



TaylorWessing

UK REIT Horizon Scanner Q1 2024

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Key issues

Key issues coming up for UK Main Market REITs in corporate, financial regulatory, planning, real estate, securities law and regulation, tax¹ and in relation to ESG matters, in England (including assimilated EU law²).

Issue/status/timing: New developments since our September 2023 edition are shown in **green text**.

Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment³)

- **Red – likely to have material impact**
- **Amber – limited impact or await developments**
- **Green – minor or no direct impact**

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- ¹ We have set out below the proposed tax changes that are likely to directly and materially impact REITs. We have not sought to cover changes of more general application, which may also impact REITs.
- ² 'assimilated EU law' (where used) is EU law that remains in force after the end of 2023. Note that 'assimilated EU law' is the new name for 'retained EU law' after the end of 2023. The name-change was effected by the Retained EU Law (Revocation and Reform) Act 2023 and is intended to reflect the removal of some EU-derived features from retained EU law after the end of 2023. It only renames law – it does not change the legal effects of the underlying renamed law.
- ³ Although the Listing Rules do not apply to the SFS, it is common for SFS companies voluntarily to comply with certain key Listing Rules and to state an intention to comply with the UK Corporate Governance Code.

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 TaylorWessing | **1 | Equity capital markets**

UK REIT Horizon Scanner Q1 2024

Equity capital markets

Key developments since Q3 2023

- FCA published details of UK listing regime reform for consultation
- Government published draft regulations for a new UK rules-based regime for public offers and admissions (substantially same form draft published in July 2023)
- Amendments to Rule 21 Takeover Code on frustrating action took effect

Issues	Status	Key Timing	Impact
<p>Reforms to UK listing regime</p> <p>Affects: mainly listed commercial companies but also some impact on closed-ended investment funds</p>	<p>On 20 December 2023, the FCA published detailed proposals for reforming the UK listing regime for consultation (CP23/31). The consultation closes on 22 March 2024. The FCA aims to publish a final policy statement at the start of H2 2024, with a proposed two weeks between publication and implementation of the final rules. See previous editions of the UK REIT Horizon Scanner and Taylor Wessing article FCA publishes detailed proposals for UK listing regime overhaul for background.</p> <p>Main points include:</p> <ul style="list-style-type: none"> • FCA's intention to replace existing standard and premium segments with a single UK listing category for "equity shares (commercial companies)" (ESCC) is confirmed, and proposed approach is set out in CP23/31. • The new listing regime will be underpinned by new UK Listing Rules sourcebook (UKLR) which will replace the existing Listing Rules. • Chapter 1 of CP23/31 provides a summary of the proposals for the new ESCC category and sponsor regime, and Chapter 3 provides a more detailed overview (note that draft rules for the equity shares of closed-ended investment funds (CEIFs) (UKLR 11) will be published later in Q1 2024 – see below) • There is a UKLR origins table in Appendix 3 of CP23/31 which contains an approximate map of current to new LRs. <p>As well as the proposal for a new single ESCC category, broadly the proposals include:</p> <ul style="list-style-type: none"> • Class 1 transactions will not require shareholder approval but will require enhanced market notifications. • Class 2 transactions will no longer exist as a concept. • Related party transactions will not require shareholder approval but will require market notification, a sponsor fair and reasonable opinion at the ≥5% threshold and board approval. Also proposed is that the threshold at which a substantial shareholder becomes a related party is increased from 10% to 20%. • Modifications to the sponsor regime. • No three-year minimum track record on IPO. • More flexible approach to dual/multiple-class share structures. 	<p>22 March 2024 consultation closes, and beginning of H2 2024 for reforms to take effect</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK listing regime (cont.)</p> <p>Affects: mainly listed commercial companies but also some impact on closed-ended investment funds</p>	<p>The FCA intends to carry forward the separate category for equity shares of CEIFs (current LR 15) – Chapter 12 CP23/31 explains its proposed approach. The FCA expects to broadly retain the current LR 15 eligibility and continuing obligations provisions. However, points to note include:</p> <ul style="list-style-type: none"> • Transactions outside a CEIF investment policy that engage a percentage ratio ≥ 25 would be subject to prior shareholder approval and an FCA-approved circular. • As currently required (LR 15.5.4R), transactions with the investment manager and/or any member of the investment manager's group would be subject to the related party transactions regime: a sponsor fair and reasonable opinion if any percentage ratio is $\geq 0.25\%$, and prior shareholder approval with an FCA-approved circular along with a sponsor fair and reasonable opinion where any percentage ratio is $\geq 5\%$. Aggregation principles would continue to apply. Existing additional exemption in LR 15.5.5R would continue to apply for certain related party transactions. • Proposed alleviation for transactions or arrangements with a related party within the scope of a CEIF's published investment policy. A sponsor fair and reasonable opinion must be obtained where percentage ratio is $\geq 0.25\%$ but (unlike transactions falling outside the scope of the published investment policy) prior shareholder approval would not be required even where a percentage ratio is $\geq 5\%$. • Where a new class of shares (e.g. C shares) is issued that is ultimately intended to convert into an existing class of shares where such shares carry voting rights prior to conversion, they will be listed in the CEIFs category. Where they do not carry voting rights, they will be listed in the proposed new non-equity and non-voting equity shares category. • The sponsor role in relation to CEIFs would be retained broadly unchanged (proposals summarised in Chapter 17 of CP23/31). • CEIFs with additional classes of equity shares listed under LR 14 would be mapped to a transition category, after which the issuer could apply using the standard transfer process to transfer these classes of equity shares to the CEIF category. 	<p>22 March 2024 consultation closes, and beginning of H2 2024 for reforms to take effect</p>	<p>Red</p>
<p>Reforms to UK prospectus regime</p> <p>Affects: companies looking to make a public offer or for admission to trading</p>	<p>On 27 November 2023, the government published the draft Public Offers and Admissions to Trading Regulations 2023 and draft explanatory memorandum. The regulations will replace the current prospectus regime and create a new UK rules-based regime for public offers and admissions to trading on a UK regulated market or a primary MTF. Save for clarifying and other minor changes, these draft regulations are in substantially the same form as the draft published in July 2023. The new regime created by the regulations will not come into force until the FCA has consulted on and finalised the underlying regulatory framework (expected summer 2024). See UK REIT Horizon Scanner Q3 2023 for further detail and webpage.</p>	<p>Awaiting FCA consultation</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations</p> <p>Affects: listed companies</p>	<p>On 19 July 2022, HM Treasury published the final report in relation to its UK Secondary Capital Raising Review (SCRR) for improving secondary capital raising processes for UK listed companies. It sets out a series of recommendations to the government (which have been accepted), the FCA and the Pre-Emption Group (PEG) which include those set out below. Some recommendation have been actioned – see previous editions of the UK REIT Horizon Scanner for background and further detail.</p> <p><i>Threshold required for prospectus in connection with a secondary raise will increase from 20% of its existing share capital to 75%. In addition, no sponsor needed in connection with a secondary fundraising, but sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Near term implementation.</i></p> <p><i>On all capital raisings, companies should give due consideration to the interests of retail shareholders. The period an IPO prospectus involving a retail offer has to be made publicly available should be shortened to three working days (from six). Near term implementation as part of wider prospectus regime review .</i></p> <p><i>Increase the range of choice of available fundraising structures:</i> Recommendations include the adoption of the Australian concept of a 'cleansing notice' for secondary fundraisings not involving a prospectus. Near/medium term implementation.</p> <p><i>Raise priority of 'drive to digitisation':</i> Shareholders to hold shares in digitised form. See below 'Digitisation of UK shareholding framework'.</p> <p><i>Make existing fundraising structures quicker and cheaper</i></p> <ul style="list-style-type: none"> • Offer periods for rights issues and open offers shortened to seven business days (from ten). Near term implementation. • Flexibility for notice periods for shareholder meetings (not AGMs) to be reduced to seven clear days. Medium term implementation. • CA 2006 pre-emption amended to align to usual process followed on rights issue or open offer. Near/medium term implementation. • Listing regime amended to allow for excess application mechanics attached to rights issues. Near term implementation. • So companies can market rights issues to US and EEA shareholders without a prospectus: (i) allow companies to opt-in to enhanced continuous disclosure regime (including via annual reports); (ii) apply usual director liability regime for market disclosure to any documents and information published in connection with a secondary fundraising. Near/medium term implementation. 	<p>Various – Ongoing</p>	<p>Red</p>
<p>Digitisation of UK shareholding framework</p> <p>Affects: listed companies first</p>	<p>On 11 July 2023, the Digitisation Taskforce published its interim report regarding reforms to the UK's shareholding framework. Its potential recommendations include legislating to stop new paper share certificates being issued and to require dematerialisation of all share certificates at a future date. Feedback was requested by 25 September 2023, with the final report to be issued in Spring 2024. See UK REIT Horizon Scanner Q3 and Q4 2023 for further details.</p>	<p>March 2024</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Takeovers: amendments to Rule 21 of the Takeover Code</p> <p>Affects: all companies and transactions subject to the Takeover Code</p>	<p>Amendments to Rule 21 Takeover Code, which restricts frustrating action, took effect on 11 December 2023 and were incorporated in a new 14th edition of the Takeover Code published on the same date (see previous editions of the UK REIT Horizon Scanner).</p> <p>The amendments involve restructuring and amending Rule 21.1 to make it clearer, and to include the introduction of a clearly defined period during which the restrictions in Rule 21.1 will apply. Target companies will still need to consult the Panel Executive in advance if any proposed action may be restricted under Rule 21.1, but new Notes on Rule 21 and a new Practice Statement No 34 (set out in Appendix C to Response Statement 2023/1) provide guidance on matters the Panel Executive will consider when interpreting and applying Rule 21. The Panel has also published revised Practice Statements No 2, No 29, No 30 and No 31 to reflect minor consequential amendments resulting from the changes to Rule 21. Practice Statement No 32 has been withdrawn.</p>	11 December 2023	Amber
<p>Takeovers: revised Practice Statement on invoking conditions and pre-conditions to an offer</p> <p>Affects: all companies and transactions subject to the Takeover Code</p>	<p>On 27 October 2023, the Takeover Panel issued Panel Statement 2023/12 (PS 2023/12) announcing that the Panel Executive had published a revised Practice Statement No 5 in relation to Rule 13.5 Takeover Code on invoking conditions and pre-conditions to an offer, along with an Explanatory Note outlining the changes from the previous version (July 2021).</p> <p>The revised Practice Statement clarifies the different types of conditions to an offer and explains whether Rule 13.5(a) applies to those categories. It also provides more detail as to the Executive's approach to the invocation of conditions than the previous version. A new edition of the Code was published on 11 December 2023 (see entry above).</p>	11 December 2023	Amber
<p>Insider dealing: ESG stewardship and sponsor procedures</p> <p>Affects: all market participants</p>	<p>On 19 December 2023, the FCA published Primary Market Bulletin 46, which provides commentary for market participants in relation to Article 10 UK MAR and shareholder co-operation in the context of ESG stewardship, and sponsor procedures in relation to TCFD-aligned disclosure requirements for premium listed companies.</p>	Ongoing	Amber
<p>Insider dealing: FCA observations on market soundings</p> <p>Affects: all market participants</p>	<p>On 31 October 2023, the FCA published Market Watch 75 which sets out its observations on market soundings and minimising the risk of insider dealing and unlawful disclosure. It also notes that firms and their employees should be aware of the breadth of information that the FCA can request, and which is available to it when reviewing trades, communications and documentation relating to soundings. It will intervene when it has reason to suspect behaviour detrimental to confidence in, and the fairness of, UK markets.</p>	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Governance: Glass Lewis 2024 UK Proxy Voting Policy Guidelines and ISS international benchmark policy updates</p> <p>Affects: listed companies</p>	<p>On 16 November 2023, Glass Lewis published its 2024 UK Proxy Voting Policy Guidelines and its 2024 Shareholder Proposals & ESG-Related Issues. These guidelines will apply for meetings from 1 January 2024. Notable revisions to the 2023 guidelines include in the areas of: director attendance; interlocking directorships; director accountability for climate-related issues; cyber risk oversight, and executive remuneration of shareholder requirements.</p> <p>On 19 December 2023, Institutional Shareholder Services announced the publication of its international Benchmark Policy Updates for 2024 which will for meetings from 1 February 2024. Changes for the UK and Ireland (Appendix B) relate to board diversity, share issuance authorities and the definition of significant shareholder.</p>	<p>1 January 2024 (glass Lewis)</p> <p>1 February 2024 (ISS)</p>	Amber
<p>Governance: FRC annual review of Corporate Governance Reporting</p> <p>Affects: listed companies</p>	<p>On 16 November 2023, the FRC published its annual Review of Corporate Governance Reporting, highlighting key findings from how a sample of FTSE 350 and Small Cap companies have reported during the year under the UK Corporate Governance Code. The overarching message is for companies to avoid seeing corporate governance reporting as a box ticking exercise and look to provide genuine insights as to governance outcomes, and the actions that this drives.</p>	Ongoing	Amber
<p>EU companies: access to corporate information for investors</p> <p>Affects: all EU companies</p>	<p>On 27 November 2023, the Council of the EU adopted a regulation creating the European Single Access Point (ESAP) which was published in the Official Journal on 20 December 2023. ESAP is a free platform that will make information in relation to financial and non-financial information about EU companies and EU investment products more visible and easier to access for investors (press release). The ESAP platform is expected to be available from summer 2027 and gradually phased in.</p>	Summer 2027	Green

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>DTR 4.1: structured digital reporting of annual financial statements</p> <p>Affects: annual financial reports under DTR 4.1</p>	<p>Following consultation CP 23/2, the FCA has streamlined its rules requiring DTR 4.1 issuers to prepare, publish and file their annual financial report in an electronic format, and for the financial statement within it to be in a structured digital format. See previous editions of the UK REIT Horizon Scanner for further details.</p> <p>On 7 December 2023, the FRC Lab published its insights on structured digital reporting 2023, which sets out good practice tips for tagging and reminds issuers that companies are responsible for the quality of the report even when the tagging process is outsourced.</p>	<p>The final rules came into effect on 28 July 2023 and apply to FY starting on or after 1 January 2022</p>	Amber
<p>Dividends: LSE publishes dividend timetable</p> <p>Affects: listed companies</p>	<p>On 18 July 2023, London Stock Exchange (LSE) published its Dividend Procedure Timetable 2024. A dividend timetable that follows the guidelines set out in the timetable, need not be notified to the LSE in advance, so long as the announcement of the dividend includes: unless stated otherwise, dividends stated as gross; the record date and payment date; and details of any scrip dividend, dividend reinvestment plan (DRIP) or dividend currency option, together with the election date.</p>	<p>Throughout 2024</p>	Amber
<p>Capital markets: FCA publishes Primary Market Bulletin 45</p> <p>Affects: listed companies</p>	<p>On 10 August 2023, the FCA published Primary Market Bulletin 45 (PMB 45) in which it sets out plans in relation to climate-related disclosure rules for listed companies and new guidance on disclosures regarding transition plans (see Section 6, ESG). It also:</p> <ul style="list-style-type: none"> reminds issuers that the DTRs require the auditor of a third country issuer to be registered with the FRC; reminds shell companies and SPACs that transitional arrangements will end in December 2023 regarding the minimum market capitalisation (MMC) requirement for companies seeking readmission to the Official List following a reverse takeover; and highlights that multi-factor authentication is now mandatory when using the FCA's Electronic Submission System (webpage). 	<p>Various - ongoing</p>	Amber
<p>Listing Transactions – FCA: Russia and Belarus sanctions confirmation</p> <p>Affects: issuers making vetting, guidance or listing application request</p>	<p>On 17 July 2023, the FCA published a webpage setting out what confirmations it needs about the effect of Russia and Belarus sanctions before it can begin work on a vetting, guidance or listing application request. The Russia (Sanctions) (EU Exit) Regulations 2019 and the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019 restrict access to UK capital markets and prohibit dealings with transferable securities for certain entities and impose asset freezes and other financial restrictions in relation to designated persons and investments. Russian sanctions also restrict the provision of certain professional and business advice, including legal advisory and auditing services.</p>	<p>Ongoing</p>	Amber
<p>Consultation on power to block listings on national security grounds</p> <p>Affects: potentially all companies seeking to list</p>	<p>In the FCA's regulatory initiative grid, published in November 2023, the consultation seeking views on the scope of a proposed new targeted power to allow the Government to block a company's listings, if a listing presents a risk to national security, is listed in the Annex of initiatives completed/stopped. For further detail, see previous editions of the UK REIT Horizon Scanner.</p>	<p>Stopped</p>	Green

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2 | General corporate

General corporate

Key developments since Q3 2023

- Legislation introducing measures to tackle economic crime and reform role and powers of Companies House received Royal Assent (provisions in force in stages)
- FRC announced intention to withdraw most of its proposed changes to the UK Corporate Governance Code
- Reporting on Payment Practices and Performance Regulations 2017 to be extended past sunset clause date of 6 April 2024 for 7 years (with review after 5)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and economic crime: Companies House reform and new economic crime offences</p> <p>Affects: all companies</p>	<p>On 26 October 2023, the Economic Crime and Corporate Transparency Bill received Royal Assent becoming the Economic Crime and Corporate Transparency Act 2023 (ECCTA 2023) (see previous editions of the UK REIT Horizon Scanner for background). The Act introduces a broad range of measures to tackle economic crime, including fundamental reforms that will expand the role and powers of the registrar of companies. In particular, the Act will introduce an identity verification regime for new and existing directors, LLP members and people with significant control, together with other changes to improve corporate transparency.</p> <p>The Act also extends the scope of corporate criminal liability, creating a new offence of failure to prevent fraud committed by employees or agents (application only to large organisations) and expanding the common law identification doctrine to allow for the attribution of criminal liability to companies where senior managers commit certain economic crimes. The failure to prevent offence will require the publication of guidance on an adequate procedures defence and there is not current date set for the changes to come into force. The expansion of the identification doctrine came into force on 26 December 2023.</p> <p>The company law reforms will be effected through amendments to the Companies Act 2006 and implemented through secondary legislation (most yet to be published). Many will require extensive upgrades to Companies House systems. On 3 January, a Companies House blogpost confirmed that certain changes to company law will be introduced in March 2024. These include new rules for all companies to have an appropriate address at all times and to supply a registered email address. The government has also updated its collection of Factsheets to reflect changes and additions to the Bill made during its passage through Parliament.</p> <p>The AIC has published a note on the reforms to Companies House and a note on the failure to prevent fraud offence introduced by the Act. See also Taylor Wessing articles Economic Crime and Corporate Transparency Act 2023 – impact of Companies House reforms and Corporate liability for fraud and economic crimes by senior managers within your business.</p>	<p>Ongoing</p> <p>26 December 2023 for expansion of identification doctrine</p> <p>March 2024 for certain provisions re appropriate address and email address</p>	<p>Red</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Economic crime levy: AIC note on implication for investment companies</p> <p>Affects: investment companies</p>	<p>The AIC has published a note on the implications of the Economic Crime Levy (ECL) for UK investment companies. The ECL is an annual charge that will affect entities who are supervised under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 with UK revenue exceeding £10.2 million per year. The ECL legislation is contained in ss 53 to 66 Finance Act 2022 with various practical provisions set out in the Economic Crime (Anti-Money Laundering) Levy Regulations 2022 and the Economic Crime (Anti-Money Laundering) Levy (Amendment) Regulations 2023. How the ECL will apply to investment companies, however, is unclear.</p>	Ongoing	Amber
<p>Corporate governance: proposed amendments to UKCGC</p> <p>Affects: mainly premium listed companies</p>	<p>On 7 November 2023, the FRC announced its intention to withdraw most of its proposed changes to the UK Corporate Governance Code and will only take forward a small number of the original 18 proposals. This follows the government withdrawal of the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 in October 2023 (see UK REIT Horizon Scanner Q4 2023 for details). The small number of proposals that will be taken forward include those streamlining the UKCGC, thereby reducing compliance burdens. The main substantive change still going ahead relates to internal controls. The FRC intends to publish an updated UKCGC in January 2024, following which it intends to look at reviewing the Stewardship Code (due 2024) to ensure it remains fit for purpose.</p>	<p>January 2024 – revised UKCGC published</p> <p>2024 – Stewardship Code review</p>	Red
<p>Corporate reporting: FRC report on materiality assessment</p> <p>Affects: all companies (mainly larger entities)</p>	<p>On 30 October 2023, the FRC Lab published a report which considers how companies can improve their corporate reporting by taking a more focused and strategic approach to assessing materiality: FRC Lab Report: Materiality in practice – applying a materiality mindset.</p>	Ongoing	Amber
<p>Corporate governance: artificial intelligence</p> <p>Affects: all companies</p>	<p>On 27 October 2023, the CGI published a press release warning that boards need to step up their governance approach to be ready for AI and to overcome any issues arising from its use. Boards will need to develop a governance framework for AI that sets out clear roles and responsibilities, as well as policies and procedures for managing AI risks and opportunities. This framework should be regularly reviewed and updated to reflect changes in the business and the AI landscape.</p>	Ongoing	Red
<p>National security: NSIA call for evidence</p> <p>Affects: all UK companies</p>	<p>On 13 November 2023, the Cabinet Office issued a call for evidence in relation to the National Security and Investment Act 2021 on how the regime can be more business friendly, while maintaining and refining the protections needed for national security. Responses by 15 January 2024.</p>	Ongoing	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
Corporate reporting: non-financial reporting review Affects: potentially all companies	On 24 May 2023, the Department for Business and Trade (along with the FRC) published a call for evidence on the non-financial reporting (NFR) information review (closed 16 August 2023). It primarily focuses on non-financial information requirements in Part 15 Companies Act 2006 only (and LLP equivalent). Topics on which it seeks views include the CA 2006 company size thresholds and how to integrate the International Sustainability Standards Board standards into the UK's reporting framework (see section 6, ESG). The government intends to develop proposals for public consultation in 2024.	16 August 2023, and 2024	Red
AIC notes: Non-pre-emptive shares issues and scrip dividends Affects: investment companies	Following the publication of the Pre-Emption Group's (PEG) statement of principles and template resolutions (November 2022), the AIC has published guidance on gaining shareholder support for new share issues on a non-pre-emptive basis. In particular, the AIC reports that, following discussions with PEG and the FRC regarding the frequency of post-transaction reports where investment companies are performing tap issues, a post transaction report is only required at the end of each month or at the completion of the tap issue, whichever comes first. The AIC has also published clean and blacklined versions of its updated scrip dividend guidance.	Ongoing	Amber
Late payment practices Affects: large companies	The Reporting on Payment Practices and Performance Regulations 2017 require in-scope businesses to publish information about their payment practices twice a year. They were due to expire on 6 April 2024, but on 10 January 2024, draft Regulations were published to extend them by 7 years so that they now expire on 6 April 2031. These Regulations are expected to come into force on 5 April 2024. Qualifying businesses will also be required to report the total value of invoices paid, in addition to the existing reporting requirement as to the volume of invoices, and on the proportion of invoices that are disputed and disclose the percentage of payments that were not paid within agreed terms.	Ongoing	Amber
Non-compete clauses: 3 months limit Affects: UK employers/ees	On 10 May 2023, the Department for Business and Trade published a policy paper setting out measures intended to grow the economy, including some proposed changes to non-compete clauses, as well as the Working Time Regulations 1998 and TUPE. In relation to non-competes, the government indicated in its response to its related consultation, that it will bring forward legislation to introduce a statutory limit on the length of non-compete clauses of 3 months when parliamentary time allows.	Ongoing	Amber
Corporate re-domiciliation Affects: all foreign-incorporated companies	On 12 April 2022, the government published a response to its consultation on proposals to introduce a UK corporate re-domiciliation regime to enable foreign-incorporated companies to change their place of incorporation to the UK while maintaining their legal identities as corporate bodies. The government intends to introduce the regime but no timescales are given.	Ongoing	Green

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Corporate reporting: FRC publishes annual review of corporate reporting</p> <p>Affects: mainly listed companies</p>	<p>On 5 October 2023, the FRC published its annual review of corporate reporting for 2022/2023. Whilst the report does not cover investment companies reporting against the AIC Code of Corporate Governance, many of the findings may well be useful for investment companies. See Q4 2023 edition of the UK REIT Horizon Scanner.</p> <p>On 6 December 2023, the FRC announced its areas of supervisory focus for 2024/25. The priority sectors do not include financial services, however, companies and audits from all sectors are included in the FRC's monitoring. The areas of focus which may be particularly relevant for members includes cash flow statements, climate related risks and risks related to the current economic environment.</p>	2023/2024 reporting season	Amber
<p>Corporate governance: FRC research on proxy voting advisers and ESG ratings agencies</p> <p>Affects: mainly listed companies</p>	<p>The FRC has published research into the impact of proxy voting advisers and ESG ratings agencies on FTSE 350 companies and investors. The report's findings include that, while proxy advisers and ESG rating agencies have some influence on behaviour and voting decisions, the nature and extent of this may be more nuanced and less clearcut than many companies, stakeholders and other commentators believe. Also, with the notable exception of remuneration, recommendations by the largest proxy advisers to vote against resolutions are relatively rare on most topics. The research will be shared with the FCA to aid its ongoing consultations on how proxy voting agencies interact with corporates and investors as part of corporate governance programmes.</p>	Ongoing	Amber
<p>Corporate governance: ESMA report on proxy advisor and investment chain provisions</p> <p>Affects: mainly listed companies</p>	<p>On 27 July 2023, ESMA and the EBA published a report setting out their advice to the Commission on the implementation of certain provisions of the Shareholder Rights Directive concerning proxy advisers and the investment chain. While the report finds that the framework in Article 3j concerning proxy advisers has proved robust overall, it advises a number of improvements, including clarifying the definition of the term "proxy advisor" and defining minimum standards for codes of conduct for proxy advisers.</p>	Ongoing	Green

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3 | Financial regulatory

Financial regulatory

Key developments since Q3 2023

- Updated Regulatory Initiatives Grid published
- FCA publishes statement on communications in relation to PRIIPs
- Changes to the financial promotion regime
- FCA publishes speech and webpages on next steps for Consumer Duty
- Council of the EU publishes final compromise text for the proposed Directive amending AIFMD
- ESAs publish updated consolidated Q&As on PRIIPs Key Information Document
- Inaugural meeting of EU-UK Financial Regulatory Forum
- UK and Swiss governments sign agreement on mutual recognition in financial services

Issues	Status	Key Timing	Impact
Updated Regulatory Initiatives Grid published Affects: REITs and their managers and advisers	On 30 November 2023, the Financial Services Regulatory Initiatives Forum published the November 2023 Regulatory Initiatives Grid . The next Grid is due to be published in the first half of 2024.	Ongoing	Green
ESAs publish updated consolidated Q&As on PRIIPs Key Information Document Affects: REITs sold into the EU	On 5 December 2023, the Joint Committee of the ESAs published an updated version of its consolidated Q&As on the Regulation on key information document requirements for PRIIPs. The sections of the Q&As that have been updated include general topics, market risk assessment, product categories, performance scenarios, multi-option products, and investment funds.	Ongoing	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>FCA publishes statement on communications in relation to PRIIPs</p> <p>Affects: REITs and their managers and advisers</p>	<p>On 30 November 2023, the FCA published a statement on communications in relation to PRIIPs and UCITS. It addresses concerns about costs and charges disclosure in the PRIIPs Key Information Document and MiFID II requirements and sets out the FCA's interim measure pending longer term legislative reforms. Where listed closed ended funds and funds that invest in them are concerned that the costs required to be disclosed in key information documents do not appropriately reflect the ongoing costs, they can provide additional factual information. Listed closed ended funds and other funds that invest in them may also reflect such explanations in other consumer facing communications. Firms should keep in mind their Consumer Duty obligations when considering the presentation of the information.</p> <p>The AIC issued a press release in response to the FCA's statement. It noted that what the FCA had put forward was an "interim step" rather than a solution to cost disclosure problems. It said more work was required to improve costs and charges disclosure rules and that it was working with the FCA and industry to take advantage of the new flexibility and that it would be updating the guidance to members on cost disclosures. It remains committed to finding a more comprehensive solution.</p> <p>The AIC has also supported the recent Private Members Bill, introduced in the House of Lords by Baroness Altman on 22 November 2023, to remove investment companies from the scope of the AIFMD. The latest update from AIC (issued on 16 November 2023) can be found here.</p> <p>In addition, the Treasury Sub-Committee on Financial Services Regulation has been considering the issue of cost-disclosure requirements. On 15 November 2023, it published a letter addressed to the Chancellor of the Exchequer asking for its assessment on the following areas:</p> <ul style="list-style-type: none"> • The extent to which cost transparency requirements imposed on investment companies is creating unfairness or is causing undue problems for the industry. • How such cost disclosures are being used by market participants. • The origin of any identified problems, including how they came about, and to what extent remediation of the identified problems is needed through changes to regulation. • The timeframe for any permanent remediation. • Whether interim relief can be provided before a permanent solution is found. 	Ongoing	Amber
<p>Changes to the financial promotion regime</p> <p>Affects: REITs and their managers and advisers</p>	<p>On 7 November 2023, HM Treasury published its response to its earlier proposals to amend the financial promotion exemptions for "high net worth individuals" and "self-certified sophisticated investors". The updated requirements come into force on 31 January 2024. For more information, please see our article.</p> <p>Separately, from 7 February 2023, authorised firms that wish to approve the financial promotions of unauthorised persons will need to have "approver permission" from the FCA. Applications for the gateway opened on 6 November 2023 and close on 6 February 2024. For more information, please see our article.</p>	Ongoing	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>FCA publishes speech and webpages on next steps for Consumer Duty</p> <p>Affects: REITs and their managers and advisers</p>	<p>On 1 November 2023, the FCA published a speech by the FCA Director of Cross Cutting Policy and Strategy, and a webpage on the implementation of the Consumer Duty. The FCA has also published a webpage setting out Consumer Duty resources. Key points from the speech include:</p> <ul style="list-style-type: none"> • The FCA has seen good practices three months on from the Consumer Duty coming into force. Continuing this momentum will lead to more benefits for consumers, firms, and the wider UK. • Good practices that the FCA has seen include firms simplifying their language in letters to customers and ensuring accessible formats for vulnerable customers; being more upfront on their websites about exclusions; and reviewing fees to ensure there is fair value for customers. • Firms should ensure they are learning and improving continuously and must be able to evidence this in their annual board report. • The FCA wishes to remind firms with closed products and services to check they will meet the 31 July 2024 Consumer Duty implementation deadline. The FCA does not expect firms to consider the target market and distribution strategy for products that are no longer on sale. It will however expect firms to consider if their closed products or services could lead to foreseeable harm. <p>A joint working group of the AIC and other trade bodies and associations has published guidance to assist distributors with developing a proportionate approach to providing date to manufacturers. This has been shared with the FCA. It has also put together a document that helps manufacturers comply with their obligations to provide value assessments information to distributors. See AIC's member guidance on how firms should approach the Consumer Duty here.</p>	Ongoing	Amber
<p>Council of the EU publishes final compromise text for the proposed Directive amending AIFMD</p> <p>Affects: REITs sold into EU</p>	<p>On 10 November 2023, the Council of the EU published a note setting out the confirmation of the final compromise text for the proposed AIFMD. The note is addressed from the General Secretariat of the Council to the Permanent Representatives Committee (COREPER). The final compromise text follows the political agreement reached between the Council and the EP in July 2023. The Council has also published an additional note dated 3 November 2023 inviting COREPER to approve the compromise text and inform the Chair of the EP's ECON Committee that should the EP adopt the text of the proposal in the exact form as set out in the note, the Council would adopt the proposed Regulation as amended.</p>	Ongoing	Green
<p>UK and Swiss governments sign agreement on mutual recognition in financial services</p> <p>Affects: REITs and their managers and advisers</p>	<p>On 21 December 2023, the UK and Swiss governments signed the Berne Financial Services Agreement on mutual recognition in financial services. HM Treasury has published a document setting out the benefits of this agreement for the UK, and the Swiss Federal Department of Finance has published a document outlining the key points in the agreement. The new agreement mutually recognises that the UK and Swiss supervisory frameworks for financial services are equivalent. The agreement enables cross-border business activities, regulatory and supervisory cooperation, and access to markets.</p>	Ongoing	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Inaugural meeting of EU-UK Financial Regulatory Forum</p> <p>Affects: REITs and their managers and advisers</p>	<p>On 23 October 2023, HM Treasury published a joint statement with the European Commission on the first meeting of the EU-UK Financial Regulatory Forum (Forum), which took place on 19 October 2023. The Forum was established as part of the memorandum of understanding on financial services co-operation between the UK and the EU (MoU), which was signed in June 2023.</p> <p>The Director General for Financial Services on behalf of HM Treasury and the European Commission Director General for Financial Stability, Financial Services and Capital Markets Union co-chaired the meeting. A number of regulatory bodies were represented including the Bank of England, the FCA, the European Supervisory Authorities, the European Central Bank and the EU Single Resolution Board.</p> <p>The meeting addressed organisational and practical arrangements for the future of regulatory cooperation under the MoU and the UK and EU participants provided updates on their respective financial services regulatory reforms and agendas.</p> <p>Other topics included:</p> <ul style="list-style-type: none"> the best way to progress an orderly transition to net-zero. Each side noted that it was important to ensure interoperability of standards and support for the ISSB's work. work relating to the implementation of the Basel 3 standards. <p>The UK and EU agreed to take forward topics discussed ahead of the next meeting of the Forum, which is due to take place in spring 2024 in Brussels.</p>	Ongoing	Green

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>FCA priorities for updating and improving UK asset management regime</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 12 October 2023, the FCA published a speech by its Chair, Ashley Alder, delivered to the Annual Dinner of the Investment Association. Alder put forward the FCA's strategic approach and priorities for updating and improving the UK regime for asset management and referred to the feedback the FCA has received to its Discussion Paper DP23/2 (see UK REIT Horizon Scanner Q2 2023). He announced that the FCA will pursue three key priorities for reform: making the regime for alternative fund managers more proportionate; updating the regime for retail funds; and supporting technological innovation. It will consult on amending the AIFMD regime in 2024. The FCA has also updated its webpage on DP23/2 to reflect more details of the responses it has received.</p>	Ongoing	Green
<p>Political agreement reached on proposed Directive amending AIFMD Directive</p> <p>Affects: REITs sold into EU and their managers and advisers</p>	<p>On 20 July 2023, the Council of the EU published a press release announcing that it has reached political agreement with the European Parliament on the proposed Directive amending the AIFMD relating to delegation arrangements, liquidity risk management, supervisory reporting, provision of depository and custody services and loan origination by alternative investment funds.</p> <p>Agreement has been reached on requirements relating to data sharing and co-operation between authorities, new measures to identify undue costs that could be charged to funds and passed on to their investors and rules to prevent potentially misleading names. The political agreement is subject to the approval of the Council and Parliament before going through the formal adoption procedure.</p>	Ongoing	Green
<p>ESMA publishes official translations of guidelines on MiFID II product governance requirements</p> <p>Affects: REITs where EU MiFID investment firm is involved in distribution chain</p>	<p>On 3 August 2023, ESMA published the official translations, including the English language version, of the guidelines on product governance requirements under the MiFID II Directive.</p> <p>ESMA published a report on the final version of these guidelines in March 2023. The guidelines will apply from 3 October 2023.</p>	Ongoing	Green

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>HM Treasury and FCA publish information on the repeal of retained EU law</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 11 July 2023, HM Treasury published its 'Plan for Delivery'. The paper sets out the government's practical approach to repealing financial services retained EU law (REUL) and follows up its policy statement, 'Building a Smarter Financial Services Framework for the UK', which was published in December 2022 as part of the Edinburgh Reforms (see UK REIT Horizon Scanner Q1 2023). The Financial Services and Markets Act 2023 (FSMA 2023) repeals REUL relating to financial services and enables it to be replaced by legislation and regulators' rules as appropriate. The government has allocated each 'file' of financial services retained EU law to different tranches of implementation, with the contents of tranche 1 and tranche 2 having been announced. The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Alternative Investment Fund Managers Directive and non-wholesale elements of Markets in Financial Instruments Directive/ Regulation are within the core list of financial services files. The government has not yet decided whether to assign these to tranche 2 and what priority should be assigned to the particular file if assigned to tranche 3.</p> <p>On 14 July 2023, the FCA published a new webpage providing information on the repeal and replacement of REUL with FCA rules. The webpage was updated on 20 December 2023 to reflect relevant publications from the FCA and HM Treasury. HM Treasury will repeal the firm-facing requirements in REUL and, where appropriate, the FCA will replace those provisions with rules. When the FCA replaces repealed REUL provisions in its Handbook, it will do so in line with the following five core principles:</p> <ul style="list-style-type: none"> • Consolidate requirements so that, over time, the Handbook becomes the 'one stop shop' for firm-facing regulatory requirements. • Use the current Handbook structure, only creating new sourcebooks where necessary. • Rely on existing requirements in the Handbook and consider if it is necessary to reflect the repealed REUL provision in the Handbook. • Rely on outcomes rather than prescriptive requirements. • Reduce complexity, both in drafting style and by seeking to align standards across sectors. <p>The principles aim to support the FCA's overarching aim for the Handbook to enhance the overall user experience by making it clear, accessible and navigable, while reducing regulatory costs. More detail on each of the five principles can be found on the webpage. The webpage provides links to key documents with a summary of the current position relating to legislation including the PRIIPs Regulation.</p>	Ongoing	Green
<p>FCA publishes press release announcing review of how firms treat domestic PEPs</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 5 September 2023, the FCA announced a review of the treatment of domestic politically exposed persons (PEPs) by firms, and published terms of reference. The review will look at firms' arrangements for dealing with PEPs in the UK. It will consider how firms are:</p> <ul style="list-style-type: none"> • applying the definition of PEPs to individuals; • conducting proportionate risk assessments of UK PEPs, their family members and known close associates; • applying enhanced due diligence and ongoing monitoring proportionately and in line with risk; • deciding to reject or close accounts for PEPs, their family members and known close associates; • effectively communicating with their PEP customers; and • keeping their PEP controls under review to ensure they remain appropriate. <p>The FCA will report on the findings of this review by the end of June 2024, and consult on revised guidance if necessary.</p>	Ongoing	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Changes to FCA application forms</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 25 July 2023, the FCA announced that it was reviewing and updating authorisation application forms to make it quicker and easier for firms to apply to the FCA and to help the FCA capture the information it needs. The first new form the FCA is releasing is Form A, which is used for Senior Management and Controlled Functions applications. On 13 September 2023, the FCA published a video showing the improvements it is making to Form A (transcript). Improved forms will include:</p> <ul style="list-style-type: none"> • a checklist of information an applicant will need to complete the form; • better accessibility and a more user-friendly look and feel; • better help and guidance text throughout; • autofill features where the FCA already holds the applicant's data; • error messages preventing completion of the form without addressing mandatory fields; • the integration of the statement of responsibilities into Form A; • the removal of duplication and the employment history section, as well as the need to attach a CV (for most firms). Where employment history is required, the form will now require a 10-year history; • removal of "Send Later" function to ensure all information regarding the application is sent at the same time • the option to save the application as a draft. 	Ongoing	Green
<p>ESRB publishes issues note addressing risks in corporate debt and real estate investment funds</p> <p>Affects: REITs sold into the EU</p>	<p>On 4 September 2023, the European Systemic Risk Board (ESRB) published an issues note on policy options to address risks in corporate debt and real estate investment funds from a financial stability perspective. It describes a high-level approach to addressing risks in the priority areas of investment funds with large exposures to corporate debt and real estate. The issues note concludes that:</p> <ul style="list-style-type: none"> • The structural vulnerabilities of investment funds mainly arise from liquidity mismatch and the use of leverage. • Investment fund resilience could be improved by adapting policy tools already present in the regulatory framework, for example, mitigating the risks associated with high demand for redemptions by setting up funds with inherently illiquid assets as closed-ended funds. • The development of new policy tools could be useful in increasing investment fund resilience and financial system stability. The note sets out various options from incremental amendments to structural changes. • The ESRB welcomes the July 2023 proposal to amend AIFMD (see above). • The ESRB will carry out further work to develop certain policy options after the revised AIFMD Directive has come into force. 	Ongoing	Green

The logo for TaylorWessing, featuring the company name in a teal, sans-serif font.

TaylorWessing

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4 | Real estate, planning and construction

Real estate, planning and construction

Key developments since Q3 2023

- Leasehold and Freehold Reform Bill was introduced into Parliament on 27 November 2023

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Act (BSA) establishes the Building Safety Regulator (BSR) with a remit to implement regulatory change to building regulation and control for higher-risk buildings in England, provides new accountability and duties across all buildings, and introduces competency standards and provisions to strengthen the construction products regulations.</p> <p>Building control comes under the remit of the BSR which also becomes the building control authority for higher-risk buildings. Building control will also become a registered profession, with Approved Inspectors being replaced by registered Building Control Approvers, and a new role of Building Inspector being created. These bodies will need to adhere to certain standards.</p> <p>Higher-risk buildings (HRBs) in England for design and construction are buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Buildings which consist entirely of secure residential institutions, hotels and military premises are excluded (see the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023). The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales. The Building Safety (Description of Higher-Risk Building) (Design and Construction Phases (Wales) Regulations came into force on 1 January 2024 and confirm that in Wales during design and construction a higher-risk building is any building over 18 metres in height or at least seven storeys and which contains at least one residential unit; is a hospital, care home or children's home. The exclusions from the definition of higher-risk buildings in Wales are the same as for England.</p> <p>Three Gateways are established during the planning, design and construction of an HRB. Planning Gateway 1 came into effect on 1 August 2021 (Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended). Gateway 2 and Gateway 3 provide for BSR scrutiny of the design and construction of HRBs and are stop/go points during which must be passed before an HRB can proceed to construction (Gateway 2) or completion prior to occupation (Gateway 3). The secondary legislation, the Building (Higher-Risk Buildings Procedures) (England) Regulations 2023 published in August 2023 confirms that Gateways 2 and 3 came into force on 1 October 2023, subject to transitional arrangements which exempt certain current projects from the Gateway regime. However, in principle if a building notice or plans application has not been submitted to the local authority or an initial notice has not been issued and accepted before 1 October 2023 then Gateways 2 and 3 will apply to the construction of new HRBs or building work to existing HRBs.</p>	<p>1 October 2023</p> <p>1 January 2024</p> <p>1 October 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022 (cont'd)</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The new regime introduces new responsibilities for duty-holders, i.e. the client, the principal designer, principal contractor, designers and contractors and the details are set out in Part 2A of the Building Regulations 2010, which was inserted by Regulation 6 of the Building Regulation etc (Amendment) (England) Regulations 2023. Unlike other aspects of the HRBs regime, the duty holder regime applies to all building works being carried out and not just works related to HRBs, but there will be additional responsibilities where higher-risk buildings are involved.</p> <p>The various dutyholders take on new roles and duties around the planning, managing and monitoring of work carried out with the focus Building Regulation compliance. Clients will need to appoint a principal designer and principal contractor and duty holders will need to co-operate with each other to ensure that building work complies with the relevant requirements. All designers and contractors will need to demonstrate that they meet new competency requirements before undertaking work.</p> <p>See: https://www.taylorwessing.com/en/insights-and-events/insights/2023/08/building-safety-act-and-transition-to-the-new-regime</p> <p>Also, from 1 October 2023 all existing and newly completed HRBs in England (except hospitals and care homes) will need to be registered with the BSR. It will be an offence for an HRB to be occupied but not registered. The Higher-Risk Buildings and Review of Decisions (England) Regulations 2023 and the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023 set out the detail. Guidance on the criteria for being a higher-risk buildings in occupation confirms that serviced apartments will be considered higher-risk buildings if they meet the height or storeys threshold.</p> <p>BSR scrutiny of HRBs in occupation (except hospitals and care homes) continues with new statutory duties on the Principal Accountable Person to manage safety risks. These duties (which are not yet in force) include continuous assessment and management of building safety risks using safety management systems; preparation of safety case reports; compliance with mandatory occurrence reporting; operation of a residents' engagement strategy and a complaints handling procedure. The detail is contained in the Higher-Risk Buildings (Management of Safety Risks etc) (England Regulations 2023 which will come into force on a date yet to be fixed. It is anticipated that the calling-in process (which will require information and documents arising out of the above duties to be submitted to the BSR) will start in April 2024.</p> <p>The Building Safety Regulator Charging Scheme and the Building Safety (Regulator's Charges) Regulations 2023 set out details of the charges required by the BSR from the client and Principal Accountable Person.</p>	<p>1 October 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022 (cont'd)</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>An amendment to the BSA, introduced by the Levelling Up and Regeneration Act 2023, ensures that the leaseholder protections for "qualifying leaseholders" set out in Sections 117 – 125 and Schedule 8 BSA (which set out the limited circumstances in which remediation costs of relevant defects can be passed on to tenants) apply to extensions of "qualifying leases" by providing that a "connected replacement lease" will also be a "qualifying lease". This amendment has retrospective effect and is treated as coming into force on 28 June 2022.</p> <p>The Responsible Actors Scheme was launched in the summer following the publication of the Building Safety (Responsible Actors and Prohibitions) Regulations 2023. The Responsible Actors Scheme is designed to prohibit certain developers who fail to sign the Government's Remediation Contract from carrying out major development in England. Initially the Scheme will apply to large housebuilders and developers who have developed or refurbished residential 11m+ buildings over a 30-year period (5 April 1992 – 4 April 2022) which have life-critical fire-safety defects. Registered providers of social housing are excluded.</p> <p>See Developer remediation contract - GOV.UK (www.gov.uk) and Responsible Actors Scheme - GOV.UK (www.gov.uk)</p>	October 2023	Red
<p>Economic Crime (Transparency and Enforcement) Act 2022</p> <p>Affects: Overseas owners of UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA) introduced a new Register of Overseas Entities at Companies House to identify the beneficial owners of overseas entities which own registered property. ECTEA came into force on 1st August 2022 (with provisions relating to property ownership and the Land Registry requirements taking effect on 5th September 2022). Also see section 2, General corporate.</p> <p>ECTEA requires any overseas entity which acquires or has acquired registered property in England and Wales since 1st January 1999 (and for Scotland, 8th December 2014) to register on the Register of Overseas Entities. Now the Transitional Period has passed if an overseas entity owns land in the United Kingdom, and has not registered it, it is committing a criminal offence and cannot sell, lease or charge its registered property.</p> <p>Once an overseas entity is registered on the Register of Overseas Entities, it must update the information on the register annually. It is important that this is done as the Land Registry will require the overseas entity to comply with its updating duty before a sale, new lease or charge of the land can be registered. See Register of Overseas Entities holding UK land.</p>	Ongoing updating requirements.	Red

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Building Safety Levy	<p>A second consultation on the design and implementation of the Building Safety Levy has been opened: The Building Safety Levy: consultation. The key proposals are:</p> <ul style="list-style-type: none"> The Levy will apply to all new residential buildings in England that require building control approval (regardless of height). Whether Build-to-rent, purpose-built student accommodation and accommodation for older people are excluded will be determined post consultation. Affordable homes and community buildings (including NHS facilities, children's homes and refuges) are expected to be excluded and there will be protections for smaller developments. The rate of the Levy will be calculated on either a 'per unit' of residential dwelling or a 'per square metre' basis; and the Levy will vary depending on the geographic location to reflect land value and house prices. Differential rates may also apply for brownfield and greenfield developments. The Levy will be paid by the developer clients. The Levy is in addition to the Residential Property Developer Tax. <p>Building Safety Levy: a step closer (taylorwessing.com)</p>	<p>Consultation closes on 7 February 2023. Government Response awaited.</p>	Red
<p>Renters Reform Bill</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Renters (Reform) Bill was introduced into Parliament on 17 May. Key proposals for change include:</p> <ul style="list-style-type: none"> Simplifying letting structures: all tenancies to be rolling (monthly) periodic. ASTs abolished, along with fixed terms. There are limited exceptions, e.g. certain student accommodation, higher rentals (over £100,000), local authority tenancies and terms over 7 years. Removing s21 evictions: the ability under s21 of the Housing Act 1988 to evict without proving fault will be scrapped. Landlords will only be able to evict on fault-based grounds and in 'reasonable circumstances' which are to be defined in the act. Permitting pets: landlords cannot unreasonably refuse consent to keeping a pet (with suitable insurance). Reforming possession grounds generally: notice periods will change, and grounds amended generally e.g. landlords will be able to sell or move in a close relation after initial 6 month period, but will need to wait 4 weeks (not 2) to evict on the grounds of rent arrears Strengthening protections against rent rises: notice periods for rises will double to at least two months and statutory rent increase process likely to become more important (abolishing s.21 prevents landlords unable to agree a new rent from terminating and reletting). Tenants will be able to challenge increases in the First Tier Tribunal and there are administrative notice hurdles to market increases. Improving PRS management: the Bill lays groundwork for regulations to make landlords join a redress scheme for tenant complaints and register with a public (landlord funded) Property Portal, so prospective tenants can view the letting histories of landlords and properties. Also a new Private Renters' Ombudsman whose powers and decisions will be binding on landlords. Membership will be mandatory and the Ombudsman will have powers to compel landlords to take remedial action or pay compensation. 	<p>Implementation date awaited – concerns over court capacity for hearings.</p>	Red

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Leasehold and Freehold Reform Bill</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Leasehold and Freehold Reform Bill was introduced into Parliament on 27 November 2023. Key proposals for change include:</p> <ul style="list-style-type: none"> • Increase the standard lease extension term for houses and flats to 990-years (up from 90 years in flats, and 50 years in houses), with ground rent reduced to a peppercorn upon payment of a premium. • Remove the so-called 'marriage value' • Remove the requirement for a new leaseholder to have owned their house or flat for 2 years before they can benefit from these changes • Increase the 25% 'non-residential' limit preventing leaseholders in buildings with a mixture of homes and other uses such as shops and offices, from buying their freehold or taking over management of their buildings to allow leaseholders in buildings with up to 50% non-residential floorspace to buy their freehold or take over its management. • Introduce time and fee limits for the provision of information required to make a sale to a leaseholder by their freeholder. • Require transparency over service charges. • Replace buildings insurance commissions for managing agents, landlords and freeholders with transparent administration fees. • Extend access to 'redress' schemes for leaseholders to challenge poor practice and scrap the presumption that leaseholders will pay associated costs. • Grant freehold homeowners on private and mixed tenure estates the same rights of redress as leaseholders • Build on the legislation brought forward by the Building Safety Act 2022, ensuring freeholders and developers are unable to escape their liabilities to fund building remediation work • Ban the sale of new leasehold houses. 	<p>Implementation date awaited.</p> <p>Government consultation on how the Government can intervene to cap existing ground rents – closes 17 January 2024.</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Levelling up and Regeneration Act 2023 and Land Control</p> <p>Output from the Planning For the Future – White Paper</p> <p>Affects: investors and developers</p>	<p>The Levelling Up and Regeneration Act received Royal Assent on 26 October 2023. It promises to make fundamental changes to the current system of local government, planning, developer contributions and regeneration.</p> <p>The Act is wide-ranging and includes:</p> <ul style="list-style-type: none"> • measures to tackle slow build out by developers (involving new development progress reports, financial penalties & refusal of further permissions); • a new permanent pavement licensing scheme; • discretionary powers for councils to apply a council tax premium of up to 100% on empty and second homes in their areas; and • a variety of changes to the planning regime. The latter, though much narrower than those originally envisaged by the ill-fated Planning Bill (which presaged this Act), remain wide-reaching. <p>Three key proposals to watch out for this year:</p> <ul style="list-style-type: none"> • A new Infrastructure Levy (IL) to replace the community infrastructure levy (CIL) in England (Mayoral CIL in London and CIL in Wales will remain), akin to a further tax on development. IL will be mandatory, and it will be based on a percentage of the final gross development value above a set threshold. It will apply to the development of new or existing buildings as well as to material changes of use, which means ‘permitted development’ will be within scope. Section 106 agreements will not be abolished but will only be used in specific circumstances. The new legislation is likely to be introduced in different areas at different times, to allow a ‘test and learn’ approach to IL regulations. • New powers for local authorities to conduct a compulsory rental auction of premises that have been vacant for at least 12 months in designated high streets or town centres. Local authorities will be able to contract as if they were the landlord of the premises (although owners will have a right of appeal). • New measures to increase transparency in land ownership and control, which will make it very hard to keep sensitive information out of the public domain. The express purpose of these measures is to make land ownership more transparent (for example, by collecting and publishing data on contractual arrangements used by developers to control land, such as rights of pre-emption, options, and conditional contracts) and to identify attempts to evade sanctions or the new ECTEA disclosure requirements. However, their ambit will be far more wide-reaching than the purpose suggests, potentially capturing all registered owners of UK land. Registration of transactions may be delayed as a result. 	<p>Commencement legislation awaited. Government seeking views on transparency of land ownership involving trusts – closes 21 February 2024. Government seeking views on Street vote development orders - closes 2 February 2024.</p>	<p>Amber</p>



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| 5 | Tax

Tax

Key developments since Q3 2023

- Autumn Statement 2023 announced further changes to the 'non-close' condition and the 'holders of excessive rights' rules and confirmed that 'full expensing' would be made permanent
- Finance Bill 2024 published, containing various amendments to the UK REITs rules and removing the expiry date from the 100% and 50% temporary capital allowances

Issues	Status	Key Timing	Impact
<p>Targeted changes to UK REITs rules as part of the wider review of the UK funds regime</p> <p>Affects: UK REITs</p>	<p>Finance Bill 2024 contains a third tranche of changes to the UK REITs rules (comprising measures published on Legislation Day in July 2023 and as part of the Autumn Statement in November 2023).</p> <p>Various amendments are being made to the 'non-close' condition, notably:</p> <ul style="list-style-type: none"> Confirmation that the exemption from the non-close condition may be satisfied where an institutional investor is an indirect participator (to be treated as always having had effect). Further restrictions on certain institutional investors (i.e. open-ended investment companies and authorised unit trusts (and their overseas equivalents), and collective investment scheme limited partnerships) requiring them to be non-close or to satisfy genuine diversity of ownership. A requirement for long-term insurers to meet the non-close condition. Adding Co-ownership Authorised Contractual Schemes (CoACs) that meet the genuine diversity of ownership condition or the non-close condition to the list of entities regarded as institutional investors (for the purposes of the non-close condition). <p>Further amendments include:</p> <ul style="list-style-type: none"> Extending the tax exemption for gains realised on disposals of interests in UK property rich companies to also include interests in UK property rich CoACs. For the purposes of the profit-to-financing-costs ratio in the interest cover test, amending the definition of 'property financing costs' to mean costs referable to the UK property rental business (treated as always having had effect) but excluding non-deductible expenses other than amounts disallowed under the corporate interest restriction (having effect for accounting periods ending on or after 1 April 2023). Enabling insurance companies to hold an interest of any size in a group UK REIT. Preventing investors from being 'holders of excessive rights' where they are taxed at a particular rate (or not taxed at all) on Property Income Distributions under a double tax treaty other than where that is conditional on holding an interest of a certain size in the REIT. <p>These measures supplement the targeted changes included in the Finance Act 2022 and Finance (No 2) Act 2023 (further details of which can be found in the 'Looking back' section below).</p>	<p>The various amendments are proposed to have effect from Royal Assent of Finance Bill 2024 (unless otherwise stated)</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Permanent 100% and 50% first year capital allowances for plant and machinery expenditure</p> <p>Affects: REITs investing in certain capital assets</p>	<p>At Autumn Statement 2023 the government announced that the temporary 100% and 50% capital allowances for companies investing in qualifying new plant and machinery (introduced in Finance (No 2) Act 2023) would be made permanent. The Finance Bill 2024 therefore removes the expiry date of 1 April 2026 from the legislation. Accordingly:</p> <ul style="list-style-type: none"> ▪ Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances is relieved by a 100% first year allowance ('full expensing'). ▪ Qualifying expenditure on special rate assets (including long-life assets and integral features) that would ordinarily qualify for 6% writing down allowances is relieved by a 50% first year allowance. <p>The government has also announced that it will launch a technical consultation on wider changes to further simplify the UK's capital allowances rules.</p> <p>Although income from a REIT's property rental business is not within the charge to UK tax, notional allowances will be taken into account in calculating its distributable profits, reducing the amount that the REITs are required to distribute to investors.</p>	<p>Applies to expenditure incurred on or after 1 April 2023</p> <p>January 2024: stakeholder engagement and technical consultation to be launched</p> <p>Summer 2024: draft legislation to be published</p>	<p>Amber</p>

Tax (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Legislation for targeted changes to UK REITs rules</p> <p>Affects: UK REITs</p>	<p>The Finance Act 2022 (section 15 and schedule 3) contain targeted changes to the UK REITs regime to make the UK a more competitive location for holding real estate assets. In particular:</p> <ul style="list-style-type: none"> ▪ Removing the requirement for REIT shares to be admitted to trading on a recognised stock exchange in cases where certain types of institutional investor hold at least 70% of the ordinary share capital in the REIT. ▪ Amending the definition of an overseas equivalent of a UK REIT so that the overseas entity itself, rather than the overseas regime to which it is subject, needs to meet the equivalence test. ▪ Removing the 'holders of excessive rights' charge where PIDs are paid to investors entitled to gross payment. ▪ Amending the rules requiring at least 75% of a REIT's profits and assets to relate to property rental business (the 'balance of business test') to disregard non-rental profits arising because a REIT has to comply with certain planning obligations, and to ensure specified items are disregarded in all parts of the test. ▪ Introducing a new simplified balance of business gateway test. 	<p>Changes to the UK REITs rules included in the Finance Act 2022 took effect from 1 April 2022</p>	<p>Red</p>
	<p>At Spring Budget 2023 the government confirmed a number of changes to the UK REITs regime that had been announced in December 2022 as part of its 'Edinburgh Reforms' to drive growth and competitiveness in the financial services sector, namely:</p> <ul style="list-style-type: none"> ▪ Removing the requirement for a REIT to own at least three properties in its property rental business where it holds a single commercial property worth at least £20 million. ▪ Amending the 'three-year development rule' that deems a disposal of property within three years of being significantly developed as being outside the property rental business, so that the valuation used when calculating what constitutes a significant development better reflects increases in property values and is not impacted by inflation. The valuation will be the highest of the fair value of the property (as determined in accordance with international accounting standards) on entry into the REIT regime, at the time of acquisition of the property, or at the beginning of the accounting period in which the development commenced. <p>Further improvements to the UK REITs regime were also announced at Spring Budget 2023:</p> <ul style="list-style-type: none"> ▪ The rules for deduction of tax from property income distributions (PIDs) paid to partnerships are amended to allow a PID to be paid partly gross and partly with tax withheld in respect of partnerships where some partners are entitled to gross payment and some are not. ▪ The Genuine Diversity of Ownership (GDO) test that is used to assess widely held ownership is amended so that where a collective investment scheme is part of 'multi-vehicle arrangements', the GDO condition can be satisfied by either the collective investment scheme in isolation or by the multi-vehicle arrangements taken as a whole. <p>Legislation to implement these changes is contained in Part 2 of Schedule 4 to the Finance (No 2) Act 2023, which received Royal Assent on 11 July 2023.</p>	<p>Changes to the REITs rules contained in Finance (No 2) Act 2023 take effect from 11 July 2023 (other than the changes to the 'three-year development rule' which have effect in relation to disposals made on or after 1 April 2023)</p>	<p>Red</p>



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| 6 | ESG

UK REIT Horizon Scanner Q1 2024

ESG

Key developments since Q3 2023

- FCA finalises details of its sustainability disclosure and labelling regime
- Department for Energy Security and Net Zero published a Call for Evidence on Scope 3 greenhouse gas emissions reporting
- ESMA statement on adoption of guidelines on funds names using ESG or sustainability-related terms
- DRWG publishes final version of code of conduct for ESG ratings and data product providers
- ESAs publish final report on draft RTS on the review of principal adverse impacts (PAI) and financial product disclosures under SFDR
- IOSCO publishes final report on supervisory practices to address greenwashing
- House of Commons' Environmental Audit Committee publishes report on financial sector and UK's net zero transition
- FSB publishes 2023 progress report on climate-related disclosures

Issues	Status	Key Timing	Impact
<p>Climate: government publishes updated Green Finance Strategy</p> <p>Affects: all companies</p>	<p>On 30 March 2023, the government published Mobilising Green Investment: Green Finance Strategy 2023, which updates its 2019 Green Finance Strategy. See previous editions of the UK REIT Horizon Scanner for further details. Key measures include the following.</p> <ul style="list-style-type: none"> • ISSB standards endorsement: see entry below. • Non-Financial Reporting Review: See section 2, General corporate. • Net zero transition plans: see entry below. • UK green taxonomy: the government has published a related consultation. See entry below. • Stewardship: the government will review the regulatory framework for effective stewardship in 2024. • Nature-related financial disclosures: the government will explore how to incorporate the framework from the Taskforce on Nature-related Financial Disclosures (TNFD) into UK policy and legislation. See entry below. • Reporting on scope 3 greenhouse gas (GHG) emissions: government call for evidence on reporting on scope 3 GHG emissions. • Regulating ESG ratings providers: see entry below. • Environmental Reporting Guidelines: the government will update these, including for Streamlined Energy and Carbon Reporting. 	Ongoing	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: ISSB global sustainability reporting standards implementation – UK SDS</p> <p>Affects: potentially listed companies at first, with scope for large private companies to follow</p>	<p>On 26 June 2023, the International Sustainability Standards Board published the first two IFRS Sustainability Disclosure Standards (ISSB Standards). See previous editions of this UK REIT Horizon Scanner. Both ISSB Standards include transitional provisions and are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted.</p> <p>On 2 August 2023, the DBT published a webpage on the government's intention to create a framework of UK Sustainability Disclosure Standards (UK SDS). UK SDS will be based on the ISSB Standards, and the government aims to make a decision on endorsement of the ISSB Standards for use in the UK by July 2024. UK SDS will form the basis of any future legislative and regulatory reporting requirements.</p> <p>On 27 July 2023, the ISSB published a consultation on proposed IFRS Sustainability Disclosure Taxonomy.</p>	Ongoing, but initially annual reporting periods beginning on or after 1 January 2024	Amber
<p>Climate: FCA intention to consult on new disclosure frameworks</p> <p>Affects: potentially listed companies at first, with scope for large private companies to follow</p>	<p>On 10 August 2023, the FCA published Primary Market Bulletin 45 (PMB 45) which clarifies that it intends to consult on proposals to implement disclosure rules referencing UK-endorsed ISSB Standards for listed companies in H1 2024 (see above). It aims to finalise its policy position by the end of 2024 and bring new requirements into force for accounting periods beginning on or after 1 January 2025. First reporting will be in 2026. It also intends to consult on moving to mandatory disclosure (rather than comply or explain) for listed issuers.</p> <p>The FCA recommends that companies improve reporting in line with the TCFD recommendations and engage early with the ISSB Standards as well as the Transition Plan Taskforce's (TPT) disclosure framework and guidance (see entry below). Listed companies should also consider reporting on a voluntary basis.</p>	Accounting periods beginning on or after 1 January 2025. First reporting in 2026.	Amber
<p>Climate: reporting on Scope 3 emissions and effectiveness of SECR framework</p> <p>Affects: potentially all companies, in particular existing SECR participants</p>	<p>On 19 October 2023, the Department for Energy Security and Net Zero published a Call for Evidence on Scope 3 emissions seeking views on Scope 3 greenhouse gas emissions reporting, and the current Streamlined Energy and Carbon Reporting (SECR) framework, which came into force on 1 April 2019. Findings from this call for evidence (closed 14 December 2023) in relation to the SECR framework will be considered in the wider context of the non-financial reporting review (see section 2, General corporate).</p> <p>Listed and large private UK companies are required to disclose Scope 1 and Scope 2 Greenhouse Gas emissions in their annual reports under the SECR regime. However, disclosure of Scope 3 emissions (indirect emissions occurring in a company's value chain) are largely voluntary. Adoption of the ISSB standards (entry above) would extend mandatory reporting to Scope 3 emissions.</p>	During 2024	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: transition plans – TPT publishes final disclosure framework and implementation guidance</p> <p>Affects: not clear how will apply to REITs – guidance on asset managers awaited</p>	<p>On 9 October 2023, the Transition Plan Taskforce (TPT) published its final framework for the disclosure of private sector transition plans (TP). The TPT also published implementation guidance, a consultation on a sector summary (including real estate industry entities, such as REITs – closed November 2023), technical mapping, and legal considerations for companies drawing up TPs. On 13 November 2023, the TPT launched sector specific 'deep dives' for consultation which provide guidance for preparers and users of private sector TPs. The sectors covered include asset managers and asset owners. The consultation closed on 29 December 2023, and TPT intends to publish final sector deep dives and a forward pathway on TPs in February 2024.</p>	Ongoing	Amber
<p>DRWG publishes final version of code of conduct for ESG ratings and data product providers</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 14 December 2023, the ESG Data and Ratings Code of Conduct Working Group (DRWG) published the final version of its voluntary code of conduct. The principles-based code is for ESG ratings and data product providers, and sets out a practical guide to the application and interpretation of each of the principles. Once a provider signs up to the code, there will be a six-month implementation period for ESG ratings providers and a twelve-month implementation period for ESG data product providers. The International Capital Market Association will list all providers that sign up to the code on a webpage.</p>	Ongoing	Amber
<p>ESAs publish final report on draft RTS on the review of principal adverse impacts (PAI) and financial product disclosures under SFDR</p> <p>Affects: REITs sold into EU, their managers and advisers</p>	<p>On 4 December 2023, the ESAs published a final report on draft RTS on the review of PAI and financial product disclosures in the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR). The European Securities and Markets Authority (ESMA) also published a press release explaining that the European Commission will study the draft RTS and decide whether to endorse them within three months. The draft RTS will be applied independently of the comprehensive assessment of SFDR announced by the European Commission in September 2023 (see Looking Back section).</p>	Ongoing	Amber
<p>IOSCO publishes final report on supervisory practices to address greenwashing</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 4 December 2023, the International Organisation of Securities Commissions (IOSCO) published a final report on supervisory practices to address greenwashing, following the 2021 IOSCO Recommendations. The report provides an overview of the regulatory and supervisory approaches, practices, and challenges encountered in the implementation of the initiatives addressing greenwashing in asset management, ESG ratings providers, and ESG data products providers. The report notes that greenwashing remains a high risk to the reputation of global sustainable finance markets.</p>	Ongoing	Green

ESG (continued)

Issues	Status	Key Timing	Impact
<p>FCA finalises details of its sustainability disclosure and labelling regime</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 28 November 2023, the FCA published a policy statement, in which it set out the final rules and guidance for its sustainability disclosure and investment labelling regime. The regime, which is intended to strengthen consumer confidence in the sustainability claims of investment products, comprises a new anti-greenwashing rule, product labels, and naming and marketing requirements. It will come into force in stages from 2024. For further details, see our article.</p>	Ongoing	Red
<p>ESMA statement on adoption of guidelines on use of ESG or sustainability-related terms in funds' names</p> <p>Affects: REITs sold into the EU and their managers and advisers</p>	<p>On 14 December 2023, ESMA published an update on its November 2022 proposals for guidelines on using ESG or sustainability-related terms in funds' names. In its proposals, ESMA put forward quantitative thresholds criteria for the use of ESG- and sustainability-related terminology:</p> <ul style="list-style-type: none"> • If a fund has any ESG-related words in its name, at least 80% of its investments should be used to meet the environmental or social characteristics or sustainable investment objectives in accordance with the binding elements of the investment strategy, as disclosed in the Level 2 SFDR. • If a fund has the word "sustainable" or any other term derived from the word "sustainable" in its name, it should allocate within the 80% of investments to meet the characteristics/objectives under (a), at least 50% of minimum proportion of sustainable investments as defined under the SFDR. <p>Final guidelines were expected to be issued by Q2/Q3 2023 but there was considerable criticism of the proposals. In its update, ESMA confirms that it now intends to postpone the adoption of the guidelines until Q2 2024 to allow it the opportunity to consider the reviews of the AIFMD and UCITS Directive.</p> <p>The update sets out the approach ESMA expects to take to the guidance given in the final guidelines, which reflects feedback it received to the proposals.</p> <p>The threshold of 50% in sustainable investments for the use of sustainability-related words in funds' names will not be used. Rather ESMA has concluded it is more appropriate for sustainability-related terms in funds' names to be determined as follows: the fund should (1) apply the 80% minimum proportion of investments used to meet the sustainability characteristics or objectives; (2) apply the exclusions for EU Paris-aligned Benchmarks (PAB); and (3) invest meaningfully in sustainable investments defined in Article 2(17) SFDR, which reflects the expectation investors may have formed on the basis of the fund's name.</p> <p>ESMA considers that a number of amendments are needed to the proposals to ensure that the PAB fossil fuel exclusions do not penalise some funds using terms in their names that are not environmental or that focus on transition strategies.</p>	Ongoing	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>House of Commons' Environmental Audit Committee publishes report on financial sector and UK's net zero transition</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 29 November 2023, the House of Commons' Environmental Audit Committee published a report on the financial sector and the UK's net zero transition. The report explores the role of the financial sector in achieving net zero emissions by 2050, and makes a number of recommendations, including that the government should develop a UK carbon border adjustment mechanism.</p>	Ongoing	Green
<p>FSB publishes 2023 progress report on climate-related disclosures</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 12 October 2023, the FSB published its 2023 progress report on climate-related disclosures. The FSB delivered the report to the G20 Finance Ministers and Central Bank Governors ahead of the meeting that took place on 11 and 12 October 2023. Key points are:</p> <ul style="list-style-type: none"> • Since October 2022, significant progress has been made on setting comparable, consistent, and decision-useful climate-related financial disclosure standards and requirements. • The FSB welcomes the ISSB standards, and considers the ISSB's IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-Related Disclosures" to be milestone achievements. • The FSB will work with the ISSB, IOSCO and other relevant bodies to promote the timely and wide use of the standards. • Encouraging progress on development of a global assurance, ethics, and independence framework for sustainability disclosures. • All FSB jurisdictions have requirements, guidance, or expectations in respect of climate-related disclosures currently in place or have taken steps to put them in place. 	Ongoing	Green
<p>Climate: Potential introduction of performance-based ratings system for large commercial and industrial buildings</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>A Consultation relating to the potential introduction of a performance-based ratings system for large commercial and industrial buildings in England and Wales closed on 9 June 2021. The Government is still analysing feedback but the scheme would first apply to commercial and industrial buildings above 1,000m² in England and Wales (although kept under review), with mandatory disclosure of ratings by 2023-24.</p> <p>Headline notes:</p> <ul style="list-style-type: none"> ▪ What exactly such an operating rating should cover is uncertain (waste/water etc?) but no exemptions are proposed save for reasons related to national security. ▪ It is acknowledged that there is work to be done on the interaction between MEES and any new performance-based scheme, which could both complement and/or replace MEES. This might replace the need to generate an EPC on sale, for example. ▪ It is acknowledged that greater clarity is required for older (listed) and mixed use buildings, and the government recognises the need to split responsibility for compliance more clearly between landlord and tenant. <p>It is clear that building owners and occupiers must work to increasing standards in energy efficiency by the end of the decade as a minimum. It remains to be seen whether a new (additional) performance based rating will introduce unnecessary complexity, and whether it would simply be easier to leave building owners to comply with MEES. See: Consultation and MEES related one in the item above.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: Non-domestic buildings minimum energy efficiency standards</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The 2020 Energy White Paper confirmed the Government's proposed target for non-domestic buildings to achieve minimum energy efficiency standards and EPC rating of 'B' by 2030. Then the 2022 Autumn Statement contained a new commitment of funding for energy efficiency improvements and the Chancellor, Jeremy Hunt, set the country a new ambition announcing that, 'by 2030, we want to reduce energy consumption from buildings and industry by 15%'. In 2021, a full consultation suggested that minimum EPC ratings would increase to C by 2027 and B by 2030, but the Government's response is still awaited.</p> <p>In the meantime, in the domestic sector, the Government confirmed in the Autumn that similar proposals to tighten the minimum standard for MEES compliance would be abandoned, but no such confirmation was made for the commercial sector. Given the government's general direction of travel towards net zero therefore, we might sensibly expect that MEES regime will be tightened, albeit that the timeline for new minimum standard targets set out in 2021 is not now possible. The Energy Act 2023 (which received Royal Assent on 26 October 2023) certainly empowers the government to amend the assessment, certification and publication of energy performance certificates (EPCs).</p> <p>Many commercial property landlords and occupiers now have ESG policies which include energy efficiency targets, but it is likely they will need to do more to actively meet any new MEES requirements, particularly if the minimum standard raising rises. Landlords need to engage with tenants on improvement works and will want to consider whether it is appropriate to share the MEES compliance burden with them and if they are able to do so under existing leases.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	Amber
<p>Climate: UK Net Zero Carbon Buildings Standard</p> <p>Affects: Investors, owners, managers and developers of residential, commercial and mixed use buildings</p>	<p>A cross-industry initiative aims to develop a UK Net Zero Carbon Buildings Standard to standardise the approach to the measurement and assessment of emissions from new and existing buildings. The Standard will set out the metrics and performance levels to determine and measure net carbon performance that must not be exceeded and minimum performance levels that must be exceeded if a building is to comply with the Standard.</p> <p>The Standard is intended to help developers, contractors, asset owners and the built industry as a whole to demonstrate that their building is Net Zero aligned.</p>	End 2033	Amber
<p>Modern slavery: modern slavery statements</p> <p>Affects: large companies (with a turnover of £36 million or more)</p>	<p>On 10 May 2022, the Queen's Speech set out proposals for a new Modern Slavery Bill which would mandate the areas to be included in modern slavery statements, require organisations to publish their statements on a government-run registry, and introduce civil penalties for non-compliance. The aim of the Bill would be to strengthen the protection and support for victims of human trafficking and modern slavery and increase the accountability of companies to drive out modern slavery from their supply chains.</p> <p>Further, as part of the government's general review of the non-financial reporting framework (see Section 2, General corporate) it is seeking stakeholder views on modern slavery reporting.</p>	Ongoing	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Corporate reporting: EU Corporate Sustainability Reporting Directive</p> <p>Affects: large EU companies, non-EU companies listed on EU regulated markets, EU subsidiaries of non-EU companies and non-EU companies with 'substantial activity' in the EU market</p>	<p>On 16 December 2022, the EU Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the EU, entering into force in January 2023. Member states have 18 months to integrate its provisions into national laws. The CSRD amends and extends sustainability reporting requirements. In particular, it requires in-scope companies to disclose information on a broad range of sustainability matters relevant to their businesses, in line with the EU sustainability reporting standards (ESRS) which have applied since 1 January 2024. For further details, see previous editions of the UK REIT Horizon Scanner.</p>	<p>Ongoing, but first reporting obligations for large EU 'public interest entities' with EU listed securities from 1 Jan 2024 for reporting in 2025 and from Jan 2028 for non-EU companies with significant business in the EU</p>	<p>Amber</p>
<p>Supply chains: EU Corporate Sustainability Due Diligence Directive</p> <p>Affects: large EU companies, smaller EU companies operating in high-impact sectors and non-EU companies with a substantial presence in the EU or which are part of an EU group or in the value chain of an in-scope company.</p>	<p>On 14 December 2023, the European Parliament and Council reached a provisional agreement on the EU's proposed corporate sustainability due diligence directive (CSDDD), which will impose a substantive corporate duty for in-scope companies to assess and address adverse human rights and environmental impacts in their value chains. The new due diligence requirements will apply to</p> <ul style="list-style-type: none"> • EU companies: Group 1: all EU limited liability companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide); and Group 2: other limited liability companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide (EUR 20 million generated in the high risk sector). • Non-EU companies active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU. <p>To comply with the due diligence duty, companies need to, amongst other things, integrate due diligence into all their corporate policies and have in place an annually updated specific due diligence policy containing: (a) a description of the company's approach to due diligence; (b) a code of conduct describing the rules and principles to be followed by the company; and (c) a description of the processes put in place to implement due diligence. With the agreement in place, the CSDDD will now require formal approval by the EU Council and Parliament before entering into force. After that, member states have two years to transpose it into national law. This means that if it is adopted in the first half of 2024, the first in-scope companies will be required to comply in the first half of 2026.</p>	<p>Adoption likely 2024</p>	<p>Amber</p>
<p>Supply chains: UK Private Members' Bill: duty to prevent human rights and environmental harms in supply chains</p> <p>Affects: "commercial organisations"</p>	<p>On 28 November 2023, the Commercial Organisations and Public Authorities (Human Rights and Environment) Private Members' Bill was introduced to the House of Lords. If enacted, it would require commercial organisations (within the meaning of s 7(5) of the Bribery Act 2010) to prevent human rights and environmental harms in their own operations, subsidiaries and value chains, and conduct and publish due diligence assessments. The Bill does not provide for financial or other compliance thresholds (except that a turnover threshold would apply in relation to proposed reporting requirements).</p> <p>The UK government has previously indicated that it had no plans to replicate the CSDDD (see above) and the Bill (whilst still early days) marks a contrast to that more reticent approach to managing human rights and environmental risks in commercial supply chains.</p>	<p>Ongoing</p>	<p>Green</p>

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>GFANZ publishes consultation on transition finance strategies</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 19 September 2023, the Glasgow Financial Alliance for Net Zero (GFANZ) published a consultation, alongside supplemental information, on defining transition finance and considerations for decarbonisation contribution methodologies. This follows GFANZ's publication of a final report in 2022 outlining voluntary, pan-financial sector recommendations and guidance to support the transition of the global economy to net zero. GFANZ defines transition finance as "investment, financing, insurance, and related products and services that are necessary to support an orderly real-economy transition to net zero." The consultation seeks input to refine definitions and applicability of GFANZ's key financing strategies, highlight currently available decarbonisation contribution methodologies, and explore potential applications across each of the financing strategies. The consultation closes on 2 November 2023.</p>	Ongoing	Amber
<p>TCFD publishes its final status report</p> <p>Affects: REITs, REIT managers</p>	<p>On 12 October 2023, the Taskforce on Climate-related Financial Disclosures (TCFD) published its final status report. The report notes that the percentage of public companies disclosing TCFD-aligned information continues to increase but that more progress is required. Over 80% of the biggest asset managers reported in line with at least one of the 11 TCFD disclosures; almost 70% of the top 50 asset managers disclosed in line with at least five of the recommended disclosures. This will be the last status report from the TCFD as from 2024 the ISSB will take over responsibility for monitoring companies' climate-related disclosures and reporting to the FSB.</p>	Ongoing	Amber
<p>UK regulation of ESG data and rating providers</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 5 July 2023, the FCA's ESG Data and Ratings Code of Conduct Working Group (DRWG), launched a consultation on a draft voluntary Code of Conduct for ESG data and ratings providers. The consultation closed on 5 October 2023, and it is expected that the Code will be published at the end of 2023. The Code aims to introduce clear standards for ESG ratings and data products providers and clarify how such providers can interact with wider market participants. Note that, on 13 June 2023, the European Commission published a legislative proposal that it has adopted for a Regulation on the transparency and integrity of ESG rating activities (COM(2023)314). The proposed Regulation specifies, in particular, that ESG rating providers based in the EU must be authorised and subsequently supervised by ESMA.</p>	Ongoing	Amber
<p>FCA and PRA consult on improving diversity and inclusion in financial services</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 25 September 2023, the FCA and PRA published consultation papers setting out proposals to introduce a new regulatory framework on diversity and inclusion in the financial services sector. This follows the joint FCA and PRA discussion paper on diversity and inclusion (DP21/2) published in July 2021, which we covered in our August 2021 update. The consultation papers cover new rules on non-financial misconduct; D&I strategies; data disclosure and regulatory reporting; target setting; risk and governance. There is a particular focus on reducing groupthink. The application of the proposed rules varies depending on the type and size of the firm in question, with firms with over 250 employees being subject to the full regime. FCA consultation paper here. PRA consultation paper here. Both consultations close on 18 December 2023. The regulators will review feedback and publish policy statements in 2024, with a view to bringing the rules into force 12 months after publication of the policy statements.</p>	Ongoing	Amber

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Green Technical Advisory Group advises HM Treasury on the development of a UK green taxonomy</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 7 September 2023, the Green Technical Advisory Group (GTAG) published two reports advising HM Treasury on the development of a UK green taxonomy. One report addresses operational considerations for taxonomy reporting. Its key recommendations include:</p> <ul style="list-style-type: none"> sequencing mandatory disclosures correctly such that sufficient information is available to those making taxonomy disclosures; preparing sufficient guidance to support those voluntarily disclosing their taxonomy alignment; providing a forum to allow stakeholders to raise data issues, challenges, and questions during the voluntary period; ensuring data requirements are mindful of global companies; providing clarity on how estimates can be used when disclosure is limited during the voluntary reporting period; considering the development of a reporting template to facilitate consistency in disclosures during the voluntary period. <p>The second report addresses the treatment of green financial products under evolving UK green taxonomy. Recommendations include:</p> <ul style="list-style-type: none"> The UK Government should provide clarity on how existing green products will be treated when the taxonomy comes into effect, and how taxonomy-aligned products will be treated over time. A "grandfathering" clause is implemented, which will provide a set time period for green debt issuers that will ensure taxonomy-aligned debt at issuance will remain aligned until maturity. For equity, the "grandfathering" clause outlines a set time period within which alignment to the taxonomy criteria must be met if the criteria changes. If existing green debt is refinanced, an assessment should be made against the taxonomy for the latest criteria at time of refinancing. The UK Government should work closely with the FCA to agree a consistent approach to green and sustainability bonds. The UK Government should publish additional guidance on how to assess complex green investments/projects against the taxonomy. <p>On 1 September 2023, the GTAG published two reports providing technical advice on the development of a UK green taxonomy. One report addresses how HM Treasury can develop a UK taxonomy that is adapted to the UK's needs in the short and medium term. Its key recommendations broadly include:</p> <ul style="list-style-type: none"> not to implement an extended taxonomy at this time to avoid complexity in an already highly regulated area, and to instead deliver a green taxonomy that clearly defines "green" economic activities, is credible, robust, and usable; that the UK Government should outline how existing and planned policy initiatives can support the UK's green transition to ensure the case for an extended taxonomy in the near term makes sense; that existing taxonomy design, such as transition activities already included within the EU Taxonomy and any future international taxonomies, should be utilised when the consultation document is developed; that the KPIs that are used and guidance on which entities should report are carefully assessed against existing EU taxonomy. <p>The second report addresses implementing an effective reporting regime for the UK green taxonomy. The GTAG has identified challenges with EU taxonomy reporting KPIs for both financial and non-financial companies and offers recommendations to address these issues.</p>	<p>Ongoing</p>	<p>Amber</p>

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>NGFS publishes information on climate-related litigation risks and microprudential supervision</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 1 September 2023, the Network for Greening the Financial System (NGFS) published a technical document outlining recent trends in climate-related litigation. Several claims have been brought directly against defendants in the financial sector. Legal arguments advanced include under tort law, corporate due diligence legislation, consumer protection and competition law to challenge "greenwashing", and company law to challenge breach of directors' fiduciary duties. The NGFS notes that the recent expansion of regulatory reporting requirements increases the risk of claims against financial institutions on grounds of breaching climate-related legislation.</p> <p>The NGFS also published a report covering microprudential supervision of climate-related litigation risks. It sets out what the NGFS believes are increasingly relevant microprudential supervision considerations of climate-related litigation risk, in light of rapidly changing climate-related regulation that could result in large losses for firms in legal claims. The report provides a range of supervisory options, e.g. awareness building exercises, and testing resilience through scenario analysis and regulatory capital considerations.</p>	Ongoing	Amber
<p>Nature-related Financial Disclosures: TNFD final recommendations</p> <p>Affects: organisations of all sizes initially (voluntary)</p>	<p>On 19 September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations and related guidance for the management and disclosure of nature-related risks and impacts (TNFD press release and UN press release). These recommendations, which mirror and complement the TCFD recommendations for disclosing climate-related financial information, support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes. They are designed for organisations of all sizes, across all sectors and along value chains. The TNFD will track voluntary market adoption on an annual basis through an annual report beginning in 2024.</p>	2024	Amber
<p>Corporate reporting: ESG data use, metrics and targets disclosures</p> <p>Affects: mainly listed companies</p>	<p>On 20 July 2023, the FRC Lab published a report on how ESG data is accessed, collected and used by investors and how companies can optimise the flow of ESG data from companies to investors. On 25 July 2023, the FRC published a thematic review, assessing the quality and maturity of climate-related metrics and targets disclosures.</p> <p>See Q4 2023 edition of UK REIT Horizon Scanner for further details.</p>	Ongoing	Amber
<p>Diversity and inclusion: gender and ethnicity pay reporting</p> <p>Affects: UK companies</p>	<p>As part of the government's general review of the non-financial reporting framework (see Section 2, General corporate) it is seeking stakeholder views on gender pay gap reporting.</p> <p>The Equal Pay Bill (a private members' bill) is making its way through Parliament. Among other things, it widens gender pay gap reporting to include ethnicity pay gap reporting and lowers the reporting threshold to organisations with 100 or more employees (from 250).</p>	Ongoing	Amber

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Audit: IAASB publishes exposure draft of proposed sustainability assurance standard</p> <p>Affects: companies engaging assurance practitioners to audit sustainability information</p>	<p>On 2 August 2023, the International Auditing and Assurance Standards Board (IAASB) published an exposure draft of a proposed new standard to be applied by assurance practitioners when auditing climate-related company disclosures – International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements. The proposed standard is aimed at enhancing the trust and confidence investors, regulators and other stakeholders have in sustainability information, and protecting them from greenwashing. The IAASB requests comments by 1 December 2023.</p>	1 December 2023	Green
<p>European Commission consults on SFDR implementation</p> <p>Affects: REITs sold into the EU and their managers and advisers</p>	<p>On 14 September 2023, the European Commission published both a targeted and public consultation on the implementation of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). The consultations focus on how the SFDR is working in practice and the issues in its implementation. The questions pertain to the cost, operation, and success of the SFDR objectives. The consultation also asks about how SFDR interacts with other sustainable finance legislation, the suitability of SFDR for financial market participants, and requests any feedback on the merits of a potential categorisation system for financial products, building on Articles 8 and 9 of the SFDR. Both consultations close to comments on 15 December 2023.</p> <p>The Commission organised a workshop to discuss the consultations on 10 October 2023; recording here. The event, 'The Sustainability Finance Disclosure Regulation - what next?', included a keynote address from Mairead McGuinness. McGuinness observed that the Commission had seen many positive elements in the regulation but that the SFDR is not being used in the way it was designed. It was intended to be about transparency but had been used more as a labelling scheme.</p>	Ongoing	Green
<p>Corporate reporting: FRC thematic review on metrics and targets disclosures, and report on use and distribution</p> <p>Affects: mainly listed companies</p>	<p>On 25 July 2023, the FRC published a thematic review, assessing the quality and maturity of climate-related metrics and targets disclosures.</p> <p>On 20 July 2023, the FRC Lab published a report on how ESG data is accessed, collected and used by investors and how companies can optimise the flow of ESG data from companies to investors.</p>	Ongoing	Amber



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Important note

This document is intended to give a general overview of the matters covered as they affect REITs listed on the Main Market of the London Stock Exchange and by its nature cannot be exhaustive. The information in this document is not intended to be, and should not be used as, a substitute for taking legal advice for any specific situation. Law and regulation are subject to change after the date this document is published. Links to publications and websites are included for convenience and no responsibility is accepted for the contents or accuracy of those documents or websites. With thanks to Knowledge Lawyers Claire Hawley, Daniel Hirschfield, Annabel Pyke, Lorraine Smith and Rona Westgate.

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