



Lease Updates and Sustainability Collaboration with the UK Government's Department for Work and Pensions ("DWP")

28 February 2022

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All capitalised terms shall, if not otherwise defined, have the same meanings as ascribed to them in the Announcement.

Lease Re-Gearing

Secured income visibility for the next six years

Removal of lease break options

- A total of 117 of Elite Commercial REIT's properties occupied by the DWP, which contributed to approximately 57.3% of the total portfolio by GRI⁽¹⁾, have a lease break option in March 2023
- If the lease break option is not exercised, the lease is confirmed to run continuously until March 2028 with a built-in inflation-linked rental escalation clause, presenting potential upside which will start in April 2023. The rental uplift is based on the UK Consumer Price Index, subject to an annual minimum increase of 1.0% and maximum of 5.0% on an annual compounding basis from 1 April 2018 to 31 March 2023
- With the Lease Re-Gearing⁽²⁾, lease break options have been removed from 100 of those properties occupied by the DWP. This reflects an approximately 47.0% of the total portfolio by GRI⁽¹⁾
- Together with the 31.6% of the total portfolio by GRI⁽¹⁾ currently with straight leases through to 2028 with no lease break options, this means that 78.6% of the leases by total portfolio by GRI⁽¹⁾ will run straight to 2028 without any lease break options
- It was also agreed that 11 out of the 100 properties, which amount to 5.3% of the total portfolio by GRI⁽¹⁾, will have rent reductions that will take effect in April 2023⁽³⁾

Income visibility & Stable lease expiry profile

- The outcome achieved through the Lease Re-Gearing enhances income visibility for Elite Commercial REIT for the next six years, thus ensuring sustainable distribution to Unitholders for the longer term
- Portfolio WALE will remain stable at 6.0 years post Lease Re-Gearing

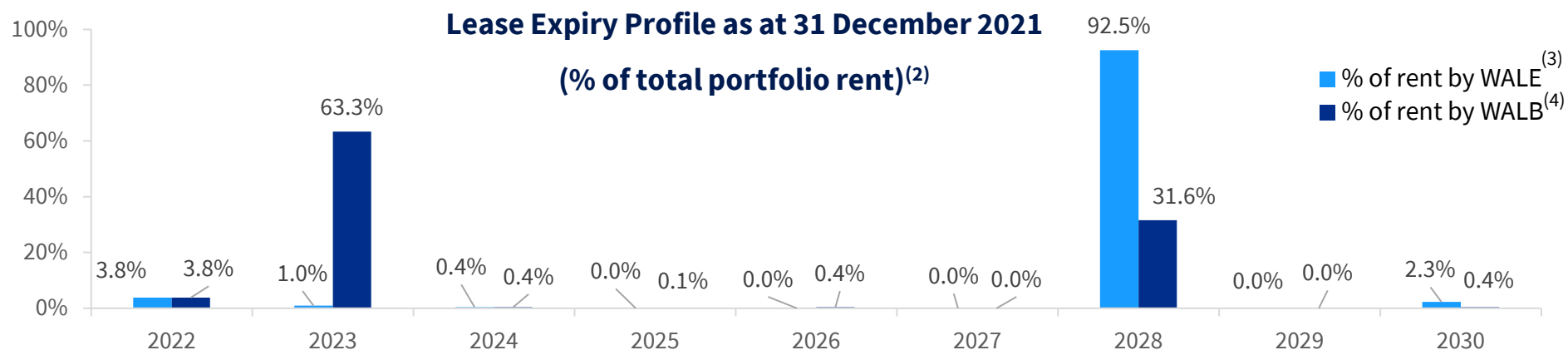
Notes:

1. Based on annualised gross rental income ("GRI") as at 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.
2. Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease.
3. For the avoidance of doubt, leases with a reduced rent will still be subject to the rent review provisions set out in the leases, providing built-in upside.

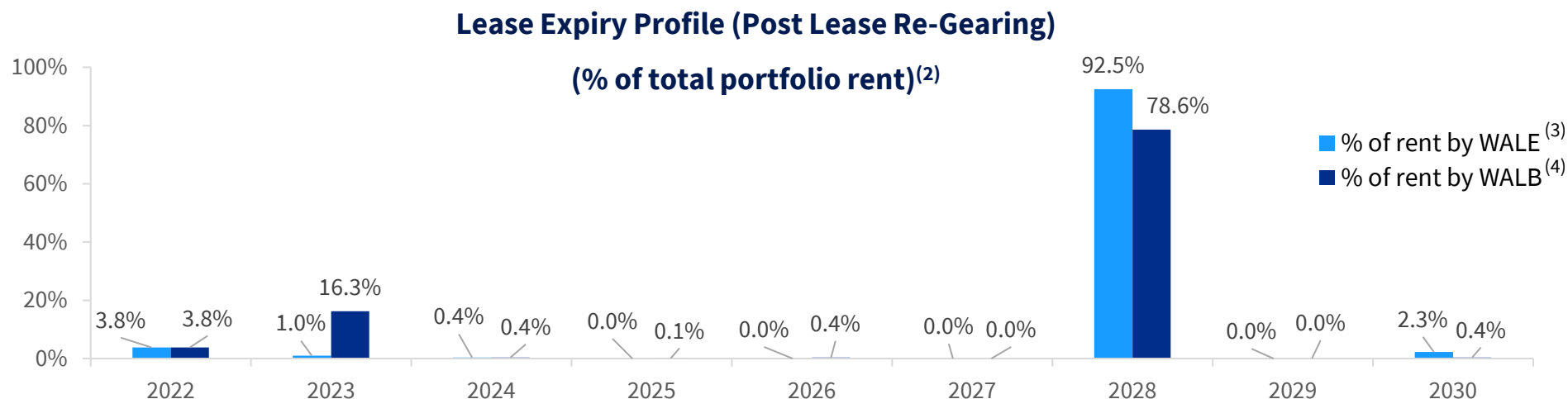
Lease Re-Gearing

Secured income visibility for the next six years

Before Lease Re-Gearing⁽¹⁾



After Lease Re-Gearing⁽¹⁾



Notes:

1. Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease.
2. Discrepancies between the listed figures and totals thereof are due to rounding.
3. Percentage of rent by WALE (Weighted Average Lease to Expiry) – Based on the final termination date of the lease agreement (assuming the tenant does not terminate the lease on the permissible break dates).
4. Percentage of rent by WALB (Weighted Average Lease to Break) – Based on the next permissible break date at the tenant's election or the expiry of the lease, whichever is earlier.

Sustainability Collaboration

Integration of sustainability considerations into overall strategy



Signed agreement⁽¹⁾ for asset enhancement works to boost sustainability and energy efficiency of Elite Commercial REIT's assets occupied by DWP



Sustainability Collaboration

- Our leases are contracted on full repairing and insuring terms (“**FRI**”) where the tenant has the obligation to repair the external, internal and structural aspects of the property
- Notwithstanding the FRI nature of our leases, we have entered into the Sustainability Collaboration with the DWP, where we commit to invest £12.5 million (the “**Sustainability Contribution**”) over three years towards agreed upon asset enhancement works on Elite Commercial REIT's properties
- Examples of such agreed upon works would include repair, replacement or upgrade of the lighting systems, heating and cooling systems, insulation and solar panels, and other initiatives which are likely to improve the properties' energy efficiency to a more sustainable standard, resulting in an upgrade of the Energy Performance Certificate (“**EPC**”) ratings⁽²⁾ for the properties
- This Sustainability Collaboration is part of the Manager's proactive strategy to ensure that the properties remain relevant and to enhance the long-term value of Elite Commercial REIT by integrating sustainability considerations into its overall business strategy



Notes:

1. The agreement is signed with The Secretary of State for Levelling Up, Housing and Communities of the United Kingdom.

2. An EPC measures the energy efficiency of a property on a scale of A to G. It contains information about a property's energy use and typical energy costs, as well as recommendations about how to reduce energy use and save money.

Sustainability Collaboration

Win-win initiative to adapt portfolio in response to climate change

Signed agreement⁽¹⁾ for asset enhancement works to boost sustainability and energy efficiency of Elite Commercial REIT's assets occupied by DWP



Energy Performance Certificates

For England and Wales⁽²⁾:

- The current minimum Energy Performance of Buildings for non-domestic private rented property⁽³⁾ under the Regulation includes amongst others: -
 - ✓ Landlords must not continue to let non-domestic property below EPC Band E to existing or new tenants by 1 April 2023, unless exemptions are obtained
- The UK Government is currently going through the parliament phase for the new Minimum Energy Performance of Buildings (No. 2) Bill. The proposed Bill includes amongst others: -
 - ✓ All rented non-domestic buildings must be EPC Band B by 2030
- Guidance includes an interim milestone of EPC Band C by 2027
- Elite Commercial REIT's properties in England and Wales currently have EPC ratings ranging from Band B to E



Notes:

1. The agreement is signed with The Secretary of State for Levelling Up, Housing and Communities of the United Kingdom.
2. Further information on EPC Rating guidance and legislation can be found at:
 - Department for Business, Energy & Industrial Strategy, "The Non-Domestic Private Rented Property Minimum Standard, Guidance for landlords and enforcement authorities on the minimum level of energy efficiency required to let non-domestic property under the *Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015*", February 2017.
3. Non-domestic private rented property refers to any privately rented property that is not a dwelling, meaning a building or part of a building occupied or intended to be occupied as a separate dwelling. A property may be a whole building, or may be a unit within a building. (The meaning of non-domestic private rented property is set by Regulation 20(1), as defined by section 42(1)(b) of the Energy Act 2011.)

Sustainability Collaboration

Integration of sustainability considerations into overall strategy



Department
for Work &
Pensions

Signed agreement⁽¹⁾ for asset enhancement works to boost sustainability and energy efficiency of Elite Commercial REIT's assets occupied by DWP



Energy Performance Certificates

For Scotland⁽²⁾:

- The equivalent regulations for non-domestic buildings in Scotland currently do not impose a minimum EPC rating requirement. The Scottish government is proposing to build on the current Non-Domestic Energy Efficiency regulations under the Climate Change (Scotland) Act. Details are yet to be finalised
- Elite Commercial REIT's properties in Scotland currently have EPC ratings ranging from Band C to F



Establishing Collaborative Relationship with Primary Occupier

- This innovative collaboration with Elite Commercial REIT's primary occupier, DWP, marks a commitment by both the landlord and the occupier to achieve sustainability goals such as the UK Government's commitment to achieve net zero carbon emissions by 2050⁽³⁾



Funding Sources

- Elite Commercial REIT has sufficient internal funding sources to fund the Sustainability Contribution, such as through existing and new debts as well as cash retained from the Dividend Reinvestment Plan to meet the funding obligations



Notes:

1. The agreement is signed with The Secretary of State for Levelling Up, Housing and Communities of the United Kingdom.

2. Further information on EPC Rating guidance and legislation can be found at:

▪ Scottish Government, gov.scot, Energy efficiency in non-domestic buildings (<https://www.gov.scot/policies/energy-efficiency/energy-efficiency-in-non-domestic-buildings/>)

3. Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.



Thank You

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