



TaylorWessing

UK REIT Horizon Scanner Q1 2023

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Key Issues

Key issues coming up for UK Main Market REITs in corporate, financial regulatory, planning, real estate, securities law and regulation and tax¹ in England (including retained EU law²).

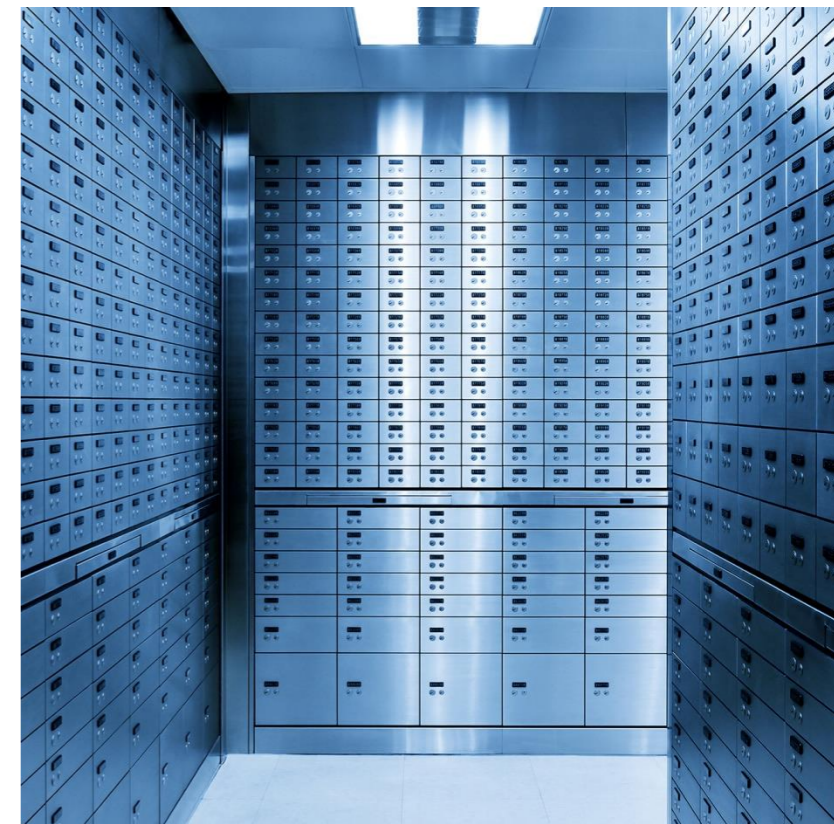
Issue/status/timing: New developments since our September 2022 edition are shown in **green text**.

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: **31 December 2022**

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



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UK REIT Horizon Scanner Q1 2023

Equity capital markets

Key developments in Q4 2022

- Pre-Emption Group published revised Statement of Principles for disapplication of pre-emption rights – effective from November 2022
- Chancellor announces “Edinburgh Reforms” of UK financial services, including prospectus and public offers regime reform
- European Commission announces package of reforms to simplify and improve listing rules

Issues	Status	Key Timing	Impact
LSE: Dividend Procedure Timetable Affects: listed companies	On 16 August 2022, the LSE published its 2023 Dividend Procedure Timetable which sets out a series of ex-dividend dates for 2023, its associated record date and the corresponding latest announcement date.	2023	Amber
LSE Admission and Disclosure Standards: consultation on minor amendments Affects: listed companies	<p>On 11 May 2022, the London Stock Exchange published a consultation on minor amendments to its Admission and Disclosure Standards (Market Notice N12/22 and attachment). The amendments include a new rule regarding communications between the LSE and issuers providing that all such communications are confidential and should not be disclosed without prior written consent, except as required by another regulatory or statutory body, and that this will apply even where the issuer ceases to be admitted to trading.</p> <p>On 10 October 2022, the London Stock Exchange published Market Notice N19/22. The Notice provides feedback on Market Notice N12/22 and the amended Admission and Disclosure Standards (shown in an attachment to N19/22) include the amendments regarding the confidential information above. It also includes amendments so that, on a formal application for admission to trading, written confirmation of the number of securities to be allotted or issued pursuant to the board resolution should be provided and must be received by the Exchange no later than 16:00 on the business day before admission is expected to become effective, rather than the day before, and an amendment of the early notification process in Part 3 of Section 2, to increase the early notification date to at least 30 business days (from 20 business days) prior to proposed admission to trading on the Specialist Fund Segment.</p>	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Stewardship: FRC Review of Stewardship Reporting 2022</p> <p>Affects: asset managers and asset owners</p>	<p>On 24 November 2022, the FRC published its Review of Stewardship Reporting 2022, which analyses how signatories reported against the UK Stewardship Code in 2022 and sets out its reporting expectations for the 2023 assessment year.</p>	Ongoing	Amber
<p>Reforms to UK listing regime: "Edinburgh Reforms" and Primary Market Effectiveness Review</p> <p>Affects: mainly listed commercial companies but may affect closed ended investment funds in the future</p>	<p>The government is undertaking a fundamental review of the UK listing regime following the publication of Lord Hill's UK Listing Review Report in March 2021. The work delivering the outcomes of Lord Hill's review (and those of the Prospectus Regime Review (see entry below) and Wholesale Markets Review (see previous editions of this scanner)) forms part of the wider government programme of reforms to the financial services framework. On 9 December 2022, HM Treasury published documents relating to the reform of the financial services framework (known as the Edinburgh Reforms (see entry below on Reforms to the UK prospectus regime)).</p> <p>Further, in response to the UK Listing Review, the FCA is also conducting a review of the listing regime, and published a discussion paper and consultation in July 2021 – the Primary Markets Effectiveness Review (CP 21/21) – regarding certain targeted measures to remove barriers to listing. Those came into force on 3 December 2021 via changes to the Listing Rules (Policy Statement 21/22). For further details, see previous versions of this scanner.</p> <p>Following Lord Hill's recommendation that the standard listing segment should be rebranded and re-marketed, CP 21/21 also sought views on the structure of the listing regime with a particular focus on commercial companies. On 26 May 2022, the FCA published a discussion paper (DP 22/2) which summarises feedback the FCA received on its discussion of the structure of the listing regime, and as a result of this feedback, puts forward a proposal for a single segment for equity shares in commercial companies to replace the premium and standard listing segments. The FCA recognises that the drivers for change in the listing regime for commercial companies are not necessarily applicable to equity shares in closed ended investment funds (and there is no intention to change the content or substance of the LR 15 regime in this regard). However, it asks for views on whether it may be beneficial to consider some elements of the reforms described in that context, e.g. the replacement of the requirement for "clean" capital statements with a prospectus disclosure regime, and also asks for any other suggestions for change to the LR 15 regime (paras 3.89 – 3.91). Comments were requested by 28 July 2022.</p>	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations, and Pre-Emption Group revised Statement of Principles</p> <p>Affects: listed companies</p>	<p>On 19 July 2022, HM Treasury published the final report in relation to its UK Secondary Capital Raising Review (SCRR) for improving secondary capital raising processes for UK listed companies. The review was launched in October 2021 in response to the UK Listing Review (as mentioned above – for background, see previous editions of this scanner). The final report includes a series of recommendations to the government, the FCA and the Pre-Emption Group (PEG), which include those set out below (some of which have now been actioned). A new UK Capital Markets Industry Taskforce has also been established which aims to maximise the impact of the current programme of regulatory reforms to UK capital markets (LSE press release).</p> <p>Note that some of the recommendations in the SCRR cross over into other regimes, e.g. IPO and prospectus, and will require reforms to be made to those regimes before the recommendations can be implemented. The government accepted all the recommendations in the report, and said that it would amend the Companies Act 2006 to shorten rights issues and the processes around them (see below).</p> <p><i>Increasing the ability of companies to raise smaller amounts of funds quickly and cheaply</i></p> <p>On 4 November 2022, the PEG published a revised Statement of Principles for the disapplication of pre-emption rights (SOPs) in light of the SCRR, along with template resolutions. These were effective immediately. In summary, the principles provide for:</p> <ul style="list-style-type: none"> • Special resolutions at AGMs for disapplications up to 20%, on a 10%+10% basis. Proceeds of an issue using the first 10% available for any purpose, and an additional 10% to be used for either an acquisition or specified capital investment announced contemporaneously with the issue, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the issue. In both cases, a further authority of up to 2% to be used only for follow-on offers. Use of the 20% authority is subject to conditions. Companies should obtain shareholder approval for capital raising under the new SOPs at their next AGM. However, for urgent, exceptional circumstances, issuers are to follow the SCRR transition arrangements. • Post-transaction reports within a week of the issue on how non pre-emptive issues under general disapplications were carried out. In addition to an RIS announcement, the issuer must submit the report to PEG's Pre-Emption Database. • Cash box structures only to be used for up to the amount of the pre-emption disapplication authority. • Case-by-case consideration of higher disapplication authorities for companies that need to raise larger amounts of capital more frequently. Listing applicants can disclose this in their IPO prospectus and opt to put in place a disapplication on this basis before IPO. These companies can seek disapplication authorities for longer than the period to their next AGM/15 months, if highlighted with the disapplication request (or disclosed in the prospectus). • Due consideration of whether retail and existing shareholders should be able to take part in a placing, as well as how to involve them. In particular, consider the use of a retail investor platform or follow-on offer. The expected features of a follow-on offer are set out and include a monetary cap of £30,000 per investor. <p><i>Maintaining and enhancing the pre-emption regime</i></p> <p>Including providing PEG with a more formal and transparent governance structure and requiring it to report annually on the operation of the pre-emption regime. To be implemented by the FRC and PEG immediately.</p>	<p>PEG revised Statement of Principles effective from November 2022</p> <p>Others – ongoing</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Secondary capital raising review: final report and recommendations, and Pre-Emption Group revised Statement of Principles (cont'd)</p> <p>Affects: listed companies</p>	<p><i>Reduced regulatory involvement in larger fundraisings</i> Taking advantage of the forthcoming prospectus regime changes (see entry below), the threshold for requirement to produce a prospectus in connection with a secondary raise will increase from 20% of its existing share capital to 75%. In addition, a sponsor firm should not need to be appointed in connection with a secondary fundraising, although sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Updates to the disclosure requirements relating to working capital statements and importance of vote language are also being considered. Near term implementation.</p> <p><i>Involve retail investors in all capital raisings</i> On all capital raisings, companies should give due consideration to the interests of retail shareholders. In addition to the follow-on offer disapplication point dealt with in the SOPs, the period a prospectus for an IPO involving a retail offer has to be made available to the public should be shortened to three working days (from six working days). Near term implementation as part of the wider review of the prospectus regime on implementation of the outcome of HM Treasury's UK Prospectus Regime Review (see entry below).</p> <p><i>Increase the range of choice of available fundraising structures</i> Recommendations include the adoption of the Australian concept of a 'cleansing notice' for secondary fundraisings not involving a prospectus. Companies to confirm via a cleansing notice that it is in full compliance with its ongoing disclosure obligations and that it is not delaying the disclosure of any inside information. Near/medium term implementation.</p> <p><i>Raise the priority of the 'drive to digitisation'</i> Key aim is for all shareholders to hold shares in digitised form. See also section 2, General corporate.</p> <p><i>Make existing fundraising structures quicker and cheaper</i></p> <ul style="list-style-type: none"> • Offer periods for rights issues and open offers shortened to seven business days (from ten). Near term implementation. • Flexibility for notice periods for shareholder meetings (not AGMs) to be reduced to seven clear days. Medium term implementation. • Annual allotment and pre-emption rights disapplication authorities of up to two thirds of a company's issued share capital should extend to all pre-emptive offers and not just rights issues. To be implemented by the Investment Association in the near term. • CA 2006 pre-emption amended to align to usual process followed on rights issue or open offer. Near/medium term implementation. • The listing regime should be amended to allow for excess application mechanics attached to rights issues. Near term implementation. • So companies can market rights issues to US and EEA shareholders without needing a prospectus: (i) allow companies to opt-in to enhanced continuous disclosure regime (including via annual reports); (ii) apply usual director liability regime for market disclosure to any documents and information published in connection with a secondary fundraising. Near/medium term implementation. 	<p>Various – ongoing, but some already implemented via PEG Statement of Principles</p>	<p>Red</p>

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Reforms to UK prospectus regime: "Edinburgh Reforms" and illustrative statutory instrument delivering changes</p> <p>Affects: listed companies</p>	<p>The UK Listing Review (entry above) recommended that HM Treasury should conduct a fundamental review of the prospectus regime. On 1 March 2022, HM Treasury published the outcome of that review (for detail see previous editions of this scanner (in particular UK REIT Horizon Scanner Q2 2022)).</p> <p>The reforms to the prospectus and public offers regime form part of the wider government programme of reforms to the financial services framework (see also "Reforms to UK listing regime: Primary Market Effectiveness Review" above). On 9 December 2022, HM Treasury published documents relating to these reforms (known as the Edinburgh Reforms).</p> <ul style="list-style-type: none"> • First, an illustrative statutory instrument – the Financial Services and Markets Act 2000 (Public Offers and Admissions to Trading) Regulations 2023 (press release and related policy note) which show how the government will make its proposed changes to the existing public offers and prospectus regime using the powers set out in the Financial Services and Markets Bill (FSM Bill – Royal Assent expected Spring 2023 – see below and also section 3, Financial regulatory). Most of the changes announced in the "outcome" mentioned above, including those set out below, are covered. The FCA intends to start engaging with the market in 2023 to inform policy and proposed rule changes as soon as possible. Note that the FSM Bill will establish the framework for the revocation of all EU retained law relating to financial services, including the UK Prospectus Regulation and subordinate legislation, e.g. the UK Prospectus Delegated regulation (containing annexes that describe specific prospectus content requirements). It is likely that the UK Prospectus Regulation will be revoked during 2023 as part of the capital market regime reforms, but only after the FCA rules are finalised. • Second, a Policy Statement: Building a smarter financial services sector for the UK setting out its approach to repealing financial services retained EU law. The new regime for admissions to trading and public offers forms part of tranche 1 of this process. HM Treasury expects to make significant progress on tranche 1 by the end of 2023. The full suite of reforms would take effect after the FCA has consulted on and implemented rules under its relevant powers. <p>The changes to the existing public offers and prospectus regime include:</p> <ul style="list-style-type: none"> • Removal of public offer trigger for a prospectus and replacement with a general prohibition and expanded set of exemptions, but FCA will be responsible for determining when a prospectus may still be required as well as its contents, and the manner and timing of validation and publication. • Widening the scope of the public offer regime to include public offers of certain non-transferable securities. • Private companies will be able to make public offers (subject to threshold requirements) provided they are made through a 'public offer platform'. The government will legislate to create a new regulated activity covering the operation of a public offer platform. • The "necessary information" test will be retained as the basic standard of preparation for a prospectus (subject to a few changes). • Establishing a lower liability threshold for certain categories of forward-looking information in prospectuses. 	End of 2023	Red

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>Consultation on power to block listings on national security grounds</p> <p>Affects: potentially all companies seeking to list on UK public markets including SPACs</p>	<p>The government's initial consultation on the scope of a proposed new power to block a company's listings on national security grounds closed on 27 August 2021. While the government intends that the new power will be targeted and precautionary, and therefore not affect the vast majority of companies seeking to raise capital on UK financial markets, the scope of the precautionary power will include all initial equity listings and admissions to trading on UK public markets and will extend to SPACs. For further detail, see previous editions of this scanner.</p> <p>HM Treasury anticipates further technical consultations will be required as the power is developed. In addition, the consultation paper notes that the circumstances and rationale for government intervention will be covered more extensively in a further consultation.</p>	Ongoing	Amber
<p>Brexit: changes to the current status and operation of retained EU law</p> <p>Affects: depends on government policy, but likely to impact capital markets</p>	<p>On 22 September 2022, the Retained EU Law (Revocation and Reform) Bill 2022-23 (REUL Bill) was introduced to the House of Commons. In short, the Bill will allow the government, amongst other things, to incorporate those aspects of UK law retained after Brexit into UK legislation. EU law which is not preserved in this way will be repealed automatically at the end of 2023 (which may be extended in some circumstances to the end of 2026). Note that this is not intended to apply to financial services legislation which is covered in the Financial Services and Markets Bill 2022/23 (for further detail see entry above regarding reforms to the prospectus regime and section 3, Financial regulatory). It is currently making its way through Parliament.</p> <p>Further, the REUL Bill will abolish, by the end of 2023, the principle of supremacy of EU law in UK law so that it no longer applies to any domestic legislation, as well as the general principles of EU law laid down in EU case law so that they no longer influence the interpretation of legislation on the UK statute book.</p> <p>Also note that, alongside the Trade and Cooperation Agreement was a non-binding joint declaration on financial services regulatory cooperation. It contained a commitment for the UK and EU to agree a Memorandum of Understanding (MoU) by March 2021 on the framework for cooperation in areas such as equivalence (agreed but not yet ratified). Currently, FCA approved prospectuses cannot be passported into the EU/EEA, so approval by a relevant competent authority is required for offers into those countries if applicable exemptions are not available. However, in its response to the House of Lords committee report on UK-EU financial services relationship report, the government stated that, although it is ready to sign the MoU, further steps are required on the EU side before the MoU will come into effect and the UK-EU forum can be convened.</p>	31 December 2023 in the first instance	Amber
<p>FCA: Primary Market Bulletin 42</p> <p>Affects: primary market participants</p>	<p>On 12 December 2022, the FCA published Primary Market Bulletin 42. In it, the FCA comments on climate-related disclosure requirements, provides insights on the interaction of the National Security and Investment Act (see previous editions of this scanner) with UK MAR and the obligation to disclose inside information, enquiries into unlawful disclosure of inside information, dealing with cash shells including SPACs on reverse takeovers, and digital reporting. It also looks at the arrangements for updating the list of exempted shares under the UK Short Selling Regulation.</p>	Ongoing	Amber

Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p>EU Capital Markets Union: Commission announces further developments regarding listing, corporate insolvency and clearing services</p> <p>Affects: companies listed, or looking to list, in the EU</p>	<p>On 7 December 2022, the European Commission announced its intention to further develop the EU's Capital Markets Union. The measures include:</p> <ul style="list-style-type: none"> ▪ Making EU clearing services more attractive and resilient, supporting the EU's open strategic autonomy and preserving financial stability. ▪ Harmonising certain corporate insolvency rules across the EU so they are more efficient and promote cross-border investment. ▪ Alleviating – through a new Listing Act – the administrative burden for companies of all sizes, in particular SMEs, so that they can better access public funding by listing on stock exchanges (Listing Package). <p>The Listing Package, in particular, aims to simplify and improve listing rules, especially for SMEs, without jeopardising investor protection and market integrity, thereby cutting red tape and costs. It will:</p> <ul style="list-style-type: none"> ▪ Simplify the documentation needed to list on public markets, and streamline the scrutiny processes by national supervisors. ▪ Simplify and clarify some market abuse requirements. ▪ Increase companies' visibility to investors, by encouraging more investment research. ▪ Allow company owners to list on SME growth markets using multiple vote share structures so that they can retain sufficient control of their company after listing while protecting the rights of all other shareholders. <p>The Listing Package will involve:</p> <ul style="list-style-type: none"> ▪ Regulations amending the Prospectus Regulation, Market Abuse Regulation and the Markets in Financial Instruments Regulation; ▪ Directive amending the Markets in Financial Instruments Directive and repealing the Listing Directive; and ▪ a Directive on multiple-vote shares. <p>The legislative proposals for all of the measures will now be submitted to the European Parliament and the Council for adoption. The European Commission has also published Q&A on the corporate insolvency and listing proposals, and related Factsheet, as well as Q&A and a Factsheet for the clearing proposals.</p>	Ongoing	Amber

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>European Single Electronic Format (ESEF) reporting</p> <p>Affects: Main Market and Specialist Funds Segment</p>	<p>For financial years beginning on or after 1 January 2021 (for publication from 1 January 2022), issuers subject to the reporting format obligations in DTR 4.1.14R are required to publish their annual reports in XHTML web browser format, and, if they prepare IFRS consolidated annual financial statements, they must also tag their financial statements in accordance with FCA approved taxonomies.</p> <p>On 23 September 2022, the FRC Lab published Structured digital reporting: improving quality and usability which reviews the first year of the mandatory use of the electronic reporting format (summary). For background information and further details, see previous editions of this scanner.</p>	<p>Financial years beginning on or after 1 January 2021 for publication from 1 January 2022</p>	<p>Amber</p>
<p>Stewardship: FRC report on the impact of the UK Stewardship Code 2020</p> <p>Affects: asset managers and asset owners</p>	<p>On 5 July 2022, the FRC published Report: Influence of the UK Stewardship Code 2020 following research commissioned by the FRC as a first step in assessing whether the Code creates a market for effective stewardship or whether further regulation is needed. The research concludes that asset managers and asset owners are very positive about the Code's impact, and found evidence of material changes in stewardship practice and reporting following the Code's revision in 2020.</p>	<p>Ongoing</p>	<p>Green</p>
<p>Corporate governance: Investment Association: distribution policies</p> <p>Affects: listed companies</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>	<p>Ongoing</p>	<p>Green</p>
<p>Response to consultation on new class of trading venue for smaller SMEs</p> <p>Affects: SMEs</p>	<p>Connected to the UK Listing Review (entry above), on 1 March 2022, HM Treasury published its response to the July 2021 consultation on the UK's regime for wholesale capital markets. In the consultation, the government explored a potential new class of trading venue with a reduced regulatory framework for smaller SMEs with a sub-£50 million market capitalisation. The government considers that the case for change was not conclusive and that it will engage relevant stakeholders on the matter. It also will consider the case for expanding such a venue to other types of businesses.</p>	<p>Ongoing</p>	<p>Green</p>
<p>FRC: thematic review of judgements and estimates – update</p> <p>Affects: review focused mainly on listed companies</p>	<p>In July 2022, the FRC published an updated Thematic Review: Judgements and Estimates (the report was first published in November 2017). Disclosures in annual reports and accounts about significant accounting judgements and sources of estimation uncertainty provide important information which allows readers to assess how the accounting policies applied have been affected by the judgements taken by management. They provide readers with a better understanding of assumptions made about the future and the extent to which changes to those assumptions may affect a company's future position. For background information and further details, see the Q4 2022 version of this scanner.</p>	<p>Ongoing</p>	<p>Amber</p>

Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>FRC Lab: report on digital security risk disclosure</p> <p>Affects: mainly companies which prepare a Strategic Report</p>	<p>On 3 August 2022, the FRC Lab published Digital Security Risk Disclosure which is a report to help companies improve the disclosure of digital security strategies, risks and governance. The report shows that disclosures are not meeting investor needs, are often boilerplate and overly static. Companies can improve disclosures by focusing on aspects of strategy, governance, risk and events. The report also provides guidance as to how to optimise disclosure for investors and includes practical examples of developing practice.</p>	Ongoing	Amber
<p>FRC: thematic reviews of earnings per share, business combinations, deferred tax assets</p> <p>Affects: listed companies</p>	<p>In September 2022, the FRC published new thematic reviews on:</p> <ul style="list-style-type: none"> • Earnings per Share (IAS 33) which looks at the requirement for companies with listed ordinary shares to report earnings per share (EPS) in accordance with IAS 33 in their interim and annual reports. The report notes that EPS is a well understood key performance indicator but, while the basic calculation may seem straightforward, some aspects of it are not that simple. The report highlights some of the common errors in EPS calculations, explains the issues involved and shows how companies can improve the reliability of their EPS. • Business Combinations which are infrequent transactions but which can have a significant impact on a company's operations and financial performance (this review also includes large private companies). • Deferred tax assets which considers the basis of recognition of, and disclosure in relation to, deferred tax assets in the light of the effect of the Covid-19 pandemic on companies' profitability. 	Ongoing	Amber
<p>ESMA statement on prospectus supervision under EU Ukraine war sanctions</p> <p>Affects: REITs with securities issued in the EU</p>	<p>On 8 July 2022, the European Securities and Markets Authority released a public statement pointing stakeholders to the European Commission's FAQs which outline that infringements of EU sanctions can constitute sufficient legal basis for a national competent authority (NCA) to refuse the approval of a prospectus and that NCAs may also request further information/ask further questions of issuers submitting prospectuses.</p>	Ongoing	Amber
<p>Corporate governance: independent board evaluations</p> <p>Affects: listed companies</p>	<p>On 20 January 2021, the Chartered Governance Institute published the findings of its review and report on the effectiveness of independent board evaluations in the UK listed sector (following its 2019 consultation). In line with its recommendations, the Institute has published drafts of the Code of Practice for board reviewers, Principles of Good Practice for listed companies and Guidance on Reporting on Board Performance Reviews under the UK Corporate Governance Code. A government response is awaited.</p>	Ongoing	Amber

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

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

2 | General corporate

General corporate

Key developments in Q4 2022

- FRC published its Annual Review of Corporate Reporting for 2021/2022
- IA published its annual Principles of Remuneration, ISS published its 2023 UK proxy voting guidelines and Glass Lewis published its 2023 proxy voting policy guidelines
- FCA consultation on Sustainable Disclosure Requirement framework and TPT published its Disclosure Framework for transition plans
- Corporate Sustainability Reporting Directive published in OJ and proposal for Corporate Sustainability Due Diligence Directive adopted
- CLLS published an updated version of their note on the execution of documents using electronic signatures
- BEIS launched Payment and Cash Flow review which will scrutinise the effectiveness of current measures to combat late payment practices

Issues	Status	Key Timing	Impact
<p>Corporate reporting: FRC publishes Annual Review of Corporate Reporting and related documents</p> <p>Affects: report concerns FTSE 350 companies but could be helpful for all companies preparing reports</p>	<p>On 27 October 2022, the FRC published its Annual Review of Corporate Reporting for 2021/2022 (and summary document: Corporate Reporting Highlights) and Key Matters for 2022/23 Reports and Accounts. The annual review outlines the top ten areas where improvements to reporting are required, including cash flow, financial instruments and deferred tax. The FRC reiterated the need for high-quality disclosures during periods of economic uncertainty. The Key Matters document sets out the FRC's areas of focus for the coming reporting season which include the risks and uncertainty in the challenging economic environment, and those relating to climate change. The publications are primarily targeted at preparers and auditors, investors and other users of the reports and accounts.</p> <p>On 13 December 2022, the FRC published What makes a good annual report and accounts, which outlines its view of the key attributes of a high quality annual report and accounts.</p>	Ongoing, but mostly 2022/23 financial reporting	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate governance: FRC publishes Annual Review of Corporate Governance Reporting and related documents</p> <p>Affects: report concerns FTSE 350 and small cap companies but helpful for all companies preparing reports</p>	<p>On 3 November 2022, the FRC published its third annual Review of Corporate Governance Reporting, which outlines key findings from an analysis of how a sample of FTSE 350 and Small Cap companies have reported during the year under the UK Corporate Governance Code. The review identifies key areas where the FRC is looking for improvements in 2023, and notes that the FRC will consult on revisions to the UK Corporate Governance Code in 2023, focusing on the areas identified in its Position Paper: Restoring trust in audit and corporate governance published in July 2022 (see "Audit and corporate governance: Major reforms to audit and corporate governance systems, including UK Corporate Governance Code review in 2023" below).</p>	<p>Ongoing, but mostly 2022/23 financial reporting</p>	<p>Amber</p>
<p>Corporate governance: institutional investor body guidelines</p> <p>Affects: predominantly companies with main market listing but also potentially relevant to companies listed on other public markets, and to other entities</p>	<p>Investment Association: On 9 November 2022, the Investment Association published its annual Principles of Remuneration setting out its members' expectations in relation to executive pay for 2023. There are no significant changes to the 2022 version. The IA has also published a Letter to remuneration committee chairs of FTSE 350 companies outlining key areas of focus for investors during the upcoming AGM season. It includes sections on pensions, ESG performance measures and investor expectations of how remuneration committees should respond to the cost-of-living and inflationary pressures, as well as potential windfall gains for executives.</p> <p>Institutional Shareholder Services: On 13 December 2022, ISS published its 2023 UK and Ireland proxy voting guidelines to apply to shareholder meetings on or after 1 February 2023. Chapter 7 sets out guidelines for investment companies. An executive summary of key updates was published on 30 November 2022, and includes those around executive remuneration, board diversity, resolutions disapplying pre-emption rights and audit committee meetings.</p> <p>Glass Lewis: On 17 November 2022, Glass Lewis published its 2023 proxy voting policy guidelines for the UK. Amendments to the 2022 guidelines include that Glass Lewis will consider a director to have a potentially excessive commitment level when they serve as an executive officer of any public company while serving on more than one (previously more than two) additional external public company boards and, where companies with increased climate risk exposure have not provided thorough Task Force on Climate-Related Financial Disclosures-aligned disclosure or have not clearly defined board oversight responsibilities for climate-related issues, Glass Lewis may recommend voting against a responsible member of the board or agenda items.</p>	<p>2023</p>	<p>Red</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate reporting: FRC Lab project on materiality in corporate reporting</p> <p>Affects: potentially all companies preparing reports</p>	<p>On 18 October 2022, the FRC Lab issued a call for participants in a new project to understand how companies develop, assess and use materiality in their reporting, and to consider how enhancements to disclosure about materiality processes might assist investors. The project is expected to cover both financial and non-financial reporting, with the exact scope will be determined in conjunction with participants. The Lab expects to publish its findings in 2023.</p>	2023	Green
<p>Audit and corporate governance: Major reforms to audit and corporate governance systems, including UK Corporate Governance Code review in 2023</p> <p>Affects: all companies</p>	<p>On 31 May 2022, the government published its response to BEIS' White paper: Restoring trust in audit and corporate governance. For background, see previous editions of this scanner. The AIC has also published a paper discussing the reforms that are likely to impact investment companies: Summary of key government conclusions and expected approach.</p> <p>On 12 July 2022, the FRC published FRC Position Paper: Restoring trust in audit and corporate governance setting out how it will address issues in the government response which fall within its remit. However, on 16 December 2022, the FRC published its draft Three Year Plan 2023 to 2026, setting out its priorities for 2023 to 2026. The draft plan acknowledges the delay of legislation to implement the proposed reforms in the government's response to the White Paper which would grant the FRC new regulatory powers and funding as an independent statutory regulator, the Audit, Reporting and Governance Authority (ARGA). The FRC notes that ARGA is likely to come into effect in 2024, rather than 2023 as previously planned.</p> <p>However, one of the exercises that FRC plans to undertake in 2023 is to revise the UK Corporate Governance Code (UKCGC) as per its Position Paper referenced above. It will also supplement the revised UKCGC with updated guidance, including revised versions of the FRC Guidance on Audit Committees, the FRC Guidance on Board Effectiveness and the FRC Guidance on Risk Management. It is intended that the revised UKCGC will apply to periods commencing on or after 1 January 2024.</p> <p>On 8 November 2022, the FRC launched a consultation on its draft proposal for a Minimum Standard for audit committees (closes on 8 February 2023). Once the final Standard is published, FTSE 350 audit committees will be able to adopt the standard on a voluntary basis before it becomes mandatory and supervised when ARGA is created. The Standard focuses on: auditor appointment and associated tendering process; ongoing audit and auditor oversight; and reporting on work the audit committee has done in respect of the audit and on compliance with the Standard.</p>	<p>Ongoing</p> <p>2023 review of UKCGC: 2024 application</p> <p>2024 for introduction of ARGA</p>	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Audit and corporate governance: Major reforms to audit and corporate governance systems, including UK Corporate Governance Code review in 2023, cont.</p> <p>Affects: all companies</p>	<p>On 14 November 2022, the FRC published a set of general Principles that it will use as it transitions to ARGA to assess whether the public interest is best served by carrying out regulatory, supervisory and enforcement work that is outside of its primary regulatory perimeter. In its response to the White paper mentioned above, the Government committed to expanding the definition of a public interest entity to also include companies with over 750 employees and a turnover of over £750m. Much of the scope of ARGAs work is expected to be determined by this new definition, however, the Government also recognised there will be exceptional circumstances where ARGAs should take regulatory action in areas of public interest that are not within this regulatory focus.</p>	Ongoing	Amber
<p>Corporate transparency and economic crime: Register of overseas entities</p> <p>Affects: all companies and non-UK entities which own UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA 2022) received Royal Assent on 15 March 2022. For background, see previous editions of this scanner, in particular UK REIT Horizon Scanner Q2 2022. See also section 4, Real estate, planning and construction.</p> <p>In brief, under Part 1 of the ECTEA 2022, overseas entities who wish to own UK land will need to identify their beneficial owners, and if relevant, managing officers, and register them on a new register of beneficial ownership, held by Companies House (Register of Overseas Entities – ROE) which launched on 1 August 2022 (Press Release). These requirements will apply retrospectively to property acquired since January 1999, and under transitional provisions, overseas entities which owned registered property before 1st August 2022 have a six month deadline, ending on 31st January 2023, to register in the ROE. If an overseas entity does not apply to register by this date, it will commit a criminal offence and will effectively be unable to sell, lease or charge its registered property. Also, once registered, information must be updated annually and failure to do so will also attract a criminal offence (coming into force on 16 January 2023 under the Economic Crime (Transparency and Enforcement) Act 2022 (Commencement No. 4) Regulations 2022).</p> <p>Further, on 12 January 2023, the Register of Overseas Entities (Verification and Provision of Information) (Amendment) Regulations 2022 will come into force. These amend the Register of Overseas Entities (Verification and Provision of Information) Regulations 2022, which provide a regime for the verification of information submitted to Companies House by an overseas entity. The amending regulations address practical difficulties regarding the verification of information identified following the launch of the register of overseas entities in that certain information will now be excluded from the verification requirement, including information which has previously been verified and submitted to Companies House in connection with the annual updating duty (see above) and applications for removal from the register under the ECTEA 2022.</p>	January 2023 and ongoing	Red

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>Corporate transparency and economic crime: Companies House reform</p> <p>Affects: all companies</p>	<p>Following the government White Paper: Corporate transparency and register reform (published in February 2022, for background see previous editions of this scanner, in particular UK REIT Horizon Scanner Q2 2022), on 22 September 2022, the Economic Crime and Corporate Transparency Bill 2022 was published which sits alongside the ECTEA 2022 (see entry above). Broadly, the Bill:</p> <ul style="list-style-type: none"> ▪ widens the Registrar's powers so that it becomes a more effective gatekeeper over company incorporation and custodian of more reliable company (and other UK registered entity) data. The enhanced powers include new powers to check, remove and decline information submitted to, or already on, the register, and more effective investigation and enforcement powers; ▪ introduces identity verification requirements for all new and existing registered company directors, People with Significant Control and those delivering documents to the Registrar (see Companies House guidance below); ▪ tackles the abuse of LPs by strengthening transparency requirements and enabling them to be deregistered; ▪ creates powers to quickly and more easily seize and recover cryptoassets (the principal medium used for ransomware); ▪ introduces new exemptions from the principal money laundering offences to reduce unnecessary reporting by businesses carrying out transactions on behalf of their customers and new law enforcement powers to obtain information to tackle money laundering and terrorist financing, and ▪ enables businesses in certain sectors to share information more effectively to prevent and detect economic crime. <p>On 12 December 2022, Companies House published a blog post explaining that there will be two routes to identity verification under the Bill – either directly with Companies House or through an Authorised Corporate Service Provider. Both routes will achieve the same level of identity assurance. Once complete, verified status will be held by Companies House for all future filings. However, there may be some instances where re-verification is needed, e.g. if someone changes their name.</p> <p>Also, the Bill:</p> <ul style="list-style-type: none"> ▪ makes changes regarding the filing requirements for micro-entities and small companies and removes the option for abridged accounts. Small companies will have to file a profit and loss account and a directors' report, and will no longer have the option to file abridged accounts. Micro-entities will need to file a profit and loss account, and have the option to deliver a directors' report, and ▪ introduces a requirement for an additional statement by the directors when a company seeks to rely on an audit exemption. <p>The Bill is now at Report stage in the House of Commons. It is expected to receive Royal Assent in early 2023.</p>	Ongoing	Red

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: diversity and inclusion on boards</p> <p>Affects: listed companies (including closed-end investment funds), and those with a listing in the EU</p>	<p>For financial years beginning on or after 1 April 2022, premium and standard listed UK and overseas companies (including closed-ended investment funds) will need to comply with new LR requirements in relation to the reporting of diversity and inclusion on company boards and in executive management. In-scope companies will also need to comply with new DTR reporting requirements in relation to diversity policies. For further details, see previous editions of this scanner. In August 2022, the AIC published guidance on these new rules.</p> <p>On 4 October 2022, the FRC published Report: Navigating barriers to senior leadership for people from minority ethnic groups. The main aim of the report was to gain a better understanding of the barriers preventing individuals from minority ethnic groups from progressing to the boards of FTSE 100 and FTSE 250 companies.</p> <p>Further, on 7 December 2022, the Directive on improving the gender balance among directors of listed companies was published in the Official Journal of the EU. Member States must adopt the required national measures by 28 December 2024. The Directive broadly applies to EU listed companies whose registered office in a Member State. It applies to non-executive directors (NED) as well as executive directors. In brief, Member States must require that at least 40% of NED positions in listed companies are held by members of the underrepresented sex by 30 June 2026 or, alternatively, that at least 33% of executive director and NED positions in listed companies are held by members of the underrepresented sex by 30 June 2026.</p>	Accounting periods starting on or after 1 April 2022, and 30 June 2026 (if affected)	Red
<p>ESG: gender and ethnicity pay reporting</p> <p>Affects: UK companies</p>	<p>In its policy paper 'Inclusive Britain: government response to the Commission on Race and Ethnic Disparities' (17 March 2022), the government confirmed that mandatory ethnicity pay gap reporting will not be introduced. However, it intended to publish guidance on voluntary ethnicity pay gap reporting in summer 2022 (awaited).</p> <p>The Equal Pay Bill (a private members' bill) is still making its way through Parliament. Among other things, it widens gender pay gap reporting to include ethnicity pay gap reporting and lowers the reporting threshold to organisations with 100 or more employees (from 250).</p>	Ongoing	Amber
<p>ESG: modern slavery</p> <p>Affects: large companies (with a turnover of £36 million or more)</p>	<p>On 10 May 2022, the Queen's Speech set out proposals for a new Modern Slavery Bill which would mandate the areas to be included in modern slavery statements, require organisations to publish their statements on a government-run registry, and introduce civil penalties for non-compliance.</p>	Ongoing	Amber

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: nature related reporting framework published for consultation</p> <p>Affects: the new framework is intended for use globally by corporates of all sizes.</p>	<p>On 15 March 2022, the Taskforce on Nature-related Financial Disclosures (TNFD) released its nature-related risk-management and disclosure reporting framework for consultation. Version 2 of its draft disclosure framework was published in June 2022, building on its March 2022 version, and version 3 on 4 November 2022. The next version of the framework is expected to be released in March 2023, in time for the launch of the final recommendations in September 2023. The new framework is intended for use globally by corporates of all sizes.</p>	Q3 2023	Amber
<p>ESG: new Sustainability Disclosure Requirements and net zero transition plans</p> <p>Affects: large private companies, listed companies and asset managers</p>	<p>On 18 October 2021, HM Treasury published a policy paper 'Greening Finance: A Roadmap to Sustainable Investing' which includes phasing in over a number of years a new Sustainability Disclosure Requirements (SDR) framework. The new SDR framework will comprise, amongst other measures, reporting against proposed international standards, currently being developed by the International Sustainability Standards Board (ISSB) (two exposure drafts out for consultation with final versions expected in 2023), and reporting environmental impact using a UK Green Taxonomy. The UK Green Taxonomy will set out criteria which specific economic activities must meet to be considered environmentally sustainable and will create a shared understanding of which activities can be classed as 'green'. The government expects to publish an updated Green Finance Strategy early 2023 (Chancellor's statement on financial services reform – the "Edinburgh Reforms" – 9 December 2022). Also see section 3, Financial regulatory.</p> <p>The scope and timing of SDR for companies, and the reporting detail, will be determined following consultation (still awaited). It is expected that certain UK companies will be required to make disclosures in line with the SDR in their annual reports by 2024/25. The FCA also intends to consult on adapting its TCFD-aligned disclosure rules for listed issuers to reference the ISSB's standards, as referred to in CP22/20 below (see Primary Market Bulletin No 42 (PMB 42) published on 12 December 2022 and Section 1, equity capital markets). Note that mandatory climate-related disclosure requirements for larger companies and LLPs under CA 2006 will be reviewed in 2023 in line with the Interim Report and Roadmap published by the TCFD Taskforce in 2020.</p> <p>The FCA has however published a consultation paper (CP22/20) on the SDR and investment labelling regime applicable to asset managers and their UK-based fund products and portfolio management services - see section 3, Financial regulatory.</p>	Ongoing throughout 2023 and 2024, and beyond	Red

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: new Sustainability Disclosure Requirements and net zero transition plans, cont.</p> <p>Affects: large private companies, listed companies and asset managers</p>	<p>The SDR framework will also require the disclosure of a standalone climate transition plan (TP). During COP26 in November 2021, the Chancellor set out plans to require listed companies, asset managers and asset owners to disclose transition plans that consider the Government's net zero commitment or explain why not. Following this, the Government set up a high-level Taskforce (TPT) to develop a 'gold standard' for transition plans. On 8 November 2022, the TPT published its Disclosure Framework, for private sector climate transition plans, and accompanying Implementation Guidance for consultation (closes 28 February 2023) (summary document) – also see section 3, Financial regulatory. In PMB 42, the FCA encourages early engagement with the TPT's proposed Disclosure Framework and Implementation Guidance. The TPT will also develop a sector neutral transition plan framework (call for evidence published in May 2022), and relevant guidance to support the development, disclosure and assessment of transition plans.</p> <p>While not currently mandatory, many companies are already publishing their commitments to achieve net zero on a voluntary basis. The FCA has already taken steps to introduce requirements for the disclosure of TPs into its regulatory framework by adding guidance to its TCFD-aligned disclosure rules for listed issuers and regulated firms (for further detail, see previous versions of this scanner) to clarify that a firm headquartered in, or operating in, a country that has made a commitment to a net zero economy is encouraged to consider the extent to which it has considered that commitment in developing and disclosing its transition plan.</p> <p>In October 2022, the TCFD published its 2022 TCFD status report, which looks at how organisations have addressed the TCFD recommendations across different industries and regions. While the report highlights areas where further progress is needed, it states that over 60% of companies reviewed disclosed climate-related risks or opportunities in 2021 fiscal year reports (up from 50% in 2021) and 92 of the world's 100 largest companies either support the TCFD, report in line with its recommendations, or both (up from 83 last year).</p> <p>On 29 September 2022, the government published a call for evidence (closed 27 October 2022) on the independent review of the UK's net zero target. The review will consider how the UK can deliver net zero while delivering maximum economic growth, supporting UK energy security and affordability, and minimising business and consumer costs. The government was due to report back by the end of 2022.</p> <p>On 11 October 2022, the FRC Lab published Report: Net zero disclosures and Net Zero Disclosures: Example Bank containing practical examples of current good practice. The FRC has also announced that TCFD disclosures and companies' net zero commitments are areas of focus for its 2023 corporate reporting reviews.</p>	<p>Ongoing throughout 2023 and 2024, and beyond</p>	<p>Red</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
<p>ESG: EU Corporate Sustainability Reporting Directive adopted</p> <p>Affects: large EU companies, non-EU companies that are listed on EU regulated markets, EU subsidiaries of non-EU companies and non-EU companies with 'substantial activity' in the EU market</p>	<p>On 16 December 2022, the EU Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the EU, entering into force in January 2023. Member states have 18 months to integrate its provisions into national laws. The CSRD extends the corporate reporting requirements set out in the Non-Financial Reporting Directive in relation to matters such as environmental rights, social rights, human rights and governance factors, as well as extending the scope of companies caught.</p> <p>The new requirements will apply to all large EU companies, and to all companies listed on EU regulated markets (including listed SMEs). These companies will also be responsible for assessing the information applicable to their subsidiaries. The requirements will also apply to non-EU companies which meet certain turnover thresholds in the EU and which have at least one subsidiary subject to the CSRD or branch in the EU exceeding certain thresholds. Further, if a non-in-scope company (EU or not) falls in the "value chain" of an in-scope company, it might need to provide information to the in-scope company for it to meet its requirements under the Directive. It is intended that the application of the Directive will take place in stages.</p> <p>On 30 September 2022, the International Corporate Governance Network published a Viewpoint, which considers an investor's view of the board's role in and responsibility for creating and overseeing policies that address sustainability factors.</p>	<p>Ongoing, but first reporting obligations for large EU "public interest entities" with EU listed securities take effect from 1 January 2024 for reporting in 2025 and from January 2028 for non-EU companies with significant business in the EU</p>	<p>Amber</p>
<p>ESG: proposed EU Corporate Sustainability Due Diligence Directive and German Supply Chain Due Diligence Act</p> <p>Affects: large EU companies, smaller EU companies operating in high-impact sectors and non-EU companies with a substantial presence in the EU or which are part of an EU group or in the value chain of an in-scope company. Companies with a presence in Germany.</p>	<p>On 23 February 2022, the European Commission adopted a proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) which will impose a substantive corporate duty for in-scope companies to perform due diligence on external harm resulting from adverse human rights and environmental impacts in the company's own operations, its subsidiaries and of established business relationships within a value chain. The new due diligence requirements will apply to</p> <ul style="list-style-type: none"> • EU companies: Group 1: all EU limited liability companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide); and Group 2: other limited liability companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide (EUR 20 million generated in the high risk sector). • Non-EU companies active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU. <p>To comply with the due diligence duty, companies need to, amongst other things, integrate due diligence into all their corporate policies and have in place an annually updated specific due diligence policy containing: (a) a description of the company's approach to due diligence; (b) a code of conduct describing the rules and principles to be followed by the company; and (c) a description of the processes put in place to implement due diligence.</p> <p>The CSDDD proposal still has to be presented to the European Parliament and the Council for approval. However, as it will require policy and operational changes, and could potentially impact indirectly on non-EU companies within in-scope company value chains, some forward planning at the relevant time would be beneficial.</p>	<p>The CSDDD proposal still has to be presented to the European Parliament and the Council for approval but forward planning may be required</p>	<p>Amber</p>

General corporate (continued)

Issues	Status	Key Timing	Impact
ESG: proposed EU Corporate Sustainability Due Diligence Directive and German Supply Chain Due Diligence Act, cont. Affects: as before	Also, the German Supply Chain Due Diligence Act came into force on 1 January 2023 which requires in-scope businesses to establish risk management systems to identify adverse human rights and environmental impacts in their supply chains. The obligations extend to include direct suppliers, and, in certain circumstances, its indirect suppliers. Therefore, it is possible that non-German businesses may be affected if they have a presence in Germany or because they are within the supply chain of an in-scope company.	As before	Amber
ESG: new mandatory climate change reporting and related guidance Affects: listed investment entities (including REITs)	As noted in previous versions of this scanner, the Listing Rule requirements for premium and standard listed companies to make comply or explain disclosures in their annual reports against the TCFD recommendations do not apply to investment entities and shell companies, and so therefore exclude REITs. However, the FCA has created a climate-related financial disclosure regime for asset managers (among others) that is consistent with the TCFD recommendations, the rules of which are set out in an ESG sourcebook in the FCA Handbook. The FCA is of the view that it is more appropriate that listed investment entities (therefore including REITs) disclose in line with these new climate-related disclosure rules. The rules applied from 1 January 2022 for the largest in-scope firms, and apply from 1 January 2023 for smaller firms with AUM of £5 billion or more.	1 January 2023	Red
Consultation on non-compete clauses Affects: UK employers and employees	In December 2020, the government consulted on reforming the law on non-compete clauses in employment contracts. It aims to give employees more freedom and flexibility to drive economic recovery, and ensure fair settlement where restrictions apply. A response is awaited. For further detail, see previous versions of this scanner.	Ongoing	Amber
Execution of documents Affects: all companies	On 26 October 2022 the Law Society and City of London Law Society (CLLS) published an updated version of their Note on the execution of documents using electronic signatures . The note has been generally updated to reflect developments since the original edition (published in 2016 – blackline against the 2016 version here), including the Law Commission's report on electronic execution of documents, and changes in practice adopted by HM Land Registry, HMRC and others. It also includes a new paragraph on remote signings where an e-signing platform is used to obtain signatures, and reminds readers that the principles set out in Guidance note: Execution of documents by virtual means published by a joint working party of the Law Society Company Law Committee and the Company Law and Financial Law Committees of the CLLS in 2010 should still be followed.	Ongoing	Green
Late payment practices Affects: large companies	On 3 December 2022, BEIS launched the Payment and Cash Flow review which will scrutinise the effectiveness of current measures to combat late payment practices. Matters in scope of the review include the roles of the Small Business Commissioner, the Small Business Minister and BEIS, the Prompt Payment Code and both the Reporting on Payment Practices and Performance Regulations 2017 and the Limited Liability Partnerships (Reporting on Payment Practices and Performance) Regulations 2017.	Ongoing	Green

General corporate (continued)

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

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Company meetings: GC100 discussion paper on hybrid and virtual meetings, and FRC guidance on running effective AGMs</p> <p>Affects: listed but potentially all companies</p>	<p>In January 2021, GC100 published a discussion paper proposing changes to the current AGM format following the pandemic. Although focused on AGMs and listed companies, many of the recommendations would apply to other shareholder meetings and any reforms made would likely need to be reflected in company law more generally. The discussion paper includes a draft Code of Best Practice for listed companies wishing to permit electronic participation at hybrid and virtual shareholder meetings. GC100 was part of the FRC stakeholder group involved in the production of the guidance above. For further details, see previous versions of this scanner.</p> <p>On 21 July 2022, the FRC published new guidance for listed companies on running effective AGMs and other meetings. It focuses on maximising shareholder participation and engagement, and covers key issues such as communication of meeting arrangements, using proxies and voting processes. The guidance recognises that hybrid meetings are now commonplace following the pandemic (but notes the legal uncertainty around whether virtual-only meetings are permitted) and sets out actions to assist companies in making the most of new technologies to increase shareholder engagement. For further details, see previous versions of this scanner.</p>	Ongoing	Amber
<p>Corporate transparency, economic crime and Companies House reform: Register of Overseas Entities</p> <p>Affects: all companies and non-UK entities which own UK property</p>	<p>In relation to the Register of Overseas Entities, two sets of regulations came into force on 1 August 2022:</p> <ul style="list-style-type: none"> • Register of Overseas Entities (Delivery, Protection and Trust Services) Regulations 2022 which include provisions relating to the electronic delivery of documents and a protection of information regime, as well as clarification as to which overseas entities must declare their beneficial owners. • Register of Overseas Entities (Verification and Provision of Information) Regulations 2022 which will implement aspects of the new ROE in relation to the verification of certain information about beneficial owners and managing officers, as well as requiring certain information to be delivered to the registrar during the transitional period (see further below regarding agent assurance codes). <p>Companies House also published two sets of guidance (25 July 2022):</p> <ul style="list-style-type: none"> • Guidance: Register an overseas entity – this explains what overseas entities, beneficial owners and the ROE are, and provides guidance on the information that needs to be submitted to the ROE about the overseas entity, any registerable beneficial owners, managing officers and the UK-regulated agent that carried out appropriate verification checks. It also explains what form the verification checks should take and how to apply to register an overseas entity and its beneficial owners. • Guidance: Agent assurance codes for registering an overseas entity – before it can be registered, a UK-regulated agent must complete verification checks on all beneficial owners and managing officers of an overseas entity. It will be required to provide an agent assurance code and an overseas entity verification checks statement to confirm that the appropriate procedure has been followed. This guidance explains how this works. Agents have been able to apply for a code since 25 July 2022. <p>BEIS has also published Guidance: Register of overseas entities: guidance on registration and verification, which provides an overview of the ROE and its requirements, and includes further information about the verification process.</p> <p>Also see section 4, Real estate and construction.</p>	Ongoing	Amber

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>M&A/investment: National Security and Investment Act 2021 comes into force</p> <p>Affects: all companies</p>	<p>On 4 January 2022, the National Security and Investment Act 2021 (NSIA) came into force expanding the government's powers to scrutinise, and to intervene in, certain acquisitions and investments on national security grounds. The new powers, in brief, are triggered where control of a 'qualifying entity' or 'qualifying asset' (including <u>land</u> and tangible moveable property) occurs in circumstances where there is possible risk to national security. For further detail, see UK REIT Horizon Scanner Q1 2022.</p> <p>BEIS has since issued various publications (for further detail, see previous editions of this scanner), including <u>NSIA 2021: Market Guidance Notes July 2022</u>, providing practical guidance on the new regime based on its first six months of operation (19 July 2022).</p>	Ongoing	Amber
<p>Small business exemptions extended</p> <p>Affects: businesses with fewer than 500 employees</p>	<p>On 2 October 2022, plans were <u>announced</u> to widen the exemptions for small businesses from certain regulations and reporting requirements to capture businesses with fewer than 500 employees. This is not intended to be a blanket exemption, and can be overridden where appropriate, but the measure aims to reduce the red-tape burden for growing businesses. The revised threshold applies from 3 October 2022 to all new regulations under development as well as those under current and future review, including retained EU laws. Once the impact of this current extension is known, the government intends to consult on potentially extending the threshold to businesses with 1,000 employees.</p>	Ongoing	Amber
<p>ESG: FRC report on ESG data production</p> <p>Affects: all companies producing ESG data</p>	<p>On 30 August 2022, the FRC Lab published a <u>report</u> (and related summary) on improving ESG data production, designed to help companies consider how to collect and use ESG data more effectively to support better decision-making. The report is based on interviews and roundtables with a diverse range of organisations across sectors and sizes (including large listed companies and private companies). The FRC will now move on to explore how: (a) companies communicate and distribute data to the market; and (b) investors, regulators and other stakeholders use ESG data.</p>	Ongoing	Green
<p>Audit and corporate governance: Major reforms to audit and corporate governance systems</p> <p>Affects: all companies</p>	<p>On 16 August 2022, the FRC published <u>Auditor reporting: A review of current practice</u> which provides an in-depth look at the length and readability of auditors' reports, as well as how auditors communicate how the audit was performed, the risks they identified, and the responses to those risks.</p>	Ongoing	Green

General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Law Society guidance on registration of certain trusts with HMRC's Trust Registration Service</p> <p>Affects: trust arrangements</p>	<p>On 6 April 2022, the Law Society published AML guidance: Trust Registration Service which aims to help corporate lawyers understand when trusts that may arise in certain corporate transactions may fall within the HMRC's Trust Registration Service (TRS) regime. Broadly, under the TRS regime specified types of trust (including UK express trusts, whether taxable or not) are required to register with the TRS, unless specifically excluded. The deadline for registration of non-taxable trusts that fell within the regime before 4 June 2022 was 1 September 2022. Thereafter, an "in-scope" trust must be registered with TRS within 90 days of its creation. Trustees of "in-scope" trusts are also required to maintain certain written records relating to the trusts and beneficiaries, whether or not the registration requirement applies. For further detail, see UK REIT Horizon Scanner Q3 2022.</p>	<p>1 September 2022, and ongoing</p>	<p>Red</p>
<p>Companies House closes London office</p> <p>Affects: all companies</p>	<p>On 29 July 2022, Companies House announced the permanent closure of its London office and the public counters at its Cardiff, Belfast and Edinburgh offices (press release). Customers should use the Companies House digital services for paperless filing. Any paper documents for companies incorporated in England and Wales must be sent directly to the Cardiff office.</p>	<p>29 July 2022</p>	<p>Green</p>
<p>AIC SORP: Financial Statements of Investment Trust Companies and Venture Capital Trusts</p> <p>Affects: Investment Trust Companies</p>	<p>The AIC has published the July 2022 edition of its "Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts" (including a blackline version) which is applicable for accounting periods beginning on or after 1 January 2022. The main changes relate to paragraphs 30 and 82 regarding the disclosure of substantial holdings in unquoted assets.</p>	<p>Ongoing</p>	<p>Green</p>
<p>Corporate reporting: FRC feedback on proposals for principles-based corporate reporting</p> <p>Affects: all companies, in particular larger companies</p>	<p>On 30 July 2021, the FRC published feedback on its consultation on proposals to replace the current corporate reporting system with a principles based framework. The FRC will now consider how best to develop some of its ideas taking into account the feedback received. For further details, see previous versions of this scanner.</p>	<p>Ongoing</p>	<p>Amber</p>

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3 | Financial regulatory

Financial regulatory

Key developments in Q4 2022

- Edinburgh Reforms
- Update on Financial Services and Markets Bill 2022/23
- Review of UK PRIIPs regime
- FCA consultation paper on sustainability disclosure requirements and investment labels
- Q&As on SFDR and SFDR Delegated Regulation
- Climate transition plans
- Updates to the ESAs' Q&As on the PRIIPs KID
- Government statement on UK green taxonomy
- FCA review on approaches to diversity and inclusion in financial services

Issues	Status	Key Timing	Impact
Edinburgh Reforms Affects: Regulated firms including REIT managers, REIT advisers	On 9 December 2022, the Chancellor of the Exchequer, Jeremy Hunt, announced a package of measures designed to "turbocharge growth" in financial services across the UK (Edinburgh Reforms). Please see our special feature article for further details, and also see section 1, Equity capital markets.	Ongoing	Amber
Update on Financial Services and Markets Bill 2022/23 Affects: all regulated firms	The Financial Services and Markets Bill 2022/23 is currently with the House of Lords having completed its committee and report stages and third reading in the House of Commons. It is expected to receive the Royal Assent in spring 2023. On 23 November 2022, Andrew Griffith, Financial Secretary, HM Treasury, announced that the government had decided not to proceed with the controversial "public interest intervention" power in the Bill, which would have enabled HM Treasury to direct a regulator to make, amend or revoke rules if there were matters of significant public interest. He said that the "existing provisions in the [B]ill are currently sufficient" and the government "remain[s] committed to the operational independence of the financial services regulators."	Q1 and Q2 2023	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Review of the UK PRIIPs regime</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>As part of the Edinburgh Reforms, the government is consulting on repealing PRIIPs and replace it with an alternative retail disclosure framework better suited to the needs of investors. Retail disclosure requirements will be removed from legislation and subject to the FCA's rulemaking powers. The FCA will become responsible for retail disclosure. In parallel with the consultation paper, the FCA has published a discussion paper (DP22/6) as part of its preparation for making and implementing a new disclosure regime. The FCA recognises the need for its disclosure framework to reflect an increase in digital distribution and seeks input on the delivery, presentation and content of retail disclosure. Responses to the consultation should be made by 3 March 2023; feedback on the discussion paper by 7 March 2023.</p>	Ongoing	Amber
<p>FCA consultation paper on sustainability disclosure requirements and investment labels</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 25 October 2022, the FCA published a consultation paper (CP22/20) on sustainability disclosure requirements (SDR) and investment labels. The consultation paper takes into account the feedback the FCA received to its November 2021 discussion paper, the recommendations of the Disclosures and Labels Advisory Group and consumer behavioural research. Also see section 2, General corporate.</p> <p>The key policy proposals in the consultation paper are:</p> <ul style="list-style-type: none"> ▪ The introduction of three sustainable investment product labels: sustainable focus, sustainable improvers and sustainable impact. Each category will be underpinned by objective criteria. ▪ Restrictions on use of certain sustainability related terms e.g. "ESG", "green" or "sustainable" in product names and marketing of products. ▪ General anti-greenwashing rule applying to all regulated firms that will require that all sustainability-related claims are clear, fair and not misleading. ▪ Consumer-facing product-level disclosures that will help consumers understand the key sustainability-related features of an investment product. This will include disclosing investments that a consumer may not expect to be held in a product. ▪ More detailed disclosures at product and entity level that will be targeted a wider range of stakeholders, including institutions investors or those retail investors seeking more information. ▪ Requirements for distributors to make sustainable investment label and consumer-facing disclosures available to retail investors. <p>Annex 1 of the consultation paper considers the relationship between the UK's proposed regime and the provisions of the EU SFDR, and the US SEC's proposals. The FCA notes that the starting point for its regime is different from both SFDR and the SEC's proposals in that the UK regime is designed as a labelling regime.</p> <p>Comments on the consultation paper should be made by 25 January 2023. The FCA aims to finalise its rules and publish a policy statement by the end of the first half of 2023. It intends to build on the proposals over time to respond to domestic, international and market developments.</p>	Ongoing	Red

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Q&A on SFDR and SFDR Delegated Regulation</p> <p>Affects: REIT managers and REIT advisers when marketing/distributing REITs into the EEA</p>	<p>On 9 September 2022, the European Supervisory Authorities (ESAs) sent eight additional questions to the European Commission regarding the SFDR. The questions cover:</p> <ul style="list-style-type: none"> How the definition of 'sustainable investment' in Article 2(17) SFDR will apply to investments in funding instruments that do not specify the use of proceeds such as general equity or debt of an investee company. How 'investment in an economic activity that contributes to an environmental objective' or 'investment in an economic activity that contributes to a social objective' in Article 2(17) SFDR should be interpreted. Carbon emissions reductions and benchmark issues. What it means to consider principal adverse impacts (PAI) and whether to include interim workers or workers employed by other group entities when determining the 500-employee PAI threshold. Periodic disclosure frequency for portfolio management services. <p>As at 31 December 2022, these questions had not been answered.</p> <p>On 5 December 2022, Mairead McGuinness, European Commissioner for financial services, financial stability and the Capital Markets Union, said that the Commission will publish a first set of Q&As in early 2023. These may address how some of the "fundamental concepts of SFDR" should be interpreted.</p> <p>On 17 November 2022, the Joint Committee of the ESAs published a new set of Q&A on Commission Delegated Regulation (EU) 2022/1288, which supplements the SFDR (SFDR Delegated Regulation which applied from 1 January 2023) covering the following topics:</p> <ul style="list-style-type: none"> Current value of all investments in PAI and taxonomy-aligned disclosures. Principal adverse impacts (PAI) disclosures. Financial product disclosures. Multi-option products. Taxonomy-aligned investment disclosures. Financial advisers and execution-only financial market participants. 	Q1	Amber
<p>Climate transition plans</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 8 November 2022, the UK Transition Plan Taskforce (TPT) published for consultation its proposed disclosure framework for private sector climate transition plans (TPs) and accompanying implementation guidance. A transition plan should cover:</p> <ul style="list-style-type: none"> An entity's high-level ambitions to manage the changing climate and to leverage opportunities of the transition to a low GHG and climate resilient economy, including GHG reduction targets such as, a net zero commitment. Short, medium and long-term actions the entity plans to take to achieve its strategic ambition. Governance and accountability mechanisms that support delivery of the TP and robust periodic reporting. Measures to address material risks to, and leverage opportunities for, the natural environment and stakeholders. <p>In addition to integrating transition plans into their financial reporting, the guidance also recommends that entities publish standalone TPs at least every three years. The deadline for responses is 28 February 2023. Also see section 2, General corporate.</p>	Ongoing	Amber

Financial regulatory (continued)

Issues	Status	Key Timing	Impact
<p>Updates to the ESAs' Q&As on the PRIIPs KID</p> <p>Affects: REITs made available to retail investors in the EU</p>	<p>On 21 December 2022, the Joint Committee of the European Supervisory Authorities released an updated set of Q&As on the PRIIPs Key Information Document (KID). The changes to the last version of the Q&As (published on 14 November 2022) reflect recent amendments made by Commission Delegated Regulation (EU) 2021/2268, which applied from 1 January 2023. Topics that have been revised include:</p> <ul style="list-style-type: none"> ▪ Performance scenarios. ▪ Derivatives. ▪ PRIIPs with a recommended holding period of less than one year. ▪ Multi-option products. ▪ Methodology for the calculation of costs. 	Ongoing	Amber
<p>Government statement on UK green taxonomy</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 14 December, the government announced that, having received advice from the Green Technical Advisory Group and taking into account stakeholder engagement, it considers it would be beneficial to review its approach to the development of a taxonomy to maximise the effectiveness of its sustainable finance agenda. To this end, it confirmed that it will not be make secondary legislation under the existing Taxonomy regulations but will rather await the repeal of these regulations as part of the repeal of retained EU law relating to financial services provided for in the Financial Services and Markets Bill 2022/23. The government will provide a further update when it publishes the updated Green Finance Strategy (a measure referred to in the government's Edinburgh Reforms – see above).</p>	Ongoing	Green
<p>FCA review on approaches to diversity and inclusion in financial services</p> <p>Affects: all regulated firms</p>	<p>On 12 December 2022, the FCA published a webpage with the results of a review of how 12 firms approach designing and embedding diversity and inclusion (D&I) strategies. The key observations were:</p> <ul style="list-style-type: none"> ▪ Firms were still early on in their D&I journey having typically started serious efforts in this area in 2019 or 2020. ▪ Although evidence of passion and commitment to making progress, many firms' strategies were generic and did not take a holistic view. ▪ The purpose and actions oriented to achieving goals were not clearly articulated. ▪ Data collected was not capitalised on to identify best remedies and remedies were not tracked properly. ▪ Firms tended to focus on D&I at senior leadership level rather than the junior to middle management grades, where the biggest drop-off in representation appears to occur. ▪ Very few firms understood D&I as a fundamental culture issue. ▪ There was less understanding of and focus on building inclusive cultures than on actions to measure diversity and address specific issues. ▪ Few firms discussed systemic discrimination and the behavioural biases affecting D&I. ▪ Retail firms had not undertaken substantial work on the diverse needs of their consumer base although a few recognised the need. <p>The FCA has written feedback letters to the firms that were part of its review and it will use its normal supervisory process to follow up with them. All firms are encouraged to consider the FCA's findings and use them to evaluate their current D&I strategies and practices.</p> <p>The regulators' consultation paper on D&I is expected later in 2023.</p>	Ongoing	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>FCA's new Consumer Duty</p> <p>Affects: Regulated firms including REIT managers, REIT advisers</p>	<p>On 27 July 2022, the FCA published a policy statement, final guidance and an accompanying press release on the introduction of the new Consumer Duty. The new Consumer Duty aims to set higher and clearer standards of consumer protection and requires firms to put customers' needs first. It is made up of:</p> <ul style="list-style-type: none"> ▪ A new Consumer Principle that requires firms to act to deliver good outcomes for retail customers. ▪ Cross-cutting rules which clarify the FCA's expectations for behaviour through three overarching requirements and help firms to deliver the four outcomes under the Duty. ▪ The four outcomes which relate to the governance of products and services, price and value, consumer understanding, and consumer support. <p>The rules come into force on 31 July 2023 for new and existing products or services that are open to sale or renewal and on 31 July 2024 for closed products or services. The FCA expects firms to have agreed their implementation plans by the end of October 2022 and be able to demonstrate that they have ensured their plans are deliverable and robust. The FCA has published a webpage, which provides further information on the key aspects of the Consumer Duty, including implementation plans, consumer duty board champions, and the definition of closed products.</p>	<p>31 October 2022 and ongoing</p>	<p>Red</p>
<p>AIFMD update</p> <p>Affects: REIT managers when marketing REITs into the EEA</p>	<p>The EU Parliament and the Council of EU have each published proposed amendments to the Commission's legislative proposal for a new Directive revising the Directive on Alternative Investment Fund Managers (Directive 2011/61/EU) (AIFMD):</p> <ul style="list-style-type: none"> ▪ On 16 May 2022, the European Parliament's Committee on Economic and Monetary Affairs published its draft report on the proposed Directive. As well as containing improvements relating to delegation and supervisory reporting, liquidity management tools, loan origination funds, depositary services, and transparency, data collection and disclosure, the report also proposes that the current definition of a 'professional investor' is expanded to include an investor who has committed to investing a minimum of €100,000 and has shown in writing that they are aware of the risks associated with the investment. ▪ On 17 June 2022, the Council of the EU confirmed that it had agreed its general approach to revising AIFMD, which is set out here. In addition to focusing on liquidity risk management and loan origination and depositary services, the Council has clarified the rules on outsourcing and the delegation of certain functions by fund managers to third parties. <p>The institutions will now enter into trilogue negotiations.</p>	<p>2024-2025</p>	<p>Amber</p>

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>ISSB: publication of exposure drafts of IFRS sustainability disclosure standards</p> <p>Affects: REITs, REIT managers, REIT advisers</p>	<p>On 31 March 2022, the International Sustainability Standards Board (ISSB) published two drafts of IFRS sustainability disclosure standards. These draft standards are:</p> <ul style="list-style-type: none"> ▪ IFRS S1 general requirements for disclosure of sustainability-related financial information. This would require companies to disclose as part of their general purpose finance reporting, all sustainability-related financial disclosures, such as material information about sustainability-related risks and opportunities. ▪ IFRS S2 climate-related disclosures. This supplements the taskforce on climate-related financial disclosures and would require companies to provide material information about significant climate-related risks and opportunities. <p>Individual jurisdictions will determine whether companies must comply with the final standards.</p> <p>The consultation closed on 29 July 2022. The ISSB aims to issue the finalised standards as early as possible in 2023.</p>	Ongoing	Amber
<p>Regulators' reviews of TCFD-aligned disclosures</p> <p>Affects: REIT managers with AUM over specified threshold</p>	<p>Asset managers that are/will be subject to the FCA's TCFD-aligned disclosure regime should take note of the regulators' recent review of TCFD-aligned disclosures by premium listed companies. On 29 July 2022, the FCA published its review of TCFD-aligned disclosures by premium listed commercial companies. The FCA undertook a high-level quantitative review of the climate-related disclosures by 171 premium listed commercial companies, which published disclosures by 30 April 2022 and a more detailed assessment of the consistency of disclosures with the TCFD framework for 31 of those companies. The findings include:</p> <ul style="list-style-type: none"> ▪ Over 90% of companies self-reported that they had made disclosures consistent with the TCFD governance and risk management pillars. The figure was less than 90% for the strategy and metrics and targets pillars. ▪ 81% of companies indicated that they had made disclosures in line with all seven recommended disclosures the FCA would expect a company to comply with. ▪ Some companies indicated that they had made disclosures consistent with the recommended disclosures but the disclosures seemed to be very limited in content. The FCA is considering these in more detail and may take action as appropriate. ▪ The number of companies making disclosures that are either partially or mostly consistent with the TCFD framework has significantly increased compared with 2020. <p>Alongside the FCA's review of TCFD-aligned disclosures, the Financial Reporting Council (FRC) has published an in-depth review of the climate-related disclosures for a sample of 25 premium listed companies.</p> <p>The FCA's Primary Market Bulletin 42 (published on 12 December 2022) contains a reminder of the FCA's rules, guidance and expectations on TCFD-aligned disclosures for listed companies, some of which has more general application and is therefore relevant to asset managers as well. Also see section 1, Equity capital markets and section 2, General corporate.</p>	Ongoing	Amber

Financial regulatory (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>FCA's supervisory strategy for alternative investment vehicles</p> <p>Affects: REIT managers and REIT advisers</p>	<p>On 9 August 2022, the FCA published a portfolio letter on its alternatives supervisory strategy. The FCA acknowledges that since its 2020 portfolio letter, several significant events (such as COVID-19, Brexit, and the cessation of LIBOR) have impacted the asset management industry. Whilst the market has been generally resilient, these affected the work the FCA focused on, and therefore several priorities are similar to the 2020 priorities. Among other things, the portfolio letter notes that:</p> <ul style="list-style-type: none"> ▪ Understanding the culture of firms is central to the FCA's supervisory approach given its direct influence on business practices. ▪ The FCA has previously observed that market abuse controls need improvement across the sector. Where the FCA identifies firms do not comply, the FCA will consider criminal, civil, or supervisory sanctions to provide deterrents. ▪ ESG remains a priority area to the FCA. Firms offering products with an ESG focus should expect to be subject to review to ensure marketing materials accurately describe their product. Firms that are within scope of the FCA's TCFD-aligned disclosure regime should be considering what steps they will need to take to be able to make entity and product level disclosures as required. <p>Firms should discuss the letter with their board or executive committee and consider areas the firm and its assurance functions should focus on.</p>	Ongoing	Amber
<p>Investment Association paper on how technology will impact the UK fund industry</p> <p>Affects: REIT industry</p>	<p>On 7 July 2022, the Investment Association published a paper entitled 'Investing for the future: three potential paths for a tech-powered UK fund industry'. The report considers the evolution of investment funds over time and the advent of 'Investment Fund 3.0'. The paper predicts a likely increase in the use of tokenisation and therefore calls for policymakers and regulators to 'work at pace' to establish the framework for tokenised funds. For funds with illiquid assets such as property and infrastructure, the benefits of the adoption of tokenisation include fractional ownership and greater liquidity. The use of distributed ledger technology should also mean that settlement is instantaneous and cheaper.</p>	Ongoing	Green

Financial regulatory (continued)

Looking back

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

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4 | Real estate, planning and construction

Real estate, planning and construction

Key developments in Q4 2022

- Levelling Up and Regeneration Bill
- Proposal for a new Building Safety Levy

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The Building Safety Act (BSA) received Royal Assent on 28 April 2022. The government is now working through its programme of related secondary legislation and has opened a number of consultations to support this.</p> <p>The BSA establishes the Building Safety Regulator with a remit to implement regulatory change to building regulation and control for higher-risk buildings in England, provides new accountability and duties across all buildings, and introduces competency standards and provisions to strengthen the construction products regulations.</p> <p>The new regulatory regime will see the introduction of a system of Gateways for higher-risk buildings under the supervision the Building Safety Regulator during planning, construction and operation. Higher-risk buildings in England are expected to be buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Secure residential institutions, temporary leisure establishments, military premises are excluded.</p> <p>The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>Three Gateways are proposed. Planning Gateway 1 came into effect on 1 August 2001 (Town and Country Planning (Development Management Procedure) (England) Order 2015 (as amended). Gateway 2 and Gateway 3 are intended to ensure that the Building Safety Regulator is satisfied of building regulation compliance prior to construction and occupation. Latest indications are that Gateway 2 and 3 will be introduced in October 2023 once the relevant secondary legislation is finalised with a six-month transitional period from the existing regime to the new regime. However, the timings have not been confirmed.</p> <p>A new duty holder regime for design and construction of all new buildings, modelled on the CDM Regulation, will also be introduced which will require duty holders to ensure compliance with building regulations. For occupied higher risk buildings, a new statutory role of the Accountable Person who will be under an on-going duty to assess and manage building safety risk will be introduced.</p>	<p>October 2023</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Building Safety Act 2022 (cont'd)</p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The BSA introduces new limitation provisions which came into effect on 28 June 2022. The BSA extends the time limits to bring claims under section 1 of the Defective Premises Act 1972 by extending the limitation period from 6 to 30 years retrospectively; with a 15 year prospective limitation period. Separately the BSA introduces a new section 2A of the DPA with a limitation period of 15 years. Liability can be extended to associated persons under building liability orders.</p> <p>Extended limitation provisions of 15 years also apply for breaches of section 38 of the Building Act 1984 in relation to breach of duty under the Building Regulations. The intention was that section 38 of the Building Act 1984 (which has never been commenced) would be commenced on 28 June 2022, but details are still awaited.</p> <p>The leaseholder protections for qualifying lessees (leases over 21 years) against the cost of remediation of historic building safety issues came into effect on 28 June 2022. These provisions create statutory remedies requiring landlords and associated persons to pay for the remediation works for historic cladding and other safety defects in residential buildings of at least 5 storeys or 11 metres in height (Schedule 8 and sections 117-125 BSA), and set out the limited circumstances in which these remediation costs can be passed on to tenants. These leaseholder protection provisions are supported by the Building Safety (Leaseholder Protections) (England) Regulations 2022 (effective 20 July 2022) which prescribe circumstances in which landlords are to complete and send to the tenant a formal Landlord Certificate (e.g. before seeking to make demands for service charges for building safety remedial works or if the tenant requests the information). Failure to provide the Landlord Certificate within the timescale will mean that landlords will be unable to pass on any remediation costs.</p> <p>Building Safety Act 2022 and Building Safety Act 2022 enacted (taylorwessing.com)</p>	<p>June – July 2022</p>	<p>Red</p>
<p>Economic Crime (Transparency and Enforcement) Act 2022</p> <p>Affects: Overseas owners of UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA) introduced a new Register of Overseas Entities at Companies House to identify the beneficial owners of overseas entities which own registered property. ECTEA came into force on 1st August 2022 (with provisions relating to property ownership and the Land Registry requirements taking effect on 5th September 2022). Also see section 2, General corporate.</p> <p>ECTEA requires any overseas entity which acquires or has acquired registered property in England and Wales since 1st January 1999 (and for Scotland, 8th December 2014) to register on the Register of Overseas Entities. Under transitional provisions, overseas entities which owned registered property before 1st August 2022 have a six month deadline, ending on 31st January 2023, to register in the Register of Overseas Entities. If an overseas entity does not apply to register by this date, it will commit a criminal offence and will effectively be unable to sell, lease or charge its registered property.</p> <p>Once an overseas entity is registered on the Register of Overseas Entities, it must update the information on the register annually. It is important that this is done as the Land Registry will require the overseas entity to comply with its updating duty before a sale, new lease or charge of the land can be registered. See: Register of Overseas Entities holding UK land.</p>	<p>Deadline for registration at Companies House: 31 January 2023.</p>	<p>Red</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
Building Safety Levy	<p>A second consultation on the design and implementation of the Building Safety Levy has been opened: The Building Safety Levy: consultation. The key proposals are:</p> <ul style="list-style-type: none"> • The Levy will apply to all new residential buildings in England that require building control approval (regardless of height). • Whether Build-to-rent, purpose-built student accommodation and accommodation for older people are excluded will be determined post consultation. • Affordable homes and community buildings (including NHS facilities, children’s homes and refuges) are expected to be excluded and there will be protections for smaller developments. • The rate of the Levy will be calculated on either a “per unit” of residential dwelling or a “per square metre” basis; and the Levy will vary depending on the geographic location to reflect land value and house prices. Differential rates may also apply for brownfield and greenfield developments. • The Levy will be paid by the developer clients. • The Levy is in addition to developers Building Safety Pledge to remediate their own buildings, and the Residential Property Developer Tax. <p>Building Safety Levy: a step closer (taylorwessing.com)</p>	Consultation closes on 7 February 2023	Red
<p>Fire Safety (England) Regulations 2022</p> <p>Affects: Investors, owners, managers and developers of residential buildings</p>	<p>The Fire Safety (England) Regulations 2022 implement the recommendations of Phase 1 of the Grenfell Tower Inquiry and require the Responsible Person of a multi-occupied residential building to take certain action depending on the height of the building</p> <p>This includes for buildings of at least 18 metres/7 storeys – requirements to provide fire and rescue services with electronic copies of building floor plans and information regarding the external wall system; to undertake monthly checks on fire and evacuation lifts and other fire-fighting equipment; and the provision of secure information boxes and wayfinding signage. For those buildings over 11 metres in height, quarterly checks on fire doors will be required, and annual checks on flat entrance doors. For all buildings with communal areas, provision of fire-safety information to residents will be required.</p> <p>These regulations follow the implementation of section 1 of the Fire Safety Act 2021 in England on 16 May 2022 and in Wales on 1 October 2021.</p>	23 January 2023	Red

Real estate, planning and construction (continued)

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

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Levelling up and Regeneration Bill and Land Control</p> <p>Output from the Planning For the Future – White Paper</p> <p>Affects: investors and developers</p>	<p>The Levelling Up and Regeneration Bill promises to make fundamental changes to the current system of local government, planning, developer contributions and regeneration.</p> <p>The Bill is wide-ranging and includes:</p> <ul style="list-style-type: none"> • measures to tackle slow build out by developers (involving new development progress reports, financial penalties & refusal of further permissions); • a new permanent pavement licensing scheme; • discretionary powers for councils to apply a council tax premium of up to 100% on empty and second homes in their areas; and • a variety of changes to the planning regime. The latter, though much narrower than those originally envisaged by the ill-fated Planning Bill (which presaged this Bill), remain wide-reaching. <p>Refinements are expected before the Bill comes into law in 2023. Three key proposals to watch out for next year:</p> <ul style="list-style-type: none"> • A new Infrastructure Levy (IL) to replace the community infrastructure levy (CIL) in England (Mayoral CIL in London and CIL in Wales will remain), akin to a further tax on development. IL will be mandatory, and it will be based on a percentage of the final gross development value above a set threshold. It will apply to the development of new or existing buildings as well as to material changes of use, which means 'permitted development' will be within scope. Section 106 agreements will not be abolished but will only be used in specific circumstances. The new legislation is likely to be introduced in different areas at different times, to allow a 'test and learn' approach to IL regulations. • New powers for local authorities to conduct a compulsory rental auction of premises that have been vacant for at least 12 months in designated high streets or town centres. Local authorities will be able to contract as if they were the landlord of the premises (although owners will have a right of appeal). • New measures to increase transparency in land ownership and control, which will make it very hard to keep sensitive information out of the public domain. The express purpose of these measures is to make land ownership more transparent (for example, by collecting and publishing data on contractual arrangements used by developers to control land, such as rights of pre-emption, options, and conditional contracts) and to identify attempts to evade sanctions or the new ECTEA disclosure requirements. However, their ambit will be far more wide-reaching than the purpose suggests, potentially capturing all registered owners of UK land. Registration of transactions may be delayed as a result. 	<p>Commencement legislation awaited</p>	<p>Amber</p>

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Minimum energy efficiency level for rented property in England and Wales</p> <p>Affects: landlords of privately rented commercial or domestic property in England or Wales</p>	<p>Since April 2018, landlords of privately rented commercial or domestic property in England or Wales have not been able to grant a new tenancy unless their properties reach at least an Energy Performance Certificate (EPC) rating of E.</p> <p>The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015, introduced a phased approach to compliance, but by 1 April 2023 every commercial property will need to meet the minimal level in order to continue to be let.</p> <p>See: The Private Rented Property minimum standard – landlord guidance documents</p> <p>There is an exemptions framework to cover certain circumstances, which requires the landlord to note the property on a National PRS Exemptions Register.</p> <p>From 1 April 2023, commercial landlords will be affected by an extension of the prohibition on new (or renewal) lettings to properties with an Energy Performance Certificate (EPC) rating of F or G. The regulations ensure that from 1 April 2018, all properties will be captured, regardless of whether a tenant is already in occupation.</p>	<p>The next key date is 1 April 2023</p>	<p>Red</p>
<p>Non-domestic buildings minimum energy efficiency standards</p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The Energy White Paper confirmed the Government's proposed target for non-domestic buildings to achieve minimum energy efficiency standards and EPC rating of 'B' by 2030.</p> <p>The 2022 Autumn Statement contained a new commitment of funding for energy efficiency improvements and the Chancellor, Jeremy Hunt, set the country a new ambition announcing that, "by 2030, we want to reduce energy consumption from buildings and industry by 15%".</p> <p>Given the government's direction of travel, we expect it to implement proposals for MEES reforms to tighten the minimum energy efficiency standard for commercial properties to an EPC B rating by 1st April 2030 (possibly with a phased implementation requiring an EPC C rating by 2027).</p> <p>Many commercial property landlords and occupiers now have ESG policies which include energy efficiency targets, but it is likely they will need to do more to actively meet MEES requirements, particularly with the raising of the EPC rating from an E to a B rating. Landlords need to engage with tenants on improvement works and will want to consider whether it is appropriate to share the MEES compliance burden with them and if they are able to do so under existing leases.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	<p>Amber</p>

Real estate, planning and construction (continued)

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

Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p>Electronic Communications Code – Product Security and Telecommunications Act</p>	<p>The Act received Royal Assent on 6 December 2022. In summary, the Act introduces:</p> <ul style="list-style-type: none"> • A new duty for operators to consider using Alternative Dispute Resolution to settle disputes before making a court application. Operators must make landowners aware that ADR is an available option. The courts will be required to take account of any unreasonable refusal to engage in ADR when awarding costs. • Limited rights for operators to upgrade and share equipment installed before the 2017 Code, provided there is no material impact on the owner or occupier of private land. • Amendments to the Landlord and Tenant Act 1954 to align the procedures more closely with Part 5 of the Code. This includes dealing with disputed unopposed renewal agreements or where operators are seeking to impose a new Code agreement where the main aim of that agreement is to confer Code rights. • A new right for operators in sole occupation under a previously expired Code agreement to seek a new agreement under Part 4 of the Code. • A new procedure for operators to quickly obtain Code rights over certain types of land, where a landowner fails to respond to repeated requests for access. <p>The measures will apply to all parties involved in requests and agreements relating to rights regulated by the Code. This will include telecommunications operators, infrastructure providers, landowners and occupiers, as well as professionals such as land agents and legal representatives.</p>	<p>Royal assent received on 6 December 2022.</p>	<p>Amber</p>

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Tax

Key developments in Q4 2022

- Government announced improvements to the tax rules for UK REITs as part of its 'Edinburgh Reforms'.
- Date of the Spring Budget was confirmed as 15 March 2023.

Issues	Status	Key Timing	Impact
<p>Targeted changes to UK REITs rules as part of the wider review of the UK funds regime</p> <p>Affects: UK REITs</p>	<p>On 9 December 2022 the government confirmed a number of changes to the UK REITs regime as part of its 'Edinburgh Reforms' to drive growth and competitiveness in the financial services sector. Detail on the proposals is limited, although the upcoming Spring Budget may provide greater clarity. With effect from April 2023:</p> <ul style="list-style-type: none"> ▪ The requirement for a REIT to own at least three properties will be removed where it holds a single commercial property worth at least £20 million. ▪ The 'three-year development rule' (where the disposal of property by a REIT within three years of significant development activity is deemed to be a trading transaction) will be amended to ensure it operates as originally intended. <p>These proposals supplement the targeted changes to the UK REITs rules included in the Finance Act 2022 that came into effect on 1 April 2022 (see the 'Looking back' section below for further details), which aim to improve the attractiveness of the UK REITs regime.</p> <p>Uncertainty remains, however, regarding the fate of other proposals put forward in the government's January 2021 call for input, namely:</p> <ul style="list-style-type: none"> ▪ Removing the requirement for REITs to be subject to both the Corporate Interest Restriction test and the interest cover test. ▪ Amending the rules so that where a REIT holds overseas property in a UK company and suffers tax in the overseas jurisdiction, withholding tax should not be applied when paying relevant property income dividends (PIDs) to investors. <p>An update is also awaited on the interaction between the REITs regime and the new Qualifying Asset Holding Company (QAHC) regime.</p>	<p>Spring Budget (15 March 2023) and Finance Bill may contain further detail and/or draft legislation on targeted changes to UK REITs rules</p>	<p>Red</p>

Tax (continued)

Issues	Status	Key Timing	Impact
<p>Sovereign immunity from direct taxation – consultation on policy design</p> <p>Affects: sovereign investors in UK REITs</p>	<p>A response is awaited to the government's consultation on the policy design of sovereign immunity from direct taxation.</p> <p>Broadly, it is proposed that the sovereign immunity rules should be codified in order to provide greater certainty for sovereign investors, and the exemption should be targeted at UK source interest income. Profits from a UK property business, including PIDs arising from interests in a UK REIT, would therefore be brought within the scope of UK tax.</p> <p>The government is also re-examining whether sovereign immune investors such as sovereign wealth funds should continue to be 'qualifying investors' for the purposes of existing investment regimes such as the UK REITs regime.</p> <p>Draft legislation is expected to be published for technical consultation ahead of inclusion in a future Finance Bill, with any new rules taking effect from 1 April 2024.</p>	<p>Spring Budget 2023 – possible government response to consultation</p> <p>Any new rules will come into effect from 1 April 2024</p>	Red
<p>Super-deduction and special rate first year allowances for capital allowances and future plans</p> <p>Affects: REITs investing in capital expenditure</p>	<p>The Finance Act 2021 includes a super-deduction and special rate first year allowance for companies investing in qualifying new plant and machinery between 1 April 2021 and 31 March 2023:</p> <ul style="list-style-type: none"> Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances will be relieved by a super-deduction of 130%. Qualifying expenditure on special rate assets that would ordinarily qualify for 6% writing down allowances will be relieved by a 50% special rate first year allowance. <p>Although income from a REIT's property rental business is not within the charge to UK tax, notional allowances will be taken into account in calculating its distributable profits, reducing the amount that the REITs are required to distribute to investors.</p> <p>At Spring Statement 2022, it was announced that the government was considering reforms to best support future business investment ahead of April 2023 (when the temporary super-deduction and special rate first year allowance end). A confirmation of future plans had been expected in Autumn 2022. However, an announcement may now be made at Spring Budget 2023.</p>	<p>Applies to expenditure incurred between 1 April 2021 and 31 March 2023</p> <p>Spring Budget 2023 – possible government announcement of replacement for temporary super-deduction and special rate first year allowance</p>	Amber

Tax (continued)

Looking back

Issues	Status	Key Timing	Impact
<p>Legislation for targeted changes to UK REITs rules</p> <p>Affects: UK REITs</p>	<p>The Finance Act 2022 (section 15 and schedule 3) contain targeted changes to the UK REITs regime to make the UK a more competitive location for holding real estate assets. In particular:</p> <ul style="list-style-type: none">▪ Removing the requirement for REIT shares to be admitted to trading on a recognised stock exchange in cases where certain types of institutional investor hold at least 70% of the ordinary share capital in the REIT.▪ Amending the definition of an overseas equivalent of a UK REIT so that the overseas entity itself, rather than the overseas regime to which it is subject, needs to meet the equivalence test.▪ Removing the 'holders of excessive rights' charge where PIDs are paid to investors entitled to gross payment.▪ Amending the rules requiring at least 75% of a REIT's profits and assets to relate to property rental business (the 'balance of business test') to disregard non-rental profits arising because a REIT has to comply with certain planning obligations, and to ensure items specified are disregarded in all parts of the test.▪ Introducing a new simplified balance of business gateway test.	<p>Changes to the UK REITs rules included in the Finance Act 2022 took effect from 1 April 2022</p>	<p>Red</p>



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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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