

LEASE

(based on the Model Commercial Lease of
Whole Building (Office) (MCL–Office–01))



LEASE

between

[]

and

[]

Property: []

[DRAFTING NOTE: THIS LEASE IS INTENDED TO BE USED AS A TEMPLATE. IT SHOULD BE ALTERED TO REFLECT ANY REQUIREMENTS THAT ARE SPECIFIC TO THE PROPERTY, PARTIES AND TERMS OF THE TRANSACTION. A COMPARISON AGAINST THIS TEMPLATE SHOULD BE SUPPLIED WHEN THE DRAFT LEASE IS FIRST SUBMITTED TO THE TENANT'S SOLICITORS.]

Version 2
October 2017



TABLE OF CONTENTS

1.	Definitions	2
2.	Interpretation	6
3.	Demise, Term and Rent	9
4.	Tenant's Obligations	9
5.	Landlord's Obligations	18
6.	Provisos	19
7.	[Break Clause]	23
8.	Jurisdiction	23
9.	Consent to Registration	24
	Schedule	25
	Part 1 Tenant's Rights	25
	Part 2 Landlord's Reserved Rights	26
	Part 3 Rent Review	28
	Part 4 Insurance and Damage Provisions	32
	Part 5 Permitted Works	35
	Part 6 Form of request to ascertain need to remove Permitted Works	38
	Part 7 Sustainability	39
	Part 8 Sub-Letting	41
	Part 9 Plans	43

LEASE

between

[] **LIMITED**, incorporated under the Companies Acts (Registered Number []) and having its Registered Office at [] and its successors and assignees (the "**Landlord**"); and

[] **LIMITED**, incorporated under the Companies Acts (Registered Number []) and having its Registered Office at [] and (in substitution) its successors and permitted assignees (the "**Tenant**")

The Landlord and the Tenant agree as follows:

1. Definitions

1.1 In this Lease:

"**Act**" means any act of the UK or Scottish Parliament and any delegated law made under it;

"**Action Plan**" means an action plan as defined in the AEP Regulations in relation to the Premises;]

"**AEP Regulations**" means the Assessment of Energy Performance of Non-domestic Buildings (Scotland) Regulations 2016;]

"**Break Date**" means [Insert date or dates]¹ [or any date falling after that date] [or the day before any Rent Day after that date] [or any [fifth] anniversary of that date] [as specified in the Tenant's Notice given under Clause 7.1];]²

"**Business Day**" means a day on which clearing banks in [Edinburgh, Glasgow and London] are open for normal business;

"**Common Facilities**" means all Conducting Media, structures, walls, fences, roads, paths, works, services or facilities used in common by the Premises and any adjoining premises or by the owners and occupiers of them;

"**company**" includes:

- (a) any UK registered company (as defined in section 1158 of the Companies Act 2006);
- (b) to the extent applicable, any overseas company as defined in section 1044 of the Companies Act 2006;
- (c) any unregistered company (to include any association); and
- (d) any "company or legal person" in relation to which insolvency proceedings may be opened pursuant to Article 3 of the EC Regulation on Insolvency Proceedings 2000;

"**Conducting Media**" means any media for the transmission of Supplies;

"**CRC Costs**" means the aggregate of:

- (a) the anticipated or actual costs and charges incurred by or on behalf of any CRC Participant in purchasing carbon allowances in relation to the CRC Scheme; and
- (b) the management costs relating to the implementation of, participation in and operation of the CRC Scheme incurred by or on behalf of any CRC Participant;]

¹ When deciding on the relevant Break Date, best practice is to make it the day before a rent payment date. This ensures that the Tenant is not legally obliged to pay a full month's or quarter's rent on the day on which this Lease ends under the break clause.

² Delete if this Lease will not include break rights.

["CRC Participant" means the Landlord, any Participant from time to time responsible for compliance with the CRC Scheme in respect of the Premises and any Group Undertaking of the Landlord or that Participant where "Participant" and "Group Undertaking" have the meanings given to them in the CRC Energy Efficiency Scheme Order 2013;]

["CRC Scheme" means the Carbon Reduction Commitment Energy Efficiency Scheme administered in accordance with [the CRC Energy Efficiency Scheme Order 2010,]³ the CRC Energy Efficiency Scheme Order 2013 or any later order or any similar scheme amending or replacing it;]

"Creditor" means any creditor in any permitted standard security over the Tenant's right to this Lease which has been notified to the Landlord;

["Display Energy Certificate" means as defined in the AEP Regulations;]

"Electronic Communications Apparatus" means "electronic communications apparatus" as defined in section 151 of the Communications Act 2003;

"End Date" means the last day of the Term (however it arises);

"Environmental Performance" means all or any of the following:

- (a) the consumption of energy and associated generation of greenhouse gas emissions;
- (b) the consumption of water;
- (c) waste generation and management; and
- (d) any other environmental impact arising from the use or operation of the Premises;

["EPB Regulations" means the Energy Performance of Buildings (Scotland) Regulations 2008;]

["EPC" means an Energy Performance Certificate and Recommendation Report (as defined in the EPB Regulations);]

"Group Company" means any company which is a subsidiary or holding company of the Tenant or a subsidiary of such holding company (as the terms "subsidiary" and "holding company" are defined in section 1159 of the Companies Act 2006;

"Initial Rent" means [] (£[]) STERLING yearly (exclusive of any VAT);

"Insolvency Date" means either the date of appointment of the Insolvency Practitioner or the date of calling up by a Creditor;

"Insolvency Practitioner" means any receiver, administrator or liquidator appointed in respect of the Tenant;

"Insurance Costs" means the sums described in paragraph 1.1 of Part 4 of the Schedule;

"Insured Risks" means the risks of fire (including subterranean fire), lightning, explosion, storm, flood, subsidence, landslip, heave, earthquake, burst or overflowing water pipes, tanks or apparatus, impact by aircraft or other aerial devices and any articles dropped from them, impact by vehicles, terrorism, riot, civil commotion and malicious damage to the extent, in each case, that cover is generally available on normal commercial terms in the UK insurance market at the time the insurance is taken out, and any other risks against which the Landlord reasonably insures from time to time, subject in all cases to any excesses, limitations and exclusions imposed by the insurers;

³ Even though the 2010 Order has been replaced in most respects by the 2013 Order, it should be retained where the Landlord intends to recover payments due in relation to Phase 1 of the Carbon Reduction Scheme as these remain payable under the 2010 Order and are not recoverable under the 2013 Order.

"Interest Rate" means [three] per cent above the base rate for the time being in force of [*Insert name of bank*] (or any other UK clearing bank specified by the Landlord);

"Lease" means this lease, and any document supplemental to it;

"Legal Requirement" means (1) any Act and (2) any requirement of any proper authority, including any local authority or fire authority;

"Monetary Breach" means any failure by the Tenant to pay all or any part of the sums payable by the Tenant under this Lease when due;

"Non-Monetary Breach" means any failure by the Tenant to perform any of its obligations under this Lease other than a Monetary Breach;

"Notice" means any notice, notification or request given or made under this Lease;

["Operational Rating Measures" means as defined in the AEP Regulations;]

"Outgoings" means all or any of:

- (a) all existing and future rates, taxes, duties, charges, and financial impositions charged on the Premises except for:
 - (i) tax (other than VAT) on the Rent payable; and
 - (ii) any tax arising from the Landlord's dealing with its own interests;
- (b) Supply Costs for the Premises;
- (c) all costs and expenses for which the Landlord, any other owner or the occupier of the Premises is responsible in respect of the Common Facilities; and
- (d) a fair and reasonable proportion of the Outgoings referred to in paragraphs (a) and (b) charged in respect of the Premises and any adjoining premises;

"Permitted Use" means the use of the Premises as offices within Classes [2(a) or (b) or 4(a)]⁴ of the Schedule to the Town and Country Planning (Use Classes) (Scotland) Order 1997 and ancillary uses;

"Permitted Works" means any works or installations (including Tenant's Business Alterations) to which the Landlord has consented or for which, under Clause 4.10, the Landlord's consent is not required [together with any Prior Lease Alterations]⁵;

"Planning Acts" means every Act for the time being in force relating to the use, development, design, control and occupation of land and buildings;

"Planning Permission" means any permission, consent or approval given under the Planning Acts;

"Plans" means any of the plans⁶ forming Part 9 of the Schedule;

⁴ Class 4 is general office use. If the use is for financial or professional services where those services are provided principally to visiting members of the public (such as a bank or insurance brokers) then Class 2 use is more appropriate.

⁵ Include the words in square brackets where this Lease follows on from a pre-existing Lease with the Tenant (the Prior Lease) and the Landlord wants the Tenant to be under an obligation to reinstate works carried out under the Prior Lease when this Lease comes to an end or those works are to be disregarded on any rent review under this Lease.

⁶ If this Lease is to be registered in the Land Register then the plan(s) must satisfy the Cadastral Mapping Deed Plan Requirements of the Land Register of Scotland.

"Premises" means ALL and WHOLE the premises known as *[Insert address of Premises]* being the premises registered in the Land Register of Scotland under Title Number [] including:

- (a) all buildings from time to time on the Premises and the load-bearing walls, structure, foundations and roofs of those buildings;
- (b) one half severed vertically of any walls separating the Premises from any adjoining premises;
- (c) all Conducting Media and landlord's plant, equipment and fixtures exclusively serving the Premises;
- (d) all tenant's fixtures; and
- (e) any Permitted Works carried out to or at the Premises;

"Prior Lease" means a lease of the *[Premises]*⁷ entered into between *[Insert name of parties]* dated [●] and [registered in the Books of Council and Session on [●]] and all documents supplemental or ancillary to it;⁸

"Prior Lease Alterations" means all works carried out to or for the benefit of the *[Premises]*¹⁸ during the term of the Prior Lease or under any contract for the grant of the Prior Lease [briefly described in the schedule of works annexed and executed as relative to this Lease];⁹

"Recommended Improvement Measures" means identified improvement measures or alternative improvement measures or any combination of the two both as defined in the AEP Regulations;]

"Rent" means the Initial Rent as increased (if at all) under Part 3 of the Schedule;

"Rent Commencement Date" means subject to paragraph 3.3 of Part 4 of the Schedule *[Insert date or description]*;

"Rent Days" means [28 February, 28 May, 28 August and 28 November] [25 March, 24 June, 29 September and 25 December] [the first day of every month]¹⁰;

"Rent Review Date" means *[Insert date]* [in each of the years *[Insert years]* and references to "the Rent Review Date" mean the relevant Rent Review Date];¹¹

"Risk Period" means the period that the Landlord [in its absolute discretion]¹² decides, being a minimum of [three] years and a maximum of [five]¹³ years, starting on the date of the relevant damage or destruction;

"Schedule" means the Schedule of [9] Parts annexed and executed as relative to this Lease;

⁷ If the extent of the Premises has changed since the date of the Prior Lease, amend this definition to refer to the extent of the Premises originally let by the Prior Lease.

⁸ Include this definition where this Lease follows on from a pre-existing lease with the Tenant and the Landlord wants the Tenant to be under an obligation to reinstate works carried out under the Prior Lease when this Lease comes to an end or those works are to be disregarded on any rent review under this Lease.

⁹ Include this definition where this Lease follows on from a pre-existing Lease with the Tenant and the Landlord wants the Tenant to be under an obligation to reinstate works carried out under the Prior Lease when this Lease comes to an end or those works are to be disregarded on any rent review under this Lease.

Because it can be difficult to establish which works have to be taken into account or disregarded on rent review or reinstated at the end of the term, consider agreeing and annexing a Schedule to this Lease setting out the works carried out under the Prior Lease, whether they will have to be reinstated and their status on a rent review under this Lease.

¹⁰ If rent is payable monthly, refer to the relevant payment date; for example, the first day of each month.

¹¹ The Rent Review Date(s) should ideally correspond to one of the Rent Days.

¹² The default position under Clause 2.10 is that the Landlord's decision would have to be reasonable.

¹³ Consider increasing this period if you think that it may take longer than five years to obtain any necessary consents and to rebuild following damage by an insured risk.

["**Schedule of Condition**" means [the schedule annexed and executed as relative to this Lease and marked "Schedule of Condition"] [the schedule of condition prepared by [] dated [] a copy of which has been retained by each of the Landlord and the Tenant];]¹⁴

["**Service Provider**" means any person providing services to the Tenant at the Premises for the purposes of the Tenant's business;]

"**Supplies**" means water, [steam,] gas, air, foul and surface water drainage, electricity, oil, telephone, heating, telecommunications, internet, data communications and similar supplies or utilities;

"**Supply Costs**" means the costs of Supplies including procurement costs, meter rents and standing charges[and a fair and reasonable proportion of any CRC Costs incurred in relation to those Supplies];

"**Tenant's Business Alterations**" means so long as they do not affect the structural integrity of the Premises, any of the following in relation to the Premises:

- (a) the creation of openings in the walls[, ceiling and floor slabs] within or bounding the Premises for the passage of the Tenant's Conducting Media; and
- (b) fixing holes drilled into the floor or ceiling slabs, blockwork or plaster;

"**Term**" means the period of this Lease (including any continuation of this Lease whether by Act, tacit relocation or otherwise);

"**Term End Date**" means [*Insert date*];

"**Term Start Date**" means [*Insert date*];

"**Uninsured Risk**"¹⁵ means any risk expressly specified in the Insured Risks definition that:

- (a) is not insured against because, at the time the insurance is taken out or renewed, insurance is not generally available in the UK market on normal commercial terms; or
- (b) is not, at the date of the damage or destruction, insured against by reason of a limitation or exclusion imposed by the insurers

but will not include loss or damage (or the risk of it) caused by reason of the Tenant's act or failure to act;

"**VAT**" means value added tax or any similar tax from time to time replacing it or performing a similar function;

"**VAT Supply**" means a "supply" for the purpose of the Value Added Tax Act 1994; and

"**Wireless Data Services**" means the provision of wireless data, voice or video connectivity or wireless services permitting or offering access to the internet or any wireless network, mobile network or telecommunications system that involves a wireless or mobile device.

¹⁴ Include only where the Tenant's repairing obligation will be limited to keeping the Premises in the state of repair current at the date this Lease is granted. Consider the alternative drafting if it is likely to prove administratively cumbersome for the Schedule of Condition to be annexed potentially requiring signature on most pages.

¹⁵ This Lease gives the Tenant all the benefits it would have if damage were caused by an Insured Risk except that the Landlord has a choice as to whether or not to reinstate. It must make this choice by telling the Tenant within 12 months of the damage whether or not it wishes it reinstate. If it does not, this Lease will end after that 12 month period. These provisions are only a starting point, as standard practice continues to evolve on the detail, including exactly how you define Uninsured Risks and what happens to any residual risks/parts of risks, not in this or the Insured Risks definition. You will need to consider how best to address this and, if necessary, take specific instructions as different landlords will have different approaches.

2. Interpretation

In this Lease:

- 2.1 "notify", "notifies" or "notifying" means notify, notifies or notifying in writing in accordance with Clause 6.5;
- 2.2 where appropriate, the singular includes the plural and vice versa, and one gender includes any other;
- 2.3 all headings are for ease of reference only and will not affect the construction or interpretation of this Lease;
- 2.4 obligations owed by or to more than one person are owed by or to them jointly and severally, along with their respective executors and representatives whomsoever without the necessity of discussing them in their order, but not so as to impose any continuing liability on an assignor following a permitted assignment of the tenant's interest under this Lease;
- 2.5 if the Tenant is a firm or partnership (other than a limited liability partnership under the Limited Liability Partnerships Act 2000):
 - 2.5.1 the obligations of the Tenant under this Lease are binding jointly and severally on all persons who are or become partners of the firm at any time and their respective executors and representatives whomsoever as well as on the firm and its whole stock, funds, assets and estate without the necessity of discussing them in their order;
 - 2.5.2 except in the circumstances set out in Clause 2.5.3, the obligations set out in Clause 2.5.1 remain in full force and effect even if:
 - (a) the firm or partnership is dissolved;
 - (b) any change or changes take place in the firm or partnership whether by the assumption of a new partner or partners or by the retiral, bankruptcy or death of any individual partner; or
 - (c) there is a change in the firm name;
 - 2.5.3 if any person, who by virtue of his being a partner, is bound to implement the Tenant's obligations, then on such person ceasing to be a partner the Landlord on request, will release such person and his representatives from all obligations on the Tenant under this Lease subsequent to the date when such person ceases to be a partner (or, if later, the date of such request) provided that it is established to the Landlord's reasonable satisfaction that any such release does not materially adversely affect the strength of the Tenant's financial covenant or its ability to implement its obligations under this Lease;
- 2.6 an obligation to do something includes an obligation not to waive any obligation of another person to do it;
- 2.7 an obligation not to do something includes an obligation not to permit or allow another person to do it;
- 2.8 the Tenant will be liable for any breaches of its obligations in this Lease committed by:
 - 2.8.1 any authorised occupier of the Premises or its or their respective employees, licensees or contractors; or
 - 2.8.2 any person under the control of the Tenant or acting under the express or implied authority of the Tenant;

- 2.9 reference to either the Landlord or the Tenant having a right of approval or consent under this Lease means a prior written approval or consent, which must not be unreasonably withheld or delayed except where this Lease specifies that either the Landlord or the Tenant has absolute discretion;
- 2.10 where either the Landlord or the Tenant has the right to impose regulations or to approve, decide, designate, nominate, request, require, specify or stipulate any matter or thing under this Lease, that right will be subject to a condition that it will act reasonably and properly when exercising that right except where this Lease specifies that it has absolute discretion;¹⁶
- 2.11 references to the provision of plans, drawings, specifications or other documents means their provision in hard copy, electronically in PDF format or in any other easily readable format as may be appropriate having regard to the purpose for which they are provided and the nature of the information that they contain, but not in a format that is proprietary to a particular computer system or program that cannot be imported into or easily read by another computer system or program;¹⁷
- 2.12 references to a Part of the Schedule are to the relevant Parts of the Schedule to this Lease and the Landlord and the Tenant must comply with their respective obligations in them;
- 2.13 apart from in Clause 4.5.1, where either the Tenant or the Landlord must pay any costs that the other incurs (or any proportion of them), those costs must be reasonable and proper and reasonably and properly incurred;
- 2.14 references to any sums being payable on demand or when demanded mean being payable when demanded in writing;¹⁸
- 2.15 the Landlord's reserved rights under Clause 4.9 and Part 2 of the Schedule may also be exercised by those authorised by the Landlord;¹⁹
- 2.16 reference to "the Premises" means the whole or an individual part or parts unless inappropriate in the context used;
- 2.17 reference to "adjoining premises" means any land or buildings adjoining or nearby the Premises, whether or not owned by the Landlord (unless express reference is made to the Landlord's ownership of those premises);
- 2.18 references to an Act are to that Act as amended from time to time and to any Act that replaces it but references to the Town and Country Planning (Use Classes) (Scotland) Order 1997 are to that Order as in force at the Term Start Date;
- 2.19 "includes", "including" and similar words are used without limitation or qualification to the subject matter of the relevant provision;
- 2.20 if any provision is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remainder of this Lease will be unaffected;
- 2.21 if a person must take a matter into consideration that person must have reasonable regard to it but the final decision remains at that person's absolute discretion; and

¹⁶ Note that it is assumed that consent is always subject to reasonableness, except where the lease states that a party has absolute discretion; Scottish practitioners may otherwise be accustomed to the opposite "default" scenario where it is assumed that a party – invariably the landlord – enjoys absolute discretion except where the lease provides for reasonableness. In practice, the only provisions in this Lease that allow the Tenant to impose requirements are in Clause 5.4.

¹⁷ Where plans and specifications are provided to the Landlord, you should ensure that the Landlord has the right to use those plans and specifications – see paragraph 2.7.7 of Part 5 of the Schedule

¹⁸ Any sums payable on demand only begin to bear interest for late payment if not paid within 10 Business Days of the date of demand – see Clause 4.4.

¹⁹ Safeguards relating to the exercise of rights are contained in Clause 5.4 and, in relation to scaffolding, in Clause 5.5.

- 2.22 a document will be duly executed only if it is executed in such manner as meets the requirements of Section 3 and Sections 9B and 9C of the Requirements of Writing (Scotland) Act 1995.

3. **Demise, Term and Rent**

- 3.1 In consideration of the Rent and other provisions of this Lease the Landlord lets the Premises to the Tenant:

- 3.1.1 for a term starting on the Term Start Date and ending on the Term End Date;
- 3.1.2 together with the rights listed in Part 1 of the Schedule;
- 3.1.3 excepting and reserving to the Landlord the reserved rights listed in Part 2 of the Schedule;
- 3.1.4 subject to the provisions of any documents or matters specified or referred to in the title deeds; and
- 3.1.5 subject to any servitudes, rights and privileges currently existing and affecting the Premises.

- 3.2 The Tenant must pay:

- 3.2.1 for the period starting on the Rent Commencement Date [and ending on the day before the first Rent Review Date] the Initial Rent[; and
- 3.2.2 during the remainder of the Term, the Rent].

- 3.3 Rent is not payable for any period before the Rent Commencement Date.

- 3.4 Starting on the Term Start Date the Tenant must pay the Insurance Costs.

- 3.5 The Tenant must pay VAT under Clause 4.3.

- 3.6 The Rent is payable by equal [monthly] [quarterly] payments in advance on the Rent Days in every year. The first payment will be a proportionate payment for the period starting on (and to be paid on) the Rent Commencement Date and ending on the last day of that [month] [quarter].

- 3.7 The Rent and all other sums payable under this Lease must be paid by the Tenant by electronic transfer from a United Kingdom bank account to the United Kingdom bank account notified by the Landlord to the Tenant.

- 3.8 The Tenant must not make any retention, deduction, set-off or counterclaim from any payment due under this Lease unless required to do so by law.

4. **Tenant's Obligations**

4.1 **Rent**

The Tenant must pay the Rent when due.

4.2 **Outgoings**

- 4.2.1 The Tenant must pay all Outgoings when demanded.
- 4.2.2 [If the Landlord loses the benefit of any rates relief or exemption after the End Date because the Tenant has received that benefit before the End Date, the Tenant must

pay the Landlord on demand an amount equal to the relief or exemption that the Landlord has lost.]²⁰

4.3 **VAT**

4.3.1 The Tenant must pay:

- (a) VAT on any consideration in respect of a VAT Supply to the Tenant by the Landlord at the same time as the consideration is paid; and
- (b) on demand VAT (and interest, penalties and costs where they are incurred because of anything the Tenant does or fails to do) charged in respect of any VAT Supply to the Landlord in respect of the Premises where that VAT is not recoverable by the Landlord from HM Revenue & Customs.

4.3.2 The Tenant must not do anything that would result in the disapplication of the option to tax in respect of the Landlord's interest in the Premises.

4.4 **Interest on overdue payments**

The Tenant must pay interest on the Rent and on all other sums not paid on or by the due date (or, if no date is specified, not paid within 10 Business Days after the date of demand). Interest will be payable at the Interest Rate for the period starting on the due date (or date of demand) and ending on the date of payment.

4.5 **Reimburse costs incurred by the Landlord**

The Tenant must pay on demand the Landlord's costs (including legal and surveyor's charges and sheriff officer's fees) and disbursements in connection with:

- 4.5.1 any breach of the Tenant's obligations in this Lease, including the preparation and service of a Notice under Clause 6.1;
- 4.5.2 any application by the Tenant for consent under this Lease, whether that application is withdrawn or consent is granted or lawfully refused, except in cases where the Landlord is required to act reasonably and the Landlord unreasonably refuses to give consent;
- 4.5.3 the preparation and service of any Notice by the Landlord under Clause 4.12.3; and
- 4.5.4 the preparation and service of a schedule of dilapidations served no later than six months after the End Date.

4.6 **Third party indemnity²¹**

4.6.1 The Tenant must indemnify the Landlord against all actions, claims, demands made by a third party, all costs, damages, expenses, charges and taxes payable to a third party and the Landlord's own liabilities, costs and expenses incurred in defending or settling any action, claim or demand in respect of any personal injury or death, damage to any property and any infringement of any right arising from:

- (a) the state and condition of the Premises or the Tenant's use of them;
- (b) the exercise of the Tenant's rights; or
- (c) the carrying out of any Permitted Works.

²⁰ Consider whether this is appropriate in the context of the length of this Lease.

²¹ The indemnity relates to third party claims. For Tenant breaches the Landlord needs to rely on the normal rules for an award of damages.

4.6.2 In respect of any claim covered by the indemnity in Clause 4.6.1, the Landlord must:

- (a) give notice to the Tenant of the claim as soon as reasonably practicable after receiving notice of it;
- (b) provide the Tenant with any information and assistance in relation to the claim that the Tenant may reasonably require, subject to the Tenant paying to the Landlord all costs incurred by the Landlord in providing that information or assistance; and
- (c) mitigate its loss (at the Tenant's cost) where it is reasonable for the Landlord to do so.

4.7 Insurance

The Tenant must comply with its obligations in Part 4 of the Schedule.

4.8 Repair and decoration

4.8.1 The Tenant accepts the Premises in their condition at the Term Start Date as being in good and substantial condition and fit for the purpose let. All implied warranties as to fitness for purpose are excluded.

4.8.2 The Tenant must:

- (a) keep the Premises and all Tenant's Business Alterations in good and substantial repair and condition and clean and tidy and as necessary renew, replace and rebuild the Premises [but the Tenant's obligations under this clause will be restricted to keeping the Premises in no worse state of repair and condition than they were in at the [date of and] [Term Start Date] as evidenced by the Schedule of Condition];
- (b) keep all Conducting Media, plant, equipment or fixtures forming part of the Premises [(or that exclusively serve them)]²² properly maintained and in good working order in accordance with good industry practice and any requirements of the Landlord's insurers; and
- (c) replace (where beyond economic repair) any Conducting Media and plant, equipment or fixtures forming part of the Premises [(or that exclusively serve them)]²³ with items of equivalent or better quality.

4.8.3 [The Tenant must promptly replace any damaged glass forming part of the Premises with glass of equivalent appearance and of the same or better quality.]

4.8.4 [The Tenant must keep all car parking areas within the Premises suitably marked out and all parts of the Premises that are not built on clear of rubbish and waste materials and, where appropriate, properly landscaped.]

4.8.5 [The Tenant must clean and repair all floor coverings in the Premises as often as reasonably necessary and, in the final three months of the Term, renew and replace them with floor coverings of a colour and quality first approved by the Landlord.]

4.8.6 As and when necessary and in the final six months of the Term the Tenant must decorate the interior [and exterior] of the Premises. [The Tenant must redecorate the exterior of the Premises in every third year of the Term and in the final six months of

²² The words in square brackets are required only where Conducting Media or plant, equipment or fixtures that exclusively serve the Premises are not included in the grant of lease to the Tenant.

²³ The words in square brackets are required only where Conducting Media or plant, equipment or fixtures that exclusively serve the Premises are not included in the grant of lease to the Tenant.

the Term.] Any changes in the external colour scheme must first be approved by the Landlord.

4.8.7 The obligations under this Clause 4.8 apply:

- (a) to both ordinary and extraordinary repairs;
- (b) regardless of the age or state of dilapidation of the Premises and all Tenant's Business Alterations; and
- (c) regardless of the cause of damage, deterioration or destruction even if the cause is a latent or inherent defect.²⁴

4.8.8 The obligations under this Clause 4.8 [apart from Clause 4.8.3] exclude:

- (a) damage by any Insured Risk, except to the extent that payment of any insurance money is refused because of anything the Tenant does or fails to do and the Tenant has not complied with paragraph 1.1.2 of Part 4 of the Schedule; and
- (b) damage by any Uninsured Risk.

4.9 **Allow entry**

4.9.1 The Tenant must allow the Landlord to enter and inspect the Premises.

4.9.2 If the Landlord requires the Tenant to remedy any breach of the Tenant's obligations regarding the state and condition of the Premises or to remove any unauthorised alterations then the Tenant must comply with those requirements immediately in the case of an emergency or, in all other cases, begin to comply with those requirements within one month after being notified of them and diligently complete any works required.

4.9.3 If the Tenant does not comply with Clause 4.9.2, the Landlord may enter the Premises and carry out any works required itself. The Tenant must repay, as a debt on demand, all the costs the Landlord incurs in so doing. The Landlord's rights under Clause 6.1 will be unaffected.

4.10 **Alterations**

4.10.1 The Tenant must not:

- (a) build any new structure on, or alter the external appearance of, the Premises or cut into any structural part of the Premises, except for Tenant's Business Alterations; or
- (b) install Electronic Communications Apparatus or apparatus relating to Wireless Data Services, except where intended only to serve the lawful occupier's business at the Premises.

4.10.2 Landlord's consent is not required for the installation or removal of tenant's fixtures²⁵ or for [internal non-structural works to the Premises] [the installation and removal of, or alterations to internal demountable partitioning] that will not have an adverse impact on the Environmental Performance of the Premises, but the Tenant must notify the Landlord promptly after completing those works.

²⁴ The drafting here departs from the MCL template in recognition of the usual expectation in the Scottish marketplace that in order to make a lease institutionally acceptable, the Tenant may have to assume contingent responsibility for extraordinary repairs.

²⁵ As tenant's fixtures form part of the Premises, their removal would be an alteration that would otherwise require consent. Consider whether there are any tenant's fixtures that should not be removed or removed only with consent – for example industrial equipment.

4.10.3 The Tenant must not, without the Landlord's consent:

- (a) do any other works to the Premises;
- (b) make any Tenant's Business Alterations; or
- (c) install any apparatus permitted under the exception to Clause 4.10.1(b).

4.10.4 The Tenant must comply with its obligations in Part 5 of the Schedule when carrying out or installing any Permitted Works, whether or not the Landlord's consent is required for them.²⁶

4.10.5 Where the Landlord's consent is expressly required under this Clause 4.10, the Landlord may impose requirements on the Tenant in addition to those contained in Part 5 of the Schedule when giving its consent.

4.11 Signs and advertisements

The Tenant must not display any signs or advertisements on the Premises that are visible from outside the Premises except for business signs that indicate the Tenant's trading name in the style of and consistent with the Tenant's standard business signage.

4.12 Obligations at the End Date

4.12.1 By the End Date the Tenant must have removed:

- (a) all tenant's and trade fixtures and loose contents from the Premises;
- (b) all signage installed by the Tenant or any sub-tenant at the Premises;
- (c) subject to Clause 4.12.3, all Permitted Works; and
- (d) without affecting any other Landlord's rights, any works that have been carried out by the Tenant in breach of any obligation in this Lease.

4.12.2 The Tenant must make good all damage to the Premises caused when complying with Clause 4.12.1 and restore them to the same configuration state and condition as they were in before the items removed were originally installed.

4.12.3 If, no more than [nine] months and no less than [two] months before the End Date, the Tenant serves on the Landlord a request in the form set out in Part 6 of the Schedule the only Permitted Works that the Tenant must remove under Clause 4.12.1(c) will be:

- (a) those carried out before the date of the Tenant's request that the Landlord requires to be removed by Notice to the Tenant within [six] weeks of the Landlord receiving the Tenant's request; and
- (b) those carried out after service of the Tenant's request;

and any other Permitted Works need not be removed.²⁷

²⁶ Part 5 of the Schedule is included in an attempt to speed up and reduce the cost of obtaining Landlord's consent. In most cases landlords will be able to consent by simple letter. Where Part 5 of the Schedule does not contain all the obligations the Landlord requires because of the specific nature of the intended works, Clause 4.10.5 allows the Landlord to impose additional obligations. That may still be done by simple letter – see paragraph 2.6 of Part 5 of the Schedule. Where works are to be taken into account on rent review or must definitely be removed at the end of this Lease, that should be documented separately at the time the Landlord gives consent.

²⁷ The Code for Leasing Business Premises (2007) says that a landlord must act reasonably in requiring the removal of authorised works. The Tenant gains certainty by asking the Landlord exactly what must be removed. The request makes it clear that, if the Landlord fails to respond, the Tenant is not obliged to remove any authorised works. Landlords will need to adopt management systems that ensure that they respond appropriately to all relevant Tenant requests. This mechanism upholds the principles of the Code for Leasing Business Premises (2007) and gives the Tenant more certainty about those alterations and additions to the Premises that must be removed before the end of the Term.

- 4.12.4 [Clause 4.12.3 will apply to the Tenant's obligation to renew and replace floor coverings at the End Date under Clause 4.8.5 as if that obligation were an obligation to remove Permitted Works.]²⁸
- 4.12.5 At the End Date the Tenant must:
- (a) give back the Premises (and the fixtures, plant and equipment in them) in good decorative order and in a state, condition and working order consistent with the Tenant's obligations in this Lease;²⁹
 - (b) give back the Premises with vacant possession; and
 - (c) hand to the Landlord any registers or records maintained by the Tenant pursuant to any statutory duty that relate to the Premises including any health and safety file, EPC and asbestos survey.
- 4.12.6 If the Tenant has not removed all of its property from the Premises by the End Date and the Landlord gives the Tenant not less than five Business Days' notice of its intention to do so:
- (a) the Landlord may sell that property as the agent of the Tenant;
 - (b) the Tenant must indemnify the Landlord against any liability of the Landlord to any third party whose property has been sold in the genuine but mistaken belief that it belonged to the Tenant; and
 - (c) the Landlord must pay to the Tenant the sale proceeds after deducting the costs of transportation, storage and sale incurred by the Landlord.

4.13 **User**

- 4.13.1 The Tenant must not use the Premises other than for the Permitted Use.
- 4.13.2 The Tenant must not use the Premises as a betting office, an amusement arcade or in connection with gaming[, as offices to which members of the public are admitted] [, for any political or campaigning purposes] or for any sale by auction.³⁰
- 4.13.3 The Tenant must not use the Premises for the sale of alcohol for consumption on or off the Premises or for the preparation or cooking of food other than, in either case, in connection with staff and client catering facilities ancillary to the Permitted Use.
- 4.13.4 The Tenant must not:
- (a) keep in the Premises any plant, machinery or equipment (except that properly required for the Permitted Use) or any petrol or other explosive or specially flammable substance[(other than petrol in the tanks of vehicles parked in any parking spaces within the Premises)];
 - (b) load or unload any vehicle unless it is in a loading area provided for that purpose;
 - (c) cause any nuisance or damage to the Landlord or to the owners, tenants or occupiers of any adjoining premises;

²⁸ Include this wording only where you have included the obligation to renew or replace fitted carpets at the end of the Term and the Landlord will allow the Tenant to serve Notice requesting that those carpets not be renewed or replaced.

²⁹ If the Landlord will want the Tenant to hand back the Premises in a condition that is different to how the Tenant received them, you will need to attach a "reinstatement schedule" setting out the state of repair and condition in which the Premises should be returned at the end of the Term. This may be required, for example, where the Tenant received the Premises in a shell and core condition, but the Landlord will not want the Premises stripped out back to shell and core at the end of the Term.

³⁰ Consider whether any additional restrictions on use should be included in this Lease.

- (d) overload any part of the Premises or any plant, machinery, equipment or Conducting Media;
- (e) do anything that blocks the Conducting Media or makes them function less efficiently including any blockage to or corrosion of any drains, pipes or sewers by virtue of any waste, grease or refuse deposited by the Tenant or any cleaning of them carried out by the Tenant; or
- (f) operate any apparatus so as to interfere with the lawful use of Electronic Communications Apparatus or the provision of Wireless Data Services on any adjoining premises.

4.13.5 The Landlord does not warrant that the Permitted Use is, will be, or will remain lawfully permitted under the Planning Acts or the title deeds. The Tenant remains bound by the Tenant's obligations under this Lease even if the use is not lawfully permitted under the Planning Acts.

4.13.6 The Tenant must provide the Landlord with the names, addresses and telephone numbers of not fewer than two people who from time to time hold keys and any security access codes to the Premises and who may be contacted in an emergency if the Landlord needs access to the Premises outside the Tenant's normal business hours.

4.13.7 [The Tenant must not use any parking spaces forming part of the Premises:

- (a) except for the parking of vehicles belonging to persons working at the Premises or any authorised visitors to the Premises; or
- (b) for the repair, refuelling or maintenance of any vehicles.]

4.14 Dealings with the Premises³¹

4.14.1 The Tenant must not assign, sub-let, charge, hold on trust, part with or share possession or occupation of the Premises in whole or in part, except as authorised under this Clause 4.14 [or Part 8 of the Schedule.]

4.14.2 The Tenant may, with the Landlord's consent, assign the Tenant's right to the whole of the Premises to a prospective tenant which is of sound financial standing and demonstrably capable of fulfilling the Tenant's obligations under this Lease³², except that:

- (a) the Landlord may refuse consent to assign if the Tenant has not paid in full the Rent and all other sums due to the Landlord under this Lease that are not the subject of a legitimate dispute about their payment;
- (b) the Landlord may refuse consent to assign in any other circumstances where it is reasonable to do so; and
- (c) the Landlord may require any other condition to the Landlord's consent if it is reasonable to do so.

4.14.3 [The provisions of Part 8 of the Schedule apply to sub-lettings of the Premises and the Tenant must comply with its obligations in that Part of the Schedule.]

4.14.4 The Tenant may charge the Tenant's right to the whole of the Premises to a genuine lending institution without the Landlord's consent but the Tenant must notify the Landlord under Clause 4.15 of any charge created.

³¹ There is no offer back provision in this Lease.

³² If such criteria are not satisfied the Landlord may seek a suitable guarantee of the Tenant's lease obligations and/or a rent deposit – in which context please refer to the latest applicable form published by the PSG.

4.14.5 In addition to the provisions of this Clause 4.14, the Tenant may share occupation of the Premises with a Group Company of the Tenant[and any Service Provider] on condition that:

- (a) the Tenant notifies the Landlord of the identity of the occupier and the part of the Premises to be occupied;
- (b) no relationship of landlord and tenant is created or is allowed to arise;
- (c) the sharing of occupation ends if the occupier is no longer a Group Company of the Tenant[or a Service Provider]; and
- (d) the Tenant notifies the Landlord promptly when the occupation ends.

4.15 **Registration of dealings**

The Tenant must provide the Landlord with an extract or certified copy (as appropriate) of every document transferring or granting any right to the Premises within two weeks after the transfer or grant of that right.³³

4.16 **Marketing**

4.16.1 The Tenant must, during the six months before the End Date, allow the Landlord to:

- (a) place on the Premises (but not obstructing the Tenant's corporate signage) a notice for their disposal; and
- (b) show the Premises at reasonable times in the day to potential tenants (who must be accompanied by the Landlord or its agents).

4.16.2 The Tenant must allow the Landlord at reasonable times in the day to show the Premises to potential purchasers of the Premises (who must be accompanied by the Landlord or its agents).

4.17 **Notifying the Landlord of notices or claims**

The Tenant must notify the Landlord as soon as reasonably practicable after the Tenant receives or becomes aware of any notice or claim affecting the Premises.³⁴

4.18 **Comply with Acts**

4.18.1 The Tenant must do everything required under any Act in respect of the Premises and their use and occupation and the exercise of the rights granted to the Tenant under this Lease.

4.18.2 The Tenant must not do or fail to do anything in respect of the Premises the effect of which could make the Landlord liable to pay any penalty, damages, compensation, costs or charges under any Act.

4.18.3 ³⁵[Without prejudice to the generality of the provisions of this Clause 4.18, the Tenant must implement any Recommended Improvement Measures identified within any Action Plan in so far as they relate to the Premises [within the timescale laid down in the AEP Regulations]³⁶[by the earlier of (i) the date by which completion of the

³³ The lack of a registration fee is deliberate.

³⁴ The lack of an obligation on the Tenant to act on the Landlord's requirements following the service of a Notice is deliberate.

³⁵ Insert where it has been agreed the Tenant will carry out any works required under the AEP regulations.

³⁶ Use where it has been agreed that works will only be done by the Tenant if they require by law to be completed prior to the End Date.

Recommended Improvement Measures is required in terms of the AEP Regulations (ii) the End Date].^{37]}

- 4.18.4 The Tenant must promptly notify the Landlord of any defect or disrepair in the Premises that may make the Landlord liable under any Act or under this Lease.

4.19 **Planning Acts**

- 4.19.1 The Tenant must comply with the requirements of the Planning Acts and with all Planning Permissions relating to or affecting the Premises or anything done or to be done on them.
- 4.19.2 The Tenant must not apply for any Planning Permission except where any approval or consent required under any other provisions in this Lease for development or change of use has already been given and the Landlord has approved the terms of the application for Planning Permission.
- 4.19.3 The Tenant may only implement a Planning Permission that the Landlord has approved.

4.20 **Encroachments and Servitudes**

The Tenant must not allow any rights or servitudes to be acquired over the Premises. If an encroachment may result in the acquisition of a right or servitude:

- 4.20.1 the Tenant must notify the Landlord; and
- 4.20.2 the Tenant must help the Landlord in any way that the Landlord requests to prevent that acquisition so long as the Landlord meets the Tenant's costs and it is not adverse to the Tenant's business interests to do so.

4.21 **Title Conditions**

The Tenant must:

- 4.21.1 comply with any title conditions (which includes servitudes) relating to the Premises;
- 4.21.2 do nothing which would cause the Landlord to be in breach of such title conditions; and
- 4.21.3 not exercise any right which the Tenant may have to enforce any title condition relating to the Premises against a third party without the Landlord's consent.

4.22 **Applications for consent or approval**

Where the Tenant makes any application to the Landlord for consent or approval under this Lease, the Tenant must provide to the Landlord all the information the Landlord requires to enable the Landlord to consider the application.

4.23 **Data Sharing**

The Tenant must, if required by the Landlord, provide the Landlord on a [quarterly] [annual] basis, all data relative to the Environmental Performance of the Premises that the Tenant holds, such data to be delivered:

- 4.23.1 in a form which provides meaningful and useful information; and

³⁷ Use where it has been agreed that works will done by the Tenant irrespective of whether this Lease terminates before or after the date on which the works require to be completed under the AEP Regulations.

- 4.23.2 using an industry accepted methodology, agreed by the Landlord and the Tenant (each being bound to act reasonably), to ensure consistency of the data.

The Landlord undertakes to keep any such disclosed data confidential and only to use it to comply with any Legal Requirement.

5. Landlord's Obligations

5.1 Warrantice

Subject to the other provisions in this Lease, the Landlord grants warrantice.

5.2 Insurance

The Landlord must comply with the Landlord's obligations in Part 4 of the Schedule.

5.3 Repayment of rent

- 5.3.1 The Landlord must refund any Rent and Insurance Costs paid in advance by the Tenant in relation to the period falling after the End Date within [10] Business Days after the End Date.

- 5.3.2 Clause 5.3.1 will not apply if the Landlord ends this Lease under Clause 6.1 or if this Lease is disclaimed by the Crown or by a liquidator or trustee in bankruptcy of the Tenant.³⁸

5.4 Entry Safeguards

The Landlord must, when entering the Premises to exercise any Landlord's rights:

- 5.4.1 give the Tenant at least [three] Business Days' prior notice (except in the case of emergency, when the Landlord must give as much notice as may be reasonably practicable);
- 5.4.2 observe the Tenant's requirements (but where that includes being accompanied by the Tenant's representative the Tenant must make that representative available);
- 5.4.3 observe any specific conditions to the Landlord's entry set out in this Lease;
- 5.4.4 cause as little interference to the Tenant's business as reasonably practicable;
- 5.4.5 cause as little physical damage as reasonably practicable;
- 5.4.6 repair any physical damage that the Landlord causes as soon as reasonably practicable;
- 5.4.7 where entering to carry out works, obtain the Tenant's approval to the location, method of working and any other material matters relating to the preparation for, and execution of, the works;
- 5.4.8 remain on the Premises for no longer than is necessary; and
- 5.4.9 where reasonably practicable, exercise any rights outside the normal business hours of the Premises.

³⁸ If this Lease comes to an end due to the Tenant's default, the Landlord will be able to retain any rents paid in advance to meet any outstanding liabilities of the Tenant at the End Date.

5.5 Scaffolding

5.5.1 The Landlord must ensure that in relation to any scaffolding erected outside the Premises in exercise of the Landlord's rights under this Lease:

- (a) it is removed as soon as reasonably practicable, with any damage caused to the exterior of the Premises made good;
- (b) it causes as little obstruction as is reasonably practicable to the entrance to the Premises; and
- (c) it does not have advertising displayed on it (except for any health and safety notices and signs relating to any other tenant whose premises are obstructed or interfered with by the scaffolding) unless the Tenant has consented to its display.

5.5.2 If the Tenant's business signage is obstructed or interfered with by the scaffolding, the Landlord will permit the Tenant to display a sign (approved by the Landlord) on the exterior of the scaffolding in front of the Premises so that it is visible to the public.

6. Provisos

6.1 Landlord's right to end this Lease (irritancy)

6.1.1 Monetary Breach

- (a) If a Monetary Breach occurs the Landlord must not terminate this Lease without first giving Notice to the Tenant and to each Creditor:
 - (i) requiring payment of the outstanding sum within the period of 14 days immediately following the date of service of the Notice;³⁹ and
 - (ii) stating that failure to pay within that period may result in this Lease being terminated.
- (b) If neither the Tenant nor any Creditor complies with a Notice given under Clause 6.1.1(a) the Landlord may, at any time afterwards:
 - (i) terminate this Lease with immediate effect by Notice to the Tenant; and
 - (ii) enter, repossess and enjoy the Premises as if this Lease had not been granted.

6.1.2 Non-Monetary Breach

- (a) If there is a Non-Monetary Breach which is capable of being remedied the Landlord must not terminate this Lease without first giving Notice to the Tenant and to each Creditor specifying the Non-Monetary Breach on which the Landlord is seeking to rely and specifying a date by which that Non-Monetary Breach must be remedied stating that failure to remedy the breach by that date may result in this Lease being terminated.
- (b) For the purposes of Clause 6.1.2(a):
 - (i) the date specified in any Notice for remedy of a Non-Monetary Breach; and

³⁹ This is the period specified in the Law Reform (Miscellaneous Provisions) (Scotland) Act 1985.

- (ii) any measure to be taken by the Tenant specified in any Notice,

will be reasonable having regard to the nature and circumstances giving rise to the Non-Monetary Breach, the practicability of remedying it and the respective interests at that time of the Landlord, the Tenant and any Creditor under this Lease.

- (c) If neither the Tenant nor any Creditor complies with a Notice given under Clause 6.1.2(a) or if there is a Non-Monetary Breach which is not capable of being remedied the Landlord may:
 - (i) terminate this Lease with immediate effect by Notice to the Tenant; and
 - (ii) enter, repossess and enjoy the Premises as if this Lease had not been granted.

6.1.3 **Insolvency**

- (a) If the Tenant or any guarantor of the Tenant:
 - (i) (in the case of a company) goes into liquidation (either voluntary or compulsory other than a voluntary liquidation of a solvent company for the purpose of amalgamation or reconstruction) or if a receiver or an administrator is appointed; or
 - (ii) becomes apparently insolvent; or
 - (iii) makes any arrangement with creditors; or
 - (iv) (in the case of a company) is struck off the register of companies or is dissolved; or
 - (v) (in the case of an individual) has been sequestrated, enters in to an individual voluntary arrangement or signs a trust deed for creditors;

the Landlord may (subject to the terms of the Enterprise Act 2002) terminate this Lease with immediate effect by Notice to the Tenant and enter, repossess and enjoy the Premises as if this Lease had not been granted.

- (b) If, prior to this Lease being terminated in accordance with Clause 6.1.3(a), the Insolvency Practitioner or Creditor delivers a validly executed personal undertaking (in a form acceptable to the Landlord) to accept personal liability for the payment of the Rent (whether due for the period before or after the Insolvency Date) and for the performance of all of the other obligations of the Tenant under this Lease from the Insolvency Date until the earlier of:
 - (i) the date of the permitted disposal of the Tenant's interest under this Lease;
 - (ii) the expiry of a [six] month period from the Insolvency Date; and
 - (iii) the End Date;

then the Landlord will not exercise its right in Clause 6.1.3(a) until the expiry of the period of [six] months from the Insolvency Date.

- (c) If the Insolvency Practitioner or Creditor delivers to the Landlord a validly executed personal undertaking as specified in Clause 6.1.3(b), the Landlord

will deal with any request for consent to assign this Lease made by the Insolvency Practitioner or Creditor in the same manner *mutatis mutandis* as if the request had been made by the Tenant.

6.1.4 **Preservation of Other Claims and Remedies**

- (a) The Landlord's rights under this Clause 6.1 are in addition, and without prejudice, to any other claims and remedies available to the Landlord.
- (b) The termination of this Lease under the terms of Clauses 6.1.1, 6.1.2 or 6.1.3 will not prejudice any claim or remedy of the Landlord in respect of any previous breach of the Tenant's obligations under this Lease.

6.2 **Rei Interitus**

Except to the extent expressly provided in this Lease, and notwithstanding any rule of law to the contrary, this Lease will not end by reason of any damage to or destruction of the Premises but will remain in full force and effect.

6.3 **No acquisition of servitudes or rights**

- 6.3.1 Unless they are expressly included in Part 1 of the Schedule, the grant of this Lease does not include any liberties, privileges, servitudes, rights or advantages over any adjoining premises.
- 6.3.2 The Tenant has no rights that would restrict building or carrying out of works to any adjoining premises, other than any that the Landlord specifically grants the Tenant in this Lease.
- 6.3.3 The Tenant has **no** rights to enforce, or to prevent the release or modification of, the benefit of any obligations, rights or conditions to which any other property within any adjoining premises are subject.

6.4 **Works to adjoining premises**

If the Landlord carries out [a] works of construction, demolition, alteration or redevelopment, [or (b) any Recommended Improvement Measures] on any adjoining premises, it must:

- 6.4.1 give the Tenant details of the works to be carried out;
- 6.4.2 consult with the Tenant as to the management of potential interference;
- 6.4.3 take reasonable steps to ensure that the works do not materially adversely affect the Tenant's ability to carry out its business from the Premises;
- 6.4.4 take into consideration modern standards of construction and workmanship;
- 6.4.5 take reasonable steps to reduce any interference to the Premises by noise, dust and vibration (having taken into consideration the Tenant's suggestions for limiting any interference); and
- 6.4.6 make good any physical damage to the Premises or its contents.

6.5 **Service of Notices**

- 6.5.1 Any Notice (including any notice to quit) must be in writing and sent by pre-paid first class post or special delivery to or otherwise delivered to or left at the address of the recipient under Clause 6.5.2 or to any other address in the United Kingdom that the recipient has specified as its address for service by giving not less than 10 Business Days' notice under this Clause 6.5.

6.5.2 A Notice served on:

- (a) a company or limited liability partnership registered in the United Kingdom must be served at its registered office;
- (b) a person resident in or incorporated in a country outside the United Kingdom must be served at the address for service in the United Kingdom of that party set out in the deed or document to which they are a party or if no such address has been given at their last known address in the United Kingdom[. The following [are the addresses] [is the address] for service in the United Kingdom⁴⁰ for:]
 - (i) [Insert name of Landlord] – [Insert address]; and
 - (ii) [Insert name of Tenant] – [Insert address]]; and
- (c) anyone else must be served:
 - (i) in the case of the Landlord, at any postal address in the United Kingdom shown from time to time for the registered proprietor or if no such address is given, at its last known address in the United Kingdom;
 - (ii) in the case of the Tenant, at the Premises; and
 - (iii) in respect of any other party, at their last known address in the United Kingdom.

6.5.3 Any Notice given will be treated as served on the second Business Day after the date of posting if sent by pre-paid first class post or special delivery or at the time the Notice is delivered to or left at the recipient's address if delivered to or left at that address.

6.5.4 If a Notice is treated as served on a day that is not a Business Day or after 5.00pm on a Business Day it will be treated as served at 9.00am on the immediately following Business Day.

6.5.5 Service of a Notice by fax or e-mail is not a valid form of service under this Lease.

6.6 **Energy Performance⁴¹**

6.6.1 The Tenant must not obtain or commission an EPC in respect of the Premises unless required to do so by the EPB Regulations. If the Tenant is required to obtain an EPC, the Tenant must (at the Landlord's option) obtain an EPC from an assessor approved by the Landlord or pay the Landlord's costs of obtaining an EPC for the Premises.

6.6.2 The Tenant must not obtain or commission an Action Plan in respect of the Premises.

6.6.3 The Tenant must cooperate with the Landlord, so far as is necessary, to allow the Landlord to obtain any EPC or Action Plan for the Premises and;

- (a) provide the Landlord (at the Landlord's cost) with copies of any plans or other information held by the Tenant that would assist in obtaining that EPC or Action Plan; and

⁴⁰ If any of the original parties to this Lease are non-UK parties, include an address for service in the United Kingdom for that party here.

⁴¹ The Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 apply to buildings or building units over 1000m² which do not meet 2002 or later building standards. Ultimate responsibility for compliance with the regulations rests with the building owner, although carrying out the measures or improvement works identified in an action plan can be delegated to a third party e.g. a tenant.

- (b) allow such access to the Premises to any energy assessor appointed by the Landlord as is necessary to inspect the Premises for the purposes of preparing any EPC or Action Plan.

6.6.4 The Tenant must give the Landlord written details on request of the unique reference number of any EPC the Tenant obtains or commissions in respect of the Premises.

6.6.5 The Landlord must give the Tenant written details on request of the unique reference number of any EPC the Landlord obtains or commissions in respect of the Premises.

6.7 [Sustainability]

The Landlord and Tenant must comply with the provisions of Part 7 of the Schedule.⁴²

7. [Break Clause]

7.1 [The Tenant may terminate this Lease on [any] [the] Break Date by giving the Landlord not less than *[Insert length]* months' notice [specifying the Break Date]⁴³ following which the Term will end on that Break Date⁴⁴ if:

7.1.1 on the Break Date the Rent due up to and including that Break Date has been paid in full; [and]

7.1.2 on the Break Date the whole of the Premises are given back to the Landlord [free of the Tenant's occupation and the occupation of any other lawful occupier and without any continuing sub-leases]⁴⁵; and

7.1.3 the Tenant has, on or before the Break Date, paid to the Landlord an amount equal to *[Insert figure/proportion of the Rent]* (plus any VAT payable on that amount)].

7.2 The Landlord may waive any of the pre-conditions in [Clauses 7.1.1 to 7.1.3] at any time before the [relevant] Break Date by notifying the Tenant.

7.3 [If the Tenant gives Notice to the Landlord under Clause 7.1, the Tenant must on or before the Break Date make the payment to the Landlord as detailed in Clause 7.1.3.]

7.4 The break right in this Clause 7 is personal to the Tenant (here meaning [] Limited) and will end on the effective date of any permitted assignment of this Lease or on the date when [] Limited ceases to exist.

7.5 If this Lease ends under this Clause 7, this will not affect the rights of any party for any prior breach of an obligation in this Lease.⁴⁶

7.6 Time is of the essence for the purposes of this Clause 7.]

⁴² See FN41 above. As a consequence of the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016, the importance and necessity to include Part 7 of the Schedule ("Sustainability") has increased.

⁴³ This wording is not required if the Tenant can end this Lease only on a single specified date.

⁴⁴ The conditions in this break clause are consistent with the Code for Leasing Business Premises (2007).

⁴⁵ This wording is intended to ensure that the Tenant has given physical possession (ie removed itself and all of its fittings, furniture and equipment from the Premises) and that there are no subsisting occupation rights. However, the wording, in Scotland, may also be considered to include legal (vacant) possession where if the Tenant has not completely removed everything from the Premises by the Break Date (eg left behind some internal partitioning or furniture), it may lose its right to terminate the lease on the Break Date (*Riverside Park Ltd v NHS Property Services Limited* [2016] EWHC 1313 (Ch)). The Code for Leasing Business Premises in England & Wales published in March 2007 recommends that: "The only pre-conditions to tenants exercising any break clauses should be that they are up to date with the main rent, give up occupation and leave behind no continuing subleases. Disputes about the state of the premises, or what has been left behind or removed, should be settled later (like with normal lease expiry)." The Tenant may, therefore, want to consider deleting this wording so that there can be no doubt that the right to break is preserved, leaving the Landlord with the usual remedies against the Tenant in the event that the Tenant has not given full legal and physical possession to the Landlord on the Break Date.

⁴⁶ The obligation to repay any rent relating to the period after the Break Date is in Clause 5.3.

8. Jurisdiction

- 8.1 This Lease and any non-contractual obligations arising out of or in connection with it will be governed by the law of Scotland.
- 8.2 Subject to Clause 8.3 and any provisions in this Lease requiring a dispute to be settled by an expert or by arbitration, the courts of Scotland have exclusive jurisdiction to decide any dispute arising out of or in connection with this Lease, including in relation to any non-contractual obligations.
- 8.3 Any party may seek to enforce an order of the courts of Scotland arising out of or in connection with this Lease, including in relation to any non-contractual obligations, in any court of competent jurisdiction.

9. Consent to Registration

The Landlord and the Tenant consent to registration of this Lease for preservation and execution: IN WITNESS WHEREOF this Lease consisting of this and the preceding [] pages together with the Schedule of [9] Parts and the Plans annexed and subscribed as relative to this Lease are subscribed as follows:

Schedule

This is the Schedule referred to in the foregoing lease between [] and []

Part 1
Tenant's Rights⁴⁷

[Except in the case of exclusive rights granted to the Tenant, the] [The] following rights are granted to the Tenant in common with the Landlord and any person authorised by the Landlord but subject to the Landlord's rights:

1. **Running of services**

To connect to and use the Conducting Media connecting the Premises to the public mains for the passage of Supplies from and to the Premises.

2. **Support and shelter**

Support and shelter for the Premises from any adjoining premises owned by the Landlord.

⁴⁷ Appropriate rights will be property specific in each case.

Part 2
Landlord's Reserved Rights

The following rights are excepted and reserved to the Landlord:

1. Support, shelter, light and air

- 1.1 Support and shelter for any adjoining premises owned by the Landlord from the Premises.
- 1.2 All rights of light or air to the Premises that now exist or that might (but for this reservation) be acquired over any other land.

2. Entry on to the Premises⁴⁸

- 2.1 To enter the Premises to:
 - 2.1.1 review or measure the Environmental Performance of the Premises including to install, and to monitor metering equipment within or relating to the Premises and to prepare and display an EPC, Action Plan or Display Energy Certificate; and
 - 2.1.2 estimate the current value or rebuilding cost of the Premises for insurance or any other purpose.
- 2.2 If the relevant work cannot be reasonably carried out without entry onto the Premises, to enter them to:
 - 2.2.1 build on or into any boundary or party walls on or adjacent to the Premises; and
 - 2.2.2 inspect, repair, alter, decorate, rebuild or carry out other works on any adjoining premises owned by the Landlord;
- 2.3 To enter the Premises to carry out or implement any Recommended Improvement Measures, Operational Rating Measures or any other works or measures to implement any Action Plan (or any other similar or replacement obligation) declaring that nothing in this paragraph 2.3 restricts or prevents the Landlord from enforcing any of the Tenant's Obligations that would otherwise require the Tenant to carry out or implement, or to meet the whole or part of the cost of carrying out or implementing, any such works or measures.
- 2.4 To enter the Premises to do anything that the Landlord is expressly entitled or required to do under this Lease or for any other reasonable purpose in connection with this Lease.

3. [Roofs

The right to place plant, machinery or equipment on the roof of the Premises and a right of access to the roof along such route as the Landlord may require.]

4. Adjoining premises

Subject to Clause 6.4, to carry out works of construction, demolition, alteration or redevelopment on any adjoining premises (and to permit others to do so) as the Landlord in its absolute discretion considers fit (whether or not these works interfere with the flow of light and air to the Premises) and the right in connection with those works to underpin and shore up the Premises.

⁴⁸ The safeguards that tenants ordinarily look for where a landlord has a right of entry are contained in Clause 5.4 (Landlord's obligations). There is no need to repeat them in this Part of the Schedule.

5. **Plant, equipment and scaffolding**

The right, where necessary, to bring plant and equipment onto the Premises and to place scaffolding and ladders on the exterior of or outside the Premises in exercising the Landlord's rights under this Lease.

Part 3
Rent Review⁴⁹

1. Defined terms

This Part of the Schedule uses the following definitions:

"Assumptions" means that:

- (a) if the Premises have been damaged or destroyed, they have been reinstated before the Rent Review Date;
- (b) the Premises are fit for immediate occupation and use by the willing tenant;⁵⁰
- (c) the Premises may lawfully be let to and used for the Permitted Use by any person throughout the term of the Hypothetical Lease;
- (d) the Tenant has complied with the Tenant's obligations in this Lease and (except to the extent that there has been a material or persistent breach by the Landlord) the Landlord has complied with the Landlord's obligations in this Lease; and
- (e) on the grant of the Hypothetical Lease the willing tenant will receive the benefit of a rent free period, rent concession or any other inducement of a length or amount that might be negotiated in the open market for fitting-out purposes and that the Market Rent is the rent that would become payable after the end of that period or concession or payment of that inducement.⁵¹

"Disregards" means any or all of the following:

- (a) any effect on rent of the Tenant (and the Tenant's predecessors in title and lawful occupiers) having been in occupation of the Premises;
- (b) any goodwill accruing to the Premises because of the Tenant's business (and that of the Tenant's predecessors in title and lawful occupiers);
- (c) any special bid that the Tenant or any other party with a special interest in the Premises might make by reason of its occupation of any adjoining premises;
- (d) any increase in rent attributable to any improvement, including any tenant's initial fitting-out works [and any Prior Lease Alterations]⁵², whether or not within the Premises:
 - (i) carried out by and at the cost of the Tenant or the Tenant's predecessors in title or lawful occupiers before or during the Term;
 - (ii) carried out with the written consent, where required, of the Landlord or the Landlord's predecessors in title; and
 - (iii) not carried out pursuant to an obligation to the Landlord or the Landlord's predecessors in title (but any obligations relating to the method or timing of

⁴⁹ This Part of the Schedule contains an open market review. There is no attempt to review to a headline rent.

⁵⁰ There is deliberately no assumption that the Premises are fitted-out. If the Premises are to be valued on the assumption that they are handed over to the Tenant in a specific state (such as shell and core with capped services) then a rent review specification will be needed and an additional assumption added that the Premises are handed over to the willing tenant in the state set out in the specification.

⁵¹ This assumption is considered to be neutral. There is no attempt to review to a headline rent.

⁵² If this Lease follows on from a pre existing lease with the Tenant or on a lease re-gearing consider carefully the extent of the Premises to be taken into account on a rent review under this Lease and whether works carried out under the Prior Lease should be taken into account or disregarded for the purposes of rent review

works in any document giving consent will not be treated as an obligation for these purposes);

- (e) any reduction in rent attributable to works that have been carried out by the Tenant (or the Tenant's predecessors in title or lawful occupiers); and
- (f) any reduction in rent attributable to any temporary works, operations or other activities on any adjoining premises.

"Hypothetical Lease" means a lease:

- (a) of the whole of the Premises;
- (b) on the same terms as this Lease (including this Part of the Schedule) except for:
 - (i) the amount of Rent payable immediately before the Rent Review Date;
 - (ii) any rent free period, rent concession or any other inducement received by the Tenant in relation to the grant of this Lease;
 - (iii) any break clause in this Lease;⁵³ [and]
 - (iv) [*Insert any other specific exclusions*]
- (c) by a willing landlord to a willing tenant;
- (d) with vacant possession;
- (e) without any premium payable by or (subject to paragraph (e) of the definition of "Assumptions") to the willing tenant;
- (f) for a term of [*Insert length*] years starting on the Rent Review Date; [and]
- (g) with rent review dates every [five] years[; and]
- (h) with a right for the tenant to bring the Hypothetical Lease to an end on [or at any time after] the [*Insert number*] anniversary of the date on which the term starts]⁵⁴.

"Market Rent" means the yearly rent at which the Premises might reasonably be expected to be let on the open market on the Rent Review Date, on the terms of the Hypothetical Lease and applying the Assumptions and the Disregards.⁵⁵

2. Rent review

2.1 On the Rent Review Date the Rent is to be reviewed to the higher of:

- 2.1.1 the Rent payable immediately before the Rent Review Date; and
- 2.1.2 the Market Rent.

2.2 The reviewed Rent will be payable from and including the Rent Review Date.

⁵³ All break clauses in this Lease are ignored. Any corresponding break clauses in the Hypothetical Lease should be included in sub-paragraph (h). Where there is a rent free period or concessionary rent that follows the non-exercise of the break clause, consider including a specific exclusion of this.

⁵⁴ Consider the treatment of break clauses in the Hypothetical Lease.

⁵⁵ Current market practice is generally not to use the expression "best rent".

3. Resolution of disputes

- 3.1 The Market Rent at the Rent Review Date may be agreed between the Landlord and the Tenant. If they have not done so (whether or not they have tried) by [the date three months before] the Rent Review Date, either the Landlord or the Tenant can require the Market Rent to be decided by an independent [expert] [arbitrator].⁵⁶ If the Landlord and the Tenant do not agree on who should decide the Market Rent, the [expert] [arbitrator] will be appointed by the chair (or senior office holder) for the time being of the Royal Institution of Chartered Surveyors in Scotland (as constituted, re-constituted, formed or re-formed from time to time) on the application of either the Landlord or the Tenant. [The seat of the arbitration will be Scotland and the reference to the arbitration will take effect subject to and in accordance with the Arbitration (Scotland) Act 2010]⁵⁷.

[The [expert] [arbitrator] will:

- 3.1.1 invite the Landlord and the Tenant to submit to him a proposal for the Market Rent with any relevant supporting documentation;
 - 3.1.2 give the Landlord and the Tenant an opportunity to make counter submissions;
 - 3.1.3 give written reasons for his decisions, which will be binding on the parties; and
 - 3.1.4 be paid by the Landlord and the Tenant in the shares and in the manner that he decides (or failing a decision, in equal shares).]
- 3.2 The [expert] [arbitrator] must be an independent chartered surveyor of not less than 10 years' standing who is experienced in the rental valuation of property similar to the Premises and who knows the local market for such premises.
- 3.3 If the [expert] [arbitrator] dies, becomes unwilling or incapable of acting or it becomes apparent for any other reason that he will be unable to decide the Market Rent within a reasonable time, he may be replaced by a new [expert] [arbitrator] who must be appointed on the terms set out in this paragraph 3.
- 3.4 Responsibility for the costs of referring a dispute to an [expert] [arbitrator], including costs connected with the appointment of the [expert] [arbitrator] but not the legal and other professional costs of any party in relation to a dispute, will be decided by the [expert] [arbitrator] and failing a decision, they will be shared equally between the parties.

4. Consequences of delay in agreeing the revised rent

- 4.1 If, by the Rent Review Date, the reviewed Rent has not been ascertained, then:
- 4.1.1 the Rent payable under this Lease immediately before the Rent Review Date will continue to be payable until the reviewed Rent has been ascertained;
 - 4.1.2 following the ascertainment of the reviewed Rent, the Landlord will demand the difference (if any) between the amount the Tenant has actually paid and the amount that would have been payable had the reviewed Rent been ascertained before the Rent Review Date; and
 - 4.1.3 the Tenant must pay that difference to the Landlord within 10 Business Days after that demand and interest at [three]⁵⁸ per cent below the Interest Rate calculated on a daily basis on each instalment of that difference from the date on which each instalment would have become payable to the date of payment. If not paid those sums will be treated as rent in arrear.

⁵⁶ Consider which option the client prefers for resolving rent review disputes.

⁵⁷ Consider whether the parties wish any of the non-mandatory Scottish Arbitration Rules to be disapplied at this stage.

⁵⁸ Possible need to calibrate with the corresponding chosen Interest Rate to achieve a base rate "outcome".

5. **Rent review memorandum⁵⁹**

When the Market Rent has been ascertained, a memorandum recording the Rent payable on review must be entered into. The Landlord and the Tenant will each bear their own costs in relation to that memorandum, except that the Tenant must pay to the Landlord the dues of registering that memorandum in the Books of Council and Session and of obtaining two extracts (one being provided for the Landlord and one for the Tenant).

6. **Time not of the essence**

For the purpose of this Part of the Schedule time is not of the essence.⁶⁰

⁵⁹ Please refer to the PSG Rent Review Memorandum in this context.

⁶⁰ A decision has been taken not to include provisions to circumvent any statutory restrictions on implementing rent reviews or to nominate an extra rent review date when any restrictions cease to have effect.

Part 4
Insurance and Damage Provisions

1. Tenant's insurance obligations

1.1 The Tenant must pay on demand:

1.1.1 the whole of:

- (a) the sums the Landlord pays⁶¹ to comply with paragraphs 2.1;
- (b) the cost of valuations of the Premises for insurance purposes made not more than once a year; and
- (c) the amount of any excess or deductible under any insurance policy that the Landlord incurs or will incur in complying with paragraphs 2.3 and 2.4;

1.1.2 a sum equal to the amount that the insurers refuse to pay following damage or destruction by an Insured Risk to the Premises because of the Tenant's act or failure to act; and

1.1.3 any additional or increased premiums that the insurers may require as a result of the carrying out or retention of any Permitted Works or the Tenant's or any lawful occupier's use of the Premises.

1.2 The Tenant must comply with the requirements of the insurers and must not do anything that may invalidate any insurance.

1.3 The Tenant must not use the Premises for any purpose or carry out or retain any Permitted Works that may make any additional premium payable for the insurance of the Premises, unless it has first agreed to pay the whole of that additional premium.

1.4 The Tenant must notify the Landlord as soon as practicable after it becomes aware of any damage to or destruction of the Premises by any of the Insured Risks or by an Uninsured Risk.

1.5 The Tenant must keep insured, in a sufficient sum and with a reputable insurer, public liability risks relating to the Premises.

2. Landlord's insurance obligations

2.1 The Landlord must insure (with a reputable insurer):

2.1.1 the Premises against the Insured Risks in their full reinstatement cost (including all professional fees and incidental expenses, debris removal, site clearance and irrecoverable VAT);

2.1.2 against public liability relating to the Premises; and

2.1.3 loss of the Rent for the Risk Period,

subject to all excesses, limitations and exclusions as the insurers may impose and otherwise on the insurers' usual terms.

2.2 In relation to the insurance, the Landlord must:

2.2.1 procure the Tenant's right to the Premises is noted either specifically or generically on the policy;

⁶¹ Note that Clause 2.13 already requires the amounts to be reasonable and proper.

- 2.2.2 take reasonable steps to procure that the insurers waive any rights of subrogation they might have against the Tenant (either specifically or generically);
 - 2.2.3 notify the Tenant promptly of all material variations; and
 - 2.2.4 provide the Tenant with a summary of its main terms on the Tenant's written request.
- 2.3 The Landlord must take reasonable steps to obtain any consents necessary for the reinstatement of the Premises following destruction or damage by an Insured Risk.
- 2.4 Where it is lawful to do so, the Landlord must reinstate the Premises following destruction or damage by an Insured Risk. Reinstatement need not be identical if the replacement is similar in size, quality and layout.
- 2.5 Nothing in this paragraph 2 imposes any obligation on the Landlord to insure or to reinstate tenant's fixtures forming part of the Premises.
- 2.6 The Landlord's obligations under paragraphs 2.3 and 2.4 will not apply:
- 2.6.1 unless and until the Tenant has paid the amounts referred to in paragraph 1.1.1(c) and, where applicable, paragraph 1.1.2; or
 - 2.6.2 if the Landlord notifies the Tenant under paragraph 4.1 that it ends this Lease.
- 2.7 If there is destruction or damage to the Premises by an Uninsured Risk that leaves the whole or substantially the whole of the Premises unfit for occupation and use and the Landlord notifies the Tenant within 12 months afterwards that the Landlord wishes to reinstate, paragraphs 2.3 and 2.4 will then apply as if the damage or destruction had been caused by an Insured Risk.
- 2.8 Subject to the insurance premiums being reasonable and proper and reasonably and properly incurred, the Landlord will be entitled to retain all insurance commissions for its own benefit.
- 3. Rent suspension**
- 3.1 Paragraph 3.2 will apply if the Premises are destroyed or damaged by any Insured Risk [or Uninsured Risk]⁶² so that the Premises are unfit for occupation or use. Paragraph 3.2 will not apply to the extent that the Landlord's insurance has been vitiated or payment of any policy moneys refused because of anything the Tenant does or fails to do and the Tenant has not complied with paragraph 1.1.2.
- 3.2 Subject to paragraph 3.1, the Rent or a fair proportion of it, will not be payable from and including the date of damage or destruction until the earliest of:
- 3.2.1 the date that the Premises are again fit for occupation and use and ready to receive tenant's fitting out works;
 - 3.2.2 the end of the Risk Period; and
 - 3.2.3 the End Date.
- 3.3 If paragraph 3.2 applies before the Rent Commencement Date, the number of days between the date of the damage or destruction and the Rent Commencement Date (or where only a proportion of the Rent is or would have been suspended, an equivalent proportion of those days) will be added to the date the rent suspension ends and the resulting date will become the Rent Commencement Date.

⁶² Consider whether and from which date rent suspension should apply following uninsured damage.

- 3.4 If paragraph 3.2 applies:
- 3.4.1 the Landlord must refund to the Tenant, as soon as reasonably practicable, a due proportion of any Rent paid in advance that relates to any period on or after the date of damage or destruction; and
 - 3.4.2 the Tenant must pay to the Landlord on demand the Rent for the period starting on the date it again becomes payable to (but excluding) the next Rent Day.
- 3.5 Any dispute about the application of this paragraph 3 will be decided at the request of either party by a single arbitrator under the Arbitration (Scotland) Act 2010 [in which case the protocols contained in paragraph 3 of Part 3 of the Schedule will equally apply to the subject matter of this paragraph 3].
- 4. Termination**
- 4.1 If there is destruction or damage to the Premises that leaves the whole or substantially the whole of the Premises unfit for occupation and use:
- 4.1.1 if the damage or destruction is caused by an Uninsured Risk and:
 - (a) the Landlord does not notify the Tenant within 12 months after the damage or destruction that the Landlord wishes to reinstate, this Lease will end on the last day of that 12 month period; or
 - (b) the Landlord notifies the Tenant that the Landlord does not wish to reinstate, this Lease will end on the date of that notification by the Landlord;
 - 4.1.2 if, when the Risk Period ends, the Premises have not been reinstated sufficiently so that Premises are again fit for occupation and use and ready to receive tenant's fitting out works, either the Landlord or the Tenant may end this Lease immediately by notifying the other at any time after the end of the Risk Period but before such reinstatement has been completed. The exercise of this right by the Tenant is subject to the Tenant complying with paragraph 1.1.1(c) and, where applicable, paragraph 1.1.2.
- 4.2 For the purposes of paragraphs 3.2.2 and 4.1.2, if the damage or destruction is caused by an Uninsured Risk, the Risk Period will be treated as beginning on the date the Landlord notifies the Tenant of its wish to reinstate under paragraph 2.7.
- 4.3 If this Lease ends under paragraph 4.1:
- 4.3.1 that will not affect the rights of any party for any prior breaches;
 - 4.3.2 the Tenant must give vacant possession of the Premises to the Landlord; and
 - 4.3.3 the Landlord will be entitled to retain all insurance moneys.

Part 5
Permitted Works⁶³

1. Defined terms

This Part of the Schedule uses the following definitions:

- 1.1 **"CDM Regulations"** means the Construction (Design and Management) Regulations 2015; and
- 1.2 **"Consents"** means all necessary permissions, licences and approvals for the Permitted Works under the Planning Acts, the building and fire regulations, and any other statute, bye law or regulation of any competent authority and under any obligations or provisions affecting the Premises and as otherwise required from owners, tenants or occupiers of any part of any adjoining premises.

2. Tenant's obligations in relation to Permitted Works

2.1 Before starting any Permitted Works the Tenant must:

- 2.1.1 obtain and provide the Landlord with copies of any Consents that are required before they are begun;
- 2.1.2 fulfil any conditions in the Consents required to be fulfilled before they are begun;
- 2.1.3 notify the Landlord of the date on which the Tenant intends to start the Permitted Works;
- 2.1.4 provide the Landlord with any information relating to the Permitted Works as may be required by its insurers; and
- 2.1.5 ensure that it or its building contractor has put in place public liability and employers' liability insurance of at least £[5] million in respect of each claim and provided the Landlord with a summary of the main terms of the insurance and evidence that the premiums have been paid.

2.2 If it starts any Permitted Works, the Tenant must carry out and complete them:

- 2.2.1 diligently and without interruption, and in any event before the End Date;⁶⁴
- 2.2.2 in accordance with any drawings, specifications and other documents relating to the Permitted Works that the Landlord has approved;
- 2.2.3 in a good and workmanlike manner and with good quality materials;
- 2.2.4 in compliance with the Consents and all Acts (including the Planning Acts) and with the requirements of the insurers of the Premises and (where applicable) of any competent authority or utility provider;
- 2.2.5 with as little interference as reasonably practicable to the owners and occupiers of any adjoining premises; and
- 2.2.6 in compliance, to the extent applicable, with the CDM Regulations.

⁶³ This Part of the Schedule sets out the standard provisions that will apply when the Tenant carries out works. The inclusion of this Part of the Schedule will enable the Landlord to grant consent to Tenant's works of a routine nature by reference to the obligations in this Part of the Schedule without the need for a detailed licence for alterations.

⁶⁴ If you want the Tenant to complete any works to the Premises within a set period after work has commenced, you will need to provide for this specifically in this paragraph.

- 2.3 The Tenant must make good immediately any physical damage caused by carrying out the Permitted Works.
- 2.4 The Tenant must permit the Landlord to enter the Premises to inspect the progress of the Permitted Works.
- 2.5 Until practical completion of the Permitted Works, the Tenant must:
 - 2.5.1 insure any Permitted Works for their full reinstatement cost (including professional fees) against loss or damage by the Insured Risks with a reputable insurer and provide the Landlord with a summary of the main terms of the insurance; and
 - 2.5.2 reinstate any of the Permitted Works that are damaged or destroyed before their completion.
- 2.6 Where the Landlord has given the Landlord's consent to any Permitted Works, the Tenant must comply with any additional obligations in relation to those Permitted Works that the Landlord lawfully imposes on the Tenant in giving the Landlord's consent.⁶⁵
- 2.7 As soon as reasonably practicable following completion of the Permitted Works the Tenant must:
 - 2.7.1 notify the Landlord of their completion;
 - 2.7.2 obtain any Consents that are required on their completion;
 - 2.7.3 remove all debris and equipment used in carrying out the Permitted Works;
 - 2.7.4 notify the Landlord of the cost of the Permitted Works;
 - 2.7.5 permit the Landlord to enter the Premises to inspect the completed Permitted Works;
 - 2.7.6 supply the Landlord with two complete sets of as-built plans showing the Permitted Works; and
 - 2.7.7 ensure that the Landlord is able to use and reproduce the as-built plans for any lawful purpose.
- 2.8 If the CDM Regulations apply to the Permitted Works, the Tenant must:
 - 2.8.1 comply with them and ensure that any person involved in the management, design and construction of the Permitted Works complies with their respective obligations under the CDM Regulations;
 - 2.8.2 if the Landlord would be treated as a client for the purposes of the CDM Regulations, agree to be treated as the only client in respect of the Permitted Works; and
 - 2.8.3 on completion of the Permitted Works provide the Landlord with a copy of any health and safety file relating to the Permitted Works and deliver the original file to the Landlord at the End Date.
- 2.9 If the Permitted Works invalidate or materially adversely affect an existing EPC or require the commissioning of an EPC, the Tenant must (at the Landlord's option):
 - 2.9.1 obtain a new EPC and give the Landlord written details of the unique reference number for that EPC; or

⁶⁵ If you want to impose an obligation on the Tenant to begin any works to which Landlord's consent has been given, you will need to provide for this specifically in this paragraph.

2.9.2 pay the Landlord's costs of doing so.

3. No Warranty Relating To Permitted Works

The Landlord gives no express or implied warranty (and the Tenant acknowledges that the Tenant must satisfy itself):

- 3.1 as to the suitability, safety, adequacy or quality of the design or method of construction of any Permitted Works;
- 3.2 that any Permitted Works may lawfully be carried out;
- 3.3 that the structure or fabric of the Premises is able to accommodate any Permitted Works; or
- 3.4 that any of the services supplying the Premises will either have sufficient capacity for or otherwise not be adversely affected by any Permitted Works.

Part 6

Form of request to ascertain need to remove Permitted Works

Note: In the actual Request submitted by the Tenant the italicised words are to be deleted and replaced by the information that they direct should be inserted

To:

[Insert name of current landlord and address for service]

IMPORTANT: THIS REQUEST NEEDS URGENT CONSIDERATION TO ENSURE THAT YOUR RIGHTS ARE PRESERVED

Dear Sirs

[Insert address of premises demised]

This Request uses the following definitions:

"Address for Service" means *[Insert address in the UK to which the Landlord is to respond]*.

"Lease" means a lease of the Premises entered into between *[Insert parties to lease]* dated *[Insert date of lease]* [and registered in the Books of Council and Session on *[Insert registration date]*].

"Permitted Works" means "Permitted Works" as defined in the Lease.

"Premises" means the premises briefly described above, but more particularly defined in the Lease.

1. Please tell us in writing by a notice sent or delivered to our Address for Service which, if any, of the Permitted Works you require us to remove under Clause 4.12.1(c) of the Lease.
2. Your attention is drawn to Clause 4.12.3 of the Lease that releases us from any obligation to remove any Permitted Works that you have not, within [six] weeks of receiving this Request, notified us that you require to be removed in accordance with paragraph 1 above.

Yours faithfully

[duly authorised for and on behalf of]

[Insert name of current tenant]

Part 7
Sustainability⁶⁶

1. Co-operation to improve Environmental Performance

1.1 The Landlord and the Tenant confirm that they:

1.1.1 wish to promote and improve the Environmental Performance of the Premises; and

1.1.2 wish to co-operate with each other (without legal obligation) to identify appropriate strategies for the improvement of the Environmental Performance of the Premises.

OR⁶⁷

1.2 The Landlord and Tenant confirm that they:

1.2.1 wish to promote and improve the Environmental Performance of the Premises; and

1.2.2 wish to co-operate with each other to ensure that the Recommended Improvement Measures or the Operational Rating Measures contained within any Action Plan for the Premises are carried out and implemented in accordance with the provisions in the Action Plan.

2. Environmental forum⁶⁸

2.1 The Landlord [may] [must] provide an environmental forum (the "**Forum**") that will meet on a regular basis to:

2.1.1 consider the adequacy and improvement of data sharing on energy and water use, waste production and recycling;

2.1.2 review the Environmental Performance of the Premises;

2.1.3 agree targets and strategies for a travel plan for travelling to and from the Premises; and

2.1.4 agree targets and strategies to improve the Environmental Performance of the Premises.

2.2 The Forum may take any form that affords an appropriate means of communication and exchange of views, whether by meeting in person or not.

2.3 The Landlord and the Tenant will each nominate a suitable person to participate in the Forum. They will try to ensure that their nominees attend and participate in any Forum meetings or discussions of which appropriate advance notice has been given.

2.4 [The Landlord and the Tenant may agree to allow third parties to participate in the Forum for a specified period or for a specified purpose.]

2.5 [The Landlord will try to ensure that a representative of any managing agents appointed by the Landlord attends or participates in any Forum meetings or discussions of which appropriate advance notice has been given.]

⁶⁶ If the parties want to include more detailed sustainability provisions, refer to the provisions in the Better Buildings Partnership's Green Lease Toolkit. This Part of the Schedule is not intended to impose onerous obligations in relation to sustainability issues but is intended to facilitate a discussion between the parties about these issues.

⁶⁷ Include this wording where it has been determined that the Assessment of Energy Performance of Non-Domestic Buildings (Scotland) Regulations 2016 apply.

⁶⁸ On a letting of whole consider whether there is any need for an environmental forum for the Premises.

- 2.6 Where any of the issues considered, reviewed or agreed in the Forum relate exclusively to the Premises, either the Landlord or the Tenant may request that these are discussed between them and their authorised agents only (and not with any other permitted participants in the Forum).

3. **Data sharing⁶⁹**

- 3.1 The Landlord and the Tenant will share the Environmental Performance data they hold relating to the Premises. This data will be shared on a regular basis [not less frequently than quarterly] with each other, with any managing agents appointed by the Landlord and with any third party that the Landlord and the Tenant agree should receive the data.

- 3.2 The Landlord and the Tenant will where appropriate keep the data shared under this clause confidential but recognise that either party may be required to disclose such information to third parties for the purposes of compliance with a Legal Requirement. They will use that data only for the purpose of:

- 3.2.1 complying with the provisions of the AEP Regulations including the production and/or implementation of any Action Plan;
- 3.2.2 monitoring and improving the Environmental Performance of the Premises; and
- 3.2.3 measuring the Environmental Performance of the Premises against any agreed targets.

- 3.3 The Landlord must ensure where appropriate that any managing agents appointed by the Landlord are placed under a similar obligation to keep shared data confidential on the same terms as this paragraph 3.

4. **Alterations**

The Tenant will take into consideration any impact on the Environmental Performance of the Premises from any proposed works to or at the Premises.

⁶⁹ See data sharing obligation on Tenant at Clause 4.23.

Part 8
Sub-Letting

1. Defined terms

This Part 8 of the Schedule uses the following definitions:

- 1.1 "Approved Sub-lease"** means a sub-lease approved by the Landlord and, subject to any variations agreed by the Landlord in its absolute discretion:
- 1.1.1 granted without any premium being received by the Tenant;
 - 1.1.2 reserving a market rent, taking into account the terms of the sub-letting;
 - 1.1.3 containing provisions for rent review at [five yearly] intervals and otherwise on the same terms as in Part 3 of the Schedule;⁷⁰
 - 1.1.4 containing provisions for change of use and alterations corresponding to those in this Lease;
 - 1.1.5 prohibiting the assignation of the Sub-tenant's right to part only of the Sub-let Premises;
 - 1.1.6 allowing assignation of the Sub-tenant's right to the whole of the Sub-let Premises with the prior consent of the Landlord on terms corresponding to those in this Lease;
 - 1.1.7 [containing an obligation on the Sub-tenant not to enter into any sub-underlease of the whole or any part of the Sub-let Premises] **OR** [containing an obligation on the Sub-tenant not to enter into any sub-underlease of the whole of the Sub-let Premises without the prior written consent⁷¹ of the Landlord and the Tenant and an obligation on the Sub-tenant not to enter into any sub-underlease of any part of the Sub-let Premises] **OR** [containing an obligation on the Sub-tenant not to enter into any sub-underlease of the whole or any part of the Sub-let Premises without the prior written consent of the Landlord and the Tenant];⁷²
 - 1.1.8 [containing provisions requiring any Sub-Underlease to contain an absolute prohibition on entering into further subleases of whole or part [except where the Sub-Underlease is of the whole of the Premises when the Sub-Underlease may contain provisions permitting the creation of further subleases on the same terms as paragraph 1.1.7 but with the additional provision that no further underleases of whole or part will be created out of those further underleases];]
 - 1.1.9 [containing an obligation on the Sub-Undertenant not to assign the Sub-Undertenant's right to the whole of the sub-underlet premises without the prior written consent of the Landlord, the Tenant and the Sub-tenant and not to assign part of the sub-underlet premises;]
 - 1.1.10 in the case of a Sub-lease of a Permitted Part, containing a comprehensive service charge to cover the costs of repairing and maintaining the Premises and providing common services and amenities for the benefit of the tenants and occupiers of the Premises; and
 - 1.1.11 containing other provisions corresponding with those in this Lease;

⁷⁰ Some landlords may require the rent review dates in the sub-lease to coincide with those in this Lease even if this means that the first rent review falls within the first five years of the grant of the sub-lease.

⁷¹ Although the interpretation clause in this Lease states that references to a consent are to a prior written consent, the full form of wording has been included in this paragraph 1.1.7 and in paragraph 1.1.9 of this Part of the Schedule as the relevant interpretation clause may not be included in the sub-lease.

⁷² Take specific instruction on whether a subtenant should have the right to sub-underlet. Paragraphs 1.1.8 and 1.1.9 of this Part of the Schedule will not be required if sub-underletting is prohibited.

- 1.2 **"Approved Sub-tenant"** means a person approved by the Landlord;
- 1.3 **["Permitted Part"** means any part of the Premises that the Landlord approves;

OR

any of the following:

- 1.3.1 a whole floor of the Premises; [or]
- 1.3.2 two or more adjoining whole floors of the Premises; [or]
- 1.3.3 part of a floor of the Premises [if sublet with an adjoining whole floor]]

in each case having independent means of access, for general access and for servicing, from the public highway, or from those parts of the Premises approved by the Landlord as common parts for the use and enjoyment of the Tenant and any permitted sub-tenants of the Premises;]

- 1.4 **["Sub-lease"** means the sub-lease entered into following the approval of an Approved Sub-lease;]
- 1.5 **"Sub-let Premises"** means the premises let by a Sub-lease; [and]
- 1.6 **"Sub-tenant"** means the Approved Sub-tenant to whom the Tenant grants a Sub-lease[;
- 1.7 **"Sub-Underlease"** means any sub-underlease derived from a Sub-lease; and]
- 1.8 **["Sub-Undertenant"** means any tenant under a Sub-Underlease].

2. Right to Sub-let

- 2.1 [Subject to paragraph 2.2, the] [The] Tenant may, with the Landlord's consent, sub-let the whole of the Premises [or the whole of a Permitted Part] by an Approved Sub-lease to an Approved Sub-tenant.
- 2.2 [The Tenant must not allow more than *[Insert number]* people (including the Tenant) to have a legal right to occupy the Premises. Any Group Company of the Tenant [and any Service Provider providing services to the Tenant at the Premises] will count as the Tenant for the purposes of this paragraph.]

3. Obligations in relation to sub-leases

- 3.1 The Tenant must ensure the Sub-tenant complies with the terms of its Sub-lease and any Sub-Undertenant complies with the terms of its Sub-Underlease.
- 3.2 The Tenant must not reduce, defer, accelerate or commute any rent payable under any Sub-lease.
- 3.3 On any review of the rent payable under any Sub-lease, the Tenant must:
- 3.3.1 review the rent of the Sub-lease in compliance with its terms;
- 3.3.2 not agree the reviewed rent (or the appointment of any third party to decide it) without the Landlord's approval;
- 3.3.3 include in the Tenant's representations to any third party any representations that the Landlord may require; and
- 3.3.4 notify the Landlord what the reviewed rent is within two weeks of its agreement or resolution by a third party.

- 3.4 [The Tenant must not vary the terms or accept any renunciation of any Sub-lease without the Landlord's approval.]

Part 9
Plans⁷³

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⁷³ The signatories of this Lease should sign this page as well as each plan which is included in this Part of the Schedule.