



TaylorWessing

UK REIT Horizon Scanner Q3 2022

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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 and tax¹ in England (including retained EU law²).

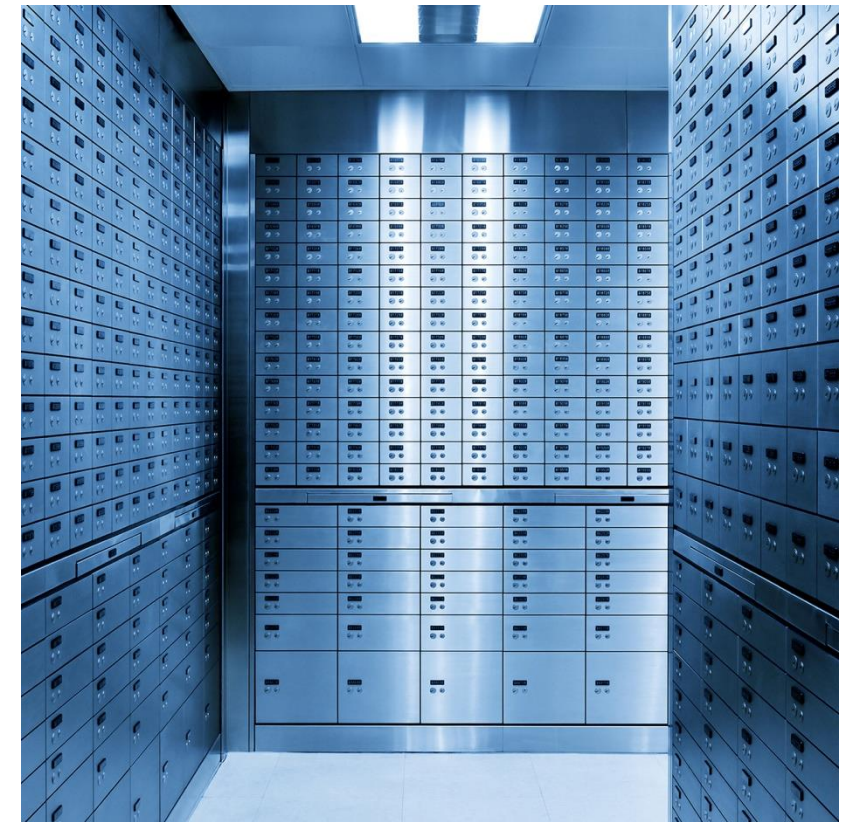
Issue/status/timing: New developments since our March 2021 edition are shown in **green text**.

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**

Published as at: 30 June 2022

- 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
- 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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Equity capital markets

Key developments in Q2 2022

- For financial years beginning on or after 1 April 2022, premium and standard listed UK and overseas companies (including closed-ended investment funds) will need to comply with new Listing Rule requirements in relation to diversity and inclusion reporting. Also there are new DTR reporting requirements in relation to diversity policies.
- New FCA Technical Note adopting, as FCA Guidance, ESMA Guidelines on Prospectus Regulation disclosure requirements and incorporating 'specialist issuer' (including property companies) measures set out in the ESMA update of the CESR recommendations.
- HM Treasury published the final report in relation to its UK Secondary Capital Raising Review for improving secondary capital raising processes for UK listed companies.

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: listed companies	Alongside the Trade and Cooperation Agreement was a non-binding joint declaration on financial services regulatory cooperation. It contained a commitment for the UK and EU to agree a Memorandum of Understanding by March 2021 on the framework for cooperation in areas such as equivalence (agreed but not yet ratified). As things currently stand, FCA approved prospectuses cannot be passported into the EU/ EEA, so approval by a relevant competent authority is required for offers into those countries if applicable exemptions are not available.	Ongoing	Amber
COVID-19: FCA removes temporary COVID-19 financial reporting measures Affects: listed companies	On 23 March 2022, the FCA announced in Primary Market Bulletin 39 that the temporary COVID-19 reliefs allowing for additional time to publish financial reports, modifying the FCA's approach to working capital statements and providing for dispensations for premium listed companies to hold general meetings in respect of class 1 transactions and related party transactions ended on 28 June 2022.	28 June 2022	Red

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>ESG: New reporting requirements on board and executive committee diversity, and related guidance</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) will need 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 will also need to comply with new DTR reporting requirements in relation to their diversity policies. See FCA Policy Statement 22/3 which details the relevant amendments to the LRs and DTRs – for background, see previous editions of this scanner.</p> <p>The new LR (LR 9.8.6R(9) and LR 14.3.33R(1)) requirements include:</p> <ul style="list-style-type: none"> • a new continuing obligation for a 'comply or explain' statement in the annual financial report setting out whether the company has achieved prescribed gender and ethnic board diversity targets (see below) • the inclusion of numerical data on the sex or gender identity and ethnic diversity of a company's board, senior board positions and the most senior level of executive management. <p>The targets are:</p> <ul style="list-style-type: none"> • at least 40% of the board are women • at least one of the senior board positions is held by a woman • at least one member of the board is from a minority ethnic background. <p>The FCA has also amended DTR 7.2.8 AR to expand the corporate governance reporting requirements of in-scope companies so that:</p> <ul style="list-style-type: none"> • disclosure on diversity policy must include the policy applied to its remuneration, audit and nominations committees • the policy must cover aspects such as ethnicity, sexual orientation, disability and socio-economic background (in addition to those of age, gender or educational and professional backgrounds). <p>If a company does not apply a diversity policy, the corporate governance statement must explain why. DTR 7.2.8A applies to certain UK issuers admitted to UK regulated markets and, through the LRs, to certain overseas listed companies, subject to existing exemptions for small and medium companies (see DTR 1B.1.7R).</p> <p>On 24 May 2022, the 30% Club Investor Group, UK (a group of asset owners and asset managers with £22.3 trillion of assets under management with an interest in promoting gender and racial diversity with investee companies and in the wider marketplace) published guidance for companies reporting on diversity.</p> <p>Also, in June 2022, Women on Boards UK published their second report: Hidden Truth 2022. The report looks at board diversity in the FTSE All-Share excluding the FTSE 350, and has a specific section on investment companies. It looks at both the non-executive boards and what it terms the executive function, being the management companies.</p>	<p>Accounting periods starting on or after 1 April 2022</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
Corporate governance: investor body guidelines Affects: listed companies	In April 2022, the AIC updated its 2022 Corporate governance roundup which summarises key changes to governance agencies' voting policies and other relevant corporate governance issues, including those from PIRC, Glass Lewis, ISS, IVIS and PLSA.	2022	Amber
Corporate governance: independent board evaluations Affects: listed companies	On 20 January 2021, the Chartered Governance Institute published the findings of its review and report on the effectiveness of independent board evaluation in the UK listed sector (following its 2019 consultation). In line with its recommendations, the Institute has published drafts of the Code of Practice for board reviewers, Principles of Good Practice for listed companies and Guidance on Reporting on Board Performance Reviews under the UK Corporate Governance Code. A government response is awaited.	Ongoing	Amber
Corporate governance: Investment Association: distribution policies Affects: listed companies	In 2019, the Investment Association reported on shareholder votes on dividend distributions in listed companies. It will establish a working group to develop best practice guidance on distribution policies and make recommendations to government on whether a shareholder vote on such policy and/or on yearly distributions should be mandatory. An update is awaited.	Ongoing	Green
LSE Admission and Disclosure Standards: consultation on minor amendments Affects: listed companies	On 11 May 2022, the London Stock Exchange published a consultation on minor amendments to its Admission and Disclosure Standards (Market Notice N12/22 and attachment). The amendments include a new rule regarding communications between the LSE and issuers providing that all such communications are confidential and should not be disclosed without prior written consent, except as required by another regulatory or statutory body, and that this will apply even where the issuer ceases to be admitted to trading. Responses are requested by 11 July 2022 and the LSE expects to confirm the final rules in September 2022.	Ongoing	Green
Response to consultation on new class of trading venue for smaller SMEs Affects: SMEs	On 1 March 2022, HM Treasury published its response to the July 2021 consultation on the UK's regime for wholesale capital markets. In the consultation, the government explored a potential new class of trading venue with a reduced regulatory framework for smaller SMEs with a sub-£50 million market capitalisation. The government considers that the case for change was not conclusive and that it will engage relevant stakeholders on the matter in 2022. It also will consider the case for expanding such a venue to other types of businesses.	Ongoing	Green

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK listing regime</p> <p>Affects: listed companies</p>	<p>The government is undertaking a fundamental review of the UK listing regime following the publication of the Hill Review in March 2021.</p> <p>In response to the Hill Review, the FCA is also conducting a fundamental review of the listing regime, and published a discussion paper and consultation in July 2021 – the Primary Markets Effectiveness Review (CP 21/21) – regarding certain targeted measures to remove barriers to listing. Those came into force on 3 December 2021 via changes to the Listing Rules (Policy Statement 21/22). For further details, see previous versions of this scanner. Further, following Lord Hill's recommendation that the standard listing segment should be rebranded and re-marketed, CP 21/21 also sought views on the overall purpose and structure of the listing regime and whether wider-reaching structural changes could improve its longer-term effectiveness. To this end, it set out four different models of how the listing regime could be structured going forward. On 26 May 2022, the FCA published a discussion paper (DP 22/2) which summarises feedback the FCA received on its discussion of the purpose of the listing regime in CP 21/21.</p>	Ongoing	Amber
<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 for improving secondary capital raising processes for UK listed companies. The review was launched in October 2021 in response to the Hill Review (as mentioned above – for background, see previous editions of this scanner). The final report includes a series of recommendations to the government, the FCA and the Pre-Emption Group (PEG), which include the following.</p> <p><i>Maintaining and enhancing the pre-emption regime</i> Including providing PEG with a more formal and transparent governance structure and requiring it to report annually on the operation of the pre-emption regime. To be implemented by the FRC and PEG immediately.</p> <p><i>Increasing the ability of companies to raise smaller amounts of funds quickly and cheaply</i> The temporary recommendation from PEG made at the start of the pandemic (but which ceased on 30 November 2020) that investors should support share issuances of up to 20% (rather than 10%) of a company's existing issued share capital should be made permanent. This would enable companies to approach shareholders at each AGM to seek authority for a pre-emption right disapplication authority of up to 20% (10% being available for any purpose, with a further 10% for an acquisition or specified capital investment). Conditions will apply, and in the light of the increased threshold, companies should report publicly after a placing on how it was carried out—the PEG will produce a template form for these purposes. Further, in connection with undocumented placings, cash-box structures should only be used for up to the amount of the pre-emption disapplication authority that has been granted by shareholders at the company's most recent AGM. To be implemented by the FRC and PEG immediately.</p>	Various, but ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations (cont'd)</p> <p>Affects: listed companies</p>	<p>Recommendations cont.:</p> <p><i>Support additional flexibility for capital hungry companies</i> Companies needing to frequently raise large amounts of capital should be supported by shareholders when requesting a pre-emption rights disapplication of more than 20%. Such disapplication will need to be appropriately disclosed. To be implemented by the FRC and PEG immediately.</p> <p><i>Reduce regulatory involvement in larger fundraisings</i> The threshold for the requirement for a company to produce a prospectus in connection with a secondary raise will increase from 20% of its existing share capital to 75%. In addition, a sponsor firm should not need to be appointed in connection with a secondary fundraising, although sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Updates to the disclosure requirements relating to working capital statements and importance of vote language are also being considered. To be implemented by the FCA and FRC in the near term.</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. If a company chooses to undertake a follow-on retail offer after an institutional offer has closed, this should be limited to 20% of the size of the original placing. This amount would fall outside and be in addition to the 20% disapplication authority. The retail offer will need to be made on the same T&Cs as the institutional offer. To be implemented by the FRC and PEG immediately. Also, the period a prospectus for an IPO involving a retail offer has to be made available to the public should be shortened to a maximum of three working days (from six working days). To be implemented by the FCA in the near term as part of its wider review of the prospectus regime on implementation of the outcome of HM Treasury's UK Prospectus Regime Review (see entry below).</p>	<p>Various, but ongoing</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations (cont'd)</p> <p>Affects: listed companies</p>	<p>Recommendations cont.:</p> <p><i>Make existing fundraising structures quicker and cheaper</i></p> <p>Key recommendations include:</p> <ul style="list-style-type: none"> • Offer periods for rights issues and open offers should be shortened to seven business days (rather than ten). To be implemented by BEIS and the FCA in the near term. • Flexibility to allow notice periods for shareholder meetings (other than AGMs) to be reduced to seven clear days. To be implemented by BEIS in the medium term. • Annual allotment and pre-emption rights disapplication authorities of up to two thirds of a company's issued share capital should extend to all pre-emptive offers and not just rights issues. To be implemented by the Investment Association in the near term. • The Companies Act 2006 pre-emption provisions should be amended to align them to the process usually followed on a rights issue or open offer, i.e. when a disapplication resolution has been used to modify statutory pre-emption rights, including the ability to exclude shareholders in overseas jurisdictions and the flexibility to deal with fractional entitlements. To be implemented by BEIS in the near to medium term. • The listing regime should be amended to cater for the ability to have excess application mechanics attached to rights issues, where existing shareholders can apply to take up shares that are not taken up by other shareholders, at the offer price. To be implemented by the FCA in the near term. • In order to allow companies to market rights issues to US and EEA-based shareholders without having to produce a prospectus: (i) allow companies to opt-in to an enhanced continuous disclosure regime (including via annual reports); (ii) apply the usual director liability regime for market disclosure to any documents and information published by a company in connection with a secondary fundraising. To be implemented by HM Treasury in the near-to-medium term. <p><i>Increase the range of choice of available fundraising structures</i></p> <p>The Australian concept of a 'cleansing notice' should be adopted for secondary fundraisings not involving a prospectus. This would allow the company to confirm via a cleansing notice that it is in full compliance with its ongoing disclosure obligations and that it is not delaying the disclosure of any inside information. To be implemented by the FCA in the near-to-medium term.</p> <p><i>Raise the priority of the 'drive to digitisation'</i></p> <p>Key aim is for all shareholders—institutional and retail—to hold their shares in digitised form. Reforms should allow issuers to easily distinguish legal and beneficial owners of their shares and the composition of their investor base. New Digitisation Task Force to be established to push this forwards.</p>	<p>Various, but ongoing</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK prospectus regime: outcome</p> <p>Affects: listed companies</p>	<p>Connected to the UK Listing Review (entry above), on 1 March 2022, HM Treasury published the outcome of its review of the UK prospectus regime. As proposed in the consultation, there will be separate regulatory regimes for public offers of securities and admissions of securities to trading, and FCA rules will set out the detail of the new regime. As such, the reforms are subject to FCA consultation. The government will legislate to make the necessary changes to the prospectus regime when parliamentary time allows. For details of the reforms, see previous editions of this scanner, in particular UK REIT Horizon Scanner Q2 2022.</p>	Ongoing	Amber
<p>European Single Electronic Format (ESEF) reporting</p> <p>Affects: Main Market and Specialist Funds Segment</p>	<p>For financial years beginning on or after 1 January 2021 (for publication from 1 January 2022), issuers subject to the reporting format obligations in DTR 4.1.14R are required to publish their annual reports in XHTML web browser format, and, if they prepare IFRS consolidated annual financial statements, they must also tag their financial statements in accordance with FCA approved taxonomies. For financial years starting on or after 1 January 2022, they must also tag the notes to financial statements. Reports must be filed with the FCA's National Storage Mechanism (NSM). In December 2021, the FCA published Primary Market Bulletin 37 which sets out the FCA's expectations on quality.</p> <p>Also in December 2021, the FCA extended the rules on corporate reporting in machine-readable format to permit issuers to use a wider range of taxonomies when preparing annual financial reports (Handbook Notice). The AIC recently updated its guidance on electronic reporting to highlight that the FCA has confirmed that for 2022 both the UKSEF 2022 and the ESEF 2021 taxonomies are permitted. The FCA has also updated its webpage on electronic reporting and its Help and FAQs document, and the FRC has published various guidance on electronic reporting (see previous editions of this scanner).</p> <p>The FRC Lab intends to publish a review of best practice later in 2022. For background information, see previous editions of this scanner.</p>	Financial years beginning on or after 1 January 2021 for publication from 1 January 2022	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<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. The government intends that there will be minimal additional action required from prospective issuers and the proposed approach is based on companies making certain additional disclosures which are likely to already be made elsewhere in the listings process. The government is also considering an early disclosure option for those companies seeking assurance before they choose to list in the UK.</p> <p>This consultation precedes further technical consultation and legislation on the proposed power.</p>	Ongoing	Amber
<p>FCA adapt ESMA guidelines on disclosure requirements under the Prospectus Regulation into Technical Note</p> <p>Affects: listed property companies</p>	<p>On 27 May 2022, the FCA published Primary Market Bulletin 40 which sets out changes to its Knowledge Base regarding the prospectus regime following its consultation in Primary Market Bulletin 34 – see REIT Horizon Scanner Q2 2022.</p> <p>As proposed in PMB 34, the FCA has created a new Technical Note, Primary Market Technical Note: Disclosure requirements under the Prospectus Regulation and specialist issuers (Primary Market/TN/619.1) which adopts (with modifications), as FCA Guidance, the ESMA Guidelines on disclosure requirements under the Prospectus Regulation (Guidelines) and incorporates the 'specialist issuer' (which includes property companies) measures set out in the ESMA update of the CESR recommendations that were previously available in the FCA Handbook.</p> <p>The new Technical Note includes two minor modifications to the Guidelines. Firstly, to allow closed-ended investment funds to rely on minimum net proceeds when calculating their working capital in certain circumstances. Secondly, the FCA will not adopt ESMA's position that, where an issuer undertakes several transactions which individually do not constitute a variation of more than 25% but when aggregated exceed 25%, the prospectus should include pro forma financial information for all these transactions. This is due to concerns that the aggregation approach would impose a disproportionate burden on issuers with limited additional benefit to investors.</p> <p>PMB 40 also includes a table showing which of the other technical notes the FCA consulted on in PMB 34 are entirely new notes for its Knowledge Base and which notes it is amending following consultation feedback. PMB 34 sets out a detailed explanation of the changes. The FCA has also made various amendments to the Prospectus Regulation Rules and Listing Rules consequential to the changes to the Knowledge Base (Handbook Notice No 99).</p>	Ongoing	Amber

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>ESG: climate change reporting guidance</p> <p>Affects: listed companies</p>	<p>On 28 October 2021, the FCA published its first climate change adaptation report setting out its assessment of how the financial services industry and listed companies are adapting to climate change. In particular, the report sets out principles for net zero commitments for listed companies to consider.</p>	Ongoing	Amber
<p>ESG: BEIS and Parker Review Committee reviews</p> <p>Affects: listed companies</p>	<p>On 22 February 2022, BEIS published the first FTSE Women Leaders Review which sets out new recommendations, including new voluntary targets for women's representation on boards and leadership teams.</p> <p>On 16 March 2022, the Parker Review Committee published an update report on the ethnic diversity of FTSE 350 companies' boards.</p>	Ongoing	Amber
<p>ESG: climate-change reporting and related guidance</p> <p>Affects: premium and standard listed companies, and asset managers (but not investment entities such as REITs or shell companies)</p>	<p>On 17 December 2021, the LR requirements for premium listed companies to make comply or explain disclosures in their annual reports against the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations were extended to standard listed companies (excluding investment entities and shell companies such as SPACs) in new LR 14.3.27 R for accounting periods beginning on or after 1 January 2022 (Policy Statement 21/23). NOTE THAT THIS DOES NOT THEREFORE APPLY TO REITs AS CLOSED ENDED INVESTMENT FUNDS. The related Technical Note (annexed to Policy Statement 21/23) on ESG reporting has also been updated to reflect this change. The AIC has published guidance (available to members) on recent regulatory developments relating to ESG and sustainability. The FCA has also published the final text of its technical note: TCFD aligned climate-related disclosure requirements for listed companies (TN802.1).</p> <p>The new LR for standard issuers is accompanied by guidance which incorporates the TCFD's new guidance on metrics, targets and transition plans and updated implementation guidance (which includes a section aimed at Asset Managers) on its recommendations, both published in October 2021.</p> <p>On 17 December 2021, the FCA published Policy Statement 21/24 which introduces a new ESG Sourcebook to the FCA Handbook containing rules and guidance for asset managers and asset owners (among others) to make climate-related financial disclosures consistent with the TCFD's recommendations. The rules apply from 1 January 2022 for the largest in-scope firms, and one year later for smaller firms. See also section 3, Financial regulatory.</p>	Financial years beginning on or after 1 January 2022 or 5 April 2022	Amber

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TaylorWessing

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2 | General corporate

General corporate

Key developments in Q2 2022

- The government has published its response to BEIS' consultation on reforms to the audit and corporate governance systems.
- A new Modern Slavery Bill has been proposed strengthening requirements to publish an annual modern slavery statement setting out steps taken to prevent modern slavery in operations and supply chains and mandating the reporting areas to be covered in those statements.
- Law Society published guidance on the requirement for trusts arising in certain corporate transactions to be registered with HMRC's Trust Registration Service, or when certain information must be maintained about them.

Issues	Status	Key Timing	Impact
Conflict in Ukraine - sanctions Affects: all businesses dealing with sanctioned persons	Details of the UK sanctions regimes are here and details of UK sanctions relating to Russia are here .	Ongoing	Amber
COVID-19: GC100 consultation on hybrid and virtual meetings Affects: potentially all companies	On 28 January 2021, GC100 published a consultation paper proposing changes to the current AGM format following the pandemic. Although focused on AGMs and listed companies, many of the recommendations would apply to other shareholder meetings and any reforms made would likely need to be reflected in company law more generally. For further details, see previous versions of this scanner.	Ongoing	Amber
Corporate reporting: FRC feedback on proposals for principles-based corporate reporting Affects: all companies, in particular larger companies	On 30 July 2021, the FRC published feedback on its consultation on proposals to replace the current corporate reporting system with a principles based framework. The FRC will now consider how best to develop some of its ideas taking into account the feedback received. For further details, see previous versions of this scanner.	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Register of Overseas Entities – new requirement to register details of beneficial owners of UK property</p> <p>Affects: 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 this scanner, in particular UK REIT Horizon Scanner Q2 2022.</p> <p>Essentially, under Part 1 of the ECTEA 2022, overseas entities who wish to own UK land will need to identify their beneficial owners and register them on a new register of beneficial ownership, set up and held by Companies House (Register of Overseas Entities) under section 3 of the ECTEA 2022. These requirements will apply retrospectively to property acquired since January 1999, and will attract criminal offences for non-compliance. Information supplied to the register must be verified, and the Register of Overseas Entities (Verification and Provision of Information) Regulations 2022 (Verification Regulations), which implement related aspects of the new register, have been laid before Parliament. Once registered, information must be updated annually and failure to do so will also attract a criminal offence. These requirements will be brought into force by commencement regulations, which are due to be published soon (see Companies House progress update published 23 June 2022).</p> <p>Draft Register of Overseas Entities (Delivery, Protection and Trust Services) Regulations 2022 have also been laid before Parliament. These regulations include provisions relating to the electronic delivery of documents and a protection of information regime, as well as clarification as to which overseas entities must declare their beneficial owners. These, and the Verification Regulations, will come into force on the day section 3 ECTEA 2022 comes into force.</p> <p>Once the register is live, overseas entities which already own land or property in England, Wales and Scotland will be given 6 months to register their beneficial owners or managing officers (in Northern Ireland, the ECTEA 2022 applies to land or property bought from the day the register comes into effect). New purchasers will need to register with Companies House from the day the register comes into effect. A non-UK company which fails to register will be unable to sell, charge or lease the land. Companies House advises overseas entities planning to purchase UK land or property over the summer to start planning for this requirement now.</p> <p>The government has also set out proposals for a new Economic Crime and Corporate Transparency Bill to sit alongside the ECTEA 2022. It will introduce identity verification requirements for people who manage, own and control UK registered entities, and increase the data collection obligations, investigation and enforcement powers of Companies House. It will also create new powers to seize crypto-assets and strengthen existing anti-money laundering powers.</p>	<p>When regulations come into force</p>	<p>Red</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: 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. However, it intends to publish guidance on voluntary ethnicity pay gap reporting in summer 2022.</p> <p>The Equal Pay Bill (a private members' bill) is still making its way through Parliament. Among other things, it widens gender pay gap reporting to include ethnicity pay gap reporting and lowers the reporting threshold to organisations with 100 or more employees (from 250).</p>	Ongoing	Amber
<p>ESG: modern slavery: human trafficking statement</p> <p>Affects: large companies</p>	<p>On 10 May 2022, the Queen's Speech set out proposals for a new Modern Slavery Bill, the main elements of which include:</p> <ul style="list-style-type: none"> ▪ Strengthening the requirements on businesses with a turnover of £36 million or more to publish an annual modern slavery statement setting out steps taken to prevent modern slavery in their operations and supply chains. ▪ Mandating the reporting areas to be covered in modern slavery statements, requiring organisations to publish their statements on a government-run registry, and introducing civil penalties for non-compliance. Ahead of the necessary legislative change to mandate this, the government encourages organisations to publish statements on the government-run modern slavery statement registry. <p>In April 2022, the FRC published Modern Slavery Reporting Practices in the UK: Evidence from Modern Slavery Statements and Annual Reports which identifies shortcomings in the quality of companies' modern slavery reporting.</p>	Ongoing	Amber
<p>ESG: nature related reporting framework published for consultation</p> <p>Affects: the new framework is intended for use globally by corporates of all sizes.</p>	<p>On 15 March 2022, the Taskforce on Nature-related Financial Disclosures (TNFD) released its nature-related risk-management and disclosure reporting framework for consultation. The TNFD's disclosure recommendations align with the TCFD's disclosure recommendations, which it is hoped will lead to an integrated approach to both climate and nature-related risk reporting. Version 2 of its draft disclosure framework was published in June 2022, building on its March 2022 version. The next versions of the framework are expected to be released in November 2022 and February 2023, in time for the launch of the final recommendations in September 2023. See also section 3, Financial regulatory.</p>	Q3 2023	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: new Sustainability Disclosure Requirements and net zero transition plans</p> <p>Affects: large private companies, listed companies and asset managers</p>	<p>On 18 October 2021, HM Treasury published a policy paper 'Greening Finance: A Roadmap to Sustainable Investing' which includes phasing in over a number of years a new Sustainability Disclosure Requirements (SDR) framework. The new SDR framework will build on the UK's TCFD implementation and will cover different types of disclosure including corporate disclosures, and asset manager and asset owner disclosures. The government is yet to consult on the SDR framework, and it looks as if relevant legislation may be delayed given that it was not referred to in the summary of the Financial Services and Markets Bill announced in the Queen's Speech 2022. BEIS has, however, published a call for evidence on updating the government's July 2019 Green Finance Strategy which closed on 22 June 2022 and to which the AIC submitted a response.</p> <p>The new sustainability disclosures requirements will comprise reporting against proposed international standards, and reporting environmental impact using a UK Green Taxonomy. The International Financial Reporting Standards (IFRS) Foundation has established the International Sustainability Standards Board (ISSB) to develop international baseline reporting standards. On 31 March 2022 the ISSB published two exposure drafts for consultation and aims to issue the new standards by the end of the 2022 (see section 3, Financial regulatory). The UK Green Taxonomy will set out the criteria which specific economic activities must meet to be considered environmentally sustainable and will create a shared understanding of which activities can be classed as 'green'.</p> <p>Regarding asset managers and asset owners that manage or administer assets on behalf of clients and consumers, the FCA has published a discussion paper (DP21/4) seeking views on proposed new requirements for disclosures as to how they take sustainability into account. The FCA planned to consult in Q2 2022.</p> <p>On 3 November 2021, the government confirmed that it would introduce mandatory requirements for asset managers, regulated asset owners and listed companies to publish transition plans that consider the government's net zero commitment or provide an explanation if they have not done so. It has provided guidance on what a transition plan is and what will be required (see HM Treasury Fact Sheet). In December 2021, the FCA published a policy statement Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers Policy Statement (PS21/24).</p> <p>A Transition Plan Taskforce (TPT) has been established to develop a gold standard for transition plans. Firms will be expected to start publishing these in 2023 (see Chancellor: UK will be the world's first net zero financial centre). The government is not requiring firms to adopt mandatory net zero targets. In May 2022, the TPT published a call for evidence on its proposed sector-neutral framework for private sector transition plans and aims to finalise its work in early 2023 – see also section 3, Financial regulatory.</p> <p>The SDR framework, UK Green Taxonomy and net zero transition plans will be subject to various consultations (see above regarding the ISSB reporting standards and the TPT work in relation to transition plans) and feedback statements which are expected in 2022. The policy paper indicates that, following primary legislation receiving Royal Assent, implementation will be carried out over three years.</p>	<p>2022 and ongoing</p>	<p>Amber</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Major reforms to audit and corporate governance systems</p> <p>Affects: all companies</p>	<p>On 31 May 2022, the government published its response to BEIS' consultation on reforms to the audit and corporate governance systems. For background, see previous editions of this scanner. The AIC has also published a paper discussing the reforms that are likely to impact investment companies: Summary of key government conclusions and expected approach.</p>	Ongoing	Amber
<p>ESG: proposal to extend EU ESG reporting requirements</p> <p>Affects: potentially 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>Under the proposed EU Corporate Sustainability Reporting Directive, it is intended that in-scope companies will have to report information on a full range of ESG issues relevant to their businesses in line with mandatory EU sustainability reporting standards (ESRS). In-scope companies include:</p> <ul style="list-style-type: none"> • large companies (over 250 employees and 40 million euro turnover, as defined in the Accounting Directive, whether listed or not) • listed SMEs (with the exception of listed micro-enterprises). <p>This includes non-EU companies that are listed on EU regulated markets and the EU subsidiaries of non-EU companies.</p> <p>It is also intended that non-EU companies with 'substantial activity' in the EU market (150 million euro annual turnover in the EU) will have to follow equivalent reporting rules (European Parliament press release).</p> <p>On 29 April 2022, the European Financial Reporting Advisory Group published a consultation on its first set of draft ESRS. The consultation closes on 8 August 2022. The Commission expects to adopt the first set of reporting standards by the end of 2022 with affected companies applying the standards for the first time in relation to their reports published in 2024, covering financial year 2023.</p>	Ongoing, but expected 2024 published reports	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and register reform: government White Paper</p> <p>Affects: all companies</p>	<p>On 28 February 2022, the government published White Paper: Corporate transparency and register reform. This follows its December 2020 consultations on: Reforms to the powers of the registrar; Implementing the ban on corporate directors; and Improving the quality and value of financial information on the UK companies register. For background and details, see previous editions of this scanner, in particular UK REIT Horizon Scanner Q2 2022. Briefly, the reforms to be carried forward into legislation include those set out below.</p> <ul style="list-style-type: none"> ▪ <i>New statutory powers and responsibilities for the Registrar to promote and maintain the integrity of the register:</i> these include the power to query information that appears fraudulent or suspicious, and to query a company name and change it to its number in certain circumstances. The Registrar will also have wider powers to: a) remove material which impacts integrity; b) change unauthorised registered office addresses, and c) require delivery by electronic means. Companies House will also have wider powers to share data. ▪ <i>Identity verification:</i> introducing identity verification into the incorporation and filing processes at Companies House, requiring identity verification for directors (including directors of overseas companies), people with significant control (PSCs), presenters (ie individuals filing information on a company's behalf), general partners of LPs, members of LLPs and directors of Relevant Legal Entities. (RLEs). ▪ <i>Improving the usefulness of information held on shareholders and PSCs of UK companies:</i> various requirements will be introduced including, eg, for companies to record full names for shareholders in their registers, and for private companies (and traded companies where shareholders hold at least 5% of issued shares of any class) to provide a one-off full shareholder list (changes to which should be updated annually in a company's confirmation statement). ▪ <i>Ban on corporate directors:</i> a company will not be permitted to act as a corporate director unless all directors seeking appointment are natural persons and those natural person directors will be subject to an appropriate identity verification process. Corporate directors may only be appointed if they have legal personality and corporate directorships also will be restricted to entities registered in the UK. ▪ <i>Quality and value of financial information on the register:</i> measures to improve the financial information on the register will include enhanced validation checks on financial information delivered to Companies House, and the requirement for accounts to be filed in a digital format using the industry standard Inline Extensible Business Reporting Language (iXBRL) and for information to be fully tagged and machine readable. The government also intends to simplify the framework of filing options available to small and micro companies by reducing these to just two: micro-entities and small companies. ▪ <i>Privacy mechanisms:</i> to protect personal information and sensitive addresses, and enhance availability of information on dissolved companies. ▪ The government is considering whether the register regime should be updated, in particular to make any changes to the requirement for a company to hold its own register of directors (and other registers), and also whether any changes are required to the election regime under which private limited companies can elect to hold information usually kept in their own registers at Companies House. 	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
M&A/investment: National Security and Investment Act 2021 comes into force Affects: all companies	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. The new powers, in brief, are triggered where control of a 'qualifying entity' or 'qualifying asset' (including land and tangible moveable property) occurs in circumstances where there is possible risk to national security. For further detail, see UK REIT Horizon Scanner Q1 2022. On 11 April 2022, BEIS published guidance on compliance and enforcement under the NSIA and its expectations where parties are subject to orders and notices. On 16 June 2022, BEIS published the first annual report regarding the operation of the NSIA between commencement and 31 March 2022 (as required under section 61 of the NSIA).	Ongoing	Amber
Consultation on non-compete clauses Affects: UK employers and employees	In December 2020, the government consulted on reforming the law on non-compete clauses in employment contracts. It aims to give employees more freedom and flexibility to drive economic recovery, and ensure fair settlement where restrictions apply. A response is awaited. For further detail, see previous versions of this scanner.	Ongoing	Amber
Stamp tax reform Affects: all companies with shares	On 21 July 2021, the government published its response to its consultation 'Modernisation of Stamp Taxes on Shares Framework' which looked at the principles and design of a new stamp duty and stamp duty reserve tax regime. The government now plans to explore the identified key priority areas for change, including a single self-assessed tax on shares, territorial scope and digitisation.	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
Dormant Assets scheme extended to wider range of financial assets Affects: potentially traded public companies and CIS	On 27 May 2022 the Dormant Assets Act 2022 (Commencement) Regulations 2022 were published which brought into force various provisions of the Dormant Assets Act 2022 on 6 June 2022. These included provisions for the proceeds and distributions from dormant shares in public limited companies traded on a UK regulated market or UK multilateral trading facility, and unclaimed proceeds from corporate actions, to be included within the scope of the dormant assets scheme established by the Dormant Bank and Building Society Accounts Act 2008. For background, see UK REIT Horizon Scanner Q2 2022.	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Late payment practices</p> <p>Affects: large companies</p>	<p>An update is awaited on the government's plan for a new requirement for audit committees to review and report on payment practices in annual accounts (outlined in BEIS' 2019 response to its 2018 call for evidence on tackling late payment).</p> <p>On 5 April 2022, the government published its Statutory Review of the Reporting on Payment Practices and Performance Regulations 2017 following a November 2021 call for evidence. The Regulations require UK large companies to report twice yearly on their payment practices, policies and performance. The result of the review was that the Regulations met their objectives, but there was more to be done to ensure compliance. The government will consult again before deciding whether to extend the application of the Regulations beyond their current sunset date of 6 April 2024.</p>	Ongoing	Green
<p>Dematerialisation of shares</p> <p>Affects: all companies whose shareholders hold shares in paper form</p>	<p>The government is working with industry, regulators and shareholders to determine the best way to convert shares which are still held in paper form into electronic form. This follows a government policy paper on various regulatory reforms post-Brexit published in September 2021.</p>	Ongoing	Green
<p>Law Commission law reform programme for 2021 and review of corporate criminal liability</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. <p>On 10 June 2022, the Law Commission published a review of corporate criminal liability detailing options for reforming how corporations are convicted of criminal offences. Currently, companies and other 'non-natural persons' can be prosecuted for various crimes, but the reforms aim to address concerns that the current law does not fully hold entities to account for criminal acts as there is often difficulty in pinpointing responsibility within organisations where decision making can be dispersed. The Government will now review the options.</p>	Ongoing	Green
<p>AIC: Directors' and Officers' insurance guide</p> <p>Affects: all companies</p>	<p>The AIC has published a guide for directors on 'Directors' and officers' insurance' which has been prepared in partnership with Howden Insurance Brokers. The guide updates the 2010 edition and is available to members here.</p>	Ongoing	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Law Society guidance on registration of certain trusts with HMRC's Trust Registration Service</p>	<p>On 6 April 2022, the Law Society published AML guidance: Trust Registration Service which aims to help corporate lawyers understand when trusts that may arise in certain corporate transactions need to be registered with HMRC's Trust Registration Service (TRS), or when certain information must be maintained about them, under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Regulations).</p> <p>The Regulations apply to express, 'relevant trusts' regardless of whether they are taxable or non-taxable. Taxable relevant trusts must be registered with TRS. Certain non-taxable relevant trusts may be able to take advantage of an exclusion and do not need to be registered, however the trustee(s) must still maintain certain written records about them. It should be noted that the Regulations apply to existing arrangements as well as new ones.</p> <p>Potentially registrable trusts (including non-taxable trusts) might arise in a range of circumstances, eg where there are long term nominee arrangements. An exclusion from the requirement to register might apply depending on the circumstances. If an exclusion does apply, the requirement to register might be avoided but not the duty to maintain written records.</p> <p>The deadline for registration of non-taxable trusts that fall within the regime before 4 June 2022 is 1 September 2022. Thereafter there is a 90 day rolling deadline, ie the trust must be registered with TRS (if required) within 90 days of its creation.</p> <p>While largely aimed at breaches by regulated persons, there are a whole range of offences which may be committed under the Regulations and a variety of both criminal and civil sanctions which may be applied for non-compliance.</p>	<p>1 September 2022, and ongoing</p>	<p>Red</p>

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>COVID-19: Corporate Insolvency and Governance Act – insolvency measures not extended</p> <p>Affects: all companies</p>	<p>On 28 March 2022, the Insolvency Service confirmed that the remaining temporary insolvency measures which were due to expire on 31 March 2022, namely the restrictions on winding up companies, will not be extended (press release). For background, see previous versions of this scanner.</p>	31 March 2022	Amber
<p>Companies House published Registrar's Rules: Documents Delivered to the Registrar in Electronic Form 2022</p> <p>Affects: all companies</p>	<p>On 21 January 2022, Companies House published Registrar's Rules: Documents Delivered to the Registrar in Electronic Form 2022 (which replace the 2012 version). These new Rules apply to any document delivered to the Registrar in electronic form on or after 21 January 2022. The Rules set out requirements regarding the following services offered by Companies House: WebFiling; software filing; shared accounts filing services; and CHS (the unified service which will replace many of the online services previously offered by Companies House). Although legislation identifies the registrar's rules, and they are available on the Companies House website, they can often be overlooked. However, it is always advisable to consult the various sets available in any given case.</p> <p>Also in January 2022, Companies House announced that its Companies House Direct and WebCheck services will close later in 2022.</p>	Ongoing	Amber
<p>Corporate reporting: FRC annual review</p> <p>Affects: all companies, in particular larger companies and listed companies</p>	<p>On 27 October 2021, the FRC published its annual review of corporate reporting for 2020/2021. This sets out the FRC's top ten areas where improvements to reporting are required in 2021/22. For details, see previous editions of this scanner.</p> <p>The FRC also published its year-end bulletin of key corporate reporting matters for companies. This sets out the FRC's areas of focus for the coming year, which include climate-related risks and new disclosures, in particular how companies report against the new Taskforce for Climate-related Financial Disclosures (TCFD) recommendations; and judgement and uncertainty in the face of the impact of COVID-19.</p>	2021/2022 reporting	Amber

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>ESG: mandatory climate-change reporting</p> <p>Affects: in-scope companies</p>	<p>For accounting periods starting on or after 6 April 2022, by virtue of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and equivalent LLP regulations, in-scope large private companies and LLPs, as well as publicly quoted companies, will be required to make mandatory climate-related financial disclosures in line with the TCFD recommendations (for further details, see previous editions of this scanner). The disclosures are to be made in the 'non-financial and sustainability information statement' (NFSI statement – which replaces the non-financial information statement) in the strategic report. The changes apply to companies with more than 500 employees and £500m in turnover. In the case of an investment company, this may apply where, for example, the company is a property investment company which holds property via a number of subsidiaries. See the AIC guidance Sustainability obligations and investment companies: An overview of regulatory developments (updated March 2022).</p> <p>BEIS has published related guidance which covers the scope and timing of the NFSI statement requirements, the information to be included, and interaction of the NFSI statement requirements with other regulations and frameworks.</p> <p>In relation to company groups, which again may be relevant to investment companies which hold properties via a number of subsidiaries, the BEIS guidance notes that companies are expected to report at group level, or at company level if not included in consolidated group reporting. Subsidiaries are not required to report separately where they are included within a consolidated group report of a UK parent that makes the required disclosures. If a parent company does not produce consolidated accounts, the scope criteria should be applied to the aggregated turnover and employee figures of the group headed by that parent. In the latter case, the relevant disclosures should relate to the parent entity, including how climate-related risks and opportunities may impact the value of the investment in those subsidiaries. A subsidiary of a parent which does not produce consolidated accounts, and which is within scope on an individual basis, should also provide climate-related disclosures in its individual accounts.</p> <p>In June 2022, the FRC published an updated version of its Guidance on the Strategic Report which has been revised in light of these new requirements (as well as other recent legislative changes).</p>	<p>6 April 2022 and ongoing</p>	<p>Amber</p>
<p>Late payment practices</p> <p>Affects: large companies</p>	<p>On 19 January 2021, the government announced that it intends to reform the voluntary Prompt Payment Code to encourage large companies to pay smaller suppliers in time. In particular, finance directors and CEOs must now personally sign the code so that responsibility for payment practices is taken at the highest level.</p>	<p>Ongoing</p>	<p>Green</p>

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3 | Financial regulatory

Financial regulatory

Key developments in Q2 2022

- Update on timing of FCA's consultation on sustainability disclosure requirements and investment labels
- FCA supports regulation of ESG data and rating providers
- ISSB: publication of exposure drafts of IFRS sustainability disclosure standards
- HM Treasury: UK transition plan taskforce launched
- SFDR update
- PRIIPs update
- AIFMD update

Issues	Status	Key Timing	Impact
Update on timing of FCA's consultation on sustainability disclosure requirements and investment labels Affects: REITs, REIT managers, REIT advisers	The FCA aimed to consult on a UK regime for sustainability disclosure requirements and investment labels in Q2 2022. On 4 July 2022, it announced that it is now expecting to consult in the autumn of 2022. This will allow it to take into account other international policy initiatives and to ensure stakeholders have time to consider these issues. For further background to the proposed regime, see page 35 of our UK REIT Horizon Scanner for Q1 2022 .	Q3 2022	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>UK regulation of ESG data and rating providers</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 29 June 2022, the FCA published its Feedback Statement FS22/4 ('ESG integration in UK capital markets: Feedback to CP21/18'), in which it confirmed that it sees a clear rationale for a regulatory oversight of certain ESG data and rating providers and a globally consistent regulatory approach informed by IOSCO's recommendations on ESG data and ratings.</p> <p>It will continue to work with HM Treasury, which is considering bringing ESG data and rating providers within the FCA's responsibility. If the Treasury brings this area within the FCA's oversight, the FCA will develop and consult on a proportionate and effective regulatory regime for ESG data and rating providers, adopting the following approach:</p> <ul style="list-style-type: none"> ▪ it will focus on outcomes in areas highlighted in IOSCO's recommendations, such as transparency, good governance, management of conflicts of interest, and systems and controls ▪ given the potential lead time before any such regime could come into force, the FCA would – in the interim – work with the Treasury to convene, support and encourage industry participants to develop and follow a voluntary Code of Conduct addressing matters similar to those listed above ▪ it would consider whether such a voluntary Code could continue to apply for ESG data and rating providers that fall outside the scope of any future regulatory regime. 	Ongoing	Amber
<p>ISSB: publication of exposure drafts of IFRS sustainability disclosure standards</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 31 March 2022, the International Sustainability Standards Board (ISSB) published two drafts of IFRS sustainability disclosure standards. These draft standards are:</p> <ul style="list-style-type: none"> ▪ IFRS S1 general requirements for disclosure of sustainability-related financial information. This would require companies to disclose as part of their general purpose finance reporting, all sustainability-related financial disclosures, such as material information about sustainability-related risks and opportunities. ▪ IFRS S2 climate-related disclosures. This supplements the taskforce on climate-related financial disclosures and would require companies to provide material information about significant climate-related risks and opportunities. <p>Individual jurisdictions will determine whether companies must comply with the final standards.</p> <p>The consultation closes on 29 July 2022, and the ISSB aims to issue the finalised standards by the end of 2022. On 8 July 2022, the FCA published its high-level views on the ISSB's proposals.</p>	Q4 2022	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>HM Treasury: UK transition plan taskforce launched</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 25 April 2022, HM Treasury launched the UK transition plan taskforce (TPT) which has a two-year mandate to develop a gold standard for climate transition plans. The FCA will be actively involved and will use findings to strengthen disclosure rules. The TPT will bring together and coordinate leaders from industry, academia and regulators.</p> <p>Four workstreams have been created to achieve this mandate:</p> <ul style="list-style-type: none"> ▪ a sector neutral framework for private sector transition plans. A Call for Evidence was launched in May 2022; it closes on 13 July 2022. ▪ sector specific guidance for financial and real economy sectors. ▪ recommendations for companies and stakeholders on preparing and using transition plans. ▪ cross-cutting topics. <p>The launch of the TPT follows the government's 2021 roadmap on greening finance.</p>	Ongoing	Amber
<p>SFDR update</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p><i>SFDR: RTS</i></p> <p>On 6 April 2022, Commission published one delegated act which incorporated all the Regulatory Technical Standards (RTS) under the EU Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088). The RTS include five Annexes:</p> <p>Annex 1: Template principal adverse sustainability impacts statement.</p> <p>Annex 2 and Annex 3: Template pre-contractual disclosure for specified financial products.</p> <p>Annex 4: Aggregate statistical data.</p> <p>Annex 5: Template periodic disclosure for specified financial products.</p> <p>The RTS are subject to formal adoption by the Council of the EU and the EU Parliament (considered a formality) and will apply from 1 January 2023.</p> <p><i>SFDR: Commission adopted Q&A</i></p> <p>On 25 May 2022, ESMA published the following documents in response to the ESAs' queries to the European Commission about the interpretation of the SFDR and the Taxonomy Regulation ((EU) 2020/852) (TR):</p> <ul style="list-style-type: none"> ▪ Commission decision on the answers in response to the ESAs' queries. ▪ Annex to the commission decision: Answers to the ESAs' queries. <p>The Q&A focus on the following topics and are intended to supplement areas that are subject to ambiguity:</p> <ul style="list-style-type: none"> ▪ Principal adverse impact (PAI) disclosures. ▪ Financial advisers. ▪ Transparency of the integration of sustainability risks and rules for products no longer made available. ▪ Good governance practices. ▪ Scope of Articles 5 and 6 of the TR. 	1 January 2023	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>SFRD update (continued)</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p><i>SFDR: Clarification from ESAs</i></p> <p>On 2 June 2022, the ESAs issued a statement clarifying a number of points:</p> <ul style="list-style-type: none"> ▪ Disclosure of PAI of investment decisions on sustainability factors ▪ Look-through approach and investment instrument scope for PAI disclosures ▪ Disclosures for direct and indirect investments in pre-contractual and periodic disclosures ▪ Further guidance on the adverse impact indicators in Tables 1-3 of Annex I of the RTS ▪ Guidance related to pre-contractual financial product disclosures: <ul style="list-style-type: none"> ▪ Guidance related to periodic financial product disclosures ▪ Guidance related to taxonomy-related financial product disclosures ▪ Guidance related to 'do no significant harm' disclosures ▪ Guidance related to disclosures for financial products with investment options. <p><i>SFDR: ESMA supervisory briefing</i></p> <p>On 31 May 2022, ESMA published a supervisory briefing on sustainability risks and disclosures in the area of investment management. The guidance relates to fund documentation and marketing material and the integration of sustainability risks by AIFMs. It aims to ensure convergence in the supervision of sustainability-related disclosures and supervision of how fund managers integrate sustainability risks. This should enhance transparency for investors and reduce the risk of greenwashing.</p>	1 January 2023	Red
<p>PRIIPs update</p> <p>Affects: REITs made available to retail investors in the EU</p>	<p><i>PRIIPs: Delay to Delegated Regulation</i></p> <p>On 24 June 2022, Commission Delegated Regulation (EU) 2022/975 was published in the Official Journal of the EU. This measure delays the application date of PRIIPs-related disclosures set out in Commission Delegated Regulation (EU) 2021/2268 from 1 July 2022 to 1 January 2023.</p> <p><i>PRIIPs: ESAs' Technical Advice</i></p> <p>On 2 May 2022, the ESAs issued their technical advice to the Commission on the review of the PRIIPs Regulation. This is in response to a Call for Advice from the Commission in July 2021 and follows a Call for Evidence that was launched by the ESAs in October 2021. The ESAs recommend significant changes to the PRIIPs Regulation and that the Commission carries out 'appropriate consumer testing' prior to proposing changes. In particular, the ESAs suggest changes to the information given to consumers in order to improve its presentation (eg, in relation to costs) and to facilitate better comparison between products.</p>	1 January 2023	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>AIFMD update</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>The EU Parliament and the Council of EU have each published proposed amendments to the Commission's legislative proposal for a new Directive revising the Directive on Alternative Investment Fund Managers (Directive 2011/61/EU) (AIFMD):</p> <ul style="list-style-type: none"> On 16 May 2022, the European Parliament's Committee on Economic and Monetary Affairs published its draft report on the proposed Directive. As well as containing improvements relating to delegation and supervisory reporting, liquidity management tools, loan origination funds, depositary services, and transparency, data collection and disclosure, the report also proposes that the current definition of a 'professional investor' is expanded to include an investor who has committed to investing a minimum of €100,000 and has shown in writing that they are aware of the risks associated with the investment. On 17 June 2022, the Council of the EU confirmed that it had agreed its general approach to revising AIFMD, which is set out here. In addition to focusing on liquidity risk management and loan origination and depositary services, the Council has clarified the rules on outsourcing and the delegation of certain functions by fund managers to third parties. <p>The institutions will now enter into triilogue negotiations.</p> <p>For further background on the Commission's legislative proposal, see the 'Looking back' section of this Horizon Scanner.</p>	2024-2025	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Conflict in Ukraine: FCA web page</p> <p>Affects: all FCA regulated firms</p>	<p>The FCA has published a web page tracking the statements it has made in relation to the conflict in Ukraine and providing further information for firms in relation to operational and cyber resilience, financial sanctions and market abuse.</p> <p>See also section 2, General corporate.</p>	Ongoing	Red
<p>PRIPs – amendments to Regulatory Technical Standards</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 25 March 2022, the FCA published policy statement PS22/2. This statement summarises the feedback to consultation paper CP21/23 on the UK PRIPs regime, which we covered in our UK REIT Horizon Scanner Q1 2022 (see page 36).</p> <p>The changes remove information from the Key Information Document (KID) about the performance of certain products which can be misleading for consumers and will allow more informed investment choices for those buying without financial advice.</p> <p>Firms have until 31 December 2022 to implement the changes. The FCA has also given more clarity on how it expects firms to construct narrative descriptions of performances within KIDs.</p>	Ongoing	Red

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Changes to MiFID II research rules</p> <p>Affects: small and mid-cap REITs</p>	<p>In its policy statement PS21/20, published on 30 November 2021, the FCA announced its final rules on changes to the research rules for investment firms. The rule changes intend to improve the availability of research on SME firms by creating an exemption to the inducement rules so that the bundling of research and execution fees will be permitted for research on small and mid-cap listed companies with a market capitalisation below £200m. The rules came into force on 1 March 2022.</p> <p>In its quarterly consultation paper CP22/4 (which closed for comments on 11 April 2022), the FCA has proposed that the same exemption is made available to collective portfolio managers.</p>	Ongoing	Amber
<p>Proposed amendments to AIFMD</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>On 25 November 2021, the EU Commission published a proposal for a Directive to amend certain aspects of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (AIFMD). For UK REIT managers, the key amendments to be aware of are changes to the investor transparency and supervisory reporting requirements under Articles 23 and 24 of AIFMD:</p> <p><i>Article 23</i> As part of their pre-contractual disclosures to investors, AIFMs will be required to disclose details of fees that will be borne by the AIFM or its affiliates. AIFMs will also need to notify investors periodically of (a) all direct and indirect fees and charges that were directly or indirectly charged or allocated to the AIF or to any of its investments; and (b) details of any parent company, subsidiary or special purpose entity established in relation to the AIF's investments by the AIFM, the staff of the AIFM or the AIFM's direct or indirect affiliates.</p> <p><i>Article 24</i> In their reporting to national competent authorities, AIFMs will be required to disclose 'all instruments' in which it is trading, rather than the 'main instruments' in which it is trading and on the 'exposures' of each of the AIFs it manages, rather than the 'principal exposures and most important concentrations' of each of the AIFs it manages. ESMA will publish new technical standards to reflect these changes in reporting templates.</p> <p>For more information on the negotiating positions of the Council of the EU and the EU Parliament, see above.</p> <p>Member States will be expected to implement the Directive within 24 months after it is published in the Official Journal.</p>	Ongoing	Red

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Cross-border distribution of investment funds: useful information for non-EEA AIFMs of non-EEA AIFs</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>ESMA has published on its website hyperlinks to the web pages of competent authorities, which set out complete and up-to-date information on the applicable national laws, regulations and administrative provisions relating to the marketing requirements for AIFs. The information hyperlinked includes (where relevant) how the regime applies to non-EEA AIFMs of non-EEA AIFs.</p>	Ongoing	Amber
<p>FCA policy statement on TCFD-aligned climate related disclosure requirements</p> <p>Affects: REIT managers with AUM over specified thresholds</p>	<p>On 17 December 2021, the FCA published a policy statement (PS21/24) confirming final rules and guidance to promote better climate-related financial disclosures by asset managers and asset owners.</p> <p>Asset managers, which includes UK AIFMs, must now disclose how they take climate-related risks and opportunities into account in managing investments and will also be required to make disclosures about the climate-related attributes of their products.</p> <p>The rules are being applied in two implementation phases:</p> <ul style="list-style-type: none"> Phase 1 applies from 1 January 2022 to asset managers with AUM over £50 billion. The first public disclosures in line with the FCA requirements must be made by 30 June 2023. Phase 2 applies from 1 January 2023 to asset managers with AUM over £5 billion. The deadline for disclosures for these asset managers will be 30 June 2024. 	Ongoing	Red

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Taskforce on Nature-related Financial Disclosures – proposed disclosure framework released</p> <p>Affects: REITs and REIT managers</p>	<p>The Taskforce on Nature-related Financial Disclosures (TNFD) was formally launched in June 2021 with support from a wide range of corporate, financial, governmental, and supranational organisations.</p> <p>Version 2 of its draft disclosure framework was published in June 2022, building on its March 2022 version.</p> <p>The TNFD framework seeks to deliver a risk management and disclosure framework for organisations to report and act on evolving nature-risks, in order to support a shift of global financial flows away from nature-negative outcomes towards nature-positive outcomes.</p> <p>The draft TNFD Framework is made up of three elements:</p> <ul style="list-style-type: none"> ▪ An outline of fundamental concepts and definitions for understanding nature that the TNFD recommends market participants use in their assessment and disclosure of nature-related risks and opportunities. ▪ Draft disclosure recommendations for nature-related risks and opportunities. These are aligned with the TCFD guidance. ▪ A "beta" version of guidance for companies and financial institutions on how to approach the integrated assessment of nature-related risk and opportunity. <p>Market participants and other stakeholders are invited to provide comments on the draft TNFD Framework through an interactive online platform. The next versions of the TNFD Framework are expected to be released in November 2022 and February 2023, in time for the launch of the final recommendations in September 2023.</p>	Ongoing	Green
<p>Final report on a social taxonomy</p> <p>Affects: REITs and REIT managers</p>	<p>On 28 February 2022, the EU Platform on Sustainable Finance published its Final Report on Social Taxonomy. This report proposes a structure for a social taxonomy with regards to sustainable finance and sustainable governance.</p> <p>The social taxonomy adopts certain aspects from the environmental taxonomy such as the structure of the development of social objectives.</p> <p>The proposed taxonomy is made up of three social objectives: decent work (including for value-chain workers), adequate living standards and wellbeing for end-users, and inclusive and sustainable communities and societies. Unlike the environmental taxonomy, the social taxonomy introduces sub-objectives which aim to address different aspects of the three social objectives. For example, the sub-objectives may emphasise social rights such as the right to food, health, housing, and education.</p> <p>The European Commission will now analyse the report.</p>	Ongoing	Green

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4 | Real estate, planning and construction

Real estate, planning and construction

Key developments in Q2 2022

- Building Safety Act 2022 enacted on 28 April 2022. Its provisions come into effect in stages with the first provisions in effect on 28 June 2022 and the majority of the other provisions expected come into force between April 2023 and October 2023.

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Act (BSA) received Royal Assent on 28 April 2022. Some provisions are intended to be implemented in the first 12 months with the majority to follow within 12-18 months through a programme of secondary legislation.</p> <p>The BSA establishes the Building Safety Regulator with a remit to implement regulatory change to building regulation and control for higher-risk buildings in England, provides new accountability and duties across all buildings, and introduces competency standards and provisions to strengthen the construction products regulations.</p> <p>The new regulatory regime will see the introduction of a system of Gateways for higher-risk buildings under the supervision the Building Safety Regulator during planning, construction and operation. Higher-risk buildings in England are expected to be buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Secure residential institutions, temporary leisure establishments, military premises are excluded. The Government has opened a consultation on its proposals around the definition of higher-risk buildings which will run from 9 June to 21 July 2022.</p> <p>The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>Three Gateways are proposed. Planning Gateway 1 came into effect on 1 August 2001 (Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended). Gateway 2 and Gateway 3 are intended to ensure that the Building Safety Regulator is satisfied of building regulation compliance prior to construction and occupation and will be introduced through secondary legislation. Draft Regulations setting out the details of Gateway 2 and 3 have now been withdrawn in preparation for consultation on the proposals. Gateway 2 and 3 are expected to be introduced between April and October 2023 once the secondary legislation is finalised.</p> <p>For occupied higher risk buildings, there is a new statutory role of the Accountable Person who will be under an on-going duty to assess and manage building safety risk.</p> <p>A new duty holder regime for design and construction of all new buildings, modelled on the CDM Regulation, will also be introduced which will require duty holders to ensure compliance with building regulations. Consultation on the secondary legislation to introduce these new duty holder requirements is also expected.</p>	<p>21 July 2022</p> <p>April – 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 BSA introduces new limitation provisions which came into effect on 28 June 2022. The BSA extends the time limits to bring claims under section 1 of the Defective Premises Act 1972 by extending the limitation period from 6 to 30 years retrospectively; with a 15 year prospective limitation period. Separately the BSA introduces a new section 2A of the DPA with a limitation period of 15 years. Liability can be extended to associated persons under building liability orders.</p> <p>Extended limitation provisions of 15 years also apply for breaches of section 38 of the Building Act 1984 in relation to breach of duty under the Building Regulations. The intention was that section 38 of the Building Act 1984 (which has never been commenced) would be commenced on 28 June 2022, but details are still awaited.</p> <p>The leaseholder protections for qualifying lessees (leases over 21 years) against the cost of remediation of historic building safety issues came into effect on 28 June 2022.</p> <p>Building Safety Act 2022 Building Safety Act 2022 enacted (taylorwessing.com)</p>		Red
<p>Fire Safety (England) Regulations 2022</p> <p>Affects: Investors, owners, managers and developers of residential buildings</p>	<p>The Fire Safety (England) Regulations 2022 implement the recommendations of Phase 1 of the Grenfell Tower Inquiry and require the Responsible Person of a multi-occupied residential building to take certain action depending on the height of the building</p> <p>This includes for buildings of at least 18 metres/7 storeys – requirements to provide fire and rescue services with electronic copies of building floor plans and information regarding the external wall system; to undertake monthly checks on fire and evacuation lifts and other fire-fighting equipment; and the provision of secure information boxes and wayfinding signage. For those buildings over 11 metres in height, quarterly checks on fire doors will be required, and annual checks on flat entrance doors. For all buildings with communal areas, provision of fire-safety information to residents will be required.</p> <p>These regulations follow the implementation of section 1 of the Fire Safety Act 2021 in England on 16 May 2022 and in Wales on 1 October 2021.</p>	23 January 2023	Red

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 was given Royal Assent on 15 March 2022. Beneficial owners of non-UK companies that own UK property must now register on a publicly accessible register at Companies House. A non-UK company which fails to register will be unable to sell, charge or lease the land. See also section 2, General corporate.</p> <p>The regulations stipulating when the new rules will come into force are still awaited. Clarification on the operation of the new rules is awaited from both HM Land Registry and Companies House.</p> <p>See: Register of Overseas Entities holding UK land</p>	<p>Act passed on 15 March 2022.</p> <p>Regulations made but commencement date awaited.</p>	Red
<p>Land Control</p> <p>Affects: all those with options</p>	<p>The Ministry of Housing Communities and Government has published a call for evidence on the government's proposals to improve the transparency of contractual mechanisms, such as land options, used to exercise control over land. The Government hopes to gain a better understanding of the sort of arrangements that exist.</p> <p>The Government's particular focus is on options, rights of pre-emption and conditional contracts, where it is consulting on proposals to make key information about these type of contracts over development land disclosable.</p> <p>Developers and beneficiaries of such arrangements may have concerns about the public disclosure of what may be quite detailed and commercially sensitive information. If the proposals go ahead, it could mean that additional compliance costs are incurred, increasing further if the parties wish to keep specific terms of the contract confidential by exempting them from the public land register held by HMLR.</p>	<p>Consultation closed on 30 October 2020</p> <p>MHCLG response awaited</p>	Amber
<p>Planning For the Future – White Paper</p> <p>Affects: investors and developers</p>	<p>Government published its White Paper – Planning for the Future on 6 August 2020. Key proposals include:</p> <ul style="list-style-type: none"> Local plans are to be simplified and 3 categories of land to be identified (growth, renewal and protect) Greater Digitisation to simplify general population engagement Emphasis on Sustainability s106 and Community Infrastructure levy to be replaced by a national single infrastructure levy. 	<p>Consultation closed on 30 October 2020</p> <p>MHCLG response awaited</p>	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>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.</p> <p>The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, introduced a phased approach to compliance, but by 1 April 2023 every commercial property will need to meet the minimal level in order to continue to be let.</p> <p>See: 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.</p> <p>From 1 April 2023, commercial landlords will be affected by an extension of the prohibition on new (or renewal) lettings to properties with an Energy Performance Certificate (EPC) rating of F or G. The regulations ensure that from 1 April 2018, all properties will be captured, regardless of whether a tenant is already in occupation.</p>	<p>The next key date is 1 April 2023</p>	<p>Red</p>
<p>New Homes Quality Code</p> <p>Affects: developers of new residential homes</p>	<p>The New Homes Quality Code was published on 17 December 2021 and seeks to introduce a new code of practice to raise standards for the buying and selling of new homes and to protect customers.</p> <p>The Code will require the registration of developers with the New Homes Quality Board by 31 December 2022 and a commitment to adopt and agree to follow the New Homes Quality Code and to be subject to a New Homes Ombudsman Scheme. Failure to meet the required standards can result in a range of sanctions, including removal from the register of Registered Developers.</p> <p>The Code is intended to apply to all developers in Great Britain and apply in England, Scotland and Wales; and ultimately is intended to apply on a UK wide basis.</p>	<p>January – December 2022</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>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. A Consultation on how this target might be met closed on 9 June 2021. The proposals include:</p> <ul style="list-style-type: none"> ▪ a requirement that all let commercial property should have a valid EPC in place at all times by 2025 (thereby bringing many more commercial properties into the ambit of the MEES Regulations) ▪ an interim minimum energy efficiency standard of an EPC rating of C by 2027 ▪ a combined exemptions and compliance database to facilitate enforcement ▪ restrictions on both letting agents and online property platforms to require them only to advertise and let properties that are compliant with the MEES Regulations. 	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	Amber
<p>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 broadly since these buildings account for a third of UK building emissions there is growing appreciation that there is little correlation between the EPC rating and a building's actual energy performance. The scheme would first apply to commercial and industrial buildings above 1,000m² in England and Wales (although this will be reviewed as different sectors come on board), with mandatory disclosure of ratings by 2023-24.</p> <p>Headline notes:</p> <ul style="list-style-type: none"> ▪ 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>Conclusion – it is clear that building owners and occupiers must work to increasing standards in energy efficiency by the end of the decade as a minimum. It remains to be seen whether a new (additional) performance based rating will introduce unnecessary complexity, and whether it would simply be easier to leave building owners to comply with MEES.</p> <p>See: Consultation and the MEES related one in the item above</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Electronic Communications Code – Product Security and Telecommunications Bill</p>	<p>The Bill amends to the Electronic Communications Code (Code) with the aim of fostering more collaborative and quicker negotiations between mobile network operators and landowners with regards to installing, using, or upgrading telecoms infrastructure. These legal reforms ‘support the government’s ambitious plans to achieve the nationwide rollout of future-proof gigabit-capable broadband and 5G networks as soon as possible’. The measures:</p> <ul style="list-style-type: none"> ▪ encourage collaborative negotiations for agreeing new - and renewing expired - agreements by introducing a requirement for telecoms operators to consider the use of Alternative Dispute Resolution (ADR) rather than legal proceedings in cases where there are difficulties in agreeing terms. Operators will also be required to explain the availability of ADR as an option in their notices to landowners ▪ introduce limited rights for operators to upgrade and share apparatus installed prior to the reforms to the Code made in 2017 in specific circumstances where there will be no impact on private land ▪ introduce provisions ensuring expired agreements are renewed consistently, and on similar terms to those for new agreements, throughout the whole UK, and allowing operators who already have apparatus installed under an expired agreement to either renew that agreement, or request a new one ▪ introduce new provisions to enable operators to obtain Code rights over certain types of land quickly in circumstances where a landowner does not respond to repeated requests for Code rights. <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>Second reading of the bill in the House of Commons awaited</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Future Homes Standard and Future Buildings Standard</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The amended Building Regulations and updated Approved Document L, updated Approved Document F and Approved Document O came into force on 15 June 2022.</p> <p>These changes follow the consultation on the Future Homes Standard and Future Buildings Standard and will provide an uplift in building regulations to improve energy efficiency.</p> <p>Further tightening of the regulations is expected when the Future Homes Standard and Future Buildings Standard are introduced in 2025; and further consultation around that is anticipated in 2023.</p> <p>The Building Regulations etc. (Amendment) (England) Regulations 2021 (legislation.gov.uk) Approved Document L, Conservation of fuel and power, Volume 1: Dwellings (publishing.service.gov.uk) Approved Document L, Conservation of fuel and power, Volume 2: Buildings other than dwellings (publishing.service.gov.uk) Approved Document F: Volume 1 applies to dwellings (publishing.service.gov.uk) Approved Document F: Volume 2 applies to buildings other than dwellings (publishing.service.gov.uk) Overheating: Approved Document O - GOV.UK (www.gov.uk)</p>	15 June 2022	Amber
<p>Electric Vehicle Charging</p> <p>Affects: property owners, managers and investors</p>	<p>The Building Regulations and Approved Document S came into effect on 15 June 2022. In summary, the Regulations require:</p> <ul style="list-style-type: none"> ▪ Every new home, including those created from a change of use, with associated parking within the site boundary, will need to have an EV charge point. ▪ Residential buildings undergoing major renovation, which will have more than 10 parking spaces within the site boundary after the renovation is complete, will need to have at least one EV charge point for each dwelling with associated parking within the site boundary, and cable routes in all spaces without charge points. ▪ All new non-residential buildings, with more than 10 parking spaces within the site boundary of the building, will need to have at least one EV charge point; and cable routes for one in five of the total number of spaces. ▪ All non-residential buildings, undergoing a major renovation, which will have more than 10 parking spaces within the site boundary after the renovation is complete, will need a minimum of one EV charge point and in addition to this, cable routes for one in five spaces. <p>The Building Regulations etc. (Amendment) (England) (No. 2) Regulations 2021 (legislation.gov.uk) Infrastructure for charging electric vehicles: Approved Document S - GOV.UK (www.gov.uk)</p>	15 June 2022	Amber

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Tax

Key developments in Q2 2022

- The targeted changes to the UK REITs rules included in the Finance Act 2022 came into effect on 1 April 2022

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>Targeted changes to the UK REITs rules included in the Finance Act 2022 came into effect on 1 April 2022 (see the 'Looking back' section below for further details).</p> <p>The government is also considering further changes to the UK REITs rules as part of a wider review of the UK funds regime. In January 2021 a call for input was published which (among other things) sought views on the barriers and complexities that exist within the UK REITs regime. Proposals under consideration included:</p> <ul style="list-style-type: none"> ▪ Removing the requirement for REITs to be subject to both the Corporate Interest Restriction test and the interest cover test. ▪ Amending the three-year development rule. ▪ Removing the requirement for a REIT to hold at least three properties, and allowing REITs to hold a single property, to make the UK regime more attractive to investors. ▪ Amending the rules so that where a REIT holds overseas property in a UK company and suffers tax in the overseas jurisdiction, withholding tax should not be applied when paying relevant property income dividends (PIDs) to investors. <p>In its response to the call for input (published in February 2022), the government has indicated that it will establish a new workstream as part of the UK funds regime review to further evaluate these options. This workstream will determine which of the specific proposals in the call for input will be taken forward and set out a timetable, as well as considering any wider suggestions. It will also consider the interaction between the REITs regime and the new Qualifying Asset Holding Company (QAHC) regime.</p> <p>Further details of the government's planned reform of the REITs rules may be announced at Legislation Day on 20 July 2022 when draft legislation for inclusion in the Finance Bill 2023 is published for consultation.</p>	<p>Further reforms will be included in the next Finance Bill (at the earliest).</p> <p>Draft legislation may be published on Legislation Day (20 July 2022)</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Sovereign immunity from direct taxation – consultation on policy design</p> <p>Affects: sovereign investors in UK REITs</p>	<p>The government has launched a consultation on the policy design of sovereign immunity from direct taxation.</p> <p>Broadly, it is proposed that the sovereign immunity rules should be codified in order to provide greater certainty for sovereign investors, and the exemption should be targeted at UK source interest income. Profits from a UK property business, including PIDs arising from interests in a UK REIT, would therefore be brought within the scope of UK tax.</p> <p>The government is also re-examining whether sovereign immune investors such as sovereign wealth funds should continue to be 'qualifying investors' for the purposes of existing investment regimes such as the UK REITs regime.</p> <p>Comments are invited by 12 September 2022. Draft legislation would then be published for technical consultation ahead of inclusion in a future Finance Bill, with any new rules taking effect from 1 April 2024.</p>	<p>The consultation closes on 12 September 2022</p> <p>Any new rules will come into effect from 1 April 2024</p>	Red
<p>Super-deduction and special rate first year allowances for capital allowances and future plans</p> <p>Affects: REITs investing in capital expenditure</p>	<p>The Finance Act 2021 includes a super-deduction and special rate first year allowance for companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023:</p> <ul style="list-style-type: none"> Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances will be relieved by a super-deduction of 130%. Qualifying expenditure on special rate assets that would ordinarily qualify for 6% writing down allowances will be relieved by a 50% special rate first year allowance. <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>At Spring Statement 2022, it was announced that the government is considering reforms to best support future business investment ahead of April 2023 (when the temporary super-deduction and special rate first year allowance end). A confirmation of future plans is expected at Autumn Budget 2022.</p>	<p>Applies to expenditure incurred between 1 April 2021 and 31 March 2023</p> <p>Autumn Budget 2022 – government to announce replacement for temporary super-deduction and special rate first year allowance</p>	Amber

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 items specified 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>



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| 6 | 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.

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