

Remuneration Policy for the Management Board of NSI N.V. (2019 version)

Introduction

The remuneration policy as outlined in this document was adopted by the Annual General Meeting of Shareholders on 17 April 2019. Any significant changes to the remuneration policy thereafter require approval of the AGM. This policy applies from January 1, 2019 onwards.

This Remuneration Policy for members of the Management Board of NSI intends to further align remuneration at NSI with developments in legislation, governance, the market place and the interests of both NSI and its shareholders. The policy aims at supporting long-term value creation for shareholders while creating fair pay for the Management Board. The remuneration policy enables NSI to attract, reward and retain qualified and seasoned real estate industry professionals, who are able to achieve the company objectives. Simplicity, transparency and compliancy are guiding principles of the policy.

The Management Board members' views regarding the structure and level of their own remuneration have been taken into account in determining this remuneration policy.

Since full compliancy to the Dutch Corporate Governance Code is one of NSI's guiding principles, the remuneration policy will be adjusted accordingly, in case of any relevant changes to the Code.

This document describes the elements of the NSI remuneration policy:

- Total Direct Compensation
 - Reference group and market positioning
 - Internal pay levels NSI
 - Level of Total Direct Compensation at target
- Compensation structure
 - Base salary
 - Short-term incentive
 - Long-term incentive
 - Variable pay conditions
 - Scenario analyses
 - Claw Back
 - Ultimum Remedium
 - Conditions at termination
 - Additional pay programs
- Shareholding requirement
- Other benefits
- Contractual arrangements

At the end of this document, a summary of the remuneration policy is provided in an overview.

Total Direct Compensation (TDC)

The level of Total Direct Compensation (TDC) for members of the Management Board of NSI is determined based on both the remuneration levels of comparable listed companies in the Dutch market place and the (internal) pay levels within the company.

Reference group and market positioning

The relevant remuneration levels in the Dutch market place are determined by referencing to comparable companies. These reference companies are selected based on their market capitalization and, to the extent available, comparable business operations. The reference market for NSI is therefore defined as AScX listed companies, excluding Financial Services organizations, and including Wereldhave (AMX listed Real Estate company). This results in a reference group of nineteen companies in total.

Reference companies	
Accell Group	ICT Group
Amsterdam Commodities	Kendrion
Avantium	Nedap
Basic-Fit	Ordina
Beter Bed Holding	Sif Holding
Brunel International	Stern Groep
Eurocommercial Properties	Takeaway.com
Fagron	VastNed Retail
ForFarmers	Wereldhave
Heijmans	

A market positioning of the TDC level at 90% for the CEO and 80% for the CFO of the median of the reference group is deemed to properly reflect the weights of these functions and the complexity and diversity of NSI's business and revenue levels within the reference group.

Internal pay levels NSI

Next to considering the external positioning in determining the remuneration levels for the Management Board, NSI takes the internal pay ratios within the company into account. This refers in particular to the step differential between the CFO and the internal level just below the Management Board and the step differential between the CEO and the CFO. NSI applies a pay ratio of one and a half as an expression of a fair pay difference on base salary between the CFO and the level below the Board and also for the pay difference on base salary between the CEO to CFO. These ratios are based on the extended responsibilities in the roles and their influence on company performance.

Level of Total Direct Compensation at target

The remuneration levels for the members of the Management Board are determined based on the TDC level at target. To express an equal importance of external competitiveness and internal fairness, the remuneration levels of the CEO and the CFO are set as the average of the results of the external benchmark and the internal pay ratios approach. NSI sets the base salary level for the CIO discretionarily in the middle of the levels of the CEO and CFO, based on the importance of this role for the organization.

An initial benchmark in the reference group was conducted for both the CEO and CFO position on the most recently disclosed data (2017 annual reports). Actual TDC at target levels will be set by aging the results from the reference year of the benchmark assessment to the first year of application of the adjusted TDC levels. Aging will occur based on historical data and expectations of developments in the market.

The Supervisory Board will conduct benchmarks every three years to reassess NSI's competitiveness in the market place and the fairness of the internal pay differences. The composition of the reference group will also be reviewed every three years to ensure an appropriate market assessment. Substantial changes applied to the composition of the reference group will be proposed to the AGM. The Supervisory Board has the authority to replace a reference company in the event that this company becomes delisted.

Pay levels for the Management Board will not be adjusted in the years between benchmarks. Only in case of extraordinary circumstances or developments the Supervisory Board can decide to reassess the pay levels on shorter notice.

Compensation structure

TDC at NSI consists of a base salary, a short-term incentive and a long-term incentive. Due to the nature of the business of NSI, the intention to have longer term trusted board members and to avoid excessive risks, NSI applies a pay mix with a solid base salary and a variable pay level that is high enough to create a drive for excellent performance and low enough to avoid excessive risk-taking. The focus of the CEO should be on NSI's long-term achievements. This is reflected by a target short-term incentive of 20% of base salary and a target long-term incentive of 60% of base salary. For the CIO and the CFO the focus is both on objectives and actions that are measured at yearly intervals and on long term achievements. This results in a target short-term incentive of 30% of base salary and a target long-term incentive of 30% of base salary.

Members of the Management Board are eligible to receive variable compensation upon achieving predetermined (measurable) targets set by the Supervisory Board. Performance measures are predominantly long-term oriented and are linked to both financial and non-financial criteria. To create a strong alignment with the shareholders board members are required to acquire NSI shares and invest one-third of the net payments resulting from the short-term incentive scheme and two thirds of the net payments resulting from the long-term incentive scheme in NSI shares until the shareholding requirement set out below has been met.

Base salary

Base salary for the members of the Management Board is derived from the intended TDC level and the chosen pay mix at target.

Short-term incentive

The short-term incentive concerns an annual performance-related cash incentive. The collective performance measures in the short-term incentive plan represent short-term results needed for sustainable value creation with respect to the most important achievement areas of the company. These could include the occupancy rate, like-for-like net rental income, EPRA cost ratio and the company's earnings over time (expressed as the EPRA Earnings per Share), organizational targets like personnel retention rate and NSI's strategic position and sustainability performance (expressed as the development of the NSI portfolio and the NSI GRESB score). To guard alignment within the Management Board these measures apply in the same way to each of the members of the Management Board.

Next to these collective measures NSI could also apply individual personal targets for each of the members of the Management Board. These personal targets are related to the individual roles of the members and specific short-term achievements needed for NSI.

The Supervisory Board determines annually which performance measures apply, including their relative weighting. For each of the selected performance measures the Supervisory Board sets challenging, but realistic target performance levels. The target setting and performance review process occur once a year. All the performance levels for the measures are set before or at the beginning of the performance period and remain unchanged during the year.

The target payout level (20% of base salary for the CEO and 30% of base salary for the other Management Board members) will be reached by full achievement of the predetermined target performance levels. Achievement of a threshold performance level yields a payout of 50% of the target level and excellent outperformance yields a maximum payout of 120% of the target level. Therefore, the maximum payout for the CEO is 24% of base salary and the maximum payout for the CIO and CFO is 36% of base salary. Payout is determined using a linear approach between these performance levels. No payout occurs for performance below threshold. The stated incentive zone applies to each individual performance measure. Board members are required to invest one-third of the net payments resulting from the short-term incentive scheme to acquire NSI shares until the shareholding requirement has been met.

Long-term incentive

The long-term incentive concerns a rolling cash incentive plan covering a three-year performance period that applies to all members of the Management Board. The performance measure in the long-term incentive plan represents long-term value creation at NSI and is defined as Relative Total Shareholder Return (TSR). This performance measure applies to all Board members and will remain unchanged for the applicable term of this remuneration policy.

Grants under the long-term incentive plan are made every year conditional upon performance on Relative TSR. Conditional grants are based on the target level of the long-term incentive. After the performance period has ended, it will be determined how much of the grant is actually paid out. The target payout level is set at 60% of base salary at the moment of the grant for the CEO and at 30% of base salary at the moment of the grant for the other members of the Management Board. Excellent performance yields a maximum payout of 150% of the target level. Achievement of a threshold performance level yields a payout of 25% of the target level. Board members are required to invest two-thirds of the net payments resulting from the long-term incentive scheme to acquire NSI shares until the shareholding requirement has been met.

LTI Performance measure	Weight
Relative Total Shareholder Return (TSR)	100%

The total shareholder return (TSR) is the average annual return in % for shareholders calculated as the price difference between the closing share price on the last trading day preceding the relevant term and the closing share price on the last trading day of the relevant term divided by the duration of the relevant term in years.

For the purpose of calculating the TSR, dividends are deemed reinvested in shares on the date of distribution. Dividends include not only dividend payments in cash, but also stock dividends and any other distributions to shareholders (e.g. special or one-time dividends or share buybacks). In addition, the share prices will be adjusted to strip out the impact of any rights issues, stock splits or consolidations. The supervisory board may in reasonableness and fairness make further adjustments to calculate a fair TSR insofar as price differences of the share prices are merely the consequence of an accounting issue or otherwise do not reflect any change in underlying corporate value. A TSR calculation produced by or made using data and or calculation algorithms from a validated third party such as Bloomberg or Thomson Reuters will be deemed a valid and binding TSR calculation for the purposes of the LTI.

NSI's TSR performance is subsequently assessed compared to those of relevant peer companies. NSI has defined these peer companies as the companies within the EPRA Eurozone Index. Companies which are not part of the EPRA Eurozone Index for the full performance period will be excluded. This applies to both new participants and participants leaving the Index.

Based on each company's TSR performance, a percentile score is computed that determines the relative positioning of each company within the EPRA Eurozone Index. NSI's percentile score then determines the final payout related to the long-term incentive plan. Actual payout is determined linearly between the performance and payout levels as given in the table below.

EPRA Eurozone TSR percentile score	Payout as % of target
At least 90%	150%
80%	125%
70%	100%
60%	75%
50%	50%
40%	25%
Lower than 40%	0%

Variable pay conditions

Scenario analyses

Scenario analyses of the possible outcomes of the short-term and long-term incentives have been conducted. These analyses did not reveal any uncontrollable risks for the company.

Claw Back

Grants under both the short-term and long-term incentive scheme are subject to a claw back provision. The Supervisory Board has the authority to claw back all or some part of a bonus payout insofar it has been awarded based on incorrect information about achieving the underlying targets or about the circumstances that the bonus was made subject to.

Ultimum Remedium

Grants under both the short-term and long-term incentive scheme are subject to an Ultimum Remedium clause. The Supervisory Board has the authority to discretionary revise the bonus payout retrospectively to a deemed appropriate amount in case the calculated payout would be unacceptable according to the standards of reasonableness and fairness.

Termination

STI over the year in which an appointment terminates, will be based on the performance according to the plan over the full performance year and will be prorated to the actual time of service during the year in which the appointment

terminates. LTI granted in the year in which termination takes place, will be based on the performance according to the plan over the full three-year performance period and will be prorated to the actual time of service during the year in which the appointment terminates. LTI granted in the years before the year in which the appointment terminates, will be based on the performance according to the plan over the full three-year performance period and will be paid in full; pay-out will take place in the year after the three-year performance period has ended.

In case it is known by the end of the calendar year before the year in which the appointment period of a participant ends, that the participant will not be nominated for a new term or is not available for such a nomination, the participant will not participate in the variable pay programs in the year in which the appointment ends; for this year the participant will be entitled to a target payout set by the Supervisory Board for both STI and LTI, prorated to the actual time of service during the year of termination.

Claw Back and Ultimium Remedium clauses continue to be applicable on all running and past variable pay programs after termination of the appointment.

In case of termination for cause all rights on running variable pay programs are waived; Claw Back and Ultimium Remedium clauses will continue to be applicable after termination for cause of the participant.

Additional pay programs

The Supervisory Board has the authority to discretionarily add pay programs to the remuneration of the members of the Management Board in case of special circumstances in the market place or at NSI that require such adjustment in order to remain competitive or to keep up to the standards of reasonableness and fairness.

Shareholding requirement

To further stimulate long-term value creation, NSI applies a shareholding requirement to align the interests of the members of the Management Board with the interests of the company's shareholders. The CEO is required to hold NSI shares with a value of at least 125% of the applicable annual (gross) base salary; a requirement of at least 75% of the applicable annual (gross) base salary applies to the other members of the Management Board. Board members are required to invest respectively one-third and two-thirds of the net payments resulting from the short-term and long-term incentive schemes to acquire NSI shares until the shareholding requirement has been met. Before reaching the required value in shares, members of the Management Board are not allowed to sell any of the NSI shares they have acquired by investing these net payments. This shareholding requirement continues to be applicable during one year after the end of the membership of the Management Board of NSI. The Supervisory Board will evaluate at the end of each financial year the extent to which the shareholding requirement is met.

Other benefits

The Management Board is entitled to other remuneration elements besides those covered by TDC. NSI provides a defined contribution pension plan, capped at the fiscal maximum pensionable salary in the Netherlands. Participants do not pay a contribution to this plan. Furthermore, NSI provides insured benefits that are also applicable to regular staff members and a company car.

Contractual arrangements

Members of the Management Board are appointed for a period of four years. A notice period of four months for the members of the Management Board and four months for the company is applicable.

Employment agreements with members of the Management Board contain specific provisions regarding benefits upon termination of those agreements. Severance arrangements are limited to one year's base salary. No payment will be made if the agreement is terminated early on behalf of the Management Board member or in case of serious imputable or negligent behavior.

The employment agreements with the members of the Management Board do not contain Change of Control provisions.

NSI does not grant any loans or guarantees to any of the members of the Management Board.

Overview of the remuneration policy

To enhance simplicity and transparency, an overview of the remuneration elements is provided below.

Overview remuneration policy for the Management Board of NSI NV

Base salary	<ul style="list-style-type: none">▪ Set considering NSI's market positioning within the reference market (90% (CEO) and 80% (other members) of the median TDC level), the internal pay differences at NSI and the intended pay mix▪ TDC benchmark in the reference group and assessment of internal pay differences conducted every three years; no adjustments to pay levels in the years in between
Short-term incentive	<ul style="list-style-type: none">▪ Performance period: 1 year▪ Payout incentive zone (threshold – target – maximum):<ul style="list-style-type: none">- CEO: 10% - 20% - 24% of base salary- Other members: 15% - 30% - 36% of base salary▪ Linear payout incentive zone between threshold and target performance, and between target and maximum performance▪ Payout in cash; one-third of the net payments must be invested in NSI shares until the shareholding requirement has been met▪ Performance measures could include the occupancy rate, like-for-like net rental income, EPRA cost ratio and the company's earnings over time (expressed as the EPRA Earnings per Share), organizational targets like personnel retention rate and NSI's strategic position and sustainability performance (expressed as the development of the NSI portfolio and the NSI GRESB score) and personal targets▪ Applicable performance measures and their weights are set annually
Long-term incentive	<ul style="list-style-type: none">▪ Performance period: 3 years▪ Payout incentive zone (threshold – target – maximum):<ul style="list-style-type: none">- CEO: 15% - 60% - 90% of base salary- Other members: 7,5% - 30% - 45% of base salary▪ Actual payout according to TSR payout table▪ Payout in cash; two-thirds of the net payments must be invested in NSI shares until the shareholding requirement has been met▪ Performance measure is Relative TSR within the EPRA Eurozone Index, covering a three-year performance period
Additional pay programs	<ul style="list-style-type: none">▪ Upon discretionary authority of the Supervisory Board
Shareholding requirement	<ul style="list-style-type: none">▪ CEO: 125% of gross base salary▪ Other members: 75% of gross base salary
Other benefits	<ul style="list-style-type: none">▪ Pension arrangement: Defined Contribution plan, accrual rate is based on 1.875% of the pensionable salary per year of service. The pensionable salary is determined by a NSI specific offset and a cap equal to the fiscal maximum pensionable salary (indexed every year); contributions are paid by the employer▪ Insured benefits and company car
Contractual arrangements	<ul style="list-style-type: none">▪ Appointment period: four years▪ Employment contract: definite in alignment with appointment period▪ Notice period: four months for the members and four months for the company▪ Severance pay limited to one year's base salary▪ No Change of Control arrangement
