



TaylorWessing

# UK REIT Horizon Scanner Q2 2023

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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, tax<sup>1</sup> and in relation to ESG matters, in England (including retained EU law<sup>2</sup>).**

Issue/status/timing: New developments since our December 2022 edition are shown in **green text**.

Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment<sup>3</sup>)

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

Published as at: **31 March 2023**

- <sup>1</sup> 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.
- <sup>2</sup> 'retained EU law' is EU law incorporated into UK domestic law from the end of the Brexit transition period, as amended.
- <sup>3</sup> 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.

# Contents

<b>1</b>	Equity capital markets	4
<b>2</b>	General corporate	12
<b>3</b>	Financial regulatory	22
<b>4</b>	Real estate, planning and construction	27
<b>5</b>	Tax	35
<b>6</b>	ESG	39
<b>7</b>	Key contacts	55

 TaylorWessing | **1 | Equity capital markets**

UK REIT Horizon Scanner Q2 2023

# Equity capital markets

## Key developments in Q1 2023

- Changes to the Takeover Code regarding the definition of 'acting in concert' came into force
- Amendments to the Takeover Code regarding offer timetable in competitive situations, and other miscellaneous amendments, published
- FCA consults on streamlining rules on structured digital reporting of financial statements
- FCA highlights risks for issuers where multimedia content is included in regulatory news announcements

Issues	Status	Key Timing	Impact
<p><b>Takeovers: acting in concert, competitive bid offer timetable and other miscellaneous Code amendments</b></p> <p>Affects: all companies and transactions subject to the Takeover Code</p>	<p>On 20 February 2023, changes to the Takeover Code regarding the definition of 'acting in concert' came into force. The Code Committee of the Takeover Panel's <a href="#">response statement</a> (RS 2022/2) sets out feedback received from its consultation and <a href="#">Instrument 2022/6</a> outlines the amendments made. The online version of the <a href="#">Code</a> has been updated (<a href="#">Panel Statement 2023/3</a>). Amongst other things, the new rules raise the threshold at which the presumption of acting in concert is engaged from 20% to 30% and also clarify how the presumptions apply to investment funds and limited partnerships.</p> <p>On 4 April 2023, the Code Committee published a <a href="#">response statement</a> (RS 2022/3) setting out amendments to the Code which clarify how the offer timetable applies where there are competing bids involving a takeover by scheme of arrangement. These take effect on 22 May 2023, including for ongoing transactions which straddle that date.</p> <p>Also on 4 April 2023, the Code Committee published a <a href="#">response statement</a> (RS 2022/4) setting out further miscellaneous amendments to various provisions of the Code. The amendments relate to:</p> <ul style="list-style-type: none"> <li>• Derogations and waivers from the requirements of the Code.</li> <li>• Where rumour and speculation or an untoward share price movement is caused by a clear public statement.</li> <li>• Adjusted mandatory offer price under Note 3 on Rule 9.5.</li> <li>• Target board recommendations and disclosures of directors intentions in respect of their own shares.</li> <li>• Irrevocable commitments and letters of intent.</li> </ul> <p>These changes take effect on 22 May 2023, including for ongoing transactions which straddle that date, except where that would give amendments retroactive effect.</p>	February and May 2023	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>DTR 4.1: structured digital reporting of annual financial statements</b></p> <p>Affects: companies which prepare annual financial reports under DTR 4.1</p>	<p>On 12 January 2023, the FCA published a <a href="#">consultation paper</a> (CP23/2) on proposed changes to streamline its rules requiring DTR 4.1 issuers to prepare, publish and file with the FCA their annual financial report in an electronic format, and for the financial statement within it to be in a structured digital format. Comments were requested by 24 February 2023, and subject to feedback and HM Treasury approval, the FCA intends to effect the proposals as soon as practicable in Spring 2023.</p> <p>The FCA has updated its <a href="#">webpage</a> on electronic reporting to note that its system has been updated for the 2022 European Single Electronic Format (ESEF) reporting manual, taxonomy and the 2023 UKSEF approach.</p>	Spring 2023	Amber
<p><b>Reforms to UK listing regime: 'Edinburgh Reforms' and Primary Market Effectiveness Review</b></p> <p>Affects: mainly listed commercial companies but may affect closed ended investment funds in the future</p>	<p>The government is undertaking a fundamental review of the UK listing regime following the publication of Lord Hill's <a href="#">UK Listing Review Report</a> in March 2021. The work delivering the outcomes of Lord Hill's review (and those of the Prospectus Regime Review (see entry below) and Wholesale Markets Review (see previous editions of the UK REIT Horizon Scanner)) forms part of the wider government programme of reforms to the financial services framework (known as the Edinburgh Reforms – see previous editions of the UK REIT Horizon Scanner for background).</p> <p>Further, in response to the UK Listing Review, the FCA is also conducting a review of the listing regime, and published a discussion paper and consultation in July 2021 – the <a href="#">Primary Markets Effectiveness Review</a> (CP 21/21) – regarding certain targeted measures to remove barriers to listing (which came into force on 3 December 2021 (<a href="#">Policy Statement 21/22</a> – see previous editions of the UK REIT Horizon Scanner for background), and seeking views on the structure of the listing regime with a particular focus on commercial companies. On 26 May 2022, the FCA published a <a href="#">discussion paper</a> (DP 22/2) which summarises feedback the FCA received on its discussion of the structure of the listing regime, and puts forward a proposal for a single segment for equity shares in commercial companies to replace the premium and standard listing segments. The FCA recognises that the drivers for change in the listing regime for commercial companies are not necessarily applicable to equity shares in closed ended investment funds (and there is no intention to change the content or substance of the LR 15 regime in this regard). However, it asked for views on whether it may be beneficial to consider some elements of the reforms described in that context, e.g. the replacement of the requirement for 'clean' capital statements with a prospectus disclosure regime, and also asks for any other suggestions for change to the LR 15 regime (paras 3.89 – 3.91). Comments were requested by 28 July 2022, and the FCA will provide feedback in due course.</p>	Ongoing	Amber

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Secondary capital raising review: final report and recommendations</b></p> <p>Affects: listed companies</p>	<p>On 19 July 2022, HM Treasury published the <a href="#">final report</a> in relation to its <a href="#">UK Secondary Capital Raising Review (SCRR)</a> for improving secondary capital raising processes for UK listed companies. The review was launched in October 2021 in response to the UK Listing Review (as mentioned above). The final report includes a series of recommendations to the government, the FCA and the Pre-Emption Group (PEG), which include those set out below (some of which have now been actioned). A new UK Capital Markets Industry Taskforce has also been established to maximise the impact of the current programme of regulatory reforms to UK capital markets (<a href="#">LSE press release</a>).</p> <p>Note that some of the recommendations in the SCRR cross over into other regimes, e.g. IPO and prospectus, and will require reforms to be made to those regimes before the recommendations can be implemented. The government accepted all the recommendations in the report, and intends to amend the Companies Act 2006 to shorten rights issues and the processes around them (see below).</p> <p><i>Increasing the ability of companies to raise smaller amounts of funds quickly and cheaply</i> On 4 November 2022, the PEG published a revised <a href="#">Statement of Principles</a> for the disapplication of pre-emption rights (SOPs) in light of the SCRR, along with template resolutions (effective immediately). <a href="#">For details, see UK REIT Horizon Scanner Q1 2023.</a></p> <p><i>Maintaining and enhancing the pre-emption regime</i> Including providing PEG with a more formal and transparent governance structure and requiring it to report annually on the operation of the pre-emption regime. To be implemented by the FRC and PEG immediately.</p> <p><i>Reduced regulatory involvement in larger fundraisings</i> Related to the forthcoming prospectus regime changes (see entry below), the threshold for requirement to produce a prospectus in connection with a secondary raise will increase from 20% of its existing share capital to 75%. In addition, a sponsor firm should not need to be appointed in connection with a secondary fundraising, although sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Updates to the disclosure requirements relating to working capital statements and importance of vote language are also being considered. Near term implementation.</p> <p><i>Involve retail investors in all capital raisings</i> On all capital raisings, companies should give due consideration to the interests of retail shareholders. In addition to the follow-on offer disapplication point dealt with in the SOPs (above), the period a prospectus for an IPO 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 (see entry below).</p>	Ongoing	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Secondary capital raising review: final report and recommendations (cont'd)</b></p> <p>Affects: listed companies</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. Companies to confirm via a cleansing notice that it is in full compliance with its ongoing disclosure obligations and that it is not delaying the disclosure of any inside information. Near/medium term implementation.</p> <p><i>Raise the priority of the 'drive to digitisation'</i> Key aim is for all shareholders to hold shares in digitised form.</p> <p><i>Make existing fundraising structures quicker and cheaper</i></p> <ul style="list-style-type: none"> <li>• Offer periods for rights issues and open offers shortened to seven business days (from ten). Near term implementation.</li> <li>• Flexibility for notice periods for shareholder meetings (not AGMs) to be reduced to seven clear days. Medium term implementation.</li> <li>• CA 2006 pre-emption amended to align to usual process followed on rights issue or open offer. Near/medium term implementation.</li> <li>• Listing regime amended to allow for excess application mechanics attached to rights issues. Near term implementation.</li> <li>• So companies can market rights issues to US and EEA shareholders without needing 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.</li> </ul>	Various – ongoing	Red
<p><b>Reforms to UK prospectus regime</b></p> <p>Affects: listed companies</p>	<p>The UK Listing Review (entry above) recommended that HM Treasury conduct a fundamental review of the prospectus regime. On 1 March 2022, HM Treasury published the <a href="#">outcome</a> of that review (for details, see previous editions of the UK REIT Horizon Scanner).</p> <p>The reforms to the prospectus and public offers regime form part of the wider government programme of reforms to the financial services framework (see also 'Reforms to UK listing regime: 'Edinburgh Reforms' and Primary Market Effectiveness Review' above). On 9 December 2022, HM Treasury published the documents below relating to these reforms (known as the Edinburgh Reforms).</p> <ul style="list-style-type: none"> <li>• Illustrative statutory instrument – the <a href="#">Financial Services and Markets Act 2000 (Public Offers and Admissions to Trading) Regulations 2023 (press release and policy note)</a> setting out how it will make its proposed changes to the existing public offers and prospectus regime using powers set out in the <a href="#">Financial Services and Markets Bill (FSM Bill – Royal Assent expected Spring 2023 – see below and also section 3, Financial regulatory)</a>. Most of the changes announced in the 'outcome' mentioned above, including those set out below, are covered. Note that the FSM Bill will establish the framework for the revocation of all EU retained law relating to financial services, including the UK Prospectus Regulation and subordinate legislation, e.g. the UK Prospectus Delegated regulation (containing annexes that describe specific prospectus content requirements). It is likely that the UK Prospectus Regulation will be revoked during 2023 as part of the capital market regime reforms, but only after the FCA rules are finalised.</li> <li>• <a href="#">Policy Statement: Building a smarter financial services sector for the UK</a> setting out its approach to repealing financial services retained EU law. The new regime for admissions to trading and public offers forms part of tranche 1 of this process. HM Treasury expects to make significant progress on tranche 1 by the end of 2023. The full suite of reforms would take effect after the FCA has consulted on and implemented rules under its relevant powers.</li> </ul>	End of 2023	Red



# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Reforms to UK prospectus regime (cont'd)</b></p> <p>Affects: listed companies</p>	<p>The changes to the existing public offers and prospectus regime include the following.</p> <ul style="list-style-type: none"> <li>Removal of public offer trigger for a prospectus and replacement with a general prohibition and expanded set of exemptions. FCA responsible for determining when a prospectus may still be required as well as its contents, and the manner and timing of validation and publication.</li> <li>Widening the scope of the public offer regime to include public offers of certain non-transferable securities.</li> <li>Private companies will be able to make public offers (subject to threshold requirements) provided they are made through a 'public offer platform'. The government will legislate to create a new regulated activity covering the operation of a public offer platform.</li> <li>The 'necessary information' test will be retained as the basic standard of preparation for a prospectus (subject to a few changes).</li> <li>Establishing a lower liability threshold for certain categories of forward-looking information in prospectuses.</li> </ul> <p>On 9 March 2023, as part of the Edinburgh Reforms, HM Treasury published <a href="#">Terms of Reference: Investment Research Review</a>. The Review is one of several government initiatives intended to strengthen capital markets and boost the UK as a destination for IPOs and will look at the link between levels of investment research and the attractiveness of the UK as a location for companies considering a listing. It will report back to the government by mid-June 2023. On 3 April 2023, HM Treasury published a <a href="#">call for evidence</a> for the review.</p>	End of 2023	Red
<p><b>Prospectus Regulation: ESMA updates Q&amp;A</b></p> <p>Affects: listed companies</p>	<p>On 3 February 2023, ESMA published an updated version of its Prospectus Regulation <a href="#">Q&amp;As</a> containing a new question that considers whether the purchase of securities via a joint account would be considered a purchase by one investor for the purposes of Article 1(4)(d) EU Prospectus Regulation (question 15.10).</p>	Ongoing	Green
<p><b>Prospectuses: schemes of arrangement</b></p> <p>Affects: listed companies</p>	<p>On 20 March 2023, the FCA published <a href="#">Primary Market Bulletin 44 (PMB 44)</a>. In it, the FCA notes that it will not be publishing the technical note it proposed in <a href="#">Primary Market Bulletin 30</a> (published August 2020) relating to the requirement to publish a public offer prospectus where securities are issued under a scheme of arrangement. This is because the respondents to the consultation were of the view that, where securities are allotted under a scheme there is no 'offer to the public' and therefore no public offer prospectus is required. The FCA adds, however, that ultimately this is for the courts to decide. See also entry below, and section 6, ESG for more on PMB 44.</p>	Ongoing	Green
<p><b>Regulated information: multimedia content</b></p> <p>Affects: issuers submitting regulated information for dissemination</p>	<p>Also in <a href="#">PMB 44</a> (entry above), the FCA warns against using multimedia content (e.g. audio and video content) as part of any regulated information submitted for dissemination because of the risk to market users by potentially blurring what is regulated information, including inside information, and what is not. It also flags the risk that regulatory announcements containing multimedia content could breach certain requirements in the DTRs and the MAR.</p>	Ongoing	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Consultation on power to block listings on national security grounds</b></p> <p>Affects: potentially all companies seeking to list on UK public markets including SPACs</p>	<p>The government's initial <a href="#">consultation</a> on the scope of a proposed new power to block a company's listings on national security grounds closed on 27 August 2021. While the government intends that the new power will be targeted and precautionary, and therefore not affect the vast majority of companies seeking to raise capital on UK financial markets, the scope of the precautionary power will include all initial equity listings and admissions to trading on UK public markets and will extend to SPACs. For further detail, see previous editions of the UK REIT Horizon Scanner.</p> <p>HM Treasury anticipates further technical consultations will be required as the power is developed. In addition, the consultation paper notes that the circumstances and rationale for government intervention will be covered more extensively in a further consultation.</p>	Ongoing	Amber
<p><b>Brexit: changes to the current status and operation of retained EU law</b></p> <p>Affects: depends on government policy, but likely to impact capital markets</p>	<p>On 22 September 2022, the <a href="#">Retained EU Law (Revocation and Reform) Bill 2022-23</a> (REUL Bill) was introduced to the House of Commons and is currently making its way through Parliament. In short, the Bill will allow the government, amongst other things, to incorporate those aspects of UK law retained after Brexit into UK legislation. EU law which is not preserved in this way will be repealed automatically at the end of 2023 (which may be extended in some circumstances to the end of 2026). Note that this is not intended to apply to financial services legislation which is covered in the <a href="#">Financial Services and Markets Bill 2022/23</a>.</p> <p>Further, the REUL Bill will abolish, by the end of 2023, the principle of supremacy of EU law in UK law so that it no longer applies to any domestic legislation, as well as the general principles of EU law laid down in EU case law so that they no longer influence the interpretation of legislation on the UK statute book.</p> <p>Also note that, alongside the Trade and Cooperation Agreement was a non-binding joint declaration on financial services regulatory cooperation. It contained a commitment for the UK and EU to agree a Memorandum of Understanding (MoU) by March 2021 on the framework for cooperation in areas such as equivalence (agreed but not yet ratified). Currently, FCA approved prospectuses cannot be passported into the EU/EEA, so approval by a relevant competent authority is required for offers into those countries if applicable exemptions are not available. However, in its <a href="#">response</a> to the House of Lords committee report on UK-EU financial services relationship report, the government stated that, although it is ready to sign the MoU, further steps are required on the EU side before the MoU will come into effect and the UK-EU forum can be convened.</p>	31 December 2023 in the first instance	Amber
<p><b>EU Capital Markets Union: Commission announces further developments</b></p> <p>Affects: companies listed, or looking to list, in the EU</p>	<p>On 7 December 2022, the European Commission <a href="#">announced</a> its intention to further develop the EU's Capital Markets Union. The measures include: making EU clearing services more attractive and resilient; harmonising certain corporate insolvency rules across the EU; and, a new Listing Act to alleviate the administrative burden for companies of all sizes. <a href="#">For details, see UK REIT Horizon Scanner Q1 2023</a>. The legislative proposals for all of the measures will now be submitted to the European Parliament and the Council for adoption. The European Commission has also published <a href="#">Q&amp;A</a> on the corporate insolvency and listing proposals, and related <a href="#">Factsheet</a>, as well as <a href="#">Q&amp;A</a> and a <a href="#">Factsheet</a> for the clearing proposals.</p>	Ongoing	Amber

# Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<b>LSE: Dividend Procedure Timetable</b>  Affects: listed companies	On 16 August 2022, the LSE published its <a href="#">2023 Dividend Procedure Timetable</a> which sets out a series of ex-dividend dates for 2023, its associated record date and the corresponding latest announcement date.	2023	Amber
<b>Stewardship: FRC Review of Stewardship Reporting 2022</b>  Affects: asset managers and asset owners	On 24 November 2022, the FRC published its <a href="#">Review of Stewardship Reporting 2022</a> , which analyses how signatories reported against the UK Stewardship Code in 2022 and sets out its reporting expectations for the 2023 assessment year.	Ongoing	Amber



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| 2 | **General corporate**

# General corporate

## Key developments in Q1 2023

- Investment Association published Shareholder Priorities for 2023 and revised Share Capital Management Guidelines
- Pensions and Lifetime Savings Association published its 2023 Stewardship and Voting Guidelines
- Industry Working Group on Electronic Execution of Documents published its final report

Issues	Status	Key Timing	Impact
<b>Government: new Department for Business and Trade</b>	On 7 February 2023, the Prime Minister's Office announced the creation of four new government departments ( <a href="#">press release</a> and <a href="#">policy papers</a> ). These include a new Department for Business and Trade, Department for Energy Security and Net Zero (see Section 6, ESG), Department for Science, Innovation and Technology and a 'refocused' Department for Culture, Media and Sport. In practice, this means that BEIS is being disbanded, with its responsibilities split (as appropriate) between the new departments. The Department for International Trade is similarly affected.	Ongoing	Green
<b>Execution of documents</b> Affects: all companies	In March 2023, the Industry Working Group on Electronic Execution of Documents published its <a href="#">final report</a> . It considers the challenges arising from the use of electronic signatures in cross-border transactions and how best to use electronic signatures to optimise their benefits when set against the risk of fraud. It also sets out further recommendations for reform, which include introducing a set of minimum standards to bolster the integrity of, and public confidence in, the e-signing experience and process, and review of the law relating to deeds, in particular the formalities surrounding execution.	Ongoing	Amber
<b>Corporate reporting: FRC Lab project on materiality in corporate reporting</b> Affects: potentially all companies preparing reports	On 18 October 2022, the FRC Lab issued a <a href="#">call for participants</a> in a new project to understand how companies develop, assess and use materiality in their reporting, and to consider how enhancements to disclosure about materiality processes might assist investors. The project is expected to cover both financial and non-financial reporting. The Lab expects to publish its findings in 2023.	Ongoing but expected 2023	Green

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Audit and corporate governance: major reforms to audit and corporate governance systems</b></p> <p>Affects: all companies</p>	<p>On 31 May 2022, the government published its <a href="#">response</a> to BEIS' (as was) <a href="#">White paper: Restoring trust in audit and corporate governance</a>. For background, see previous editions of the UK REIT Horizon Scanner. The AIC has also published a <a href="#">paper</a> discussing the reforms that are likely to impact investment companies. <a href="#">See also section 6, ESG</a>.</p> <p>On 12 July 2022, the FRC published a <a href="#">position paper</a> setting out how it will address issues in the government response which fall within its remit. However, on 26 March 2023, the FRC published its <a href="#">3 Year Plan</a>, setting out its priorities for 2023 to 2026. The draft plan:</p> <ul style="list-style-type: none"> <li>acknowledges that ARGA is now likely to come into effect in 2024, rather than 2023 as previously planned; and</li> <li>states its intention to revise the UK Corporate Governance Code (UKCGC). It will also supplement the revised UKCGC with updated guidance, including revised versions of the FRC Guidance on Audit Committees, FRC Guidance on Board Effectiveness and FRC Guidance on Risk Management. It is intended that the revised UKCGC will apply to periods commencing on or after 1 January 2024.</li> </ul> <p>The FRC <a href="#">consultation</a> on a proposed Minimum Standard for audit committees closed on 8 February 2023. Once the final Standard is published, FTSE 350 audit committees will be able to adopt the standard on a voluntary basis before it becomes mandatory and supervised when ARGA is created. The Standard focuses on: auditor appointment and associated tendering process; ongoing audit and auditor oversight; and reporting on work the audit committee has done in respect of the audit and on compliance with the Standard.</p> <p>Further, the FRC has published a <a href="#">report</a> setting out what makes a good environment for auditor scepticism and challenge. It includes a section on audit committees, outlining the features of a strong audit committee, and the role it plays in the audit from the planning stage through to completion. It has also launched an <a href="#">Audit &amp; Assurance Sandbox</a>, which aims to provide a confidential space for relevant parties to discuss ideas and technical issues in audit and assurance policy areas.</p> <p>The FRC is also inviting Audit Committee Chairs to attend quarterly online meetings which will cover a range of topics relevant to the work of Audit Committee Chairs', and during which the FRC will seek views to help contribute to different projects and consultations run by the FRC. Contact <a href="mailto:stakeholderengagement@frc.org.uk">stakeholderengagement@frc.org.uk</a> if interested in participating.</p>	<p>Ongoing</p> <p>2023 review of UKCGC: 2024 application</p> <p>2024 for introduction of ARGA</p>	<p>Amber</p>
<p><b>Audit: International Internal Audit Standards Board publishes exposure draft of Global Internal Audit Standards</b></p> <p>Affects: companies with an internal audit function</p>	<p>In March 2023, the International Internal Audit Standards Board (IIASB) of the Institute of Internal Auditors (IIA) published an exposure draft of the Global Internal Audit Standards (previously known as the International Standards for the Professional Practice of Internal Auditing) which form part of the International Professional Practices Framework. The IIA requests comments on the draft Standards by 30 May 2023 and it is expected that the final Standards will be issued in late 2023 to take effect 12 months later.</p>	<p>30 May 2023</p>	<p>Amber</p>

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Corporate governance: Investment Association Shareholder Priorities for 2023</b></p> <p>Affects: mainly listed companies</p>	<p>On 13 February 2023, the Investment Association published its <a href="#">Shareholder Priorities for 2023</a>. IVIS will monitor companies with year-ends starting on or after 31 December 2022 in relation to the priorities, which include those set out below.</p> <ul style="list-style-type: none"> <li>• <b>Climate change:</b> IVIS will continue to amber top companies that do not make disclosures against all four pillars of the TCFD framework.</li> <li>• <b>Accounting for climate change:</b> IVIS will continue to monitor whether companies have made a statement that the directors had considered the relevance of climate and transition risks associated with the transition to net-zero, when preparing and signing off on the company accounts.</li> <li>• <b>Audit quality:</b> IVIS intends to separate the existing question into three parts to enable companies to provide targeted disclosures on: how the Audit Committee has assessed the quality of the audit; how the auditor has demonstrated professional scepticism; and how the auditor has challenged management's assumptions where necessary.</li> <li>• <b>Diversity:</b> IVIS will increase its gender diversity targets by 2% and red top FTSE 350 companies where women represent 35% or less of the board or 30% or less of the executive committee and their direct reports. It will continue to red top FTSE Small Cap companies where women represent 25% or less of the board or 25% or less of the executive committee. It will also assess whether companies are meeting the new Listing Rule requirement to disclose on a comply or explain basis whether one of the chair, SID, CEO or finance director is held by a female, but will not colour top at this stage. IVIS also will continue to red top FTSE 100 companies that have not met the Parker Review target of one director from a minority ethnic group, and amber top FTSE 250 companies that do not disclose either the ethnic diversity of their board or a credible plan to achieve the Review's targets by 2024 (see also Section 6, ESG).</li> <li>• <b>Stakeholder engagement:</b> IVIS will monitor and highlight areas of the annual report which reflect engagement with stakeholders on the cost-of-living crisis.</li> </ul> <p>In general, the IA notes that the challenging macro-economic environment means that now more than ever there is a need for good governance including experienced non-executive directors on the Board, with the right information and ability to make the best long-term decisions. It also encourages companies to report against the Taskforce on Nature-related Financial Disclosures (see section 6, ESG).</p>	2023	Red
<p><b>Corporate governance: Investment Association Share Capital Management Guidelines</b></p> <p>Affects: mainly listed companies</p>	<p>In February 2023, the Investment Association published a new version of its <a href="#">Share Capital Management Guidelines</a>. The guidelines, among other things, set out expectations where companies seek shareholder authorities for the general allotment of new shares and the disapplication of pre-emption rights. They have been revised in line with certain recommendations of the UK Secondary Capital Raising Review (see section 1, Equity capital markets), in particular to provide that members will regard as routine an authority to allot up to two-thirds of the existing issued share capital, and any amount in excess of one-third of existing issued shares should be applied to all forms of fully pre-emptive offers (not just rights issues as was previously the case). The guidelines have also been updated to support the new Pre-Emption Group's Statement Of Principles which allows annual authorities of up to 20% of the issued share capital and an additional 4% for a follow-on offer, and to recognise that capital hungry companies may have reason for raising larger amounts of equity capital. See also section 1, Equity capital markets.</p>	2023	Red

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Corporate governance: PLSA publishes 2023 Stewardship and Voting Guidelines</b></p> <p>Affects: listed companies</p>	<p>On 30 March 2023, the Pensions and Lifetime Savings Association published its <a href="#">2023 Stewardship and Voting Guidelines</a> providing practical guidance for pension schemes considering how to exercise their voting rights on key issues of concern during the 2023 AGM season.</p> <p>Changes to the 2022 version include the below.</p> <ul style="list-style-type: none"> <li>• <b>Virtual AGMs:</b> PLSA acknowledges there is a case for virtual meetings in exceptional circumstances but otherwise believes AGMs should allow for in person attendance. It would therefore not support permanent virtual AGMs.</li> <li>• <b>Chair appointment:</b> shareholders must consider board diversity when assessing the suitability of a new Chair.</li> <li>• <b>Board composition and diversity:</b> investors should consider voting against the re-election of the Chair and Nomination Committee Chair if the board consistently fails to move towards the PLSA recommendations of good company behaviour regarding board diversity or shows a lack of effort to do so, or the board fails to move towards the latest FCA diversity requirements (see section 6, ESG) or satisfactorily explain such non-compliance. Investors should vote against the re-election of a director if there is no clear evidence that diversity is being sufficiently considered by the board, or where previously committed timescales are not being met.</li> <li>• <b>Remuneration:</b> PLSA calls on companies to exercise restraint in executive pay given the current economic situation.</li> <li>• <b>Climate change:</b> PLSA has added to its list of questions investors should ask when deciding whether to support a particular climate-related resolution.</li> <li>• <b>Workforce:</b> the 2023 version includes a new section setting out the PLSA's expectations regarding matters such as workplace health, wellbeing, modern slavery issues and DEI, specifying the situations where investors should consider voting against the approval of the annual report and accounts or the re-election of a relevant director e.g. where companies identified as highly exposed to modern slavery risks fail to demonstrate adequate risk management and a willingness to change their approach.</li> </ul>	2023	Red



# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Corporate transparency and economic crime: Register of Overseas Entities</b></p> <p>Affects: all companies and non-UK entities which own UK property</p>	<p>The <a href="#">Economic Crime (Transparency and Enforcement) Act 2022</a> (ECTEA 2022) received Royal Assent on 15 March 2022. For background, see previous editions of the UK REIT Horizon Scanner. See also section 4, Real estate, planning and construction.</p> <p>In brief, under Part 1 of the ECTEA 2022, overseas entities who wish to own UK land will need to identify their beneficial owners, and if relevant, managing officers, and register them on a new register of beneficial ownership, held by Companies House (Register of Overseas Entities – ROE – launched 1 August 2022 (<a href="#">Press Release</a>)). These requirements apply retrospectively to property acquired since January 1999, and under transitional provisions, overseas entities which owned registered property before 1 August 2022 <b>had until 31 January 2023</b>, to register. If an overseas entity did not apply to register by that date, it has committed a criminal offence and will effectively be unable to sell, lease or charge its registered property. Also, once registered, information must be updated annually and failure to do so will also attract a criminal offence.</p> <p>Further, on 12 January 2023, the <a href="#">Register of Overseas Entities (Verification and Provision of Information) (Amendment) Regulations 2022</a> came into force. These amended the <a href="#">Register of Overseas Entities (Verification and Provision of Information) Regulations 2022</a>, which provide a regime for the verification of information submitted to Companies House by an overseas entity. For details, see previous editions of the UK REIT Horizon Scanner, in particular Q1 2023. On the same date, BEIS (as was) published updated <a href="#">guidance</a> for the registration of overseas entities. Topics include: what constitutes an overseas entity; identifying registrable beneficial owners; and, the meaning of significant influence or control in relation to trusts.</p> <p>On 15 March 2023 the draft <a href="#">Register of Overseas Entities (Definition of Foreign Limited Partner, Protection and Rectification) Regulations 2023</a> were published. The draft regulations supplement certain aspects of the Part 1 of the ECTEA 2022 regime, and broadly:</p> <ul style="list-style-type: none"> <li>• outline the characteristics of a foreign limited partner – relevant for determining an overseas entity's registrable beneficial owners; and</li> <li>• provide for the application process for the removal of material from the register on various grounds.</li> </ul> <p>On 20 March 2023, the <a href="#">Register of Overseas Entities (Disclosure and Dispositions) Regulations 2023</a> were laid before Parliament and published (<a href="#">Explanatory Memorandum</a>). These regulations implement further aspects of the ROE, and in particular they specify:</p> <ul style="list-style-type: none"> <li>• to whom the registrar may disclose certain protected information and under what circumstances (in force 11 April 2023); and</li> <li>• who may apply under the Land Registration Act 2002 to register an otherwise prohibited disposition in England and Wales and under what circumstances (in force 5 June 2023).</li> </ul> <p>Part 3 ECTEA deals with sanctions, and introduced amendments to the civil liability regime for breaches of UK financial sanctions. Such breaches are now the subject of strict liability, and there is no longer a requirement for the Office of Financial Sanctions Implementation to prove that a person had knowledge/suspicion or reasonable cause to suspect that they might breach the sanctions regime. The AIC has produced a <a href="#">guidance note</a> on the implications of these rules for dividend payments, share buybacks and share issuance.</p>	<p>January 2023 and ongoing</p>	<p><b>Red</b></p>

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Corporate transparency and economic crime: Companies House reform</b></p> <p>Affects: all companies</p>	<p>Following the government <a href="#">White Paper: Corporate transparency and register reform</a> (published in February 2022, for background see previous editions of the UK REIT Horizon Scanner, in particular Q2 2022), on 22 September 2022, the <a href="#">Economic Crime and Corporate Transparency Bill 2022</a> was published to sit alongside the ECTEA 2022 (see entry above). Broadly, the Bill:</p> <ul style="list-style-type: none"> <li>▪ widens the Registrar's powers so that it becomes a more effective gatekeeper over company incorporation and custodian of more reliable company (and other UK registered entity) data. The enhanced powers include new powers to check, remove and decline information submitted to, or already on, the register, and more effective investigation and enforcement powers;</li> <li>▪ introduces identity verification requirements for all new and existing registered company directors, People with Significant Control and those delivering documents to the Registrar;</li> <li>▪ tackles the abuse of LPs by strengthening transparency requirements and enabling them to be deregistered;</li> <li>▪ creates powers to quickly and more easily seize and recover cryptoassets (the principal medium used for ransomware);</li> <li>▪ introduces new exemptions from the principal money laundering offences to reduce unnecessary reporting by businesses carrying out transactions on behalf of their customers and new law enforcement powers to obtain information to tackle money laundering and terrorist financing, and</li> <li>▪ enables businesses in certain sectors to share information more effectively to prevent and detect economic crime.</li> </ul> <p>Companies House has been publishing blog posts in relation to its role in various changes under the Bill. These include:</p> <ul style="list-style-type: none"> <li>• <a href="#">Moving to software-only accounts filing</a>, which discusses plans to introduce software-only filing of annual accounts;</li> <li>• <a href="#">Small company filing options</a>, which looks at proposals in the Bill that will require all small companies, including micro-entities, to file their profit and loss accounts at Companies House (the existing option for micro-entities to file abridged accounts will be removed). For others, see previous editions of the UK REIT Horizon Scanner.</li> </ul> <p>The Bill will next go to the committee stage on a date to be scheduled.</p>	Ongoing	Red

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Consultation on non-compete clauses</b>  Affects: UK employers and employees	In December 2020, the government <a href="#">consulted</a> on reforming the law on non-compete clauses in employment contracts. It aims to give employees more freedom and flexibility to drive economic recovery, and ensure fair settlement where restrictions apply. A response is awaited. For further detail, see previous versions of the UK REIT Horizon Scanner.	Ongoing	Amber
<b>Late payment practices</b>  Affects: large companies	On 3 December 2022, BEIS (as was) launched the <a href="#">Payment and Cash Flow review</a> which will scrutinise the effectiveness of current measures to combat late payment practices. As part of this, on 31 January 2023 BEIS (as was) published a <a href="#">consultation</a> on proposals to amend the Reporting on Payment Practices and Performance Regulations 2017 and the Limited Liability Partnerships (Reporting on Payment Practices and Performance) Regulations 2017 and seeks views on the following, amongst other things: <ul style="list-style-type: none"> <li>• whether the Regulations should be extended beyond their current expiry date of 6 April 2024;</li> <li>• referencing payment reporting in a company's director's report; and</li> <li>• a clarification of how supply chain finance is reported.</li> </ul> The deadline is 28 April 2023. A government response will be published within 12 weeks of the close of the consultation.	Ongoing  28 April 2023	Amber
<b>Companies House Direct and WebCheck closure</b>  Affects: all companies	On 30 March 2023, Companies House <a href="#">announced</a> that its Companies House Direct and WebCheck services will close on 30 November 2023 (originally scheduled to close in 2021). Users are instead directed to the <a href="#">Find and update company information service</a> , which has replaced the majority of the functionality provided by Companies House Direct and WebCheck.	30 November 2023	Amber
<b>Digital securities</b>  Affects: potentially all companies	On 9 February 2023, the UK Jurisdiction Taskforce published <a href="#">Legal Statement: Issuance and transfer of digital securities under English private law</a> which considers whether equity, debt and other securities can be validly issued and transferred under English law using blockchain or distributed ledger technology (DLT) systems. In short, it concludes that English law can accommodate digital bonds circulated on a public blockchain, although digital equity securities are a greater challenge because of the certification, registration and share transfers requirements under the Companies Act 2006. The Taskforce considers that it would likely be unfeasible to use a fully decentralised blockchain as a register of members under the current law because the company would not have sufficient control over it to comply with its statutory maintenance obligations. However, the Taskforce sees no objection in principle to DLT-based share transfers, provided that the system is designed to emit electronic transfer forms capable of submission to HMRC.	Ongoing	Green

# General corporate (continued)

Issues	Status	Key Timing	Impact
<p><b>Law Commission law reform programme for 2021 and review of corporate criminal liability</b></p> <p>Affects: all companies</p>	<p>The Law Commission's <a href="#">consultation</a> on its 14th programme of law reform closed on 31 July 2021, but the timetable for finalising the programme has been extended to no specified date (<a href="#">update</a>). Specific ideas for law reform include (among other things):</p> <ul style="list-style-type: none"> <li>▪ Modernising the law of deeds for commercial parties, including assessing current electronic and paper execution requirements and understanding difficulties in executing deeds particularly in the context of the pandemic (<a href="#">see 'Execution of documents' entry above</a>).</li> <li>▪ Reviewing areas of legislation most affected by Brexit and potentially reforming certain areas of retained EU law.</li> </ul> <p>On 10 June 2022, the Law Commission published a <a href="#">review of corporate criminal liability</a> detailing options for reforming how corporations are convicted of criminal offences. The Government will now review. For further detail, see UK REIT Horizon Scanner Q3 2022.</p>	Ongoing	Green
<p><b>Stamp tax reform</b></p> <p>Affects: all companies with shares</p>	<p>On 21 July 2021, the government published its <a href="#">response</a> to its consultation 'Modernisation of Stamp Taxes on Shares Framework' which looked at the principles and design of a new stamp duty and stamp duty reserve tax regime. The government now plans to explore the identified key priority areas for change, including a single self-assessed tax on shares, territorial scope and digitisation.</p>	Ongoing	Green
<p><b>Corporate re-domiciliation</b></p> <p>Affects: all foreign-incorporated companies</p>	<p>On 12 April 2022, the government published a <a href="#">response</a> 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 confirmed that it intends to introduce the regime and will now refine the policy. No timescales are given.</p>	Ongoing	Green
<p><b>Dematerialisation of shares</b></p> <p>Affects: all companies whose shareholders hold shares in paper form</p>	<p>The government is working with industry, regulators and shareholders to determine the best way to convert shares which are still held in paper form into electronic form. This follows a government <a href="#">policy paper</a> on various regulatory reforms post-Brexit (September 2021).</p> <p>On 19 July 2022, following the outcome of the Secondary Capital Raising Review, the Digitisation Taskforce was launched (<a href="#">policy paper</a>) to drive forward the modernisation of the UK's shareholding framework, including the move to eliminate the use of paper share certificates for publicly traded companies, and extending digitisation to new private companies and as an option for existing private companies. See section 1, Equity capital markets for further detail on the Secondary Capital Raising Review. It has been asked to report on its progress and initial findings by spring 2023, and to publish final recommendations and an implementation plan by spring 2024.</p>	Spring 2023 and 2024	Green

# General corporate (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Corporate governance: institutional investor body guidelines</b></p> <p>Affects: predominantly main market companies but also potentially companies listed on other public markets, and other entities</p>	<p>On 9 November 2022, the Investment Association published its annual <a href="#">Principles of Remuneration</a> setting out its members' expectations in relation to executive pay for 2023.</p> <p>On 13 December 2022, Institutional Shareholder Services published its <a href="#">2023 UK and Ireland proxy voting guidelines</a> to apply to shareholder meetings on or after 1 February 2023. Chapter 7 sets out guidelines for investment companies.</p> <p>On 17 November 2022, Glass Lewis published its <a href="#">2023 proxy voting policy guidelines</a> for the UK.</p>	2023	Red
<p><b>Corporate reporting: FRC publishes Annual Review of Corporate Reporting</b></p> <p>Affects: report concerns FTSE 350 companies but could be helpful for all companies preparing reports</p>	<p>On 27 October 2022, the FRC published its <a href="#">Annual Review of Corporate Reporting for 2021/2022</a> (and summary document: <a href="#">Corporate Reporting Highlights</a>) and <a href="#">Key Matters for 2022/23 Reports and Accounts</a>. The annual review outlines the top ten areas where improvements to reporting are required, including cash flow, financial instruments and deferred tax. The FRC reiterated the need for high-quality disclosures during periods of economic uncertainty. The Key Matters document sets out the FRC's areas of focus for the coming reporting season which include the risks and uncertainty in the challenging economic environment, and those relating to climate change. The publications are primarily targeted at preparers and auditors, investors and other uses of the reports and accounts.</p>	Ongoing, but mostly 2022/23 financial reporting	Amber
<p><b>Corporate governance: FRC publishes Annual Review of Corporate Governance Reporting</b></p> <p>Affects: report concerns FTSE 350 and small cap companies but helpful for all companies preparing reports</p>	<p>On 3 November 2022, the FRC published its third annual <a href="#">Review of Corporate Governance Reporting</a>, which outlines key findings from an analysis of how a sample of FTSE 350 and Small Cap companies have reported during the year under the UK Corporate Governance Code. The review identifies key areas where the FRC is looking for improvements in 2023, and notes that the FRC will consult on revisions to the UK Corporate Governance Code in 2023, focusing on the areas identified in its <a href="#">Position Paper: Restoring trust in audit and corporate governance</a> published in July 2022 (see 'Audit and corporate governance: Major reforms to audit and corporate governance systems, including UK Corporate Governance Code review in 2023' above <a href="#">and also section 6, ESG</a>).</p>	Ongoing, but mostly 2022/23 financial reporting	Amber
<p><b>Execution of documents</b></p> <p>Affects: all companies</p>	<p>On 26 October 2022 the Law Society and City of London Law Society (CLLS) published an updated version of their <a href="#">Note on the execution of documents using electronic signatures</a>. The note has been generally updated to reflect developments since the original edition (published in 2016 – blackline against the 2016 version <a href="#">here</a>), and also includes a new paragraph on remote signings where an e-signing platform is used to obtain signatures. <a href="#">For details, see UK REIT Horizon Scanner Q1 2023.</a></p>	Ongoing	Green

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# 3 | Financial regulatory

# Financial regulatory

## Key developments in Q1 2023

- Regulatory Initiatives Grid
- Review of the Senior Managers & Certification Regime
- Update on Financial Services and Markets Bill 2022/23
- FCA Discussion Paper on updating and improving UK asset management regime
- FCA portfolio letter to asset management firms
- AIFMD triologue negotiations
- Consumer Duty portfolio letter
- Economic Crime Levy

Issues	Status	Key Timing	Impact
<b>Regulatory Initiatives Grid</b> Affects: REIT managers, REIT advisers	On 28 February 2023, the Financial Services Regulatory Initiatives Forum published the sixth edition of the <a href="#">Regulatory Initiatives Grid</a> , which provides an outline of upcoming regulatory work. The next edition of the Grid will be published towards the end of 2023.	Ongoing	Green
<b>Review of the Senior Managers &amp; Certification Regime</b> Affects: REIT managers, REIT advisers	On 30 March 2023, the government and the regulators launched their review of the Senior Managers & Certification Regime, as announced in the <a href="#">Edinburgh Reforms</a> in December 2022.  A joint <a href="#">Discussion Paper</a> (DP23/3) from the FCA and PRA looks at the effectiveness, scope and proportionality of the regime and should be read together with HMT's <a href="#">Call for Evidence</a> , which looks at the legislative aspects of the regime. Responses to the Discussion Paper and Call for Evidence are requested by Thursday 1 June 2023. For further details, please see our special feature <a href="#">article</a> .	Q2 2023	Amber

# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p><b>Update on Financial Services and Markets Bill 2022/23</b></p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 23 March 2023, the <a href="#">Financial Services and Markets Bill 2022-23 (FSM Bill)</a> completed its committee stage in the House of Lords.</p> <p>This <a href="#">press release</a> sets out the issues that were considered. A <a href="#">revised version</a> of the FSM Bill has been published on the UK Parliament website.</p> <p>The FSM Bill will now move to the report stage for further scrutiny.</p>	Q2 2023	Amber
<p><b>FCA Discussion Paper on updating and improving UK asset management regime</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 20 February 2023, the FCA published a <a href="#">Discussion Paper (DP23/2)</a> on the UK asset management regime in light of the <a href="#">Future Regulatory Framework</a> and the government's proposal that the FCA becomes responsible for retained EU laws that set requirements for firms. The FCA is seeking feedback on how to update and improve the current UK regime for asset managers:</p> <ul style="list-style-type: none"> <li>Chapters 3 and 4 ask if the FCA could make the structure of the regulatory regime for asset managers clearer and make it work better, for example, by simplifying or restructuring rules.</li> <li>Chapters 5 and 6 look at ways in which technology can lead to change, focusing on the relationship between fund managers, distributors and investors and considering the role of tokenisation.</li> </ul> <p>Comments will close on 22 May 2023. The FCA expects to publish a feedback statement later in 2023, which may be part of a Consultation Paper on some of the topics in the Discussion Paper.</p>	Q2 2023	Amber
<p><b>FCA portfolio letter to asset management firms</b></p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 3 February 2023, the FCA published a <a href="#">portfolio letter</a> setting out its supervision strategy for the asset management sector to help firms and CEOs mitigate harm to consumers and markets. Of particular relevance to the REIT industry are the sections on:</p> <ul style="list-style-type: none"> <li>Product governance</li> <li>ESG and sustainable investing</li> <li>Investment in operations and resilience</li> <li>Financial resilience.</li> </ul>	Ongoing	Amber
<p><b>AIFMD triologue negotiations</b></p> <p>Affects: (For REITs being marketed into the EEA) REITs, REIT managers</p>	<p>On 28 March 2023, the Council of the EU published an <a href="#">information note</a> containing a table comparing the negotiating positions taken by the European Commission, the Council of the EU and the European Parliament on the proposed Directive amending the Alternative Investment Fund Managers Directive.</p> <p>The note has been published as triologue negotiations on the legislation take place.</p>	Ongoing	Amber



# Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p><b>Consumer Duty portfolio duty</b></p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 3 February 2023, the FCA published a <a href="#">portfolio letter</a> to firms in the asset management, custody and fund services and alternatives sectors, on how they should implement the new Consumer Duty even when they have an indirect relationship with the consumer (see Annex 1).</p> <p>Annex 2 flags the following key issues firms should look into:</p> <ul style="list-style-type: none"> <li>▪ How the Consumer Duty interacts with the FCA's existing rules.</li> <li>▪ How distributors and manufacturers' firms need to ensure their products provide fair value.</li> <li>▪ Examples of good and bad practice when implementing the Consumer Duty.</li> <li>▪ Ensuring that the firms' appointed representatives comply with the Consumer Duty.</li> </ul>	Ongoing	Red
<p><b>Economic Crime Levy</b></p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 9 March 2023, the FCA <a href="#">announced</a> that from July 2023 it will collect an economic crime levy to fund the fight against economic crime. The levy will apply to businesses which were subject to the money laundering regulations between 6 April 2022 and 5 April 2023.</p> <p>It will appear on FCA invoices from July 2023 and be paid annually. The levy will be determined by a firm's UK revenue.</p> <p>All impacted firms were required to submit their data via a new Reg Data Report, FIN074, from 1 April to ensure they are charged the right amount.</p> <p>A failure to submit in time may result in a £250 administrative fee.</p>	Ongoing	Amber

# Financial regulatory (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>FCA's new Consumer Duty</b></p> <p>Affects: Regulated firms including REIT managers, REIT advisers</p>	<p>On 27 July 2022, the FCA published a <a href="#">Policy Statement</a>, <a href="#">Final Guidance</a> and an accompanying <a href="#">press release</a> on the introduction of the new Consumer Duty. The new Consumer Duty aims to set higher and clearer standards of consumer protection and requires firms to put customers' needs first. It is made up of:</p> <ul style="list-style-type: none"> <li>▪ A new Consumer Principle that requires firms to act to deliver good outcomes for retail customers.</li> <li>▪ Cross-cutting rules which clarify the FCA's expectations for behaviour through three overarching requirements and help firms to deliver the four outcomes under the Duty.</li> <li>▪ The four outcomes which relate to the governance of products and services, price and value, consumer understanding, and consumer support.</li> </ul> <p>The rules come into force on 31 July 2023 for new and existing products or services that are open to sale or renewal and on 31 July 2024 for closed products or services. The FCA expects firms to have agreed their implementation plans by the end of October 2022 and be able to demonstrate that they have ensured their plans are deliverable and robust. The FCA has published a <a href="#">webpage</a>, which provides further information on the key aspects of the Consumer Duty, including implementation plans, consumer duty board champions, and the definition of closed products.</p>	31 October 2022 and ongoing	Red
<p><b>Review of the UK PRIIPs regime</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>As part of the Edinburgh Reforms, the government published a <a href="#">Consultation Paper</a> on repealing PRIIPs and replacing it with an alternative retail disclosure framework better suited to the needs of investors. Retail disclosure requirements will be removed from legislation and subject to the FCA's rulemaking powers and the FCA will become responsible for retail disclosure. In parallel, the FCA published a <a href="#">Discussion Paper</a> (DP22/6) as part of its preparation for making and implementing a new disclosure regime. The FCA recognises the need for its disclosure framework to reflect an increase in digital distribution and seeks input on the delivery, presentation and content of retail disclosure. <a href="#">The Consultation Paper closed for comments on 3 March 2023. The government will respond to the feedback it received in due course. Responses to the FCA's Discussion Paper were required by 7 March 2023. It will provide feedback and issue a Consultation Paper.</a></p>	Ongoing	Amber
<p><b>Updates to the ESAs' Q&amp;As on the PRIIPs KID</b></p> <p>Affects: REITs made available to retail investors in the EU</p>	<p>On 21 December 2022, the Joint Committee of the European Supervisory Authorities released an updated set of <a href="#">Q&amp;As</a> on the PRIIPs Key Information Document (KID). The changes to the last version of the Q&amp;As (published on 14 November 2022) reflect recent amendments made by Commission Delegated Regulation (EU) 2021/2268, which applied from 1 January 2023. Topics that have been revised include:</p> <ul style="list-style-type: none"> <li>▪ Performance scenarios.</li> <li>▪ Derivatives.</li> <li>▪ PRIIPs with a recommended holding period of less than one year.</li> <li>▪ Multi-option products.</li> <li>▪ Methodology for the calculation of costs.</li> </ul>	Ongoing	Amber

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# 4 | Real estate, planning and construction

# Real estate, planning and construction

Issues	Status	Key Timing	Impact
<p><b>Building Safety Act 2022</b></p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Act (BSA) received Royal Assent on 28 April 2022. The government is now working through its programme of related secondary legislation and has opened a number of consultations to support this.</p> <p>The BSA establishes the Building Safety Regulator 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>The new regulatory regime will see the introduction of a system of Gateways for the <b>design and construction</b> of higher-risk buildings under the supervision the Building Safety Regulator during planning, construction and operation. Higher-risk buildings in England are <b>confirmed</b> to be buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Secure residential institutions, <b>hotels</b> and military premises are excluded. <b>See the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023. Once a higher-risk building is completed there will be new statutory duties during the occupation phase, and it will be an offence to occupy a higher-risk building unless the building is registered with the Building Safety Regulator.</b></p> <p>The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>Three Gateways are proposed. Planning Gateway 1 came into effect on 1 August 2001 (Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended). Gateway 2 and Gateway 3 are intended to ensure that the Building Safety Regulator is satisfied of building regulation compliance prior to construction and occupation. Latest indications are that Gateway 2 and 3 will be introduced in October 2023 once the relevant secondary legislation is finalised with a six-month transitional period from the existing regime to the new regime. The timings have <b>yet to be confirmed although Regulations are anticipated to be published in Spring 2023.</b></p> <p>The Building Safety Regulator has announced that existing higher-risk buildings will need to be registered with the Building Safety Regulator between April-October 2023, and the Higher-risk Buildings and Review of decisions (England)) Regulations 2023 which set out the requirement to register an occupied higher-risk building come into force on 6 April 2023. For these purposes and the occupation phase, care homes and hospitals are excluded from the definition of higher-risk buildings.</p>	<p>October 2023</p> <p>April 2023</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Building Safety Act 2022 (cont'd)</b></p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The BSA introduces new limitation provisions which came into effect on 28 June 2022. The BSA extends the time limits to bring claims under section 1 of the Defective Premises Act 1972 by extending the limitation period from 6 to 30 years retrospectively; with a 15 year prospective limitation period. Separately the BSA introduces a new section 2A of the DPA with a limitation period of 15 years. Liability can be extended to associated persons under building liability orders.</p> <p>Extended limitation provisions of 15 years also apply for breaches of section 38 of the Building Act 1984 in relation to breach of duty under the Building Regulations. The intention was that section 38 of the Building Act 1984 (which has never been commenced) would be commenced on 28 June 2022, but details are still awaited.</p> <p>The leaseholder protections for qualifying lessees (leases over 21 years) against the cost of remediation of historic building safety issues came into effect on 28 June 2022. These provisions create statutory remedies requiring landlords and associated persons to pay for the remediation works for historic cladding and other safety defects in residential buildings of at least 5 storeys or 11 metres in height (Schedule 8 and sections 117-125 BSA), and set out the limited circumstances in which these remediation costs can be passed on to tenants. These leaseholder protection provisions are supported by the Building Safety (Leaseholder Protections) (England) Regulations 2022 (effective 20 July 2022) which prescribe circumstances in which landlords are to complete and send to the tenant a formal Landlord Certificate (e.g. before seeking to make demands for service charges for building safety remedial works or if the tenant requests the information). Failure to provide the Landlord Certificate within the timescale will mean that landlords will be unable to pass on any remediation costs.</p> <p>Many developers have now signed the Government's Remediation Contract which requires developers to remediate life-critical fire safety defects for residential buildings over 11 metres which developers have built or refurbished in the last 30 years. Those who fail to sign are likely to be excluded from the housing market in England through the use of a Responsible Actors Scheme. See <a href="#">Developer remediation contract - GOV.UK (www.gov.uk)</a></p> <p><a href="#">Building Safety Act 2022</a> and <a href="#">Building Safety Act 2022 enacted (taylorwessing.com)</a></p>	<p>June – July 2022</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Economic Crime (Transparency and Enforcement) Act 2022</b></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. <b>Now the Transitional Period has passed</b> if an overseas entity <b>owns land in the United Kingdom, and has not registered it, it is committing</b> a criminal offence and <b>cannot</b> 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 <a href="#">Register of Overseas Entities holding UK land</a>.</p>	<p>Deadline for registration at Companies House: 31 January 2023.</p>	<p><b>Red</b></p>
<p><b>Building Safety Levy</b></p>	<p>A second consultation on the design and implementation of the Building Safety Levy has been opened: <a href="#">The Building Safety Levy: consultation</a>. The key proposals are:</p> <ul style="list-style-type: none"> <li>• The Levy will apply to all new residential buildings in England that require building control approval (regardless of height).</li> <li>• Whether Build-to-rent, purpose-built student accommodation and accommodation for older people are excluded will be determined post consultation.</li> <li>• 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.</li> <li>• 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.</li> <li>• The Levy will be paid by the developer clients.</li> <li>• The Levy is in addition to developers Building Safety Pledge to remediate their own buildings, and the Residential Property Developer Tax.</li> </ul> <p><a href="#">Building Safety Levy: a step closer (taylorwessing.com)</a></p>	<p>Consultation closes on 7 February 2023</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Renters Reform Bill</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Department of Levelling UP, Housing and Communities have announced that the Renters Reform Bill will be introduced in this session of Parliament. Key changes include:</p> <ul style="list-style-type: none"> <li>• Removal of s21 evictions – Landlords will only be able to evict on fault-based grounds and in 'reasonable circumstances' which are to be defined in the act.</li> <li>• s8 notice of intention to issue possession proceedings – the Bill introduces: <ul style="list-style-type: none"> <li>• A new mandatory ground for repeated serious arrears. Where the tenant has been in at least 2 months' rent arrears 3 times within the previous 3 years, the Court must make an eviction order which will apply regardless of the arrears balance at the time of the hearing.</li> </ul> </li> <li>• Reformed Court process (not a new housing court) with a desire to strengthen the mediation offering;</li> <li>• Scrapping of fixed term tenancies – all new and existing tenancies are to become periodic tenancies to allow tenant to leave on 2 months' notice.</li> <li>• Rent increases – these will be limited to once per year with a minimum notice period of 2 months. Tenants will be given the confidence to challenge unjustified increases through the First Tier Tribunal although how the confidence is to be given remains unclear.</li> <li>• Introduction of the Decent Homes Standard for the private sector (currently applies to the social housing sector). Requires homes to be free from serious health and safety hazards and kept in a good state of repair.</li> <li>• Introduction of 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.</li> <li>• New enforcement measures: <ul style="list-style-type: none"> <li>• Civil penalty notices to be issued by local authorities to those who illegally evict or harass tenants;</li> <li>• Rent repayment orders for breach of the Decent Homes standard;</li> <li>• Tenant compensation through the Courts for breaches of the new regulations;</li> <li>• Restrictions on a landlord marketing or reletting for 3 months following use of 'moving' or 'selling' grounds;</li> <li>• Mandatory entries on the 'Rogue Landlord Database';</li> </ul> </li> <li>• New property portal to assist landlords in understanding and complying with legal requirements.</li> </ul> <p>Purpose built student accommodation is likely to be exempt from many of the changes. Other student properties will be included.</p>	<p>End May 2023</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Levelling up and Regeneration Bill and Land Control</b></p> <p><b>Output from the Planning For the Future – White Paper</b></p> <p>Affects: investors and developers</p>	<p>The Levelling Up and Regeneration Bill promises to make fundamental changes to the current system of local government, planning, developer contributions and regeneration.</p> <p>The Bill is wide-ranging and includes:</p> <ul style="list-style-type: none"> <li>• measures to tackle slow build out by developers (involving new development progress reports, financial penalties &amp; refusal of further permissions);</li> <li>• a new permanent pavement licensing scheme;</li> <li>• discretionary powers for councils to apply a council tax premium of up to 100% on empty and second homes in their areas; and</li> <li>• 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 Bill), remain wide-reaching.</li> </ul> <p>Refinements are expected before the Bill comes into law in 2023. Three key proposals to watch out for next year:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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).</li> <li>• 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.</li> </ul>	<p>Commencement legislation awaited</p>	<p><b>Amber</b></p>



# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<b>Electronic Communications Code – Product Security and Telecommunications Act</b>	<p>In summary, the Act introduces:</p> <ul style="list-style-type: none"> <li>• A new duty for operators to consider using Alternative Dispute Resolution to settle disputes before making a court application. Operators must make landowners aware that ADR is an available option. The courts will be required to take account of any unreasonable refusal to engage in ADR when awarding costs.</li> <li>• Limited rights for operators to upgrade and share equipment installed before the 2017 Code , provided there is no material impact on the owner or occupier of private land. <b>In force 17 April 2023</b></li> <li>• Amendments to the Landlord and Tenant Act 1954 to align the procedures more closely with Part 5 of the Code. This includes dealing with disputed unopposed renewal agreements or where operators are seeking to impose a new Code agreement where the main aim of that agreement is to confer Code rights.</li> <li>• A new right for operators in sole occupation under a previously expired Code agreement to seek a new agreement under Part 4 of the Code.</li> <li>• A new procedure for operators to quickly obtain Code rights over certain types of land, where a landowner fails to respond to repeated requests for access.</li> </ul> <p>The measures will apply to all parties involved in requests and agreements relating to rights regulated by the Code. This will include telecommunications operators, infrastructure providers, landowners and occupiers, as well as professionals such as land agents and legal representatives.</p>	<b>17 April 2023</b>	<b>Amber</b>

# Real estate, planning and construction (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Fire Safety (England) Regulations 2022</b></p> <p>Affects: Investors, owners, managers and developers of residential buildings</p>	<p>The Fire Safety (England) Regulations 2022 implement the recommendations of Phase 1 of the Grenfell Tower Inquiry and require the Responsible Person of a <b>multi-occupied residential building</b> to take certain action depending on the height of the building</p> <p>This includes for buildings of at least 18 metres/7 storeys – requirements to provide fire and rescue services with electronic copies of building floor plans and information regarding the external wall system; to undertake monthly checks on fire and evacuation lifts and other fire-fighting equipment; and the provision of secure information boxes and wayfinding signage. For those buildings over 11 metres in height, quarterly checks on fire doors will be required, and annual checks on flat entrance doors. For all buildings with communal areas, provision of fire-safety information to residents will be required.</p> <p>These regulations follow the implementation of section 1 of the Fire Safety Act 2021 in England on 16 May 2022 and in Wales on 1 October 2021.</p>	<p>23 January 2023</p>	<p><b>Red</b></p>

 TaylorWessing | **5 | Tax**

# Tax

## Key developments in Q1 2023

- Spring Budget 2023 confirmed REITs-focussed Edinburgh Reforms and announced further changes impacting UK REITs
- Spring Finance Bill published containing legislation for REITs measures

Issues	Status	Key Timing	Impact
<p><b>Targeted changes to UK REITs rules as part of the wider review of the UK funds regime</b></p> <p>Affects: UK REITs</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"> <li>▪ 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.</li> <li>▪ 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.</li> </ul> <p>Further improvements to the UK REITs regime were also announced at Spring Budget 2023:</p> <ul style="list-style-type: none"> <li>▪ The rules for deduction of tax from property income distributions (PIDs) paid to partnerships will be 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.</li> <li>▪ The Genuine Diversity of Ownership (GDO) test that is used to assess widely held ownership will be 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.</li> </ul> <p>Legislation to implement these changes is contained in Part 2 of Schedule 4 to the Spring Finance Bill (ie Finance (No 2) Bill 2022-23), which was published on 23 March 2023.</p> <p>These proposals supplement the targeted changes to the UK REITs rules included in the Finance Act 2022 that came into effect on 1 April 2022 (see the 'Looking back' section below for further details).</p>	<p><b>1 April 2023</b> – amendments to the three year development rule have effect in relation to disposals of assets on or after this date</p> <p><b>Royal Assent of Spring Finance Bill 2023</b> – the other changes to the REITs rules announced or confirmed at Spring Budget 2023 take effect</p>	<p><b>Red</b></p>

# Tax (continued)

Issues	Status	Key Timing	Impact
<p><b>Sovereign immunity from direct taxation – consultation response</b></p> <p>Affects: sovereign investors in UK REITs</p>	<p>Following last year's <a href="#">consultation</a> on sovereign immunity from direct taxation, the government announced at Spring Budget 2023 that there would be no change to the current exemption from UK tax for sovereign investors.</p> <p>It had been proposed that the sovereign immunity rules would be codified in order to provide greater certainty for sovereign investors, and the exemption would be targeted at UK source interest income. Profits from a UK property business, including PIDs arising from interests in a UK REIT, would therefore have been brought within the scope of UK tax.</p> <p>The government had also been re-examining whether sovereign immune investors such as sovereign wealth funds should continue to be 'qualifying investors' for the purposes of existing investment regimes such as the UK REITs regime.</p>		<b>Green</b>
<p><b>Temporary new 100% and 50% first year capital allowances for plant and machinery expenditure</b></p> <p>Affects: REITs investing in certain capital assets</p>	<p>At Spring Budget 2023 the government announced replacements for the super-deduction and special rate first year allowance that ended on 31 March 2023. Legislation is contained in clause 7 of the Spring Finance Bill 2023 for two new temporary capital allowances for companies investing in qualifying new plant and machinery between 1 April 2023 and 31 March 2026:</p> <ul style="list-style-type: none"> <li>Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances will be relieved by a 100% first year allowance ('full expensing').</li> <li>Qualifying expenditure on special rate assets (including long-life assets and integral features) that would ordinarily qualify for 6% writing down allowances will be relieved by a 50% first year allowance.</li> </ul> <p>The government has indicated that it will make this measure permanent 'as soon as it is economically responsible to do so'.</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>	Applies to expenditure incurred between 1 April 2023 and 31 March 2026	<b>Amber</b>

# Tax (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>Legislation for targeted changes to UK REITs rules</b></p> <p>Affects: UK REITs</p>	<p>The <a href="#">Finance Act 2022</a> (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"><li>▪ 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.</li><li>▪ 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.</li><li>▪ Removing the 'holders of excessive rights' charge where PIDs are paid to investors entitled to gross payment.</li><li>▪ 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.</li><li>▪ Introducing a new simplified balance of business gateway test.</li></ul>	<p>Changes to the UK REITs rules included in the Finance Act 2022 took effect from 1 April 2022</p>	<p><b>Red</b></p>



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| 6 | ESG

UK REIT Horizon Scanner Q2 2023

# ESG

## Key developments in Q1 2023

- Updated Green Finance Strategy, which includes intention to review UK's non-financial reporting framework and UK governance and stewardship frameworks, to consult on transition plan disclosure and a UK green taxonomy, to issue a call for evidence on reporting on scope 3 GHG emissions and to regulate ESG ratings providers
- FCA update on its Consultation Paper on SDR and investment labels
- FCA Discussion Paper on Finance for positive sustainable change
- Climate Financial Risk Forum: Session 3 guides
- Publication of legislation incorporating nuclear and gas disclosures into SFDR RTS

Issues	Status	Key Timing	Impact
<p><b>Climate: government publishes updated Green Finance Strategy</b></p> <p>Affects: all companies</p>	<p>On 30 March 2023, the government published <a href="#">Mobilising Green Investment: Green Finance Strategy 2023</a>, which updates its 2019 Green Finance Strategy. The updated strategy includes a timeline summarising the commitments and next steps in the period to 2024. Most of the measures dealt with in the updated strategy are not new, and in many cases consultations, or more detailed announcements, are awaited. However, inclusion in the strategy shows the government's ongoing intention to take measures forward.</p> <p>Key measures that include some new or important confirmed information are the government's plans for the following.</p> <ul style="list-style-type: none"> <li>• <b>ISSB sustainability standards:</b> the government plans to set up a framework to assess the suitability of the global sustainability disclosure standards being prepared by the International Sustainability Standards Board (ISSB) for use by UK companies once the final standards are published (expected summer 2023) – see 'Looking back' section. These standards will provide the basis for future obligations within company law and FCA requirements for listed companies, ensuring a single set of standards is applied across the UK regulatory framework.</li> <li>• <b>Non-Financial Reporting Review:</b> The strategy also indicates the government's plans to review the UK's non-financial reporting framework. It is intended that the review will look at the wider legal landscape in which sustainability disclosures and other planned reforms will be situated and will begin with a call for evidence. The government intends to establish two advisory committees: one government led to deal with public policy; and another supported by the FRC but independently chaired to focus on technical issues including looking at how the ISSB standards fit alongside existing reporting requirements for in-scope UK companies. These committees are expected to be established by the time the ISSB launches its first two standards, and framework documents will be published shortly.</li> </ul>	Ongoing	Amber



# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: government publishes updated Green Finance Strategy (cont.)</b></p> <p>Affects: all companies</p>	<ul style="list-style-type: none"> <li>• <b>Net zero transition plans:</b> currently, the Transition Plan Taskforce (TPT) is consulting on a framework for the disclosure of transition plans. Once this is finalised, the government plans to consult on introducing requirements for the UK's largest companies to disclose net zero transition plans (if they have them) (expected autumn/winter 2023). The proposals for private companies will align closely with the FCA's requirements for listed companies to disclose transition plans, including the comply or explain basis. See also 'Looking back' section.</li> <li>• <b>UK green taxonomy:</b> the government intends to consult on a UK green taxonomy which will guide investors as to which economic activities can be labelled as 'green' in autumn 2023. Once the taxonomy is finalised, the government will expect companies to report on a voluntary basis for two reporting years, after which it will consider requiring mandatory disclosures. The government will also consider whether to develop a separate transition taxonomy or to include certain transitional activities within the main green taxonomy.</li> <li>• <b>Stewardship:</b> the government will review the regulatory framework for effective stewardship, including the operation of the UK Stewardship Code 2020 to ensure it explicitly reflects the need to take sustainability and the transition into account, in Q4 2023. The FRC will also review the UK Corporate Governance Code in 2023 (see entry below).</li> <li>• <b>Nature-related financial disclosures:</b> the government will explore how to incorporate the framework from the Taskforce on Nature-related Financial Disclosures (TNFD) into UK policy and legislation. <a href="#">Version 4</a> of the beta framework was published in March 2023 and the final framework is expected in September 2023. The new framework is intended for use globally by corporates of all sizes.</li> <li>• <b>Reporting on scope 3 greenhouse gas (GHG) emissions:</b> the government intends to issue a call for evidence on reporting on scope 3 GHG emissions. Currently, the disclosure requirements for specified energy use and GHG emissions by the largest UK businesses includes, under Streamlined Energy and Carbon Reporting (SECR), reporting on scope 1 (direct emissions) and scope 2 (indirect emissions), but (except in a few limited circumstances) does not include scope 3 emissions. Scope 3 emissions are indirect GHG emissions across an organisation's value chain which are a consequence of an organisation's activities and that occur at sources that are not owned or controlled by the organisation, e.g. extraction and production of purchased materials, transport of purchased fuels and use of sold products and services.</li> <li>• <b>Regulating ESG ratings providers:</b> on 30 March 2023, the government published a <a href="#">Consultation Paper</a> on whether the regulatory perimeter should be amended to bring ESG ratings providers in scope, as announced in the Edinburgh Reforms in December 2022. If the perimeter is changed, the FCA would be responsible for determining the requirements ESG ratings providers would be subject to. The closing date for comments is 30 June 2023. See also 'Looking back' section.</li> <li>• <b>Environmental Reporting Guidelines:</b> the government will update these, including for Streamlined Energy and Carbon Reporting, which provides voluntary guidance for UK organisations.</li> </ul> <p>The government also published the following documents:</p> <ul style="list-style-type: none"> <li>• <a href="#">Powering up Britain</a>: setting out the government's plans for achieving energy security and the UK's net zero objectives.</li> <li>• The <a href="#">UK International Climate Finance Strategy</a> and <a href="#">UK 2030 Strategic framework for international climate and nature action</a>.</li> </ul>	<p>Various – many consultations and calls for evidence expected during course of 2023</p>	<p><b>Amber</b></p>

# ESG

Issues	Status	Key Timing	Impact
<p><b>Climate: Climate Financial Risk Forum: Session 3 Guides</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>The Climate Financial Risk Forum (CFRF) is a joint initiative of the PRA and the FCA. It aims to bring together senior financial sector representatives to share their experiences in managing climate-related risks and opportunities. Session 3 of the CFRF is due to conclude shortly. For each Session, the CFRF publishes guides to assist the financial sector develop its approach to climate-related financial risks and opportunities. The Session 3 guides focus on the transition to net zero, scenario analysis and climate disclosure, data and metrics:</p> <p><i>December 2022</i></p> <ul style="list-style-type: none"> <li>▪ <a href="#">Transition to Net Zero – Mobilising Investment into Climate Solutions: Phase 1 Report</a></li> <li>▪ <a href="#">Transition to Net Zero – Disclosures: Managing Legal Risks</a></li> <li>▪ <a href="#">Transition to Net Zero – A Carbon Budget Primer for Financial Institutions</a></li> <li>▪ <a href="#">Scenario Analysis – Physical Risk Underwriting Guide</a></li> <li>▪ <a href="#">Scenario Analysis – Scenario Analysis Guide for Banks</a></li> <li>▪ <a href="#">Scenario Analysis – Scenario Analysis in Financial Firms</a></li> <li>▪ <a href="#">Scenario Analysis – Climate Litigation Risk Chapter</a></li> <li>▪ <a href="#">Disclosure, Data and Metrics – Industry Frameworks and Metrics in Relation to Green &amp; Transition Finance</a></li> </ul> <p><i>March 2023</i></p> <ul style="list-style-type: none"> <li>▪ <a href="#">Disclosure, Data and Metrics – CFRF Climate Disclosures Dashboard</a></li> <li>▪ <a href="#">Disclosure, Data and Metrics – Webinar 1 – The limitations of portfolio climate data</a></li> <li>▪ <a href="#">Disclosure, Data and Metrics – Webinar 2 - Forward-looking portfolio climate metrics</a></li> <li>▪ <a href="#">Disclosure, Data and Metrics – Webinar 3 - Climate data coverage</a></li> <li>▪ <a href="#">Disclosure, Data and Metrics – Supporting content for Webinars</a></li> <li>▪ <a href="#">Scenario Analysis - Online climate scenario analysis narrative tool (updated version March 2023)</a></li> <li>▪ <a href="#">Scenario Analysis - Asset Management Guide</a></li> <li>▪ <a href="#">Scenario Analysis - Learning from the 2021/22 Climate Biennial Exploratory Scenario (CBES)</a></li> </ul>	Ongoing	Amber

# ESG

Issues	Status	Key Timing	Impact
<p><b>Climate: FCA Discussion Paper on Finance for positive sustainable change</b></p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 10 February 2023, the FCA published a <a href="#">Discussion Paper (DP23/1)</a> entitled 'Finance for positive sustainable change' to begin an industry-wide dialogue on sustainability-related governance, incentives and competence in regulated firms. The Discussion Paper includes 10 commissioned articles from experts and closes for comments on 10 May 2023. The FCA will use the feedback it receives to understand how it can help the financial services industry in reaching an economy wide transition to net zero.</p> <p>In addition, Sacha Sadan, FCA Director of ESG, has published a <a href="#">blog</a> highlighting the importance of starting such discussions.</p>	Q2	Amber
<p><b>Climate: FCA update on its Consultation Paper on SDR and investment labels</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 29 March 2023, the FCA published an <a href="#">update</a> on its Consultation Paper on Sustainable Disclosure Requirements (SDR) and investment labels, which closed on 25 January 2023 (see UK REIT Horizon Scanner Q1 2023 for more information on the Consultation Paper and the SDR in general).</p> <p>The FCA has received approximately 240 written responses and says there is broad support for the proposed regime and 'rich, constructive feedback on some of the detail'. In light of the significant response to the Consultation Paper, the FCA now plans to publish its Policy Statement in Q3 2023; the proposed go-live dates will be adjusted accordingly.</p> <p>As part of its follow-up work, the FCA will be looking at its approach to the marketing restrictions, refining some of the specific criteria for the investment labels, making clear how different products, asset classes and strategies can qualify for a label, including multi-asset and blended strategies, and clarifying that primary and secondary channels for achieving sustainability outcomes are not prescribed, and that it does not require independent verification of product categorisation to qualify for a label. The FCA concludes by noting its continued engagement with its <a href="#">Disclosures and Labels Advisory Group</a> and other stakeholders.</p>	Q3 2023	Amber
<p><b>Climate: Publication of legislation incorporating nuclear and gas disclosures into SFDR RTS</b></p> <p>Affects: (For REITs being marketing into the EEA) REIT managers, REIT advisers</p>	<p>On 17 February 2023, <a href="#">Commission Delegated Regulation (EU) 2023/363</a> was published in the Official Journal of the EU. The Delegated Regulation amends the regulatory technical standards (RTS), which supplement the EU Sustainable Finance Disclosure Regulation, incorporating nuclear and gas disclosures into the RTS. It took effect on 20 February 2023.</p>	Ongoing	Amber

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: Minimum energy efficiency level for rented property in England and Wales</b></p> <p>Affects: landlords of privately rented commercial or domestic property in England or Wales</p>	<p>Since April 2018, landlords of privately rented commercial or domestic property in England or Wales have not been able to grant a new tenancy unless their properties reach at least an Energy Performance Certificate (EPC) rating of E.</p> <p>The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, introduced a phased approach to compliance, but by 1 April 2023 every commercial property will need to meet the minimal level in order to continue to be let.</p> <p>See: <a href="#">The Private Rented Property minimum standard – landlord guidance documents</a></p> <p>There is an exemptions framework to cover certain circumstances, which requires the landlord to note the property on a National PRS Exemptions Register.</p> <p>From 1 April 2023, commercial landlords will be affected by an extension of the prohibition on new (or renewal) lettings to properties with an Energy Performance Certificate (EPC) rating of F or G. The regulations ensure that from 1 April 2018, all properties will be captured, regardless of whether a tenant is already in occupation.</p>	<p>The next key date is 1 April 2023</p>	<p><b>Red</b></p>
<p><b>Climate: Non-domestic buildings minimum energy efficiency standards</b></p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The 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.</p> <p>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%'.</p> <p>Given the government's direction of travel, we expect it to implement proposals for MEES reforms to tighten the minimum energy efficiency standard for commercial properties to an EPC B rating by 1st April 2030 (possibly with a phased implementation requiring an EPC C rating by 2027).</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 MEES requirements, particularly with the raising of the EPC rating from an E to a B rating. 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>	<p><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: Potential introduction of performance-based ratings system for large commercial and industrial buildings</b></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 broadly since these buildings account for a third of UK building emissions there is growing appreciation that there is little correlation between the EPC rating and a building's actual energy performance. The scheme would first apply to commercial and industrial buildings above 1,000m<sup>2</sup> in England and Wales (although this will be reviewed as different sectors come on board), with mandatory disclosure of ratings by 2023-24.</p> <p>Headline notes:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p>Conclusion – 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: <a href="#">Consultation</a> and MEES related one in the item above.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	<p><b>Amber</b></p>
<p><b>Climate: UK Net Zero Carbon Buildings Standard</b></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>	<p>End 2033</p>	<p><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: mandatory climate change reporting and related guidance</b></p> <p>Affects: listed investment entities (including REITs)</p>	<p>As noted in previous versions of this scanner, the Listing Rule requirements for premium and standard listed companies to make comply or explain disclosures in their annual reports against the TCFD recommendations do not apply to investment entities and shell companies, and so therefore exclude REITs. However, the FCA has created a climate-related financial disclosure regime for asset managers (among others) that is consistent with the TCFD recommendations, the rules of which are set out in an <a href="#">ESG sourcebook</a> in the FCA Handbook. The FCA is of the view that it is more appropriate that listed investment entities (therefore including REITs) disclose in line with these new climate-related disclosure rules. The rules applied from 1 January 2022 for the largest in-scope firms, and <b>from 1 January 2023</b> for smaller firms with AUM of £5 billion or more.</p> <p>Note that mandatory climate-related disclosure requirements for larger companies and LLPs under CA 2006 will be reviewed in 2023 (TCFD Taskforce <a href="#">Interim Report and Roadmap</a>).</p>	1 January 2023	<b>Red</b>
<p><b>Corporate reporting: EU Corporate Sustainability Reporting Directive adopted</b></p> <p>Affects: large EU companies, non-EU companies that are 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 <a href="#">EU Corporate Sustainability Reporting Directive (CSRD)</a> 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 extends the corporate reporting requirements set out in the Non-Financial Reporting Directive in relation to matters such as environmental rights, social rights, human rights and governance factors, as well as extending the scope of companies caught.</p> <p>The new requirements will apply to all large EU companies, and to all companies listed on EU regulated markets (including listed SMEs). These companies will also be responsible for assessing the information applicable to their subsidiaries. The requirements will also apply to <b>non-EU companies</b> which meet certain turnover thresholds in the EU and which have at least one subsidiary subject to the CSRD or branch in the EU exceeding certain thresholds. Further, if a non-in-scope company (EU or not) falls in the 'value chain' of an in-scope company, it might need to provide information to the in-scope company for it to meet its requirements under the Directive. It is intended that the application of the Directive will take place in stages.</p> <p>On 30 September 2022, the International Corporate Governance Network published a <a href="#">Viewpoint</a>, which considers an investor's view of the board's role in and responsibility for creating and overseeing policies that address sustainability factors.</p>	Ongoing, but first reporting obligations for large EU 'public interest entities' with EU listed securities take effect from 1 January 2024 for reporting in 2025 and from January 2028 for non-EU companies with significant business in the EU	<b>Amber</b>
<p><b>Supply chains: proposed EU Corporate Sustainability Due Diligence Directive and German Supply Chain Due Diligence Act</b></p> <p>Affects: see over</p>	<p>On 23 February 2022, the European Commission adopted a proposal for a <a href="#">Corporate Sustainability Due Diligence Directive (CSDDD)</a> which will impose a substantive corporate duty for in-scope companies to perform due diligence on external harm resulting from adverse human rights and environmental impacts in the company's own operations, its subsidiaries and of established business relationships within a value chain. The new due diligence requirements will apply to</p> <ul style="list-style-type: none"> <li>• <b>EU companies:</b> 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).</li> <li>• <b>Non-EU companies</b> active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU.</li> </ul>	The CSDDD proposal still has to be presented to the European Parliament and the Council for approval but forward planning may be required	<b>Amber</b>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Supply chains: proposed EU Corporate Sustainability Due Diligence Directive and German Supply Chain Due Diligence Act (cont.)</b></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. Companies with a presence in Germany.</p>	<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.</p> <p>The CSDDD proposal still has to be presented to the European Parliament and the Council for approval. However, as it will require policy and operational changes, and could potentially impact indirectly on non-EU companies within in-scope company value chains, some forward planning at the relevant time would be beneficial.</p> <p>Also, the German Supply Chain Due Diligence Act came into force on 1 January 2023 which requires in-scope businesses to establish risk management systems to identify adverse human rights and environmental impacts in their supply chains. The obligations extend to include direct suppliers, and, in certain circumstances, its indirect suppliers. Therefore, it is possible that non-German businesses may be affected if they have a presence in Germany or because they are within the supply chain of an in-scope company.</p>	As before/1 January 2023	Amber
<p><b>Modern slavery: modern slavery statements</b></p> <p>Affects: large companies (with a turnover of £36 million or more)</p>	<p>On 10 May 2022, the <a href="#">Queen's Speech</a> 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>	Ongoing	Amber
<p><b>Diversity and inclusion: gender and ethnicity pay reporting</b></p> <p>Affects: UK companies</p>	<p>In its <a href="#">policy paper</a> 'Inclusive Britain: government response to the Commission on Race and Ethnic Disparities' (17 March 2022), the government confirmed that mandatory ethnicity pay gap reporting will not be introduced. However, it intended to publish guidance on voluntary ethnicity pay gap reporting in summer 2022 (awaited).</p> <p>The <a href="#">Equal Pay Bill</a> (a private members' bill) is still 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)

Issues	Status	Key Timing	Impact
<p><b>Diversity and inclusion: diversity in the boardroom</b></p> <p>Affects: listed companies (including closed-end investment funds)</p>	<p>For financial years beginning on or after 1 April 2022, premium and standard listed UK and overseas companies (including closed-ended investment funds) have had to comply with new LR requirements in relation to the reporting of diversity and inclusion on company boards and in executive management. In-scope companies also need to comply with new DTR reporting requirements in relation to diversity policies. For further details, see previous editions of this scanner. In August 2022, the AIC published <a href="#">guidance</a> on these new rules.</p> <p>On 20 March 2023, the FCA published <a href="#">Primary Market Bulletin 44</a> (see also section 1, Equity capital markets), which addresses the above disclosure requirements, and sets out the FCA's disclosure expectations and supervisory strategy for these new rules.</p> <p><i>Gender diversity</i></p> <p>On 28 February 2023, FTSE Women Leaders published the second <a href="#">FTSE Women Leaders Review 2022</a> which looks at gender balance in FTSE leadership and, for the first time in 2022, the UK's 50 largest private companies. It aims to build on the work of the Hampton-Alexander Review (see previous editions of the UK REIT Horizon Scanner). The review notes that progress has been made, e.g. FTSE 350 companies meet the 40% target for women on boards three years ahead of the deadline, but that there is still progress to be made, e.g. there are too few women in top CEO, and Finance Director roles, given overall progress. The report includes a specific section on FTSE 350 Investment Trusts Women on Boards.</p> <p><i>Ethnic diversity</i></p> <p>On 13 March 2023, the Parker Review Committee published an <a href="#">update report</a> on the ethnic diversity of FTSE 350 companies' boards (2023 Report). It also includes new targets for 2027, which extend beyond the FTSE 350 to large private companies. The initial Parker Review Committee report was published in 2017, in which various recommendations were made in to improve ethnic diversity in the UK's leading companies, including a target for all FTSE 100 boards to have at least one non-white member by 2021 and for FTSE 250 companies to follow suit by 2024. Adopting the recommendations is voluntary, but the Committee may revise that approach if there is insufficient uptake. The 2023 Report shows that, as at 31 December 2022, 96 FTSE 100 companies met the target of one director from a minority ethnic background on the board and that FTSE 250 companies are making progress towards the 'one by 2024' deadline. New targets include:</p> <ul style="list-style-type: none"> <li>• Each FTSE 350 company to set a percentage target, by December 2023, for senior management positions that will be occupied by ethnic minority executives in December 2027.</li> <li>• 50 of the UK's largest private companies will be asked to provide ethnic diversity data from December 2023 and should aim to have at least one ethnic minority director on the main board by December 2027. Each company will also be asked to set a target for the percentage of ethnic minority executives within its senior management team.</li> </ul> <p>The report also includes a section on investment companies which summarises that, on 31 December 2022, there were 85 investment companies in the FTSE 250, of which 69 provided sufficient voluntary information to the Parker Review team to be assess. Of these, 36 met the target which marks an improvement on the previous year.</p>	<p>Accounting periods starting on or after 1 April 2022</p>	<p><b>Red</b></p>



# ESG

Issues	Status	Key Timing	Impact
<p><b>Governance/climate: ISS proxy voting guidelines on climate-related and sustainability factors</b></p> <p>Affects: listed companies</p>	<p>In January 2023, Institutional Shareholder Services published proxy voting guidelines to provide guidance to investors in global markets on climate-related and sustainability factors in their voting decisions. <a href="#">International Climate Proxy Voting Guidelines</a> and <a href="#">International Climate Proxy Voting Guidelines updates</a>, and <a href="#">International Sustainability Proxy Voting Guidelines</a> and <a href="#">International Sustainability Proxy Voting Guidelines updates</a>.</p> <p>In February 2023, the Investment Association published its <a href="#">Shareholder Priorities for 2023</a>, and on 30 March 2023, the Pensions and Lifetime Savings Association published its <a href="#">2023 Stewardship and Voting Guidelines</a> (see section 2, General corporate), both of which also reflect ESG issues.</p>	Ongoing	Red
<p><b>Governance/climate: FRC updated statement of intent regarding ESG challenges</b></p> <p>Affects: larger companies, asset managers and asset owners</p>	<p>On 30 January 2023, the FRC published an updated <a href="#">Statement of Intent on ESG challenges</a>. The statement provides an update on the actions the FRC has taken over the last 18 months to contribute to the evolution of reporting, assurance and governance of ESG matters, and notes that its ESG strategy will continue to develop along with the changing regulatory and reporting landscape. Key areas of focus over the coming year include the following.</p> <ul style="list-style-type: none"> <li>• Reviewing of the UK Corporate Governance Code to recognise the growing importance of ESG reporting.</li> <li>• Developing guidance and best practice on the distribution and consumption of ESG data.</li> <li>• Helping companies to ensure they are reporting ESG information in a relevant and decision-useful way.</li> <li>• Updating the Guidance on the Strategic Report regarding changes in narrative reporting requirements, other changes to the existing non-financial reporting framework and any sustainability reporting arising from Sustainability Disclosure Requirements developments</li> <li>• Assessing how investors integrate material ESG issues into their investment management activities, as part of the annual assessment programme for signatories to the Stewardship Code.</li> <li>• Identifying PIEs with significant environmental risk, and monitoring statutory auditor training requirements.</li> </ul>	Ongoing during 2023	Amber
<p><b>Governance: corporate governance and stewardship mythbuster</b></p> <p>Affects: all companies</p>	<p>The FRC has published a <a href="#">corporate governance and stewardship mythbuster</a> to dispel common misconceptions. It addresses several frequently asked questions, such as:</p> <ul style="list-style-type: none"> <li>• What is corporate governance?</li> <li>• What do we mean by stewardship?</li> <li>• Does the Corporate Governance code give the FRC powers to enforce against Directors?</li> </ul>	Ongoing	Green
<p><b>Governance: FRC insight on AI, technology and governance</b></p> <p>Affects: all companies</p>	<p>On 23 March 2023, the FRC Lab published an <a href="#">insight</a> into the impacts and considerations of AI and emerging technology on governance and related issues. It sets out the takeaways from a roundtable event it held in Manchester, in particular addressing three key questions:</p> <ul style="list-style-type: none"> <li>• How does emerging technology challenge the current ways of thinking about governance?</li> <li>• How can regulators, professional bodies, companies, directors, auditors, and others best respond?</li> <li>• Where is more research needed, and how can the academic community better support business?</li> </ul>	Ongoing	Green

# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Climate: climate change reporting and related guidance</b></p> <p>Affects: listed investment entities (including REITs)</p>	<p>In October 2022, the TCFD published its <a href="#">2022 TCFD status report</a>, which looks at how organisations have addressed the TCFD recommendations across different industries and regions. While the report highlights areas where further progress is needed, it states that over 60% of companies reviewed disclosed climate-related risks or opportunities in 2021 fiscal year reports (up from 50% in 2021) and 92 of the world's 100 largest companies either support the TCFD, report in line with its recommendations, or both (up from 83 last year).</p> <p>On 11 October 2022, the FRC Lab published <a href="#">Report: Net zero disclosures</a> and <a href="#">Net Zero Disclosures: Example Bank</a> containing practical examples of current good practice. The FRC has also <a href="#">announced</a> that TCFD disclosures and companies' net zero commitments are areas of focus for its 2023 corporate reporting reviews.</p>	Ongoing	Red
<p><b>Climate: ISSB publication of exposure drafts of IFRS sustainability disclosure standards</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 31 March 2022, the International Sustainability Standards Board (ISSB) published two drafts of IFRS sustainability disclosure standards:</p> <ul style="list-style-type: none"> <li>▪ <a href="#">IFRS S1</a> general requirements for disclosure of sustainability-related financial information. This would require companies to disclose as part of their general purpose finance reporting, all sustainability-related financial disclosures, such as material information about sustainability-related risks and opportunities.</li> <li>▪ <a href="#">IFRS S2</a> climate-related disclosures. This supplements the taskforce on climate-related financial disclosures and would require companies to provide material information about significant climate-related risks and opportunities.</li> </ul> <p>Individual jurisdictions will determine whether companies must comply with the final standards. The consultation closed on 29 July 2022. The ISSB aims to issue the finalised standards in <a href="#">H2 2023</a>.</p>	Ongoing	Amber

# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Climate: climate transition plans</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 8 November 2022, the UK Transition Plan Taskforce (TPT) published for <a href="#">consultation</a> its proposed disclosure framework for private sector climate transition plans (TPs) and accompanying <a href="#">implementation guidance</a>. A transition plan should cover:</p> <ul style="list-style-type: none"> <li>▪ An entity's high-level ambitions to manage the changing climate and to leverage opportunities of the transition to a low GHG and climate resilient economy, including GHG reduction targets such as, a net zero commitment.</li> <li>▪ Short, medium and long-term actions the entity plans to take to achieve its strategic ambition.</li> <li>▪ Governance and accountability mechanisms that support delivery of the TP and robust periodic reporting.</li> <li>▪ Measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders.</li> </ul> <p>In addition to integrating transition plans into their financial reporting, the guidance also recommends that entities publish standalone TPs at least every three years. The deadline for responses was 28 February 2023.</p>	Ongoing	Amber
<p><b>Regulators' reviews of TCFD-aligned disclosures</b></p> <p>Affects: REIT managers with AUM over specified threshold</p>	<p>Asset managers that are/will be subject to the FCA's TCFD-aligned disclosure regime should take note of the regulators' recent review of TCFD-aligned disclosures by premium listed companies. On 29 July 2022, the FCA <a href="#">published</a> its review of TCFD-aligned disclosures by premium listed commercial companies. The FCA undertook a high-level quantitative review of the climate-related disclosures by 171 premium listed commercial companies, which published disclosures by 30 April 2022 and a more detailed assessment of the consistency of disclosures with the TCFD framework for 31 of those companies. The findings include:</p> <ul style="list-style-type: none"> <li>▪ Over 90% of companies self-reported that they had made disclosures consistent with the TCFD governance and risk management pillars. The figure was less than 90% for the strategy and metrics and targets pillars.</li> <li>▪ 81% of companies indicated that they had made disclosures in line with all seven recommended disclosures the FCA would expect a company to comply with.</li> <li>▪ Some companies indicated that they had made disclosures consistent with the recommended disclosures but the disclosures seemed to be very limited in content. The FCA is considering these in more detail and may take action as appropriate.</li> <li>▪ The number of companies making disclosures that are either partially or mostly consistent with the TCFD framework has significantly increased compared with 2020.</li> </ul> <p>Alongside the FCA's review of TCFD-aligned disclosures, the Financial Reporting Council (FRC) published an <a href="#">in-depth review</a> of the climate-related disclosures for a sample of 25 premium listed companies. The FCA's <a href="#">Primary Market Bulletin 42</a> (published on 12 December 2022) contained a reminder of the FCA's rules, guidance and expectations on TCFD-aligned disclosures for listed companies, some of which has more general application and is therefore relevant to asset managers as well.</p>	Ongoing	Amber

# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Climate: Q&amp;A on SFDR and SFDR Delegated Regulation</b></p> <p>Affects: REIT managers and REIT advisers when marketing/distributing REITs into the EEA</p>	<p>On 9 September 2022, the European Supervisory Authorities (ESAs) sent <a href="#">eight additional questions</a> to the European Commission regarding the SFDR. The questions cover:</p> <ul style="list-style-type: none"> <li>▪ How the definition of 'sustainable investment' in Article 2(17) SFDR will apply to investments in funding instruments that do not specify the use of proceeds such as general equity or debt of an investee company.</li> <li>▪ How 'investment in an economic activity that contributes to an environmental objective' or 'investment in an economic activity that contributes to a social objective' in Article 2(17) SFDR should be interpreted.</li> <li>▪ Carbon emissions reductions and benchmark issues.</li> <li>▪ What it means to consider principal adverse impacts (PAI) and whether to include interim workers or workers employed by other group entities when determining the 500-employee PAI threshold.</li> <li>▪ Periodic disclosure frequency for portfolio management services.</li> </ul> <p>As at 31 December 2022, these questions had not been answered.</p> <p>On 5 December 2022, Mairead McGuinness, European Commissioner for financial services, financial stability and the Capital Markets Union, <a href="#">said</a> that the Commission will publish a first set of Q&amp;As in early 2023. These may address how some of the 'fundamental concepts of SFDR' should be interpreted.</p> <p>On 17 November 2022, the Joint Committee of the ESAs published a new set of <a href="#">Q&amp;A</a> on Commission Delegated Regulation (EU) 2022/1288, which supplements the SFDR (SFDR Delegated Regulation which applied from 1 January 2023) covering the following topics:</p> <ul style="list-style-type: none"> <li>▪ Current value of all investments in PAI and taxonomy-aligned disclosures.</li> <li>▪ Principal adverse impacts (PAI) disclosures.</li> <li>▪ Financial product disclosures.</li> <li>▪ Multi-option products.</li> <li>▪ Taxonomy-aligned investment disclosures.</li> <li>▪ Financial advisers and execution-only financial market participants.</li> </ul>	Q1	Amber

# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Diversity and inclusion: diversity in the boardroom</b></p> <p>Affects: listed companies (including closed-end investment funds), and those with a listing in the EU</p>	<p>On 4 October 2022, the FRC published <a href="#">Report: Navigating barriers to senior leadership for people from minority ethnic groups</a>. The main aim of the report was to gain a better understanding of the barriers preventing individuals from minority ethnic groups from progressing to the boards of FTSE 100 and FTSE 250 companies.</p> <p>Further, on 7 December 2022, the <a href="#">Directive on improving the gender balance among directors of listed companies</a> was published in the Official Journal of the EU. Member States must adopt the required national measures by 28 December 2024. The Directive broadly applies to EU listed companies whose registered office in a Member State. It applies to non-executive directors (NED) as well as executive directors. In brief, Member States must require that at least 40% of NED positions in listed companies are held by members of the underrepresented sex by 30 June 2026 or, alternatively, that at least 33% of executive director and NED positions in listed companies are held by members of the underrepresented sex by 30 June 2026.</p>	30 June 2026 (if affected)	Amber
<p><b>Diversity and inclusion: FCA review on approaches to diversity and inclusion in financial services</b></p> <p>Affects: all regulated firms</p>	<p>On 12 December 2022, the FCA published a <a href="#">webpage</a> with the results of a review of how 12 firms approach designing and embedding diversity and inclusion (D&amp;I) strategies. The key observations were:</p> <ul style="list-style-type: none"> <li>▪ Firms were still early on in their D&amp;I journey having typically started serious efforts in this area in 2019 or 2020.</li> <li>▪ Although evidence of passion and commitment to making progress, many firms' strategies were generic and did not take a holistic view.</li> <li>▪ The purpose and actions oriented to achieving goals were not clearly articulated.</li> <li>▪ Data collected was not capitalised on to identify best remedies and remedies were not tracked properly.</li> <li>▪ Firms tended to focus on D&amp;I at senior leadership level rather than the junior to middle management grades, where the biggest drop-off in representation appears to occur.</li> <li>▪ Very few firms understood D&amp;I as a fundamental culture issue.</li> <li>▪ There was less understanding of and focus on building inclusive cultures than on actions to measure diversity and address specific issues.</li> <li>▪ Few firms discussed systemic discrimination and the behavioural biases affecting D&amp;I.</li> <li>▪ Retail firms had not undertaken substantial work on the diverse needs of their consumer base although a few recognised the need.</li> </ul> <p>The FCA has written feedback letters to the firms that were part of its review and it will use its normal supervisory process to follow up with them. All firms are encouraged to consider the FCA's findings and use them to evaluate their current D&amp;I strategies and practices.</p> <p>The regulators' consultation paper on D&amp;I is expected in <a href="#">H1 2023</a>.</p>	Ongoing	Amber

# ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>UK regulation of ESG data and rating providers</b></p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 29 June 2022, the FCA published its Feedback Statement <a href="#">FS22/4</a> ('ESG integration in UK capital markets: Feedback to CP21/18'), in which it confirmed that it sees a clear rationale for a regulatory oversight of certain ESG data and rating providers and a globally consistent regulatory approach informed by <a href="#">IOSCO's recommendations on ESG data and ratings</a>. It will continue to work with HM Treasury, which is considering bringing ESG data and rating providers within the FCA's responsibility.</p> <p>If the Treasury brings this area within the FCA's oversight, the FCA will develop and consult on a proportionate and effective regulatory regime for ESG data and rating providers, adopting the following approach:</p> <ul style="list-style-type: none"> <li>▪ it will focus on outcomes in areas highlighted in IOSCO's recommendations, such as transparency, good governance, management of conflicts of interest, and systems and controls;</li> <li>▪ given the potential lead time before any such regime could come into force, the FCA would – in the interim – work with the Treasury to convene, support and encourage industry participants to develop and follow a voluntary Code of Conduct addressing matters similar to those listed above, and</li> <li>▪ it would consider whether such a voluntary Code could continue to apply for ESG data and rating providers that fall outside the scope of any future regulatory regime.</li> </ul> <p>On 22 November 2022, the FCA published:</p> <ul style="list-style-type: none"> <li>▪ <a href="#">Press release</a> announcing the formation of new working group to develop a voluntary Code of Conduct for ESG data and ratings providers.</li> <li>▪ <a href="#">Terms of reference</a> of the group.</li> </ul> <p>The group will:</p> <ul style="list-style-type: none"> <li>▪ Identify and establish industry-led solutions relating to financial services firms' use of third-party ESG data and ratings services.</li> <li>▪ Help support the FCA's ESG Strategy by promoting more rapid development of best practices on transparency, governance, systems and controls, and management of conflicts of interest.</li> <li>▪ Consistently consider the International Organization of Securities Commissions' recommendations and developments in other jurisdictions.</li> </ul> <p>The group was due to meet before the end of 2022, with a view to consulting on a draft Code within six months of that meeting and publishing the final Code within approximately four months of the start of the consultation.</p>	<p>Ongoing</p>	<p><b>Amber</b></p>



TaylorWessing

| 7 | Key contacts

# Key contacts

## 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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