



TaylorWessing

UK REIT Horizon Scanner Q4 2020

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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 EU law).

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

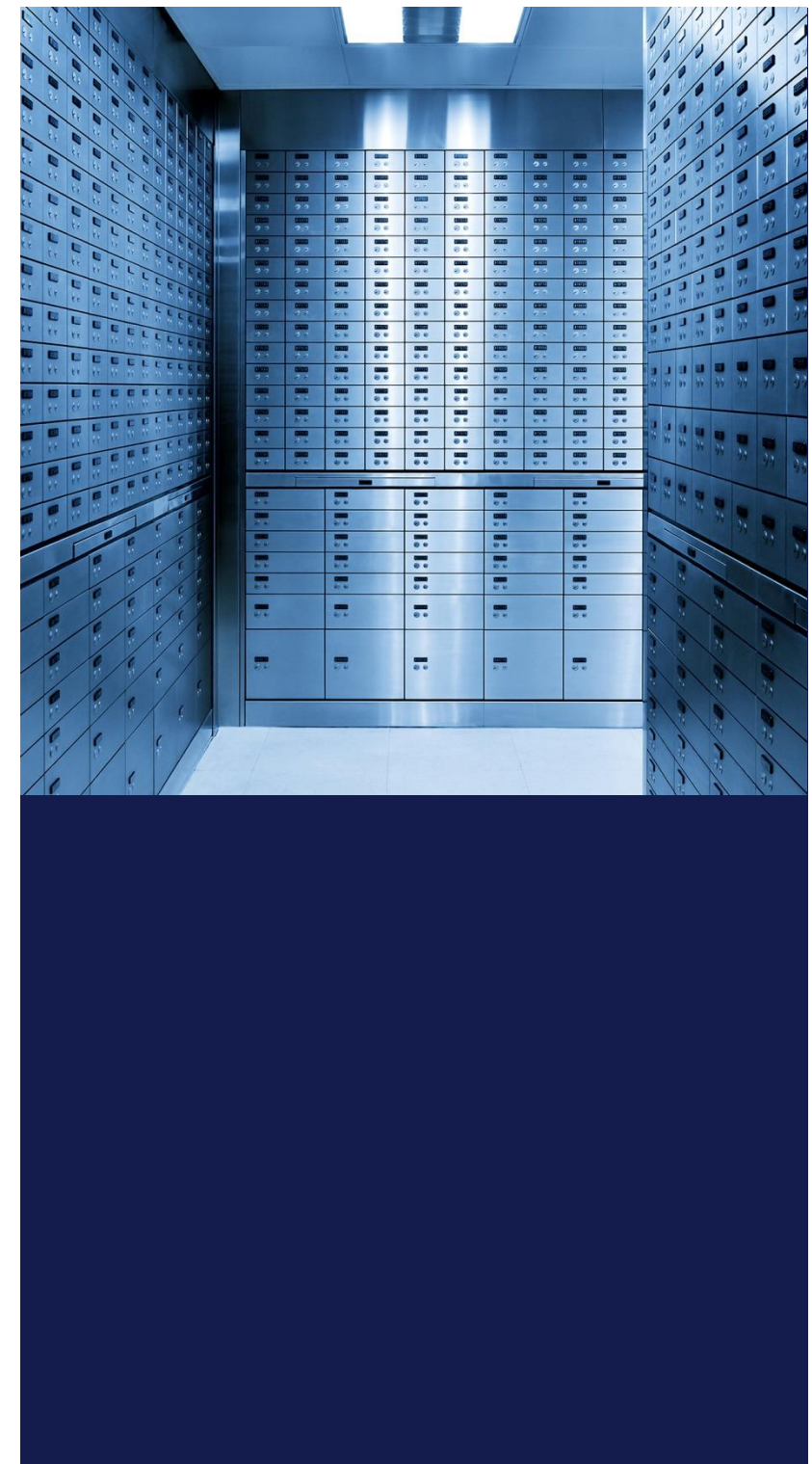
Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment²)

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

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¹ We have set out below the proposed tax changes that are likely to directly and materially impact REITs. We have not sought to cover changes of more general application, which may also impact REITs.

² 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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UK REIT Horizon Scanner Q4 2020

Equity capital markets

Key developments in Q3 2020

- The FCA published several instruments and guidance for the end of the transition period, and the FCA Handbook showing rules that will apply on IP completion day
- The EC adopted a proposal to amend the Prospectus Regulation in light of COVID-19, including a temporary short-form prospectus (EU Recovery prospectus)
- The Pre-Emption Group extended its April statement to 30 November 2020 (supporting issuances of up to 20% of issued share capital on a temporary basis)
- The FCA proposed delaying the requirements for European Single Electronic Format reporting so that issuers can focus on COVID-19 priorities
- Two regulations came into force which make changes to the Prospectus Regulation regime, relating to reduced disclosure rules and to the EU Growth prospectus
- ESMA published two final reports (1) following its review of MAR and (2) concerning the guidelines on disclosure requirements under the new Prospectus Regulation

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: all listed companies	<p>A number of statutory instruments and policy notes have been published which, under the European Union (Withdrawal Agreement) Act 2020, will take effect at 11pm on 31 December 2020 ('IP completion day'). They replicate, so far as possible, the current effects of the prospectus regime, transparency rules and listing rules and make a number of changes, including:</p> <ul style="list-style-type: none">▪ The FCA will need to approve prospectuses for use in the UK even where approved by a competent authority of an EEA member state. Prospectuses passported into the UK before IP completion day may be used in the UK until their validity expires.▪ Existing equivalence decisions on presentation of historical financial information in prospectuses will be domesticated into UK legislation.▪ HM Treasury has the power to issue equivalence decisions, and has done so in preparation for IP completion day, determining that EU-adopted IFRS can continue to be used to prepare financial statements for transparency requirements and to prepare a prospectus. <p>As things currently stand, FCA approved prospectuses could not be passported into the EU/ EEA, so approval by a relevant competent authority would be required for offers into those countries if applicable exemptions were not available.</p>	IP completion day	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
Brexit: FCA Handbook and technical standards Affects: listed companies	<p>The FCA Handbook Exit Instrument sets out, among other things, changes to the Listing Rules in the event of a 'no deal' and will come into force on IP completion day.</p> <ul style="list-style-type: none"> The changes are those necessary to ensure the Handbook is functional after Brexit and reflect any governmental legislative changes. Proposals impact the Prospectus Regulation Rules, Listing Rules, DTRs and MAR regime and mainly update references to EU legislation, UK law which relates or refers to the EU, EU institutions and concepts, and the EEA. <p>Various proposals for further minor amendments to the FCA Handbook have been made. In the last quarter, on 1 October 2020, the FCA published a number of final instruments for the end of the transition period in Handbook Notice No 80, together with updated guidance: Brexit: our approach to EU non-legislative materials, Brexit: our approach to non-Handbook guidance where it relates to EU-law or EU-derived law and Interpretative guide on completing our forms after the UK's withdrawal from the EU and new guidance Key requirements of firms for compliance by the end of 2020. It also announced publication of an updated version of the FCA Handbook showing the rules that will apply on IP completion day.</p>	IP completion day	Amber
Brexit: LSE rulebooks Affects listed companies	<p>In 2019, the LSE published proposed changes to its Primary Markets Rulebooks, to reflect the new legal and regulatory framework which will apply in a 'no deal' scenario and largely relate to glossary terms. They follow government changes proposed under the European Union (Withdrawal) Act 2018 and relate to admission and disclosure standards and AIM Rules.</p> <p>In the event of a 'no deal', the proposed AIM Rules changes are likely to still be relevant but subject to an updated market notice.</p>	IP completion day	Amber
COVID-19: EC proposal to amend Prospectus Regulation	<p>On 24 July 2020, the EC adopted a legislative proposal to amend the Prospectus Regulation to help companies affected by COVID-19. Proposals include:</p> <ul style="list-style-type: none"> A simplified short-form prospectus (EU Recovery prospectus) for secondary issues by issuers already admitted to trading on a regulated market or SME growth market for a continuous period of at least 18 months – it would expire 18 months after Regulation amendment. Increase from two to three days the deadline by when investors must exercise withdrawal rights when a supplementary prospectus is published. For securities purchased or subscribed through a financial intermediary, extend to one working day (rather than same day) the time during which financial intermediaries must contact investors about publication of a supplementary prospectus. Temporarily increase the prospectus exemption threshold for certain non-equity securities issued in a continuous or repeated manner by a credit institution, from EUR 75m to EUR 150m, for 18 months after Regulation amendment. <p>The draft amending Regulation is now with the European Parliament and Council.</p>	During the pandemic	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
COVID-19: thresholds for new issues Affects: listed companies	<p>On 4 September 2020, the Pre-Emption Group <u>extended</u> its April <u>statement</u> to 30 November 2020 (recommending that investors, case-by-case, consider supporting issuances by companies of up to 20% of their issued share capital on a temporary basis). It expects that from 1 December 2020, companies will revert to seeking approvals for a maximum of 10% (5% for general corporate purposes and an additional 5% for specified acquisitions or investments). The PEG also stated that it will encourage parties to review market mechanisms for capital raisings, and will gather views on the process of issuing shares and possible changes to make the market more effective and competitive.</p> <p>The AIC published a paper analysing disapplication of pre-emption rights since the PEG guidelines were temporarily relaxed, available to members under 'Recent updates' of the COVID-19 centre.</p>	30 November 2020	Green
COVID-19: European Single Electronic Format (ESEF) reporting Affects: Main Market and Specialist Funds Segment	<p>The Transparency Directive requires that all annual reports for companies on EU regulated markets be in single electronic reporting format, for financial years beginning on or after 1 January 2020. XHTML is required, an electronic language enabling document tagging so it can be machine read whilst easily readable by a person. The Commission <u>delegated regulation</u> adopting the regulatory technical standards sets out specific items in the annual report that must be tagged. DTR 4.1.14R was updated to implement the ESEF requirement. The AIC published a guidance note on the ESEF available to members.</p> <p>In June 2020, BEIS <u>confirmed</u> that when directors consider whether to approve annual reports as being prepared in accordance with the Companies Act 2006, there is no requirement for them to consider ESEF tagging in particular in relation to whether they are 'true and fair'.</p> <p>In July and August 2020, the FCA consulted (<u>CP 20/12</u>) on delaying 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). This is so issuers can focus on COVID-19 priorities (although earlier voluntary adoption of the requirements is possible). The proposals are contingent on the Brexit implementation period ending at the end of 2020.</p>	Financial years beginning on or after 1 January 2021?	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
ESG: FCA consultation on climate-related disclosures Affects: UK premium listed companies	<p>A response is awaited on the March 2020 FCA consultation (CP20/3) on enhancing climate-related disclosures by issuers and clarifying ESG disclosure obligations. The proposals would apply to accounting periods beginning on or after 1 January 2021 and include:</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 Task Force on Climate-related Financial Disclosures' (TCFD) recommendations, if not (or the disclosures are in a different document) why not, and where the disclosures can be found. • 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>Financial services firms with a premium listing are within scope in their capacity as issuer not a regulated firm. This is particularly relevant to asset managers as supplementary TCFD guidance sets certain expectations regarding disclosures to clients. The FCA is considering how best to enhance climate-regulated disclosures by asset managers and other regulated firms.</p>	1 January 2021	Amber
ESG: Non-Financial Reporting Directive Affects: Large public interest entities with +500 employees and companies choosing to include non-financial statements in strategic report	<p>An update is awaited on the EC's February-June 2020 consultation on possible revisions to the Non-Financial Reporting Directive (NFRD), including a common standard for non-financial information incorporating standards such as the TCFD recommendations. It follows concerns around inadequate public information about how non-financial issues impact companies, how companies impact society and the environment, and the incurring of unnecessary and avoidable costs by reporting companies. Indications are that the planned adoption date for review of the NFRD has moved to Q1 2021 (after the end of the Brexit implementation period).</p>	Q1 2021	Green
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 in the event of insufficient progress.</p>	2021 and 2024	Amber
ESG: FRC consultation on climate change reporting Affects: UK premium listed companies	<p>An update is awaited on the FRC's review (announced in February 2020) of how companies assess and report on climate change, to consider how the quality of information can be improved to support informed decision-making by investors and other stakeholders. It will include a sample of company reports and accounts to assess compliance with climate change reporting requirements and a review of disclosures under the UK Corporate Governance Code.</p>	Ongoing	Green

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
Prospectus Regulation: Commission delegated regulations in force Affects: companies listed on a regulated market and those making public offers	On 17 September 2020, two regulations came into force which amend and correct the Prospectus Delegated Regulation (EU) 2019/980 and Prospectus TS Regulation (EU) 2017/979 , which both supplement the Prospectus Regulation. Some correcting provisions apply retrospectively from 21 July 2019. Key changes relate to prospectus format, content, scrutiny and approval: <ul style="list-style-type: none"> • issuers of certain types of convertible, exchangeable and derivative securities should be subject to the reduced disclosure rules for non-equity securities; and • placeholders for additional information about underlying shares, derivative securities and consent to use the prospectus (if applicable) to be inserted in the EU Growth prospectus (and other changes relating to the EU Growth prospectus). 	17 September 2020	Amber
Prospectuses: guidelines on disclosure requirements Affects: companies listed on a regulated market and those making public offers	On 15 July 2020, ESMA published its final report on the guidelines on disclosure requirements under the new Prospectus Regulation. Respondents were satisfied with ESMA's proposal to update existing recommendations on a comply-or-explain basis, with recommendations becoming guidelines. The final guidelines differ from the consultation draft; among other things: <ul style="list-style-type: none"> • Draft guideline 13 stated that those responsible for a prospectus should ensure comparability between restated financial statements and previous financial statements. New guideline 14 states that there should be applied to restated historical financial information the accounting framework to be adopted in the next published financial statements. • New guidance on when an issuer may (and may not) provide a clean working capital statement, under guideline 33. • ESMA has decided not to require trade payables and receivables to be included in an indebtedness statement (draft guideline 39). Non-current trade and other payables must be included. Issuers should involve financial reporting experts to ensure that financial information in the prospectus meets requirements of the guidelines and new Prospectus Regulation. The final guidelines will become effective two months after publication on ESMA's website.	Q4 2020 or later	Green
Prospectus Regulation: supplemental regulation on 'exemption document' Affects: all companies offering consideration securities on a takeover	Results of the EC's June 2020 consultation on a draft regulation supplementing the Prospectus Regulation concerning minimum information contents of exemption documents (documents published for a prospectus exemption in connection with a takeover via exchange offer, merger or division), are awaited. <ul style="list-style-type: none"> ▪ Among other things, the document must contain relevant information necessary to enable investors to understand the issuer's prospects and, depending on transaction type, those of the offeree, target or company being divided, and significant changes in the business and financial position of those companies since the previous financial year. ▪ There are reduced disclosure requirements if the equity securities offered are to be admitted to trading on a regulated market and are fungible with and represent no more than 10% of equity securities already admitted to trading on the same regulated market. 	Ongoing	Green

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
Prospectus Regulation: updated technical and procedural notes	On 19 August 2020, in its 30th Primary Market Bulletin , the FCA published 10 updated technical and procedural notes amended to reflect the Prospectus Regulation, relating to supplementary prospectuses, final terms, significant change statements, choice of home member state, block listings, passporting, review and approval of documents, current trading and trend information, directors' and management disclosures in share prospectuses and prospectus exemptions.	Ongoing	Green
Shareholder Rights Affects: companies listed on the Official List (premium and standard segments), Specialist Fund Segment or High Growth Segment	<p>The Shareholder Rights Implementing Regulation (EU) 2018/1212 applied with direct effect from 3 September 2020 and lays down minimum requirements as regards shareholder identification, transmission of information and facilitation of the exercise of shareholders rights for the purpose of the Directive amending the Shareholder Rights Directive (EU) 2017/828 ('SRD II'). Measures include:</p> <ul style="list-style-type: none"> Information provided by issuers to intermediaries (and along any chain to shareholders) to be in a format allowing processing in electronic and machine-readable formats. Information must be in the language in which the issuer publishes its financial information and in a language customary in international finance (unless not justified given the issuer's shareholders). Issuers and intermediaries must implement technical and organisational measures to ensure security, integrity and authentication of information originated by the issuer or a third party initiating a corporate event when sending information to intermediaries, shareholders (or nominees), and to the issuer (or its nominee). <p>On 3 September 2020, the Companies (Shareholders' Rights to Voting Confirmations) Regulations 2020 came into force. They transpose certain provisions of SRD II into UK law, as new provisions in the Companies Act 2006:</p> <ul style="list-style-type: none"> A traded company obligation to provide confirmation of receipt of votes cast on a poll electronically as soon as reasonably practicable (s360AA). A shareholder right to request information from the company in order to determine whether their vote was validly recorded and counted (s360BA). 	September 2020	Amber
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 regulatory gateway is proposed that authorised firms must pass through before they can approve financial promotions of unauthorised firms, and they would first need FCA consent to do so. The consultation closes on 25 October 2020.	Ongoing	Green

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
ESMA market abuse consultation Affects: listed companies	<p>On 24 September 2020, ESMA published its final report following its 2019 review of MAR. Examples of proposed amendments and additional guidance include:</p> <ul style="list-style-type: none"> • further guidance on applying the definition of inside information and on when disclosure may be delayed; • simplified procedures and requirements for market soundings; • further clarification about insider lists and a reduction in the administrative burden they entail; • further exemptions to the restriction from conducting transactions in the closed period for managers' transactions; and • changes to buy-back transactions. <p>While the UK is part of the EU, any amendments to MAR would need to be made through EU legislation. Given the likely timescale required to implement any such amendments and the end of the Brexit implementation period on 31 December 2020, it is likely that those amendments will not form part of UK law and it would be up to the UK to decide whether to make similar amendments in due course.</p>	Ongoing	Amber
Related party transactions: proposed new guidance Affects: premium listed companies	<p>On 19 August 2020, the FCA's 30th Primary Market Bulletin outlined that the new technical note, 'Class testing changes to an investment management agreement where there are unquantifiable benefits' (first proposed in its 2019 consultation) will be combined with the substantive content in its existing technical note on alterations to investment management fees, so as to address both quantifiable and unquantifiable benefits. The idea is to clarify its approach where the benefit of the transaction is unclear and class tests difficult to apply.</p>	Ongoing	Amber
Corporate governance consultations Affects: UK 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
ESMA consultation on short-term pressure on corporations Affects: large companies	<p>An update is awaited on ESMA's 2019 report on short-term pressure on corporations in securities markets. Recommendations included measures around ESG disclosures and institutional investor engagement. The EC is deciding whether to initiate necessary legislative changes.</p>	Ongoing	Amber
Executive pay and short-termism research Affects: listed companies	<p>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.</p>	Ongoing	Green



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| 2 | General corporate

UK REIT Horizon Scanner Q4 2020

General corporate

Key developments in Q3 2020

- New regulations came into force which extend a number of temporary measures under the Corporate Governance and Insolvency Act 2020 (CIGA)
- The Chartered Governance Institute published further guidance on shareholder meetings under CIGA
- The AIC updated its COVID-19 guidance notes on dividends and making distributions from capital reserves
- The government responded to the consultation on enhancing Companies House and increasing transparency of UK corporate entities.
- The government responded to BEIS Committee's recommendations following the Thomas Cook inquiry. In particular, the commitment to audit reform was reiterated

Issues	Status	Key Timing	Impact
Brexit: general legislation Affects: general	During the implementation period, until 31 December 2020, the UK remains in substantially the same position as regards EU law as if it were a member state but without participation in EU institutions. Agreement on a future relationship needs to be in place by then to avoid a 'no deal' type scenario. The potential implications of Brexit at the end of the implementation period are currently beyond the scope of this horizon scanner, except for the temporary permissions regime for financial services firms (and potential lack of reciprocity from the EU on a 'no deal' Brexit) in 'Financial regulatory' below, and conforming rule changes and cessation of prospectus passporting in 'Equity capital markets' above.	Key impact 31 December 2020 or later	Amber
Brexit: Companies House forms Affects: all UK 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

General corporate (continued)

Issues	Status	Key Timing	Impact
COVID-19: The Corporate Insolvency and Governance Act Affects: all companies	<p>The Corporate Insolvency and Governance Act 2020 (Coronavirus) (Extension of the Relevant Period) Regulations 2020 (in force on 29 September 2020) and the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Early Termination of Certain Temporary Provisions) Regulations 2020 (in force on 1 October 2020) extend a number of temporary measures included in the Corporate Governance and Insolvency Act 2020 (CIGA). In particular:</p> <ul style="list-style-type: none"> AGMs (and other general meetings) can continue to be held electronically until 30 December 2020; statutory demands and winding-up petitions are restricted until 31 December 2020; and accessing the new moratorium procedure is now easier, and the temporary moratorium rules are extended until 30 March 2021. 	Up to 30 December 2020 (currently)	Amber
COVID-19: Companies House strike off policy Affects: all companies	On 10 August 2020, Companies House announced that its temporary COVID-19 response measure to suspend compulsory strike off action will be lifted from 10 October 2020.	10 October 2020	Green
COVID-19: Companies House emergency filings Affects: all companies	On 6 July 2020, Companies House expanded its emergency filing service to include forms for Scottish limited partnerships and qualifying partnerships, resolutions and articles of association in relation to a change of constitution, and insolvency forms.	During the pandemic	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
COVID-19: FRC statements and guidance Affects: all companies	On 2 July 2020, the FRC published a review of auditors' policies and procedures on going concern in light of COVID-19. The FRC plans to review completed audits to see how the policies and procedure were applied in practice later in 2020.	Ongoing	Green
COVID-19: AIC guidance	In July 2020, the AIC updated its COVID-19 guidance 'Informing investors about dividends: overview of regulated announcements since COVID-19 economic shock' and 'Making distributions from capital reserves: technical considerations for UK investment companies for its members'. The guidance is available to AIC members in the 'COVID-19 centre' of the AIC's website.	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>	2021	Amber
Narrative reporting Affects: all companies other than 'small companies'	<p>On 2 July 2019, BEIS published the Green Finance Strategy which, among other things, includes an expectation that all listed companies and large asset owners disclose in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations by 2022. See also 'Equity Capital Markets' above.</p>	Ongoing	Green
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. 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>	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
Late payment: government response to call for evidence Affects: large companies	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).	Ongoing	Green
Corporate transparency - Companies House reform Affects: UK companies	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): <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
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 transitional steps before the Kingman recommendations come into effect.</p>	Ongoing	Amber



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| 3 | Financial regulatory

UK REIT Horizon Scanner Q4 2020

Financial regulatory

Key developments in Q3 2020

- ESMA highlights areas of improvement required in AIFMD
- Joint Committee of ESAs reviews PRIIPs Delegated Regulation
- HM Treasury Policy Statement on changes to retained EU law version of PRIIPs Regulation
- Climate Financial Risk Forum publishes guide to climate-related financial risks
- FMLC responds to ESAs' consultation on RTS on ESG disclosures under Disclosure Regulation

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>	Q4 2020	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
Joint Committee of ESAs reviews PRIIPs Delegated Regulation Affects: REITs, REIT managers	<p>In a letter dated 20 July 2020, the Joint Committee of the three European Supervisory Authorities (ESAs) wrote to the Commission setting out the results of the ESAs' review of proposed changes to Commission Delegated Regulation 2017/653 on key information documents (KIDs) for PRIIPs.</p> <p>In October 2019, the ESAs published a consultation paper on draft regulatory technical standards (RTS), which contained proposed amendments to the technical rules governing the presentation, content, review and revision of KIDs. It then submitted a draft final report (dated 30 June 2020) (which is annexed to the letter) to the boards of the ESAs for their adoption.</p> <p>The draft RTS were approved by the EBA and ESMA boards on the basis of qualified majority voting. However, a qualified majority vote was not obtained at the EIOPA board despite a number of members agreeing with the draft RTS. Those objecting to the draft RTS considered that it was not appropriate to review the Delegated Regulation prior to the scheduled wholesale review of the PRIIPs Regulation. Section 4 of the report summarises the feedback given to the consultation paper and how the ESAs intend to move forward. Although Section 5 contains amendments to the Delegated Regulation, as the draft RTS was not approved by all three ESAs, the ESAs cannot formally submit the RTS to the Commission.</p>	Q4	Amber
HM Treasury Policy Statement on changes to retained EU law version of the PRIIPs Regulation Affects: REITs, REIT managers	<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. ▪ 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>HMT intends to legislate for these amendments when parliamentary time allows.</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	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
Impact of COVID-19 on SMCR Affects: All REIT managers and investment advisers	<p>The FCA published a web page on 3 April 2020 setting out its expectations for solo-regulated firms relating to obligations under the Senior Managers and Certification Regime (SMCR). The regulator is acutely aware that firms impacted by the COVID-19 crisis will need to keep their governance arrangements under review and adjust them as appropriate. Where possible it intends to provide firms with flexibility in how they comply with the SMCR. For example, the 12-week rule (which allows an individual to cover for a Senior Manager without being approved) can be extended to 36 weeks on application to the FCA, where an extended temporary arrangement is required because of the COVID-19 crisis. A summary of the FCA's expectations can be found here.</p> <p>The FCA has also provided information on the role of Senior Managers in identifying and monitoring key workers in financial services.</p> <p>On 30 June 2020, the FCA announced that HM Treasury has agreed to delay the SMCR certification deadline for solo-regulated firms to 31 March 2021 (from 9 December 2020). To ensure SMCR deadlines remain consistent, the FCA has consulted on extending the deadlines for application of the Conduct Rules and the submission of information about Directory Persons to the Register to 31 March 2021.</p>	Q4	Amber
EU Commission review of AIFMD Affects: REITs and REIT managers	<p>On 10 June 2020, the European Commission provided the European Parliament and the Council of the EU with its report on the application and scope of the Alternative Investment Fund Managers Directive (2011/61/EU) (AIFMD) on Alternative Investment Fund Managers (AIFMs). The report is generally positive in its assessment of AIFMD but highlights some challenges with the effectiveness of the EU AIFM passport and national private placement regimes, as well as issues relating to AIFMD valuation rules. Further details on the conclusions reached in the report are contained in a Staff working document, which is available on request from the Commission.</p> <p>The Commission intends to consult on AIFMD in Q4 2020.</p>	Q4 2020	Amber

Financial regulatory (continued)

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

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>ESG – FMLC responds to ESAs' consultation on RTS on ESG disclosures under Disclosure Regulation</p> <p>Affects: 'financial market participants' (including AIFMs and investment firms providing portfolio management) and certain financial advisers</p>	<p>On 2 September 2020, the Financial Markets Law Committee (FMLC) published its response to the Joint Committee of the ESAs' consultation on RTS on ESG disclosures under the Disclosure Regulation. The FMLC notes that the international standards on sustainability-related disclosure requirements are not harmonised. This leads to uncertainty on reporting requirements for firms undertaking cross-border activities. The FMLC observes that the absence of a common global reporting standard for non-financial information results in different, sometimes conflicting, requirements for information from a range of stakeholders. Because the Disclosure Regulation will add a further layer of disclosure requirements, greater global convergence on reporting requirements is desirable. The FMLC reiterates an earlier recommendation that further work is done in bilateral and multilateral forums to align EU and, at least, US standards on sustainable finance.</p> <p>The FMLC also points out that the different disclosure obligations under the Disclosure Regulation, the Non-Financial Reporting Directive and the Taxonomy Regulation will exacerbate the current inconsistencies. It provides examples of these differences in an Appendix. The Appendix also includes examples of where the draft RTS diverges in certain areas from the Taxonomy Regulation, which it notes will create uncertainty.</p> <p>Finally, the FMLC draws attention to the requirements in existing EU regimes, including under the PRIIPs Regulation, the AIFMD, and MiFID II. It considers that there is a risk that a new mandatory disclosure under the Disclosure Regulation will cause confusion and overlap. It concludes, therefore, by urging the ESAs to ensure that the RTS are aligned closely to the objectives contained in the Disclosure Regulation.</p>	Ongoing	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
ESG – Disclosure Regulation Affects: 'financial market participants' (including AIFMs and investment firms providing portfolio management) and certain financial advisers	<p>The Disclosure Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector entered into force on 29 December 2019. It is a key part of the Commission's reforms on sustainable finance alongside the Taxonomy Regulation and the Low Carbon Benchmark Regulation.</p> <p>The Disclosure Regulation imposes new transparency and disclosure requirements on 'financial market participants' (which includes AIFMs and investment firms providing portfolio management) and certain financial advisers, There are requirements on:</p> <ul style="list-style-type: none"> ▪ Website disclosures, including policies about the integration of sustainability risks in the investment decision-making process (for financial market participants) or the integration of sustainability risks in investment or insurance advice (for financial advisers). ▪ Information that must be provided to investors as part of pre-contractual disclosures. ▪ Periodic reporting to investors. <p>Most provisions will apply from 10 March 2021. Some provisions relating to periodic reporting will apply from 1 January 2022. Some provisions, relating to secondary regulation to be written by the European Supervisory Authorities, applied immediately from 29 December 2019.</p> <p>While the key provisions will start to apply after the end of the Brexit implementation period, this legislation is due to be 'onshored'. The Financial Services (Miscellaneous Amendments) (EU Exit) Regulations 2020, made on 29 June 2020, confirm that several provisions of the Disclosure Regulation are omitted from the UK regime. These omissions relate to technical standards, to ensure that the UK regime works.</p> <p>On 23 April 2020, the Joint Committee of the European Supervisory Authorities published a consultation paper (JC 2020 16) on proposed regulatory technical standards on content, methodologies and presentation of disclosures under the Disclosure Regulation. The consultation closes on 30 September 2020.</p> <p>The AIC has published a guidance note on the Disclosure Regulation and the emerging ESG regulatory obligations.</p>	March 2021 and January 2022	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
ESG – Taxonomy Regulation Affects: Companies on a regulated market with +500 employees; and 'financial market participants', including AIFMs and investment firms providing portfolio management	<p>The Taxonomy Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment was passed on 17 June 2020. It was published in the Official Journal on 22 June 2020 and takes effect on 12 July 2020. The Regulation is part of the European Commission's package of reforms relating to sustainable finance, with the Disclosure Regulation and Low Carbon Benchmark Regulation.</p> <p>The Taxonomy Regulation establishes an EU-wide classification system (the world's first-ever 'green list') intended to provide firms and investors with a common framework for use when investing in projects and economic activities with a substantial positive impact on the climate and the environment, helping to identify to what degree economic activities can be considered to be 'environmentally sustainable'.</p> <p>Companies who are required to publish a non-financial statement under the Non-Financial Reporting Directive will be required to include additional information in their non-financial statement on how and to what extent their activities are associated with environmentally sustainable economic activities.</p> <p>The Taxonomy Regulation also makes amendments to the Disclosure Regulation, adding further detail to some of the disclosure requirements.</p> <p>Climate mitigation requirements apply from 1 January 2022. Other requirements apply from 1 January 2023.</p> <p>The Commission is due to adopt delegated legislation containing technical screening criteria ('TSC') on climate mitigation and adaptation by 31 December 2020 (with a view to that applying from 1 January 2022), and on other objectives by 31 December 2021 (with a view to that applying from 1 January 2023). The TSC will be far more granular than the Taxonomy Regulation itself.</p> <p>While the Regulation starts to apply after the end of the Brexit implementation period, this legislation is due to be 'onshored'. However, the Treasury has indicated that it cannot comment on the delegated legislation (including the TSC) and the extent to which the UK will onshore this, as the delegated legislation has not yet all been published by the European Commission.</p>	January 2022 and January 2023	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>ESG – Low Carbon Benchmarks Regulation</p> <p>Affects: Benchmark administrators and indirectly those wishing to use ESG benchmarks or indices</p>	<p>The Low Carbon Benchmarks Regulation came into force on 10 December 2019, amending the Benchmark Regulation by introducing a regulatory framework of minimum requirements for two new categories of benchmark:</p> <ol style="list-style-type: none"> 1. EU Climate Transition Benchmark - a benchmark where the underlying assets are selected, weighted or excluded in a way that the resulting benchmark portfolio is on a decarbonisation trajectory. 2. EU Paris-aligned Benchmark - a benchmark where the underlying assets are selected, weighted or excluded in a way that the resulting benchmark portfolio's carbon emissions are aligned with the objectives of the Paris Agreement 2015. <p>The Benchmark Regulation has already been 'onshored' into the UK with amendments by the Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (SI2019/657). The Financial Services (Miscellaneous Amendments) (EU Exit) Regulations 2020, made on 29 June 2020, amend that UK benchmark regime by inserting definitions of UK Climate Transition Benchmarks and UK Paris-aligned Benchmarks into the UK benchmark regime and transferring some functions from EU bodies to HM Treasury and the FCA.</p> <p>On 9 April 2020, the European Commission published three Delegated Regulations for consultation until 6 May 2020, relating to minimum standards:</p> <ul style="list-style-type: none"> • ESG disclosure requirements in relation to the benchmark statement. • ESG disclosure requirements in relation to the benchmark methodology. • The minimum requirements for a benchmark to be labelled a Climate Transition Benchmark or a Paris-aligned Benchmark and transparency requirements for these benchmarks' methodology. <p>The three Regulations were adopted on 17 July 2020. The next step will be for the Council of the EU and the European Parliament to consider the Delegated Regulations. If neither the Council nor the Parliament object to the Delegated Regulations, they will be published in the Official Journal. The Delegated Regulations will enter into force and apply 20 days after publication in the Official Journal.</p>	Ongoing	Green

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>New prudential framework for MiFID investment firms</p> <p>Affects: REIT managers that are collective portfolio management investment firms, REIT advisers that are MiFID investment firms</p>	<p>On 23 June 2020, the FCA published a discussion paper setting out its initial views and technical details on the prudential framework for MiFID investment firms. The approach taken in the paper is to describe the key elements of the prudential regime under the Investment Firm Directive (Directive (EU) 2019/2034) and the Investment Firm Regulation (Regulation (EU) 2019/2033) (which were published last year) with an indication of how the FCA intends to apply the new regime in the UK. The FCA's discussion paper sits alongside the publication on the same day by HM Treasury of a policy statement on a Financial Services Bill, which will include a new prudential regime for investment firms as per the original statement by the Chancellor in the 11 March budget that the Government would legislate for such a regime.</p> <p>The FCA proposes that collective portfolio management investment firms (a category which includes firms that are authorised under AIFMD as full-scope AIFMs that in addition have permission to undertake discretionary client-by-client portfolio management and provide the services of investment advice, safe-keeping and administration in relation to shares or units of collective investment undertakings, and reception and transmission of orders in relation to financial instruments) are subject to the same prudential requirements for their additional 'MiFID business' as a MiFID investment would be for its MiFID business.</p> <p>In broad terms, the new regime proposed includes:</p> <ul style="list-style-type: none"> (a) increased own funds requirements (b) a K-factor requirement, which requires a sum for each activity that a firm undertakes and is intended to account for the potential harm that an investment firm can do to its clients. (c) a new category of MiFID investment firm called 'small and non-interconnected investment firms' (SNI) in the European legislation, which will be subject to a more proportionate regime and therefore less onerous prudential requirements. For example, they will not have to include the K-factor requirement in their own funds requirements but will need to consider it for relevant metrics. <p>The discussion paper notes that the FCA expects a majority of FCA-regulated investment firms would qualify as the equivalent of SNIs.</p> <p>The deadline for providing comments on the discussion paper has now closed. While the European regime will come into force on 26 June 2021, it is not clear that the UK's regime will be in place by then given the considerable amount of detail still outstanding.</p>	Ongoing	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
FCA Brexit page on implementation period Affects: All REITs, REIT managers and investment advisers operating on a cross-border basis	<p>The FCA published a web page on 20 December 2019 on the implications of the Brexit transition period, which commenced when the UK left the EU at the end of January 2020.</p> <p>During the implementation period, EU law will continue to apply until 31 December 2020.</p> <p>This means that passporting rights will lapse at 11pm on 31 December 2020. The ability for a firm to continue to conduct activities in the EU following 1 January 2021 will depend on the nature of the future relationship entered into between the UK and the EU by the end 2020 (which includes the real possibility of a "no-deal" outcome).</p> <p>Consequently UK firms conducting activities in the EU will need to anticipate a range of scenarios for the end of the transition period, including that the activities they conduct might not be covered by arrangements agreed between the UK and the EU. UK REIT managers may be able to make use of the National Private Placement Regime (NPPR) for third country AIFs managed by third country AIFMs (under Article 42 of the AIFMD) to market the REIT to professional investors in certain EU jurisdictions. However, this requires co-operation agreements to be in place between the UK and country in which marketing will take place and it is unclear whether these will be in place as at 1 January 2021. Not all jurisdictions have established such regimes and the NPPR in certain jurisdictions is particularly onerous. In addition, UK REIT managers and advisers will need to assess whether the activities they undertake in the EU trigger any local licensing requirements.</p>	1 January 2021	Red

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
ESG – disclosures Affects: investors and investment funds (amongst others)	<p>On 20 December 2019, the EU technical expert group on sustainable finance ('TEG') published a handbook on climate benchmarks and benchmarks' ESG disclosures. This follows the release of the TEG's September 2019 final report setting out its recommendations relating to the new climate benchmarks and ESG disclosure requirements.</p> <p>The handbook aims to answer frequently asked questions that have been asked of the TEG and covers, amongst other things, the reduction trajectory; terminology and related classifications; anti-greenwashing measures (to avoid all low-carbon indices being equally promoted as environmentally relevant, despite having different characteristics); and ESG disclosures.</p>	Ongoing	Green
ESG – taxonomy Affects: investors and investment funds (amongst others)	<p>On 9 March 2020 the TEG published its final report on the taxonomy for sustainable economic activities on, which sets out:</p> <ul style="list-style-type: none">▪ Recommendations on the overarching design of the taxonomy.▪ Guidance on the obligations for financial market participants and large companies under the taxonomy, including how they can make disclosures using the taxonomy.▪ Recommendations for the Platform on Sustainable Finance to be established under the Taxonomy Regulation. <p>The TEG has also published a technical annex, which contains an updated list of technical screening criteria for economic activities that can substantially contribute to climate change mitigation or adaptation, including an assessment of significant harm to other environmental objectives.</p>	Ongoing	Green



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| 4 | Real estate, planning and construction

Real estate, planning and construction

Key developments in Q3 2020

- Announced property use classes changes are subject to judicial review
- Government White Paper published – Planning for the Future

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 is currently subject to pre-legislative scrutiny; and the Fire Safety Bill is making its way through the House of Lords.</p> <p>The Building Safety Bill aims to introduce the new and improved regulatory regime for building safety and construction products, and to ensure that residents have a stronger voice in the system, taking forward the recommendations of Dame Judith Hackitt's review of building safety. The Bill's provisions will apply in England only.</p> <p>This Fire Safety Bill will seek to implement effective change and implement the relevant recommendations of Phase 1 of the Grenfell Tower Public Inquiry Report and make sure that building owners and managers of multi-occupied residential premises of any height are responsible for assessing the risks of external walls and fire doors. This Bill's provisions will apply to England only.</p> <p>See: Building a Safer Future Consultation Response Taylor Wessing Insight on New Regime</p>	Details awaited	Red
Sprinklers in new high-rise residential buildings: consultation	<p>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.</p> <p>See: Government Response: Sprinklers and Other Fire Safety Measures in New High-Rise Blocks of Flats</p>	26 November 2020	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>	30 October 2020	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. 	31 October 2020	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>The changes to the use classes are currently subject to judicial review. It is anticipated that the challenge will be heard during the period 8 to 15 October.</p>	[1 September 2020]	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
A new deal for social housing – government green paper Affects: Property investors, local authorities, occupiers of social housing	<p>The government has published a green paper which proposes reforms to the regulatory framework governing the social housing sector. It suggests that these reforms cover the governance and financial viability of housing associations, and also the way in which residents are treated and the level of service that they should expect. The green paper is accompanied by a call for evidence on the operation of the current regulatory framework, and a consultation on options to change the rules governing the money raised from Right to Buy sales.</p> <p>The government also announced on 4 October 2018 that the cap on local authority borrowing against housing stock is to be removed, with the intention that this will stimulate the construction of new housing developments.</p> <p>See: A new deal for social housing</p>	<p>Green paper published on 14 August 2018</p> <p>Consultation closed on 6 November 2018</p> <p>MHCLG response awaited</p>	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>	<p>Consultation closed</p> <p>Response awaited</p>	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>Leasehold consultation period closed on 7 January 2019. Response awaited – delayed by COVID-19.</p> <p>Commonhold consultation period closed on 10 March 2019. Response awaited – delayed by COVID-19</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>Government issued a consultation: A consultation on the Reform to Retail Prices Index (RPI) Methodology. As part of that consultation, UKSA was told to consult on technical matters concerning how to implement the proposed alignment of RPI with CPIH.</p> <p>Landlords should look at RPI rent review provisions in their leases. Depending on the wording of the relevant clause, they may be exposed to having lower rent increases if it is decided to align RPI with CPIH in a way which does not involve a change to the reference base.</p> <p>See: Letter from the Chancellor of the Exchequer to the UK Statistics Authority</p>	<p>Consultation closed on 21 August 2020.</p> <p>Response awaited.</p> <p>The government and UKSA will publish a joint response to the consultation before the Spring Statement and the end of the financial year</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 2020 (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 December 2020. Residential mortgage holidays of 3 months for both owner occupied and buy to let owners 	Ongoing	Red
Construction: COVID-19 and Site Operating Procedures Affects: Suppliers and customers of construction services in England	<p>The Site Operating Procedures which set out guidance on safe working practices for those working on construction sites is now on its fifth edition (published 1 July 2020). The Site Operating Procedures have been widely adopted, and inevitably compliance with the Procedures, and specifically the social distancing requirements, will lead to a loss of productivity, which the Government has sought to mitigate by increasing permitted working hours for construction sites.</p> <p>See: Site Operating Procedures V5</p> <p>See: Ministerial Statement on Construction Operating Hours</p>	Ongoing	Red
New RICS Code for leasing business premises published as a professional statement Affects: Property owners, managers and investors	<p>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.</p> <p>See: Code for Leasing Business Premises</p>	1 September 2020	Amber



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UK REIT Horizon Scanner Q4 2020

Tax

Key developments in Q3 2020

- Temporary increase in the SDLT nil-rate band to £500,000 for residential property transactions

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.	8 July 2020	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



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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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