

Q&A

Temporary leniency scheme in the event of not meeting 100% digital requirements

General

What does PSD2 mean for the sector?

PSD2 stands for Payment Services Directive 2. PSD2 is the European directive for the payment transactions of companies and consumers. In the Netherlands, this is referred to as the 'Second Payment Service Directive'. This Second Payment Service Directive is operational throughout the European Union and every EU Member State has enshrined it in their national legislation. In the Netherlands, we have incorporated it into the Civil Code, for instance, and the Financial Supervision Act.

At the beginning of 2019, PSD2 entered into effect in the Netherlands. Under PSD1, an exception was made for trading platforms and market places such as Royal FloraHolland. With PSD2 coming into effect in the Netherlands, the above-mentioned exception is no longer applicable and the requirements for banks, businesses and institutions who conduct payment services have been tightened. PSD2, therefore, is directed not only at Royal FloraHolland, but also applies to other auctions and companies that offer payment services.

Royal FloraHolland has had PSD2 on its radar for a while now, but it was only at the beginning of 2019 that it became clear exactly what interpretation the European directive would be given in the Netherlands. In consultation with legal experts and De Nederlandse Bank, the possibilities of qualifying for the so-called 'commercial agent exception' were examined. This requires an adjustment in the way transactions arise in the case of direct trade. Royal FloraHolland acts as a commercial agent in the (clock) auction process. This is also true of direct trade, provided that these transactions for direct sales streams arise through Floriday.

What does 100% Digital mean for growers, agents and buyers?

For growers and agents, this means that their supply has to be available online on Floriday by the end of 2020. For buyers, this means purchasing through Floriday or ordering through the digital platforms FloraMondo and FloraXchange. Growers, agents and buyers can do so through a link from their own software, or through the Floriday screen. In practice, this means that the Connect-EAB will be discontinued in the future. More information about 100% Digital can be found at www.floriday.io/100digital.

What is an API link?

API stands for Application Programming Interface. An API is a set of definitions that software programs use to communicate easily with one another. The code in an API link ensures that the systems are automatically granted access to each other's information and functions. The developers do not have to know exactly how the other program works. An API link therefore ensures efficient communication between systems. This is the latest linking method and has many benefits. As a result, more innovations in ordering, payment and delivery can be realised.

Why is there a temporary leniency period?

Floriday has completed the development phase for 100% Digital in the third quarter. All essential functions to process direct flows through Floriday are available on the platform and in the API link. This means that at present growers and buyers are already able to use these for their direct transactions. Most software suppliers are also engaged in rolling out the Floriday link to their growers and buyers. We are currently seeing that various software suppliers haven't had the API connection for very long and need more time to complete the rollout with their

customers. We want to avoid the situation where companies, in spite of their efforts, are no longer able to make use of settlement through our marketplace after 1 January. With just one month to go, not all growers and buyers have a working link between their software and Floriday. Growers and buyers who are still waiting for this can for this reason make use of a leniency period until 31 March 2021. After this date, rates for the use of the Connect EAB will be increased.

How far along are we as a sector at the moment with 100% Digital?

More than a year ago, we started the 100% Digital programme. We have worked intensively with growers, agents, buyers and software suppliers to make this major step forward in digitisation. All essential functions for 100% Digital are available on the platform and in the API link. This means that at present growers and buyers are already using these for their direct transactions. We are seeing about half of all parties being able to trade in accordance with 100% Digital. We expect this to rise sharply in the coming weeks, given the number of parties now linking their software and doing business with more growers or buyers on Floriday week after week. We are not going to make any statements about the exact sales that take place through Floriday.

How do we ensure that we can become 100% Digital within 3 extra months?

The biggest steps that still need to be taken in order to be able to trade 100% Digital in direct trade are the roll-out of the links with the software packages. We are seeing that various software suppliers haven't had the API connection for very long and need more time to complete the rollout with their customers. In consultation with software suppliers, we have looked at how much time they need. In 3 months, they should be able to achieve this and growers, buyers and agents should be able to trade 100% Digital.

How will the temporary leniency scheme work?

Growers, agents and buyers, who are not yet able to make use of a link between their software package and Floriday on 31 December 2020, will be eligible for the leniency scheme until 31 March 2021. Your software supplier will register the leniency and inform Royal FloraHolland of those eligible for it. Until 31 March it will therefore be possible to continue to use the Connect-EAB. View the flow chart to see if the leniency scheme applies to you.

How do I know if I am ready for 100% Digital?

The flow chart shows whether you are working 100% Digital or whether you can make use of the leniency period until 31 March. Do you have doubts about the extent to which you work 100% Digital? Contact the Floriday support team by sending an email to support@floriday.io or call +31 (0)174-352070.

Will the Connect EAB then disappear definitively on 31 March?

After 31 March, Royal FloraHolland will no longer be able to arrange settlement through the Connect EAB in the current manner. After 31 March, we will be forced to charge higher rates, since we will then have to take additional measures in order to be able to settle the transactions correctly. We are investigating which financial parties can support us in this area from 31 March. The exact level of these rates and the additional conditions that will then apply will be communicated at the beginning of March 2021. As soon as there is more clarity about this, we will inform growers, agents and buyers.

Why will Royal FloraHolland carry out additional checks for correct use of the Connect EAB?

100% Digital helps to comply with tighter European financial legislation (PSD2). In this context, Royal FloraHolland is taking additional measures and will carry out additional checks on the correct use of the Connect-EAB up until 31 March 2021. In other words, random checks will be carried out to ensure that what is invoiced has also been ordered.

For growers, buyers and agents:

When will I be eligible for the temporary leniency scheme?

Growers, buyers and agents, who are not yet able to make use of a working link between their software package and Floriday on 31 December 2020, will receive temporary leniency until 31 March 2021. The software supplier will register this temporary leniency and inform Royal FloraHolland of those eligible for it. Until 31 March, it will therefore be possible to continue to use the Connect-EAB. Check the flow chart to see if you are eligible for a temporary leniency period. After 31 March 2021, rates for the use of the Connect-EAB will be higher.

All essential functions to process direct flows through Floriday are available. Growers and buyers who will be working in the Floriday screens are urged to comply with 100% Digital by 31 December 2020.

How do I apply for temporary leniency?

Those eligible for the temporary leniency scheme will be determined by Royal FloraHolland in consultation with software suppliers. The software supplier will register this temporary leniency and inform Royal FloraHolland of those eligible for it. Software suppliers are providing us with a rollout visit schedule, which will be guiding in relation to the granting of the leniency period. Floriday will send a confirmation of temporary leniency registration to growers and buyers, informing them about the content of the temporary leniency scheme.

What will the granting of a leniency period mean for me?

You will receive a 3-month leniency period until 31 March 2021. During this period, you can still make use of the Connect EAB for the settlement of your direct transactions. Parallel to this, we expect you and your software supplier to start rolling out the link between your software package and Floriday and that this will be ready before 31 March 2021.

I work 100% Digital as a grower, but my buyer isn't quite there yet. What can I do in that case?

If you work 100% Digital by 31 December 2020, you don't need to take any further action. If your buyer is not ready yet, but you are, you may as well make use of the leniency period up to 1 March 2021.

You can also encourage your buyer to purchase digitally from you. A buyer can do this by linking his/her software package to Floriday, working through the Floriday screens, using FloraMondo and FloraXchange and/or his/her VMP link or Florecoms link through Floriday. In addition, you can send purchasing tips (short-term special offers) through Floriday so that your buyer can easily accept them.

You can also always refer your buyers to the Floriday Support desk, should they have more questions about support on how exactly they can work in or through Floriday. The support team is available through the chat in Floriday, support@floriday.io and +31 (0)174-352070

More information about what a buyer can do from 1 January 2021 can also be found in this news item:

<https://www.floriday.io/en/update/only-7-weeks-to-100-digital-some-frequently-questions-for-growers>

I work 100% Digital as a buyer, but my grower isn't quite there yet. What can I do in that case?

If you work 100% Digital by 31 December 2020, you don't need to take any further action. If your grower is not ready yet, but you are, you may make use of the temporary leniency period up to 1 March 2021.

You could also encourage your growers/suppliers to put supply online. Growers can link their software package to Floriday or work directly in the Floriday screens. In the screens, they can create a clock delivery, provide Clock Presales supply and put direct sales supply online. In addition, using the screens in Floriday, they can send you purchasing tips (short-term special offers) that you can easily accept.

You can also always refer your buyers/suppliers to the Floriday Support desk, should they have more questions about support on how exactly they can work in or through Floriday. The support team is available through the chat in Floriday, support@floriday.io and +31 (0)174-352070

I work partly in the screens and partly through my own software package. Does this temporary leniency period also apply to me?

If you work partly in the Floriday screens and partly in your own software package, this temporary leniency period also applies to you if you are still waiting for a working link between your software package and Floriday.

I have always been an AntEater customer, what does this mean for me?

You can work in Floriday screens and from there create your clock deliveries and do business directly with buyers. If your buyers are already working with Floriday you can easily send a purchasing tip. If your buyers are not yet working with Floriday, you can enter your direct orders in Floriday manually as you have been used to doing through AntEater. However, the option to enter manually will expire on 31 March 2021.

I am an agent and trade on behalf of growers, what can I do?

If you are an agent and trade with buyers on behalf of growers, then the same route applies to you as described in the grower's flow chart.

Is this temporary leniency period also applicable to VRM and Plantion?

If you are still waiting for a link to your software package, the working method for Plantion and VRM will remain the same as you are used to now. If you work in the Floriday screens, you can do your clock supply or direct trading for Plantion and VRM through Floriday.

I sell through the Trading Scheme, what can I do?

If you trade through the Trading Scheme, you will be contacted about the possibilities in relation to Floriday. If you have any questions about this, please contact your Account Manager or the Customer Contact Center (customerservice@royalfloraholland.com or +31 (0)88-789 89 89).

I buy through the Trading Scheme, what should I do?

If you buy from suppliers through the Trading Scheme, these suppliers will make it clear to you how they will do business with you after 31 March. If you have any further questions on this subject, please contact your Account Manager or the Customer Contact Center (customerservice@royalfloraholland.com or +31 (0)88-789 89 89).

What happens if I don't receive leniency?

In that case, we assume that you will be working in the Floriday screens before 31 December. For this, you can make use of the weekly online workshops that are being given. You can register at www.floriday.io/en/workshops. In our Help Center, you will also find the information you need to get started in Floriday: <https://www.floriday.io/en/helpcenter>. You can also contact the Floriday support team about the possibilities you have to work 100% Digital. This is possible via support@floriday.io and +31 (0) 174-352070.

Are there any additional costs associated with the temporary leniency scheme?

No, there are no additional costs associated with the temporary leniency scheme until 31 March 2021. However, the content of the EAB-Connect will be additionally checked for correct use during this period.

I am not dependent on the link, but I will not be ready on 1 January either. Am I eligible for the leniency scheme?

If you are not dependent on a link between your software package and Floriday, you can work in the Floriday screens. If you are not yet ready, you can sign up for an (online) workshop. You can register at www.floriday.io/en/workshops. If you would like to have a Floriday expert on the phone straight away, please contact us on +31 (0)174-352070.

If you believe that you should be eligible for the leniency scheme, please contact your Account Manager and the Customer Contact Center (klantenservice@royalfloraholland.com or +31 (0)88-789 89 89).

My season only starts after 31 March. So, I am also not ready for 100% Digital yet. How does this work for me?

This leniency scheme covers all direct trade transactions taking place between 1 January and 31 March 2021. If you do not have any direct transactions during this period, there will be no leniency scheme in your case. It is important that you are ready for 100% Digital in good time before you start direct trade transactions. After 31 March, direct trading transactions will only be settled if they comply with 100% Digital. To prepare, you should follow a Floriday workshop explaining how to start working with Floriday. Please look at www.floriday.io/en/workshops. You can also contact the Floriday Support Team at +31 (0)174-352070 or at support@floriday.io.

I only trade on the clock, does this also apply to me?

No. This leniency scheme only applies to direct trade transactions. Nothing will change for growers and buyers who only sell and buy through the clock. The clock flows already comply with the PSD2 legislation.

To which software suppliers does this apply?

This temporary leniency scheme covers all software suppliers currently in the process of preparing and rolling out an API link to their customers. An overview of software suppliers and their status can be found at:

Overview software suppliers growers: <https://www.floriday.io/en/software-suppliers>

Overview software suppliers buyers: <https://www.floriday.io/en/software-suppliers-buyers>

I use a 'in-house developed' software package, what does this mean for me?

If you use a software package that is 'developed in-house' or that has been built by an external party that is not listed on the list of software suppliers, you are also eligible for the leniency period. For this, you should notify the Floriday Support Team at +31 (0)174-352070 or at support@floriday.io.

What does this mean for the roll-out of the link between our software package and Floriday?

In the coming months, software suppliers will provide all growers, agents and buyers, who are currently using their package, with a link between their software package and Floriday. If you would like to know when you are scheduled, please contact your software supplier.

My buyer is looking for alternative payment methods. As a grower, what should I say about this?

Sometimes buyers ask growers to do this in an alternative way from the new year. We have noticed that one of the reasons for this is that buyers don't know what they will or will not be able to do next year. What can you say as a grower? Let us give you a number of tips for talking to a buyer:

- Growers and buyers, who are not yet able to make use of a link between their software package and Floriday on 31 December 2020, will be eligible for the leniency scheme until 31 March 2021. Until 31 March, it will therefore be possible to continue to use the Connect-EAB. After 31 March 2021, rates for the use of the Connect-EAB will be higher.
- In the short term, settlement through another party will become a more expensive alternative. Royal FloraHolland's transaction charge will expire for the buyer, but the additional costs of another service provider will be added to Royal FloraHolland's current rate.
- If your buyer indicates that he is still waiting for a link with his/her software supplier, he/she is eligible for the leniency scheme. In that case, you can continue to trade in the usual manner until 31 March 2021 up until the link works and has been rolled out. You

can also indicate to the buyer that, until the link is ready, they can work in Floriday in the meantime if they want to order. Buyers can easily create an account for this and start buying. Orders placed here are processed immediately.

- If a buyer still continues to place their orders by phone, you can indicate that in the future you will be sending a purchasing tip through Floriday that the buyer will see on their Floriday dashboard. The buyer will receive a notification on their phone and can quickly approve the order.
- If your buyer currently purchases through a VMP link or sends Florecom orders from their package, they should continue to do so in the usual way. You could indicate that it is necessary to link the VMP link and the Florecom orders to Floriday. For this, a buyer should contact the Floriday support team.
- If your buyer orders through FloraXchange or FloraMondo now, this will, in principle, not change next year. You could indicate that buyers will be able to continue to do so next year.

For software suppliers

What does this mean for me as a software supplier?

All software suppliers will be informing us which growers and buyers are scheduled to connect to Floriday and are therefore entitled to the temporary leniency scheme. If you have not been approached as a software supplier, please get in touch with Floriday support at support@floriday.io. You will be contacted as soon as possible.

For software suppliers, there are still 2 months after 1 January to connect all growers and buyers to Floriday. In this way, the growers and buyers themselves also have enough time to get accustomed in time and to be ready by 31 March at the latest.

Will the schedule including names of growers and buyers be available?

The schedule will be made available to Royal FloraHolland by software suppliers. Royal FloraHolland will not share these further. If you would like to know when you are scheduled, and are therefore eligible for the temporary leniency period, please contact your software supplier.