

# REPORT OF THE SUPERVISORY BOARD

## To the General Meeting of Shareholders

We, the Supervisory Board of NSI N.V. (NSI), hereby present you with the annual report prepared by the Management Board for the 2019 financial year. PricewaterhouseCoopers Accountants N.V. has audited the financial statements and has issued an unqualified opinion (page 122 - 127). We will recommend that the financial statements be adopted at the General Meeting of Shareholders on Friday 24 April 2020. The discharge of the Management Board in respect of the policy pursued in 2019 and of the Supervisory Board from the supervision it provided in 2019 will be addressed as separate agenda items at the General Meeting of Shareholders.

## Composition of the Supervisory Board

The Supervisory Board currently consists of four members. At the General Meeting of Shareholders on Friday 24 April 2020 a proposal will be made to set the number of Supervisory Board members at five, to reappoint Karin Koks- Van der Sluijs and Harm Meijer and to appoint the fifth member.

## Resignation rota for Supervisory Board members

	First appointment	End of current term	End of Ultimate term
Luurt van der Ploeg	2014	2022	2026
Karin Koks- Van der Sluijs	2016	2020	2028
Harm Meijer	2016	2020	2028
Margreet Haandrikman	2017	2021	2029

## Duties and independence

The role and responsibilities of the Supervisory Board, its composition and how it carries out its duties are specified in the Supervisory Board regulations which are posted on the company's website. A summary of the duties of the Supervisory Board can be found in the Corporate Governance section (pages 64-67).

In the opinion of the Supervisory Board the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code have been fulfilled. In relation to best practice provision 2.1.8.vi it is noted that Mr. Meijer is a shareholder in ICAMAP Investments SARL, which is holding more than 10% of the shares in NSI. As of the date of publication of this report, Mr. Meijer held no shares in NSI.

## Meetings and attendance

The Supervisory Board met on eight occasions for regular meetings during the year under review. The attendance rate at these

meetings was 100%. Regular Supervisory Board meetings commence with a preparatory meeting which is held without the Management Board being present, after which the members of the Management Board attend the rest of the meeting. The attendance rate at the committee meetings was also 100%.

During the year under review the Supervisory Board held three conference calls, one to discuss a development project and two conference calls with the Management Board to discuss a quarterly update.

## Report of the activities of the Supervisory Board

The general state of affairs and the company's financial position were discussed at all regular meetings. Furthermore, there were discussions with the Management Board on various occasions regarding the implementation of the long-term value creation strategy, the implementation of the business plan, the budget and targets, shareholder relations, acquisitions and disposals, development projects and the main risks associated with the company. Developments in the real estate markets and the effects on the composition of the real estate portfolio as well as the occupancy rate were frequently discussed and assessed. Matters including the value of real estate and the valuation methodology, the system of internal controls and risk control procedures, and corporate governance also have the Supervisory Board's constant attention.

## Strategy Update and Development

During 2019 special attention was focused on NSI's evolution towards being an active developer of its assets and a supplier of 'Space as a Service, as announced in the half-year results. In several meetings the Supervisory Board discussed the organisational requirements, additional risks and the management of this concept as well as the approval and monitoring processes for investments in developments.

## Long-term value creation

In the second half of 2019 the Supervisory Board further discussed the strategy and the view of the Management Board on the company's long-term value creation. The Management Board drew up a business plan for 2020 – 2024 and a budget for 2020 in accordance with this view. The 2020 – 2024 business plan is based on a total return and cost efficiency approach, focusing on Acquisitions and on Development of existing locations, as well as on the disposal of remaining non-core assets.

The Supervisory Board meetings of 14 October 2019, 13 November 2019 and 11 December 2019 were specifically dedicated to long-term value creation and the strategy as

well as the preparation of the business plan for 2020 – 2024 and the budget for 2020. The meetings also focused on the company's operational and financial goals and their impact on NSI's future position in the real estate market, the interests of stakeholders and other aspects important to the company, such as sustainability.

There are several mechanisms in place that enable the Supervisory Board to monitor the implementation of the strategy. Asset Business Plans that deal with all major assets are discussed on a regular basis with the Real Estate Committee.

### Composition of the Management Board

CIO Anne de Jong indicated that he will not be available for reappointment for a second term at the AGM of 24 April 2020. The Supervisory Board evaluated the existing governance model of the Management Board, taking into account the future demands of the position.

The Supervisory Board took into consideration that the position of CIO on the Board was created with targets that have since been largely achieved. In the existing set-up department heads report to individual Management Board members without having a platform to discuss matters with the Board collectively. Going forward the Supervisory Board favours a model where development, portfolio management, transactions, finance and business development are equally represented in a management team that will meet collectively and discuss matters with the Management Board consisting of a CEO and CFO. This set-up is in line with the management models used by NSI's peers.

The Supervisory Board will propose to the General Meeting of Shareholders of 24 April 2020 that the number of members on the Management Board be reduced from three to two.

### Prior approval of decisions by the Management Board

Important decisions on matters including acquisitions, investments and disposals above a certain threshold require prior approval from the Supervisory Board. During the approval process the Supervisory Board assesses whether the proposed decision contributes to the implementation of the strategy. The Supervisory Board meetings and conference calls of 28 January 2019, 17 July 2019, 14 October 2019 and 13 November dealt with the acquisition of offices in Amsterdam and Leiden and various development and redevelopment opportunities and the meetings of 17 April 2019 and 12 June 2019 were combined with site visits of NSI assets.

### Evaluations

On 12 June 2019 the members of the Supervisory Board and Management Board carried out a joint evaluation of their personal motivations under the guidance of an external party and discussed their cooperation. Later that day the Supervisory Board conducted an evaluation of its own functioning

and that of its committees by means of a self-assessment. The conclusions of this evaluation were used to update the profile of the Supervisory Board to include new competencies with a view to the new NSI strategy. After determining what competencies were already represented the Supervisory Board decided that the board should reinforce knowledge and experience in the fields of services business, innovation and digitisation, the environment and sustainability, and HRM. Consequently the Supervisory Board started a search aimed at finding a candidate with knowledge and experience in the aforementioned fields and proposing that the General Meeting of Shareholders approve an increase in the number of Supervisory Board members from four to five.

The evaluation of the functioning of the committees confirmed the conclusions of last year's evaluation. The Committees play an important role in the preparation of the meetings and decisions of the Supervisory Board. The focus of the Audit Committee is on fulfilling the critical constructive supervisory role of the Board, whereas the Real Estate Committee also plays an important advisory role and functions as a sounding board for the Management Board. The Asset Management and Transactions departments also participate in the Real Estate Committee meetings, giving the Supervisory Board direct contact to middle management. The mechanism whereby the Real Estate Committee is involved at an early stage in all material acquisitions, divestments and investments, either to decide up to the defined threshold on behalf of the Supervisory Board or to advise the Supervisory Board on major transactions above a defined threshold, functions well and contributes to the execution power and efficiency of the company.

On 28 February 2019 the Supervisory Board discussed the functioning of the Management Board as a whole and of the individual members of the Management Board. The conclusions of these evaluations were shared with the Management Board. These were also used to decide on the KPI score of the personal targets under the Long Term Share Plan and as input for the target setting for the Management Board for 2019 under the Short Term Incentive plan.

At the meeting of 11 December 2019 the Supervisory Board discussed any other positions held by the members of the Management Board and Supervisory Board.

### Education

The meeting of 12 June 2019 was dedicated to education. Professors in real estate and innovation discussed with the Supervisory Board and Management Board developments in demographics, densification and accessibility of cities, infrastructure, mobility and technology as well as their relevance to NSI's strategy and portfolio. Together with an expert on sustainability the Supervisory Board and Management Board discussed NSI's sustainability action plan for the years ahead and analysed the company's achievements and ambitions using the GRESB Real Estate Methodology. During 2019 the

members of the Supervisory Board have also attended individual trainings in the context of their permanent education on matters such as governance, finance, and remuneration.

### Internal Audit function

NSI has no separate department to perform the internal audit function. The Supervisory Board assesses annually whether adequate alternative measures have been taken and whether it is necessary to establish an internal audit department. In the meeting of 11 December 2019 the Supervisory Board discussed the report of the Audit Committee about the effectiveness of the internal and external audit function. In line with a recommendation by the Audit Committee issued in consultation with the external auditor and the Management Board, the Supervisory Board has considered that NSI has only 45 FTEs, no activities outside the Netherlands, and operates in a very limited number of market segments. Given the fact that NSI uses external expertise to conduct internal audits based on an internal audit plan that is composed in consultation with the Audit Committee, the Supervisory Board is of the opinion that adequate alternative measures have been taken and that there is therefore no need to establish an internal audit department for this purpose. In accordance with a planning approved by the Supervisory Board a number of internal audits will be conducted under the supervision of the CFO in 2020.

### Dividend policy

The current dividend policy, adopted by the General Meeting of Shareholders in 2014, stipulates that:

- at least 75% of the direct result is distributed.
- for practical reasons a dividend is distributed twice a year: an interim dividend after the first six months and a final dividend following adoption by the General Meeting of Shareholders.

On 15 April 2019 the Supervisory Board authorised the issuance of shares for those shareholders who opted for distribution of the final dividend for 2018 in shares. The General Meeting of Shareholders approved the issuance on 17 April 2019.

On 17 July 2019 the Supervisory Board approved the interim dividend for 2019 and authorised the issuance of shares for those shareholders who opted for distribution of the interim dividend for 2019 in shares.

### 2019 final dividend proposal

In line with the applicable dividend policy (i.e. a pay-out of at least 75% of the direct result), NSI is proposing a final dividend for 2019 of € 1.12 per share. That brings the total dividend for 2019 to € 2.16 per share, of which € 1.04 per share was distributed as an interim dividend on 12 August 2019.

NSI is offering shareholders the option to receive the final dividend in cash and/or fully or partly in shares. The voluntary nature of this option provides more possibilities for shareholders while enabling NSI to retain liquidity in the company. This cash can then be used for investment or loan repayment purposes. Provided that the General Meeting of Shareholders approves this dividend proposal, the final dividend will be payable on 19 May 2020.

### Supervisory Board committees

The Supervisory Board has four committees in place to optimise the operation of the Board: the Remuneration Committee, the Selection and Appointment Committee, the Audit Committee and the Real Estate Committee.

### Remuneration Committee

On 31 December 2019 the Remuneration Committee consisted of Karin Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

The role and responsibilities of the Remuneration Committee, its composition and how it carries out its duties are specified in the Remuneration Committee regulations which are posted on the company's website.

In 2019 the Remuneration Committee was particularly involved in the finalization and implementation of the revised remuneration policy of the Management Board that was adopted in the General Meeting of Shareholders on 17 April 2019.

The Remuneration Committee had two joint meetings with the Selection and Appointment Committee in the year under review to discuss the establishment of individual targets for 2019 linked to the Long-Term Share Plan (LTSP) and the Short Term Incentive of the members of the Management Board, as well as the performance of the members of the Management Board with respect to their individual targets for 2018 linked to their LTSP.

### Remuneration report

The remuneration report (dated 5 March 2020) is posted on the company's website. Pursuant to the implementation of the Shareholders Rights Directive in the Netherlands (effective as of 1 December 2019) the report will be presented to the AGM of 24 April 2020 for an advisory vote.

### Selection and Appointment Committee

On 31 December 2019 the Selection and Appointment Committee consisted of Karin Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

The role and responsibilities of the Selection and Appointment Committee, its composition and how it carries out its duties are specified in the Selection and Appointment Committee regulations which are posted on the company's website.

The Selection and Appointment Committee had two meetings with the Remuneration Committee in the year under review to discuss the establishment of the 2019 individual targets for the members of the Management Board linked to their Long-Term Share Plan (LTSP) (for the CEO) and Short Term Incentive (for the CFO and CIO) and the achievement of the 2018 individual targets of the members of the Management Board linked to their LTSP.

The Selection and Appointment Committee had one meeting and two telephone conferences to discuss the profile for a fifth member of the Supervisory Board and the selection and instruction of an executive search agency.

### Audit Committee

On 31 December 2019 the Audit Committee consisted of Margreet Haandrikman (Chair) and Karin Koks-Van der Sluijs (member). The Audit Committee met on six occasions in the year under review.

The role and responsibilities of the Audit Committee, its composition and how it carries out its duties are specified in the Audit Committee regulations which are posted on the company's website.

Audit Committee meetings pay special attention to the opportunities and risks that the company faces.

The Audit Committee regularly confers with the external auditor, of which at least once a year without the presence of the Management Board.

The Audit Committee assesses the need for an internal auditor annually and makes a proposal to the Supervisory Board for a recommendation to the Board of Management.

In 2019 the Audit Committee discussed and was particularly involved in the assessment and/or monitoring of:

- a the operation of the internal risk management and control systems, as well as the probability and impact of certain risks, in particular risk and reporting requirements in relation to development activities;
- b compliance with relevant legislation and regulations as well as compliance with the internal regulations such as the application of the four eyes principle;
- c the provision of financial information by the company, including the discussion of position papers on the proper application of IFRS standards and the consequences of changes to the IFRS 16 standard;
- d the adoption of an audit charter, the internal audit plan for 2019 and internal audit findings;
- e the relationship with the external auditor as well as discussions about the 2019 audit plan, the audit report and the management letter of the external auditor, compliance with recommendations from and the follow-up of remarks by the external auditor, also with regard to ICT systems;
- f the application of information and communication technology and measures to improve cybersecurity;
- g the description or improvement of internal processes such as the treasury process, the payment process and the development process;
- h the Treasury policy for 2019 – 2021
- i The Directors and Officers Liability Policy
- j a partial refinancing of existing loan facilities including a private placement.

### Real Estate Committee

On 31 December 2019 the Real Estate Committee consisted of Harm Meijer (Chair) and Karin Koks-Van der Sluijs (member).

The role and responsibilities of the Real Estate Committee, its composition and how it carries out its duties are specified in the Real Estate Committee regulations which are posted on the company's website. Real Estate Committee meetings pay special attention to the feasibility of the strategy, the implementation of the business model, and the real estate market.

The Real Estate Committee met with the Management Board on five occasions in the year under review, had several conference calls and frequent interactions between meetings.

In 2019 the Real Estate Committee was particularly involved in:

- a evaluating proposed management decisions, specifically with regard to real estate transactions (acquisitions, disposals and investments);
- b advising the Supervisory Board on the acquisition of two office buildings: Trivium in Amsterdam, and Archimedesweg 30 in Leiden;
- c discussing and approving the disposal of a number of non-core assets;
- d discussing two potential development opportunities in Amsterdam South East (Laanderpoort and Centerpoint), one potential development opportunity in Amsterdam Sloterdijk (Motion) and one potential development opportunity in the Amsterdam Zuidas area (Vitrum);
- e meeting regularly with management to discuss the portfolio strategy, hold/sell analyses, market updates, occupancy;
- f holding discussions with management with regard to the HNK strategy, positioning, product offering, cost structure and returns, and organisation;
- g assessing asset business plans for all major offices and HNKs;
- h the methodology for preparing yield calculations and the applicable thresholds for acquisitions;
- i discussing the location strategy for future acquisitions together with external market researchers
- j site visits in the context of acquisitions.

### In conclusion

2019 was a year of adjusting the organisation to the new strategy and of many transactions en route to a more concentrated office portfolio that required hard work and commitment from the Management Board and employees alike. The Supervisory Board wishes to express its gratitude for the efforts they made and successes they realised in the year under review.

Hoofddorp, 5 March 2020

### The Supervisory Board

Luurt van der Ploeg, *Chair*  
 Karin Koks-Van der Sluijs, *Vice Chair*  
 Margreet Haandrikman  
 Harm Meijer