

## Amendments to The Code of Conduct for Leasing of Retail Premises in Singapore (Version 1 dated 1 April 2021)

The following table highlights the amendments to the Code of Conduct for Leasing of Retail Premises in Singapore (Version 1 dated 1 April 2021) with the changes underlined. The amended Code of Conduct (Version 2 dated 15 March 2022) shall take effect from 1 June 2022.

Leasing Principle	Paragraph	Amendment
-	Application of this Code of Conduct, Footnote	<sup>1</sup> References in this Code of Conduct to a lease agreement includes a sub-lease agreement, licence agreement, an agreement for lease and an accepted letter of offer which are made between landlord/licensor and tenant/licensee under a written agreement. <u>References in this Code of Conduct to a lease agreement includes a renewal lease agreement or any agreement which extends the term of a lease for at least one year.</u>
-	Application of this Code of Conduct, Qualifying Retail Premises Uses	<p>Commercial School</p> <p>General Description of Premises: Premises used for the purpose of teaching, training or imparting of knowledge or skill.</p> <p>Examples: Tuition centre, language school, <del>child development centre, preschool, kindergarten, student care centre and infant care centre</del>, computer school, baking and cooking school, art school, music school and dance school, speech and drama school, but excluding primary school, secondary school, junior college, vocational and technical institution, polytechnic and university.</p> <p><b>[new]</b> <u>Childcare Centre</u></p> <p><u>General Description of Premises: Premises used for the purposes of care and supervision of children during part of the day or for longer periods.</u></p> <p><u>Examples: kindergarten, student care centre and infant care centre</u></p>
Costs to Prepare the Lease Agreement and Third-Party Costs	[Part B] 2.2.2/3	<p>2.2.2 To enable tenant to share sales data with landlord <u>during the lease term</u>:</p> <p>(i) If tenant's existing POS system is compatible for integration with landlord's POS system, the costs <u>and expenses</u> for ad-hoc POS integration (including software) <u>of tenant's POS system</u> with landlord's POS system <del>must</del> <u>should</u> be borne by tenant and landlord on a 50:50 cost sharing basis.</p> <p>(ii) If tenant's existing POS system is not compatible for integration with landlord's POS system and tenant has to purchase a new POS system in order to integrate with landlord's POS system, <u>(a) the additional costs and expenses for the purchase of such new POS system must be borne by tenant and landlord on a 50:50 cost sharing basis and (b) the costs and expenses for the ad-hoc POS integration (including software) of tenant's POS</u></p>

		<p>system with landlord's POS system <del>must</del> should be borne by tenant and landlord on a 50:50 cost sharing basis.</p> <p><b>[new]</b> <u>2.2.3 New tenants must purchase a POS system which is compatible for integration with landlord's POS system at the costs and expenses of tenant. However, if the options for a compatible POS system which is available in the market are limited and the cost to a tenant to purchase a compatible POS system is substantially higher than a non-compatible POS system, new tenants must purchase a POS system which is compatible for integration with landlord's POS system and the costs and expenses for the purchase of such compatible POS system must be borne by tenant and landlord on a 50:50 cost sharing basis. The costs and expenses for the ad-hoc POS integration (including software) of tenant's POS system with landlord's POS system should be borne by tenant and landlord on a 50:50 cost sharing basis.</u></p>
<p>Pre-termination by Landlord due to Landlord's Redevelopment Works</p>	<p>[Part B] 4.8 to 4.12</p>	<p>4.8 Not later than 3 months after the completion of the Tenant's Capex Works, tenant must declare the actual value of the Tenant's Capex Works to landlord in writing together with copies of all third-party invoices for verification and validation by landlord. <u>If tenant does not declare the actual value of the Tenant's Capex Works to landlord in writing and/or submit copies of the aforesaid invoices within 3 months after the completion of the Tenant's Capex Works, landlord (acting reasonably) shall be entitled to determine the Agreed Declared Value , having regard to the estimated value of the Tenant's Capex Works (where applicable). Landlord shall notify tenant in writing of its determination of the Agreed Declared Value and the determination of the Agreed Declared Value by landlord (acting reasonably) shall be accepted by both landlord and tenant as being the Agreed Declared Value.</u></p> <p><b>[new]</b> <u>4.9 Without affecting paragraph 4.8 above, in the event landlord accepts the estimated cost of Tenant's Capex Works as the Agreed Declared Value, landlord shall notify tenant in writing of its acceptance of the estimated cost of Tenant's Capex Works as the Agreed Declared Value and the requirements of paragraph 4.8 shall be waived. In such a case, the "Agreed Declared Value" shall refer to the estimated cost of the Tenant's Capex Works as accepted by landlord hereunder.</u></p> <p><b>[re-numbered]</b> 4.10 If the lease is pre-terminated by landlord by reason of the proposed redevelopment works, tenant shall not be required to reinstate the premises on termination but tenant must remove all tenant's signs, moveable items, furniture and belongings from the premises and deliver the premises and landlord's installations to landlord in a clean state and in a condition which does not pose any threat to health, safety and the environment. Tenant must make good all damage caused to the building where the premises are located resulting from such removal.</p> <p><b>[re-numbered]</b> 4.11 For the avoidance of doubt, this paragraph 4 does not affect landlord's and tenant's rights, remedies and obligations under the lease agreement if the lease term is pre-terminated by landlord for any other reason other than for redevelopment works.</p> <p><b>[re-numbered]</b> 4.12 A sample clause is set out in Schedule 1 of this Part B of this Code of Conduct.</p>

Sales Performance	[Part B] 5.1	5.1 As a general rule, sales performance clauses (e.g. a clause which allows the landlord to <del>pre-terminate the lease if a specified sales target is not met by tenant</del> penalise the tenant in any manner, such as pre-termination of the lease, if the tenant does not fulfil a stipulated sales target) must not be included in the lease agreement.
Pre-termination by Tenants	[Part B] 7.2	7.2 Tenant must give no less than 6 months' prior <u>written</u> notice or opt to pay 6 months' gross rent in lieu of the 6 months' notice period to landlord if tenant wishes to terminate the lease by reason of the occurrence of either of the exceptional conditions. Tenant may also shorten the 6 months' notice period by paying an amount equivalent to the gross rent for the unfulfilled notice period, capped at 6 months' gross rent.
Security Deposit	[Part B] 8.1/2/3	<p>8.1 The security deposit amount for Qualifying Retail Premises with a floor area of up to 5,000 square feet and with a lease term of up to 3 years shall not exceed an amount equal to 3 months' gross rent. <u>For the purpose of this paragraph 8:</u></p> <p><u>8.1.1 where the rent payable to landlord comprises GTO Rent, "gross rent" may include the projected GTO Rent as may be agreed between landlord and tenant; and</u></p> <p><u>8.1.2 for escalating or staggered rental structures, "gross rent" may be calculated based on the lowest, average or highest rent rate payable during the lease term, as may be agreed between landlord and tenant.</u></p> <p>8.2 Landlord and tenant can mutually agree to alternative security deposit amounts for such Qualifying Retail Premises to be stated in the lease agreement. In such cases, a joint declaration by both parties on the alternative security deposit amount must be made to FTIC within 14 days after the lease agreement has been signed by both parties. In the event parties fail to declare the alternative security deposit amount to FTIC, the security deposit amount required under the lease agreement shall be 3 months' gross rent.</p> <p>8.3 Paragraph 8.1 and paragraph 8.2 of Part B of this Code of Conduct do not apply to Qualifying Retail Premises which have a floor area of more than 5,000 square feet and/or has a lease term of more than 3 years. <u>Paragraph 8.1 and paragraph 8.2 of Part B of this Code of Conduct also do not apply if the amount equal to 3 months' gross rent is equal to or less than S\$500.</u></p>
Floor Area Alterations	[Part B] 9.1	9.1 For each new letting (excluding renewals of the same premises), landlord must provide a certificate from the registered surveyor confirming the surveyed area of the premises prior to handover (or such later date as landlord and tenant may agree). <u>However, if the agreed floor area of the premises is equal to or less than 300 square feet, landlord and tenant may agree to waive the requirements of this paragraph 9.1.</u>
Floor Area Alterations	[Part B] 9.4.2	9.4.2 if the difference is more than 10%, each of landlord and tenant has the right to terminate the lease agreement without liability ( <u>save as otherwise provided in this paragraph 9.4</u> ) by giving <u>written</u> notice to the other party within one month after landlord has provided the certificate from the registered surveyor to tenant.

		<b>[re-numbered to 9.4.5]</b> In the event neither landlord nor tenant exercises its right to terminate the lease agreement, there shall be a downward adjustment of gross rent and security deposit (and all other amounts payable in the lease agreement that are affected by the floor area of the premises) based on the surveyed floor area.
Floor Area Alterations	[Part B] 9.4.3	<b>[new]</b> 9.4.3 If, at the time of the termination of the lease agreement, <u>tenant has not taken possession of the premises, the lease agreement shall be deemed null and void from the beginning with the intent that each of landlord and tenant shall be put in the same respective position as if the lease agreement was not entered into.</u> <u>In this connection:</u>  (i) <u>tenant shall not be required to reinstate the premises as tenant has not taken possession of the premises; and</u>  (ii) <u>landlord shall refund all monies paid by tenant to landlord pursuant to the lease agreement without interest (including any rent, service charge, A&amp;P charge, security deposit and other deposits but excluding stamp duties and legal fees (if any)).</u>
Floor Area Alterations	[Part B] 9.4.4/5	<b>[new]</b> 9.4.4 If, at the time of the termination of the lease agreement, <u>tenant has taken possession of the premises and:</u>  (i) <u>the lease agreement is terminated by landlord pursuant to a written notice given by landlord pursuant to paragraph 9.4.2 above, the lease agreement shall be deemed null and void from the beginning with the intent that tenant shall be put in the same position as if the lease agreement was not entered into. In this connection:</u>  (a) <u>tenant shall not be required to reinstate the premises and shall promptly deliver up possession of the premises to landlord; and</u>  (b) <u>landlord shall refund all monies paid by tenant to landlord pursuant to the lease agreement without interest (including any rent, service charge, A&amp;P charge, security deposit and other deposits but excluding stamp duties and legal fees (if any)); and</u>  (c) <u>landlord shall pay a compensation sum equivalent to the amount actually incurred by tenant for the Tenant's Capex Works prior and up to the date of landlord's notice of termination under paragraph 9.4.2 above, as evidenced by invoices provided by tenant to landlord for verification and validation. In the event landlord and tenant are not able to agree on the amount of the aforesaid compensation sum, either party may escalate the matter to the Singapore Mediation Centre (SMC) to resolve the disagreement and if the matter is escalated to SMC, both parties must attend mediation session(s) and comply with the resolutions of SMC; or</u>  (ii) <u>the lease agreement is terminated by tenant pursuant to a written notice given by tenant pursuant to paragraph 9.4.2 above, tenant must promptly reinstate the premises and deliver up possession of the premises to landlord properly reinstated in accordance with the provisions of the lease agreement and the lease agreement shall be deemed terminated on the date of</u>

		<p><u>such delivery of possession of the premises by tenant to landlord, without prejudice to the rights and remedies of either party against the other party in respect of any prior breach of the lease agreement by the other party. For the avoidance of doubt, all the provisions of the lease agreement shall continue to apply and be binding on landlord and tenant until the date of the deemed termination of the lease agreement.</u></p> <p><b>[re-numbered from paragraph in 9.4.2]</b> 9.4.5 In the event neither landlord nor tenant exercises its right to terminate the lease agreement, there shall be a downward adjustment of gross rent and security deposit (and all other amounts payable in the lease agreement that are affected by the floor area of the premises) based on the surveyed floor area.</p>
Building Maintenance	[Part B] 10	<p><b>[new]</b> 10.1 The lease agreement shall contain an obligation on <u>landlord to maintain:</u></p> <p>(i) <u>the building where the leased premises are located (if landlord owns such building); or</u></p> <p>(ii) <u>such part(s) of the building which are owned by landlord where the leased premises are located (if the landlord does not own such whole building).</u></p> <p><b>[re-numbered]</b> 10.2 Landlord must be responsible for any loss or damage suffered by tenant due to the gross negligence or wilful default on the part of landlord to maintain the building <u>or such part(s) thereof</u> where the leased premises are located <u>as provided in paragraph 10.1.</u></p>
Rental Structure	[Part B] 11.1	<p><b>[The following rental structure is added to the table as not compliant with the Code : ]</b></p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">S\$X psf + Y% of GTO above S\$Z per month</p> <p>Any exception must be mutually agreed by landlord and tenant</p>
Pre-termination by Landlord due to Landlord's Redevelopment Works / Floor Area Alterations	[Part B] Schedule 1 and Schedule 3	<p><b>[The sample clauses in Schedule 1 and 3 have been updated in accordance with the amendments to the CoC outlined above. ]</b></p>
Various	[Part D] Appendix 1	<p><b>[The remarks under "Not Applicable" / "Code Compliant" have been updated for the following : ]</b></p> <ul style="list-style-type: none"> <li>• 2.2- Point-of-Sales system (POS System)</li> <li>• 2.4- Fees for Tenant-Initiated Requests</li> <li>• 3- Advertising and Promotion Charge and Service Charge</li> <li>• 6- Pre-Termination by Tenants</li> <li>• 7- Security Deposit</li> <li>• 8- Floor Area Alterations</li> <li>• 9- Building Maintenance</li> <li>• 10- Rental Structure</li> </ul>