

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 2020 financial year. PricewaterhouseCoopers Accountants N.V. has audited the financial statements and has issued an unqualified opinion (page 123-128). We will recommend that the financial statements be adopted at the General Meeting of Shareholders on Wednesday 21 April 2021. The discharge of the Management Board in respect of the policy pursued in 2020 and of the Supervisory Board from the supervision it provided in 2020 will be addressed as separate agenda items at the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board currently consists of five members. At the General Meeting of Shareholders on Wednesday 21 April 2021 a proposal will be made to reappoint Margreet Haandrikman.

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	2024	2028
Harm Meijer	2016	2024	2028
Margreet Haandrikman	2017	2021	2029
Jan Willem Dockheer	2020	2024	2032

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 70-73).

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 himself held no shares in NSI.

Meetings and attendance

The Supervisory Board met on fifteen occasions during the year under review. The attendance rate at these meetings was 100%. The attendance rate at the committee meetings was also 100%.

Due to the Covid restrictions only five meetings were (partially) live and nine meetings were conducted in a video conference. We furthermore held two short separate videoconferences to discuss a specific topic, one to discuss the ONE20 acquisition and another to discuss the selection process and the candidates for the position of Head of Development.

Report of the activities of the Supervisory Board

Eight meetings were regular Supervisory Board meetings which 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. During these regular meetings the general state of affairs and the company's financial position were discussed. 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 and the mitigating measures taken in this regard. 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 had the Supervisory Board's constant attention. As of March 2020 the Supervisory Board discussed the topics specified below under "Covid-19" in all its regular meetings.

Long Term Value creation and strategy

Each Quarter we met to monitor the implementation of the companies strategy, approve the quarterly, half year or full year results and (interim)dividends and to discuss the pertaining press releases, making sure our shareholders and the market at large are adequately informed about the state of affairs and financial position of the company and about its outlook.

In the summer we additionally met on two occasions to brainstorm about trends and developments in society, especially the long term consequences of the Corona crisis and the Work from Home experiment and the implications thereof for our long term value creation model and strategy. In the autumn we then met to discuss a draft five year Business plan (period 2021-2025) and the Budget for the following year (2021) put forward by management. In this meeting and the subsequent discussions about the strategy we focussed on the strategy's implementation and feasibility, 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 and integrity.

Separate discussions subsequently took place in the Real Estate Committee about Business plans per Asset, Hold Sell Analyses and the Development projects. These discussions and the developments during the final months of the year lead to a further update and fine-tuning of the Business plan and Budget which were discussed and approved in their final form in the December meeting of the Supervisory Board. The 2021 – 2025 Business plan is based on a total return and cost efficiency approach, focusing on the "as-is" real estate portfolio and on the Development of existing locations. The budget for 2021 is in accordance with this plan.

Covid-19

Following the Outbreak of Covid-19 the Board had four extra meetings during the months of March and April with the management Board to:

- discuss the possible impact of the Corona crisis on the business
- be updated about measures to facilitate the safe usage of our buildings and to safeguard the health and well-being of customers and employees
- be updated about occupancy, rent collection, requests for postponement, rent relief and the overall risk and credit rating profile of tenants
- evaluate and update the risk register, with a specific focus on the Covid-19 risks and the mitigating measures pertaining thereto.
- prepare for a partially physical and partially virtual broadcasted AGM.

Risk management, internal and external auditing

Throughout 2020 we maintained regular contact with the external auditor, primarily during the meetings of the Audit Committee. In our meeting of 23 January we discussed the 2019 Management Letter of the external auditor. The external auditor attended our meeting of 4 March 2020 at which the report of the external auditor on the audit of the financial statements 2019 was discussed as well as the comments of the external auditor on the Management Report and the Remuneration report. In the Audit Committee meeting of 10 July 2020 the external audit plan for the year 2020 was presented by the external auditor and was also approved. In our meeting of 7 December 2020 we discussed the draft 2020 management letter of the external auditor and the Risk and control framework of the company, in particular the analysis of the identified risks associated with the strategy and activities of the company, the risk appetite and the mitigating measures that have been put in place in order to counter the risks as well as the effectiveness of the internal risk management and control systems during the year.

In the same meeting the audit committee reported on the functioning of, and the developments in, the relationship with the external auditor.

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 7 December 2020 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 51 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 an internal audit plan approved by the Supervisory Board a number of internal audits will be conducted under the supervision of the CFO in 2021.

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. The Real Estate Committee is involved at an early stage in all material decisions concerning the company's real estate portfolio. This mechanism functions well and contributes to the execution power and efficiency of the company.

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 15 January, 26 February, 4 March, 26 March, 15 April, 10 July, 20 November and 7 December dealt with acquisitions or acquisition opportunities of offices and with various development and redevelopment opportunities.

In its meeting of 15 October 2020 the Supervisory Board decided to amend the Regulations for the Supervisory Board, Real estate Committee and Management Board with an aim to harmonize the various thresholds that were applicable to acquisitions, divestments and investments. The existing thresholds were specifically tailored to the divestment program of 2017 and did not fit well for the new development activities. Following the harmonization decisions on acquisitions, divestments and investments up to a threshold of €5 million are made solely by the Management Board, decisions above this threshold require approval of the Real estate Committee and decisions above a threshold of €20 million require an advice by the Real Estate Committee and a subsequent approval by the full Supervisory Board.

Development

During 2020 NSI's development capacities were further strengthened. In several meetings the Supervisory Board discussed the organisational requirements, additional risks, mitigating measures and the internal control framework related to the Development activities. At several meetings we discussed and approved budgets for Development plans and projects and monitored the progress of the projects and the related costs.

Evaluations

On 4 March 2020 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 of the CEO and under the Short-Term Incentive for the CIO and CFO and as input for the target setting for the Management Board for 2020 under the Short-Term Incentive plan.

On 20 November 2020 the Supervisory Board conducted an evaluation of its own functioning of that of its committees and of the individual members by means of a self-assessment based on a list of questions. At the request of the Supervisory Board the Management Board and the Company Secretary also provided input and an assessment based on the aforementioned question list. The conclusions of this evaluation were used to evaluate the new profile of the Supervisory Board that was introduced in 2019 to include new competencies with a view to the new NSI strategy and to check whether the required competencies were adequately represented.

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 Heads of the Portfolio Management, Development, Transactions departments regularly participate in the Real Estate Committee meetings, and the Head of Finance regularly participates in the Audit Committee meeting giving the Supervisory Board direct contact to middle management.

At the meeting of 7 December 2020 the Supervisory Board discussed any other positions held by the members of the Management Board and Supervisory Board.

Education

The yearly education meeting that was planned for 10 June 2020 unfortunately had to be cancelled due to Corona restrictions. In October the Audit Committee and the CFO attended a seminar about annual reports. During 2020 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 real estate.

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 24 April 2020 the Supervisory Board authorised the issuance of shares for those shareholders who opted for distribution of the final dividend for 2019 in shares. The General Meeting of Shareholders approved the issuance on 24 April 2020.

On 10 July 2020 the Supervisory Board approved the interim dividend for 2020 and authorised the issuance of shares for those shareholders who opted for distribution of the interim dividend for 2020 in shares.

2020 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 2020 of € 1.12 per share. That brings the total dividend for 2020 to € 2.16 per share, of which € 1.04 per share was distributed as an interim dividend on 4 August 2020.

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 13 May 2021.

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

From 1 January to 31 October 2020 the Remuneration Committee consisted of Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

From 1 November to 31 December 2020 the Remuneration Committee consisted of Jan Willem Dockheer (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 2020 the Remuneration Committee was particularly involved in the revision of the remuneration policy of the Management Board and of the Supervisory Board pursuant to the EU Shareholders Rights Directive. This revision was adopted in the General Meeting of Shareholders on 24 April 2020.

The Remuneration Committee had one joint meeting with the Selection and Appointment Committee in the year under review to discuss the establishment of collective and individual targets for 2020 linked to the Short-Term Incentive of the members of the Management Board. The applicable performance measures were set to foster short-term results needed for sustainable value creation with respect to the most important achievement areas of the company. The targets and the performance levels were based on the business plan and budget, aligned with the targets set for the employees and fixed after scenario planning's had been carried out to ensure a proper relation between performance and remuneration levels.

The Remuneration Committee had one joint meeting with the Selection and Appointment Committee in the year under review to discuss the performance of the members of the Management Board with respect to their individual targets for 2019 under the Long-Term Share Plan of the CEO and under the Short-Term Incentive for the CIO and CFO

The Remuneration Committee had one meeting to discuss the achievement of the 2020 individual targets of the CIO linked to the target payment for both STI and LTI that was set for the remainder of his tenure (1 January 2020 – 30 April 2020) in line with the Remuneration Policy.

Remuneration policy and report

For a detailed overview of the Remuneration Policy and the way this has been executed in the year under review please refer to the separate Remuneration Report 2020.

The remuneration report (dated 4 March 2021), including the pay ratio, is posted on the company's website. The report will be presented to the AGM of 24 April 2021 for an advisory vote.

Selection and Appointment Committee

From 1 January to 31 October 2020 the Selection and Appointment Committee consisted of Koks-Van der Sluijs (Chair) and Luurt van der Ploeg (member).

From 1 November to 31 December 2020 the Selection and Appointment Committee consisted of Jan Willem Dockheer (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 2020 individual targets for the members of the Management Board linked to their Long Term Incentive and Short Term Incentive and target pay out (for the CIO) and the achievement of the 2019 individual targets of the members of the Management Board linked to their Long Term Incentive and Short Term Incentive and Long Term Share Plan(LTSP, for CEO only).

The Selection and Appointment Committee prepared the evaluation and reappointment of the CEO and two members of the Supervisory Board and the appointment of Jan Willem Dockheer as a new member of the Supervisory Board.

The Selection and Appointment Committee further advised the Supervisory Board on an amendment of the Management Board regulations to redistribute the responsibilities of the CIO between the CEO and CFO effective 1 May 2020.

Audit Committee

During 2020 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 conferred with the external auditor, of which at least once a year without the presence of the Management Board.

The Audit Committee assessed the need for an internal auditor and made a proposal to the Supervisory Board for a recommendation to the Board of Management.

In 2020 the Audit Committee discussed and was particularly involved in the assessment and/or monitoring of:

- a the operation and effectiveness 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
- d the yearly evaluation of the internal audit charter, the internal audit plan for 2020 and internal audit findings; in 2020 the internal audits focussed on the rent process, the real estate valuation process, the ICT and Cybersecurity process, the accounts receivable process and the treasury process
- e evaluation of the functioning of the external accountant and the relationship with the external auditor, reporting the results of the evaluation to the Supervisory Board and informing the external auditor about the main topics of the evaluation
- f discussions with the external auditor about the 2020 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;
- g the application of information and communication technology and measures to improve cybersecurity including a new Information security policy based on the "BIVC- method"
- h the description or improvement of internal processes such as the valuation process, the process for classification and valuation of development projects and the development processes for Capex budgets and for monitoring the progress of development projects (in general);
- i the Treasury policy
- j a partial refinancing of existing loan facilities including a private placement.
- k the Dividend policy and the implementation thereof
- l the internal and external authorizations of the employees
- m corona related risks
- n the consequences for external valuations as a result of possible Covid-19 impact in economic activity in combination with limited market evidence and the Covid-19 clause that our appraisers included in their valuations per 30th June 2020 related to material valuation uncertainty
- o ESEF reporting

Real Estate Committee

During 2020 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 had four regular meetings with the Management Board and had several additional conference calls between meetings.

In 2020 the Real Estate Committee was particularly involved in:

- a meeting regularly with management to discuss the portfolio strategy, hold/sell analyses, market updates, occupancy, retention and new leases;
- b evaluating proposed management decisions, specifically with regard to real estate transactions (acquisitions, disposals and investments);
- c discussing the acquisition policy and advising the Supervisory Board on several acquisition opportunities and on the acquisition of the ONE20office building in Amsterdam Sloterdijk;
- d discussing and approving the disposal of a number of non-core assets;
- e discussing the status of the Development organisation and projects, in particular the Laanderpoort development in Amsterdam South East and the Vitrum and Vivaldi III developments in the Amsterdam Southaxis area;
- f assessing asset business plans for all major offices and HNKs; and discuss the analysis of the assets on portfolio level
- g discussing the transformation potential within the portfolio
- h holding discussions with management with regard to the HNK strategy, positioning, product offering, organisation, cost structure and returns,
- i implementation of social distancing measures in the NSI buildings and other measures to safeguard health and safety of tenants, visitors and employees
- j advising the Supervisory Board on an amendment of the regulations and thresholds for approvals

In conclusion

2020 was a year of adjusting the organisation to the new strategy and of several divestments en route to a more concentrated office portfolio. The challenges set by Covid-19 and the ensuing Work From Home situation required hard work and resilience 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, 4 March 2021

The Supervisory Board,

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