



TaylorWessing

UK REIT Horizon Scanner Q4 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, tax¹ and in relation to ESG matters, in England (including retained EU law²).

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

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

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

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- ¹ We have set out below the proposed tax changes that are likely to directly and materially impact REITs. We have not sought to cover changes of more general application, which may also impact REITs.
- ² 'retained EU law' is EU law incorporated into UK domestic law from the end of the Brexit transition period, as amended. **Note that EU law that remains in force after the end of 2023 will be known as 'assimilated law'**
- ³ Although the Listing Rules do not apply to the SFS, it is common for SFS companies voluntarily to comply with certain key Listing Rules and to state an intention to comply with the UK Corporate Governance Code.

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1 | Equity capital markets

UK REIT Horizon Scanner Q4 2023

Equity capital markets

Key developments since Q2 2023

- FCA published Primary Market Bulletin 45 – its newsletter for primary market participants
- FCA has streamlined its rules requiring DTR 4.1 issuers to prepare, publish and file their annual financial report in an electronic format
- FCA webpage setting out the Russia and Belarus sanctions confirmations required regarding listing transactions
- New digital version of the Takeover Code launched

Issues	Status	Key Timing	Impact
<p>Takeovers: consultation on amendments to Rule 21 of the Takeover Code and new digital Code</p> <p>Affects: all companies and transactions subject to the Takeover Code</p>	<p>In Autumn 2023, the Code Committee of the Takeover Panel expects to publish a Response Statement to PCP 2023/1 which sought views on proposed amendments relating to Rule 21 of the Takeover Code which relate to frustrating action and other matters. The Committee anticipates that the changes will come into effect one month after publication of the Response Statement. See previous editions of the UK REIT Horizon Scanner for further details.</p> <p>On 11 October 2023, a digital version of the Takeover Code was launched. The digital version allows navigation between Code provisions, pop-up boxes for defined terms and tabs linking Rules with related Practice Statements. PDF copies of the Code, individual Rules and sub-Rules can be downloaded from the website. Printed copies of the Code will still be available to subscribers for the foreseeable future.</p>	Autumn 2023	Amber
<p>DTR 4.1: structured digital reporting of annual financial statements</p> <p>Affects: companies which prepare annual financial reports under DTR 4.1</p>	<p>Following its consultation in CP 23/2, the FCA has streamlined its rules requiring DTR 4.1 issuers to prepare, publish and file their annual financial report in an electronic format, and for the financial statement within it to be in a structured digital format. See previous editions of the UK REIT Horizon Scanner for further details. Related guidance on generally accepted taxonomies can be found in a new Technical Note on the FCA's Primary Markets Knowledge Base. The on-shored Technical Standard (TD ESEF Regulation) has been replaced but can still be viewed on the FCA's handbook website (see the FCA's dedicated webpage). The AIC has updated its guidance on electronic reporting and has prepared a blackline copy showing the changes made from the previous version.</p>	The final rules came into effect on 28 July 2023 and apply to financial years starting on or after 1 January 2022	Amber
<p>Dividends: LSE publishes dividend timetable</p> <p>Affects: listed companies</p>	<p>On 18 July 2023, London Stock Exchange (LSE) published its Dividend Procedure Timetable 2024. A dividend timetable that follows the guidelines set out in the timetable, need not be notified to the LSE in advance, so long as the announcement of the dividend includes:</p> <ul style="list-style-type: none"> • unless stated otherwise, dividends stated as gross; • the record date and payment date; and • details of any scrip dividend, dividend reinvestment plan (DRIP) or dividend currency option, together with the election date. 	Throughout 2024	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK listing regime</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 UK Listing Review Report in March 2021. The work delivering the outcomes of Lord Hill's review, and those of the Prospectus Regime Review (see entry below), 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>The FCA is also conducting a wider review of the listing regime in response to the UK Listing Review. On 3 May 2023, it published Primary Markets Effectiveness Review: Feedback to DP22/2 and published a consultation on proposed equity listing rule reforms (CP23/10). See previous editions of the UK REIT Horizon Scanner for further detail. In brief, the reforms focus on listing equity shares in commercial companies (ESCC), and most directly impact premium and standard listed commercial companies. However, the reforms will have a consequential effect across all categories of listed securities. CP23/10:</p> <ul style="list-style-type: none"> • sets out a single listing category for ESCC, with one set of eligibility criteria and continuing obligations, which replaces the premium listing and standard listing regime segments (however, separate categories of listing for other types of securities and shares in investment vehicles, including closed-ended investment funds, are expected to remain); • outlines a simplified sponsor regime; • provides an overall outline of listing categories following the introduction of ESCC; • sets out transitional provisions. <p>CP23/10 closed for feedback on 28 June 2023 and the FCA intends to publish draft rules for consultation in the Autumn of 2023, with implementation anticipated in early 2024.</p>	Ongoing	Red
<p>Reforms to UK prospectus regime</p> <p>Affects: companies looking to make a public offer or for admission to trading</p>	<p>As part of the UK Listing Review (see above), Lord Hill recommended that HM Treasury conduct a fundamental review of the UK prospectus regime. The government consulted on the UK prospectus regime in July 2021, and proposed repealing and replacing the current prospectus regime (which derives from the EU Prospectus Regulation and became retained EU law following Brexit) with an updated UK regime. On 1 March 2022, HM Treasury published the outcome of the consultation (see previous editions of the UK REIT Horizon Scanner for details).</p> <p>On 11 July 2023, the government published a near-final version of the draft Public Offers and Admissions to Trading Regulations 2023 (Policy Note and webpage) for comment (deadline 21 August 2023). This SI replaces retained EU law related to the prospectus regime and creates a new regulatory framework for public offers and admissions to trading. See UK REIT Horizon Scanner Q1, Q2 and Q3 2023 for details. Remaining EU law related to prospectuses will be repealed and replaced with FCA rules (to follow), which, along with the above SI, will create the new regime. Parliamentary time permitting, the government intends to legislate for the new regime by end 2023.</p> <p>The FCA has outlined the main areas for engagement on the new regime on its dedicated website and has published various Engagement Papers for comment (see UK REIT Horizon Scanner Q3 2023 for details). Deadline for responses was 29 September 2023, and the FCA intends to consult on specific rules in 2024.</p>	End of 2023 and 2024	Red

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations</p> <p>Affects: listed companies</p>	<p>On 19 July 2022, HM Treasury published the final report in relation to its UK Secondary Capital Raising Review (SCRR) for improving secondary capital raising processes for UK listed companies. It sets out a series of recommendations to the government (which the government has accepted), the FCA and the Pre-Emption Group (PEG) which include those set out below (some of which have now been actioned). See previous editions of the UK REIT Horizon Scanner for background and further detail.</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 Statement of Principles for the disapplication of pre-emption rights (SOPs) in light of the SCRR, along with template resolutions (effective immediately). For details, see UK REIT Horizon Scanner Q1 2023.</p> <p><i>Maintaining and enhancing the pre-emption regime:</i> PEG to have a more formal and transparent governance structure and requiring it to report annually on the operation of the pre-emption regime. To this end, the FRC has published Pre-Emption Group: Terms of Reference.</p> <p><i>Reduced regulatory involvement in larger fundraisings:</i> Threshold required for prospectus in connection with a secondary raise will increase from 20% of its existing share capital to 75%. In addition, no sponsor needed in connection with a secondary fundraising, but sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Near term implementation.</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. The period an IPO prospectus involving a retail offer has to be made publicly available should be shortened to three working days (from six). Near term implementation as part of wider prospectus regime review .</p> <p><i>Increase the range of choice of available fundraising structures:</i> Recommendations include the adoption of the Australian concept of a 'cleansing notice' for secondary fundraisings not involving a prospectus. Near/medium term implementation.</p> <p><i>Raise the priority of the 'drive to digitisation':</i> All shareholders to hold shares in digitised form. See entry below 'Digitisation of UK shareholding framework'.</p> <p><i>Make existing fundraising structures quicker and cheaper</i></p> <ul style="list-style-type: none"> • Offer periods for rights issues and open offers shortened to seven business days (from ten). Near term implementation. • Flexibility for notice periods for shareholder meetings (not AGMs) to be reduced to seven clear days. Medium term implementation. • CA 2006 pre-emption amended to align to usual process followed on rights issue or open offer. Near/medium term implementation. • Listing regime amended to allow for excess application mechanics attached to rights issues. Near term implementation. • So companies can market rights issues to US and EEA shareholders without a prospectus: (i) allow companies to opt-in to enhanced continuous disclosure regime (including via annual reports); (ii) apply usual director liability regime for market disclosure to any documents and information published in connection with a secondary fundraising. Near/medium term implementation. 	<p>Various – Ongoing</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Digitisation of UK shareholding framework</p> <p>Affects: listed companies at first, but potentially all companies with shareholders</p>	<p>On 11 July 2023, the Digitisation Taskforce published its interim report regarding reforms to the UK's shareholding framework. Its potential recommendations include legislating to stop new paper share certificates being issued and to require dematerialisation of all share certificates at a future date. Feedback was requested by 25 September 2023, with the final report to be issued within six months. See UK REIT Horizon Scanner Q3 2023 for details.</p> <p>Also on 11 July 2023, HM Treasury published a consultation on proposals for a Digital Securities Sandbox (DSS) which will test how existing UK legislation (including the Companies Act 2006) will need to change to accommodate digital asset technology and the new practices associated with it. Responses were requested by 21 August 2023, with legislation to follow. The Bank of England and FCA will publish further guidance, consult on rule changes and set out the application process.</p>	March 2024	Red
<p>Capital markets: FCA publishes Primary Market Bulletin 45</p> <p>Affects: listed companies</p>	<p>On 10 August 2023, the FCA published Primary Market Bulletin 45 (PMB 45) in which it sets out plans in relation to climate-related disclosure rules for listed companies and new guidance on disclosures regarding transition plans (see Section 6, ESG). It also:</p> <ul style="list-style-type: none"> reminds issuers that the DTRs require the auditor of a third country issuer to be registered with the FRC; reminds shell companies and SPACs that transitional arrangements will end in December 2023 regarding the minimum market capitalisation (MMC) requirement for companies seeking readmission to the Official List following a reverse takeover; and highlights that multi-factor authentication is now mandatory when using the FCA's Electronic Submission System (webpage). 	Various - ongoing	Amber
<p>Consultation on power to block listings on national security grounds</p> <p>Affects: potentially all companies seeking to list on UK public markets including SPACs</p>	<p>The government's initial consultation 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>Listing Transactions – FCA: Russia and Belarus sanctions confirmation</p> <p>Affects: issuers making vetting, guidance or listing application request</p>	<p>On 17 July 2023, the FCA published a webpage setting out what confirmations it needs about the effect of Russia and Belarus sanctions before it can begin work on a vetting, guidance or listing application request. The Russia (Sanctions) (EU Exit) Regulations 2019 and the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019 restrict access to UK capital markets and prohibit dealings with transferable securities for certain entities and impose asset freezes and other financial restrictions in relation to designated persons and investments. Russian sanctions also restrict the provision of certain professional and business advice, including legal advisory and auditing services.</p>	Ongoing	Amber

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Takeovers: competitive bid offer timetable and miscellaneous Code amendments</p> <p>Affects: all companies and transactions subject to the Takeover Code</p>	<p>On 22 May 2023, amendments to the Takeover Code took effect which clarify how the offer timetable applies where there are competing bids involving a takeover by scheme of arrangement, along with various miscellaneous amendments. This includes for ongoing transactions which straddle that date, except where that would give amendments retroactive effect. The final rule changes are set out in Response Statements 2022/3 and 2022/4. See previous editions of the UK REIT Horizon Scanner for further details.</p>	22 May 2023	Red
<p>Market abuse: insider dealing</p> <p>Affects: market participants</p>	<p>On 15 May 2023, the Insider Dealing (Securities and Regulated Markets) Order 2023 came into force (explanatory notes). The Order aligns the scope of the criminal offence regime for insider dealing and unlawful disclosure of inside information under the Criminal Justice Act 1993 with that of the civil regime in the UK Market Abuse Regulation.</p>	15 June 2023	Amber
<p>National Security and Investment Act 2021: market guidance published</p> <p>Affects: companies making acquisitions which need to be notified under NSIA</p>	<p>On 4 January 2022, the National Security and Investment Act 2021 (NSIA) came into force expanding the government's powers to scrutinise, and to intervene in, certain acquisitions and investments on national security grounds. For further detail, see UK REIT Horizon Scanner Q1 2022. BEIS has since issued various publications, including NSIA 2021: Market Guidance Notes April 2023 which provides practical guidance on the national security and investment regime. This updates the first edition (see UK REIT Horizon Scanner Q4 2022). The April 2023 Market Guidance Note includes new or amended guidance in areas including the timing and contents of a notification, notifications involving parties facing material financial distress, engaging with the government where there is significant uncertainty as to whether a transaction is within the scope of the mandatory notification regime, the various stages of the NSI assessment process and the government's power to provide financial assistance to parties affected by a final order. Also, on 11 July 2023, the Cabinet Office published the statutory annual report covering the operation of the NSIA between 1 April 2022 and 31 March 2023.</p>	Ongoing	Amber
<p>Brexit: changes to current status and operation of retained EU law</p> <p>Affects: policy dependent but will impact capital markets, e.g. prospectus regime</p>	<p>On 29 June 2023, the Retained EU Law (Revocation and Reform) Bill received Royal Assent and became the Retained EU Law (Revocation and Reform) Act 2023 (REULA 2023). See UK REIT Horizon Scanner Q3 for details. Principally, from the end of 2023, REULA 2023 will:</p> <ul style="list-style-type: none"> • automatically repeal the retained EU-derived secondary legislation and retained EU direct legislation listed in Schedule 1. All other retained EU law will remain in force and will become known as 'assimilated law'. The latter will include all EU-derived primary legislation as well as direct retained EU subordinate legislation that is not specified in Schedule 1; and • abolish the principle of the supremacy of EU law. General principles of EU law will also cease to have effect in UK domestic law. 	31 December 2023 in the first instance	Amber

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

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A vertical teal bar on the left side of the slide.

2 | General corporate

General corporate

Key developments since Q2 2023

- Government withdrew draft Regulations amending Companies Act 2006 regarding corporate reporting for 750:750 entities
- The next reading of the Economic Crime and Corporate Transparency Bill 2022 by the House of Lords is scheduled for 18 October 2023
- FRC has published research into the impact of proxy voting advisers and ESG ratings agencies on FTSE 350 companies and investors

Issues	Status	Key Timing	Impact
<p>Corporate transparency and economic crime: Companies House reform</p> <p>Affects: all companies</p>	<p>Following the government White Paper: Corporate transparency and register reform (see previous editions of the UK REIT Horizon Scanner, in particular Q2 2022), on 22 September 2022, the Economic Crime and Corporate Transparency Bill 2022 was published to sit alongside the Economic Crime (Transparency and Enforcement) Act 2022. The next reading of the Bill by the House of Lords is scheduled for 18 October 2023. Broadly, the Bill:</p> <ul style="list-style-type: none"> ▪ widens the Registrar's powers so that it becomes a more effective gatekeeper over company information; ▪ introduces identity verification requirements for all new and existing registered company directors, People with Significant Control and those delivering documents to the Registrar; ▪ tackles the abuse of LPs by strengthening transparency requirements and enabling them to be deregistered; ▪ creates powers to quickly and more easily seize and recover cryptoassets (the principal medium used for ransomware); ▪ introduces new exemptions from principal money laundering offences to reduce unnecessary reporting by businesses transacting on behalf of their customers and new law enforcement powers to obtain information to tackle money laundering and terrorist financing, and ▪ enables businesses in certain sectors to share information more effectively to prevent and detect economic crime. 	Ongoing	Red
<p>Economic crime: changes to corporate criminal liability framework</p> <p>Affects: all companies</p>	<p>The government is making changes to the UK's corporate criminal liability framework to make it easier to prosecute companies for economic crime. Firstly, it will introduce a new corporate criminal offence for failure to prevent fraud (press release and factsheet), and secondly it will allow for the attribution of criminal liability to corporates where senior managers commit certain economic crime offences (press release). Both reforms will be brought about as part of the Economic Crime and Corporate Transparency Bill regime (see above).</p>	Ongoing	Red
<p>Corporate governance: proposed amendments to UKCGC</p> <p>Affects: mainly premium listed companies</p>	<p>On 24 May 2023, the FRC published proposed revisions to the UK Corporate Governance Code for consultation. The majority of amendments are to section 4 on Audit, Risk and Internal Control – see UK REIT Horizon Scanner Q3 2023 for details of the proposals. Comments were requested by 13 September 2023. No structural changes have been made.</p> <p>The revised Code will be supported by updated guidance. The FRC intends the revised Code to apply to accounting years commencing on or after 1 January 2025 to allow sufficient time for implementation.</p>	13 September 2023, accounting years commencing on or after 1 January 2025	Red

General corporate

Issues	Status	Key Timing	Impact
<p>Audit and corporate governance: major reforms to audit and corporate governance systems – regulations on corporate reporting withdrawn</p> <p>Affects: wider could impact all companies</p>	<p>On 16 October 2023, the government withdrew the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 following concerns raised about the imposition of additional reporting requirements (Department for Business and Trade (DBT) announcement). The proposed regulations amended the Companies Act 2006 to introduce additional reporting requirements for companies with 750 or more employees and an annual turnover of £750 million or more, which included an annual resilience statement, distributable profits figure, material fraud statement and triennial audit and assurance policy statement. See previous editions of the UK REIT Horizon Scanner for details. The DBT announcement indicates that the government will instead be proposing a new reform package that aims to deliver a more targeted, simpler and effective reporting framework for both business and investors. This follows the call for evidence on existing non-financial reporting requirements published by the DBT in May 2023 – see entry below.</p> <p>The announcement also confirms that the government remains committed to wider audit and corporate governance reform, including establishing a new Audit, Reporting and Governance Authority to replace the FRC, and that legislation will be brought forward to deliver those reforms when Parliamentary time allows. According to the FRC 3 Year Plan, published in March 2023, setting out its priorities for 2023 to 2026, ARGA is now likely to come into effect in 2024 (not 2023).</p>	<p>Ongoing</p> <p>1 January 2025 for new reporting legislation</p> <p>2024 for introduction of ARGA</p>	Amber
<p>Corporate reporting: non-financial reporting call for evidence</p> <p>Affects: potentially all companies</p>	<p>On 24 May 2023, the Department for Business and Trade (along with the FRC) published a call for evidence on the non-financial reporting (NFR) information review. The call for evidence primarily focuses on non-financial information requirements that are contained in Part 15 of the Companies Act 2006 only (and equivalent requirements for LLPs). Topics on which it seeks views include those below.</p> <ul style="list-style-type: none"> • The costs and benefits of producing, and the value of, non-financial information. • How the NFR regime might be improved in the future, and what are the priorities for the UK's future NFR framework. • The appropriateness and relevance of company size thresholds in the CA 2006. • How to integrate the International Sustainability Standards Board standards into the UK's reporting framework (see section 6, ESG). • The different reporting requirements (e.g. modern slavery and gender pay gap) and how these fit within wider NFR frameworks. <p>The call for evidence closed on 16 August 2023, and the government intends to develop proposals for public consultation in 2024.</p>	<p>16 August 2023, and 2024</p>	Red
<p>Corporate reporting: FRC publishes annual review of corporate reporting</p> <p>Affects: mainly listed companies</p>	<p>On 5 October 2023, the FRC published its annual review of corporate reporting for 2022/2023. It reports the issues most commonly raised with companies, as well as its expectations for the coming reporting season. Among other things, the FRC expects companies to give a clear description in the strategic report of risks facing the business, their impact on strategy, business model, going concern and viability, cross-referenced to relevant detail in the reports and accounts. It also expects companies to look at how current economic conditions may impact on financial and narrative reporting in the coming season, including high inflation and rising interest rates, and also the increased uncertainty over several economic factors.</p>	<p>2023/2024 reporting season</p>	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
Late payment practices Affects: large companies	On 2 October 2023, the Department for Business and Trade (DBT) announced plans to reduce the late payment of business invoices, in particular for smaller businesses. DBT intends to extend the Reporting on Payment Practices and Performance Regulations 2017 and give the Small Business Commissioner greater powers to investigate poor payment practices. More detail on the UK proposals will be included in an upcoming review of prompt payment and cash flow issues. These measures follow the European Commission's plans to introduce a new regulation capping payment terms at 30 days and making the right to late payment interest automatic and compulsory.	Ongoing	Amber
Corporate governance: FRC research on proxy voting advisers and ESG ratings agencies Affects: mainly listed companies	The FRC has published research into the impact of proxy voting advisers and ESG ratings agencies on FTSE 350 companies and investors. The report's findings include that, while proxy advisors and ESG rating agencies have some influence on behaviour and voting decisions, the nature and extent of this may be more nuanced and less clearcut than many companies, stakeholders and other commentators believe. Also, with the notable exception of remuneration, recommendations by the largest proxy advisors to vote against resolutions are relatively rare on most topics. The research will be shared with the FCA to aid its ongoing consultations on how proxy voting agencies interact with corporates and investors as part of corporate governance programmes.	Ongoing	Amber
Non-compete clauses: 3 months limit Affects: UK employers and employees	On 10 May 2023, the Department for Business and Trade published a policy paper setting out measures intended to grow the economy, including some proposed changes to non-compete clauses, as well as the Working Time Regulations 1998 and TUPE. In relation to non-competes, the government indicated in its response to its related consultation, that it will introduce a statutory limit on the length of non-compete clauses of 3 months and will bring forward legislation to introduce the statutory limit when parliamentary time allows.	Ongoing	Amber
Corporate governance: ESMA report on proxy advisor and investment chain provisions Affects: mainly listed companies	On 27 July 2023, ESMA and the EBA published a report setting out their advice to the Commission on the implementation of certain provisions of the Shareholder Rights Directive concerning proxy advisors and the investment chain. While the report finds that the framework in Article 3j concerning proxy advisors has proved robust overall, it advises a number of improvements, including clarifying the definition of the term "proxy advisor" and defining minimum standards for codes of conduct for proxy advisors.	Ongoing	Green
Corporate re-domiciliation Affects: all foreign-incorporated companies	On 12 April 2022, the government published a response to its consultation on proposals to introduce a UK corporate re-domiciliation regime to enable foreign-incorporated companies to change their place of incorporation to the UK while maintaining their legal identities as corporate bodies. The government confirmed that it intends to introduce the regime and will now refine the policy. No timescales are given.	Ongoing	Green
Stamp tax reform Affects: companies with shares	On 27 April 2023, HMRC published Policy Paper: Tax administration and maintenance summary - Spring 2023 which included a consultation on proposals to modernise and rationalise the framework for Stamp Taxes on Shares . This consultation closed on 22 June 2023.	Ongoing	Green

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Audit and corporate governance: minimum standard for audit committees</p> <p>Affects: FTSE 350 companies</p>	<p>On 22 May 2023, the FRC published a minimum standard for audit committees, which aims to enhance performance and ensure a consistent approach across audit committees, focusing 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. The standard applies to FTSE 350 audit committees who can adopt it on a voluntary basis before legislation is adopted to make it mandatory. Audit committees should review the requirements and consider updating their terms of reference to make reference to the new standard.</p> <p>Further, the FRC has launched a new webpage providing conversation starters intending to promote better engagement between investors and audit committees to facilitate better understanding of companies and their approach to financial reporting and internal control.</p> <p>Also, in July 2023, the FRC published its annual inspection and supervision results of the largest audit firms which sets out examples of steps that audit committees can take to drive responsive and high-quality audits.</p>	Ongoing	Amber
<p>Audit and corporate governance: disclosure of dividend policies</p> <p>Affects: larger companies</p>	<p>On 29 June 2023, the FRC Lab published its review of the current market practice regarding dividend-related disclosures: Insight Report: Disclosure of dividends revisited. The review notes that high-quality disclosure means reporting on how and why dividend policies are changed or retained in light of the wider economic environment, and linking that to a company's growth strategy.</p>	Ongoing	Amber
<p>Corporate governance: requisitioning shareholder resolutions</p> <p>Affects: mainly public companies</p>	<p>On 30 June 2023, the Investment Association published guidance for institutional investors on the effective requisitioning of shareholder resolutions. The guidance provides an overview of the key steps for filing a resolution at a UK company. It outlines key barriers (including in relation to inside information under UK MAR, acting in concert provisions under the Takeover Code and DTR 5 disclosures), as well as guidance on their mitigation.</p>	Ongoing	Amber
<p>Corporate governance: AGM Practices and Shareholder Rights: ICGN</p> <p>Affects: all companies hosting AGMs</p>	<p>On 19 April 2023, the International Corporate Governance Network published a statement on post COVID-19 AGM practices and shareholder rights. In particular, it makes clear that the hybrid format is the optimal AGM format allowing for the in-person presence of shareholders whilst also accommodating access to the meeting via electronic or virtual means. It encourages regulators to consult with stakeholders in considering changes to regulation or legislation regarding AGMs, particularly matters impacting shareholder rights.</p>	2023	Red

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Corporate transparency and economic crime: Register of Overseas Entities</p> <p>Affects: all companies and non-UK entities which own UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA 2022) received Royal Assent on 15 March 2022. For background, see previous editions of the UK REIT Horizon Scanner.</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 (Press Release)). These requirements apply retrospectively to property acquired since January 1999, and under transitional provisions, overseas entities which owned registered property before 1 August 2022 had until 31 January 2023, 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>On 1 June 2023, the Register of Overseas Entities (Definition of Foreign Limited Partner, Protection and Rectification) Regulations 2023 (Explanatory Memorandum) came into force. In brief, these regulations:</p> <ul style="list-style-type: none"> • prescribe the characteristics of a 'foreign limited partner' for the purposes of ECTEA 2022; • amend the criteria for granting applications for protection of personal information; • allow for information held on the ROE to be removed following an application for rectification under certain circumstances; and • amend the protection elements of the Register of Overseas Entities (Delivery, Protection and Trust Services) Regulations 2022. <p>On 21 June 2023, Companies House published guidance on how it will use its enforcement powers in relation to the ROE, and on 28 June 2023 published guidance on how to file an update statement for an overseas entity and its beneficial owners or managing officers. On 8 August 2023, the government published updated guidance on registration and verification which reflects guidance changes on identifying foreign limited partners as beneficial owners and includes changes to rectification, dispositions, financial penalties and protected information.</p>	<p>January 2023 and ongoing</p>	<p>Red</p>
<p>Accounting: 2023 IFRS Standards and FRC thematic review of IFRS 13</p> <p>Affects: listed companies preparing consolidated financial statements</p>	<p>In April 2023, the UK Endorsement Board has published the 2023 IFRS Standards on behalf of UK government.</p> <p>Also, on 13 June 2023, the FRC published a Thematic Review of IFRS 13 and fair value measurement. IFRS 13 defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. In general, although the application by larger companies of IFRS 13 is generally satisfactory, and its principles are well understood by certain sectors (e.g. banking, insurance and real estate), the FRC considers that there is scope for improvement of the disclosures provided by smaller companies.</p>	<p>2023</p>	<p>Amber</p>

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Corporate governance: AIC updated corporate governance roundup</p> <p>Affects: investment companies</p>	<p>The AIC has updated its corporate governance roundup paper which summarises the key positions taken by governance agencies in relation to various matters of interest for its sector.</p>	Ongoing	Amber
<p>Economic crime/PSC regime: Companies House publishes revised guidance</p> <p>Affects: all companies</p>	<p>On 1 April 2023, Companies House published an updated version of its Guidance: Report a discrepancy about a beneficial owner on the PSC register. Under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, an "obliged entity" must report to Companies House any discrepancies between beneficial ownership information regarding an entity that it discovers as part of initial customer due diligence and the information held at Companies House.</p> <p>From 1 April 2023, the reporting requirement will be restricted to "material" discrepancies that can reasonably be considered to be linked to money laundering or terrorist financing, or to conceal details of the customer's business. The details of the customer's business include a PSC and the registrable beneficial owner of an overseas entity (see entry below). As such, from 1 April 2023, obliged entities must report material discrepancies about registrable beneficial owners of an overseas entity. Obligated entities also must now report material discrepancies throughout a business relationship, not just at the start.</p>	1 April 2023	Amber
<p>Law Commission law reform programme for 2021</p> <p>Affects: all companies</p>	<p>The Law Commission's consultation 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 (update). Specific ideas for law reform include (among other things):</p> <ul style="list-style-type: none"> ▪ 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. ▪ Reviewing areas of legislation most affected by Brexit and potentially reforming certain areas of retained EU law. 	Ongoing	Green

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3 | Financial regulatory

Financial regulatory

Key developments since Q2 2023

- FCA sets out priorities for updating and improving the UK regime for asset management
- HM Treasury and FCA publish information on the repeal of retained EU law
- Changes to FCA authorisation application forms
- FCA publishes press release announcing review of how firms treat domestic PEPs
- Political agreement reached on proposed Directive amending AIFMD Directive
- ESMA publishes official translations of the guidelines on product governance requirements under MiFID II
- ESRB publishes issues note addressing risks in corporate debt and real estate investment funds

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

Financial regulatory

Issues	Status	Key Timing	Impact
<p>HM Treasury and FCA publish information on the repeal of retained EU law</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 11 July 2023, HM Treasury published its 'Plan for Delivery'. The paper sets out the government's practical approach to repealing financial services retained EU law (REUL) and follows up its policy statement, 'Building a Smarter Financial Services Framework for the UK', which was published in December 2022 as part of the Edinburgh Reforms (see UK REIT Horizon Scanner Q1 2023).</p> <p>The Financial Services and Markets Act 2023 (FSMA 2023) repeals REUL relating to financial services and enables it to be replaced by legislation and regulators' rules as appropriate. The government has allocated each 'file' of financial services retained EU law to different tranches of implementation, with the contents of tranche 1 and tranche 2 having been announced. The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Alternative Investment Fund Managers Directive and non-wholesale elements of Markets in Financial Instruments Directive/ Regulation are within the core list of financial services files. The government has not yet decided whether to assign these to tranche 2 and what priority should be assigned to the particular file if assigned to tranche 3.</p> <p>On 14 July 2023, the FCA published a new webpage providing information on the repeal and replacement of REUL with FCA rules. HM Treasury will repeal the firm-facing requirements in REUL and, where appropriate, the FCA will replace those provisions with rules. When the FCA replaces repealed REUL provisions in its Handbook, it will do so in line with the following five core principles:</p> <ul style="list-style-type: none"> • Consolidate requirements so that, over time, the Handbook becomes the 'one stop shop' for firm-facing regulatory requirements. • Use the current Handbook structure, only creating new sourcebooks where necessary. • Rely on existing requirements in the Handbook and consider if it is necessary to reflect the repealed REUL provision in the Handbook. • Rely on outcomes rather than prescriptive requirements. • Reduce complexity, both in drafting style and by seeking to align standards across sectors. <p>The principles aim to support the FCA's overarching aim for the Handbook to enhance the overall user experience by making it clear, accessible and navigable, while reducing regulatory costs. More detail on each of the five principles can be found on the webpage. The webpage provides links to key documents with a summary of the current position relating to legislation including the PRIIPs Regulation.</p>	Ongoing	Green
<p>FCA publishes press release announcing review of how firms treat domestic PEPs</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 5 September 2023, the FCA announced via a press release the launch of a review of the treatment of domestic politically exposed persons (PEPs) by firms, and published terms of reference for the review. The review is being carried out to comply with section 78 FSMA 2023 and will look at firms' arrangements for dealing with PEPs in the UK. It will consider how firms are:</p> <ul style="list-style-type: none"> • applying the definition of PEPs to individuals; • conducting proportionate risk assessments of UK PEPs, their family members and known close associates; • applying enhanced due diligence and ongoing monitoring proportionately and in line with risk; • deciding to reject or close accounts for PEPs, their family members and known close associates; • effectively communicating with their PEP customers; and • keeping their PEP controls under review to ensure they remain appropriate. <p>The FCA will report on the findings of this review by the end of June 2024, and consult on revised guidance if necessary.</p>	Ongoing	Amber

Financial regulatory

Issues	Status	Key Timing	Impact
<p>Changes to FCA application forms</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 25 July 2023, the FCA announced that it was reviewing and updating authorisation application forms to make it quicker and easier for firms to apply to the FCA and to help the FCA capture the information it needs. The first new form the FCA is releasing is Form A, which is used for Senior Management and Controlled Functions applications. On 13 September 2023, the FCA published a video showing the improvements it is making to Form A (transcript). Improved forms will include:</p> <ul style="list-style-type: none"> • a checklist of information an applicant will need to complete the form; • better accessibility and a more user-friendly look and feel; • better help and guidance text throughout; • autofill features where the FCA already holds the applicant's data; • error messages preventing completion of the form without addressing mandatory fields; • the integration of the statement of responsibilities into Form A; • the removal of duplication and the employment history section, as well as the need to attach a CV (for most firms). Where employment history is required, the form will now require a 10-year history; • removal of "Send Later" function to ensure all information regarding the application is sent at the same time • the option to save the application as a draft. 	Ongoing	Green
<p>ESRB publishes issues note addressing risks in corporate debt and real estate investment funds</p> <p>Affects: REITs sold into the EU</p>	<p>On 4 September 2023, the European Systemic Risk Board (ESRB) published an issues note on policy options to address risks in corporate debt and real estate investment funds from a financial stability perspective. It describes a high-level approach to addressing risks in the priority areas of investment funds with large exposures to corporate debt and real estate. The issues note concludes that:</p> <ul style="list-style-type: none"> • The structural vulnerabilities of investment funds mainly arise from liquidity mismatch and the use of leverage. • Investment fund resilience could be improved by adapting policy tools already present in the regulatory framework, for example, mitigating the risks associated with high demand for redemptions by setting up funds with inherently illiquid assets as closed-ended funds. • The development of new policy tools could be useful in increasing investment fund resilience and financial system stability. The note sets out various options from incremental amendments to structural changes. • The ESRB welcomes the July 2023 proposal to amend AIFMD (see above). • The ESRB will carry out further work to develop certain policy options after the revised AIFMD Directive has come into force. 	Ongoing	Green
<p>ESMA publishes official translations of guidelines on MiFID II product governance requirements</p> <p>Affects: REITs where EU MiFID investment firm is involved in distribution chain</p>	<p>On 3 August 2023, ESMA published the official translations, including the English language version, of the guidelines on product governance requirements under the MiFID II Directive.</p> <p>ESMA published a report on the final version of these guidelines in March 2023. The guidelines will apply from 3 October 2023.</p>	Ongoing	Green

Financial regulatory

Issues	Status	Key Timing	Impact
<p>ESMA publishes official translations of guidelines on MiFID II product governance requirements</p> <p>Affects: REITs where EU MiFID investment firm is involved in distribution chain</p>	<p>On 3 August 2023, ESMA published the official translations, including the English language version, of the guidelines on product governance requirements under the MiFID II Directive.</p> <p>ESMA published a report on the final version of these guidelines in March 2023. The guidelines will apply from 3 October 2023.</p>	Ongoing	Green

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Financial Services and Markets Bill receives Royal Assent</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 29 June 2023, the Financial Services and Markets Bill 2022-23 (FSM Bill) received Royal Assent. The final text of the Act was published on legislation.gov.uk on 7 July 2023 and the explanatory notes were published on legislation.gov.uk on 29 August 2023.</p>	Ongoing	Green
<p>UK government and European Commission sign MoU on regulatory co-operation on financial services</p> <p>Affects: REIT managers, REIT advisers when selling into the EU</p>	<p>On 27 June 2023, HM Treasury announced that the UK government and the European Commission have signed a memorandum of understanding (MoU) on financial services, which sets out the plans for UK/EU voluntary regulatory co-operation on financial services issues.</p> <p>The MoU aims to preserve financial stability, market integrity and the protection of investors and consumers while also providing for bilateral exchanges of views and analysis on regulatory developments and other issues of common interest.</p> <p>A Joint EU-UK Financial Regulatory Forum (Forum) has also been established. The Forum's objectives include improving transparency, identifying potential cross-border implementation issues, and sharing knowledge to facilitate a common understanding of the EU and UK's regulatory frameworks. The first meeting of the Forum is due to be held on 19 October 2023.</p>	Ongoing	Green
<p>FCA publishes 2023/2024 Business Plan</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 5 April 2023, the FCA published its 2023/24 Business Plan setting out its business priorities for the year ahead. The Business Plan sets out how the FCA will deliver on the second year of its three-year strategy, published in April 2022.</p> <p>The Business Plan details that the FCA plans to accelerate the following four areas of its work over the next 12 months through further investment and increased resources:</p> <ul style="list-style-type: none"> • Putting consumers' needs first – including additional resource to ensure the transition following the introduction of the Consumer Duty in July 2023 is smooth for both consumers and firms. • Preparing financial services for the future – including resource to prepare for the new Future Regulatory Framework, which will help support the UK's wider economic growth and international competitiveness. • Strengthening the UK's position in global wholesale markets – including further proposals to reform the listing regime to attract world leading firms and encourage competition. • Reducing and preventing financial crime – including looking for innovative ways of reducing and preventing financial crime. 	Ongoing	Green

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Update on implementation of new Consumer Duty</p> <p>Affects: REIT managers, REIT advisers</p>	<p>FCA highlights key questions for firms to consider when implementing the Consumer Duty On 28 June 2023, the FCA published a press release setting out ten questions for firms to ask themselves in order to identify and remedy gaps and areas for improvement in their implementation of the Consumer Duty. The Consumer Duty takes effect on 31 July 2023 for new and existing products and services that are open for sale or renewal. The FCA expects Boards to have clear oversight of implementation plans relating to the Duty and also expects any potential gaps or weaknesses in the firm's compliance to have been identified and remediation plans to have been developed. In addition, the FCA published the results of a survey sent to some firms in Spring 2023. These show that most firms in the sectors surveyed believe they are on track to fully implement the Duty on time, but some firms have more to do to meet the deadline. If a firm believes it will be in significant breach of the Duty when it comes into force, it should inform the FCA. If a firm is struggling to complete all the work required before the deadline, it should prioritise action that will most improve consumer outcomes and reduce the risks of harm.</p> <p>FCA's review of fair value assessment frameworks On 10 May 2023, the FCA published a webpage detailing the findings following its review of firms' fair value assessment frameworks under the Consumer Duty. Under the new Consumer Duty firms will need to deliver and assess four outcomes, including price and value. Firms will need to undertake fair value assessments in order to show the price a consumer pays for a product or service is reasonable compared to the overall benefits they can expect to receive.</p> <p>At the start of 2023, the FCA reviewed 14 firms' fair value assessment frameworks. While the FCA notes that the sample was not representative, it states that many of the findings will be relevant to the wider population of regulated firms. It has identified four areas for further consideration by firms:</p> <ul style="list-style-type: none"> • Collecting and monitoring evidence that demonstrates that products and services represent fair value. • Summarising and presenting fair value assessments in a way that enables decision-makers to effectively discuss whether the product or service represents fair value. • Ensuring clear oversight and accountability of the necessary remedial actions if products and services are found to not provide fair value. • Where relevant, ensuring sufficient analysis of the distribution of outcomes across groups of consumers in the target market, beyond broad averages, to demonstrate how each group receives fair value. <p>The FCA will continue to monitor firms' approaches to ensuring customers receive fair value. This will include future reviews of firms' fair value assessments of specific products and activities.</p> <p>AIC's industry guidance on Consumer Duty: The AIC has published guidance on how firms should approach the Consumer Duty (for Members only).</p>	<p>31 July 2023 and ongoing</p>	<p>Red</p>

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Update on review of the UK PRIIPs regime</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 11 July 2023, the government published its response to its consultation on repealing PRIIPs and replacing it with an alternative retail disclosure framework better suited to the needs of investors (see UK REIT Horizon Scanner for Q1 2023). The response confirms that the government intends to remove all PRIIPs firm facing retail disclosure requirements from legislation and ensure that the FCA can deliver a new UK retail disclosure regime which is both tailored and proportionate to the UK market. On a new FCA webpage published on 14 July 2023, which deals with the work required to repeal and replace retained EU law, the FCA confirmed that it is working with the government on the new regime. It has not yet indicated when it will publish its consultation paper.</p>	Ongoing	Green
<p>ESAs issue consolidated Q&As on the Regulation on PRIIPs KID</p> <p>Affects: REIT managers, REIT advisers when selling into the EU</p>	<p>On 18 May 2023, the Joint Committee of the European Supervisory Authorities (ESAs) published a set of consolidated Q&As (JC 2023 22) on the Regulation on key information document (KID) requirements for packaged retail and insurance-based investment products (PRIIPs) (1286/2014) (the PRIIPs Regulation) and related Delegated Acts. The consolidated Q&As combine responses:</p> <ul style="list-style-type: none"> • Given by the European Commission to questions requiring interpretation of EU Law according to Article 16b(5) of the ESA Regulations. • Produced by the ESAs relating to the practical application or implementation of the PRIIPs Regulation and the related Delegated Acts under Article 16b(1) of the ESA Regulations. <p>The Joint Committee of the ESAs last updated the Q&As on the PRIIPs Regulation in December 2022.</p>	Ongoing	Green
<p>ESMA publishes updated Q&As on application of AIFMD</p> <p>Affects: REIT managers, REIT advisers when selling into the EU</p>	<p>On 14 June 2023, ESMA published an updated version of its Q&As relating to the application of the Alternative Investment Fund Managers Directive (AIFMD).</p> <p>New Q&As have been added to section II on notifications of alternative investment funds, section IV on notification of alternative investment fund managers and section VII on calculation of leverage.</p>	Ongoing	Green

The logo for TaylorWessing, featuring the company name in a teal, sans-serif font. The background of the slide is a photograph of a modern glass skyscraper with a grid of windows and vertical mullions.

TaylorWessing

4 | Real estate, planning and construction

Real estate, planning and construction

Key developments since Q2 2023

- Publication of the secondary legislation to implement the new Gateway Regime for higher-risk buildings in England

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Act (BSA) establishes the Building Safety Regulator (BSR) with a remit to implement regulatory change to building regulation and control for higher-risk buildings in England, provides new accountability and duties across all buildings, and introduces competency standards and provisions to strengthen the construction products regulations.</p> <p>Building control will come under the remit of the BSR who becomes the building control authority for higher buildings. Building control will also become a registered profession, with Approved Inspectors being replaced by registered Building Control Approvers, and a new role of Building Inspector being created. These bodies will need to adhere to certain standards.</p> <p>Higher-risk buildings (HRBs) in England for design and construction are buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Buildings which consist entirely of secure residential institutions, hotels and military premises are excluded (see the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023). The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>Three Gateways are established during the planning, design and construction of an HRB. 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 provide for BSR scrutiny of the design and construction of HRBs and are stop/go points during which must be passed before an HRB can proceed to construction (Gateway 2) or completion prior to occupation (Gateway 3). The secondary legislation, the Building (Higher-Risk Buildings Procedures) (England) Regulations 2023 published in August 2023 confirms that Gateways 2 and 3 came into force on 1 October 2023, subject to transitional arrangements which exempt certain current projects from the Gateway regime. However, in principle if a building notice or plans application has not been submitted to the local authority or an initial notice has not been issued and accepted before 1 October 2023 then Gateways 2 and 3 will apply to the construction of new HRBs or building work to existing HRBs.</p> <p>The new regime introduces new responsibilities for duty-holders, i.e. the client, the principal designer, principal contractor, designers and contractors and the details are set out in Part 2A of the Building Regulations 2010, which was inserted by Regulation 6 of the Building Regulation etc (Amendment) (England) Regulations 2023. Unlike other aspects of the HRBs regime, the duty holder regime applies to all building works being carried out and not just works related to HRBs, but there will be additional responsibilities where higher-risk buildings are involved.</p>	<p>1 October 2023</p> <p>1 October 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022 (cont'd)</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The various dutyholders take on new roles and duties around the planning, managing and monitoring of work carried out with the focus Building Regulation compliance. Clients will need to appoint a principal designer and principal contractor and duty holders will need to co-operate with each other to ensure that building work complies with the relevant requirements. All designers and contractors will need to demonstrate that they meet new competency requirements before undertaking work.</p> <p>See: https://www.taylorwessing.com/en/insights-and-events/insights/2023/08/building-safety-act-and-transition-to-the-new-regime</p> <p>Also, from 1 October 2023 all existing and newly completed HRBs (except hospitals and care homes) will need to be registered with the BSR. It will be an offence for an HRB to be occupied but not registered. The Higher-Risk Buildings and Review of Decisions (England) Regulations 2023 and the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023 set out the detail. Guidance on the criteria for being a higher-risk buildings in occupation confirms that serviced apartments will be considered higher-risk buildings if they meet the height or storeys threshold.</p> <p>BSR scrutiny of HRBs in occupation (except hospitals and care homes) continues with new statutory duties on the Principal Accountable Person to manage safety risks. These duties (which are not yet in force) include continuous assessment and management of building safety risks using safety management systems; preparation of safety case reports; compliance with mandatory occurrence reporting; operation of a residents' engagement strategy and a complaints handling procedure. The detail is contained in the Higher-Risk Buildings (Management of Safety Risks etc) (England Regulations 2023 which will come into force on a date yet to be fixed. It is anticipated that the calling-in process (which will require information and documents arising out of the above duties to be submitted to the BSR) will start in April 2024.</p> <p>The Building Safety Regulator Charging Scheme and the Building Safety (Regulator's Charges) Regulations 2023 set out details of the charges required by the BSR from the client and Principal Accountable Person.</p> <p>The Responsible Actors Scheme was launched in the summer following the publication of the Building Safety (Responsible Actors and Prohibitions) Regulations 2023. The Responsible Actors Scheme is designed to prohibit certain developers who fail to sign the Government's Remediation Contract from carrying out major development in England. Initially the Scheme will apply to large housebuilders and developers who have developed or refurbished residential 11m+ buildings over a 30-year period (5 April 1992 – 4 April 2022) which have life-critical fire-safety defects. Registered providers of social housing are excluded.</p> <p>See Developer remediation contract - GOV.UK (www.gov.uk) and Responsible Actors Scheme - GOV.UK (www.gov.uk)</p>	<p>1 October 2023</p> <p>July 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Economic Crime (Transparency and Enforcement) Act 2022</p> <p>Affects: Overseas owners of UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA) introduced a new Register of Overseas Entities at Companies House to identify the beneficial owners of overseas entities which own registered property. ECTEA came into force on 1st August 2022 (with provisions relating to property ownership and the Land Registry requirements taking effect on 5th September 2022). Also see section 2, General corporate.</p> <p>ECTEA requires any overseas entity which acquires or has acquired registered property in England and Wales since 1st January 1999 (and for Scotland, 8th December 2014) to register on the Register of Overseas Entities. Now the Transitional Period has passed if an overseas entity owns land in the United Kingdom, and has not registered it, it is committing a criminal offence and cannot sell, lease or charge its registered property.</p> <p>Once an overseas entity is registered on the Register of Overseas Entities, it must update the information on the register annually. It is important that this is done as the Land Registry will require the overseas entity to comply with its updating duty before a sale, new lease or charge of the land can be registered. See Register of Overseas Entities holding UK land.</p>	<p>Deadline for registration at Companies House: 31 January 2023 and there are recurring annual updating requirements after first registration.</p>	<p>Red</p>
<p>Building Safety Levy</p>	<p>A second consultation on the design and implementation of the Building Safety Levy has been opened: The Building Safety Levy: consultation The key proposals are:</p> <ul style="list-style-type: none"> • The Levy will apply to all new residential buildings in England that require building control approval (regardless of height). • Whether Build-to-rent, purpose-built student accommodation and accommodation for older people are excluded will be determined post consultation. • Affordable homes and community buildings (including NHS facilities, children's homes and refuges) are expected to be excluded and there will be protections for smaller developments. • The rate of the Levy will be calculated on either a 'per unit' of residential dwelling or a 'per square metre' basis; and the Levy will vary depending on the geographic location to reflect land value and house prices. Differential rates may also apply for brownfield and greenfield developments. • The Levy will be paid by the developer clients. • The Levy is in addition to the Residential Property Developer Tax. <p>Building Safety Levy: a step closer (taylorwessing.com)</p>	<p>Consultation closes on 7 February 2023. Government Response awaited.</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Renters Reform Bill</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Renters (Reform) Bill was introduced into Parliament on 17 May. Key proposals for change include:</p> <ul style="list-style-type: none"> • Simplifying letting structures: all tenancies to be rolling (monthly) periodic. ASTs abolished, along with fixed terms. There are limited exceptions, e.g. certain student accommodation, higher rentals (over £100,000), local authority tenancies and terms over 7 years. • Removing s21 evictions: the ability under s21 of the Housing Act 1988 to evict without proving fault will be scrapped. Landlords will only be able to evict on fault-based grounds and in 'reasonable circumstances' which are to be defined in the act. • Permitting pets: landlords cannot unreasonably refuse consent to keeping a pet (with suitable insurance). • Reforming possession grounds generally: notice periods will change, and grounds amended generally e.g. landlords will be able to sell or move in a close relation after initial 6 month period, but will need to wait 4 weeks (not 2) to evict on the grounds of rent arrears • Strengthening protections against rent rises: notice periods for rises will double to at least two months and statutory rent increase process likely to become more important (abolishing s.21 prevents landlords unable to agree a new rent from terminating and reletting). Tenants will be able to challenge increases in the First Tier Tribunal and there are administrative notice hurdles to market increases. • Improving PRS management: the Bill lays groundwork for regulations to make landlords join a redress scheme for tenant complaints and register with a public (landlord funded) Property Portal, so prospective tenants can view the letting histories of landlords and properties. Also a new Private Renters' Ombudsman whose powers and decisions will be binding on landlords. Membership will be mandatory and the Ombudsman will have powers to compel landlords to take remedial action or pay compensation. 	<p>17 May 2023 – date of second reading awaited</p>	<p>Red</p>
<p>Electronic Communications Code – Product Security and Telecommunications Act</p>	<p>In summary, the Act introduces:</p> <ul style="list-style-type: none"> • 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. • 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. In force 17 April 2023. • 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. • 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. • 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. <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>	<p>17 April 2023</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Levelling up and Regeneration Bill and Land Control</p> <p>Output from the Planning For the Future – White Paper</p> <p>Affects: investors and developers</p>	<p>The Levelling Up and Regeneration 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"> • measures to tackle slow build out by developers (involving new development progress reports, financial penalties & refusal of further permissions); • a new permanent pavement licensing scheme; • discretionary powers for councils to apply a council tax premium of up to 100% on empty and second homes in their areas; and • a variety of changes to the planning regime. The latter, though much narrower than those originally envisaged by the ill-fated Planning Bill (which presaged this Bill), remain wide-reaching. <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"> • A new Infrastructure Levy (IL) to replace the community infrastructure levy (CIL) in England (Mayoral CIL in London and CIL in Wales will remain), akin to a further tax on development. IL will be mandatory, and it will be based on a percentage of the final gross development value above a set threshold. It will apply to the development of new or existing buildings as well as to material changes of use, which means 'permitted development' will be within scope. Section 106 agreements will not be abolished but will only be used in specific circumstances. The new legislation is likely to be introduced in different areas at different times, to allow a 'test and learn' approach to IL regulations. • New powers for local authorities to conduct a compulsory rental auction of premises that have been vacant for at least 12 months in designated high streets or town centres. Local authorities will be able to contract as if they were the landlord of the premises (although owners will have a right of appeal). • New measures to increase transparency in land ownership and control, which will make it very hard to keep sensitive information out of the public domain. The express purpose of these measures is to make land ownership more transparent (for example, by collecting and publishing data on contractual arrangements used by developers to control land, such as rights of pre-emption, options, and conditional contracts) and to identify attempts to evade sanctions or the new ECTEA disclosure requirements. However, their ambit will be far more wide-reaching than the purpose suggests, potentially capturing all registered owners of UK land. Registration of transactions may be delayed as a result. 	<p>Commencement legislation awaited</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Looking back

Issues	Status	Key Timing	Impact
Building Safety Act 2022	<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. 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 BSA makes provision for the remediation of historical building safety defects. These provisions create statutory remedies requiring landlords and associated persons to pay for the remediation works for historical 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 a number of Regulations which set out the detail surrounding the issue of Landlord Certificates and Leaseholder Deed of Certificates.</p> <p><u>The Building Safety (Leaseholder Protections) (England) Regulations 2022</u> <u>The Building Safety (Leaseholder Protections) (Information etc.) (England) Regulations 2022</u> <u>The Building Safety (Leaseholder Protections) (England) (Amendment) Regulations 2023</u> <u>The Building Safety (Leaseholder Protections etc.) (England) (Amendment) Regulations 2023</u></p> <p>See: https://www.taylorwessing.com/en/insights-and-events/insights/2023/07/red-alert---service-charge-under-the-building-safety-act-2022-when-do-leaseholders-pay</p>	On-going	

 TaylorWessing | **5 | Tax**

Tax

Key developments since Q2 2023

- Finance (No 2) Act 2023 received Royal Assent, bringing into force various changes to the UK REITs rules including in relation to the three-year development rule and the Genuine Diversity of Ownership test
- Draft legislation for Finance Bill 2024, containing further changes to the UK REITs rules, was published on 18 July 2023 for technical consultation

Issues	Status	Key Timing	Impact
<p>Targeted changes to UK REITs rules as part of the wider review of the UK funds regime</p> <p>Affects: UK REITs</p>	<p>A third tranche of changes to the UK REITs rules (which will form part of the Finance Bill 2024) was published for technical consultation on 18 July 2023. These proposals supplement the targeted changes included in the Finance Act 2022 and Finance (No 2) Act 2023 (further details of which can be found in the 'Looking back' section below).</p> <p>Various amendments have been proposed to the 'non-close' condition, notably:</p> <ul style="list-style-type: none"> Confirmation that the exemption from the non-close condition may be satisfied where an institutional investor is an indirect participator (to be treated as always having had effect). Further restrictions on certain institutional investors (i.e. open-ended investment companies and authorised unit trusts (and their overseas equivalents), and collective investment scheme limited partnerships) requiring them to be non-close or to satisfy genuine diversity of ownership. A requirement for long-term insurers to meet the non-close condition. <p>Further proposed amendments include:</p> <ul style="list-style-type: none"> Extending the tax exemption for gains realised on disposals of interests in UK property rich companies to also include interests in UK property rich Co-ownership Authorised Contractual Schemes. For the purposes of the profit-to-financing-costs ratio in the interest cover test, amending the definition of 'property financing costs' to mean costs referable to the UK property rental business (treated as always having had effect) but excluding non-deductible expenses other than amounts disallowed under the corporate interest restriction (having effect for accounting periods ending on or after 1 April 2023). Enabling insurance companies to hold an interest of any size in a group UK REIT. 	<p>The various amendments are proposed to have effect from Royal Assent of Finance Bill 2024 (unless otherwise stated)</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Temporary new 100% and 50% first year capital allowances for plant and machinery expenditure</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 section 7 of the Finance (No 2) Act 2023 (which received Royal Assent on 11 July 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"> ▪ Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances is relieved by a 100% first year allowance ('full expensing'). ▪ Qualifying expenditure on special rate assets (including long-life assets and integral features) that would ordinarily qualify for 6% writing down allowances is relieved by a 50% first year allowance. <p>The government has 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>	<p>Applies to expenditure incurred between 1 April 2023 and 31 March 2026</p>	<p>Amber</p>

Tax (continued)

Looking back

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

 TaylorWessing | **6 | ESG**

UK REIT Horizon Scanner Q4 2023

ESG

Key developments since Q2 2023

- FRC issued a call for evidence on the proposed endorsement of the ISSB Standards in the UK
- FCA intends to consult on implementing disclosure rules referencing ISSB Standards and on guidance for transition plan disclosures of listed companies in H1 2024
- FCA and PRA consult on improving diversity and inclusion in financial services
- FCA update on its sustainability disclosure requirements and investment labels regime
- DBT published a webpage providing information on the government's framework for creating UK Sustainability Disclosure Standards
- TCFD published its final status report and TNFD published its final recommendations and guidance for management and disclosure of nature-related risks and impacts
- European Commission consults on SFDR implementation
- Green Technical Advisory Group advises HM Treasury development of UK green taxonomy and ISSB consultation on proposed IFRS Sustainability Disclosure Taxonomy

Issues	Status	Key Timing	Impact
<p>Climate: government publishes updated Green Finance Strategy</p> <p>Affects: all companies</p>	<p>On 30 March 2023, the government published Mobilising Green Investment: Green Finance Strategy 2023, which updates its 2019 Green Finance Strategy. See previous editions of the UK REIT Horizon Scanner for further details. Key measures include the following.</p> <ul style="list-style-type: none"> • ISSB standards: see entry below. • Non-Financial Reporting Review: See section 2, General corporate. • Net zero transition plans: see entry below. • UK green taxonomy: the government has published a related consultation. See entry below. • Stewardship: the government will review the regulatory framework for effective stewardship in Q4 2023. • Nature-related financial disclosures: the government will explore how to incorporate the framework from the Taskforce on Nature-related Financial Disclosures (TNFD) into UK policy and legislation. See entry below. • Reporting on scope 3 greenhouse gas (GHG) emissions: government intends to issue a call for evidence on reporting on scope 3 GHG emissions. • Regulating ESG ratings providers: see entry below. • Environmental Reporting Guidelines: the government will update these, including for Streamlined Energy and Carbon Reporting. 	Ongoing	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: ISSB global sustainability reporting standards</p> <p>Affects: potentially listed companies at first, with scope for large private companies to follow</p>	<p>On 26 June 2023, the International Sustainability Standards Board published the first two IFRS Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (ISSB Standards). See previous editions of this UK REIT Horizon Scanner for further details. Both ISSB Standards include transitional provisions, and are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted as long as IFRS S1 or IFRS 2 is also applied. On 19 July 2023, the FRC issued a call for evidence on the proposed endorsement of the ISSB Standards in the UK which closed on 11 October 2023 (webpage).</p> <p>It is now for Individual jurisdictions to decide whether companies will be required to comply with the ISSB Standards. In Primary Market Bulletin 45, the FCA stated that it intends to consult on proposals to implement disclosure rules referencing UK-endorsed ISSB Standards for listed companies in the first half of 2024 (see entry below)</p> <p>On 27 July 2023, the ISSB published a consultation on proposed IFRS Sustainability Disclosure Taxonomy. A common digital taxonomy is necessary to facilitate structured digital reporting of the information prepared applying the ISSB Standards, which will improve the global accessibility and comparability of sustainability information for investors.</p> <p>In May 2023, the ISSB issued a consultation on its priorities for its next two-year work plan following the publication of the ISSB Standards. The FCA published a response in September 2023 and recommends that the ISSB's work should focus on embedding these first two standards, while also launching a comprehensive work programme to develop a suite of investor-material sustainability-related disclosure standards beyond climate. It also encourages the ISSB to begin work towards a thematic standard on nature, leveraging the final TFND recommendations and framework (see entry below). See also FCA webpage on climate change and sustainable finance.</p>	<p>Ongoing, but initially annual reporting periods beginning on or after 1 January 2024</p>	<p>Amber</p>
<p>Climate: DBT publishes framework for UK Sustainability Disclosure Standards</p> <p>Affects: UK companies</p>	<p>On 2 August 2023, the DBT published a webpage providing information on the government's framework for creating UK Sustainability Disclosure Standards (UK SDS). UK SDS will be based on the ISSB Standards (see above), and the government aims to make a decision regarding their endorsement by July 2024. UK SDS will set out disclosure requirements on the risks and opportunities relating to sustainability matters that companies face, and they will form the basis of any future legislative and regulatory reporting requirements. UK endorsed standards will only diverge from the global reporting baseline established by the ISSB Standards if necessary for UK specific matters, so that disclosures made under UK SDS will be globally comparable by investors.</p>	<p>July 2024</p>	<p>Amber</p>
<p>FCA update on its sustainability disclosure requirements and labelling regime</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 17 July 2023, the co-chairs of the Financial Services Regulatory Initiatives Forum published an update on the Regulatory Initiatives Grid following Royal Assent of FSMA 2023. The update includes the FCA's decision to publish the policy statement on its sustainability disclosure requirements and investment labels regime in Q4 2023, rather than Q3 2023. A full update to the Grid is planned for Q4 2023. After this, biannual updates are expected.</p>	<p>Q4 2023</p>	<p>Amber</p>

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: FCA intention to consult on new disclosure frameworks</p> <p>Affects: potentially listed companies at first, with scope for large private companies to follow</p>	<p>On 10 August 2023, the FCA published Primary Market Bulletin 45 (PMB 45) which clarifies that it intends to consult on proposals to implement disclosure rules referencing UK-endorsed IFRS S1 and IFRS S2 for listed companies in the first half of 2024 (see above). It aims to finalise its policy position by the end of 2024 and bring new requirements into force for accounting periods beginning on or after 1 January 2025. First reporting will be in 2026. It also intends to consult on an appropriate scope and design for the new regime, identifying any necessary transitional measures, and expects to consult on moving to mandatory disclosure (rather than comply or explain) for listed issuers.</p> <p>Regarding the current climate disclosure framework, the FCA will continue to use thematic reviews in 2023/24 to consider the disclosures made by all in-scope listed companies aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. It recognises that its supervisory approach will need to evolve as the implementation of the ISSB Standards draws nearer and expectations on transition plan disclosures are enhanced. The FCA will provide more information on its supervisory approach as part of its consultation. Note that the TCFD is due to publish a status report on the take up of its recommendations in October 2023.</p> <p>The FCA recommends that companies improve reporting in line with the TCFD recommendations, and engage early with the ISSB Standards as well as the Transition Plan Taskforce's (TPT) disclosure framework and guidance (see entry below). Listed companies should also consider reporting on a voluntary basis. The FCA also encourages listed companies to respond to the FRC's call for evidence mentioned above.</p> <p>PMB 45 also sets out the FCA's plans regarding transition plans. The FCA intends to consult on guidance for transition plan disclosures of listed companies, which will be developed with reference to the final outputs from the Transition Plan Taskforce (TPT) (see entry below).</p>	Accounting periods beginning on or after 1 January 2025. First reporting in 2026.	Amber
<p>Climate: transition plans – TPT publishes final disclosure framework and implementation guidance</p> <p>Affects: not clear how will apply to REITs – guidance on asset managers awaited</p>	<p>On 9 October 2023, the Transition Plan Taskforce (TPT) published its final framework for the disclosure of private sector transition plans (TP). TPs will provide better information to financial markets as to how companies plan to adapt their business models, their operations and their products and services. The TPT also published implementation guidance, a consultation on a sector summary (including real estate industry entities, such as REITs), technical mapping which shows how the TPT framework relates to other key disclosure frameworks, and legal considerations for companies drawing up TPs (including directors' duties). Key next steps include:</p> <ul style="list-style-type: none"> • The TPT sector summary consultation closes on 24 November 2023. • TPT will launch a consultation on sector "deep dives" in November 2023. • UK government is expected to launch a consultation on transition plan disclosure requirements for large public and private companies in Q4 2023. • TPT will publish final sector deep dives (covering asset managers and asset owners) and a forward pathway on TPs in February 2024. • FCA plans to consult in 2024 on rules and guidance for listed companies to disclose in line with the UK-endorsed ISSB standards and the TPT framework (see entry above). See FCA News Story in response to the publication of the TPT framework. 	October 2023	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>GFANZ publishes consultation on transition finance strategies</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 19 September 2023, the Glasgow Financial Alliance for Net Zero (GFANZ) published a consultation, alongside supplemental information, on defining transition finance and considerations for decarbonisation contribution methodologies. This follows GFANZ's publication of a final report in 2022 outlining voluntary, pan-financial sector recommendations and guidance to support the transition of the global economy to net zero. GFANZ defines transition finance as "investment, financing, insurance, and related products and services that are necessary to support an orderly real-economy transition to net zero." The consultation seeks input to refine definitions and applicability of GFANZ's key financing strategies, highlight currently available decarbonisation contribution methodologies, and explore potential applications across each of the financing strategies. The consultation closes on 2 November 2023.</p>	Ongoing	Amber
<p>TCFD publishes its final status report</p> <p>Affects: REITs, REIT managers</p>	<p>On 12 October 2023, the Taskforce on Climate-related Financial Disclosures (TCFD) published its final status report. The report notes that the percentage of public companies disclosing TCFD-aligned information continues to increase but that more progress is required. Over 80% of the biggest asset managers reported in line with at least one of the 11 TCFD disclosures; almost 70% of the top 50 asset managers disclosed in line with at least five of the recommended disclosures. This will be the last status report from the TCFD as from 2024 the ISSB will take over responsibility for monitoring companies' climate-related disclosures and reporting to the FSB.</p>	Ongoing	Amber
<p>Nature-related Financial Disclosures: TNFD final recommendations</p> <p>Affects: organisations of all sizes initially (voluntary)</p>	<p>On 19 September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations and related guidance for the management and disclosure of nature-related risks and impacts (TNFD press release and UN press release). These recommendations, which mirror and complement the TCFD recommendations for disclosing climate-related financial information, support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes. They are designed for organisations of all sizes, across all sectors and along value chains. The TNFD will track voluntary market adoption on an annual basis through an annual report beginning in 2024.</p>	2024	Amber
<p>Corporate reporting: FRC thematic review on metrics and targets disclosures, and report on use and distribution</p> <p>Affects: mainly listed companies</p>	<p>On 25 July 2023, the FRC published a thematic review, assessing the quality and maturity of climate-related metrics and targets disclosures. The review analysed TCFD disclosures from 20 UK premium and standard listed companies' 2022 annual reports across four sectors: materials and buildings, energy, banks, and asset managers. Areas of better reporting practice include the quality of companies' disclosure of net zero commitments and interim emissions targets. Areas for improvement include disclosures of concrete actions and milestones to meet targets, comparability of metrics between companies, and more clarity is required around plans for transitioning to a low-carbon economy clearly and concisely. The review also found that explanations of how climate targets affect financial statements still need improvement. Boilerplate language on climate being 'considered' provides little insight on impacts.</p> <p>On 20 July 2023, the FRC Lab published a report on how ESG data is accessed, collected and used by investors and how companies can optimise the flow of ESG data from companies to investors. The report notes that investors want the information in annual reports to focus on ESG risks, opportunities and progress relevant to the company, and they do not want relevant information obscured. The report suggests that the use of data sheets might help to keep all ESG metrics in one place to facilitate third-party and investor data collection. The report is the second phase of a project, the first phase of which looked at the production of ESG data from the company's perspective (August 2022). The FRC has also published a qualitative report on Audit Committee Chairs' views on, and approach to ESG.</p>	Ongoing	Amber

ESG (continued)

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

ESG (continued)

Issues	Status	Key Timing	Impact
<p>NGFS publishes information on climate-related litigation risks and microprudential supervision</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 1 September 2023, the Network for Greening the Financial System (NGFS) published a technical document outlining recent trends in climate-related litigation. Several claims have been brought directly against defendants in the financial sector. Legal arguments advanced include under tort law, corporate due diligence legislation, consumer protection and competition law to challenge "greenwashing", and company law to challenge breach of directors' fiduciary duties. The NGFS notes that the recent expansion of regulatory reporting requirements increases the risk of claims against financial institutions on grounds of breaching climate-related legislation.</p> <p>The NGFS also published a report covering microprudential supervision of climate-related litigation risks. It sets out what the NGFS believes are increasingly relevant microprudential supervision considerations of climate-related litigation risk, in light of rapidly changing climate-related regulation that could result in large losses for firms in legal claims. The report provides a range of supervisory options, e.g. awareness building exercises, and testing resilience through scenario analysis and regulatory capital considerations.</p>	Ongoing	Amber
<p>Audit: IAASB publishes exposure draft of proposed sustainability assurance standard</p> <p>Affects: companies engaging assurance practitioners to audit sustainability information</p>	<p>On 2 August 2023, the International Auditing and Assurance Standards Board (IAASB) published an exposure draft of a proposed new standard to be applied by assurance practitioners when auditing climate-related company disclosures – International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements. The proposed standard is aimed at enhancing the trust and confidence investors, regulators and other stakeholders have in sustainability information, and protecting them from greenwashing. The IAASB requests comments by 1 December 2023.</p>	1 December 2023	Green
<p>European Commission consults on SFDR implementation</p> <p>Affects: REITs sold into the EU and their managers and advisers</p>	<p>On 14 September 2023, the European Commission published both a targeted and public consultation on the implementation of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). The consultations focus on how the SFDR is working in practice and the issues in its implementation. The questions pertain to the cost, operation, and success of the SFDR objectives. The consultation also asks about how SFDR interacts with other sustainable finance legislation, the suitability of SFDR for financial market participants, and requests any feedback on the merits of a potential categorisation system for financial products, building on Articles 8 and 9 of the SFDR. Both consultations close to comments on 15 December 2023.</p> <p>The Commission organised a workshop to discuss the consultations on 10 October 2023; recording here. The event, 'The Sustainability Finance Disclosure Regulation - what next?', included a keynote address from Mairead McGuinness, European Commissioner for Financial Services, Financial Stability and Capital Markets Union. McGuinness observed that the Commission had seen many positive elements in the regulation but that the SFDR is not being used in the way it was designed. It was intended to be about transparency but had been used more as a labelling scheme.</p>	Ongoing	Green

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Climate: Non-domestic buildings minimum energy efficiency standards</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The 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. 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). 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>	Amber
<p>Climate: UK Net Zero Carbon Buildings Standard</p> <p>Affects: Investors, owners, managers and developers of residential, commercial and mixed use buildings</p>	<p>A cross-industry initiative aims to develop a UK Net Zero Carbon Buildings Standard to standardise the approach to the measurement and assessment of emissions from new and existing buildings. The Standard will set out the metrics and performance levels to determine and measure net carbon performance that must not be exceeded and minimum performance levels that must be exceeded if a building is to comply with the Standard.</p> <p>The Standard is intended to help developers, contractors, asset owners and the built industry as a whole to demonstrate that their building is Net Zero aligned.</p>	End 2033	Amber
<p>Climate: Potential introduction of performance-based ratings system for large commercial and industrial buildings</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>A Consultation relating to the potential introduction of a performance-based ratings system for large commercial and industrial buildings in England and Wales closed on 9 June 2021. The Government is still analysing feedback but the scheme would first apply to commercial and industrial buildings above 1,000m² in England and Wales (although kept under review), with mandatory disclosure of ratings by 2023-24.</p> <p>Headline notes:</p> <ul style="list-style-type: none"> What exactly such an operating rating should cover is uncertain (waste/water etc?) but no exemptions are proposed save for reasons related to national security. It is acknowledged that there is work to be done on the interaction between MEES and any new performance-based scheme, which could both complement and/or replace MEES. This might replace the need to generate an EPC on sale, for example. It is acknowledged that greater clarity is required for older (listed) and mixed use buildings, and the government recognises the need to split responsibility for compliance more clearly between landlord and tenant. <p>It is clear that building owners and occupiers must work to increasing standards in energy efficiency by the end of the decade as a minimum. It remains to be seen whether a new (additional) performance based rating will introduce unnecessary complexity, and whether it would simply be easier to leave building owners to comply with MEES. See: Consultation and MEES related one in the item above.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	Amber

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Corporate reporting: EU Corporate Sustainability Reporting Directive adopted</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 EU Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the EU, entering into force in January 2023. Member states have 18 months to integrate its provisions into national laws. The CSRD 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 non-EU companies 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. On 13 September 2023, the European Commission published for consultation a proposal amending the Accounting Directive ((EU) 2013/34) as regards adjustments of the size criteria for micro, small, medium-sized and large companies. The adjustments mean that micro, small and medium-sized companies will not be subject to many of the EU financial and sustainability reporting provisions applicable to larger companies.</p> <p>On 31 July 2023, the European Commission adopted a Delegated Regulation setting out the first set of EU sustainability reporting standards, together with a Q&A (press release), against which companies within the scope of the CSRD will need to report.</p>	<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</p>	<p>Amber</p>
<p>Supply chains: proposed EU Corporate Sustainability Due Diligence Directive</p> <p>Affects: large EU companies, smaller EU companies operating in high-impact sectors and non-EU companies with a substantial presence in the EU or which are part of an EU group or in the value chain of an in-scope company.</p>	<p>On 23 February 2022, the European Commission adopted a proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) 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"> • EU companies: Group 1: all EU limited liability companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide); and Group 2: other limited liability companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide (EUR 20 million generated in the high risk sector). • Non-EU companies active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU. <p>To comply with the due diligence duty, companies need to, amongst other things, integrate due diligence into all their corporate policies and have in place an annually updated specific due diligence policy containing: (a) a description of the company's approach to due diligence; (b) a code of conduct describing the rules and principles to be followed by the company; and (c) a description of the processes put in place to implement due diligence.</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>Informal dialogue negotiations to take place to try and reach a compromise agreement on the final text</p>	<p>Amber</p>

ESG (continued)

Issues	Status	Key Timing	Impact
<p>Modern slavery: modern slavery statements</p> <p>Affects: large companies (with a turnover of £36 million or more)</p>	<p>On 10 May 2022, the Queen's Speech set out proposals for a new Modern Slavery Bill which would mandate the areas to be included in modern slavery statements, require organisations to publish their statements on a government-run registry, and introduce civil penalties for non-compliance. The aim of the Bill would be to strengthen the protection and support for victims of human trafficking and modern slavery and increase the accountability of companies to drive out modern slavery from their supply chains.</p> <p>Further, as part of the government's general review of the non-financial reporting framework (see Section 2, General corporate) it is seeking stakeholder views on modern slavery reporting.</p>	Ongoing	Amber
<p>Diversity and inclusion: gender and ethnicity pay reporting</p> <p>Affects: UK companies</p>	<p>In its policy paper '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 (further confirmed in July 2023 in its response to its Ethnicity Pay Reporting consultation). Companies may voluntarily choose to report on their ethnicity pay gap and, in April 2023, published guidance on voluntary ethnicity pay gap reporting and standards for ethnicity data which describe best practice when collecting, analysing and reporting ethnicity data. Further, as part of the government's general review of the non-financial reporting framework (see Section 2, General corporate) it is seeking stakeholder views on gender pay gap reporting.</p> <p>The Equal Pay Bill (a private members' bill) is making its way through Parliament. Among other things, it widens gender pay gap reporting to include ethnicity pay gap reporting and lowers the reporting threshold to organisations with 100 or more employees (from 250).</p>	Ongoing	Amber
<p>FCA and PRA consult on improving diversity and inclusion in financial services</p> <p>Affects: REIT managers, REIT advisers</p>	<p>On 25 September 2023, the FCA and PRA published consultation papers setting out proposals to introduce a new regulatory framework on diversity and inclusion in the financial services sector. This follows the joint FCA and PRA discussion paper on diversity and inclusion (DP21/2) published in July 2021, which we covered in our August 2021 update. The consultation papers cover new rules on non-financial misconduct; D&I strategies; data disclosure and regulatory reporting; target setting; risk and governance. There is a particular focus on reducing groupthink. The application of the proposed rules varies depending on the type and size of the firm in question, with firms with over 250 employees being subject to the full regime. FCA consultation paper here. PRA consultation paper here. Both consultations close on 18 December 2023. The regulators will review feedback and publish policy statements in 2024, with a view to bringing the rules into force 12 months after publication of the policy statements.</p>	Ongoing	Amber
<p>Diversity and inclusion: diversity in the boardroom</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. Primary Market Bulletin 44 sets out the FCA's expectations and supervisory strategy for these disclosure requirements. For further details, see previous editions of the UK REIT Horizon Scanner.</p> <p>In July 2023, the AIM updated its Guidance on the new Listing rule and DTR requirements (blackline) to clarify how investment companies can make regulatory compliant disclosures, in particular on diversity in senior management positions.</p>	Accounting periods starting on or after 1 April 2022	Red

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Climate: mandatory climate change reporting and related guidance</p> <p>Affects: listed investment entities (including REITs)</p>	<p>As noted in previous versions of the UK REIT Horizon 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 ESG sourcebook 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 from 1 January 2023 for smaller firms with AUM of £5 billion or more. Note that mandatory climate-related disclosure requirements for larger companies and LLPs under CA 2006 will be reviewed in 2023 (TCFD Taskforce Interim Report and Roadmap).</p>	1 January 2023	Red
<p>Climate: Network for Greening the Financial System issues results of survey on its climate scenarios</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 9 June 2023, the Network for Greening the Financial System (NGFS) published a summary of the key findings from its first public feedback survey on climate scenarios. It also published a set of presentation slides on its findings. Climate scenario analysis provides a framework for exploring how climate risks may evolve in the future. The next version of the scenarios will be released by the end of 2023.</p> <p>The latest hypothetical scenarios were published by the NGFS in September 2022. The NGFS launched the survey in February 2023, and findings include that:</p> <ul style="list-style-type: none"> • Most respondents assess both transition and physical climate-related risks and their potential effects through key financial risks. • Respondents mainly use climate scenario analysis to assess how climate risks could affect their organisation or financial stability. 	Ongoing	Green
<p>ESMA speech on its role in enabling the transition to a low carbon economy published</p> <p>Affects: REIT managers, REIT advisers when selling into the EU</p>	<p>On 5 May 2023, ESMA published a speech given by Natasha Cazenave, ESMA Executive Director, on ESMA's role in enabling the transition to a low carbon economy. The speech outlines ESMA's view that to deal with the risk of greenwashing certain criteria should be introduced when naming investment funds that claim to have sustainability characteristics or goals. ESMA argues that there is a need for enhanced investor protection in relation to investment funds that use terms in their name, such as 'climate change' and 'sustainable' that suggest an investment focus in companies that meet certain ESG standards. The speech also outlines ESMA's view that the SFDR framework remains complicated and hard to navigate for investors. ESMA argues there could be merit in discussions around whether labels for sustainable financial products would assist with savings being channelled according to investors' needs and preferences, which in turn would support an orderly transition to a low carbon economy.</p>	Ongoing	Green
<p>Governance: greenwashing from a governance perspective</p> <p>Affects: potentially all companies</p>	<p>On 3 May 2023, the Chartered Governance Institute UK & Ireland published Report: Tackling greenwashing from a governance perspective (available to members).</p>	Ongoing	Green

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Nature: science based corporate targets and guidance</p> <p>Affects: all companies, in particular those with a high dependency on nature</p>	<p>On 24 May 2023, the Science Based Targets Network published the world's first science-based corporate targets for nature. The new targets provide guidance for companies to assess and prioritise their environmental impacts, and to prepare to set targets, beginning with freshwater and land, alongside climate targets through the Science Based Targets initiative.</p> <p>On 29 May 2023, the UN Environment Programme Finance Initiative published guidance for businesses and financial institutions on measuring business dependencies on nature. The guidance explains why it is important to measure business dependencies on nature, and sets out how to measure the key components of business dependencies on nature.</p>	Ongoing	Amber
<p>Climate: ESMA statement on sustainability disclosures in prospectuses</p> <p>Affects: entities preparing prospectuses under EU Prospectus Regulation</p>	<p>On 11 July 2023, ESMA published a public statement providing insight into the expected sustainability disclosures in prospectuses drawn up under the EU Prospectus Regulation. The areas addressed by the statement include expected ESG disclosures and consistency with non-financial reporting (see 'EU Corporate Sustainability Reporting Directive' below)</p>	Ongoing	Amber
<p>Joint Committee of the European Supervisory Authorities issue consolidated Q&As on the Sustainable Finance Disclosure Regulation</p> <p>Affects: REIT managers, and REIT advisers when selling into the EU</p>	<p>On 18 May 2023, the Joint Committee of the European Supervisory Authorities (ESAs) published a set of consolidated questions and answers on the Sustainable Finance Disclosure Regulation (SFDR) and on Commission Delegated Regulation (EU) 2022/1288, which supplements the SFDR with regard to regulatory technical standards (RTS) on content and presentation of information (SFDR Delegated Regulation). The Q&A combines responses:</p> <ul style="list-style-type: none"> • Given by the European Commission to questions requiring interpretation of EU law according to Article 16b(5) of the ESA Regulations. • Produced by the ESAs relating to the practical application or implementation of the SFDR under Article 16b(1) of the ESA Regulations. <p>The Q&A published by the Joint Committee follows the European Commission's adoption of new and updated answers to ESAs' questions on the application of the SFDR in April 2023. The ESA Joint Committee published a previous set of Q&As on the SFDR Delegated Regulation in November 2022.</p>	Ongoing	Amber
<p>Supply chains: German Supply Chain Due Diligence Act</p> <p>Affects: companies with a presence in Germany.</p>	<p>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>	1 January 2023	Amber

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Climate: Minimum energy efficiency level for rented property in England and Wales</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. The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015). From 1 April 2023 every commercial property will need to meet the minimal level in order to continue to be let. See: The Private Rented Property minimum standard – landlord guidance documents</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. A substandard Energy Performance Certificate (EPC) rating is currently F or G.</p>	The next key date is 1 April 2023	Red
<p>Climate: Law Society guidance for solicitors on climate change</p> <p>Affects: all lawyers, including in-house lawyers</p>	<p>On 19 April 2023, the Law Society of England and Wales published climate change guidance for solicitors which includes information on:</p> <ul style="list-style-type: none"> • Greenwashing, both in the context of any statements a firm has made and any advice offered to clients. • How climate change physical risks and climate legal risks may be relevant to client legal advice. • Issues that may be relevant when considering the interplay of legal advice, climate change and solicitors' professional duties, and also considerations for the solicitor-client relationship in the context of climate change, including when accepting client instructions. <p>The Law Society will publish further sector-specific guidance in due course.</p>	Ongoing	Red
<p>UK regulation of ESG data and rating providers</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 5 July 2023, the FCA's ESG Data and Ratings Code of Conduct Working Group (DRWG), launched a consultation on a draft voluntary Code of Conduct for ESG data and ratings providers. The consultation closed on 5 October 2023, and it is expected that the Code will be published at the end of 2023. The Code aims to introduce clear standards for ESG ratings and data products providers and clarify how such providers can interact with wider market participants.</p> <p>Note that, on 13 June 2023, the European Commission published a legislative proposal that it has adopted for a Regulation on the transparency and integrity of ESG rating activities (COM(2023)314). The proposed Regulation specifies, in particular, that ESG rating providers based in the EU must be authorised and subsequently supervised by ESMA.</p>	Ongoing	Amber
<p>Improving EU sustainable finance framework</p> <p>Affects: REIT managers, and REIT advisers when selling into the EU</p>	<p>On 13 June 2023, the European Commission published a package of measures to build on and strengthen the EU sustainable finance framework, including a legislative proposal that it has adopted for a Regulation on the transparency and integrity of ESG rating activities (COM(2023)314) and approval in principle of a draft Taxonomy Environmental Delegated Act and draft amendments to the Taxonomy Climate Delegated Act.</p>	Ongoing	Amber

ESG (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>ESMA publishes call for evidence on the integration of sustainability preferences in MiFID II suitability assessment and product governance arrangements</p> <p>Affects: REIT managers, and REIT advisers when selling into the EU</p>	<p>On 16 June 2023, ESMA published a call for evidence on the integration of sustainability preferences in the suitability assessment and product governance arrangements under the MiFID II Directive. The deadline for responses is 15 September 2023.</p> <p>The call for evidence aims to enable ESMA to gain a better understanding of the implementation of sustainability factors into certain organisational requirements. It became a requirement for such sustainability factors to be implemented following revisions to the MiFID II Delegated Regulation ((EU) 2017/565) and the MiFID II Delegated Directive ((EU) 2017/593). ESMA also hopes to gain an understanding of investor reactions to the incorporation of sustainability factors within the services of investment advice and portfolio management.</p> <p>In the call for evidence, ESMA seeks views on firms' approaches to:</p> <ul style="list-style-type: none"> • Collecting client's sustainability preferences and considering them as part of clients' suitability assessments. • Specifying sustainability-related objectives for products as part of target market assessments. • Explaining sustainable finance concepts to clients. 	Ongoing	Amber
<p>Greenwashing: European Supervisory Authorities publish progress reports on greenwashing in the financial sector</p> <p>Affects: REIT managers, REIT advisers when selling into the EU</p>	<p>On 1 June 2023, the European Supervisory Authorities (ESAs) published the below on greenwashing in the financial services sector:</p> <ul style="list-style-type: none"> • EBA's progress report on greenwashing monitoring and supervision. • EIOPA's progress report on greenwashing. • ESMA's progress report on greenwashing. <p>In the reports, the ESAs put forward a common high-level understanding of greenwashing applicable to market participants across their respective remits, identify high-risk areas within their respective sectors that are exposed to greenwashing and set out preliminary remediation actions which will be adjusted and completed where needed. Owing to the integrated nature of the financial system, the ESAs are working in a co-ordinated manner to address issues. The ESAs are expected to publish their final greenwashing reports in May 2024. The final reports will set out their final recommendations, including possible changes to the EU regulatory framework.</p>	Ongoing	Green
<p>Climate: Network for Greening the Financial System publishes report on financial institutions' climate transition plans</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 31 May 2023, the Network for Greening the Financial System (NGFS) published their report on financial institutions' climate transition plans. The report also assesses the role of central banks and supervisors in relation to those plans. The report identifies six key findings, including that there are multiple definitions of transition plans, that there is merit in distinguishing transition planning (transition strategy) from a transition plan (transparency to a specific audience) and that transition plans could help micro-prudential authorities develop a forward-looking view of whether the risks resulting from an institution's transition strategy fit with its risk management framework.</p> <p>NGFS will now undertake phase 2 of its work. This will involve NGFS engaging with relevant international authorities and standard setters such as the FSB, BCBS, IAIS and IOSCO so that they can co-ordinate their work on transition plans and planning. NGFS will also carry out further work to advance the discussion on the relevance of transition plans and planning to micro-prudential authorities' mandates, supervisory toolkit and the overall prudential framework.</p>	Ongoing	Green



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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