



NSI 2024 Annual General Meeting Report Feedback Statement

Dear Shareholders,

In connection with the Glass Lewis 2024 Proxy Paper issued for NSI N.V on March 28, 2024 we provide the following Report Feedback Statement with respect to Glass Lewis recommendation to vote AGAINST the Company's proposal for the adoption of a revised Remuneration Policy for the Management Board (NSI AGM Agenda item 11a/ Glass Lewis Proxy Paper Proposal number 11.01)

While we fully respect and appreciate Glass Lewis's process, we believe the supplemental information outlined below provides important context necessary for the Company's shareholders to make their decision with respect to the revision of the Remuneration Policy for the Management Board.

Glass Lewis recommendation

"While the remuneration policy provides reasonable disclosure of the Company's executive compensation policies and structure, we believe shareholders could have reasonably expected the Company to have provided a more compelling discussion of the increase in pay opportunity under the LTIP, as we find the current rationale - which only references a benchmark conducted - to be lacking in terms of market practice." (See Page 27 Glass Lewis Proxy Paper)

Comment NSI:

The following two rationales have been given in the proposed policy for the increase of the maximum pay opportunity under the LTIP. In both cases a greater upside is balanced out by a greater downside and the payout 'at target' is not increased by the new Policy.

1) The introduction of a Share Appreciation Multiplier is introduced in the LTI, which will factor in the development of the absolute performance of the share price over time. This multiplier can have a dual effect on payouts based on Relative Total Shareholder Return (TSR): it can both increase or decrease the maximum payout. The multiplier's potential impact ranges from doubling the outcome to halving it. For more details, please refer to the sixth bullet point on page 13 of the AGM Agenda."

2) The LTI payout table has been modified in such a way that in exchange for excluding any reward for relative TSR levels below 50% the top end of the payout table has been increased from 150% to 200%. The aim is to further incentivize relative outperformance and to exclude relative underperformance from payout, defined as payout beneath median Relative TSR levels. (See AGM Agenda page 13, fifth bullet point)

The proposed Remuneration policy cites the benchmark not as justification for increasing the pay opportunities within the LTI but for the shift of part of the LTI opportunity to the STI by reducing the CEO's LTI target opportunity from 60% to 50%, while concurrently increasing the STI target opportunity from 20% to 30% to allow more weight to be given to the sustainability targets in the STI. These adjustments aim to align these percentages more closely with market practices observed within NSI's reference Group. (Refer to AGM Agenda Explanatory Notes page 13, fourth bullet point for details). The benchmark review by EY in 2022 conducted a comprehensive analysis of market practices within the 2020 Remuneration Policies Reference Group, consisting of 20 AScX companies. This assessment compared the Total Direct Compensation and the pay mix of the individual components (Base fee, STI, and LTI) of NSI's CEO and CFO with those of their peers within the Reference Group.

As stated further below the main rationale for the substantial increase in the maximum LTI opportunity came up during the recent search for a new CFO, when it became evident that the competitive market for qualified talent had shifted dramatically since 2016/2017, when we hired our current CEO and previous CFO for their first term. Candidates were demanding a more challenging and competitive remuneration package given the significant challenges and responsibilities of the Management Boards positions. In most cases, the remuneration expectations of the CFO candidates exceeded the quantum of our current CEO, especially with regard to the maximum payout under the LTI.

In our desire to retain a qualified CFO, we determined it was in the best interests of the company and its shareholders to resize maximum LTI payout levels for both our CEO and incoming CFO in the Remuneration Policy. The changes made to the maximum LTI payout opportunity, while higher than before, thus aim to make the total Direct Compensation package consistent with market practice.

Glass Lewis discussion of Policy Changes

“No Annual Bonus Deferral

Policy Perspective: The STI plan currently lacks a feature compulsorily deferring a portion of annual cash bonus into shares. We generally prefer that a specified percentage of annual bonuses, typically ranging from 25% to 50%, be deferred for a period of two to three years. In our opinion, such a provision encourages executives to be mindful of the potential consequences of their operational and strategic decisions and discourages risky or short-sighted strategies.

Analyst Comment: Here, our concerns are exacerbated as the Company's updated remuneration framework will no longer require management board members to purchase an amount of shares equaling to one-third of their post-tax awards until share ownership guidelines have been met.”
(See Page 25 Glass Lewis Proxy Paper)

Comment NSI:

Though it is true that the 2024 Remuneration Policy no longer defers one third of the STI payment this fact should not be viewed in isolation because the 2024 Policy also entails increasing the portion of the LTI payment to be deferred from two-thirds to 100%.

The STI as such is not oriented to the short term as the targets that are eligible for the STI are almost exclusively oriented to long term value and sustainability creation. In this respect we refer in particular to the section “incentivizing sustainability ambitions” in the 2024 Remuneration Policy (See AGM Agenda Explanatory Notes pages 17 and 18)

In so far as it would still be possible to fulfil the STI targets through risky or shortsighted decisions and strategies these are amply discouraged by the negative effect these are likely to have on the LTI as short-termism is bound to translate into lower relative TSR and shares price in the long term thus reducing the chance of any pay out under the LTI and decreasing the value of shares already owned or vested.

“Significant Increase in Maximum Pay Opportunity

Policy Perspective: Glass Lewis expects a detailed rationale for the necessity of any increase in maximum opportunity under the short- and/or long-term incentive awards. Moreover, we believe that significant increases should not be solely the result of a benchmarking exercise but should also be linked to a change in the executive's role and responsibilities, or in the size and scope of the operations of the company.” (See Page 25 Glass Lewis Proxy Paper)

Comment NSI:

We have reported to our Shareholders on a number of important changes and their consequences for the company and its management board in our quarterly reports since Q3 2022.

To summarize: In response to the transformative shifts in office real estate post-COVID, the management board must demonstrate strategic leadership in navigating unprecedented challenges and capitalizing on emerging opportunities within a challenging commercial real estate landscape. These changes encompass a structural shift in demand for office real estate, influenced by considerations of quality such as location, sustainability, and amenities, as well as quantities due to the rise of hybrid working and WFH (Work From Home) practices, and are compounded with regulatory and tax changes and their negative ramifications and cyclical factors such as interest rates and highly volatile capital values in a capital-intensive business.

The existing scrutiny linked to being a publicly listed company continues to increase against a backdrop of more vocal stakeholders and growing requirements for stakeholder engagement driven by legislation and Governance Codes. Notably, these regulations are typically geared towards organizations much larger than NSI and assume greater human resource capacity.

As a result of these changes, the scope of the company's operations and the role of its Management Board is shifting, leading to increased demands of the Management Board to drive the business forward., the roles of the CEO and CFO require much more entrepreneurship and the ability to navigate complex governance demands.

The remuneration committee recognised that Executives who are willing and able to take on such demanding entrepreneurial challenges also expect a corresponding compensation package that provides room to reward accordingly upon outperformance and results.

During the search for a new CFO, one of the primary reasons for the protracted process was candidates' expectations for a more competitive remuneration package, given the significant challenges and responsibilities related to the CFO position. However, our offerings were constrained by the Remuneration Policy of 2020. The Selection and Appointment Committee faced repeated inquiries from potential candidates on the draft outline of the new Remuneration Policy and its maximum LTI opportunity throughout the search process."

"Multiple, Short Performance Periods

Policy Perspective: In accordance with international best practice, a minimum performance period of three years for long-term incentive plans should be utilised unless a cogent justification is disclosed.

Analyst Comment: In this case, we note the Company proposes to evaluate performance over four, one-year periods, with award size in each period measured independently from the others. Therefore, stellar or dismal performance in a single period will not affect awards accrued in another. We are concerned that this method of measuring performance, while still requiring achievement of relevant targets, fails to account for performance over the period as a whole. We believe that long-term incentives should encourage executives to achieve steady and sustainable growth, and believe performance should be measured over the performance period as a whole for awards going forward, ensuring that executives are incentivised for long-term growth and not temporary spikes in performance. We further note this practice is decidedly out of line with Dutch best practices."

(See Page 26 Glass Lewis Proxy Paper)

Comment NSI

The proposed LTI program is not a rolling yearly plan but a four year plan that runs concurrent with the statutory appointment period of the Management Board members.

In evaluating different scenarios for this LTI program, we determined that a four-year period could have the effect of allowing the Management to potentially underperform during the first three years of the four-year period, and then attempt to take unwarranted actions to boost the share price at the end of the fourth and final year. Prospective one-year measurement periods over a period of four years have been put in place to discourage management from short term gaming to achieve temporary spikes in performance. Stellar or dismal performance in one year is likely to have an effect on the level of awards in subsequent periods and the structure actually therefore aims to discourage gaming during any one-year period. For example, in a scenario where Management would attempt to cause a spike in the share price at the end of a year it would raise the bar for subsequent years. Attempts in this direction are thus balanced out by resetting the measurement period each year. To prevent gaming in the final year of the appointment period an additional lockup period of one year applies.

"Removal of Executive Share Ownership Guidelines

(...)

"In this case, the rationale provided for the removal of the shareholding guidelines is not particularly convincing; our concern is heightened given the relatively low level of share ownership by the executive directors." (See Page 26 Glass Lewis Proxy Paper)

Comment NSI

We have provided the rationales for the exchange of the Shareholding Requirement by a lock up of the LTI grants in on page 14 of the AGM Agenda Explanatory Notes.

One of the reasons was the slow rate at which the Shareholding could be build up through the STI and LTI programs. A low shareholding should therefore be regarded as supporting our case instead of heightening concerns. In the end the CEO was able to fully reach his 125% Shareholding Requirement in 2021, but only because he had already invested the equivalent of a full year salary from private funds into 12.500 NSI shares upon his appointment in 2016:

CEO Shareholding per 31.12.2021 (NSI closing price €35) 17,000 shares = 143,37% of Base fee.

No shares were subsequently sold by the CEO but a sharp drop in the share price of NSI has made that the value of shares as a percentage of Base fee has dropped.

CEO Shareholding per 31.12.2022 (NSI closing price of €23.25) 17,000 shares = 90,71% of Base fee. The same drop in share price also caused the TSR based LTI to have no pay out over 2022 and 2023, preventing a further build-up of the shareholding through LTI pay outs.

On a sidenote we point out that the extent to which arguments are convincing always carries a personal element. In this respect we like to mention that Eumedion and ISS have agreed with the Remuneration Policy proposal, the latter seeing concerns mitigated by "the compelling explanation by the company"

"Removal of Executive Share Ownership Guidelines" (continuation)

(...) On balance, we believe the proposed changes under the long-term incentive plan should give shareholders pause; particularly in light of the high level of shareholder dissent toward the Company's remuneration framework in the past fiscal year. We question whether the proposed changes adequately address concerns and align executive pay with the interest of stakeholders."

(See Pages 26 and 27 Glass Lewis Proxy Paper)

NSI's response:

Explicit shareholder dissent during the past and previous fiscal years has focussed on the following three topics that are all remedied in the new policy:

- LTI Payments are not deferred
- LTI uses a retrospective performance period
- Vesting of LTI below median relative TSR.

When discussing the (application of) the current 2020 Remuneration Policy in the context of the NSI 2023 Remuneration Report, Glass Lewis mentions exactly these three topics as focus areas. (See page 10 Glass Lewis Proxy Paper)

The new Remuneration Policy addresses and solves these three issues. They are part of the explicitly mentioned rationale for some of the changes. In this respect we fail to understand the recommendation to pause "*particularly in light of the high level of shareholder dissent*"

This dissent will only be kept alive if the current Policy stays in place, which is what will happen in case shareholders would not adopt the new policy.

Amsterdam, April 5th 2024

On behalf of the Remuneration Committee of the Supervisory Board of NSI N.V.

B.A. Stahl
CEO

