



TaylorWessing

UK REIT Horizon Scanner Q1 2021

UK REIT Horizon Scanner Q1 2021

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).

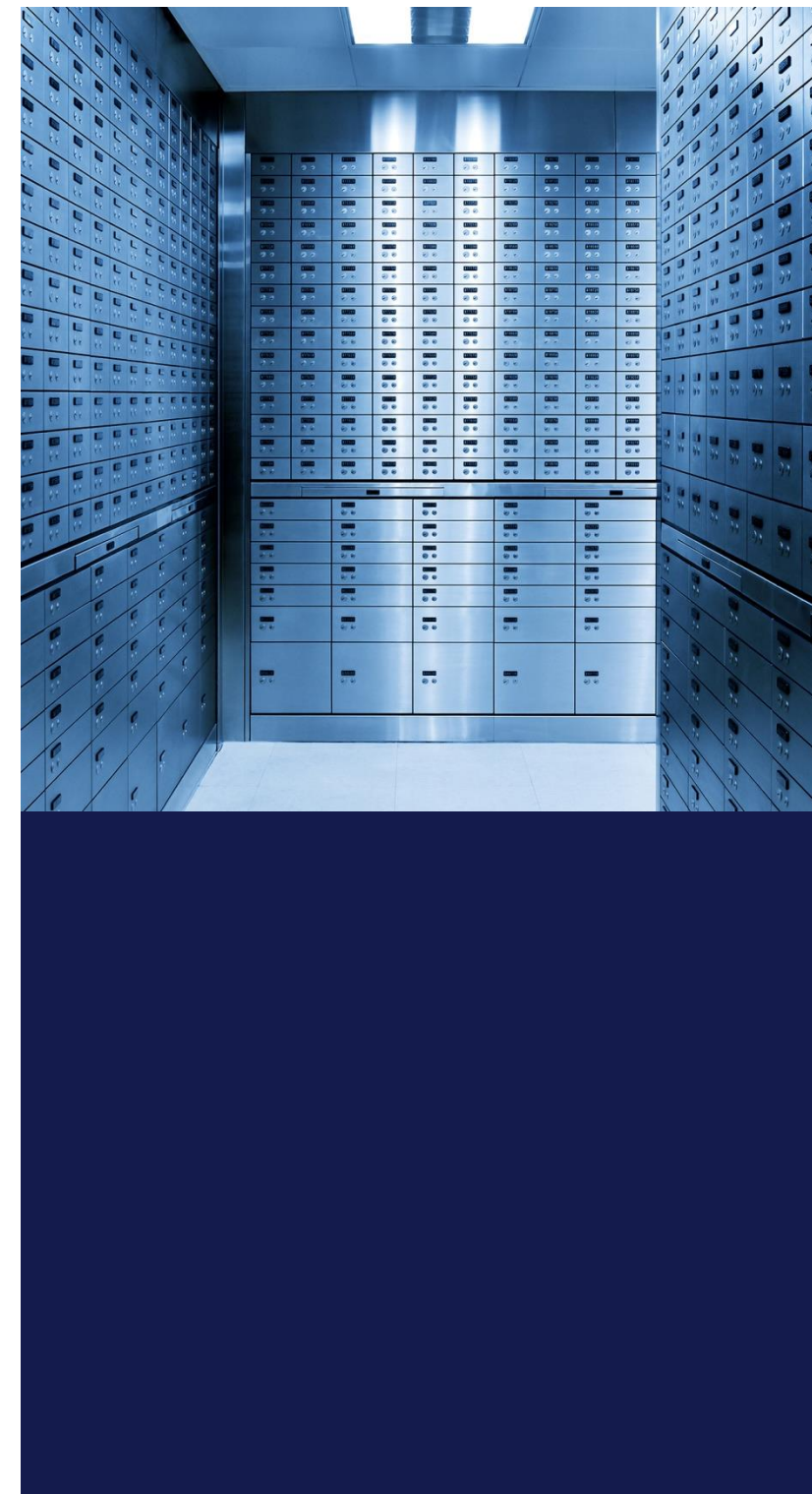
Issue/status/timing: New developments since our September 2020 edition are shown in **green text**.

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: 1 January 2021

- 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.



Contents

1	Equity capital markets	4
2	General corporate	12
3	Financial regulatory	21
4	Real estate, planning and construction	30
5	Tax	42
6	Key contacts	46



TaylorWessing

| 1 | Equity capital markets

UK REIT Horizon Scanner Q1 2021

Equity capital markets

Key developments in Q4 2020

- The Brexit implementation period ended at 11pm on 31 December 2020
- New requirements were introduced for premium listed companies to report against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- HM Treasury launched an extensive consultation on the UK's listing regime
- Single electronic format reporting applies to Main Market (and other regulated market) companies for financial years beginning on or after 1 January 2021

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: listed companies	<p>Various statutory instruments and policy notes took effect at 11pm on 31 December 2020 ('IP completion day') under the European Union (Withdrawal Agreement) Act 2020 (EUWA). They replicate, so far as possible, the previous effects of the prospectus regime, transparency rules and listing rules and made a number of changes, including:</p> <ul style="list-style-type: none">▪ The FCA needs to approve all prospectuses for use in the UK.▪ Previous equivalence decisions on presentation of historical financial information in prospectuses were domesticated into UK legislation.▪ HM Treasury determined that EU-adopted IFRS can be used to prepare financial statements for transparency requirements and to prepare a prospectus. <p>On 31 December 2020, the Trade and Cooperation Agreement (TCA) came into effect. It mainly covers UK/EU trade in goods and contains very little on financial services, where much of the no-deal Brexit planning businesses have been doing will still be needed. Alongside the TCA was a non-binding Joint Declaration on financial services regulatory cooperation. It contains 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 (the EC noted in accompanying materials that the UK's November 2020 equivalence decisions were taken in the UK's interest). 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.</p>	Ongoing	Amber
Brexit: LSE rulebooks Affects listed companies	<p>On 1 January 2020, updated versions of the LSE's Primary Markets Rulebooks took effect, including the Admission and Disclosure Standards. The LSE stated in Market Notice N20/20 that the changes are all technical (and so did not consult on them). In Market Notice N21/20, it announced changes to its secondary market rulebooks that also took effect on 1 January 2021.</p>	1 January 2021	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
Brexit: FCA Handbook and technical standards Affects: listed companies	<p>Various changes to the FCA Handbook came into effect after IP completion day. The changes impacted the Prospectus Regulation Rules, Listing Rules, DTRs and MAR regime and mainly updated references to EU legislation, UK law which related or referred to the EU, EU institutions and concepts, and the EEA. See further explanation in previous editions of our UK REIT Horizon Scanner.</p> <p>The FCA's approach to EU non-legislative materials is contained in a note. Non-legislative materials published by European Supervisory Authorities (including ESMA) include guidelines, recommendations, opinions, questions and answers documents, supervisory briefings, peer-review analyses, best practices and statements. These materials were not incorporated into English law under EUWA but since the EU law and EU-derived law to which the non-legislative material relates has largely been retained, the FCA considers that EU non-legislative materials remain relevant.</p> <p>On 3 December 2020, the FCA published Primary Market Bulletin 32 which summarises the UK's market abuse and prospectus regimes after IP completion day. In particular:</p> <ul style="list-style-type: none"> • UK MAR applies to all the financial instruments to which EU MAR applied, including those admitted to an EU regulated market. • Issuers subject to both UK MAR and EU MAR will need to make certain notifications to both the FCA and the appropriate EU authority, including for delays in disclosure of inside information, dealings in securities and buy-back or stabilisation programmes. • Prospectuses approved in an EU member state and passported into the UK before IP completion day remain valid in the UK until expiry (it is no longer possible to passport an EU-approved prospectus into the UK and UK-approved prospectuses are not valid in the EU). • The FCA may consider materials produced by the ESAs after IP completion day including where pre-IP completion day materials are updated and, where appropriate, will set out its expectations on how it should be treated. This includes, for example, ESMA Q&A on the Prospectus Regulation published after IP completion day. 	1 January 2021	Amber
Brexit: updated ESMA prospectus and transparency Q&A Affects listed companies	<p>On 9 November 2020, ESMA updated its EU Prospectus Regulation Q&A and EU Transparency Directive Q&A for Brexit, profit forecasts and prospectus exemption thresholds. In particular, after IP completion day prospectuses and supplements previously approved by the FCA cannot be used in other EEA countries, and FCA approved prospectuses cannot be 'supplemented'. This meant that any issuer in the process of offering securities to the public in an EEA country based on a UK approved prospectus passported into that country, had to halt the offer after IP completion day, seek approval for a new prospectus in its new home state, then commence a new offer. Where securities are admitted to trading on a securities exchange in an EEA country based on a UK approved prospectus, that admission remains valid and the issuer does not need to re-apply for admission to that exchange.</p>	1 January 2021	Amber
COVID-19: extension of temporary measures	<p>On 5 November 2020, the FCA confirmed that the temporary measures introduced in 2020 to assist listed companies through the pandemic, including extending the deadlines for annual and half-yearly financial statements, continue to be available to listed companies with financial periods ending before April 2021.</p>	During the pandemic	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>ESG: new mandatory climate-change reporting</p> <p>Affects: premium listed companies</p>	<p>On 21 December 2020, the FCA announced new Listing Rules requirements for premium listed companies to report against the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. This followed its March 2020 FCA consultation (CP20/3). Policy Statement PS20/17 summarises the consultation responses and confirms the introduction of the proposals, with changes implemented by FCA Instrument 2020/75. The changes are effective for accounting periods beginning on or after 1 January 2021 and include (among other things):</p> <ul style="list-style-type: none"> • A statement in the annual financial reports of premium listed commercial companies on whether disclosures are consistent with the TCFD recommendations; if not or if the disclosures are in a different document, why not or where the disclosures can be found. • An overriding principle to consider whether disclosures give sufficient detail to enable readers to assess the company's exposure and approach to climate related issues. • An expectation of disclosure except where the company faces 'transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities'. • A new technical note, 'Disclosures in relation to ESG matters including climate change', which lists provisions in the LRs, DTRs, Prospectus Regulation and MAR, explains the application of certain provisions in the LRs, DTRs, Prospectus Regulation and MAR and indicates where, in the opinion of the FCA, ESG matters may need to be taken into consideration. <p>This is particularly relevant to asset managers as supplementary TCFD guidance sets certain expectations regarding disclosures to clients. See 'General Corporate' below for government proposals for mandatory TCFD reporting affecting a wider range of organisations, including large private UK companies and asset managers (among others).</p> <p>Policy Statement PS20/17 also included the text of a new Technical Note on ESG reporting (effective immediately), covering disclosures under the Listing Rules, DTRs, UK MAR and the UK Prospectus Regulation. Key points are:</p> <ul style="list-style-type: none"> • It flags specific obligations to comply or explain against the Corporate Governance Code (which covers ESG) and TCFD recommendations. • When publishing a prospectus, consider if information on ESG and climate related matters should be included (including in the risk factors section) to allow investors to make informed assessments. • Companies on a regulated market should consider what ESG and climate related information to provide in their annual and interim management reports to comply with the DTR obligation to state their principal risks and uncertainties (including KPIs on environmental and employee matters). 	<p>Financial years beginning on or after 1 January 2021</p>	<p>Amber</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
ESG: Parker Review on ethnic diversity on boards Affects FTSE 350 companies	<p>The recommendations of the Parker Review Committee final report into ethnic diversity of UK boards included a target for at least one director of colour on each FTSE 100 board by 2021 and each FTSE 250 board by 2024. Mechanisms to identify, develop and promote people of colour were encouraged to ensure a pipeline of board capable candidates and that their managerial and executive ranks appropriately reflect the importance of diversity to their organisation. Voluntary adoption of the measures was recommended but a mandatory basis may be endorsed if there is insufficient progress.</p> <p>On 9 October 2020, the Investment Association published a press release calling for greater transparency on ethnic diversity on boards. It states that almost 75% of FTSE 100 companies did not report the ethnic make-up of their boards in 2020.</p>	2021 and 2024	Amber
ESG: AIC guidance	<p>In December 2020, the AIC reissued its ESG guidance 'The Emerging ESG agenda'. Among other things it confirms the AIC's understanding that neither the EU Disclosure Regulation nor the EU Sustainable Taxonomy Regulation have effect in the UK post IP completion day. It also reflects the government's 9 November 2020 announcement that it will develop a Green Taxonomy, to be a common framework for determining which activities can be defined as environmentally sustainable.</p>	Ongoing	Green
HM Treasury consultation on the UK listing regime Affects: listed companies	<p>On 19 November 2020, HM Treasury published a consultation on the UK's listing regime, prompted partly by Brexit. Its primary purpose is to ensure that UK markets remain world leading and fit for the future. Responses are due by 5 January 2021. It seeks views on:</p> <ul style="list-style-type: none"> • Whether the 25% public free float requirement is at the right level; it suggests it may be too high for certain types of issuers and deter them from listing. • Whether premium listed commercial companies should be allowed to make dual class listings (shares of different classes carrying different rights, e.g. zero or weighted voting rights) and how high standards of corporate governance could be maintained if so. • If existing UK requirements around dual and secondary listings are a barrier to dual listing in the UK. • If the requirement for applicants to demonstrate a 'track record' is a barrier for certain types of company. • Whether the circumstances in which a company must publish a prospectus or admit its shares to trading are still appropriate, whether any of the financial thresholds should be adjusted and whether the content requirements are proportionate. • If there are any other immediate issues to consider or non-regulatory, non-legislative actions the UK could take to promote the use of equity markets. 	5 January 2021	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
European Single Electronic Format (ESEF) reporting Affects: Main Market and Specialist Funds Segment	<p>The Transparency Directive and DTR 4.1.14R requires that all annual reports for companies on a UK regulated market such as the Main Market be in single electronic reporting format (using XHTML), for financial years beginning on or after 1 January 2020. See the previous edition of the UK REIT Horizon Scanner for further background.</p> <p>On 5 November 2020, the FCA confirmed that it will postpone the requirements for publishing in XHTML format and tagging to financial years starting on or after 1 January 2021, for publication from 1 January 2022 (and financial years starting on or after 1 January 2023, for publication from 1 January 2024, for requirements around tagging notes to the financial statements). Issuers can still publish and file their reports in ESEF format on a voluntary basis in the meantime. On 4 December 2020, the FCA confirmed that it will upgrade its National Storage Mechanism on 25 January 2021 to allow issuers to file accounts using ESEF.</p> <p>On 9 December 2020, a BEIS policy paper confirmed that there will be no mandatory requirement for auditor reporting on whether the electronic formatting of accounts complies with the ESEF requirements. This will be reconsidered in the future in the context of the Brydon recommendations on audit.</p> <p>Prior to IP completion day, the EC clarified (among other things) that ESEF statements can be signed using an electronic signature. On 18 December, a new EU regulation was published introducing ESEF taxonomy for corporate reporting. It did not come into effect before IP completion day and does not form part of UK law, so it remains to be seen if UK authorities will introduce an appropriate taxonomy.</p> <p>In October 2020, the AIC updated its ESEF guidance, which (among other things) clarifies that only companies preparing IFRS consolidated financial statements are required to tag certain elements of their accounts. It is available to members on the AIC's website.</p>	Financial years beginning on or after 1 January 2021 (for publication from 1 January 2022)	Amber
Financial Services Bill 2019-2021 Affects: listed companies	<p>On 21 October 2020, the Financial Services Bill 2019-2021 was published. It proposes various amendments to UK legislation in light of IP completion day, including the market abuse and insider dealing regimes. Proposals include:</p> <ul style="list-style-type: none"> Insider lists: the Bill clarifies that both an issuer and anyone acting on its behalf is required to keep an insider list (issuers would no longer be able to 'delegate' the task to professional advisers). Transactions by managers: the Bill would amend the period within which an issuer must notify the market of a transaction by a PDMR or closely associated person in its securities to two working days from the date the issuer is notified of the transaction (from three business days from the date of the transaction itself), alleviating the burden on issuers slightly. Criminal insider dealing and misleading statements or impressions: the maximum penalties for these offences (under the Criminal Justice Act 1993 and Financial Services Act 2012 respectively) would be increased to 10 years' imprisonment (from seven years). 	2021	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
HM Treasury consultation on financial promotion approval framework	On 20 July 2020, HM Treasury published a consultation paper on proposed reforms to the regulatory framework for approving financial promotions under FSMA 2000. A gateway is proposed that authorised firms must pass through before they can approve financial promotions, and they would first need FCA consent to do so. The consultation closed on 25 October 2020; results are awaited .	Ongoing	Green
Corporate governance consultations Affects: listed companies	<p>An update is awaited on the Chartered Governance Institute's 2019 consultation on the effectiveness of independent board evaluation in the UK listed sector. The aim is to assess the quality of evaluations and find ways to improve them.</p> <p>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.</p>	Ongoing	Green
Executive pay and short-termism research Affects: listed companies	Following publication of the July 2019 PwC research paper into share buy backs, BEIS announced that it would carry out further research into the potential for a direct link (rather than through buybacks) between executive pay targets and investment levels in companies, and the extent to which pay incentives and performance targets can result in short-termist executive decision-making. An update is awaited.	Ongoing	Green

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
ESMA market abuse consultation Affects: listed companies	We reported in our previous edition of the UK REIT Horizon Scanner that, on 24 September 2020, ESMA published its final report following its 2019 review of MAR. The proposed amendments in the report, if adopted, will not now form part of UK MAR and it remains to be seen whether the FCA makes similar amendments in due course.	Ongoing	Amber
COVID-19: thresholds for new issues Affects: listed companies	On 30 November 2020 the Pre-Emption Group's April 2020 recommendation (that investors consider supporting issuances by companies of up to 20% of their issued share capital on a temporary basis) came to an end. From 1 December 2020, companies were expected to revert to seeking approvals for a maximum of 10% (5% for general corporate purposes and an additional 5% for specified acquisitions or investments).	30 November 2020	Green
COVID-19: EC proposal to amend Prospectus Regulation	We reported in our previous edition of the UK REIT Horizon Scanner that, on 24 July 2020, the EC adopted a legislative proposal to amend the Prospectus Regulation to help companies affected by COVID-19. Proposals include (among other things) an EU Recovery prospectus (a simplified short-form prospectus) for secondary issues. As the proposal had not come into force prior to IP completion day, it remains to be seen whether the FCA will propose something similar in the UK.	During the pandemic	Amber
ESMA guidelines on disclosure requirements for prospectuses Affects: companies listed on a regulated market and those making public offers	On 11 November 2020, the FCA published Primary Market Bulletin 31 which noted that the new ESMA guidelines on disclosure requirements under the Prospectus Regulation would not come into force before IP completion day and that issuers should continue to apply the CESR Recommendations for UK approved prospectuses. See previous editions of the UK REIT Horizon Scanner for further background.	Ongoing	Green
Prospectus Regulation: supplemental regulation on 'exemption document' Affects: companies offering consideration securities on a takeover	<p>On 16 December 2020, the EC published the final version of its delegated regulation supplementing the Prospectus Regulation on minimum information contents of exemption documents. This followed its June 2020 consultation and draft regulation, which we reported on in our last edition of the REIT Horizon Scanner.</p> <p>As the delegated regulation had not come into force prior to IP completion day, it remains to be seen whether the UK will propose something similar. In Primary Market Bulletin 32 the FCA noted that it has power under EU exit legislation to specify minimum standards for exemption documents.</p>	Ongoing	Green



TaylorWessing

| 2 | General corporate

General corporate

Key developments in Q4 2020

- Various COVID-19 temporary measures designed to aid companies during the pandemic were extended into March and April 2021
- Government launched consultations on reforms to the public register and companies' own registers, the corporate directors ban, and improving company accounts
- The FRC published proposals to replace the current corporate reporting system with a principles based framework
- The government published proposals for mandatory reporting against the TCFD recommendations by large companies and asset managers
- A consultation was launched on non-compete clauses in employment contracts

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: general	The implications of Brexit after 11pm on 31 December 2020 ('IP completion day') are beyond the scope of this horizon scanner, except for the permissions regime for financial services firms in 'Financial regulatory' below, and conforming rule changes and cessation of prospectus passporting in 'Equity capital markets' above.	1 January 2021	Amber
COVID-19: The Corporate Insolvency and Governance Act Affects: all companies	<p><u>Regulations that came into force on 26 November 2020 and regulations that came into force on 31 December</u> extend a number of temporary measures included in the <u>Corporate Governance and Insolvency Act 2020 (CIGA)</u>. In particular:</p> <ul style="list-style-type: none">• AGMs (and other general meetings) can continue to be held electronically until 30 March 2021;• statutory demands and winding-up petitions are restricted until 31 March 2021; and• suspension of liability for wrongful trading has been re-introduced until 30 April 2021. <p>The latest version of the AIC's C-19 timeline (available to members on the AIC's website) sets out the fixed and implied end dates of COVID-19 governmental and regulatory temporary measures.</p> <p>See previous editions of our REIT Horizon Scanner for more information about the temporary measures.</p>	During the pandemic	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
COVID-19: FRC consolidated guidance for companies and auditors Affects: all companies	<p>On 4 December 2020, the FRC published consolidated COVID-19 guidance for companies and auditors which supersedes all previous such guidance. The former highlights key areas of focus for boards on corporate governance and reporting, including the annual report.</p> <p>The FRC has also published two guides COVID-19: Resources, action, the future – a look forward and COVID-19: Going concern, risk and viability – a look forward looking at how companies can report in times of uncertainty.</p>	During the pandemic	Green
Corporate transparency - Companies House reform Affects: all companies	<p>On 18 September 2020, the government responded to the consultation on enhancing Companies House and increasing transparency of UK corporate entities. Proposals include (among other things):</p> <ul style="list-style-type: none"> • compulsory identity verification for all directors and PSCs, general partners in limited partnerships, designated members in LLPs, and individuals who file company information, and restrictions on who can file company information; • increased Companies House powers to query and remove/ reject certain information and company names; • reporting obligations for bodies subject to anti-money laundering regulations on discrepancies between the public register and information they hold, and cross-referencing of Companies House data against other data sets; • reviewing aspects of accounts filings, including exemptions allowing micro or dormant accounts; and • reforming certificates of good standing. <p>This will affect systems, processes and staffing at Companies House, which will likely increase fees.</p>	Ongoing	Green
Consultation on reform of the public register and company's registers Affects: all companies	<p>On 9 December 2020, the government published a consultation on proposed reforms to the public register of companies and companies' own registers. Comments are due by 3 February 2021. Among other things:</p> <ul style="list-style-type: none"> • It is proposed to expand Companies House's powers to be able to query any error, inaccuracy or anomaly that appears fraudulent, suspicious or that might impact significantly on the register's integrity and the UK's 'business environment' (including where there is a risk to the UK's reputation as a good place to do business). • This would cover new submissions and also information in documents already registered where, in the absence of a satisfactory response, offending material can be removed from the public register (in some cases this would continue to require a court order). • A company name could be rejected if Companies House believes it has been chosen to mask underlying criminal or fraudulent activity. An existing company could be told to change its name or have it forcibly changed. • It is proposed to abolish the requirement for a company to maintain a register of directors (using the public record as proof instead). The consultation also seeks views on requirements for companies to keep other statutory registers (but notes that existing requirements around the register of members would be unlikely to change). 	3 February 2021	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
Consultation on corporate directors ban Affects: companies with corporate directors	<p>On 9 December 2020, the government published a consultation on implementing the corporate directors ban. The ban is contained in the Small Business, Enterprise and Employment Act 2015, which made prospective changes to the Companies Act 2006 but is not yet in force. The consultation focuses on the exceptions to the ban (these were also previously consulted on by past administrations in 2014 and 2015). Comments are due by 3 February 2021.</p> <p>The ban will mean that only natural persons can be directors of UK companies, subject to exceptions (although at least one director would still be required to be a natural person). An attempt to appoint a corporate director will be void and an offence committed by the attempting appointer, proposed appointee and each of their respective directors in default. Companies with existing corporate directors will have 12 months after the ban comes into effect to remove them. Any remaining in office thereafter will cease to hold office.</p> <p>The consultation proposes an exception whereby a corporate entity could be a director if:</p> <ul style="list-style-type: none"> • all of its own directors are natural persons (and any attempt to appoint a corporate director would be void); and • those natural persons verify their identity with Companies House before the appointment. <p>Where a UK company proposes to appoint an overseas entity as a director, it would be required to assure itself that the overseas entity's directors are all natural persons and confirm that annually in its confirmation statement. Only limited companies would be able to act as corporate directors, but the consultation seeks views on whether limited liability partnerships and limited partnerships should also be included and what conditions should attach to them.</p>	3 February 2021	Amber
Consultation on improving the quality of company accounts Affects: all companies	<p>On 9 December 2020, the government published a consultation on improving the 'quality and value' of financial information kept at Companies House. Comments are due by 3 February 2021. Proposals include:</p> <ul style="list-style-type: none"> • Requiring digital filing of all company accounts. • Requiring full tagging of company accounts using iXBRL (already mandatory for accounts filed with HMRC). • Shortening deadlines for filing accounts and reports with Companies House, e.g. to six and three months for private and public companies respectively. • Requiring accounts to include metrics on turnover, balance sheet size and number of employees to show that a company is large, medium, small or micro, and for director certification of eligibility to file in the size category being claimed. • Simplifying the small and micro regimes. • Requiring companies to file the most detailed version of any accounts they prepare with all relevant bodies. • Views on how financial information could be shown at Companies House in a more accessible way. 	3 February 2021	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
FRC proposal for principles-based corporate reporting Affects: all companies	<p>On 8 October 2020, the FRC <u>published</u> proposals to replace the current corporate reporting system with a principles based framework. Comments are due by 5 February 2021.</p> <ol style="list-style-type: none"> It is proposed that the annual report be unbundled into separate 'network reports' forming a 'reporting network' (to align with the Kingman and Brydon recommendations) including: <ul style="list-style-type: none"> Three core mandatory reports: the company's financial statements; a stakeholder-neutral Business Report (based on the strategic report); and a Public Interest Report (covering impact on stakeholders and the environment). Additional stand-alone financial and non-financial reports that provide detail for specific purposes (e.g. investor presentations, half-year reports and divisional financial statements). It is proposed that future corporate reporting be based around a set of overarching principles including: <ul style="list-style-type: none"> Four system-level attributes at the top level - that company reports are accessible, inter-connected, consistent and transparent. Two report-level attributes thereafter - that individual reports be fair, balanced, understandable and show a true and fair view. Four content communication principles - that each report be brief, comprehensive and useful; contain only relevant information; contain company-specific information and avoid boilerplate; and be comparable against historic and other companies' reports. The consultation supports greater use of technology in presenting information, including: <ul style="list-style-type: none"> Digitally producing all reporting content (including HTML, videos and presentation software). Tagging information and content with machine-readable tags. Instead of meeting specific information disclosure requirements, companies would report on compliance with/ departure from a set of principles (similar in concept to listed company compliance with the Corporate Governance Code). 	5 February 2021	Amber
FRC guidance on section 172 statements Affects: large companies	<p>On 14 October 2020, the FRC <u>published</u> guidance on section 172 statements (required for large companies in their annual strategic report), in addition to the existing 'Guidance on the Strategic Report'. In particular:</p> <ul style="list-style-type: none"> Statements should not just duplicate and confirm compliance with section 172(1) but state how requirements were met, what happened in the year and future plans. The board should explain any emphasis placed on particular stakeholders and why it believes it has effectively engaged with them. An explanation should be given of any short term decisions made to benefit the long term, or where one stakeholder group has benefitted more than another. KPIs on key stakeholders (e.g. net promoter scores) and case studies of significant strategic decisions could be included. Placing the statement ahead of narrative reporting on engagement with stakeholders could provide helpful context. 	Ongoing	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
Register of beneficial owners of overseas entities that own UK property Affects: non-UK companies (and their investors)	<p>Legislation for the proposal for a new register of beneficial owners of overseas entities that own UK property (following a similar test as that used for the PSC register) is still in draft form: the Registration of Overseas Entities Bill. The government had originally anticipated that, following royal assent and secondary legislation, the register would be operational in 2021. As update is awaited.</p> <p>(This could affect non-UK subsidiaries in REIT groups.)</p>	2021	Amber
Gender and ethnicity pay reporting Affects: UK employers with 100 or more employees	<p>The Government Equalities Office's 2019 roadmap for tackling gender equality included assessing the effectiveness of gender pay gap reporting and consulting on any changes by 2021.</p> <p>A 2018 consultation suggested introducing an ethnicity pay gap reporting regime. In its 14 July 2020 response to BEIS Committee's recommendations following the Thomas Cook inquiry, the government noted it would respond to the 2018 consultation in due course, and noted it supports initiatives for board diversity and leadership talent pipeline such as the Hampton-Alexander Review and Parker Review.</p> <p>The Equal Pay Bill (a private members' bill) is still making its way through Parliament. Among other things, it widens the scope of gender pay gap reporting to include ethnicity pay gap reporting, lowers the reporting threshold to organisations with 100 or more employees (from 250), and requires more information to be published.</p> <p>On 14 December 2020, the Government Equalities Office published new guidance to employers on gender pay gap reporting. It covers who needs to report information, what information employers must gather and publish, and how to calculate their gender pay gap.</p>	2021	Amber
Modern slavery: human trafficking statement Affects: large companies	<p>On 9 July 2019, the government announced its intention to start auditing compliance with modern slavery statement requirements and to establish a free central registry of statements. On 15 December 2020, it was confirmed that the new government-run registry will be launched in 2021. The results of the Home Office's 2019 consultation on making transparency requirements and reporting processes clearer, are awaited.</p> <p>On 20 April 2020, the Home Office announced that publication of a statement can be delayed by up to six months if the delay is caused by the pandemic (taking the period to 12 months in total as organisations are required to publish within six months of financial year end).</p>	2021	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
Consultation on non-compete clauses Affects: UK employers and employees	<p>On 4 December 2020, the government published a consultation 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. Two options are proposed:</p> <ol style="list-style-type: none"> 1. Mandatory compensation, where the non-compete would be enforceable only if the employer provides some form of compensation during the non-compete period (some do this already or use 'garden leave' clauses). <ul style="list-style-type: none"> • Additional measures are proposed, including a requirement to disclose the terms of the non-compete before the individual becomes an employee and imposing a maximum limit on the duration of non-competes. 2. An outright ban, possibly subject to exceptions. <p>The consultation also asks whether limits should be applied to other kinds of restrictive covenant such as non-solicitation, non-dealing and protection of goodwill clauses. Comments are due by 26 February 2021.</p>	26 February 2021	Amber
Narrative reporting Affects: large companies and asset managers	<p>On 9 November 2020, the government published an interim report and roadmap outlining its proposals on mandatory company reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations as part of its 2019 Green Finance Strategy (which included an expectation that all listed companies and large asset owners disclose in line with the TCFD recommendations by 2022). See also 'Equity Capital Markets' above.</p> <p>A range of organisations are covered but, in particular, it is proposed that mandatory reporting be introduced as follows:</p> <ul style="list-style-type: none"> • 2021: premium-listed companies • 2022: "wider scope" of listed companies (e.g. standard-listed commercial companies), large unlisted UK companies and the largest UK-authorized asset managers • 2023: all other UK-authorized asset managers <p>BEIS intends to consult on unlisted company requirements in early 2021, with a view to introducing legislation in mid-2021 to come into effect from 2022.</p>	Ongoing	Amber
Late payment: government response to call for evidence Affects: large companies	<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>	Ongoing	Green

General corporate (continued)

Issues	Status	Key Timing	Impact
Audit reform Affects: all companies	<p>On 14 July 2020, the government responded to BEIS Committee's recommendations following the Thomas Cook inquiry. Among other things, the commitment to audit reform was reiterated. Government intends to respond with comprehensive proposals for reform of company audit and bring forward legislation as soon as Parliamentary time allows (including legislation to create the Audit, Reporting and Governance Authority (ARGA)).</p> <p>The FRC also published its principles for operational separation of the Big Four's audit practices with the aim, among other things, of having auditors act in the public interest and work for the benefit of shareholders of audited entities and wider society. Separation is required by 30 June 2024 at the latest.</p> <p>An update is awaited on the government's 2019 consultation on CMA recommendations about statutory audit services.</p> <p>An update is awaited on the FRC's 2020 consultation, which included steps before the Kingman recommendations come into effect.</p>	Ongoing	Amber
Asset Management Taskforce stewardship recommendations	<p>On 24 November 2020, the Asset Management Taskforce (AMT) published a report of 20 recommendations to improve UK stewardship and responsible investment, covering corporate governance, corporate reporting and shareholder engagement. The recommendations cover all asset classes, including real estate and infrastructure. In particular:</p> <ul style="list-style-type: none"> • The FRC's Stewardship Code is the standard for company stewardship and investment managers should sign up to it. • Shareholders should be more proactive in requisitioning resolutions on issues and should develop model resolutions for key concerns like climate change. • The threshold for requisitioning shareholder resolutions (100 or more shareholders holding on average £100 of paid-up capital, or shareholders holding at least 5% of the relevant voting rights) should be reviewed by government in case it is a barrier to stewardship. • Investors should set out clear expectations of companies after the pandemic, especially those seeking additional investor capital. • Greater shareholder participation in AGMs should continue to be prioritised, including through use of technology. <p>The AMT is a government initiative backed by the Investment Association comprising representatives from central government, regulators, investor associations and institutional shareholders.</p>	Ongoing	Green
Law Society publishes Q&A on electronic signatures	<p>On 6 January 2021, the Law Society published a Q&A document on electronic signatures and virtual executions, which supplement its existing practice notes on these topics. The Q&A are useful to lawyers and others responsible for arranging the signature and execution of contracts and other instruments. Topics include how a signature can be witnessed and how an electronic signature can be applied.</p>	Ongoing	Green

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
Brexit: Companies House forms Affects: all companies	On 31 January 2020, Companies House published guidance on changes to its forms taking effect after the implementation period, from 1 January 2021. For example, filing requirements for a UK company with EEA corporate officers will change.	1 January 2021	Green
Brexit: company accounting guidance	On 31 December 2020, the government published guidance for UK companies on accounts and audit following IP completion day. It covers preparing accounts, the requirement for audit committees and appointing auditors.	1 January 20201	Green
COVID-19: Chartered Governance Institute guidance on meetings Affects: all companies	On 9 July 2020, the Chartered Governance Institute published further guidance on shareholder meetings under CIGA. It covers (among other things) how companies can hold virtual meetings, rights to limit attendance while CIGA flexibility is in force, shareholders' voting rights and their exercise (for example using proxies and online voting), amending meeting location or date, and considerations around delaying an AGM or laying of annual reports and accounts.	Ongoing	Green



TaylorWessing

| 3 | Financial regulatory

UK REIT Horizon Scanner Q1 2021

Financial regulatory

Key developments in Q4 2020

- Impact of Brexit on UK regime for AIFs
- EU Commission consultation on AIFMD review
- Legislation on amendments to retained version of PRIIPs
- ESG guidance from AIC and UK's green taxonomy
- First FCA consultation paper on prudential regime for investment firms
- Ban on marketing of speculative illiquid securities to retail investors clarified to exclude application to investment trusts

Issues	Status	Key Timing	Impact
Impact of Brexit on UK regime for AIFs Affects: REITs and REIT managers	Marketing from the UK into the EEA Passporting between the UK and EEA states has ended. Whether a UK firm can market its funds and/or provide services to investors in the EEA depends on the applicable local law requirements and the expectations of the local regulators. In the FCA's view, firms should take appropriate steps to ensure that they are compliant with such requirements and expectations. The FCA is clear that "firms' decisions should be guided by obtaining appropriate outcomes for their customers, wherever they are based." See the FCA's web page for an overview of the regulatory changes affecting firms.	From 1 January 2021	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Impact of Brexit on UK regime for AIFs (cont'd)</p> <p>Affects: REITs and REIT managers</p>	<p>FCA's approach to EU non-legislative materials</p> <p>The European Supervisory Authorities (ESAs) have the power to produce non-legislative material (referred to as Level 3 material) either individually or through their Joint Committee. The FCA has provided guidance on its approach to EU non-legislative materials following the end of the Brexit transition period:</p> <ul style="list-style-type: none"> ▪ In relation to ESA Guidelines and Recommendations, the FCA expects firms and market participants to continue to apply these to the extent that they are relevant. ▪ In relation to non-EU legislative material (which includes Opinions, Q&A documents, supervisory briefings, peer-review analyses, best practice statements, and warnings), the FCA will continue to have regard to this material to the extent it is relevant and firms and market participants should do likewise. <p>Onshoring changes</p> <p>The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019/328 have changed certain aspects of the UK regime for AIFs. In particular, the definition of "control" for the purposes of the portfolio company disclosure and asset stripping provisions of the regime has changed:</p> <ul style="list-style-type: none"> ▪ For a non-listed company, holding more than 50% of the voting rights of the company. ▪ For an issuer, holding the percentage of voting rights that confers control in the UK, calculated in accordance with the rules made by the Panel on Takeovers and Mergers under the Companies Act 2006. <p>These amendments mean that a UK AIFM is only required to report on portfolio companies and comply with the asset stripping restrictions when acquiring control of a UK company.</p> <p>Transfer of functions</p> <p>Powers and functions which were previously held by ESMA now belong to the FCA. The FCA is responsible for making technical standards to ensure the effective operation of EU-derived technical standards. UK AIFMs should report information on their UK and EU AIFs to the FCA and not ESMA. This will allow the FCA to monitor AIF risk management and stress testing.</p>	<p>From 1 January 2021</p>	<p>Amber</p>

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
EU Commission consultation on AIFMD review Affects: REITs and REIT managers	<p>On 22 October 2020, the EU Commission opened its public consultation on the review of the Alternative Investment Fund Managers Directive (AIFMD). It follows the Commission's report to the European Parliament and the Council of the EU in June 2020 (see page 6 of our UK REIT Horizon Scanner Q3 2020). The consultation covers the following topics:</p> <ul style="list-style-type: none"> ▪ Functioning of the AIFMD regulatory framework, scope and authorisation requirements ▪ Investor protection ▪ International relations ▪ Financial stability ▪ Investing in private companies ▪ Sustainability/ESG ▪ Competences and powers of the supervisory authorities <p>Responses should be submitted by 29 January 2021 using an online questionnaire.</p>	Ongoing	Amber
Keynote address on AIFMD review Affects: REITs and REIT managers	<p>On 19 November 2020, Verena Ross, ESMA Executive Director, spoke at an AIMA Global Policy & Regulatory Forum on the future challenges facing fund managers. In connection with the AIFMD review, Ms Ross highlighted the importance of recognising "increased operational complexities and supervisory risks that come with large-scale delegation arrangements." With reference to ESMA's letter to the Commission in August 2020 (see the "Looking back" section below), she said that further consideration should be given to the issue of delegation to non-EU entities that might be subject to different regulatory standards.</p>	Ongoing	Amber
EU Commission inception impact assessment Affects: REITs and REIT managers	<p>On 10 December 2020, the Commission published an inception impact assessment (or roadmap) on the AIFMD, in which it set out details of its work programme, issues it is seeking to address, and what evidence it is examining. The public consultation on the assessment closed on 7 January 2021.</p>	Q3 2021	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
Update on changes to retained EU law version of the PRIIPs Regulation Affects: REITs and REIT managers	See the entry "HM Treasury Policy Statement on changes to retained EU law version of the PRIIPs Regulation" in the "Looking Back" section below. The legislative provisions required to make the amendments referred to below were introduced into the House of Commons in October 2020 as part of the Financial Services Bill 2019-21 . The Bill is currently being considered by the House of Lords.	Ongoing	Amber
AIC ESG guidance reissued UK's own green taxonomy Affects: REITs and REIT managers	The Association of Investment Companies (AIC) has updated its guidance on ESG, " The emerging ESG agenda " (available to AIC members only), to reflect regulatory changes following the end of the Brexit transition period. The guidance reminds readers that the EU Disclosure Regulation and the EU Sustainable Taxonomy Regulation and accompanying technical standards are not part of UK retained EU law. The guidance also refers to the UK government's announcement on 9 November 2020 that it will implement its own green taxonomy.	Ongoing	Green
FCA consultation paper for new UK prudential regime for MiFID investment firms Affects: REIT managers that are collective portfolio management investment firms, REIT advisers that are MiFID investment firms	<p>Following the publication of its discussion paper in June 2020 (see page 7 of our UK REIT Horizon Scanner Q3 2020), on 14 December, the FCA published the first in a series of three consultation papers on the UK's Investment Firm Prudential Regime (IFPR), CP20/24. The IFPR is now due to take effect in January 2022.</p> <p>In addition to MiFID investment firms, the IFPR will apply to collective portfolio management investment (CPMI) firms. The FCA says that it will use a subsequent consultation paper to explain how the proposed regime will apply to CPMI firms but that such firms may wish to provide feedback on the FCA's proposals in CP20/24 to help inform its future work in this area. The closing date for responses to CP20/24 is 5 February 2021.</p>	Q1	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
Ban on marketing of speculative illiquid securities clarified to exclude application to investment trusts Affects: REITs	On 12 December 2020, the FCA published its final rules regarding its ban on the marketing of speculative illiquid securities to retail investors (including speculative mini-bonds). Following feedback from industry (including the AIC), the FCA's rules have been clarified so that securities issued by investment trusts are out of scope of the prohibition. This exclusion tracks a similar exclusion from the FCA's non-mainstream pool investment regime.	Ongoing	Green
Impact of COVID-19 on SMCR Affects: All REIT managers and investment advisers	<p>On 18 December 2020, the FCA published updated information regarding the additional flexibility that it announced in April 2020 for solo-regulated firms that were impacted by COVID-19. In the FCA's view, as firms have adapted to the impact of the pandemic over the past few months, it expects firms' application of the SMCR rules to return to normal. From 7 January 2021, firms are expected to notify the FCA when there are significant changes to Statements of Responsibilities using Form J – this does not apply to changes made before 7 January 2021. In addition, the modification by consent regime (which extends temporary absences from 12 weeks to 36 weeks) will come to an end after 30 April 2021.</p> <p>On 28 October 2020, the FCA published a policy statement (PS20/12) confirming:</p> <ul style="list-style-type: none"> ▪ The extension of the date the Conduct Rules come into force, for staff who are not Senior Managers or Certification Staff to 31 March 2021. ▪ The extension of the date by which relevant employees must have received training on the Conduct Rules to 31 March 2021. ▪ The extension of the deadline for submission of information about Directory Persons to the FS Register to 31 March 2021. ▪ The amendment of references in its rules to the deadline for assessing Certified Persons as fit and proper. 	Q1 and Q2 2021	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
ESMA highlights areas of improvement required in AIFMD Affects: REITS and REIT managers	<p>In a letter dated 18 August 2020, ESMA proposed to the European Commission a number of improvements that could be made as part of the Commission's review of AIFMD. These are set out in Annex I to the letter and include:</p> <ul style="list-style-type: none">▪ the need for greater harmonisation of the UCITS and AIFMD frameworks (particularly as regard reporting obligations)▪ clarifying the scope of additional MiFID services that AIFMs may undertake▪ clarification on delegation and substance requirements▪ the introduction of the concept of a 'semi-professional' investor▪ clarification on the power Member States have to impose additional requirements on sub-threshold AIFMs▪ proposed changes to the liability of external valuers▪ resolving some residual uncertainties as to what constitutes an AIF▪ clarifying what is meant by reverse solicitation. <p>Annex II to the letter sets out in more detail legislative solutions to the principal reporting issues.</p>	Ongoing	Green

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>HM Treasury Policy Statement on changes to retained EU law version of the PRIIPs Regulation</p> <p>Affects: REITs, REIT managers</p>	<p>On 31 July 2020, HM Treasury (HMT) published a policy statement on changes it proposes to make to the onshored version of the EU PRIIPs Regulation ((EU) 1286/2014)). The changes are intended to avoid consumer harm and provide more certainty to industry once the transition period ends. This follows the Financial Services Written Ministerial Statement made on 23 June 2020.</p> <p>The changes proposed by HMT include:</p> <ul style="list-style-type: none"> ▪ An amendment that will give the FCA delegated power to clarify the scope of the PRIIPs Regulation through its rules. While this will not change the underlying definition of a PRIIP, it will allow the FCA to resolve uncertainty regarding certain types of investment product such as corporate bonds. ▪ An amendment to replace 'performance scenario' with 'appropriate information on performance'. The methodology for calculating performance scenarios has been criticised for produced misleading results. The amendment will enable the FCA to amend the RTS to clarify what information on performance should be provided in the KID. <p>The legislative provisions required to make these amendments are contained within the Financial Services Bill 2019-21, which was introduced into the House of Commons in October 2020 and is currently being considered by the House of Lords.</p> <p>The policy statement also announced that HMT intends to undertake a fuller review of the disclosure regime for UK retail investors. Such a review will look at, for example, how to harmonise the PRIIPs regime with requirements set out in the Markets in Financial Instruments Directive (MiFID) II.</p>	Ongoing	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>ESG - Climate Financial Risk Forum publishes guide to climate-related financial risks</p> <p>Affects: REITs, REIT managers, investment advisers</p>	<p>The Climate Financial Risk Forum (CFRF) was launched in March 2019. It is an industry forum jointly convened by the PRA and the FCA to build capacity and share best practice. On 29 June 2020, the CFRF published its guide to assist the financial industry with its approach to climate-related financial risks.</p> <p>The guide consists of a summary and four industry-produced chapters covering:</p> <ul style="list-style-type: none">▪ Risk management and a list of data providers and tools/methodologies▪ Scenario analysis▪ Disclosures▪ Innovation <p>Each chapter provides examples and case studies, which firms can use as they develop their strategies, processes and approaches.</p> <p>The guide is designed to dovetail with existing frameworks and initiatives, such as the internationally supported Principles for Responsible Investment and the Taskforce on Climate-related Financial Disclosures.</p> <p>While the regulators have convened and facilitated CFRF discussions, the guide does not necessarily represent their views and does not constitute regulatory guidance.</p>	Ongoing	Green



TaylorWessing

| 4 | Real estate, planning and construction

UK REIT Horizon Scanner Q1 2021

Real estate, planning and construction

Key developments in Q4 2020

- Building Safety Bill: completion on pre-legislative scrutiny on 24 November 2020 with a call for more detail to be published prior to introduction of the Bill into the House of Commons
- Social housing white paper published - 'The Charter for Social Housing Residents'
- Energy White Paper published setting out the Government's agenda to achieve net zero emissions by 2050, including proposals to reduce emissions from buildings
- Law Commission response published on Residential Leasehold and Commonhold Project
- Retail Prices Index Consultation response published

Issues	Status	Key Timing	Impact
Building Safety Bill and Fire Safety Bill Affects: Investors in, owners and developers of higher risk buildings and potentially extended to others	<p>The Building Safety Bill has completed its pre-legislative scrutiny, with the Housing, Communities and Local Government Committee report being issued on 24 November 2020. The Government now needs to consider the report before formal introduction of the Bill to the House of Commons later this year. The Bill's provisions apply to England only.</p> <p>See: Draft Building Safety Bill requires more detail</p> <p>The Fire Safety Bill has now completed its passage through the House of Lords. The next step is for amendments to be considered and agreed, prior to Royal Assent. The Bill's provisions apply to England only.</p> <p>Both Bills are part of the Government's aim to improve regulation of building safety for higher risk buildings.</p>	Details awaited	Red

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Land Control Affects: all those with options	<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
Planning For the Future – White Paper Affects: investors and developers	<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
Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020 Affects all	<p>Core changes announced by Government include the recalibration of the classification of uses of property. Classes A, B1 and D1 applicable to retail, office and non-residential institutions and assembly and leisure uses respectively, are removed and new use classes introduced in their place.</p> <p>Campaign group, Rights: Community: Action (RCA) are seeking permission to appeal a High Court decision handed down in November 2020 which turned down the group's application for judicial review of the sweeping changes to planning laws introduced by the Government over the summer.</p>	<p>[1 September 2020]</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 2019, the 'no cost to landlord' principle does not apply to energy efficiency works at domestic properties. Landlords are now required to fund works required under the regulations up to a cost of £3,500.</p> <p>From 1 April 2020, domestic landlords with private tenants will be affected by an extension of the prohibition on new (or renewal) lettings to properties an Energy Performance Certificate (EPC) rating of F or G. The Energy Efficiency (Private Rented Property for England and Wales) Regulations 2015 ensure that from 1 April 2018, all privately rented properties will be captured, regardless of whether a new lease (or a lease renewal) is being completed.</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>Note the next key date is 1 April 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
The Charter for Social Housing Residents Affects: Property investors, local authorities, occupiers of social housing	<p>The Ministry of Housing, Communities and Local Government published the Social Housing White Paper (aka 'The Charter for Social Housing Residents') on 17 November 2020. A full copy of the White Paper is available here.</p> <p>The document contains few surprises and, as expected, the focus is on health & safety and tenant empowerment. The government will be working with the Regulator for Social Housing (RSH) to create a strong, proactive consumer regulatory regime, strengthening the formal standards against which landlords are regulated and requiring them to:</p> <ul style="list-style-type: none"> • be transparent about their performance and decision-making – so that tenants and the regulator can hold them to account • put things right when they go wrong, and • listen to tenants through effective engagement. 	MHCLG response published	Amber
Electric Vehicle Charging Consultation Affects: property owners, managers and investors	<p>In July 2019, the government opened a consultation relating to the promotion of electric vehicles.</p> <p>The Electric Vehicle Charging Consultation's key proposals are that new residential buildings with an associated car parking space have a charge-point and that residential buildings undergoing major renovations with more than 10 car-parking spaces have cable routes for electric vehicle charge-points in every space.</p> <p>Supermarkets, retail parks, workplaces with car-parks and public buildings such as schools, churches and community centres will also be caught by the proposals that existing non-residential buildings with more than 20 car-parking spaces have one charge point from January 2025. A related consultation seeks views on making it mandatory for new EV charge-points to be smart-enabled to allow charging at off peak-times.</p> <p>See: Electric Vehicle Charging in Residential and Non-Residential Buildings</p> <p>See: Electric Vehicle Smart Charging</p>	<p>Consultations closed on 7 October 2019</p> <p>Government response is still awaited</p>	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Unfair Practices in the Leasehold Market – MHCLG Review</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>On 20 March 2019, the Housing, Communities and Local Government Select Committee issued its report on leasehold reform. It has made a number of recommendations to the government, including that commonhold (see section below) should become the primary model of ownership of flats in England and Wales. It also asked the Competition and Markets Authority (the CMA) to investigate leasehold mis-selling. The CMA formally launched its investigation on 11 June 2019 and it will look at potential mis-selling, and potential unfair terms. On 3 July 2019, the government issued its response to the Select Committee report, and confirmed that it is bringing forward reforms including: banning the grant of new leases of houses; restricting ground rents on new leases to a peppercorn; and working with the Law Commission to reinvigorate Commonhold.</p> <p>See: Report on Leasehold Reform and Government response to Select Committee report</p> <p>On 28 March 2019, the government announced a new 'Public pledge for leaseholders' in which certain property developers and freeholders have publicly committed to certain principles, including:</p> <ul style="list-style-type: none"> amending ground rent clauses where the rent doubles more frequently than every 20 years, offering to amend it to one linked to RPI (which we note is not an official statistic and tends to run higher than CPIH, the official consumer prices index including owner-occupiers' housing costs) not inserting into any future lease a clause whereby ground rent doubles more frequently than every 20 years. <p>See: Public Pledge for Leaseholders</p> <p>On 15 April 2019, the government announced its consultation into ending no-fault evictions for private residential tenancies (the abolition of section 21 Notices). Under the current rules, a landlord does not need to provide a reason for taking back a property at the end of the contractual term of the tenancy, provided that it complies with basic regulations and serves two months' notice on the tenant (a section 21 Notice). The consultation proposes that landlords must provide a concrete, evidenced reason already specified in law for bringing tenancies to an end, and so paves the way for open ended residential tenancies, of the sort more commonly found across the Continent. Details of how landlords could regain possession from tenants under the new rules are yet to be fleshed out, but it is proposed that the section 8 eviction process is also amended so that landlords are able to regain their property if they wish to sell it or move into it. On 21 July 2019, the government launched a consultation which seeks views on the implementation of the decision to abolish section 21 Notices.</p> <p>See: Government announces end to unfair evictions and A new deal for renting: Consultation description</p>	<p>Consultation closed on 12 October 2019. Response awaited</p>	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Construction: Value Added Tax – reverse charge to combat VAT fraud in the construction industry Affects: Suppliers and customers of construction services	<p>The domestic reverse charge for building and construction services has been postponed for 12 months and will now be introduced on 1 March 2021. The government guidance on the reverse charge has been updated to reflect the new start date.</p> <p>See: Draft statutory instrument</p>	1 March 2021	Green
Future Homes Standard Affects: developers, owners and occupiers and the construction supply chain	<p>The government is committed to introducing the Future Homes Standard in 2025 to ensure that new homes are future-proofed with low carbon heating and world-leading levels of energy efficiency. As a stepping stone, the government proposes to introduce an achievable uplift to energy efficiency standards from 2020 and has opened a consultation seeking views on the uplift of the standards in Part L of the Building Regulations (Conservation of fuel and power) and changes to Part F (Ventilation) in England for new domestic buildings from 2020.</p> <p>Further consultation will follow addressing overheating in new dwellings and on standards for existing domestic buildings and new and existing non-domestic buildings.</p> <p>The Future Homes Standard is likely to require high fabric standards, such as triple glazing, and standards for walls, floors and roofs that limit heat loss and low carbon heating systems, such as heat pumps and heat networks.</p> <p>See: Consultation</p>	Consultation closed Response awaited	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Energy White Paper 2020 Affects: developers, owners and occupiers and the construction supply chain	<p>Following on from the Prime Minister's Ten Point Plan and the publication of the National Infrastructure Strategy, the Energy White Paper, published on 14 December 2020, sets out the Government's plans to achieve net zero emissions by 2050. A part of the policy is to green up buildings by moving away from fossil fuel boilers to low carbon alternatives and to support the installation of electric heat pumps from 30,000 a year to 600,000 a year by 2028. For commercial and industrial properties there is a target to achieve an EPC rating of "B" by 2030. Consultation on how this target might be met is promised for the early part of 2021.</p> <p>See: Energy White Paper</p>	Details awaited	Amber

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Law Commission Residential Leasehold and Commonhold Project</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The Law Commission's Residential Leasehold and Commonhold Project considers how to deal with existing leasehold houses subject to ground rents, as well as potential future models. The terms of reference that have been agreed with the government require the Law Commission:</p> <ul style="list-style-type: none"> to provide a better deal for leaseholders as consumers to simplify the enfranchisement regime to promote transparency and fairness to set out the options for reducing premiums payable for enfranchisement, while ensuring sufficient compensation is paid to landlords to reflect their legitimate property interests. <p>On 20 September 2018, the Law Commission issued its consultation paper on leasehold home ownership.</p> <p>See: Leasehold Home Ownership: Buying your freehold or extending your lease</p> <p>On 11 December 2018, the Law Commission also published its consultation paper on reinvigorating the commonhold model of property ownership, as an alternative to leasehold ownership.</p> <p>See: Reinvigorating commonhold: the alternative to leasehold ownership</p> <p>In January 2019, the Law Commission published its consultation paper on reform of the Right to Manage leasehold property.</p> <p>See: Leasehold home ownership: exercising the right to manage</p> <p>In January 2020 the Law Commission published its report on options to reduce the price payable. Within the report they set out a number of options for reducing premiums and simplifying how these are to be calculated. It contains no recommendations – the way forward will be determined by Parliament.</p> <p>See: Report on options to reduce the price payable</p>	<p>Law Commission response published on 7 January 2021 – see following page</p> <p>Right to Manage consultation period closed on 30 April 2019. Response awaited – delayed by COVID-19</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Law Commission Residential Leasehold and Commonhold Project (cont'd)</p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The government has announced that legislation will be brought forward in the upcoming session of Parliament to implement the recommendations.</p> <p>In addition, the government stated its intention to:</p> <ul style="list-style-type: none">• Remove the marriage value concept from the calculation of premiums.• Introduce an online calculator to allow leaseholders to calculate the cost of buying their freehold or extending their lease.• Ensure that the existing proposal for zero ground rents for new leasehold properties be expanded to include leasehold retirement properties.• Establish a Commonhold Council to reinvigorate commonhold. <p>The announcement did not give a timetable for when these additional proposals would be implemented, and there was no explanation of how valuations would be calculated following the removal of the marriage value concept.</p>	<p>Law Commission response published on 7 January 2021</p> <p>Right to Manage consultation period closed on 30 April 2019. Response awaited – delayed by COVID-19</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Draft registration of overseas entities bill Affects: Overseas owners of UK property	<p>In 2016, the government confirmed that it will go ahead with plans for a new register of overseas legal entities owning UK real estate, disclosing their beneficial owners.</p> <p>On 20 May 2019, the House of Commons and House of Lords Joint Committee on the draft Registration of Overseas Entities Bill published a report, making recommendations aimed at improving the draft legislation.</p> <p>Some of the more important recommendations include lowering the currently-proposed 25% ownership and voting thresholds for the definition of a registrable beneficial owner – and a suggestion that this should be extended to the PSC regime. The report also recommends a specific requirement to update the register of overseas beneficial ownership before making any disposition of UK land, and the introduction of civil penalties for overseas entities that breach their obligations under the draft Bill, which could be backed up by criminal sanctions for non-payment.</p> <p>Taylor Wessing has been liaising with BEIS in relation to the practical steps needed to implement the Register of Overseas Beneficial Ownership.</p> <p>See: Joint Committee on the Draft Registration of Overseas Entities Bill</p>	<p>Draft legislation published in July 2018. It is anticipated that the register will go live by early 2021</p>	Amber
Retail Prices Index Consultation Affects: Property owners, landlords, managers and investors	<p>The UK Statistics Authority (UKSA) has made a proposal to cease publication of the Retail Prices Index (RPI) and in the meantime to align RPI and the Consumer Prices Index including Housing (CPIH). Because RPI is used as the reference index in some government debt, the consent of the Chancellor of the Exchequer is needed for this change if it is made before 2030.</p> <p>The Chancellor announced that while he sees the statistical arguments of UKSA's intended approach to reform, in order to minimise the impact of reform on the holders of index-linked gilts, he will be unable to offer his consent to the implementation of such a proposal before the maturity of the final specific index-linked gilt in 2030.</p> <p>Click here for the full response.</p>	<p>Response published</p>	Amber

Real estate, planning and construction (continued)

Looking back

Issues	Status	Key Timing	Impact
Coronavirus COVID-19 temporary statutory interventions for Real Estate	<ul style="list-style-type: none"> Landlords cannot forfeit for non-payment of rent until 31 December 2021 (with a wide interpretation given to rent to include such items as service charge and insurance) Use of the Commercial Rent Arrears Recovery procedure will only be permitted where there is at least 189 days worth of outstanding rent Prohibition on the winding up of a company based on deemed insolvency following the failure to comply with a statutory demand served during a period commencing on 1 March. The end date for the period is currently set at 31 March 2021. Residential mortgage holidays of 3 months for both owner occupied and buy to let owners 	Ongoing	Red
New RICS Code for leasing business premises published as a professional statement Affects: Property owners, managers and investors	Following a consultation early last year, The Royal Institution of Chartered Surveyors (RICS) has published the Code for Leasing Business Premises in England and Wales (2019) which, as a professional statement, might impact on how commercial leases are drafted to represent both landlords and tenants. See: Code for Leasing Business Premises	1 September 2020	Amber
Sprinklers in new high-rise residential buildings: consultation	Government in its response to the consultation has confirmed that the sprinkler requirements will now apply to blocks of flats over 11m. The change in guidance will come into force on 26 November 2020 and will apply to any buildings undertaking building works unless the building works have started on site or an initial notice, building notice or full plans has been deposited by 26 November 2020 and work has started on site by 29 January 2021. Retrofitting of sprinklers in existing buildings would require further consideration. See: Government Response: Sprinklers and Other Fire Safety Measures in New High-Rise Blocks of Flats	26 November 2020	Red



TaylorWessing

| 5 | Tax

UK REIT Horizon Scanner Q1 2021

Tax

Key developments in Q4 2020

- The government confirmed that it intends to conduct a comprehensive review of UK REITs rules as part of its wider review of the UK's funds regime, and is also consulting on targeted changes to the regime

Issues	Status	Key Timing	Impact
<p>Consultation on targeted changes to UK REITs rules and upcoming comprehensive review of regime</p> <p>Affects: UK REITs</p>	<p>In the Spring 2020 Budget, the government announced a review of the UK funds regime to ensure its ongoing competitiveness and sustainability.</p> <p>As part of this review, the government launched a consultation on the tax treatment of asset-holding companies (AHCs) in alternative fund structures. This consultation also explored the possibility of expanding the UK REITs regime to facilitate easier access to REIT status for AHCs.</p> <p>On 15 December 2020, the government published a response and second stage consultation which considers targeted changes to the REITs regime to make the UK a more competitive location for holding real estate assets. In particular:</p> <ul style="list-style-type: none">▪ relaxing the requirement for a REIT to be listed or traded on a recognised stock exchange if institutional investors in a REIT are themselves widely held e.g. by requiring a minimum percentage holding by widely-held institutional investors▪ amending the close company test that applies to REITs▪ relaxing the holders of excessive rights rule so that it applies only to distributions if withholding would be required▪ considering how the balance of business test can be reformed to provide greater certainty. <p>The government also confirmed that a comprehensive review of the REITs rules is intended to form part of the wider funds review.</p>	<p>Second stage consultation closes on 23 February 2021</p>	<p>Amber</p>

Tax (continued)

Issues	Status	Key Timing	Impact
Stamp Duty Land Tax (Temporary Relief) Act 2020 Affects: all purchasers of residential property	The Stamp Duty Land Tax (Temporary Relief) Act 2020 introduces a temporary increase in the SDLT nil-rate band from £125,000 to £500,000 for residential property transactions with an effective date on or after 8 July 2020 but before 1 April 2021. The 3% higher rate surcharge continues to apply.	Temporary increase in SDLT nil-rate band ends on 31 March 2021	Amber

Tax (continued)

Looking back

Issues	Status	Key Timing	Impact
Extension of UK corporation tax to non-UK resident companies with UK property income Affects: (among others) non-resident companies receiving PIDs	With effect from 6 April 2020, Offshore Propcos were brought within the charge to UK corporation tax (rather than income tax) on their UK property income. See: Taylor Wessing briefing	April 2020	Red
Introduction of a new capital allowance for non-residential structures and buildings Affects: investors in REITs developing and constructing new commercial structures and buildings	The rate of Structures and Buildings Allowance increased to 3% from 1 April 2020 (for businesses within corporation tax) or 6 April 2020 (for those within income tax). 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.	April 2020	Red



TaylorWessing

| 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.

Key contacts



William Belcher

Partner, London
Private Capital and Corporate Finance

+44 (0) 20 7300 4221
w.belcher@taylorwessing.com



Alan Evans

Partner, London
Real Estate

+44 (0) 20 7300 4637
a.evans@taylorwessing.com



Charlotte Hill

Partner, London
Financial Services

+44 (0) 20 7300 7011
c.hill@taylorwessing.com



Peter Jackson

Partner, London
Tax

+44 (0) 20 7300 4721
p.jackson@taylorwessing.com



Mark Rajbenbach

Partner, London
Real Estate

+44 (0) 20 7300 4121
m.rajbenbach@taylorwessing.com

1000+ lawyers **300+** partners **28** offices **16** jurisdictions

Austria	Klagenfurt Vienna
Belgium	Brussels
China	Beijing Hong Kong Shanghai
Czech Republic	Brno Prague
France	Paris
Germany	Berlin Düsseldorf Frankfurt Hamburg Munich
Hungary	Budapest
Netherlands	Amsterdam Eindhoven
Poland	Warsaw
Slovakia	Bratislava
South Korea	Seoul*
UAE	Dubai
Ukraine	Kyiv
United Kingdom	Cambridge Liverpool London London TechFocus
USA	New York Silicon Valley

* In association with DR & AJU LLC

© Taylor Wessing LLP 2020

This publication is not intended to constitute legal advice. Taylor Wessing entities operate under one brand but are legally distinct, either being or affiliated to a member of Taylor Wessing Verein. Taylor Wessing Verein does not itself provide services. Further information can be found on our regulatory page at:

www.taylorwessing.com

TaylorWessing