bank overdrafts		**1,874,256**	**997,881**
Cash, cash equivalents and bank overdrafts at beginning of the year		2,737,486	1,745,388
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		4,352	(5,783)
Cash, cash equivalents and bank overdrafts at end of the year	10	**4,616,094**	**2,737,486**

The accompanying notes are an integral part of these consolidated financial statements.

* The comparative information is updated to align with the current period presentation of trade and other payables and cash-settled share-based payment plan.

Notes to the Consolidated Financial Statements

General Information

Adyen N.V. (hereinafter 'Adyen', 'the Company', or 'the Group') is a licensed Credit Institution by De Nederlandsche Bank (the Dutch Central Bank) and registered in the Netherlands under the company number 34259528. The Credit Institution license includes the ability to provide cross-border services in the European Economic Area. Adyen shares are traded on Euronext Amsterdam, where the Company is part of the AEX Index and has a credit rating of A-.

During the year, Adyen was granted a license to operate as a US Federal Foreign Branch in San Francisco, California by the Office of the Comptroller of the currency and the Federal Reserve. The US branch was incorporated and commenced trading during the year 2021.

1. Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards and IFRS IC interpretations as endorsed by the European Union (EU-IFRS) and in accordance with sub articles 8 and 9 of article 362, Book 2 of the Dutch Civil Code. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). All amounts in the notes to the consolidated financial statements are stated in thousands of EUR, unless otherwise stated.

Impact of COVID-19:

Since January 2020, the COVID-19 outbreak has spread across many regions around the globe. The pandemic has caused disruption to business and economic activity in many sectors. Despite these disruptions, the adverse impacts on the Company's profit and liquidity was limited during the year.

Adyen's merchants operate across many sectors and geographies, and have been impacted in varying degrees by the pandemic. Overall there has been an increasing pervasiveness of unified commerce shopper journeys, which is reflected in our growth in point-of-sale volumes on our platform, despite the lockdown restrictions. Due to Adyen's diverse merchant portfolio, net revenue growth continued in line with the prior year (refer to note 2.4). Moreover, EBITDA margin and net cash position improved, showing the overall resilience of the Adyen business model.

In connection with the developments of the virus outbreak, Management has advised Adyen employees to work from home since March 2020. While the default has been to work from home, Adyen has favored a hybrid working approach when allowed by local regulation. The Company has always been flexible in dealing with personal circumstances and will maintain that approach going forward. This decision had limited impact on business continuity as our infrastructure is developed in order to allow remote connection with no access impact to the relevant systems and platforms.

Management has assessed the impact of the COVID-19 pandemic on the realizability of assets that rely on future profitability, such as deferred tax asset positions. The diversified nature of Adyen's business model has allowed for continued net revenue and EBITDA growth throughout the year and contributed to consolidating a positive outlook for future profitability of the Company. As a result, recoverability of the deferred tax asset and valuation of our other assets remains unaffected. During 2021, Management reassessed the expected credit loss model for trade and other receivables, with no changes to the accounting policy disclosed in the financial statements for the year ended

December 31, 2021. In addition, Adyen did not see a material increase in counterparty credit risk, nor recognized material losses related to its merchant portfolio. Based on the above, management has concluded that there is reasonable certainty that Adyen is able to continue as a going concern over the foreseeable future. All topics mentioned above continue to be monitored timely due to the fast-changing environment linked to the pandemic.

1.1 Consolidation

Accounting policy – Consolidation

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which Adyen acquires control and they are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.

Adyen N.V. directly or indirectly owns 100% of the shares of, and therefore controls all entities included in these consolidated financial statements (refer to note 32 'Company - Investments in consolidated subsidiaries on equity method' for a full list of entities included in scope of consolidation of these financial statements).

Adyen has offices in the Netherlands, Brazil, Singapore, United Kingdom, Canada, Australia, Hong Kong, Mexico, China, India, Japan, United Arab Emirates, and the United States, with branches in Germany, France, Sweden, and the United States, and representative offices in Belgium, Italy, Poland and Spain. The address of Adyen's N.V. registered office is Simon Carmiggeltstraat 6-50, 1011 DJ Amsterdam, the Netherlands.

1.2. Significant accounting policies, estimates and judgements and new and amended standards Adopted by the Group

The table below provides an overview of what the significant and new accounting policies are and where they are included in these financial statements. It further provides an overview of how accounting policies together with significant accounting estimates and judgements are connected throughout the notes to these financial statements.

In the 2021 financial statements, Adyen adopted amendments issued and made effective from January 1, 2021. Adyen has assessed that the implementation had no impact on its current accounting policies. Details of the overall impact assessment of the first-time application on January 1, 2021 of new amendments is disclosed in note 20.1 'New standards adopted by Adyen'.

For the assessment whether a disclosure is relevant to users of these financial statements the following was considered: the amount in question is significant in size and/or nature, importance for understanding the results of Adyen or explaining the impact of significant changes in Adyen's business and whether judgement is involved.

	Accounting Policies		Significant Accounting Estimates or Judgments
What it is	Accounting policies considered relevant for understanding the financial statements, or required to be disclosed by law or IFRS		These accounting policies involve a higher degree of judgement or complexity. The estimates applied are more likely to be materially adjusted due to inaccurate estimates and/or assumptions applied
Where	Provided per note to the financial statements. The notes are organized into the following sections:		
	Key disclosures: provide a breakdown of individual line items in the financial statements that users of the financial statements consider most relevant;	2. Revenue and segment reporting 3. Inventories 4. Employee benefit expense (including share-based payments) 5. Other operating expenses 6. Other financial results 7. Income taxes	2. Revenue - Principal versus agent for revenue out of settlement fees 7. Income taxes – Recognition of deferred taxes related to share-based compensation
	Capital, investment and financial risk management: key information relating to Adyen's capital management, explanations regarding financial instruments and financial risk management;	8. Capital management 9. CRR/CRD IV Regulatory Capital 10. Cash and cash equivalents 11. Financial instruments 12. Financial risk management	11. Financial instruments – fair value accounting of financial liabilities
	Other: information on items required to be disclosed to be compliant with EU-IFRS and other legal requirements.	Notes 13 – 41	

Key Disclosures

In relation to our strategy, as outlined in the Management report, Adyen's management considers the following disclosures as key in understanding its financial performance or position.

2. Revenue and segment reporting

The Adyen platform integrates the full payments stack (gateway, risk management, processing, acquiring and settlement) with a common back-end infrastructure for authorizing. The company derives revenue from settling and processing payments, sales of goods such as the sale of point of sale (POS) terminals, and other payment specific services.

Accounting policy – Revenue from contracts with customers

Adyen has the following sources of revenue from contracts with customers:

(I) Settlement fees: Fees paid by merchants, usually as percentage of the transaction value, where Adyen offers acquiring services. These fees are recognized as revenue when a payment transaction has been completed by means of settlement with a merchant. Settlement fees include interchange and payment network fees and other costs incurred from financial institutions. Adyen adopts a transparent pricing model and charges fees to merchants based on its own incurred costs plus a mark-up for its acquiring services, as contractually agreed between each merchant and Adyen.

(II) Processing fees: Fixed fee per transaction paid by merchants for the use of Adyen's platform and recognized as revenue when transaction is initiated via the Adyen payment platform.

(III) Sales of goods: Adyen satisfies the performance obligations to deliver the ownership of the POS terminals and related accessories upon transfer of control of the terminal to the merchant. Adyen considers this performance obligation to be distinct from its payment services. As a result, the revenues for the sale of POS terminals and related accessories are recognized at that point in time.

(IV) Other services: Includes foreign exchange service fees, third party commission and issuing services which are deemed other services - recognized at point in time. Services transferred over time relate to the amortization of deferred revenue for services provided as part of the merchant contract (note 2.1) and terminal services fees as part of the unified commerce offering.

The breakdown of revenue from contracts with customers per type of goods or service is as follows:

Types of goods or service	2021	2020
Settlement fees	5,525,079	3,293,512
Processing fees	289,824	217,208
Sales of goods	33,042	19,353
Other services	147,474	111,316
Total revenue from contracts with customers	**5,995,419**	**3,641,389**
Costs incurred from financial institutions	(4,960,951)	(2,935,182)
Costs of goods sold	(32,951)	(22,007)
Net revenue	**1,001,517**	**684,200**

Net revenue

Adyen's total revenue contains scheme fees, interchange and mark-up for which Adyen acts as a principal. The Management Board however, monitors net revenue (net of interchange and scheme fees (costs incurred from financial institutions), and costs of goods sold) as a performance indicator. Adyen considers net revenue to provide additional insight, together with total revenue, to its users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Net revenue is a non-IFRS measure – refer to note 2.4 for further explanation on the non-IFRS measures reported by Adyen.

Key Judgement – Principal versus Agent for revenue out of settlement fees

Based on existing facts and circumstances, Adyen applied its judgment in determining whether it has control of the full payment service before the service is transferred to its merchants, and, in consequence, whether the Company is acting as agent or principal in relation to the settlement fees charged to merchants. This judgement is supported by facts and circumstances, not limited to Adyen's financial risk exposure as acquirer in its relationship with third parties and merchants.

Adyen contracts with third parties (financial institutions and network scheme providers) that provide services to enable Adyen's payment processing and acquiring services to merchants, for which interchange and payment network fees are charged to Adyen. Adyen adopts a transparent pricing model and charges fees to merchants based on its own incurred costs plus a mark-up.

Adyen is primarily responsible for fulfilling the promise to provide payment transaction services. Although Adyen contracts with third parties to facilitate the interchange of funds between the issuer and merchant, Adyen is ultimately responsible for ensuring that the services are performed and are acceptable to the merchant. Adyen integrates the elements provided by third parties and its own services, in order to execute payment transactions, and Adyen is responsible for its contractual terms with merchants. Adyen is thus considered to control the full payment service before the service is transferred to merchants.

Settlement fees – Adyen is the principal

For all payment processing services Adyen provides to the merchants as an acquirer, it retains the exposure to financial institutions and payment networks for the interchange and payment network fees, other costs incurred from financial institutions as well as a mark-up charged by Adyen. As such Adyen concluded it acts as Principal for the aforementioned fees and as such are recognized based on this conclusion.

Accounting policy – Revenue recognized at a point in time and over time

All processing and settlement fees, together with the sales of goods are recognized as revenue when the services are rendered or the ownership of the goods is transferred ('goods and services transferred at a point in time'). In addition to the aforementioned revenue streams, Adyen provides terminal replacement services included in 'other services', for which revenue is recognized over a period of time. Adyen recognizes revenue for these services on a straight-line basis over the contract term.

The breakdown of revenue from contracts with customers based on timing is as follows:

Timing of revenue recognition	2021	2020
Goods and services transferred at a point in time	5,985,474	3,634,151
Services transferred over time	9,945	7,238
Total revenue from contracts with customers	**5,995,419**	**3,641,389**

2.1. Long-term merchant contract

In 2018 Adyen entered into a long-term contract with eBay for the provision of payment services that resulted in the initial recognition of contract assets settled with a cash advance and issue of warrants over Adyen's shares. The following accounting elements were recognized as a result of the contractual agreements.

Element	Accounting treatment	Note reference
Contract assets	Contract assets are initially recognized at cost on the balance sheet, and subsequently amortized against revenue (settlement fees) in profit or loss on a pro rata basis in line with the fulfilment of the expected payment services performance obligation. The contract assets are separated into a monetary and non-monetary component and are assessed for impairment annually with reference to the remaining (net) benefits from the long-term merchant contract. The USD "monetary item" is translated at each balance sheet date at the EUR/USD spot rate and is assessed for impairment under the expected credit loss model. Exchange movements on the "monetary item" is recognized in profit or loss (other financial results).	2.2.Contract assets
Settled by:		
1. Cash advance	Cash consideration is treated as part of incremental costs of obtaining the merchant contract ('contract assets').	2.2. Contract assets
2. Warrants	Derivative liabilities relating to the warrants are recognized initially at fair value and are subsequently stated on the balance sheet at fair value, with movements recognized in profit or loss (other financial results). The warrants vest in four tranches, each linked to a milestone of processed payments volume. Each milestone is deemed achieved at the moment that the processed merchant volume exceeds the milestone amount in a single calendar year following the Issue date (January 31, 2018). Only two warrant tranches may vest in a single calendar year, and upon vesting, each entitles the warrant holder to acquire 1.25% of Adyen's issue-date diluted share volume at any time prior to the warrant expiration date (January 31, 2025). Prior to 2021, none of the four warrant tranches related to the derivative liabilities vested. After the IPO (on June 13, 2018), the derivative liabilities relating to tranches 1 and 2 were reclassified as a warrant reserve in equity in the amount of EUR 68.2 million. During 2021, the first tranche milestone was met, vested, and the related warrant was subsequently exercised by eBay. A total of 403,724 shares were issued to eBay at €240 per share and represented 1.25% of Adyen's issue-date diluted share volume. The gross equity balance relating to tranche 1 (EUR 34.1 million) and related deferred tax (EUR 7.4 million) were transferred from 'warrant reserve' to 'share premium' and 'retained earnings', respectively. The dilutive effect of the exercised warrant (tranche 1) was reflected in the shares outstanding at year-end - refer to note 23 'Share information'. As per December 31, 2021, the 'warrant reserve' was carried at historic cost (EUR 34.1 million (net of deferred tax)) while the derivative liabilities relating to tranches 3 and 4 were carried at fair value on Adyen's balance sheet.	2.2. Contract assets 8. Capital management 11. Financial instruments 23. Share information

2.2. Contract assets

Accounting policy – Contract assets

Recognition and measurement

If a fee or commission (a consideration) is not paid in connection with any distinct goods or services, it should be considered part of the total transaction price of a contract with a customer. As a result, this fee or commission should be deducted from revenue when revenue is recognized for providing the services to the customer. These considerations are recognized as contract assets in the balance sheet.

Amortization and Impairment

The contract assets are assessed for impairment annually with reference to the remaining (net) benefits from the long-term merchant contract. An impairment loss is recognized if the carrying amount of the contract assets are higher than the estimated remaining benefits in the merchant contract, net of directly attributable costs to fulfil the remaining payment service obligations. The contract assets are amortized and booked to revenue (settlement fees) on a pro rata basis in line with the fulfilment of the expected payment services performance obligation.

For the monetary component of the contract asset, Adyen applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other financial assets measured at amortized cost and the contract asset.

Management derived its best estimate of the future (net) revenue from expected payments volumes and fees determined in the merchant contract, net of directly attributable costs to fulfil the remaining payment service obligations. The contract assets were not impaired at December 31, 2021 and 2020 as the remaining estimated (net) benefits from the merchant contract exceeded the contract assets balance at year-end.

The monetary component of the contract assets is in scope of impairment under IFRS 9; however, due to low credit risk, the expected credit loss on the contract asset is deemed not significant.

In addition to the long-term contract with eBay (note 2.1), during 2021, Adyen capitalized contract costs (other contract assets) relating to multi-year service contracts with its merchants. These costs mainly relate to integration and development fees that are directly incremental to obtain the multi-year contracts and do not represent separate performance obligations. Consistent with the treatment of contract costs related to the long-term contract with eBay (note 2.1), Adyen will amortize these costs against revenue (settlement fees) on a pro rata basis as the related revenue is recognized.

The following table summarizes the movement in the contract assets balance:

Contract assets	Monetary component	Non-monetary component	Other contract assets	Total contract assets
Balance - 1 January, 2020	61,087	78,913	—	140,000
Movements:				
Amortization for the year	(8,184)	(2,457)		(10,641)
Exchange differences	(5,246)			(5,246)
Balance - December 31, 2020	**47,657**	**76,456**	**—**	**124,113**
Movements:				
Additions			8,946	8,946
Amortization for the year	(42,112)	(14,395)	(637)	(57,144)
Exchange differences (note 6)	3,426			3,426
Balance - December 31, 2021	**8,971**	**62,061**	**8,309**	**79,341**

2.3. Segment reporting

Accounting policy – Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it earns revenues and incurs expenses. The operating results of each segment are regularly reviewed by the entity's Chief Operating Decision Maker ("CODM") in order to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Adyen has identified the Management Board as the CODM who is responsible for the assessment of the allocation of resources and performance of the operating segments identified. Based on Adyen's business and operating model, Adyen has identified a single operating and reporting segment: 'Payment services'.

Payment services

The total revenue earned from Adyen's only operating and reporting segment contains settlement fees, processing fees, other fees and sales of goods. The Management Board monitors net revenue (net of interchange, scheme fees and costs of goods sold) as a performance indicator. As a result, Adyen considers net revenue to provide insight to its users to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Net revenue is a non-IFRS measure – refer to note 2.4 for further explanation on the non-IFRS measures reported by Adyen.

As a result of the entity wide disclosure requirements of IFRS 8, a geographical breakdown is provided.

The following table summarizes Adyen's geographical breakdown of its revenue based on the billing location as requested by the merchant for the periods indicated. During 2021, Adyen updated the geographical breakdown (including comparatives) by reallocating the revenue from the Rest of the World to the other existing regions. This update resulted in the following changes to revenue per region in 2020: Europe, the Middle East, and Africa (formerly 'Europe') (EUR 5,489), Latin America (EUR 38), and Rest of the World (EUR (5,527)).

Revenue - Geographical breakdown	2021	2020
Europe, the Middle East, and Africa (EMEA)	2,351,662	1,634,873
North America	2,899,788	1,511,470
Asia-Pacific	436,185	263,678
Latin America	307,784	231,368
Total revenue from contracts with customers	**5,995,419**	**3,641,389**

Large customers

For the year ended December 31, 2021, as measured by revenue, Adyen's top 10 merchants represent 29% of revenue (2020: 38%). In 2021 and 2020 there were no single customers that on an individual level accounted for more than 10% of the total revenue.

For the year ended December 31, 2021, as measured by net revenue, Adyen's top 10 merchants represent 20% of net revenue (2020: 20%). There were no customers with individually more than 10% of the total net revenue (2020: nil).

Non-current assets

At December 31, 2021 EUR 289 million of the non-current assets were carried by Adyen N.V. (2020: EUR 301 million). Based on the location of the Adyen offices the following geographical breakdown of non-current assets is prepared.

Non-current assets - Geographical breakdown	2021	2020
Netherlands	288,788	300,939
Rest of the World	151,724	120,438
Non-current assets	**440,512**	**421,377**

2.4. Non-IFRS financial measures

Non-IFRS financial measures are disclosed in addition to the statement of comprehensive income, in order to provide relevant information to better understand underlying business performance of the Company. Furthermore, Adyen has provided guidance on several of these non-IFRS measures. Adyen reports on the following additional financial measures that are directly derived from the consolidated statement of comprehensive income or statement of cash flows:

- **Net revenue:** Revenue net of interchange, scheme fees ("costs incurred from financial institutions"), and costs of goods sold;

The following table summarizes Adyen's geographical breakdown and the year-on-year growth of its net revenue, based on the billing location as requested by the merchant for the periods indicated. During 2021, Adyen updated the geographical breakdown (including comparatives) by reallocating the net revenue from the Rest of the World to the other existing regions. This update resulted in the following changes to net revenue per region in 2020: Europe, the Middle East, and Africa (formerly 'Europe') (EUR 1,313), Latin America (EUR 18), and Rest of the World (EUR (1,331)).

Net revenue - Geographical breakdown and year-on-year growth	2021	YoY%	2020	YoY%
Europe, the Middle East, and Africa (EMEA)	599,332	41%	426,191	22%
North America	231,406	74%	132,959	66%
Asia-Pacific	96,086	48%	64,950	29%
Latin America	74,693	24%	60,100	11%
Total net revenue from contracts with customers	**1,001,517**	**46%**	**684,200**	**28%**

- **EBITDA:** “Income before net finance expense and income taxes” less “amortization and depreciation” on the consolidated statement of comprehensive income;
- **EBITDA margin:** EBITDA as a percentage of net revenue;
- **CapEx:** Capital expenditures consisting of the line items "purchases of plant and equipment" and "capitalization of intangible assets" on the consolidated statement of cash flows;
- **Free cash flow:** EBITDA less CapEx and “lease payments” on the consolidated statement of cash flows;
- **Free cash flow conversion ratio:** free cash flow as a percentage of EBITDA.

Selected non-IFRS financial measures	2021	2020
Income before net finance expense and income taxes	594,981	373,913
Amortization and depreciation	35,011	28,567
EBITDA	**629,992**	**402,480**
Net revenue	1,001,517	684,200
EBITDA margin (%)	**63%**	**59%**
Purchases of plant and equipment	51,387	17,097
Capitalization of intangible assets	2,959	4,795
CapEx	**54,346**	**21,892**
EBITDA	629,992	402,480
CapEx	(54,346)	(21,892)
Lease payments	(9,045)	(9,439)
Free cash flow	**566,601**	**371,149**
Free cash flow	566,601	371,149
EBITDA	629,992	402,480
Free cash flow conversion ratio (%)	**90%**	**92%**

3. Inventories

Inventories relate to the point of sale (POS) terminals in connection with the roll out of the Unified Commerce strategy.

Accounting policy – Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the first-in, first-out method (FIFO) and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is defined by Adyen as the estimated re-sell price in the ordinary course of business.

The carrying amount of inventories is recognized as an expense when the inventories are sold or written off, unless they form part of the cost of another asset.

Inventories	2021	2020
Balance - January 1	**19,548**	**7,020**
Purchases during the year (products for resale)	39,814	35,086
Costs of goods sold	(32,951)	(22,007)
Transfer to contract assets (note 2.2)	(3,093)	—
Expense recognized in other operating expenses	(1,180)	(551)
Balance - December 31	**22,138**	**19,548**

During 2021, Adyen added EUR 3,093 in contract assets related to POS terminals given as consideration for entering in to multi-year service contracts with its merchants. In addition, Adyen recognised inventory price variances of EUR 1,180 (other operating expenses) related to purchases of POS terminals from resellers at higher than standard price.

4. Employee benefit expense

The average number of full-time equivalents (FTE) during the year was approximately 1,964 FTE (2020: 1,465 FTE) with main expansions of our operations in the EU and US. From those hired during 2021, 51% were in tech roles, 36% in commercial roles and 13% in staff or supporting functions.

At the end of the reporting period the regional breakdown of FTE per office is as follows:

FTE per office	2021	2020
Amsterdam	1,262	1,011
San Francisco	199	179
Singapore	101	96
London	98	84
São Paulo	88	72
New York	72	53
Paris	51	43
Berlin	48	36
Stockholm	33	25
Madrid	32	22
Other (16 offices)	196	126
Total	**2,180**	**1,747**

For representation of the FTE per subsidiary, refer to note 24.2.

4.1. Employee benefits

Accounting policy – Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment, except when they are related to share based payments (refer to note 4.3).

The employee benefit expense can be specified as follows:

Employee benefits	2021	2020
Salaries and wages	187,133	141,355
Share-based compensation (note 4.3)	12,008	10,085
Total wages and salaries	**199,141**	**151,440**
Social securities	35,413	24,792
Pension costs - defined contribution plans	5,985	3,782
Total social securities and pension costs	**41,398**	**28,574**

Reference is made to note 22 'Compensation of key management' for the remuneration of the Management Board and Supervisory Board.

4.2. Post-employment benefit obligations

Accounting policy – Post-employment benefit obligations

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

The Adyen group companies operate various pension schemes. The entitlement of the employees under the company's pension plans are all classified as defined contribution plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The expected contributions to the pension benefit plans for 2022 are EUR 5,928 (2021: EUR 4,950).

4.3. Share-based payments

The share-based compensation consists of both equity- and cash-settled compensation expenses. A specification of the expenses is presented in the following table:

Share-based compensation	2021	2020
Equity-settled	292	922
Cash-settled	11,716	9,163
Total share-based compensation	**12,008**	**10,085**

Adyen considers its employees and culture as core to its growth. As part of the total remuneration package, Adyen has two types of share-based compensation:

I. Equity-settled option plan (granted until 2018);
II. Cash-settled share-based payment plan (granted from 2018 onwards); and
III. Depositary receipts award plan for directors and employees (granted from 2018).

These plans are described in more detail below:

I. Equity-settled option plan

Accounting policy – Equity-settled options

Adyen has an option plan for directors and employees. Exercisable options provided participants the opportunity to obtain Depositary Receipts at an exercise price. The exercise price of the granted options is equal to the market price of the shares at grant date. Subject to the employees' and directors' continued employment with Adyen, options will vest over a period of four years. The vesting period starts on the grant date. Subject to the employees' and directors' continued employment with Adyen N.V., 25% of the options will vest on the first anniversary of the grant date. The remaining 75% of the options will then vest monthly, in equal proportions at the end of each month, over the following 36 months. Options can be exercised at any time from the vesting date until the 8th anniversary of the grant date. Adyen has no legal or constructive obligation to repurchase or settle the options in cash.

The maximum aggregate number of Depository Receipts in respect to which options shall be granted is 1,312,500[8]. Of the outstanding options, 84,306 options (2020: 136,445) are exercisable as at year end. The exercise price of share options outstanding at year end ranges from EUR 11 to EUR 106 (2020: EUR 11 to EUR 106). No options were granted during the year ended December 31, 2021 and 2020. The fair value of options granted was determined using the Black-Scholes valuation model as at each respective grant date. At December 31, 2021, the weighted average grant date fair value is equal to EUR 65.42 (2020: EUR 65.42) and the weighted average remaining expected option life is 1.22 years (2020: 2.22 years).

[8] Amounts in this paragraph are not rounded to the nearest thousand.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Share options outstanding	2021		2020	
	Weighted average exercise price (in EUR) per share option	Number of options (thousands)	Weighted average exercise price (in EUR) per share option	Number of options (thousands)
Balance - January 1	**39.20**	**344**	**30.48**	**655**
Forfeited	105.74	(1)	82.77	(17)
Exercised	28.05	(196)	38.62	(294)
Balance - December 31	**53.63**	**147**	**39.20**	**344**

II. Cash-settled share-based payment plan

Accounting policy – Cash-settled share-based payment plan

Adyen has established a cash-settled share-based payment plan (phantom shares) for newly hired directors and employees as well as for certain current employees. The phantom shares are granted at the underlying market price of Adyen shares at grant date. Subject to the employees' continued employment with Adyen N.V., the phantom shares will vest over a period of four years from the grant date. 25% of the phantom shares will vest on the first anniversary of the grant date. The remaining 75% of the phantom shares will then vest yearly (25%) until all are vested after four years.

Adyen recognizes a cost over the vesting period and a corresponding liability based on the market price of Adyen's shares. The liability is measured at fair value through profit or loss using the market price of Adyen's shares at balance sheet date with remeasurements on each reporting date. Changes in the fair value are recognized as "share-based compensation expense".

The expense reflecting the recognition of the grant date fair value and changes in fair value of the phantom share plan is presented as wages and salaries in the statement of comprehensive income.

In 2021 a total of 8,166[9] phantom shares (2020: 7,707) were granted. The share price at December 31, 2021 is EUR 2,312 per phantom share (December 31, 2020: EUR 1,905). The fair value of the liability recognized resulting from the phantom shares is EUR 13,045 (2020: EUR 8,227).

[9] Amounts in this paragraph are not rounded to the nearest thousand.

III. Depositary receipts award plan

Adyen has granted the possibility to purchase Depositary Receipts at fair market value to directors and to employees as part of their remuneration from 2018. The underlying shares of the Adyen are held by an administration foundation that in turn issues the Depositary Receipts to the employees. Each Depositary Receipt issued represents the economic interest of one underlying STAK ("Stichting Administratie Kantoor Adyen N.V.") share. The related employee benefits expense is presented in wages and salaries.

There is a lock-up period but no vesting condition attached to the Depositary Receipts award plan. Thus there was no revised estimate of the number of Depositary Receipts expected to vest or relating income statement impact in 2021.

5. Other operating expenses

Accounting policy – Operating expenses

Operating expenses are recognized in the period when they occur.

The other operating expenses can be specified as follows:

Other operating expenses	2021	2020
Sales and marketing costs	36,384	39,612
IT costs	23,190	14,024
Advisory costs	15,711	15,891
Travel and other staff expenses	10,102	7,644
Contractor costs	10,384	5,978
Office costs	4,308	2,988
Housing costs	6,427	3,170
Miscellaneous operating expenses	24,730	12,582
Total other operating expenses	**131,236**	**101,889**

Miscellaneous operating expenses in 2021 includes a loss arising from a difference in currency rates in Lebanese Pound (LBP): merchant funds were settled to Adyen at a rate requested from the schemes to be used by the Lebanese central bank, while funds were still being paid out to the merchants at the official exchange rate. This lead to a EUR 13,028 one-off operational loss. Adyen has not recognized an asset for potential recovery of the funds.

6. Other financial results

The other financial results can be broken down in the following categories:

Other financial results	2021	2020
Exchange gains/(losses) (note 6.1)	11,375	(11,066)
Fair value re-measurement of financial instruments:		
Derivative liabilities (note 6.2)	(13,300)	(32,600)
Other financial assets at FVPL (note 6.3)	(322)	1,005
Loss on redemption of other financial assets at amortized cost	(138)	—
Total other financial results	**(2,385)**	**(42,661)**

6.1. Exchange gains/(losses)

The exchange gains (losses) recognized during the year relate to realized and unrealized translation differences on monetary assets and liabilities. The exchange gains during 2021 mainly relate to Adyen's foreign-denominated cash balances, contract assets (EUR 3,426 — refer to note 2.2 'Contract assets'), other financial assets at FVPL (EUR 1,722 – refer to note 6.3 'Other financial assets at fair value through profit or loss ('FVPL') (Visa Inc. preferred shares))', proceeds receivable on disposal of Visa Inc. common stock (EUR 493), and other financial assets at amortized cost (EUR 198 – refer to note 11 'Financial instruments').

Accounting policy – Functional currency and foreign currency translation

The functional currency of Adyen N.V. is the Euro as the Euro area is the primary economic environment in which Adyen operates. The financial statements of entities that have a functional currency different from that of Adyen N.V. ("foreign operations") are translated into Euros as follows:

- Assets, equity and liabilities – at the closing rate at the date of the statement of financial position;
- Income and expenses – at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates).

Foreign currency differences are recognized in other comprehensive income and are presented within equity in the legal reserves.

Monetary items

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Monetary assets and liabilities denominated in foreign currencies are retranslated into Adyen's functional currency at the rates prevailing on the balance sheet date. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income within "other financial results".

Non-monetary items

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value through profit or loss and are retranslated at the date that the fair value is determined.

6.2. Derivative liabilities

As part of the merchant contract referred to in note 2.1, Adyen recognized derivative liabilities measured at fair value through profit or loss. The nature of the derivative liabilities is described in more detail in note 11 'Financial instruments'. For 2021, EUR 13,300 (2020: EUR 32,600) is recognized in "other financial results" due to the re-measurement of the fair value of the derivative liabilities. The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase over the year as well as a revision of valuation inputs; namely, the estimate of the probability of vesting and discount for lack of marketability.

6.3. Other financial assets at fair value through profit or loss ('FVPL') (Visa Inc. preferred shares)

Adyen has classified the convertible preferred Visa Inc. shares as a financial instrument at fair value through profit or loss. For 2021, the effect on other financial results is a net gain of EUR 1,400 (2020: net loss of EUR 59) relating to an exchange gain of EUR 1,722 (2020: loss of EUR 1,064) and fair value loss of EUR 322 (2020: gain of EUR 1,005). Refer to note 11 'Financial instruments' for more detail on the other financial assets at FVPL.

7. Income taxes

7.1. Income tax expense

Accounting policy – Current income tax expense

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The tax on Adyen's income before income taxes differs from the amount that would arise using the statutory tax rate in the Netherlands. The effective tax rate ("ETR") of Adyen for the year ended December 31, 2021 is 19.13% (2020: 19.23%) which differs from the statutory headline corporate tax rate in the Netherlands of 25% (2020: 25%) due to the application of the innovation box, tax rate differences on foreign operations and other adjustments (such as non-deductible expenses). The innovation box is a Dutch tax incentive whereby a portion of qualifying profits derived from innovative activities are taxed at a lower rate than the headline corporate tax rate in the Netherlands. Further detail on the innovation box, Adyen's total tax contribution and country-by country reporting are included in note 24.

Effective tax calculation	2021	2020
Income before income taxes	580,847	323,180
Statutory tax rate in the Netherlands (%)	25%	25%
Income taxes based on statutory tax rate in the Netherlands	*145,212*	*80,795*
Tax effects of:		
Innovation box	(31,163)	(18,381)
Change in tax rate	209	2,150
Other adjustments (such as prior year and non-deductible amounts)	(3,128)	(2,403)
Effective tax amount	**111,130**	**62,161**

The breakdown between current and deferred income taxes for the year ended December 31, 2021 and 2020 is disclosed below:

Income taxes	2021	2020
Current income tax expense	126,898	69,915
Deferred income tax income	(15,768)	(7,754)
Total income taxes	**111,130**	**62,161**

The breakdown between current income tax receivables and payables as at December 31, 2021 and 2020 is disclosed below:

Current income tax receivables/(payables)	2021	2020
Current income tax receivables	6,761	8,794
Current income tax payables	(9,879)	(16,108)

7.2. Deferred income taxes

Accounting policy – Deferred income taxes

Deferred income taxes arise, in general, as a result of temporary differences between tax and commercial accounting treatment. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled. The applied rates are based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

In some tax jurisdictions, Adyen is granted a tax deduction (i.e. an amount that is deductible in determining taxable profit) that relates to remuneration settled by options over Adyen's shares. The amount of that tax deduction may differ from the related cumulative remuneration expense, and may arise in a later accounting period. In the event where tax deductions exceed the remuneration expense, Adyen recognizes a deferred tax position with the impact presented directly in equity.

Deferred tax assets are recognized by Adyen to the extent that it is probable that future taxable profits will be available against which they can be utilized.

In connection with the long-term contract with eBay (refer to note 2.1 'Long-term merchant contract'), Adyen has recognized derivative liabilities and contract assets. The deferred tax positions on these items are in-substance linked to the merchant contract, and are presented on a gross basis in the balance sheet.

During 2021, the Dutch Government substantively enacted a change in the statutory tax rate, increasing it from 25% to 25.8%, applicable from the year 2022. As a result, Adyen has remeasured the relevant deferred tax balances as per December 31, 2021, using the updated headline statutory tax rate (25.8%) and has made an adjustment to the deferred tax position based on the updated information. The impact of the remeasurement is accounted for in the consolidated statement of comprehensive income.

The below movement schedule includes the changes in deferred taxes with the respective impact in equity and profit or loss:

	Balance January 1, 2020	Recognized in Profit or Loss	Recognized in equity	Effects of foreign exchange	Balance December 31, 2020
Deferred tax assets:					
Derivative liabilities	7,769	9,331			17,100
Windfall tax benefit	33,110		10,521	303	43,934
Tax losses carried forward	29,163	547	21,638	(8,263)	43,085
Temporary differences	1,591	627			2,218
Total deferred tax assets	**71,633**	**10,505**	**32,159**	**(7,960)**	**106,337**
Deferred tax liabilities:					
Other financial assets at FVPL	(9,567)	(1)	5,041		(4,527)
Contract assets	(16,319)	(2,795)			(19,114)
Temporary differences	(328)	45			(283)
Total deferred tax liabilities	**(26,214)**	**(2,751)**	**5,041**	**—**	**(23,924)**
Net deferred tax assets / (liabilities)	**45,419**	**7,754**	**37,200**	**(7,960)**	**82,413**

	Balance January 1, 2021	Recognized in Profit or Loss	Recognized in equity	Effects of foreign exchange	Balance December 31, 2021
Deferred tax assets:					
Derivative liabilities	17,100	3,979			21,079
Windfall tax benefit	43,934		(33,384)	2,258	12,808
Tax losses carried forward	43,085	(939)	38,932	5,394	86,472
Temporary differences	2,218	5,205			7,423
Total deferred tax assets	**106,337**	**8,245**	**5,548**	**7,652**	**127,782**
Deferred tax liabilities:					
Other financial assets at FVPL	(4,527)	4,527			—
Contract assets	(19,114)	3,104			(16,010)
Temporary differences	(283)	(108)			(391)
Total deferred tax liabilities	**(23,924)**	**7,523**	**—**	**—**	**(16,401)**
Net deferred tax assets	**82,413**	**15,768**	**5,548**	**7,652**	**111,381**

I. Deferred tax assets

The deferred tax assets include an amount of EUR 86,472 (2020: EUR 43,085) relating to net operating losses carried forward. The increase in this balance relates primarily to share-based compensation excess deduction from exercised options taken in the United States, explained in more detail later in this section. Further, EUR 21,079 (2020: EUR 17,100) of the deferred tax assets relates to the recognized derivative liabilities.

Significant accounting estimate: Deferred tax assets linked to windfall benefits

During 2021, Adyen has reassessed the recoverability of deferred tax assets on windfall benefits linked to the share-based compensation plan in the United States and United Kingdom. Adyen continues to recognize deferred tax assets that will be realized against future profits, on a going concern basis, as carryforward losses have no expiration date. Deferred tax assets include tax losses carried forward relating to options exercised in the United States and United Kingdom (December 31, 2021: EUR 86,277; December 31, 2020: EUR 42,244) and windfall benefits relating to options granted and vested, however not yet exercised (December 31, 2021: EUR 12,808; December 31, 2020: 44,081). The recoverability of the deferred tax asset linked to windfall benefits in the United States is not impacted by the US branch license, as the asset will be transferred to and recoverable against the future taxable profits of the newly incorporated US branch. This windfall benefit has been recognized assuming all options granted to date will be exercised within the 8th anniversary of the grant date (grant date + 7 years). The deferred tax asset in the United States only relates to the Federal tax and not State tax, as the Federal tax offers an unlimited carryforward and State tax a finite carrying period. An amount of EUR 24,228 (December 31, 2020: EUR 12,659) related to deferred State taxes was not recognised as of December 31, 2021, due to its finite carrying period and uncertainty around the recoverability of the asset.

Management has assessed the impact of the COVID-19 pandemic on the realizability of the deferred tax assets as it relies on future profitability. Based on the continued net revenue and EBITDA growth throughout the year, as well as the positive outlook of future profitability of the Company, the deferred tax assets shown on the balance sheet were considered to be fully recoverable.

II. Deferred tax liabilities

The deferred tax liabilities consist mainly of the deferred tax on the non-monetary part of the (eBay) contract asset (December 31, 2021: EUR 16,010; December 31, 2020: EUR 19,114).

The deferred tax assets and liabilities are presented as non-current on the Adyen balance sheet.

8. Capital management

Adyen's objective when managing capital is to safeguard its ability to continue as a going concern. Furthermore, Adyen ensures that it meets regulatory capital requirements at all times.

Accounting policy – Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

In 2021, 600,850[10] (2020: 295,289) additional shares were issued. The additional issued shares were a result of exercises of options granted to employees as well as the exercise of the warrant linked to tranche 1 of the long-term merchant contract (note 2.1). The paid up and called share capital increased to EUR 309,571 (2020: EUR 303,562) resulting in a total of 30,957,086 (2020: 30,356,236) ordinary shares (nominal value EUR 0.01 per share). In 2021, the total number of authorized shares was 80,000,000 (2020: 80,000,000).

The following reserves are considered to be non-distributable: legal reserves (in accordance with Dutch Law), share-based payment reserve, warrant reserve, and total comprehensive income for the current period (in accordance with regulatory capital requirements). The total of distributable reserves amounts to EUR 1,203,240 (2020: EUR 790,775). The legal reserves restricted for distribution in accordance with Dutch Law amounts to EUR 32,244 (2020: 14,853 – refer to company statement of changes in equity.

Net income is added to retained earnings reserve and the current dividend policy is not to pay dividends, as retained earnings are used to support and finance the growth strategy of the Company.

Derivative liabilities and Warrant reserve

In relation to the warrants granted to eBay (refer to note 2.1 'Long-term merchant contract'), as per December 31, 2021, Adyen has classified the first two tranches as an equity instrument, with the gross equity balance relating to tranche 1 (vested and exercised in 2021) presented within 'share premium', and tranche 2 (unvested) presented within 'warrant reserve'. In the previous year, the warrants related to tranches 1 and 2 (both unvested) were presented within 'warrant reserve' for the amount of EUR 53,401, net of EUR 14,799 deferred tax assets. The derivative liabilities relating to the first two tranches were measured at fair value through profit or loss before being de-recognized and reclassified to equity. Equity instruments are not subsequently remeasured to fair value.

The remaining derivative liabilities relating to tranches 3 and 4 are measured at fair value with a closing balance of EUR 81,700 as per end of December 2021 (2020: 68,400). Fair value movements are presented within 'other financial results' in profit or loss. Reference is made to note 11 'Financial Instruments' for further details on the accounting treatment of the derivative liabilities.

[10] Amounts in this paragraph are not rounded to the nearest EUR thousand.

9. CRR/CRD IV Regulatory Capital

The following table displays the composition of regulatory capital as at December 31, 2021. The regulatory capital is based on the CRR/CRD IV scope of consolidation, which is the same as the IFRS scope of consolidation.

Own funds	2021	2020
EU-IFRS equity as reported in consolidated balance sheet	1,810,414	1,218,134
Net profit not included in CET1 capital (H2 2021 not yet eligible)	(264,884)	(261,019)
Regulatory adjustments:		
Warrant reserve	(25,575)	(53,401)
Intangible assets	(9,841)	(9,970)
Deferred tax assets that rely on future profitability	(99,084)	(93,788)
Prudent valuation	(104)	(89)
Total own funds	**1,410,926**	**799,867**

The increase in total own funds in 2021 mainly relates to the additions of consolidated net profit (full year 2020 and H1 2021) as well as share premium increase due to the exercise of the warrant linked to tranche 1 of the long-term contract with eBay (note 2.1).

10. Cash and cash equivalents

Accounting policy – Cash and cash equivalents

Adyen's cash and cash equivalents are measured at amortized cost and are included in current assets due to their short-term nature.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Adyen presents interest paid/received and dividends received as operating cash flows. Due to the short duration of the cash and cash equivalents (less than 3 months), the fair value approximates the carrying value.

Cash and cash equivalents	2021	2020
Cash held at central banks	2,565,875	1,479,313
Cash held at banks, other than central banks	2,050,219	1,258,173
Total	**4,616,094**	**2,737,486**

During the year ended December 31, 2021, the cash held at central banks incurred negative interest in the amount of EUR 10,536 (2020: EUR 4,863). Had the interest rate at central banks been 0.1% higher/(lower), the interest incurred on cash held at central banks would decrease/(increase) by EUR 2,566 (2020: EUR 1,479).

Of the cash held at banks, other than central banks, EUR 19,654 (December 31, 2020: EUR 4,523) are restricted and are therefore not available for general use by the Company. The restricted cash mainly relates to deposits required under the US Federal Foreign Branch license as well as deposits held as guarantee for leased offices.

Adyen's cash held at banks, other than central banks is exposed to credit risk with financial institution counterparties. Adyen actively manages concentration risk and it is Adyen's policy that all commercial banks where cash and cash equivalents are held have a credit rating in the A categories of Moody's/S&P. No defaults occurred during the year and management does not expect any losses from non-performance by these counterparties.

11. Financial instruments

Accounting policy – Financial instruments

Classification

Adyen classifies its financial assets in the following measurement categories, those to be measured:

- subsequently at fair value through profit or loss ('FVPL'), and
- at amortized cost.

The classification depends on Adyen's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at FVPL, gains and losses are recorded in profit or loss.

Financial liabilities

Adyen initially classifies financial instruments as a liability or equity instrument based on the terms of the contractual arrangement, and subsequently reassesses the accounting treatment on changes in circumstances. The derivative liabilities are classified as financial liabilities measured at fair value through profit or loss (refer to note 2.1 'Long-term merchant contract'). The derivative liabilities may be derecognized or classified as equity instruments contingent on uncertain future events linked to milestones of processed payments volume with eBay.

Measurement

At initial recognition, Adyen measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on Adyen's business model for managing the asset and the cash flow characteristics of the asset. Adyen measures its debt instruments as follows:

- Amortized cost: Held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets and liabilities at fair value through profit or loss

- Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income ('FVOCI') are measured at FVPL. A gain or loss is subsequently measured at FVPL and gains or losses are recognized in profit or loss and presented net within other financial results for the period in which it arises.

Impairment

Adyen assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and contract assets, the group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the assets.

Instruments in scope on the balance sheet of Adyen include: cash and cash equivalents, receivables from merchants and financial institutions, trade receivables, other receivables and contract asset classified as monetary item. The expected credit loss model is designed to measure the pattern of improvement or deterioration in the credit quality of the debt instruments. The measurement basis consists of two categories

- Category 1: Expected credit losses (12 months)
- Category 2: Lifetime expected credit losses

The Adyen Treasury policy only allows exposures to financial institutions with sound credit quality rating and limits the exposure to a maximum amount. As a result, Adyen applies the low credit risk simplification; hence all assets are considered to be in stage 1 and a 12-month expected credit loss is applied.

Lifetime expected credit losses are applied for trade and other receivables. For these instruments operational simplifications can be applied; hence it eliminates the need to calculate a 12-month expected credit losses or to measure increases in credit risk for the instrument. The loss allowance for trade receivables are measured at initial recognition, and throughout the total duration, equal to lifetime expected credit losses.

As the average duration of the instruments in scope for impairment calculation is below 10 days, no forward-looking elements are included in the expected credit loss assessment.

In the event of no reasonable expectation of recovering the financial asset, the Adyen Credit Committee decides on whether a write-off should take place for the entirety or portion of the outstanding amount.

Fair value measurement

For financial instruments measured at fair value, Adyen categorizes the fair value measurement in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Adyen categorizes fair valuation inputs on the following basis:

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The financial instruments as at each balance sheet date are summarized in the table below. For those measured at fair value, to provide an indication about the reliability of the inputs used in determining fair value, Adyen has classified its financial instruments into the levels described in the accounting policies above. All other financial instruments on the balance sheet meet the requirements of the contractual cash flow and characteristics test to be measured at amortized cost. Furthermore, the classification is based on the business model test. As a result, the classification is consistent with how the business is managed and is in line with risk management strategies and how this is reported to key management. Adyen's exposure to various risks associated with the financial instruments is discussed in note 12.

Financial instruments	Note	Measurement policy	2021	2020
Financial assets:				
Other financial assets at FVPL		FVPL – level 2	22,504	20,883
Contract assets – monetary component	2.2	Amortized cost	8,971	47,657
Receivables from merchants and financial institutions	15	Amortized cost	633,249	883,939
Trade and other receivables	15	Amortized cost	56,852	75,079
Other financial assets at amortized cost		Amortized cost	—	12,238
Cash and cash equivalents	10	Amortized cost	4,616,094	2,737,486
Total			**5,337,670**	**3,777,282**
Financial liabilities:				
Derivative liabilities		FVPL – level 2	81,700	68,400
Lease liability	17	Amortized cost	142,964	131,485
Payable to merchants and financial institutions	16	Amortized cost	3,608,531	2,588,863
Trade and other payables	16	Amortized cost	100,116	111,547
Total			**3,933,311**	**2,900,295**

Other financial assets at FVPL (Visa Inc. preferred shares)

Adyen has recognized and classified the convertible ('Series C') preferred Visa Inc. shares within the FVPL category. The fair value of the level 2 preferred shares in Visa Inc. is based on the quoted price of Visa Inc. common shares, adjusted for lack of marketability, multiplied by an initial conversion rate of preferred shares into common shares. The conversion rate may fluctuate in the future. The adjustment for lack of marketability is determined using an option pricing model technique which relies on observable market data of the underlying Visa Inc. common shares, as well as a presumed length of holding period restriction on the preferred shares.

During 2020, Visa Inc. effected a partial conversion of 50% of the Series C preferred stock into Series A preferred stock. The Series A preferred stock were converted into Visa Inc. common stock and sold prior to the end of 2020 at fair market value. The proceeds receivable was recognized within trade and other receivables (EUR 23,440) and an amount of EUR 23,671 was ultimately received during the year ended December 31, 2021. No further conversion of the Series C preferred stock took place in 2021.

The remaining Visa Inc. preferred shares carry the right to receive discretionary dividend payments presented as "other income" in the statement of comprehensive income (2021: EUR 130; 2020: EUR 310).

Other financial assets at amortized cost (US and UK Government Bonds)

During the year ended December 31, 2021, Adyen redeemed the government bonds (other financial assets at amortized cost) at maturity, and realized a loss on disposal of EUR 138 recognized in other financial results (refer to note 6). During the year, Adyen recognized exchange gains of EUR 198 and no finance income relating to the bonds (2020: EUR 1,006 exchange losses and EUR 281 finance income, respectively).

Derivative liabilities

As part of the eBay contract previously mentioned (refer to note 2.1 ‘Long-term merchant contract’), Adyen recognized derivative liabilities measured at fair value through profit or loss, classified as a level 2 fair value instrument.

The derivative liabilities are valued using a Black-Scholes option pricing model (“OPM”) technique. The OPM takes into consideration various observable market and contractual data as well as management estimates, including the probability of vesting based on achievement of milestones in line with the fulfilment of the payment services to be provided to eBay. A sensitivity analysis to Adyen’s share price is provided in note 12 ‘Financial risk management’.

The change in fair value of the derivative liabilities is mainly linked to the Adyen share price increase and revision of valuation inputs; namely, the estimate of the probability of vesting and discount for lack of marketability. Refer to note 6 ‘Other financial results’ for the recognition of the movement of the derivative liabilities.

12. Financial risk management

Adyen's activities bring exposure to a variety of financial risks. Risk management is the responsibility of Adyen's management. Adyen applies a risk-aware but not unduly risk-averse approach towards risk management. Adyen's Integral Risk Management Framework (IRMF), which is based on COSO's Enterprise Risk Management (ERM) model, defines a uniform and systematic approach for managing risks across Adyen. The main sources of financial risk to Adyen are considered in the table below:

Source of risk and risk description	Risk mitigation	Remaining risk
Liquidity risk		**Minimal**
Liquidity risk is the risk that Adyen is not able to meet its short-term payment obligations.	Adyen actively monitors its liquidity risk. However, the majority of the balance sheet, for both assets and liabilities not related to merchant funds, has a maturity date of less than three months on an undiscounted contractual basis. The remaining balances with a different maturity date (as mentioned specifically in the notes of these financial statements) are not considered material, including lease liabilities (refer to note 17). The balance sheet positions related to merchant fund flows are considered not to impose liquidity risk as these cash balances and related payables are interrelated from a liquidity perspective. For the majority of its merchants, Adyen only settles merchant payables after the cash is collected from the card schemes. Accelerated pay-out schedules for individual merchants are more than balanced by liquidity from merchants with default pay-out schedules and liquidity via settlement by payment methods. Adyen holds a liquidity buffer based on the Liquidity Coverage Ratio (LCR), accompanied by a survival period metric, to mitigate the residual risk. The survival period is determined by dividing the sum of cash and cash equivalents, receivables from and payables to merchants and financial institutions, by total operating expenses for the period. The survival period is set at a minimum of six months and Adyen's survival period as at December 31, 2021 is 48 months (2020: 40 months). For short term liquidity needs Adyen holds additional buffers in a variety of currencies.Given the maturity of the assets and liabilities on balance sheet, as well as Adyen's liquidity buffer and survival period metric, the Company has sufficiently mitigated liquidity risk.	Due to the short-term character of Adyen's balance sheet, the remaining liquidity risk remains within Adyen's risk appetite.
Market risks		**Minimal**
Foreign exchange risk		
Adyen operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises on recognized assets and liabilities, principally trade and merchant flow related receivables and payables, and investments in foreign operations.	Management actively manages the foreign exchange risk resulting in limited exposure to foreign exchange risks. USD and GBP are the most significant non-functional currency exposures as at December 31, 2021 and 2020. The following table highlights the net exposure to these monetary item currencies as well as the impact on profit or loss resulting from a 10% shock (positive or negative) of the respective significant currency against the Euro. All short-term financial instruments have been excluded in this exposure given the quick settlement times, and hence, limited foreign exchange risk on these instruments.	The resulting overall impact of an immediate 10% shock on all currencies excluding USD and GBP remains within Adyen's risk appetite.

Currency	Net exposure	10% shock
31/12/2020		
USD	EUR 77 million	EUR 7.7 million
GBP	EUR 4 million	EUR 0.4 million
31/12/2021		
USD	EUR 32 million	EUR 3.2 million
GBP	EUR 0 million	EUR 0.0 million

The balance sheet positions related to merchant fund flows are not considered for the determination of foreign exchange risks. The merchant funds have a natural match in currencies between receivables and payables or a very short duration. This significantly reduces the foreign exchange risk.
Adyen holds liquidity buffers in various currencies to ensure that it will be able to meet payment obligations to merchants, thereby mitigating potential liquidity risk arising from failed FX transactions.

Interest rate risk

Interest rate risk on financial instruments could arise from adverse movements in underlying interest rates.

Interest rate risk arising from maturity and tenor mismatches in assets and liabilities is limited and therefore considered not to be material to Adyen. Some assets are interest bearing, whereas all liabilities are non-interest-bearing. Adyen is not financed with external debt, which excludes that origin of interest rate risk.
Although significant liabilities towards merchants are present, these liabilities are non-interest bearing and are settled at short notice. Moreover, the interest risk on Adyen's lease liabilities is considered immaterial due to a fixed discount rate (determined with reference to Adyen's incremental borrowing rate) and nominal value of outstanding leases.
Adyen could be considered to be exposed to interest rate risk in the banking book mainly in relation to its High-Quality Liquid Assets (HQLA): cash held at central banks and money-market funds invested in US-government instruments. However, cash balances of Adyen are not significantly exposed to interest rate risk because that cash is used to settle the current liabilities towards the merchants at short notice. The nominal values of the money-market funds are minimal as compared to the overall financial instruments balance, are short-term in nature (given the nature of underlying assets), and are held for short-term use (overnight clearing of funds to avoid excess concentration risk), overall leading to minimal interest rate risk.
For the limited amount of interest-bearing balances that Adyen holds, negative interest rates might apply, as is the case on the DNB Target 2 account.

As a result of the nature of the products on the Adyen balance sheet the remaining interest rate risk remains within Adyen's risk appetite.

Equity price risk

The risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

The Group's exposure to equity securities price risk arises from investment in Visa Inc. preferred shares, which are classified in the consolidated balance sheet as other financial assets at FVPL. The exposure consists of potential financial losses due to movements in the share price of Visa Inc.
Two tranches of the long-term merchant contract with eBay are classified in the balance sheet as derivative liabilities. The exposure is affected by share price movements of Adyen shares.
Adyen carried out a sensitivity analysis on the Visa Inc. preferred shares and derivative liabilities, respectively. A 5% increase (decrease) in the underlying Visa Inc. and Adyen share price would result in the following increase (decrease) in the balance sheet item and income before income taxes, all other circumstances considered equal:

Balance sheet item	Carrying amount	5% underlying share price movement
31/12/2020		
Visa Inc. preferred shares	EUR 21 million	EUR 1 million
Derivative liabilities	EUR 68 million	EUR 3 million (5%)
31/12/2021		
Visa Inc. preferred shares	EUR 23 million	EUR 1 million
Derivative liabilities	EUR 82 million	EUR 4 million (5%)

In addition, Adyen's Treasury policy does not allow purchasing additional equity positions (excluding treasury shares).

The remaining equity price risk is considered limited as Adyen has no other equity instruments on its balance sheet.

Credit risks		**Minimal**
Counterparty default risk		
The counterparty default (credit) risk relates to receivables from financial institutions regarding settled payment transactions. A default of financial institution counterparties could have a negative impact on Adyen's financial results.	Financial assets subject to credit risk: Cash and cash equivalents, and receivables from merchants and financial institutions: Adyen's cash held at banks, other than central banks, is exposed to credit risk with financial institution counterparties. The credit risk exposure per financial institution is maximized to 25% of Adyen's eligible capital, provided that the financial institution has a credit rating in the A categories of Moody's/S&P or, if not available, its equivalent from other rating agencies. Adyen has conservatively translated this amount into an internal limit of EUR 316 million. For financial institutions with lower credit ratings, the credit risk per financial institution is maximized to EUR 135 million under business-as-usual conditions. Neither limit was breached during the year ended December 31, 2021. As per December 31, 2021, EUR 2,565,875 (2020: EUR 1,479,313) represents cash held at central banks, representing 56% (2020: 54%) of the cash and cash equivalents balance. Excluding the cash held at central banks, Adyen's top 10 exposures include balances held at institutions with credit rating A or higher, representing 83% of the balance of cash and cash equivalents, and 54% of receivables from merchants and financial institutions - combined top 10 exposures: 63% (2020: 83%). During 2021, Adyen has reduced its single-name concentration exposure, evident by the drop in proportion of top 10 exposures within Adyen's total financial assets. The residual credit risk is mitigated by the short-term maturity of these balances of less than 7 days. Adyen has exposure to various financial institutions globally. Due to regulatory requirements, in order to mitigate the counterparty exposure to one of its partners in Brazil, Adyen has setup a collateral account in which Brazilian Government bonds were deposited by a partner financial institution. As per December 31, 2021 the total collateral was EUR 39,125 (BRL 250,157) (2020: EUR 37,533 (BRL 239,091). Adyen has no other collateral accounts to meet its other regulatory requirements. No defaults occurred during the year and management does not expect any losses from non-performance by these counterparties. Contract assets: Refer to note 2.2 for detail on credit risk exposure resulting from the monetary component of the contract assets The remaining financial asset credit risk exposure (such as trade and other receivables) is considered to be limited and within Adyen's risk appetite.	The remaining credit risk remains within Adyen's risk appetite.
Concentration risk		
Risk of losses stemming from on- and off-balance sheet positions arising from concentrations in exposures to an issuer or a group of connected issuers.	Concentration risk at Adyen originates primarily at banking partners in locations where there are no own direct acquiring licenses. Adyen actively manages this concentration risk by distributing its cash over bank accounts at multiple banks. If needed, excess cash can be held at accounts with central banks. Adyen continues to monitor its merchant funds flows at partner banks that are not settled through accounts held at the central bank, to ensure compliance with the large exposure limit.	The remaining credit risk remains within Adyen's risk appetite.

Other disclosures

13. Intangible assets

Adyen's intangible assets relate to expenses capitalized on the internal development of the Adyen payment platform.

Accounting policy – Intangible assets

The intangible assets are stated at cost less accumulated amortization and include internally generated software with finite useful lives. These assets are capitalized and subsequently amortized on a straight-line basis in the statement of comprehensive income over the period with an estimated useful life of 5 years. Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The useful life is assessed on an annual basis.

Intangible assets	2021	2020
Internally generated software		
Cost	19,817	15,022
Accumulated amortization	(9,847)	(7,382)
Balance - Balance - January 1	**9,970**	**7,640**
Additions	2,959	4,795
Amortization for the year	(3,088)	(2,465)
Total as at Balance - December 31	**9,841**	**9,970**
Cost	22,776	19,817
Accumulated amortization	(12,935)	(9,847)
Total as at December 31	**9,841**	**9,970**

14. Plant and equipment

Accounting policy – Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred. The major categories of plant and equipment (namely hardware equipment and leasehold improvements) are assessed to have a useful life of 5 years. Plant and equipment are depreciated on a straight-line basis and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The useful life is assessed on an annual basis.

Plant and equipment	Computer Hardware and Software	Leasehold Improvements	Other	Total
2020				
Cost	46,860	6,855	1,872	55,587
Accumulated depreciation	(21,386)	(2,758)	(1,224)	(25,368)
Balance - January 1	**25,474**	**4,097**	**648**	**30,219**
				—
Additions	14,471	2,499	127	17,097
Disposals	(23)	(15)	—	(38)
Depreciation for the year	(9,614)	(1,390)	(226)	(11,230)
Other changes (e.g. exchange differences)	(118)	(176)	(8)	(302)
Balance - December 31	**30,190**	**5,015**	**541**	**35,746**
2021				
Cost	59,016	9,060	1,964	70,040
Accumulated depreciation	(28,826)	(4,045)	(1,423)	(34,294)
Balance - January 1	**30,190**	**5,015**	**541**	**35,746**
		—	—	—
Additions	39,964	9,391	2,032	51,387
Disposals	(19)	—	—	(19)
Depreciation for the year	(13,233)	(1,797)	(285)	(15,315)
Other changes (e.g. exchange differences)	1,038	149	(5)	1,182
Balance - December 31	**57,940**	**12,758**	**2,283**	**72,981**
Cost	98,379	18,738	4,002	121,119
Accumulated depreciation	(40,439)	(5,980)	(1,719)	(48,138)
Balance - December 31	**57,940**	**12,758**	**2,283**	**72,981**

Computer Hardware and Software additions during the year mainly relate to equipment such as laptops for employees and servers for data centers. Leasehold improvements additions during the year relate to the capitalization of improvements made to the new leased offices in Amsterdam. Adyen did not recognize an impairment loss or reversal of impairment loss of plant and equipment during the year ended December 31, 2021 and 2020.

15. Trade, other receivables, and receivables from merchants and financial institutions

Accounting policy – Trade and other receivables

Trade receivables are amounts due from merchants for payment services performed. If collection is expected in less than one year they are classified as current assets. Trade and other receivables are classified at amortized cost, initially recognized at fair value and subsequently measured at amortized cost less impairments for expected credit losses. The average duration of the receivables varies depending of their nature (Trade and other receivables: less than 3 month; receivables from financial institutions: 1-2 days; receivables from merchants: 30 days). Due to the short duration of all the receivables (overall average of less than 3 months) the fair value approximates the carrying value.

15.1. Trade, other receivables, and receivables from merchants and financial institutions

Trade and other receivables	2021	2020
Trade and other receivables	61,294	79,918
Less: Allowance for expected credit losses	(4,442)	(4,839)
Balance - Trade receivables - Net	**56,852**	**75,079**
Receivables from merchants and financial institutions	633,249	883,939
Total	**690,101**	**959,018**

Trade and other receivables

These receivables are held with merchants that have not been subtracted from settlement.

Receivables from merchants and financial institutions	2021	2020
Balance - Receivables from financial institutions	561,578	833,657
Receivables from merchants	71,671	50,282
Balance - December 31	**633,249**	**883,939**

Receivables from financial institutions

Receivables from financial institutions include balances due from schemes and other financial institutions regarding transactions processed which will be settled within a short-term, as well as bank accounts which are controlled by Adyen but do not meet the definition of cash and cash equivalents and are therefore classified as receivables from financial institutions.

Receivables from merchants

As part of the accelerated Sales Day Payout product, Adyen settles a full sales day of transactions to merchants before the funds from financial institutions are fully received. Therefore, Adyen is entitled to a receivable from all merchants which have opted to use this form of settlement. The receivable relates to balances of merchants to be settled by schemes, with an average duration of less than 10 days. As at December 31, 2021, the receivables from accelerated Sales Day Payout have a balance of EUR 71,671 (2020: 50,282).

Adyen assesses, on a forward-looking basis, the expected credit losses and concluded the impact of expected credit losses on receivables from merchants is not significant.

15.2. Impairments of financial assets at amortized cost

Adyen uses a provision matrix when calculating the loss allowance on trade receivables. During the year Adyen deducted EUR 397 (2020: added EUR 2,312) from (to) its trade receivable loss allowance based on the calculations from its IFRS 9 expected credit loss model for trade receivables. The expected credit loss model was updated at year-end, to reflect reasonable and supportable information available on credit risk of the trade receivables balance. The impact of COVID-19 on the expected credit loss allowance was not significant and the decrease in the loss allowance year-over-year is mainly driven by a decrease in the trade receivables balance. Adyen wrote off trade receivables balances for an amount of EUR 548 (2020: 2,357). Adyen did not reverse any impairment losses in 2020 and 2021.

No financial assets are past due except for trade receivables. As at December 31, 2021, trade receivables of EUR 37,049 (2020: EUR 15,383) were not past due, EUR 24,245 were past due (2020: EUR 24,822) of which EUR 9,879 is less than 3 months (2020: EUR 9,409) and EUR 548 impaired (2020: 2,357). The average duration of the overdue trade receivables is 3 months (2020: 3 months).

16. Trade, other payables, and payables to merchants and financial institutions

Accounting policy – Trade and other payables

Payables are obligations initially recognized at fair value and subsequently measured at amortized cost to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less. Due to the very short duration of the payables (average less than 3 months) the fair value approximates the carrying value.

Trade and other payables	2021	2020
Trade payables	8,989	8,308
Taxes and social security	51,418	42,482
Accrued employee benefits	26,269	31,390
Accrued liabilities and other debts	5,996	21,140
Cash-settled share-based payment plan - current portion	7,444	8,227
Trade and other payables	**100,116**	**111,547**
Payables to merchants and financial institutions	3,608,531	2,588,863
Total	**3,708,647**	**2,700,410**

The payables to merchants and financial institutions relate to interchange and scheme fees payable and do not constitute borrowings. The payables to merchants include the Merchant Potential Liability ('MPL') reserve as part of Adyen's MPL risk mitigation. When Adyen acts as an acquirer, it is liable to settle eligible chargebacks with card networks. To cover for this inherent risk, Adyen withholds funds from the payouts to merchants, estimated as the amount of transaction volume for which issuers could potentially submit a chargeback and Adyen has to take financial responsibility. These MPL reserves amounted to EUR 471,247 as per December 31, 2021 (2020: EUR 377,598).

Taxes and social security mainly relate to VAT payables and wage taxes relate to Adyen employees.

Adyen has recognized liabilities measured at fair value through profit or loss that are related to the cash-settled share-based payment plan (refer to note 4.3 'Share-based payments').

17. Leases

Adyen's leases relate to offices and data centers across locations where it operates.

Accounting policy – Leases

Adyen assesses if a lease exists or a contract contains a lease at the contract inception date, concluding whether an asset is identifiable and Adyen has control to direct its use and all related economic benefits. A right-of-use asset and a lease liability are recognized at the lease commencement date, which can differ from contract inception date.

The lease liability is initially measured by bringing to present value all future lease payments, discounted by an incremental borrowing rate, in case no interest rate is available for the contract.

At initial recognition, the right-of-use-asset amounts to the initial lease liability. Right-of-use-assets are depreciated on a straight-line basis over the lease term and tested for impairment whenever events or changes in circumstances indicates that the carrying amount may not be recoverable. Interest on lease liability is recognized as an expense in the statement of comprehensive income.

Short-term (less than 12 months) and small value lease contracts are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

All leases entered are related offices and data centers, being these based on fixed payment and term.

Right-of-use assets	2021	2020
Offices and data centers		
Cost	149,732	70,849
Accumulated depreciation	(25,404)	(11,154)
Balance - January 1	**124,328**	**59,695**
Additions	19,114	81,308
Depreciation for the period	(16,608)	(14,872)
Other movements (e.g. exchange differences)	1,229	(1,803)
Balance - December 31	**128,063**	**124,328**
Recognized right-of-use asset	168,630	149,732
Accumulated depreciation	(40,567)	(25,404)
Balance - December 31	**128,063**	**124,328**

Lease liability	2021	2020
Balance - January 1	**131,485**	**61,694**
Additions	19,114	81,308
Lease instalments	(11,541)	(11,493)
Interest expense	2,496	2,054
Other movements (e.g. exchange differences)	1,410	(2,078)
Balance - December 31	**142,964**	**131,485**
Current portion	22,996	13,434
Non-current portion	119,968	118,051

During the year, short-term and small value leases expensed in other operating expenses amounted to EUR 1,793 (2020: EUR 1,080).

As of December 31, the future minimum lease payments are as follows:

Minimum future lease payments	2021	2020
Within 1 year	20,327	11,126
Between 1 and 2 years	21,326	16,294
Between 2 and 3 years	21,331	15,141
Between 3 and 4 years	20,979	14,845
Between 4 and 5 years	14,780	14,412
Later than 5 years	71,564	74,841
Total	**170,307**	**146,659**

18. Other contingent assets, liabilities and commitments

Adyen N.V. and Adyen International B.V. are a fiscal unity for income tax purposes. Under the Dutch Tax Collection Act, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity.

Adyen has EUR 72,290 of outstanding bank guarantees and letters of credit as at December 31, 2021 (2020: EUR 32,344).

Adyen has setup a collateral account in which Brazilian Government bonds were deposited by a partner financial institution, in order to decrease its exposure to this counterparty in Brazil. As at December 31, 2021 the total collateral was EUR 39,125 (BRL 250,157) (2020: EUR 37,533 (BRL 239,091).

During the year ended December 31, 2021, the Brazilian Tax Authorities initiated an audit of the Corporate Income Tax and of the Social Contribution of Net Income for the year ended December 31, 2017. Based on the outcomes of this audit the Company was issued a tax infringement notice claiming approximately EUR 3,622 (BRL 23,162) in relation to the financial year 2017. The Company has disputed the findings of the Brazilian Tax Authorities and considers it to be probable that the judgement will be in its favor. Adyen has therefore not recognized a provision in relation to this claim.

19. Related party transactions

During 2021, Adyen identified related party transactions that took place with Stichting Administratiekantoor Adyen (STAK), employees and Supervisory Directors. The transactions with employees and STAK are related to options exercised, and the transactions with Supervisory Board are related to remuneration for services rendered throughout the year (refer to note 22.2 'Remuneration Supervisory Board'). The outstanding balances as per December 31, 2021 and 2020 are:

Related party assets/ (liabilities)	2021	2020
Supervisory Board	—	(52)
Employees (STAK)	66	20

The Management Board and Supervisory Board remuneration is disclosed in note 22 'Compensation of key management'.

There were no other transactions with related parties in 2021 (2020: nil).

20. New and amended standards adopted

20.1. New standards adopted by Adyen

The following accounting standards, interpretations and amendments applicable to Adyen (collectively, "amendments") were issued and made effective for the annual reporting period beginning on January 1, 2021:

- Amendments to IFRS 16, 'Leases' — Covid-19 related rent concessions; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 — Interest rate benchmark reform (Phase 2).

Adyen has taken into consideration the changes of each one of the above-mentioned amendments, and concluded that the amendments do not have a material impact on the financial statements.

20.2. Amendments to existing standards that are applicable to the Company but not yet effective

Certain amendments have been published that are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Company. The Company has assessed the amendments to become effective in 2022, and onwards, to have no material impact on its financial statements.

21. Audit fees

21.1. Fees to the auditor

The audit fees were expensed in the statement of comprehensive income during the reporting period.

The fees listed below relate to the procedures applied to Adyen and its consolidated group entities by accounting firms and external independent auditors as referred to in section 1(1) of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties-Wta") as well as by the Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2021 financial statements, regardless of whether the work was performed during the financial year.

21.2. Summary of services rendered by the auditor, in addition to the audit of the financial statements

Our auditor, PwC Accountants, has rendered the following services to Adyen and its controlled entities during 2021 and 2020:

	2021			2020		
	PwC Accountants	Other PwC firms*	Total	PwC Accountants	Other PwC firms*	Total
Audit of financial statements	655	541	1,196	706	293	999
Other audit services	292	—	292	93	—	93
Total	**947**	**541**	**1,488**	**799**	**293**	**1,092**

* Other PwC firms refer to PwC member firms outside of the Netherlands.

Other services than the Audit of the financial statements refer to services rendered outside of the European Union.

	2021	2020
Other audit services required by law or regulatory requirement		
Audit of financial statements	1,196	999
Audit of the regulatory returns to be submitted to the Dutch Central Bank	96	—
Assurance engagement DGS report	40	—
Other audit services		
Assurance engagement ISAE 3402 report	101	93
Assurance engagement SOC 2 report	55	—
Total for the year	**1,488**	**1,092**

22. Compensation of key management

22.1 Remuneration Management Board

Adyen identifies the Management Board as the only key management personnel. The total remuneration received by the Management Board in 2021 amounted to EUR 3,475 (2020: EUR 3,547).

	2021	2020
Salaries and short-term employee benefits	3,137	3,243
Share-based payments	241	191
Post-employment benefits	97	113
Total	**3,475**	**3,547**

Variable remuneration

As of 2018 and in line with (i) the Act on Remuneration Policies in Financial Enterprises (Wet beloningsbeleid financiële ondernemingen), and (ii) the Guidelines on Remuneration Policies and Practices as formally adopted on December 10, 2010 by the Committee of European Banking Supervisors, Adyen does not award variable remuneration to the Managing Directors. As the application of such rules and principles may include an assessment and interpretation of the remuneration restrictions, it cannot be excluded that a competent supervisory authority takes a different view on the correct application thereof in specific cases (although there is currently no indication that a competent supervisory authority will take such position).

Pension[11]

As from January 2017, all Dutch members of the Management Board participate in the Collective Defined Contribution (CDC) pension plan, with respect to their salary up to EUR 112,189 gross per year for 2021 (2020: EUR 110,111). On behalf of each Managing Director, Adyen pays a contribution of 4% of the pensionable salary - being 12 times the monthly fixed salary plus holiday pay up to the fiscally allowed maximum minus a deductible - for the accrual of old age pension benefits as well as the administration costs. If and as far as fiscally allowed, each Managing Director has the possibility to make additional contributions in order to accrue additional pension capital.

Kamran Zaki participates in a 401k retirement plan in the United States, for which Adyen provides an employer match of up to 2% of base salary.

Insurance

All Managing Directors are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

All Dutch Managing Directors are insured for the risk of death and disability, for which Adyen pays the insurance premiums.

[11] Amounts in this paragraph are not rounded to the nearest EUR thousand.

Service and Severance Agreements

All Managing Directors have entered into a service agreement (Overeenkomst van Opdracht) with Adyen N.V. effective as of the date of the listing of Adyen, while Kamran Zaki is currently assigned to Adyen Inc. The terms and conditions of these service agreements have been aligned with the Dutch Corporate Governance Code. The service agreements will be entered into for a term of 4 years.

The service agreements provide for a severance of one annual base salary if the Managing Director is not re-appointed or otherwise terminated by Adyen (for any reason other than urgent cause within the meaning of article 7:678 of the Dutch Civil Code (dringende reden)), in accordance with the Dutch Corporate Governance Code.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Managing Directors.

22.2. Remuneration Supervisory Board

The total remuneration received by the Supervisory Board in 2021 amounted to EUR 386 (2020: EUR 293). The table below provides an overview of the remuneration of Supervisory Directors for the financial year 2021. In addition to the remuneration, expenses incurred by the Supervisory Directors in the performance of their duties are reimbursed in full:

	2021	2020
Salaries and short-term employee benefits	386	293
Total	**386**	**293**

Insurance

The Supervisory Directors of Adyen are insured under an insurance policy taken out by Adyen against damages resulting from their conduct when acting in their capacities as directors.

Loans

No loans, advance payments and guarantees have been granted to or on behalf of the Supervisory Directors.

23. Share information

Accounting policy – Earnings per share

Adyen presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of EPS is as follows:

1) Basic EPS: dividing the net income attributable to owners of Adyen N.V. by the weighted average number of ordinary shares outstanding during the period. As per December 31, 2021, the warrant related to tranche 1 vested (and exercised), while no warrants had vested in the previous year. Therefore, the issued shares relating to tranche 1 is reflected in the calculation of ordinary shares during 2021.

2) Diluted EPS: determined by adjusting the basic EPS for the effects of all dilutive potential ordinary shares which passed on contractual conditions (e.g. vesting), only related to share options granted to employees (refer to note 4.3).

Share information	2021	2020
Net income attributable to owners of Adyen N.V. (in EUR '000)	469,717	261,019
Weighted average number of ordinary shares for the period	*30,499,194*	*30,246,923*
Dilutive effect of share options	176,621	420,676
Weighted average number of ordinary shares for diluted net profit for the period	*30,675,815*	*30,667,599*
Net profit per share – basic	15.40	8.63
Net profit per share - diluted	15.31	8.51

24. Tax reporting

24.1. Total tax contribution

Adyen is liable to pay corporate income tax in the countries in which it has a taxable presence. Since Adyen's first global expansion outside the Netherlands , Adyen has been characterized as a centralized organization for corporate income tax purposes. Key business activities are performed in the Netherlands and sales support activities are performed by local Adyen offices. In response to this centralized organization, transfer pricing agreements have been established based on the applicable OECD principles.

Adyen is responsible for the collection and payment of taxes connected with its services and products sold, on behalf of employees, or service providers. Corporate income tax, indirect tax and payroll tax are main sources of government income. Considering the importance of these taxes for local governments, Adyen bears a responsibility to maintain a compliant global tax framework. Adyen's tax team closely monitors local regulations and Adyen's product offerings to remain compliant.

24.2. Country-by-country reporting

The following table provides a country-by-country overview to support that taxes are paid in the country wherein Adyen has an economic nexus. To serve this purpose, the table is split into two parts: the first part covers per country where Adyen has a liability to pay tax; the main activity, number of FTE's per year-end, and consolidated IFRS data on an accrual basis of operating expenses, income before tax and income tax expense. The second part of the table is prepared on a cash basis and covers the income tax, indirect tax, payroll tax and grants or incentives. The table is prepared using consolidated accounts or on a cash basis. As a result, local statutory financials and actual tax contributions may deviate from the amount disclosed. The full list of participating interests as referred to in Article 414, Book 2 of the Dutch Civil Code can be found in note 32 'Investments in consolidated subsidiaries on equity method' of the company financial statements.

		Amounts accrued on IFRS Consolidated basis					Taxes received/ (paid) on cash basis				
Country	Main activity	Ending FTE	Total Operating Expense	Income Before Tax	Income Tax Expense	ETR%	Income Tax	Indirect Tax	Payroll Tax	Grants / Incentives	Total tax contribution
The Netherlands	Head office - Payment service provider	1,262	(222,469)	531,000	(106,128)	20%	(124,368)	(69,041)	(123,885)	736	(316,559)
United Kingdom	Sales office	107	(20,525)	7,846	(1)*	—	—	(526)	(15,704)	—	(16,230)
France	Sales office	51	(13,689)	1,916	(744)	39%	(559)	(16,783)	(3,707)	—	(21,049)
Germany	Sales office	58	(7,402)	3,630	(1,343)	37%	(687)	—	(3,865)	—	(4,552)
Sweden	Sales office	33	(7,298)	1,718	(357)	21%	(345)	—	(4,450)	—	(4,796)
Spain	Sales office	32	(4,413)	1,086	(207)	19%	(246)	(2,236)	(1,498)	—	(3,979)
Belgium	Sales office	12	(1,701)	353	(94)	27%	(33)	—	(762)	—	(795)
Italy	Sales office	17	(2,325)	494	36	—	(240)	—	(647)	—	(886)
United Arab Emirates	Sales office	10	(1,958)	231	1	—	—	(13)	—	—	(13)
Poland	Sales office	10	(938)	402	(77)	19%	—	—	(288)	—	(288)
Norway	No office							(28)			(28)
United States	Sales and support office	286	(71,201)	19,777	303	—%	1,392	(409)	(142,209)	—	(141,226)
Brazil	Sales office	88	(14,139)	2,513	(502)	20%	49	(5,225)	(4,667)	—	(9,843)
Mexico	Sales office	14	(1,617)	253	(42)	17%	(326)	(2,328)	(292)	—	(2,947)
Canada	Sales office	10	(1,432)	426	(70)	16%	—	(12,422)	(440)	—	(12,862)
Singapore	Sales and support office	101	(15,185)	2,283	(472)	21%	(377)	(7,193)	(1,205)	461	(8,315)
Australia	Sales and support office	30	(7,295)	1,385	(443)	32%	(445)	(6,366)	(1,486)	—	(8,297)
China	Sales office	25	(5,986)	2,950	(715)	24%	(968)	(479)	(1,795)	—	(3,243)
Japan	Sales and support office	19	(2,319)	270	(85)	31%	(123)	—	(420)	—	(543)
Hong Kong	Sales office	6	(969)	649	(87)	13%	(51)	—	—	—	(51)
India	Sales office	8	(3,679)	1,449	(38)	3%	(47)	(764)	(525)	—	(1,336)
New Zealand	Sales office	—	(193)	90	(26)	29%	—	(2,542)	(40)	—	(2,582)
Malaysia	Sales office	1	(42)	149	(42)	28%	(52)	(35)	—	—	(87)
Korea	Inactive	—	(11)	(22)	—	—	—	—	—	—	—
Total		**2,180**	**(406,786)**	**580,847**	**(111,130)**	**19%**	**(127,427)**	**(126,391)**	**(307,885)**	**1,197**	**(560,506)**

24.3. Innovation box

Adyen set out to build a payment platform capable of meeting the rapidly evolving needs of fast-growing global businesses. Continuous innovation and technology are critical to meet the changing payment industry dynamics and the needs of our merchants. Governments worldwide facilitate innovative research and development (R&D) activities through grants and tax incentives. One of the facilities offered by the Dutch government is the Dutch innovation box. Following the application of the innovation box, profits attributable to qualifying innovations are taxed at a Dutch corporate income tax rate of 9%, opposed to the corporate income tax rate of 25%. As Adyen strives to continuously innovate its payment platform, Adyen applies the innovation box in order to reinvest those benefits in the further development of the platform and growth of the company.

Adyen concluded an agreement with the Dutch tax authorities to obtain upfront certainty on the percentage of taxable profit that qualifies for the innovation box. Based on this agreement the percentage of taxable profit of Adyen N.V. qualifying for the innovation box is directly linked with the number of hours spent by developers on R&D projects.

Company Financial Statements

Company Statement of Comprehensive Income

For the years ended December 31, 2021 and 2020
(all amounts in EUR thousands unless otherwise stated)

	Note	2021	2020
Revenue	26	5,233,538	3,171,197
Costs incurred from financial institutions	26	(4,387,767)	(2,610,741)
Costs of goods sold	26	(29,177)	(20,071)
Net revenue		*816,594*	*540,385*
Wages and salaries	27	(112,618)	(85,505)
Social securities and pension costs	27	(22,560)	(14,542)
Amortization and depreciation	13,30,31	(25,752)	(20,545)
Other operating expenses	28	(99,529)	(66,356)
Other income		250	286
Income before net finance expense and income taxes		**556,385**	**353,723**
Finance income		62	1,248
Finance expense		(12,379)	(8,987)
Other financial results	29	(3,436)	(42,203)
Net finance expense		**(15,753)**	**(49,942)**
Share of the profit of investments in subsidiaries	32	38,002	20,516
Income before income taxes		*578,634*	*324,297*
Income taxes		(108,917)	(63,278)
Net income for the year		**469,717**	**261,019**
Net income attributable to owners of Adyen N.V.		*469,717*	*261,019*
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss			
Currency translation adjustments subsidiaries		11,373	(11,764)
Other comprehensive income/ (expense) for the year		*11,373*	*(11,764)*
Total comprehensive income for the year (attributable to owners of Adyen N.V.)		**481,090**	**249,255**

The accompanying notes are an integral part of these company financial statements.

Company Balance Sheet

As at December 31, 2021 and 2020
(all amounts in EUR thousands unless otherwise stated; and before profit appropriation)

	Note	December 31, 2021	December 31, 2020
Intangible assets	13	9,841	9,970
Plant and equipment	30	52,070	27,686
Right-of-use assets	31	110,604	104,251
Other financial assets at FVPL	11	22,504	20,883
Contract assets	2	78,091	124,113
Deferred tax assets		22,534	17,100
Investments in consolidated subsidiaries on equity method	32	212,318	139,150
Total non-current assets		**507,962**	**443,153**
Inventories		19,059	16,055
Receivables from merchants and financial institutions	33	503,647	790,271
Trade and other receivables	33	287,108	200,535
Other financial assets at amortized cost	11	—	12,238
Cash and cash equivalents		4,150,440	2,458,038
Total current assets		**4,960,254**	**3,477,137**
Total assets		**5,468,216**	**3,920,290**
Share capital	8	310	304
Share premium	8	335,725	194,608
Legal reserves		32,244	14,853
Other reserves		127,717	151,435
Retained earnings		844,701	595,915
Net income for the year		469,717	261,019
Total equity attributable to owners of Adyen N.V.		**1,810,414**	**1,218,134**
Derivative liabilities	11	81,700	68,400
Deferred tax liabilities		16,010	23,640
Lease liability	31	106,622	102,647
Total non-current liabilities		**204,332**	**194,687**
Payables to merchants and financial institutions	36	3,352,592	2,406,651
Trade and other payables	36	74,772	77,988
Lease liability	31	17,260	7,349
Current income tax payables		8,846	15,481
Total current liabilities		**3,453,470**	**2,507,469**
Total liabilities and equity		**5,468,216**	**3,920,290**

The accompanying notes are an integral part of these company financial statements.

Company Statement of Changes in Equity

For the years ended December 31, 2021 and 2020
(all amounts are in EUR thousands unless otherwise stated)

	Note	Share capital	Share premium	Other reserves: Legal reserves	Other reserves: Share-based payment reserve	Other reserves: Warrant reserve	Retained earnings	Total equity
Balance - January 1, 2020		**301**	**179,296**	**43,616**	**66,734**	**53,401**	**574,986**	**918,334**
Net income for the year							261,019	261,019
Currency translation adjustments				(11,764)				(11,764)
Total comprehensive income for the year		**—**	**—**	**(11,764)**	**—**	**—**	**261,019**	**249,255**
Adjustments:								
Other financial assets at FVPL movement to Retained earnings				(17,404)			17,404	—
Intangible assets				2,330			(2,330)	—
Other adjustments				(1,165)	1,165		5,095	5,095
		—	—	*(16,239)*	*1,165*	—	*20,169*	*5,095*
Transactions with owners in their capacity as owners:								
Statutory tax rate change				(760)			760	—
Deferred tax on share-based compensation	7		(321)		32,159			31,838
Options exercised			2,795		(2,795)			—
Proceeds on issuing shares		3	12,838					12,841
Share-based payments	8				771			771
		3	*15,312*	*(760)*	*30,135*	—	*760*	*45,450*
Balance - December 31, 2020	4.3	**304**	**194,608**	**14,853**	**98,034**	**53,401**	**856,934**	**1,218,134**

	Note	Share capital	Share premium	Other reserves: Legal reserves	Other reserves: Share-based payment reserve	Other reserves: Warrant reserve	Retained earnings	Total equity
Balance - January 1, 2021		**304**	**194,608**	**14,853**	**98,034**	**53,401**	**856,934**	**1,218,134**
Net income for the year							469,717	469,717
Currency translation adjustments				11,373				11,373
Total comprehensive income for the year		**—**	**—**	**11,373**	**—**	**—**	**469,717**	**481,090**
Adjustments:								
Other financial assets at FVPL movement (net of deferred tax)				6,148			(6,148)	—
Intangible assets				(130)			130	—
Other adjustments							59	59
		—	—	*6,018*	—	—	*(5,959)*	*59*
Transactions with owners in their capacity as owners:								
Equity transfer on exercise of warrant	2.1		34,100			(26,700)	(7,400)	—
Deferred tax on share-based compensation	7		—		5,548			5,548
Options exercised			1,732		(1,732)			—
Proceeds on issuing shares	8	6	105,285					105,291
Share-based payments	4.3				292			292
Other adjustments						(1,126)	1,126	
		6	*141,117*	—	*4,108*	*(27,826)*	*(6,274)*	*111,131*
Balance - December 31, 2021		**310**	**335,725**	**32,244**	**102,142**	**25,575**	**1,314,418**	**1,810,414**

The accompanying notes are an integral part of these company financial statements.

Company Statement of Cash Flows

For the years ended December 31, 2021 and 2020
(all amounts in EUR thousands unless otherwise stated)

	Note	2021	2020
Income before income taxes		**578,634**	**324,297**
Adjustments for:			
– Finance income		(62)	(1,248)
– Finance expenses		12,379	8,987
– Other financial results	29	3,436	42,203
– Depreciation of plant and equipment	30	11,733	8,824
– Amortization of intangible fixed assets	13	3,088	2,465
– Depreciation of right-of-use assets	31	10,931	9,258
– Share of the profit of investments in subsidiaries	32	(38,002)	(20,516)
– Share-based payments		114	241
Changes in working capital:			
– Inventories		(4,262)	(10,441)
– Trade and other receivables	33	(86,573)	(83,473)
– Receivables from merchants and financial institutions	33	286,624	(490,653)
– Payables to merchants and financial institutions	36	945,941	1,139,843
– Trade and other payables		(1,918)	(489)
– Amortization and additions of contract assets	2.2	49,448	10,641
Cash generated from operations		*1,771,511*	*939,939*
Interest received		62	1,248
Interest paid		(12,379)	(8,987)
Income taxes paid		(127,679)	(70,648)
Net cash flows from operating activities		**1,631,515**	**861,552**
Purchases of financial assets at FVPL		(211)	–
Redemption of financial assets at amortized cost	11	12,427	(13,355)
Purchases of financial assets at amortized cost	11	–	13,088
Investments in consolidated subsidiaries on equity method	32	(17,918)	–
Purchases of plant and equipment	30	(36,138)	(13,563)
Capitalization of intangible assets	13.0	(2,958)	(4,795)
Net cash used in investing activities		**(44,798)**	**(18,625)**
Proceeds from issues of shares	8	105,285	12,832
Lease payments	31	(3,346)	(4,257)
Net cash flows from financing activities		**101,939**	**8,575**
Net increase in cash, cash equivalents and bank overdrafts		**1,688,656**	**851,502**
Cash, cash equivalents and bank overdrafts at beginning of the year		2,458,038	1,603,580
Exchange gains on cash, cash equivalents and bank overdrafts		3,746	2,956
Cash, cash equivalents and bank overdrafts at end of the period		**4,150,440**	**2,458,038**

The accompanying notes are an integral part of these company financial statements.

* The comparative information is updated to align with the current period presentation of equity-settled share-based compensation and trade and other payables.

Notes to the Company financial statements

25. Basis of preparation

The company financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards and IFRS IC interpretations as endorsed by the European Union (EU-IFRS) and in accordance with sub articles 8 and 9 of article 362, Book 2 of the Dutch Civil Code.

The principles in the company financial statements are the same as those stated for the consolidated financial statements unless stated otherwise.

26. Company - Revenue

Types of goods or service	2021	2020
Settlement fees	4,838,701	2,875,955
Processing fees	238,621	178,851
Sales of goods	29,186	17,929
Other services	127,030	98,462
Total revenue from contracts with customers	**5,233,538**	**3,171,197**
Costs incurred from financial institutions	(4,387,767)	(2,610,741)
Costs of goods sold	(29,177)	(20,071)
Net revenue	**816,594**	**540,385**

27. Company - Employee benefits

Employee benefits	2021	2020
Salaries and wages	107,353	81,478
Share-based compensation	5,265	4,027
Total wages and salaries	**112,618**	**85,505**
Social securities	18,076	11,852
Pension costs - defined contribution plans	4,484	2,690
Total social securities and pension costs	**22,560**	**14,542**

28. Company - Other operating expenses

Other operating expenses	2021	2020
Sales and marketing costs	23,363	17,583
Advisory costs	12,213	12,779
IT costs	18,659	12,226
Travel and other staff expenses	7,133	4,803
Contractor costs	10,264	5,822
Office costs	2,453	1,923
Housing costs	3,403	2,400
Miscellaneous operating expenses	22,041	8,820
Total other operating expenses	**99,529**	**66,356**

29. Company - Other financial results

Other financial results	2021	2020
Exchange gains/(losses) (note 6.1)	10,324	(10,608)
Fair value re-measurement of financial instruments:		
Derivative liabilities (note 6.2)	(13,300)	(32,600)
Other financial assets at FVPL (note 6.3)	(322)	1,005
Loss on redemption of other financial assets at amortized cost	(138)	—
Total other financial results	**(3,436)**	**(42,203)**

29.1. Exchange gains/(losses)

The exchange gains (losses) recognized during the year relates to realized and unrealized translation losses on monetary assets and liabilities. The exchange gains during 2021 mainly relate to Adyen's foreign-denominated cash balances, contract assets (EUR 3,426 — refer to note 2.2 'Contract assets'), other financial assets at FVPL (EUR 1,722 – refer to note 6.3 'Other financial assets at fair value through profit or loss ('FVPL') (Visa Inc. preferred shares)', proceeds receivable on disposal of Visa Inc. common stock (EUR 493), and other financial assets at amortized cost (EUR 198 – refer to note 11 'Financial instruments').

30. Company - Plant and equipment

Plant and equipment	Computer Hardware and Software	Leasehold Improvements	Other	Total
2020				
Cost	38,069	3,880	1,292	43,241
Accumulated depreciation	(17,278)	(1,665)	(816)	(19,759)
Balance - January 1	**20,791**	**2,215**	**476**	**23,482**
Additions	13,230	289	44	13,563
Disposals	(23)	(15)	—	(38)
Depreciation for the year	(7,978)	(709)	(137)	(8,824)
Other changes (e.g. exchange differences)	(516)	18	1	(497)
Balance - December 31	**25,504**	**1,798**	**384**	**27,686**
2021				
Cost	49,037	4,175	1,337	54,549
Accumulated depreciation	(23,533)	(2,377)	(953)	(26,863)
Balance - January 1	**25,504**	**1,798**	**384**	**27,686**
Additions	28,097	6,745	1,296	36,138
Disposals	(19)	—	—	(19)
Depreciation for the year	(10,879)	(713)	(141)	(11,733)
Other changes (e.g. exchange differences)	—	(2)	—	(2)
Balance - December 31	**42,703**	**7,828**	**1,539**	**52,070**
Cost	75,138	10,916	2,633	88,687
Accumulated depreciation	(32,435)	(3,088)	(1,094)	(36,617)
Balance - December 31	**42,703**	**7,828**	**1,539**	**52,070**

31. Company – Leases

Adyen's leases relate to offices and data centers across locations where it operates.

Accounting policy – Leases

Adyen assesses if a lease exists or a contract contains a lease at the contract inception date, concluding whether an asset is identifiable, and Adyen has control to direct its use and all related economic benefits. A right-of-use asset and a lease liability are recognized at the lease commencement date, which can differ from contract inception date.

The lease liability is initially measured by bringing to present value all future lease payments, discounted by an incremental borrowing rate, in case no interest rate is available for the contract.

At initial recognition, the right of use asset amounts to the initial lease liability. Right of use assets are tested for impairment whenever events or changes in circumstances indicates that the carrying amount may not be recoverable.

Short-term (less than 12 months) and small value lease contracts are expensed in statement of comprehensive income on a straight-line basis over the lease term.

All leases entered are related offices and data centers, being these based on fixed payment and term.

Right-of-use assets	2021	2020
Offices and data centers		
Cost	119,070	41,180
Accumulated depreciation	(14,819)	(5,561)
Balance - January 1	**104,251**	**35,619**
Additions	17,232	77,890
Depreciation for the period	(10,931)	(9,258)
Other movements	52	—
Balance - December 31	**110,604**	**104,251**
Recognized right-of-use asset	133,908	119,070
Accumulated depreciation	(23,304)	(14,819)
Balance - December 31	**110,604**	**104,251**

Lease liability	2021	2020
Balance - January 1	**109,996**	**36,363**
Additions	17,232	77,890
Lease instalments	(5,461)	(5,918)
Interest expense	2,115	1,661
Balance - December 31	**123,882**	**109,996**
Current portion	17,260	7,349
Non-current portion	106,622	102,647

As of December 31, the future minimum lease payments are as follows:

Minimum future lease payments	2021	2020
Within 1 year	15,070	5,394
Between 1 and 2 years	16,168	11,358
Between 2 and 3 years	15,734	11,014
Between 3 and 4 years	15,663	11,014
Between 4 and 5 years	12,531	10,849
Later than 5 years	64,381	73,927
Total	**139,547**	**123,556**

32. Company - Investments in consolidated subsidiaries on equity method

Accounting policy – Investments in consolidated subsidiaries

Adyen's investment in consolidated subsidiaries is initially recorded at cost and subsequently accounted for using the equity method. Dividends received from the investees are recognized as a reduction in the carrying amount of the investment. Goodwill is currently not applicable.

Adyen's share of the results of the investees is reported in the company statement of comprehensive income and its share of movements in other comprehensive income is recognized in other comprehensive income.

Investments are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investments in consolidated subsidiaries on equity method	2021	2020
Balance - January 1	**139,150**	**98,147**
Investments in consolidated subsidiaries	17,918	—
Share of the profit of investments in subsidiaries	38,002	20,516
Currency translation adjustments subsidiaries	11,373	(11,764)
Share of changes in equity of investments in subsidiaries	5,875	32,251
Balance - December 31	**212,318**	**139,150**

During 2021, the main driver of the changes in investments balance related to increased investments in Adyen's wholly-owned subsidiary (Adyen International B.V.), as well as Adyen's share of profit and changes in equity of investments in subsidiaries. An amount of EUR 5,548 (2020: 32,159) was recognized directly in equity connected with future tax deductions and carry forward losses on subsidiaries in the United States and the United Kingdom. Refer to note 7 'Income taxes' in the consolidated financial statements for more detail.

Adyen N.V. – Subsidiaries

Name	Legal Seat	Ownership percentage
Adyen International B.V.	Amsterdam, The Netherlands	100%
Adyen Inc.	San Francisco, CA, USA	100%

Adyen N.V. – Branches

Name	Branch location
Adyen N.V., German branch	Berlin, Germany
Adyen France	Paris, France
Adyen Nordic Filial	Stockholm, Sweden
Adyen, San Francisco branch	San Francisco, CA, USA

Adyen N.V. – Representative offices

Name	Branch location
Adyen N.V., Belgian Rep Office	Brussels, Belgium
Adyen N.V., Italian Rep Office	Rome, Italy
Adyen N.V., Spain Rep Office	Madrid, Spain
Adyen N.V., Polish Rep Office	Warsaw, Poland

Adyen International B.V. – Subsidiaries

Name	Legal Seat	Direct and indirect ownership percentage
Adyen Services Inc.	Dover, DE, USA	100%
Adyen Nevada Inc.	Las Vegas, NV, USA	100%
Adyen do Brazil Ltda	São Paulo, Brazil	100%
Adyen Singapore PTE. LTD.	Singapore, Singapore	100%
Adyen UK Limited	London, United Kingdom	100%
Adyen Hong Kong Limited	Hong Kong, Hong Kong SAR	100%
Adyen Australia PTY Limited	Sydney, Australia	100%
Adyen Canada Ltd.	Saint John, Canada	100%
Adyen Korea Chusik Hoesa	Seoul, Republic of Korea	100%
Adyen Mexico, S.A. de C.V.	Mexico City, Mexico	100%
Adyen (China) Software Technology Co. Ltd.	Shanghai, China	100%
Adyen New Zealand Ltd.	Auckland, New Zealand	100%
Adyen Malaysia Sdn. Bhd	Kuala Lumpur, Malaysia	100%
Adyen GmbH	Berlin, Germany	100%
Adyen India Technology Services Private Limited	New Delhi, India	100%
Adyen Japan K.K.	Tokyo, Japan	100%
Adyen Middle East Limited	Dubai, United Arab Emirates	100%

33. Company – Trade, other receivables, and receivables from merchants and financial institutions

Receivables fall due in less than one year except for deposits transferred to financial institutions.

Trade and other receivables	2021	2020
Trade and other receivables	290,970	205,073
Less: Allowance for expected credit losses	(3,862)	(4,538)
Trade receivables - Net	**287,108**	**200,535**
Receivables from Merchants and Financial Institutions	503,647	790,271
Total	**790,755**	**990,806**

In 2021, EUR 155,798 (2020: EUR 89,420) related to receivables from group companies. Intercompany receivables and payables fall within the scope of IFRS 9 'Financial Instruments'. The outstanding amounts as per December 31, 2021 and 2020 relate to transactions linked to the usage of Adyen platform which took place throughout the year at arm's length conditions. Considering the maturity of the intercompany balances and the financial position of the Adyen group, the credit risk is considered not significant. As a result, the impact of expected credit losses on intercompany balances is not significant.

34. Shareholders' equity

Refer to the company statement of changes in equity for the movements in shareholders' equity.

The legal reserves include all exchange rate differences arising from the translation of the net investment in foreign entities. The total of distributable reserves amounts to EUR 1,180,736 (2020: EUR 790,827). The other reserves are restricted for distribution, being the legal reserves, in amount of EUR 32,244 (2020: 14,853), legally non-distributable in accordance with Dutch Law. Besides the aforementioned exchange rate differences these relate to revaluation of balance sheet positions that require revaluation reserves.

35. Dividends paid

No dividend has been paid in the years presented.

36. Company – Trade, other payables, and payables to merchants and financial institutions

Trade and other payables	2021	2020
Trade payables	7,014	6,798
Taxes and social security	41,988	31,401
Accrued employee benefits	17,579	18,072
Accrued liabilities and other debts	2,571	18,239
Cash-settled share-based payment plan	5,620	3,478
Trade and other payables	**74,772**	**77,988**
Payables to merchants and financial institutions	3,352,592	2,406,651
Total	**3,427,364**	**2,484,639**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short-term character.

In 2021, EUR 57,023 (2020: EUR 14,010) related to payables to group companies.

37. Directors' remuneration

For an overview of the directors' remuneration, reference is made to note 22 'Compensation of key management' of the consolidated financial statements.

38. Audit fees

For an overview of the audit fees, reference is made to note 21 'Audit fees' of the consolidated financial statements.

39. Contingencies and commitments

Adyen has no contingent liabilities in respect to legal claims.

Adyen has EUR 72,290 of outstanding bank guarantees and letters of credit as at December 31, 2021 (2020: EUR 20,092).

Adyen N.V. and Adyen International B.V. are a fiscal unity for income tax purposes. Under the Dutch Tax Collection Act, the members of the fiscal unity are jointly and severally liable for any taxes payable by the fiscal unity. Pursuant to the Collection of State Taxes Act, the company and its subsidiary are both severally and jointly liable for the tax payable by the combination.

40. Proposed profit appropriation

Awaiting the decision by the shareholders, management proposes the income for the year to be added to retained earnings in shareholder's equity.

41. Events after balance sheet date

Starting from January 1, 2022, Adyen Inc. will transfer all assets and liabilities at book value with no profit to Adyen N.V. (San Francisco) Branch, a branch of the company. No further events after the reporting period impacted the 2021 consolidated and company financial statements.

Amsterdam, March 9, 2022

P.S. Overmars Chairman Supervisory Board	D. Rueda Arroyo Supervisory Director	
J.A.J. van Beurden Supervisory Director	P.A. Joseph Supervisory Director	
P.W. van der Does CEO	R. Prins CCO	I.J. Uytdehaage CFO
M.B. Swart CLCO	K. Zaki COO	A. Matthey CTO

04 Other Information

Other information

Provisions in the Articles of Association relating to profit appropriation

The Articles of Association of Adyen provide that the appropriation of the net income for the year is decided upon at the Annual General Meeting of Shareholders.

For the preferred dividends the Annual General Meeting of Shareholders can elect to pay out the annual dividend on these shares or to add the dividend to the class reserve.

Independent auditor's report

Please refer to the next page.

Contact

Please contact ir@adyen.com in case of any questions regarding this Annual Report.

Independent auditor's report

To: the general meeting and the supervisory board of Adyen N.V.

Report on the financial statements 2021

Our opinion

In our opinion:

- the consolidated financial statements of Adyen N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2021 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Adyen N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Adyen N.V., Amsterdam.
The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the following statements for 2021: the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2021;
- the company statement of comprehensive income for 2021; and
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Adyen N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach on fraud risk and the audit approach on going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

Adyen N.V. is a fast-growing payment service provider with a banking licence in the Netherlands and the United States. The Group provides services around the globe and has 26 offices. The Group has a centralised approach in managing its global operations (which includes the underlying control activities as well as the respective financial administration). We considered these factors in determining our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

The financial year was characterised by the impact of the ongoing COVID-19 pandemic (see note 'Basis of preparation' to the consolidated financial statements), the continuing growth of processed volumes, revenue (see note 2 to the consolidated financial statements) and net income for the year, the assessment of the actual performance of the long-term merchant contract (as disclosed in note 2.1 to the consolidated financial statements) which includes the first tranche being exercised (see note 8 to the consolidated financial statements). The valuation of these derivative liabilities is a key matter in our audit which is aligned by the management board ('management') assessment of this valuation as a significant accounting estimate (see note 1.2 to the consolidated financial statements).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also paid attention to, among other things, the assumptions associated with the physical and transition risks resulting from climate change.

The global COVID-19 pandemic and related government restriction measures impacted the Group's processed volumes in varying degrees, depending on sector and territory, and required staff to work from home. We considered the impact of the pandemic on our audit approach, including our scoping, materiality, and risk assessment. We concluded this to be an area of attention, that is not considered as a key audit matter.

In terms of the execution of our audit, we considered the impact of the travel and other restrictions on our audit and on the review and supervision of our team. Our team largely worked remotely and digitally, supported by video meetings and PwC's digital tooling. While maintaining compliance with local health regulations, we performed a physical inspection of point-of-sale equipment inventory.

Adyen N.V. has assessed the potential impact of climate change on its financial position. We discussed management's assessment of climate-related risks and evaluated the potential impact on the financial position including underlying assumptions and estimates. The impact of climate change is not considered a key audit matter.

As part of our evaluation of the audit, we identified three key audit matters. We identified the design and effectiveness of IT General Controls as a key audit matter since all revenue generating activities are processed on the payment platform operated by the Group. Another matter we identified to be key in our audit relates to revenue, as we consider revenue (growth) a key financial indicator for investors and other stakeholders of the Group. We had additional focus for the inherent risk we identified that revenue might be overstated. The last key audit matter relates to the classification and valuation of the derivative liabilities. The classification and valuation of the derivative liabilities are dependent on multiple factors, one of which is the actual performance of the long-term merchant contract.
The classification assessment and the fair value estimation of the derivative liabilities are complex accounting matters and require significant judgement by management.

We ensured that the audit team has the appropriate skills and competences which are needed for the audit of a payment service provider. We, therefore, included specialists in the areas of IT, corporate income tax, value added tax, transfer pricing, valuation of derivative financial instruments and anti-money laundering legislation in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €26,000,000

Audit scope

- We conducted all audit work in the Netherlands. All locations around the globe were in scope of our audit performed.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 100% of consolidated profit before tax.

Key audit matters

- Design and effectiveness of IT General Controls.
- Risk of overstatement of revenue.
- Valuation and classification of derivative liabilities.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€26,000,000 (2020: €12,406,700).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of income before income taxes (adjusted for the derivative liabilities revaluation) based on annualised interim condensed consolidated financial statements (as at 30 June 2021) as published by the Group on 19 August 2021. Without the adjustment for the derivative liabilities and using period-end financial information, we effectively applied an overall materiality of 4.5% (2020: 3.8%) of income before taxes.
Rationale for benchmark applied	We used income before income taxes as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that income before income taxes is an important metric for the financial performance of the Group and is widely used within the industry.

	For our basis for determining the materiality we excluded the derivative liabilities revaluation (see note 6 to the consolidated financial statements) since the revaluation does not reflect the actual performance of the Group and has a strong linkage with the share price of Adyen N.V. When the share price increases, this leads to an increase of the valuation of the derivative liability and vice versa (also see sensitivity analysis in note 12 to the consolidated financial statements). Excluding the revaluation from the materiality benchmark aligns the annual materiality development with the actual performance of the Group. Furthermore, we capped our overall materiality with the Group's interim financial information to make sure that the extent of our audit procedures is sufficient while expecting further growth of the Group. We annualised the income before income taxes that is included in the Group's interim financial information as the basis for our materiality. We evaluated materiality based on the actual numbers in the financial statements and using our professional judgement and conclude the materiality to still be appropriate.
Component materiality	The Group manages and administrates transactions and operations (including control activities) centrally, in Amsterdam. This means we were able to audit all transactions and operations ourselves, in Amsterdam. We, therefore, consider all activities (regardless of the legal subsidiaries in which transactions are recorded) to be part of one component, which is the financial information presented in the consolidated financial statements (for the group as a whole). We, therefore, did not allocate separate component materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €1,300,000 (2020: €620,300) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Adyen N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Adyen N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

Adyen manages and administers all transactions and operations (including control activities) centrally, in Amsterdam. We, therefore, consider all activities (regardless of the legal subsidiaries in which transactions are recorded) to be part of one component, which is the financial information presented in the consolidated financial statements (for the group as a whole). Note that, in order to obtain sufficient audit evidence that Adyen complies (in material aspects) with (tax) laws and regulations around the globe we engaged with tax experts (within our network firm) around the globe.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	100%

The group engagement team thus performed the audit work for the Group. By adopting this approach and performing the procedures, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Group and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to the 'control activities' section in the risk management chapter of the management report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle-blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors such as financial reporting fraud, misappropriation of assets, bribery and corruption and conflicts of interest. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risk	*Our audit work and observations*
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of management. This includes the risk of bias by management when setting assumptions. In this respect, we gave specific consideration to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • possible management bias in management estimates; and • significant transactions, if any, that are outside the normal course of business for the Group.	Where relevant to our audit, we evaluated the design of the internal control measures that are intended to mitigate the risk of management override of controls and assessed the effectiveness of the measures in the processes of generating and processing journal entries and making estimates. We also paid specific attention to the access safeguards in the IT system and the related control measures implement to prevent violations of the segregation of duties. We concluded that we, in the context of our audit, could rely on the internal control procedures relevant to this risk. We selected journal entries based on risk criteria and conducted specific audit procedures for these entries, as part of which we also paid attention to significant transactions outside the normal course of business. The significant transactions outside the normal course of business consist of the vesting and exercise of tranche 1 of the warrant contract by the merchant as described by management in note 8 of the consolidated financial statements. We also performed specific audit procedures related to important estimates of management, including the valuation of the derivative liabilities and the recoverability and transferability of the deferred tax assets. We specifically paid attention to the inherent risk of bias of management in estimates. We included a detailed description of our audit procedures for the derivative liabilities in the section 'key audit matters'. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of violations of the internal controls.

The risk of erroneous financial reporting due to overstating the revenue Revenue growth is an important key financial indicator for the management of the Group. This is also an important benchmark for shareholders and possible investors. Management has clear incentives to present a significant growth in revenue. We also took in account the achievement of the €1 billion net revenue milestone by a small margin. The fraud risk relates specifically to the occurrence of the revenue. Given the nature of Adyen's business, a payment service provider, this means that it is key to obtain sufficient evidence over the occurrence of transactions in the payment flow.	We performed specific audit procedures to validate the occurrence of transactions. We refer to our description of the audit procedures in the section 'key audit matters'. We requested and acquired for every cash balance a confirmation from third party banks. We reconciled the transactions of the global payments platform to the financial administration and tested manual entries that are present in the reconciliation. Furthermore, we reconciled interchange and payment network fees (which is part of settlement fees revenue) to the actual fees incurred from third party financial institutions (costs from financial institutions). We refer to our description of the audit procedures in the section 'key audit matters'.

We, furthermore, incorporated the following elements of unpredictability in order to obtain sufficient audit evidence that the financial statements are free from material misstatements due to fraud:

- We performed risk-based audit procedures on expenses in territories where Adyen requested and acquired licences and territories which have a higher corruption and bribery risk based on the Corruption Perception Index.
- We performed a background analysis on a selection of employees of Adyen to identify possible risks of conflicts of interests.

We also took into account the outcome of other audit procedures performed and evaluated whether any findings were indicative of fraud or noncompliance. We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources, and regional directors) and the supervisory board. This did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach going concern

Management prepared the consolidated financial statements on the assumption that the Group is a going concern and that it will continue its operations for the foreseeable future. Our procedures to evaluate management's going-concern assessment include, amongst others:

- Considering whether management's going-concern assessment includes all relevant information, of which we are aware, as a result of our audit.
- Inquiring with management regarding management's most important assumptions underlying their going-concern assessment and considering whether management identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Analysing the capital and liquidity position of the Group and comparing these positions towards the minimum (regulatory) required capital and liquidity.
- Scanning of publicly available information, such as news articles, which might indicate events or circumstances that may lead to a going-concern risk.
- Evaluating management's current budget in comparison with last year, developments in the industry, development of contract portfolio and all relevant information, such as compliance reports, incident reports and forecasts of which we are aware as a result of our audit.
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment.

We concur with management assumptions and judgments, which are disclosed in note 1.2 to the financial statements. Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going-concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Key audit matter	***Our audit work and observations***
Design and effectiveness of IT General Controls The design and operating effectiveness of IT General Controls is of significance to the Group. The financial accounting and reporting of the Group are largely dependent on the payment platform, since the most significant line items in the balance sheet (cash and cash equivalents, receivables from financial institutions and payables to merchants) and the statement of comprehensive income (revenues and costs incurred from financial institutions) are recorded on the payment platform. In particular, the adequate design and operating effectiveness of the payment platform and relevant IT General Controls are significant for the accurate and complete processing of occurred transactions. Based on the above considerations, we considered IT General Controls as a key audit matter in our audit.	Our audit work included, amongst others, understanding, evaluating, and testing, on a quarterly basis, the relevant IT General Controls, with the assistance of our IT auditors, to the extent relevant for our audit. These comprised of the following key audit activities at the Group: • Computer operations ensuring reliability of IT systems: We tested the design and operating effectiveness of controls which were implemented to ensure that backup and recovery processes have been established by the Group and that local backups (per individual datacentre) were made and stored cross-datacentre. Our test results demonstrated that production data were replicated across the individual datacentres. • Access to programs and data: We tested the design and operating effectiveness of controls, which were implemented to ensure that logical access to programmes and data was limited to authorised personnel. We verified that the Group implemented controls to ensure, amongst others, the complete and accurate processing of user rights of joiners, movers and leavers, the periodic review of user accounts, the review of database actions and limitation of superuser and administrator accounts throughout the application, database, and network. The password policy and security configurations are considered sufficiently strong. We verified that the implemented password policy and security configurations ensures access as allowed.

Key audit matter	Our audit work and observations
	• Program changes: We tested the design and operating effectiveness of relevant controls, which were implemented to ensure that changes to application programs was adequately tested, peer reviewed and approved (both manually and automated) and documented prior to migration into production. Development, testing and production environments are segregated for changes to applications. • Program development: We tested the design and operating effectiveness of relevant controls to ensure data is properly migrated/converted and new system implementations and/or enhancements are adequately tested and authorised. • Cybersecurity: We obtained an understanding of the Group's approach to enhancing cyber security and evaluated the design and effectiveness of related internal control measures. We focused on the areas to the extent relevant for the purpose of our audit of the financial statements. We conclude that we could rely on the IT General Controls of the Group for the purpose of our audit. We, furthermore, noticed as part of our work performed that the Group was sufficiently equipped to work remotely and has been doing so without material impact on the ability to process payments.
Risk of overstatement of revenue *Revenue is disclosed in note 2 to the consolidated financial statements* The Group's services operate on the payment platform. Independent of whether payments are submitted online, by mobile or through point-of-sale terminals, there is one integrated platform on which customers are being served and transactions are being processed. As such, this key audit matter should be read and considered in conjunction with the key audit matter on IT General Controls. The revenues that the Group generated related to processing fees, settlement fees and fees for other services in connection with processed payments. For this purpose, the Group agreed with customers to charge rates per transaction and by type of activity.	Our audit work included, amongst others, an evaluation of management's design and testing the operating effectiveness of controls that mitigate the risk of overstatement of revenue: • Standing data maintenance covering the accuracy of customer contracts. • Transactions initially processed follow a pre-defined workflow and preventing duplicate processing. • Transaction handling relating to automated capturing and authorisation of payments. • Automated settlement for matching of bank statements and collecting and matching refunds and chargebacks. • Payment pay-out process covering the automated generating, processing, and authorisation of pay-out batches. • Automated process over invoicing to customers.

Key audit matter	Our audit work and observations
Revenue is recorded on the basis that the Group acts as a principal for payment processing services it provides to merchants. Therefore, revenue related to processing and settlement fees are reported on a gross basis (as disclosed in note 2 to the consolidated financial statements). The Group recognised substantial growth in revenue over the previous years and has a focus on (medium term) revenue growth. We deem revenue to be a key financial indicator on which the performance of management is measured by stakeholders in the Group. Based on these facts and circumstances and our fraud risk assessment as mentioned in the section 'Audit approach fraud risks', we considered the significant risk of overstatement of revenue (relating to the risk of overstatement and occurrence of revenues) as a key audit matter in our audit.	Based on our audit procedures, we determined that we could rely on these controls for the purpose of our audit. In addition to testing the design and operating effectiveness of these controls on revenue recognition and IT General Controls as summarised in the separate key audit matter on IT General Controls, we also performed substantive procedures: • On a sample basis, we tested the accuracy of contractual rates captured in the payment system by comparing these with signed customer agreements. • We performed media scans for 'bad news' to identify potential fictitious revenue. • We independently obtained and requested bank confirmations. • We inspected and evaluated contracts of parties engaged to perform acquiring activities. • We evaluated and assessed recorded revenue against the requirements included in IFRS including management's assessment in which it concluded that for its payment services it acts as a principal. • We performed data-analytics on revenue transactions processed by the payments platform during the year with the goal to obtain more insights and detect anomalies. • We reconciled the recognised revenue in the financial statements to the payment service platform. • We tested the manual reconciliation between the payment service platform and the financial statements. • We tested the reconciliation between the (gross) revenue, and the costs incurred from financial institutions. • We performed subsequent receipts testing for receivables related to the revenue process. We did not identify material exceptions and we found management's revenue recognition in the financial statements to be supported by the available evidence.

Key audit matter	*Our audit work and observations*
Valuation and classification of derivative liabilities *The derivative liabilities are disclosed in note 11 to the consolidated financial statements* During 2018, the Company entered into a warrant contract with a merchant with the prospect that significant online sales volumes will be sent to the Company in the future for payment processing through the payment platform. The merchant is entitled to acquire a fixed number of shares in a series of four tranches for cash, at a specified price per share upon the terms and conditions in the agreement. The ability to exercise a warrant is linked to meeting significant milestones with respect to processed volume on a calendar year basis. The contract consists of four warrant tranches ('tranches'). The first two tranches classify as equity instruments as these will be convertible into a fixed number of ordinary shares at a fixed amount. During 2021, the milestone of the first tranche was achieved. As a result, the counterparty exercised the option. The gross equity balance relating to the first tranche (€34.1 million) and the corresponding deferred tax (€7.4 million) were transferred from 'warrant reserve' to 'share premium' and 'retained earnings', respectively. The second tranche has not vested and is therefore, still recorded within the warrant reserve (€25.6 million). The remaining two tranches are recorded as derivative liabilities and measured at fair value (€81.7 million). The key assumptions for the fair value estimation of the derivative liabilities, as applied by the Company's management expert, include the expected volatility of the Company's share price and the probabilities of specific performance targets being achieved. The volatility of the Company's share price accounts for most of the recorded fair value change of the tranches in 2021. The sensitivity of this assumption is disclosed in note 12 to the financial statements. Given the related estimation uncertainty and complexity involved in determining the fair value, we considered this an area of higher risk of material misstatement due to error or fraud. We, therefore, determined this to be a key audit matter.	We, with the assistance of our accounting specialists, have assessed the Company's accounting treatment of the tranches as at balance sheet date, which includes the derivative liabilities as well as the equity instruments. Also, with the assistance of our valuation specialists, we performed independent procedures on the valuation performed by the Company's management expert on the tranche conditions. Our audit work included the following substantive audit procedures: • We evaluated the valuation methodology applied by the Company's management expert. • We evaluated the competence, capabilities, objectivity, and work of management's independent valuator. • We tested the completeness and adequacy of the valuation inputs applied by the Company's management expert that included, amongst others, the expected volatility of the Company's share price and the probability of achieving the performance targets specific to the various tranches during the contractual duration of the underlying warrant agreement. • Together with our valuation specialists, we performed an independent assessment of the key assumption's contribution to the total fair value of the derivative liabilities and found the outcome to be reasonable. We found that the assumptions used in the valuation of the tranches by the Company are reasonable when compared to relevant market data. Furthermore, we agree with the method used and the calculations made as part of the assessment of the valuation. Based on our assessment, we concur with management that no facts and circumstances are available which would require changes in valuation and the classification of the tranches. We also evaluated whether the information provided by management, both for this estimate and together with other estimates, provided indications of management bias. We noted no such indications.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The management board and the supervisory board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were re-appointed as auditors of Adyen N.V. on 3 June 2021 during the shareholders' meeting. We were initially appointed as the external auditor of Adyen B.V. during 2009. Furthermore, the Company became a public-interest entity ('PIE') in April 2017 after the Company obtained a banking licence. The audit of the 2021 financial statements therefore, represents the fifth year of uninterrupted engagement appointment as external auditor of Adyen N.V.

European Single Electronic Format (ESEF)

Adyen N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements as included in the reporting package by Adyen N.V., complies, in all material respects, with the RTS on ESEF.

The management board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the management board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company or its controlled entities, for the period to which our statutory audit relates, are disclosed in note 21 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The management board should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 9 March 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.E.H.M. van Adrichem RA

Appendix to our auditor's report on the financial statements 2021 of Adyen N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole.
  However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

GRI Index

In the following table, we make reference to where in this report we disclose our environmental, social and governance (ESG) programs, policies and metrics. These disclosures are mapped in reference to the voluntary reporting framework: The Global Reporting Initiative (GRI) standards. As per clause 3.3.1.1 of GRI 101 Foundation 2016, the Adyen 2021 Annual Report references the below disclosures either in part or in full. Reference to page numbers and additional notes, where necessary, have also been included in the table below. As we prepare to become compliant with CSRD, we will continue to evaluate opportunities for future reporting enhancement.

Organizational profile			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-1	Name of the organization	General Information (Notes to the consolidated Financial Statements)	p. 118
102-2	Activities, brands, products, and services	Description of business activities	p. 9
102-3	Location of headquarters	General Information (Notes to the consolidated Financial Statements)	p. 118
102-4	Location of operations	General Information (Notes to the consolidated Financial Statements)	p. 118
102-5	Ownership and legal form	Corporate Governance. General Information (Notes to the consolidated Financial Statements)	p. 81 & p. 118
102-6	Markets served	Discussion of Financial Results, People & Culture	p. 13 & p. 27
102-7	Scale of the organization	Discussion of Financial Results	p. 13
102-7-a-i	Scale of the organization (total number of employees)	People and Culture	p. 27
102-10	Significant changes to the organization and its supply chain	Highlights	p. 7
102-11	Precautionary Principle or approach	Risk Management, Compliance	p. 49 & p. 69
102-12	External initiatives	Building Adyen for the long term	p. 17
Strategy			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-14	Statement from senior decision-maker	Letter of the CEO, Building Adyen for the long term	p. 5/6 & p. 17
102-15	Key impacts, risks, and opportunities	Risk Management (Environmental, Social and Governance risk)	p. 57
Ethics and integrity			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-16	Values, principles, standards, and norms of behavior	People and Culture	p. 24
102-17	Mechanisms for advice and concerns about ethics	Integrity risk mitigation	p. 71
Governance			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-18	Governance structure	Corporate Governance (Management structure), Report of the Supervisory Board (Composition)	p. 81 & 89
102-19	Delegating authority	Building Adyen for the long term (Oversight of responsibility and ESG matters)	p. 18
102-20	Executive-level responsibility for economic, environmental, and social topics	Building Adyen for the long term (Oversight of responsibility and ESG matters)	p. 18
102-21	Consulting stakeholders on economic, environmental, and social topics	Building Adyen for the long term (Stakeholder engagement & materiality)	p. 18
102-22	Composition of the highest governance body and its committees	Corporate governance (Management structure)	p. 81
102-23	Chair of the highest governance body	Corporate governance (Management structure)	p. 81
102-24	Nominating and selecting the highest governance body	Corporate governance (Management structure, Appointment and dismissal)	p. 81 & p. 82

102-25	Conflicts of interest	Integrity Risk Identification, Supervisory Board Meetings	p. 70 & p. 90
102-26	Role of highest governance body in setting purpose, values, and strategy	Report of the Supervisory Board (Supervisory Board meetings)	p. 90
102-27	Collective knowledge of highest governance body	Report of the Supervisory Board (Supervisory Board meetings)	p. 90
102-28	Evaluating the highest governance body's performance	Supervisory Board (Performance assessment)	p. 93
102-29	Identifying and managing economic, environmental, and social impacts	Building Adyen for the long term (Oversight of responsibility and ESG matters)	p. 18
102-30	Effectiveness of risk management processes	Risk management (Risk governance), Audit and Risk Committee	p. 49 & p. 86
102-31	Review of economic, environmental, and social topics	Building Adyen for the long term (Oversight of responsibility and ESG matters)	p. 18
102-32	Highest governance body's role in sustainability reporting	Building Adyen for the long term (Oversight of responsibility and ESG matters)	p. 18
102-33	Communicating critical concerns	Integrity Risk mitigation, Relevant documents on corporate website	p. 71 & p. 94
102-35	Remuneration policies	Remuneration Report (Adyen remuneration policy)	p. 98
102-36	Process for determining remuneration	Reward Principles (Remuneration)	p. 97
102-37	Stakeholders' involvement in remuneration	Reward Principles (Remuneration)	p. 97
102-38	Annual total compensation ratio	Remuneration Report (Pay Ratio)	p. 100
102-39	Percentage increase in annual total compensation ratio	Remuneration Report	p. 97
Stakeholder engagement			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-40	List of stakeholder groups	Building Adyen for the long term (Stakeholder engagement & materiality)	p. 18
102-42	Identifying and selecting stakeholders	Building Adyen for the long term (Stakeholder engagement & materiality)	p. 18
102-43	Approach to stakeholder engagement	Building Adyen for the long term (Stakeholder engagement & materiality)	p. 18
Reporting practices			
Disclosure	**Description**	**Location in report**	**Page Ref.**
102-45	Entities included in the consolidated financial statements	32. Company - Investments in consolidated subsidiaries on equity method	p. 176
102-47	List of material topics	Building Adyen for the long term (Stakeholder engagement & materiality)	p. 18
102-50	Reporting period	General Information (Notes to the consolidated Financial Statements)	p. 118
102-51	Date of most recent report	General Information (Notes to the consolidated Financial Statements)	p. 118
102-52	Reporting cycle	General Information (Notes to the consolidated Financial Statements)	p. 118
102-53	Contact point for questions regarding the report	Other information (ir@adyen.com)	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index Table	p. 202
102-55	GRI content index	GRI Index Table	p. 202
102-56	External assurance	Independent auditor's Report	p. 184
Employment			
Disclosure	**Description**	**Location in report**	**Page Ref.**
401-1	New employee hires and employee turnover	People & Culture (Growing the Adyen team)	p. 28
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Remuneration Report, Note 4 (Employment benefit expenses)	p. 97 & p. 130
Learning and Development			
Disclosure	**Description**	**Location in report**	**Page Ref.**
404-2	Programs for upgrading employee skills and transition assistance programs	People & Culture (Talent development)	p. 26

Diversity and Equal Opportunity			
Disclosure	**Description**	**Location in report**	**Page Ref.**
405-1	Diversity of governance bodies and employees	People & Culture	p. 30
405-2	Ratio of basic salary and remuneration of women to men	Remuneration Report	p. 97

Energy			
Disclosure	**Description**	**Location in report**	**Page Ref.**
302-1	Energy consumption within the organization	Direct energy consumption by primary source: 13.37 GJ	
302-2	Energy consumption outside of the organization	Indirect energy consumption by primary source: 49,955.83 GJ • renewable electricity: 21,781.76 GJ • grid electricity: 16,886.28 GJ • district heating: 5,254.31 GJ • district cooling: 33.48 GJ	

Emissions			
Disclosure	**Description**	**Location in report**	**Page Ref.**
305-1	305-1 Direct (Scope 1) GHG emissions	Environmental sustainability (Carbon Neutrality)	p. 45
305-2	305-2 Energy indirect (Scope 2) GHG emissions	Environmental sustainability (Carbon Neutrality)	p. 45
305-3	305-3 Other indirect (Scope 3) GHG emissions	Environmental sustainability (Carbon Neutrality)	p. 45
305-4	305-4 GHG emissions intensity	Environmental sustainability (Carbon Neutrality)	p. 45

Tax			
Disclosure	**Description**	**Location in report**	**Page Ref.**
207-1	207-1 Approach to tax	Tax	p. 74
207-2	207-2 Tax governance, control, and risk management	Tax (Tax governance, control and, risk management)	p. 74
207-3	207-3 Stakeholder engagement and management of concerns related to tax	Tax (Stakeholder engagement and management of concerns related to tax)	p. 75
207-4	207-4 Country-by-country reporting	Country-by-country reporting	p. 163