

Elite Commercial REIT

3Q 2022 Business Updates

4 November 2022

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Section I

Overview of Elite Commercial REIT



Nutwood House, Canterbury

First & Only UK-Focused S-REIT

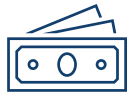
Over 99% Leased to the AA-credit rated UK Government⁽¹⁾



£517.7m⁽²⁾
Portfolio value



155
Office Assets



AA-rated
UK sovereign
credit rating



97%
Freehold⁽³⁾

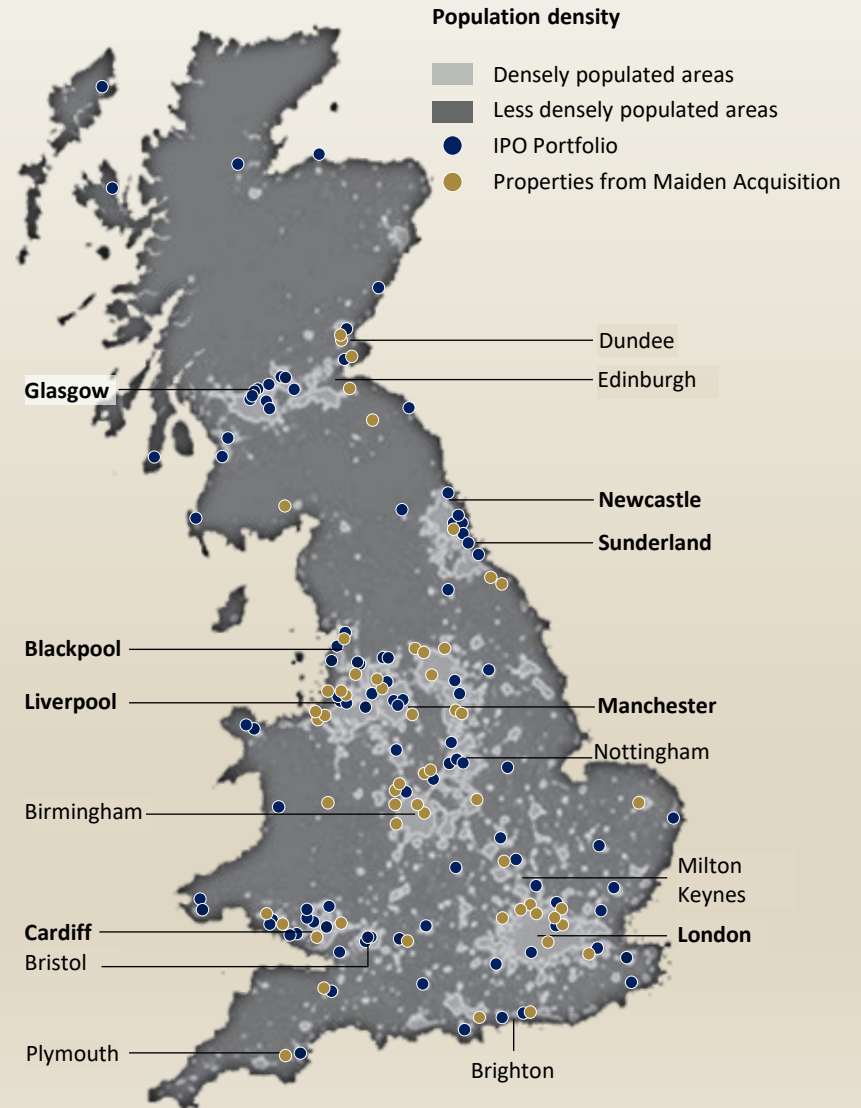


Triple Net
Full Repairing &
Insuring Leases⁽⁴⁾



2023 Rent Review
Built in Inflation-
linked Rent Uplift⁽⁵⁾

Geographically Diversified with a network of strategically well-located assets across the UK



Notes:

1. Majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.
2. As at 30 June 2022. The valuer's opinion of value has reflected the £7.3 million of sustainability contribution made in 2Q 2022.
3. 150 properties are on freehold tenures and 5 properties are on long leasehold tenures.
4. Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant.
5. A small proportion of the portfolio has rental review based on open market rental value.



Section II

3Q 2022

Financial Performance



Holborn House, Derby

3Q 2022 Highlights

Resilient Financial Performance + Prudent Capital Management



9M 2022
Revenue

 **10.3% y-o-y**



9M 2022 Distribution
per Unit (“DPU”)

3.79 pence⁽¹⁾



Gearing Ratio

41.9%

as at 30 September 2022

Stable Portfolio + Progressive Sustainability Collaboration



Consistent rental
collection in advance

99.9%

for the three-month period of
Oct 2022 to Dec 2022, within
seven days of the due date



Net asset value
per unit

£0.61

as at 30 September 2022



Energy Performance Certificate
Ratings Upgrade from

D → B

for Bradmarsh Business Park,
Rotherham following the upgrade
of heating/HVAC system⁽²⁾ and
installation of LED lighting

Notes:

1. Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.

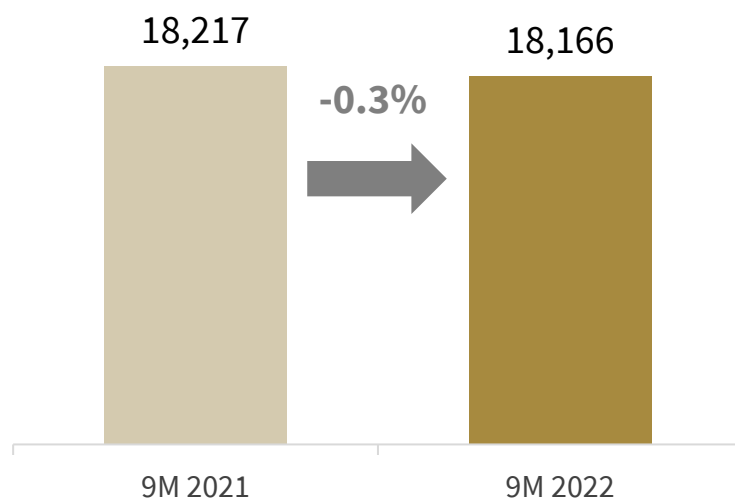
2. HVAC refers to the heating, ventilation and air conditioning system responsible for heating and cooling the building.

Resilient Financial Performance

9M 2022 Distributable Income

£18.2 million

Distributable Income generated during the period (£'000)



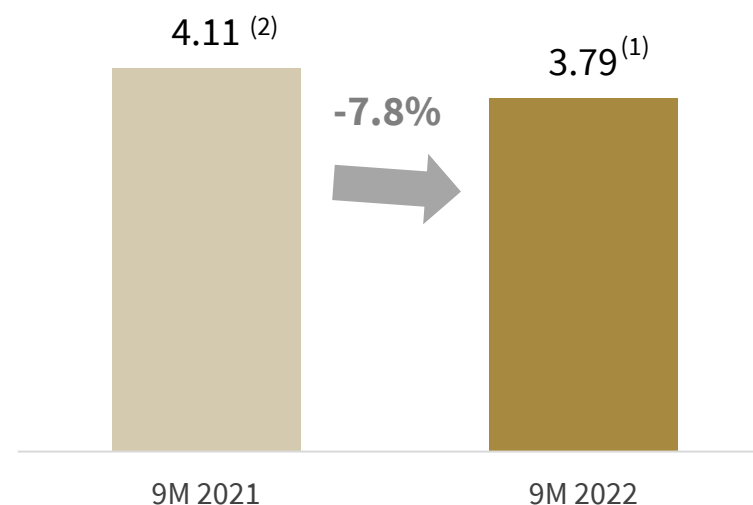
Key drivers of performance:

- Full period of rental contribution from the REIT's maiden acquisition
- Tax savings from a lower headline tax rate

9M 2022 Distribution per Unit

3.79 pence⁽¹⁾

Distribution per Unit (pence)



Offset by:

- Election of the Manager's fees in cash
- Increased borrowings for the full period and interest cost on borrowings
- Marginally lower occupancy rate
- Enlarged equity base year-on-year

Notes:

1. Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.

2. Includes the Advanced Distribution of 0.90 pence per Unit declared on 26 February 2021 and paid on 15 April 2021.

Financial Highlights – 9M 2022 vs 9M 2021



	9M 2022	9M 2021	
	Actual £'000	Actual £'000	Variance %
Revenue	27,906	25,307	▲ 10.3
Income generated during the period for distribution to Unitholders	18,166	18,217	▼ 0.3
Distribution per unit (“DPU”) - pence	3.79 ⁽¹⁾	4.11 ⁽²⁾	▼ 7.8

Notes:

1. Includes the 1H 2022 Interim Distribution of 2.56 pence per Unit declared on 5 August 2022 and paid on 22 September 2022.
2. Includes the Advanced Distribution of 0.90 pence per Unit declared on 26 February 2021 and paid on 15 April 2021.

Healthy Balance Sheet

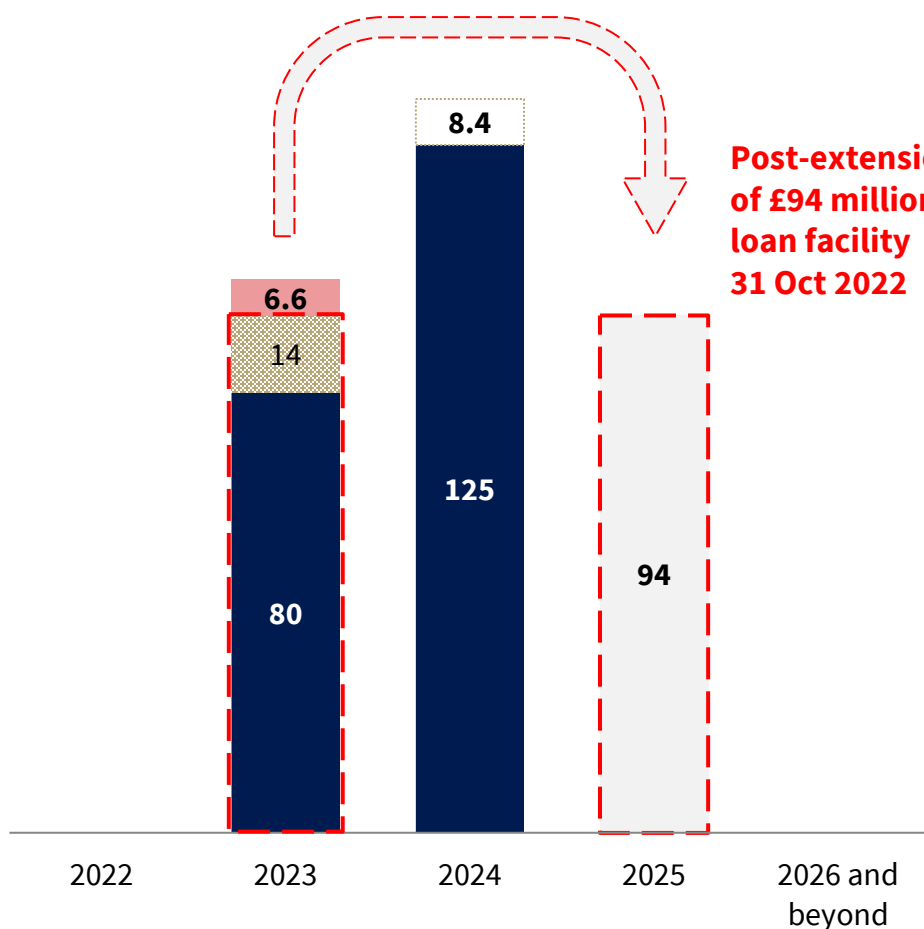
	30 Sep 2022 £'000	31 Dec 2021 £'000
Non-current assets ⁽¹⁾	511,557 ⁽²⁾	501,855
Current assets	28,098	31,509
Total assets	539,655	533,364
Non-current liabilities	131,565	222,290
Current liabilities	116,088	22,055
Total liabilities	247,653	244,345
Net assets / Unitholders' funds	292,002	289,019
Units in issue and issuable ('000)	481,128	476,506
Net asset value per unit (£)	0.61	0.61

Notes:

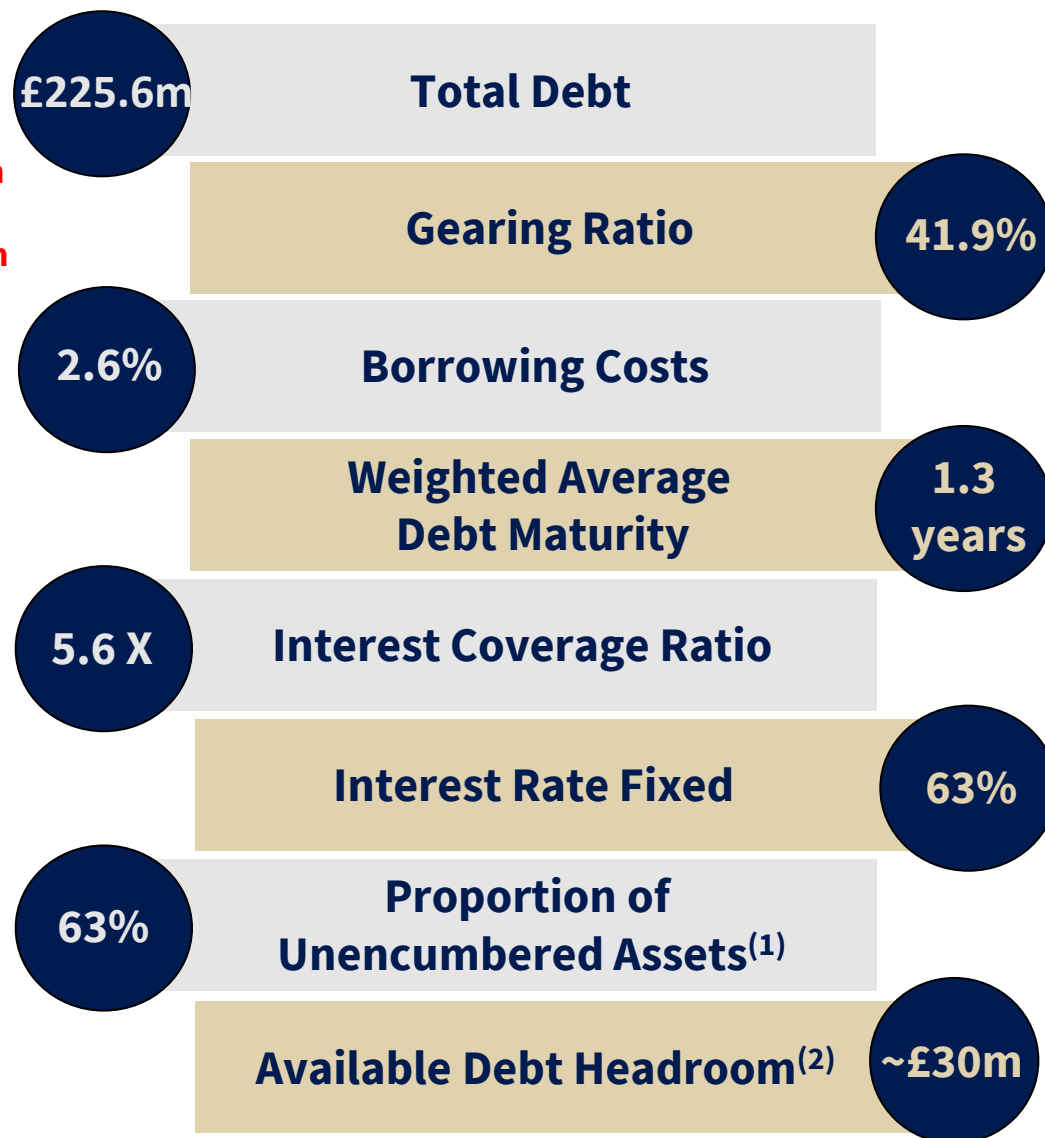
1. Non-current assets comprise mainly of investment properties.
2. Investment properties included in non-current assets are stated at their fair values as at 30 September 2022, based on independent professional valuations undertaken by Knight Frank LLP.

Prudent Capital Management

Debt Maturity Profile (£ m) (as at 30 September 2022)



Credit Metrics (as at 30 September 2022)



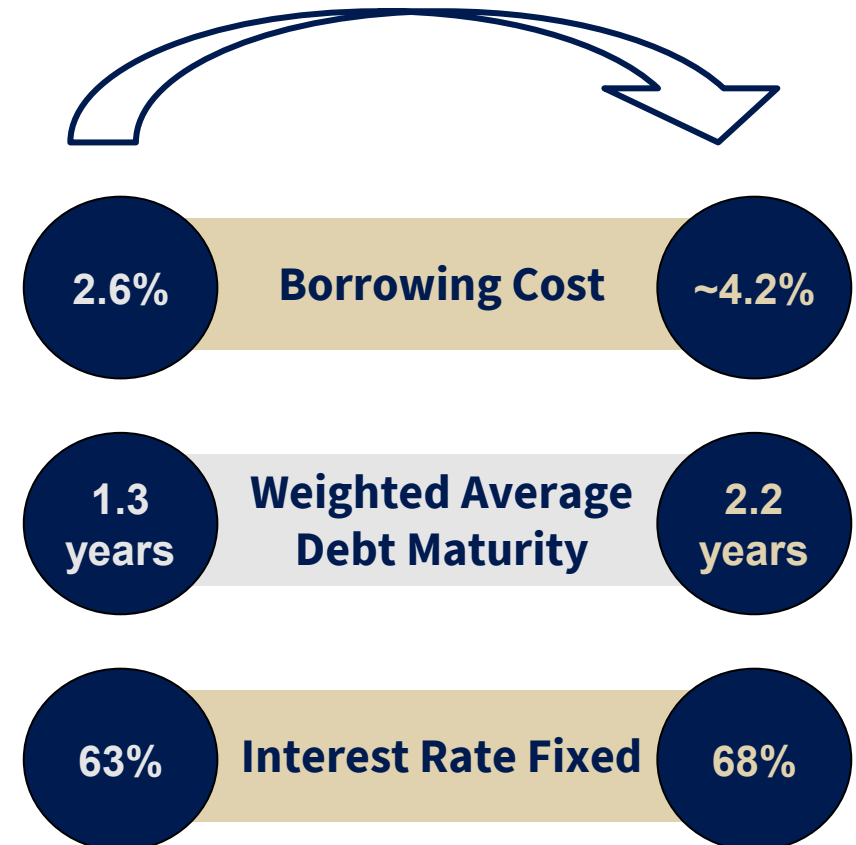
- Notes:
- 1. Based on valuations; unencumbered assets refer to properties without land mortgages.
 - 2. Based on gearing ratio of 45%; available debt headroom is ~£87m based on gearing ratio of 50%.

Extension of the £94m Loan Facility

Extension of £94m Loan Facility	
Lender	<ul style="list-style-type: none"> ▪ Lloyds Bank Plc ▪ CIMB Bank Berhad
Facility Amount	£94,000,000 <ul style="list-style-type: none"> ▪ Term Loan Facility: £76,000,000 ▪ Revolving Credit Facility: £18,000,000
Loan Maturity Date	25 January 2025
Extension Option	1 year from Loan Maturity Date, subject to certain financial covenants
Bank Margin	1.77%
Benchmark	SONIA

SONIA Swap Arrangement	
Swap Amount	£90,000,000
Swap Rate	4.19%

Capital Management Position Adjusted for Loan Extension (as at 30 September 2022)

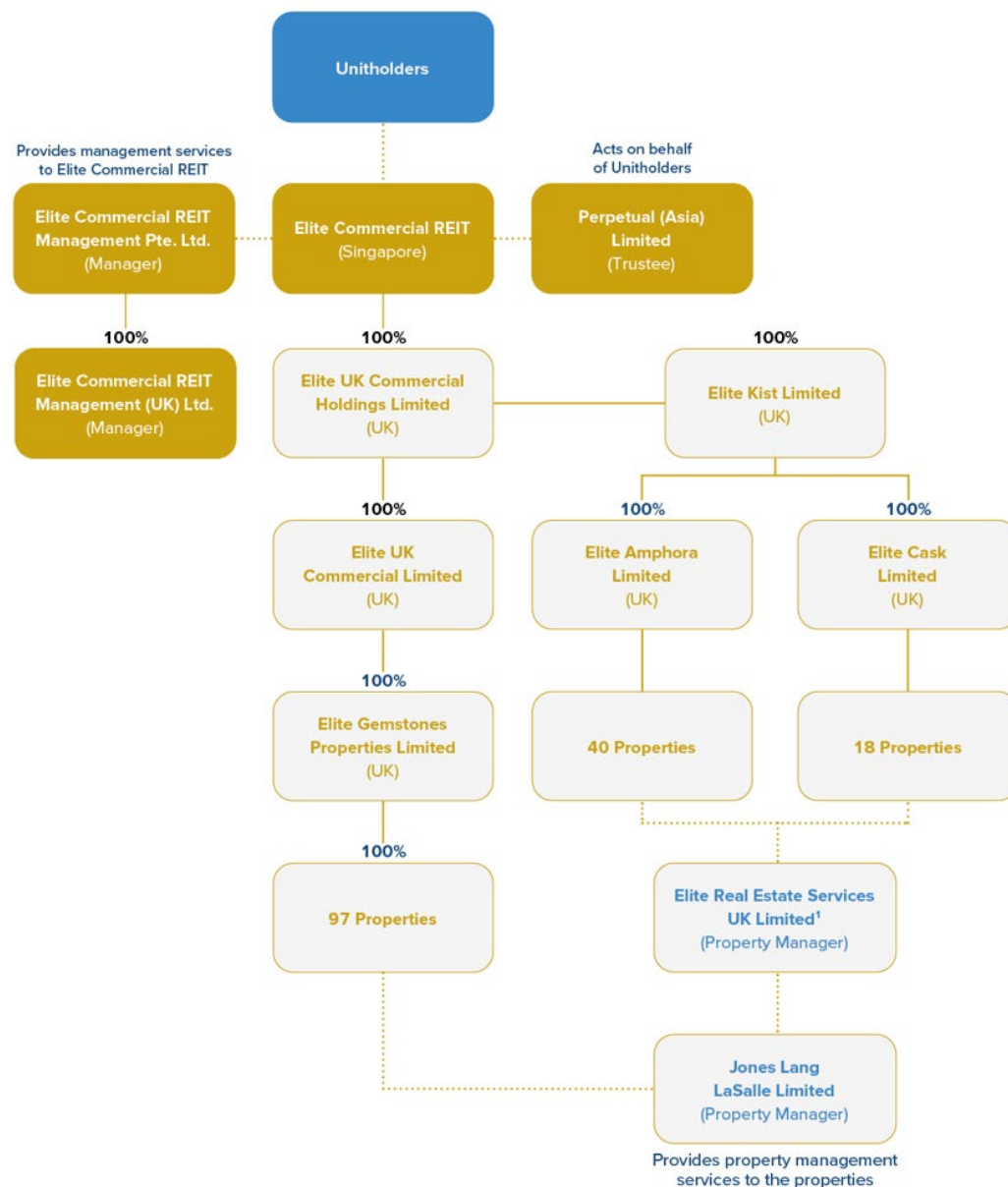


Streamlining REIT Structure

- Elite UK Commercial Investments Limited (UK), a wholly owned subsidiary of Elite UK Commercial Holdings Limited, is undergoing liquidation and will exit the REIT Structure
- The move was done to streamline the REIT Structure, taking out unrequired intermediary companies in the structure
- This reduces annual routine costs to the REIT Group

- Elite UK Commercial Holdings Limited (“**ECHL**”) and its subsidiaries have been admitted as a UK REIT Group since 26 Aug 2021
- The recent tax changes implemented by the UK Government have minimal impact to the REIT Group as a whole

Updated REIT Structure



Note:

- Elite Real Estate Services UK Limited has been appointed Property Manager to Elite Amphora Limited and Elite Cask Limited.



Section III

3Q 2022

Portfolio Performance



Tannery House, Alfreton

Income Certainty and Visibility



Stable Portfolio
Occupancy Rate

97.9%

as at 30 September 2022



Consistent Rent
Collection in Advance

99.9%

for the three-month period of
October 2022 to December 2022,
within seven days of the due date



Weighted Average
Lease Expiry

5.0 years

as at 30 September 2022



Upper Huntbach Street, Stoke-On-Trent



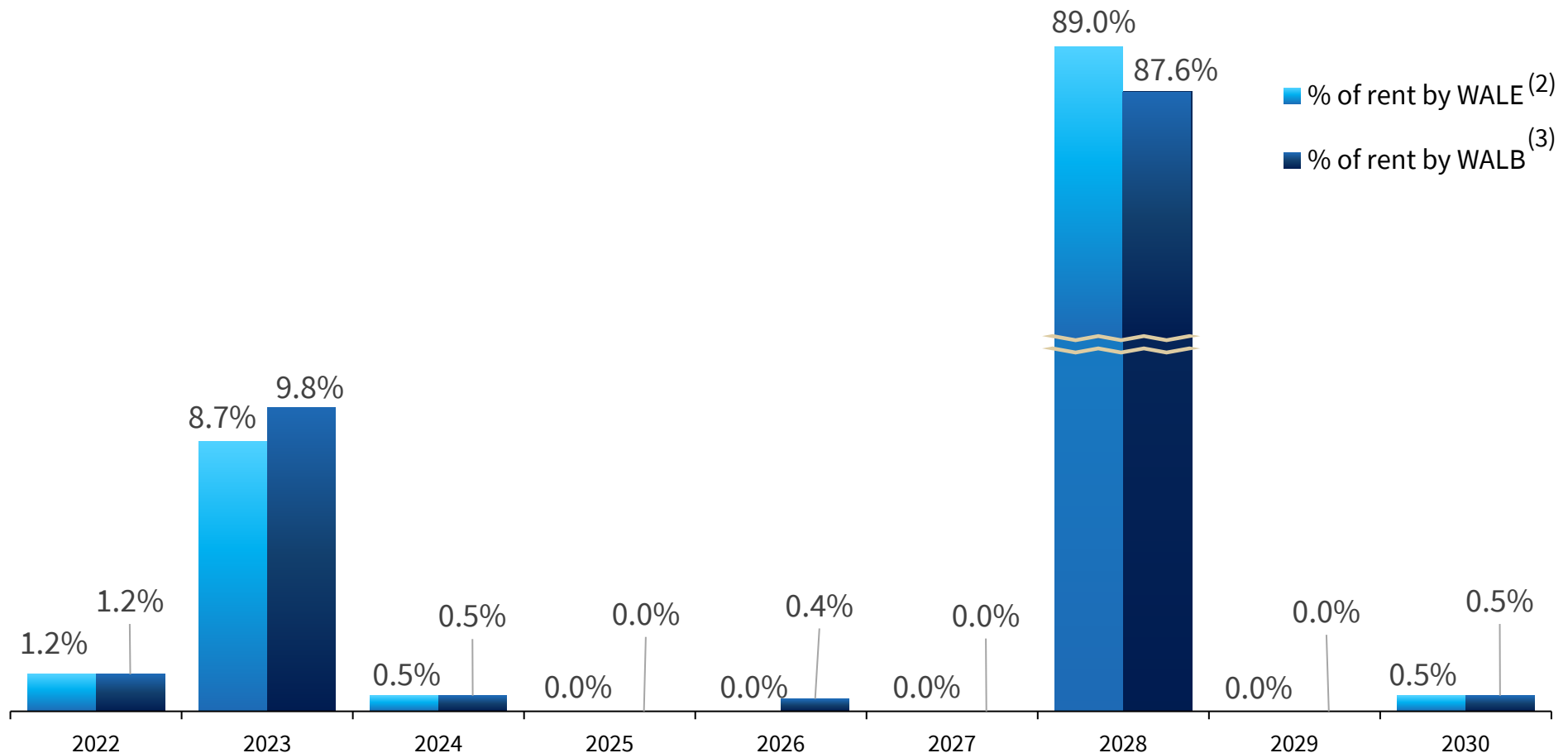
Glasgow Benefits Centre, Glasgow



High Road, Ilford

Long Portfolio WALE at 5.0 years

Lease Expiry Profile as at 30 September 2022 (% of total portfolio rent)⁽¹⁾



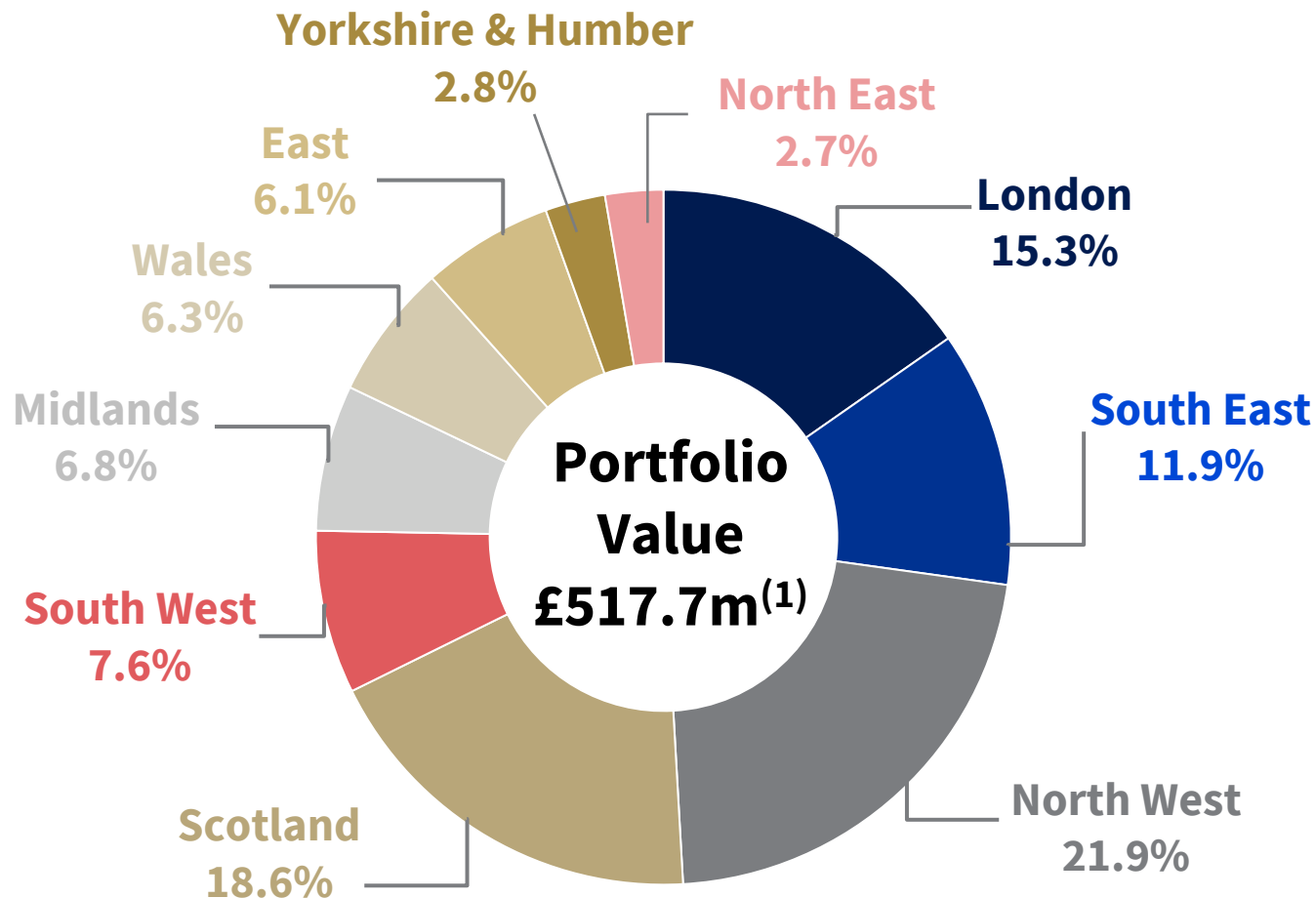
Notes:

1. Discrepancies between the listed figures and totals thereof are due to rounding.
2. 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).
3. 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.

Geographically Diversified Portfolio

A network of social infrastructure assets strategically located across the UK covering regional cities, providing a strong base of assets

Geographical Breakdown by Valuation⁽¹⁾



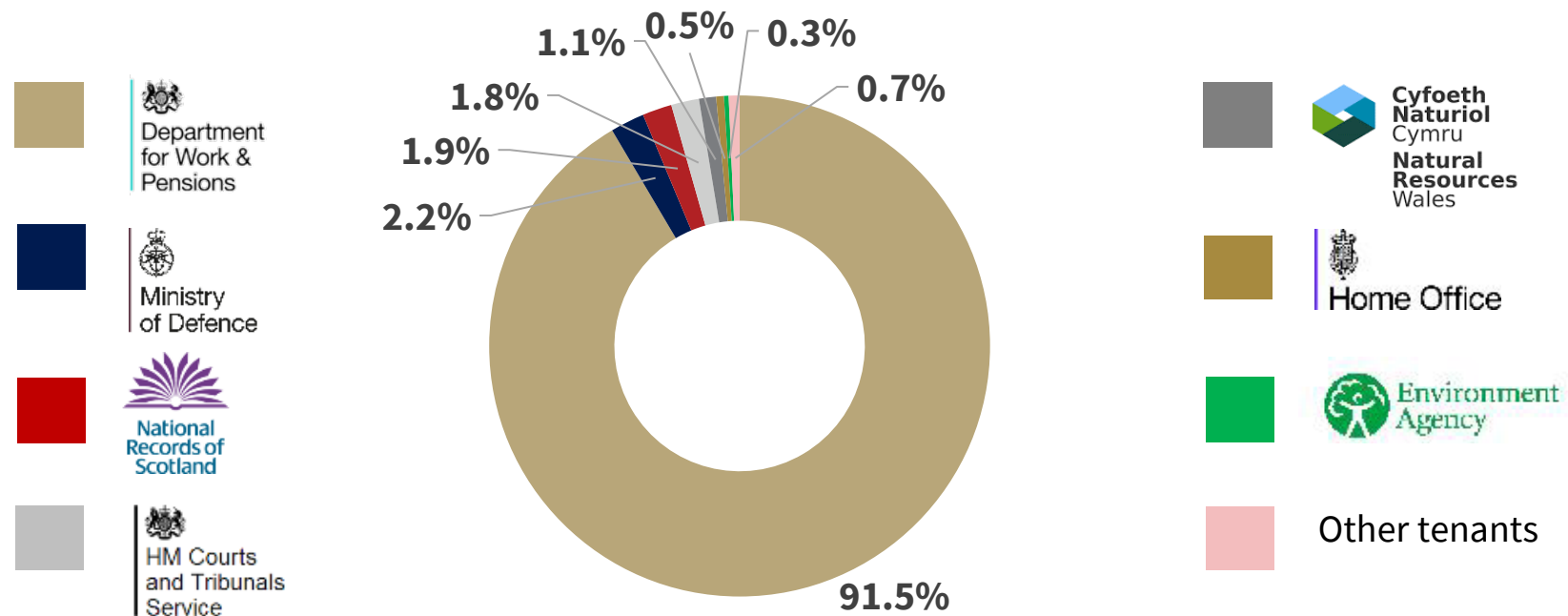
Note:

1. As at 30 June 2022. The valuer's opinion of value has reflected the £7.3 million of sustainability contribution made in 2Q 2022.

Strong Underlying Tenant Base

- Backed by AA-rated UK sovereign credit rating, with leases signed directly with the Secretary of State⁽¹⁾, providing credit stability and income certainty
- Consistent rental collection in advance since listing
 - 99.9% of rent for the period of three months to 31 December 2022 was collected in advance, within seven days of due date

Tenant Breakdown by Gross Rental Income⁽²⁾

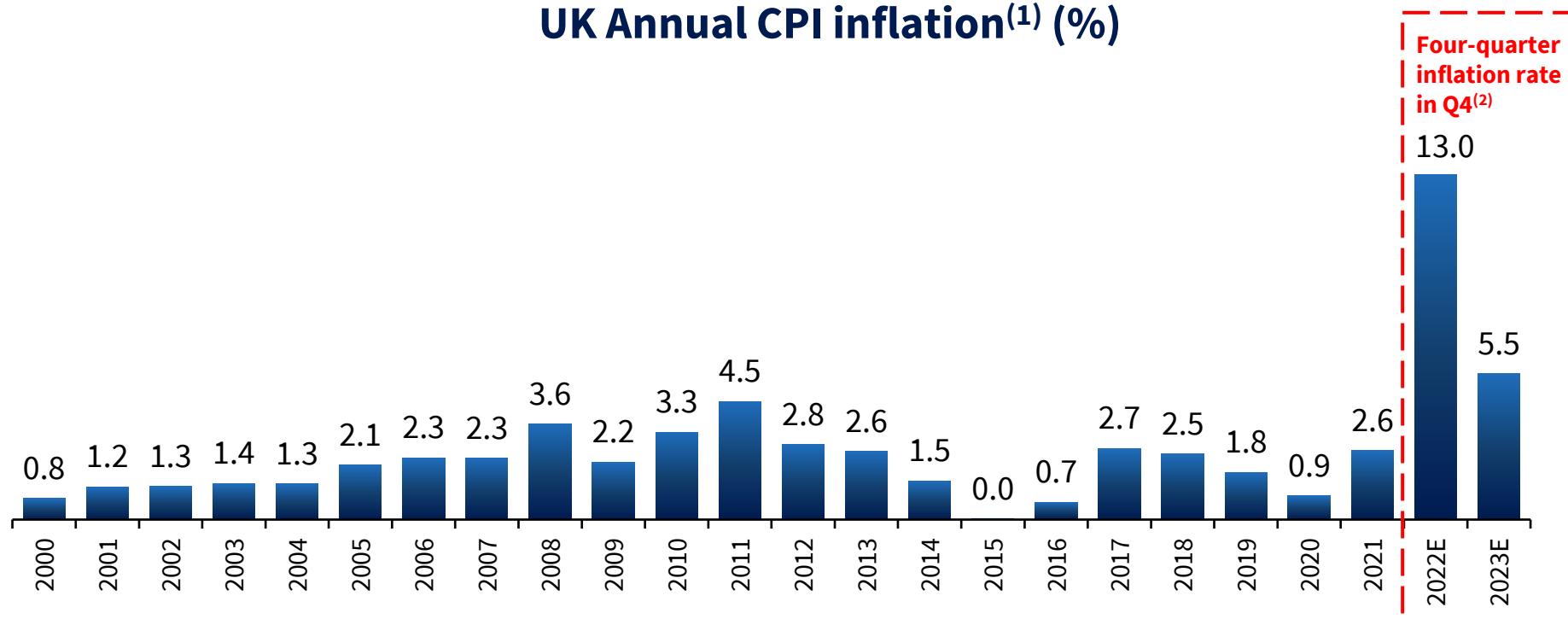


Notes:
 1. Majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.
 2. As at 30 September 2022.

Built-in CPI-linked Rental Growth

- Potential upside at upcoming rent review in April 2023
- Rental uplift based on the UK Consumer Price Index (“**CPI**”), 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

UK Annual CPI inflation⁽¹⁾ (%)



Notes:

1. Office for National Statistics, Gov.UK, CPI Annual Rate 00: All Items 2015=100.
2. Bank of England Monetary Policy Report August 2022.

job
centre
plus



Section IV

Asset Management & Sustainability Updates

Crown House, Grantham

Value Maximising Potential

- Assets are strategically located primarily in town centres, close to transportation nodes and amenities
- Various potential alternative uses are available for the assets, depending on the real estate market conditions and economic dynamics of the submarkets



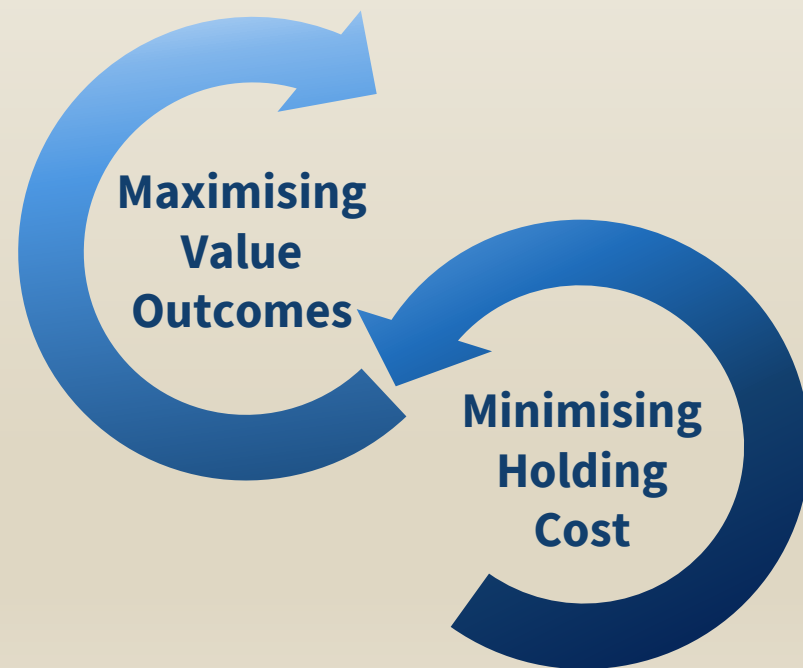
Potential re-letting as an office or other uses



Disposal with vacant possession or following re-letting



Seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes



Asset Management Strategy

Regular and active engagements with current and potential occupiers

Proactive Tenant Engagement

Focus on Tenant Retention

- The Manager continues to engage with various UK Government agencies in order to understand their requirements and to better serve them
- Develop collaborations that would be mutually beneficial to both occupiers and landlord

Expand on Sustainability Collaboration

- The Manager continues to work collaboratively with its main occupier to realise asset enhancement works leading to improvement in energy efficiency of DWP-occupied assets
- Working on strategies to expand the successful sustainability collaboration with DWP and other occupiers in its portfolio

Diversify Lease Expiries and Income Profile

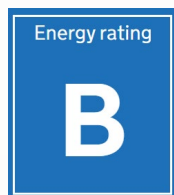
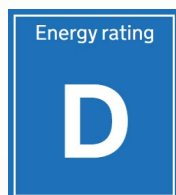
- Focus on expanding and continuing dialogues on future lease renewals and extensions to diversify lease expiries and income profile



‘Greening’ the Portfolio

Asset enhancement works to boost energy efficiency of buildings

Energy Performance Certificate Ratings Upgrade



- **Bradmarsh Business Park, Rotherham:**

EPC rating increased from **D-90** to **B-49** following the **upgrade of heating/HVAC⁽¹⁾** system and the installation of **new LED lighting** inside the building and in the car park



Bradmarsh Business Park, Rotherham

Driving Sustainable Value for the Long Term

Sustainability enhancement works on various DWP-occupied properties across the REIT’s portfolio have been planned so far to optimise energy use

Examples of works being planned include:

- ✓ Replacement of existing variable refrigerant system and to expand the use of the variable refrigerant system
- ✓ Replacement of gas- or oil-fueled boilers with new, higher efficiency or non-carbon-based heating system solution
- ✓ Replacement of air-conditioning system with variable refrigerant system
- ✓ Replacement of air handling unit (“**AHU**”) including direct expansion cooling, modifications to existing ductwork and replacement of Building Management System (“**BMS**”)
- ✓ Roofing replacement projects



Glasgow Benefits Centre, Glasgow



Upper Huntbach Street, Stoke-On-Trent

Note:

1. HVAC refers to the heating, ventilation and air conditioning system responsible for heating and cooling the building.



Section V

Strategy and Outlook



Tannery House, Alfreton

Market Outlook

UK economy is slowing

Economy

- UK's GDP fell by 0.3% in August 2022, after a growth of 0.1% in July 2022 (revised down from 0.2%). It is now estimated to be at the same level as its pre-coronavirus levels (February 2020). The production sector, which fell 1.8% in August 2022, was the main contributor to the fall in GDP
- GDP is expected to decline by around 0.75% during 2H 2022, in part reflecting the squeeze on real incomes from higher global energy and tradable goods prices

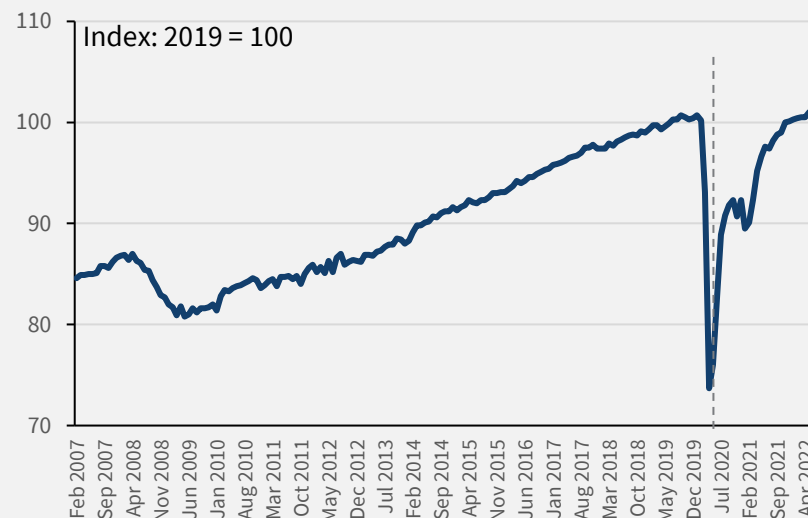
Unemployment

- The labour market has remained tight, with the unemployment rate at 3.5% in the three months to August 2022 and vacancies at historically high levels
- However, there are signs that labour demand has begun to ease

Inflation

- Consumer Price Index (“CPI”) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August, with rising food prices as the largest upward contributor, pushing UK inflation back to 40-year high last reached in July
- Domestic inflationary pressures remain strong in coming quarters and then subside. CPI inflation is projected to fall sharply to some way below the 2% target in two years' time, and further below the target in three years' time

Monthly estimate of UK GDP



Interest Rate

- The Bank of England projected inflation to pick up to around 11% in 4Q 2022, lower than was expected in August, reflecting the impact of the Energy Price Guarantee (“EPG”)
- While the rate of inflation will slow down, it is forecasted that prices may stay at a high level compared with the past. In response to high inflation, the BoE has raised interest rates by 0.75 percentage points to 3% as at 3 November 2022
- The Monetary Policy Committee will take the actions necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit

UK Real Estate Market Outlook

Generally weaker market sentiment across regions

Investment Market

- Monthly investment volumes somewhat recovered from the very weak £2.4 billion that was transacted in August to £3.6 billion in September.
- While the September figure is around 25% below the 2022 monthly average of £4.9 billion, the year-to-date figure of £43 billion is slightly ahead of the corresponding 2021 level (£41.6 billion).
- Office and BTR (Built-to-Rent) investment volumes picked up, while retail investment remained subdued.
- Office investment volumes recovered from a very weak £280 million in August to £1.4 billion in September, only slightly below the 2021 monthly average of £1.5 billion.

Yields

- Office yields are drifting out, with the City now at 4.25-4.50% and West End at 3.75-4.00%.
- Monthly MSCI data highlights an outward shift in yields across most market segments as economic uncertainty prevails and debt costs continue to rise.
- Some sectors, such as industrial, may see most of the re-pricing before the end of 2022 or early 2023 while other sectors will take longer to adjust.

Source: Colliers, United Kingdom, Property Snapshot, October 2022.

SECTOR		SEP-21	MAR-22	JUN-22	JUL-22	AUG-22	SEP-22	1 MONTH CHANGE	MARKET SENTIMENT
Offices (Grade A)	City Prime (Single let, 10 years)	4.00% -	3.75%	3.75%	3.75% - 4.00%	4.00%	4.00%		WEAKER
	West End: Prime (Mayfair & St James's)	3.50% -	3.25%	3.25%	3.25%	3.25%	3.25%		STABLE
	West End: Non-core (Soho & Fitzrovia)	4.00% - 4.25%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	3.75% - 4.00%	4.00%	+	WEAKER
	Major Regional Cities (Single let, 15 years)	5.00%	4.75% - 5.00%	4.50% - 4.75%	4.50% - 5.00%	4.75% - 5.25%	5.00% - 5.25%	+0.25%	WEAKER
	Major Regional Cities (Multi-let, 5 year WAULT)	5.75% -	5.75% -	5.00%	5.00% +	5.25%	5.25% - 5.50%	+	WEAKER
	South East Towns (Single let, 15 years)	5.25%	5.00% - 5.25%	5.00%	5.00% +	5.00% - 5.25%	5.25%	+	WEAKER
	South East Towns (Multi-let, 5 year WAULT)	6.50%	6.50%	6.50% -	6.50% +	6.75%	6.75% - 7.00%	+	WEAKER
	South East Business Parks (Single let, 15 years)	5.25% +	5.25% +	5.25%	5.25% +	5.50%	5.50% - 5.75%	+	WEAKER
	South East Business Parks (Multi-let, 5 year WAULT)	6.75% +	6.75% +	6.75% +	6.75% +	7.00% +	7.25% +	+0.25%	WEAKER

Source: Knight Frank Intelligence, Prime Yield Guide – September 2022.

Hedge against rising inflation

1

Lease stability & income visibility

Removal of lease break options from 109 assets in the portfolio

2

All leases are on full repairing and insuring (FRI) basis

Responsibility for repair and maintenance is placed with the tenant

3

In-built inflation-linked rental growth

Compounded yearly with an annual floor and cap of 1% and 5%, uplift in April 2023

4

Naturally hedged against forex fluctuations

Assets and liabilities as well as distributions are denominated in GBP

5

Largely insulated from interest rate hikes

~68%⁽¹⁾ of interest rate exposure is fixed, post-extension of £94 million loan

6

Secured distributions

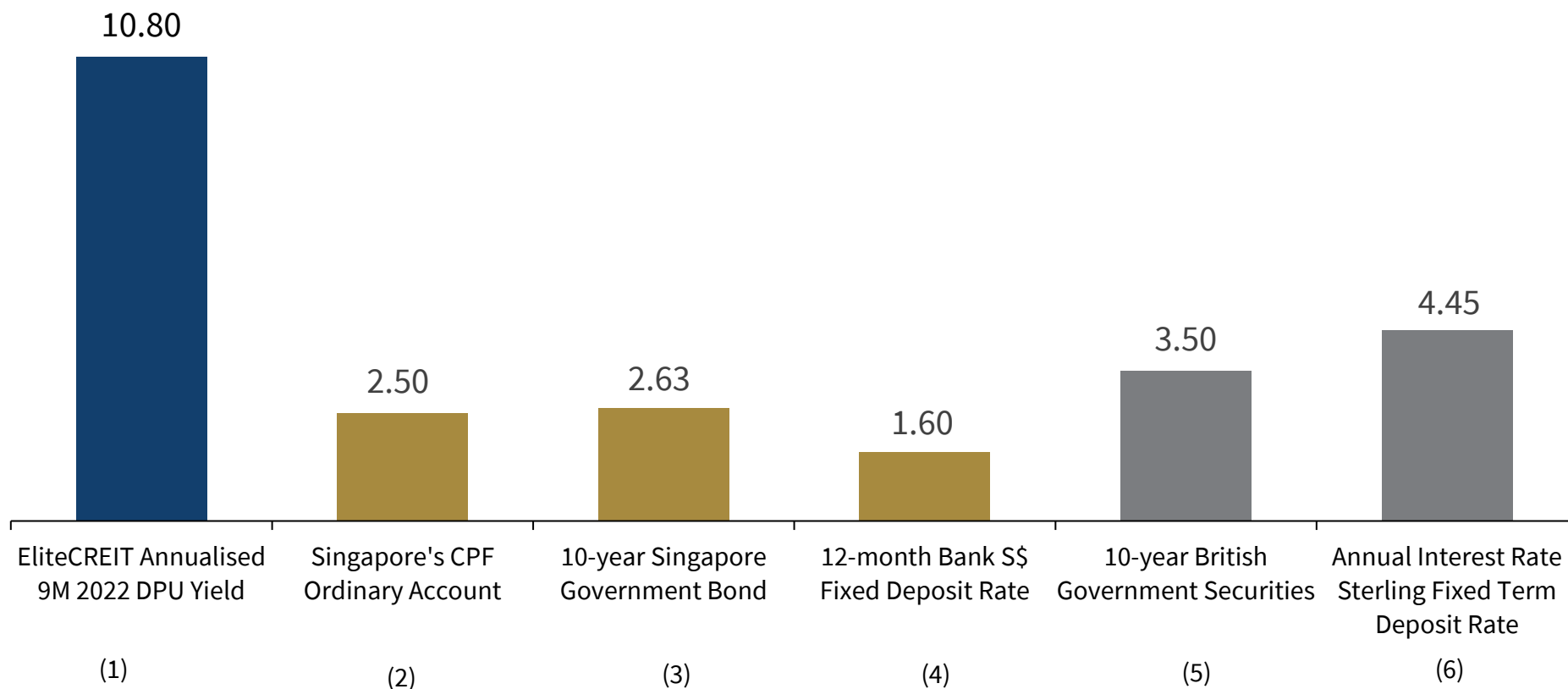
Consistently achieved ~100% of rental collection in advance since listing

Note:

1. Adjusted following the extension of the existing loan facility of £94 million completed on 31 October 2022.

Attractive and Defensive Yield

Resilient portfolio that continues to perform throughout economic cycles



Notes:

1. Based on Elite Commercial REIT's closing price of £0.470 per unit as at 30 September 2022 and annualised 9M 2022 DPU.
2. Based on interest paid on Central Provident Fund ("CPF") ordinary account in September 2022 (Source: CPF website).
3. As at issue date of 1 August 2022 (Source: Singapore Government Securities website).
4. As at 24 October 2022, for deposits below S\$20,000. For deposits S\$20,000 and above, the fixed deposit rate is 0.05%. (Source: DBS website).
5. As at 30 September 2022. Monthly average yield from British Government Securities, 10-year Nominal Par Yield (Source: Bank of England website).
6. As at 24 October 2022, for deposits £10,000+. For deposits £100,000+, the fixed deposit rate is 4.50%. (Source: Lloyds Bank International website).

Inclusion into 3 New Indices

This development signifies improved trading liquidity of Elite Commercial REIT's units

In the recent FTSE ST Index Series review in September 2022, Elite Commercial REIT has been included into the:

FTSE ST Small Cap Index



Elite Commercial REIT has also been included into the iEdge SG Thematic Indices:

iEdge SG Real Estate Index

iEdge ESG Transparency Index

Value Creation Strategies

Growth Potential



Acquisition Opportunities

- Robust pipeline of properties through right of first refusal (“**ROFR**”) from the Sponsors
- Active real estate investment activities present opportunities in terms of third-party transactions in the open market
- Pursuing diversification strategy

Proactive Asset Management



Maximising Value

- Formulates the best outcomes for properties in the portfolio using analytics to maximise value and deliver sustainable returns to our Unitholders
- Land banking in the portfolio provides potential for organic growth

Sustainability Integration



‘Green’ Collaborations

- Expand sustainability collaborations with more occupiers and tenants to ‘green’ the portfolio and improve energy efficiency of the assets
- Incorporates sustainability considerations to ensure Portfolio remains relevant





Thank You

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Section VI

Additional Information



Tannery House, Alfretton

Key Investment Merits

1

Attractive & resilient yields through economic cycles

Over 99% leased to the AA-credit rated UK Government

2

Geographically diversified

A network of assets across the UK covering strategic regional cities

3

Crucial public infrastructure

Primarily occupied by the Department for Work and Pensions

4

Well-located assets

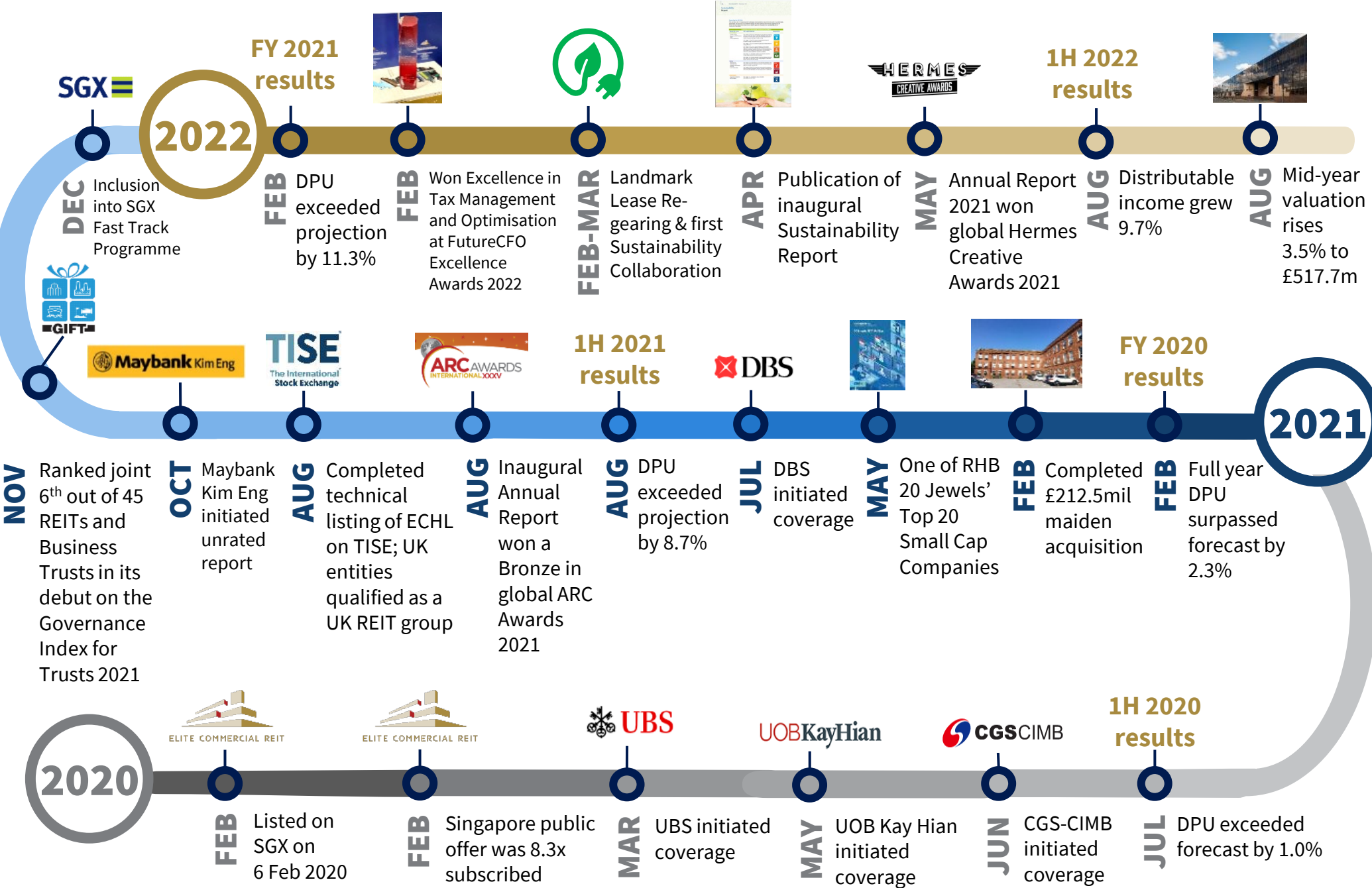
Primarily in town centres, close to transportation nodes & amenities

5

Future growth potential

Acquisition pipelines, asset enhancement & redevelopment potential

Key Milestones Since Listing



Crucial Public Infrastructure

Primary occupier is Department for Work & Pensions (“DWP”)



UK’s Largest Public Service Department

- Responsible for welfare, pensions and child maintenance policy
- While the DWP no longer hold a complete count of the number of claimants across the Great Britain following the devolution of social security benefits to the Scottish Government⁽¹⁾, **£217 billion** was paid out in benefits and pensions for the year ended 31 March 2022⁽²⁾
- Services provided primarily via Jobcentre Plus centres (“JCP”)
- Integral in **supporting UK’s social fabric**

Front Line in UK’s Emergency Economic Response

- Leading UK’s national recovery through Plan for Jobs and more
- In March 2021, the **UK Government met its pledge to recruit 13,500 new Work Coaches**⁽³⁾ which has boosted jobseeker support in towns and cities UK-wide, in one of their fastest and largest ever recruitment rounds⁽⁴⁾
- JCP locations **remained open** throughout the nation’s first, second and third lockdowns to process and disburse benefits to claimants
- Covid-19 situation does not trigger force majeure or termination clauses of the leases with the UK Government

Strategically Located Assets

- Functional buildings located strategically in town and city centres near transportation nodes and amenities to enable the REIT’s primary occupier to better serve the community

Notes:

1. “National Statistics, DWP benefits statistics: May 2022”, Gov.UK, 17 May 2022.

2. “Corporate report, DWP Annual Report & Accounts 2021 to 2022”, Gov.UK, 28 July 2022.

3. Work Coaches provide jobseekers with tailored support to build their skills, develop CVs and find new jobs in expanding sectors.

4. “Government delivers 13,500 Work Coaches to boost Britain’s Jobs Army”, Gov.UK, 29 March 2021.

Crucial Public Infrastructure

For the provision of essential social welfare services by DWP

Front of house – primarily Jobcentre Plus and other ancillary services

Front of House⁽¹⁾
85.5%⁽²⁾

1

Jobcentre Plus - Usage highly correlated with unemployment

- Staff readily on hand to assist customers with mock interviews, “Back to Work” plan, etc.
- Computers and free wifi for customers to job-surf, write CVs or make claims

2

Pension Services - Usage expected to increase as population ages

- Face-to-face meetings to claim benefits
- IT training to assist retirees with no internet access or difficulty using online services

3

Child Maintenance Services - Stable usage regardless of economic conditions

- Face-to-face meetings to discuss more complicated child maintenance cases
- Registration and declaration of child maintenance received

4

Disability Services - Stable usage regardless of economic conditions

- On-site medical examination centres as part of the Work Capability Assessment for disability benefit
- Training programmes such as Specialist Employability Support and Work and Health Programmes



Department
for Work &
Pensions

Back of house – various support functions without public-facing element

Back of House
14.5%⁽²⁾

5

Support functions – Usually larger, critical centres for supporting the administration of DWP services

- Service roll out planning (e.g. Universal Credit)
- Claims processing, finance and accounts
- Fraud detection and investigation
- Call centre & IT support

Notes:

1. Including mixed use properties with a medical centre, back office or retail component in addition to the Jobcentre Plus.

2. Of DWP's assets in the portfolio as at 30 June 2022.

Typical Lease Arrangements for the UK Office Sector

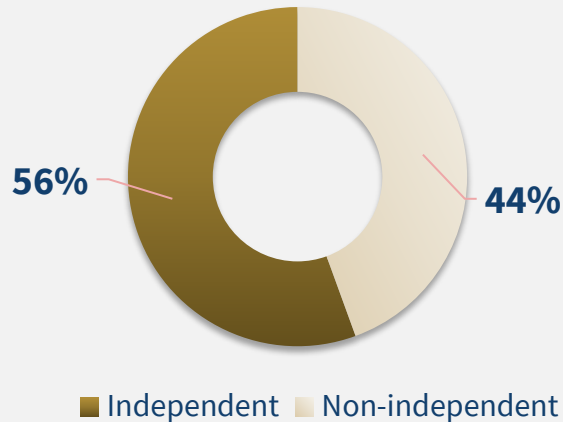


- **Lease terms:**
 - Lease terms are fixed and typically for 5-10 years
- **Rent increase/review:**
 - Rents are reviewed against the open market rent typically every 5 years. Reviews for shorter leases may be more frequent. Commercial leases typically impose upward only rent reviews which allow for rents to be increased but never decreased
- **Service charge:**
 - The tenant is responsible for pro-rated share in addition to the rent, payable quarterly
- **Break clauses:**
 - The landlord may grant a break clause which gives one or either party the right to end the lease sooner by giving notice either at any time or between specified dates
- **Assignment/Subletting:**
 - Landlords' approval for subletting and assignment is generally not to be unreasonably withheld but parameters are set out in the lease terms. Subleases are often granted outside the protection of the Landlord and Tenant Act 1954 (as amended)
- **Repairs and insurance:**
 - Usually, the tenant will have direct responsibility for repairing the internal parts included in the lease terms and the landlord will agree to repair and insure the external structure and the common parts retained by the landlord. The landlord's costs for repairs and insurance are typically borne by the tenants via the service charge
 - Tenants will usually be made responsible for the regular redecoration of the premises let out under the leases
- **Alterations:**
 - The landlord may restrict alterations that can be made to the demise and alterations will usually require the landlord's consent. The landlord has the right to insist that the tenant removes the alterations and restores the premises at the end of the lease
- **Dilapidations:**
 - The tenant has the responsibility to return the building to its original condition at the end of the lease. The term 'dilapidations' is normally used to cover defects and disrepair that the tenant will be required to deal with or pay to have remedied when they vacate the premises at the end of the lease. Landlords cannot generally make dilapidations claims earlier than three years before the end of the lease

Anchored by Strong Governance

In driving sustainable value and performance

Board Independence



9 Board Members



Chairman of the Board is an Independent Director and also chairs the Sustainability Committee



55.6% of the Board are Independent Directors

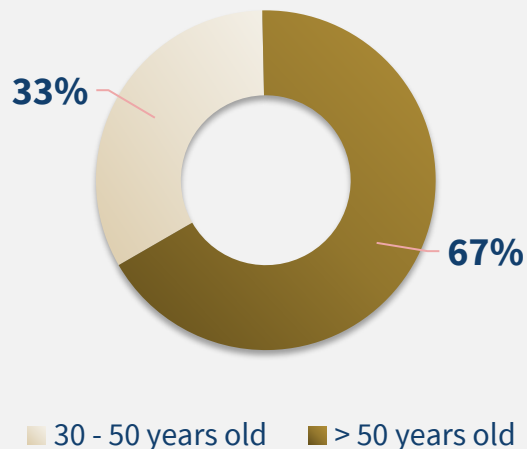


All members of the Audit and Risk Committee (“**ARC**”), including the Chairman of the ARC, are Independent Directors



Chairman of the Nominating and Remuneration Committee (“**NRC**”) is an Independent Director

Board Age Composition



Sustainability Governance Structure



**Members include representatives from across the business functions: Investor Relations, Asset Management, Finance and Compliance.*

Sustainability Collaboration

Integration of sustainability considerations into overall strategy



Sustainability Collaboration with the UK Government's DWP and MOD to 'green' buildings leased to the government departments



Key terms of the collaboration

- 1 Sustainability Contribution**

Notwithstanding the FRI⁽¹⁾ leases, the REIT commits to invest an aggregate of ~£14.8 million⁽²⁾ over three years towards agreed upon asset enhancement works on the REIT's properties occupied by DWP and MOD, to be funded through sufficient internal sources like existing and new debts, and cash retained from dividend reinvestment plan
- 2 Agreed upon works**

Examples of such works include repair, replacement or upgrade of the lighting systems, heating and cooling systems, insulation and solar panels, and other initiatives
- 3 Improve energy efficiency**

Such works are likely to improve the properties' energy efficiency to a more sustainable standard, resulting in an upgrade of the Energy Performance Certificate ("EPC") ratings⁽³⁾ for the properties
- 4 Integrating sustainability into business strategy**

Proactive strategy ensures that the REIT's portfolio of properties remain relevant and enhances the long-term value of Elite Commercial REIT and in alignment with UK Government's commitment to achieve net zero carbon emissions by 2050⁽⁴⁾

Notes:

1. Under a full repairing and insuring ("FRI") lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant.
2. Comprising £14.67 million of Sustainability Contribution to DWP-occupied assets and £0.1 million of Sustainability Contribution to MOD-occupied asset.
3. 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.
4. Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.

Energy Performance Certificates

Regulatory requirements



For England and Wales⁽¹⁾

- The current minimum Energy Performance of Buildings for non-domestic private rented property⁽²⁾ 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



For Scotland⁽¹⁾

- 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



Notes:

1. 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
- Scottish Government, gov.scot, Energy efficiency in non-domestic buildings (<https://www.gov.scot/policies/energy-efficiency/energy-efficiency-in-non-domestic-buildings/>)

2. 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.)