



TaylorWessing

# UK REIT Horizon Scanner Q3 2024

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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, tax<sup>1</sup> and in relation to ESG matters, in England (including assimilated EU law<sup>2</sup>).**

Issue/status/timing: New developments since our March 2024 edition are shown in **green text**.

Impact: urgency/impact rating for REITs admitted to London Stock Exchange Main Market (including the Specialist Fund Segment<sup>3</sup>)

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

Published as at: **30 June 2024. We note that the King's Speech took place on 17 July 2024. Developments occurring after that date will feature in the Q4 2024 edition of the UK REIT Horizon Scanner.**

- <sup>1</sup> 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.
- <sup>2</sup> 'assimilated EU law' (where used) is EU law that remains in force after the end of 2023. Note that 'assimilated EU law' is the new name for 'retained EU law' after the end of 2023. The name-change was effected by the Retained EU Law (Revocation and Reform) Act 2023 and is intended to reflect the removal of some EU-derived features from retained EU law after the end of 2023. It only renames law – it does not change the legal effects of the underlying renamed law.
- <sup>3</sup> Although the Listing Rules do not apply to the SFS, it is common for SFS companies voluntarily to comply with certain key Listing Rules and to state an intention to comply with the UK Corporate Governance Code.

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# 1 | Equity capital markets

UK REIT Horizon Scanner Q3 2024

# Equity capital markets

## Key developments since Q1 2024

- Final rules published for the overhaul of the UK listing regime – coming into force on 29 July 2024
- Code Committee consultation on narrowing the scope of the companies to which the Takeover Code applies
- Takeover Panel Bulletin on offeror statements of intention and new Takeover Panel practice for private sale processes

Issues	Status	Key Timing	Impact
<p><b>Reforms to UK listing regime – final rules published</b></p> <p>Affects: mainly listed commercial companies but also some impact on closed-ended investment funds</p>	<p>On 11 July 2024, the FCA published its final rules to overhaul the UK listing regime (<a href="#">Policy Statement PS24/6</a>). The new rules replace the existing LR sourcebook with a new UKLR sourcebook. The new UKLR sourcebook comes into force on 29 July 2024 and aims to simplify the current UK listing regime by removing the 'premium' and 'standard' listing segments in favour of a new commercial companies category for equity shares and streamlining eligibility for those companies seeking to list their shares in the UK.</p> <p>The final position is broadly as consulted on in CP23/31 (see UK REIT Horizon Scanner Q1 2024), with certain amendments as set out in the PS24/6. These mainly affect commercial companies, but they also align the closed-ended investment funds category more closely with the commercial companies category. A summary of the approach taken in the final rules can be found in paragraph 1.15 of PS24/6.</p>	29 July 2024	Red
<p><b>Reforms to the Takeover Code</b></p> <p>Affects: transactions subject to the Takeover code</p>	<p>On 24 April 2024, the Code Committee of the Takeover Panel published a consultation (closes 31 July 2024) on proposals for narrowing the scope of the companies to which the Takeover Code applies (<a href="#">PCP 2024/1</a>). Under the proposals, a company registered in the UK, Channel Islands or Isle of Man would only be subject to the Code if it is 'UK-listed' or has been 'UK-listed' at any time during the previous three-year period (currently there is a ten-year run-off period following a delisting). The residency test, requiring certain companies to have their place of central management and control in the UK, Channel Islands or Isle of Man, would also be abolished.</p> <p>If the new regime is adopted, subject to transitional arrangements, the Code would no longer apply to the following UK-registered companies (unless the company had been 'UK-listed' at any time in the previous three years):</p> <ul style="list-style-type: none"> <li>a company which was UK-listed more than three years ago;</li> <li>a company whose securities are, or were previously, traded solely on an overseas market;</li> <li>a company whose securities are, or were previously, traded using a matched bargain facility such as JP Jenkins or Asset Match;</li> <li>any other "unlisted" public company; and</li> <li>a private company which filed a prospectus in the UK at any time in the last ten years.</li> </ul> <p>In addition, the Code would not apply to companies whose securities are traded solely using crowdfunding platforms, private markets and the Private Intermittent Securities and Capital Exchange System (a new secondary market platform to facilitate the periodic trading of existing shares in private companies), which is expected to be operational by the end of 2024 (see the <a href="#">Spring Budget 2024</a>).</p>	31 July 2024	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<p><b>Takeovers: offeror intention statements</b></p> <p>Affects: transactions subject to the Takeover Code</p>	<p>On 15 May 2024, the Takeover Panel Executive published <a href="#">Panel Bulletin 7</a> on offeror intention statements regarding an offeree company's business, employees and pension schemes, which must be set out in a firm offer announcement (Takeover Code provisions: Rule 2.7(c)(viii) and Note 1 on Rule 2.7) and an offer document (Rule 24.2)). It sets out examples of arguments that have been presented to the Executive that, in its view, do not provide an acceptable basis for preparing intention statements. These include where the offeror's only intention is to conduct a strategic review in the 12 months following completion, or where the bidder does not envisage a material reduction in employee headcount. The Executive expects that an offeror will almost always have developed specific intentions in relation to the matters set out in Note 1(a) on Rule 2.7 and Rule 24.2(a), and these must be stated in both the firm offer announcement and the offer document. However, the offeror must make an appropriate negative statement in the exceptional cases where it has no intention to make any changes in relation to these matters.</p>	Ongoing	Red
<p><b>Takeovers: new practice for private sale processes</b></p> <p>Affects: transactions subject to the Takeover code</p>	<p>On 30 April 2024, the Takeover Panel Executive published an amended <a href="#">Practice Statement 31</a> (guidance on formal sale processes, private sale processes, strategic reviews and public searches for potential offerors). The main update relates to the description of a new practice for private sale processes that has been adopted by the Panel – namely that companies conducting private sale processes will no longer have to identify potential bidders unless they have been specifically identified in any relevant rumour or speculation. In addition, Practice Statement 31 has been reviewed and restructured and describes in more detail the different types of sale processes and the Executive's approach to the relevant provisions of the Code in each case.</p>	31 July 2024	Red
<p><b>Secondary capital raising review: final report and recommendations</b></p> <p>Affects: listed companies</p>	<p>On 19 July 2022, HM Treasury published the <a href="#">final report</a> in relation to its <a href="#">UK Secondary Capital Raising Review</a> (SCRR) for improving secondary capital raising processes for UK listed companies. It sets out a series of recommendations to the government (which have been accepted), to the FCA and to the Pre-Emption Group (PEG). Some recommendation have been actioned – see previous editions of the UK REIT Horizon Scanner for background and further detail. Outstanding recommendations include:</p> <ul style="list-style-type: none"> <li>• <i>Threshold required for prospectus in connection with a secondary raise</i> will increase from 20% of its existing share capital to 75%. In addition, no sponsor needed in connection with a secondary fundraising, but sponsor declarations on a circular will continue for certain offers linked to a material acquisition. Near term implementation.</li> <li>• <i>On all capital raisings, companies should give due consideration to the interests of retail shareholders</i>. The period an IPO prospectus involving a retail offer has to be made publicly available should be shortened to three working days (from six). Near term implementation as part of wider prospectus regime review.</li> <li>• <i>Increase the range of choice of available fundraising structures</i>: Recommendations include the adoption of the Australian concept of a 'cleansing notice' for secondary fundraisings not involving a prospectus. Near/medium term implementation.</li> <li>• <i>Raise priority of 'drive to digitisation'</i>: Shareholders to hold shares in digitised form.</li> <li>• <i>Various measures to make existing fundraising structures quicker and cheaper</i>, including shortening offer periods for rights issues and open offers to seven business days from ten and flexibility for notice periods for shareholder meetings (not AGMs) to be reduced to seven clear days.</li> </ul>	Various – Ongoing	Red

# Equity capital markets (continued)

Issues	Status	Key Timing	Impact
<b>Reforms to UK prospectus regime</b>  Affects: companies looking to make a public offer or for admission to trading	On 29 January 2024, the <a href="#">Public Offers and Admissions to Trading Regulations 2024</a> were made ( <a href="#">explanatory memorandum</a> ). The Regulations create the statutory architecture for a new rules-based regime for regulating public offers and admissions to trading on a UK regulated market or a primary MTFs in the UK, replacing the existing EU-derived prospectus regime. The Regulations came into force for limited purposes on 30 January 2024, however the new regime will not come into force until the FCA has consulted on the underlying regulatory framework (expected summer 2024). See UK REIT Horizon Scanners Q3 2023, Q1 2024 and Q2 2024 for further detail and <a href="#">webpage</a> .	Awaiting FCA consultation – expected summer 2024	Red
<b>Digitisation of UK shareholding framework</b>  Affects: listed companies first	On 11 July 2023, the <a href="#">Digitisation Taskforce</a> published its <a href="#">interim report</a> regarding reforms to the UK's shareholding framework. Its potential recommendations include legislating to stop new paper share certificates being issued and to require dematerialisation of all share certificates at a future date. The final report is due to be issued in Spring 2024. See UK REIT Horizon Scanner Q3 and Q4 2023 for further details.	March 2024	Red
<b>FCA Primary Market Bulletin 49</b>  Affects: primary market participants	On 21 May 2024, the FCA published <a href="#">Primary Market Bulletin 49</a> , which includes the following points of interest: <ul style="list-style-type: none"> <li>• The outcome of the 2023 FCA review of disclosure compliance relating to Long Term Incentive Plans under the Listing Rules.</li> <li>• The FCA reminds issuers of their disclosure and filing requirements for annual financial reports, outlines its observations on compliance and details its current supervisory approach.</li> <li>• Information on proposed changes to align the "Other Ethnic group" reporting category for the purposes of FCA diversity and inclusion requirements with the ONS's revised descriptions of its recommended categories for ethnicity.</li> <li>• FCA consultation timeline on ISSB Standards and transition plans based on UK endorsement process (see Section 6, ESG).</li> </ul>	Ongoing	Amber
<b>ESMA position paper on capital markets in the EU</b>  Affects: EU listed companies	On 22 May 2024, ESMA published a <a href="#">position paper</a> on building more effective and attractive capital markets in the EU. In the paper, ESMA sets out 20 recommendations for reforms to the EU legislative and regulatory framework for capital markets, including reforms to the regulatory regime for listed companies.	Ongoing	Green

# Equity capital markets (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>Reforms to UK listing regime: FTSE Russell publishes indicative impact on FTSE UK Index Series</b></p> <p>Affects: listed commercial companies and closed-ended investment funds</p>	<p>On, 15 March 2024, FTSE Russell published a <a href="#">Summary and FAQ</a> setting out how it anticipates the proposed reforms to the listing regime will impact the FTSE UK Index Series and FTSE Ground Rules. In particular, FTSE Russell currently anticipates that issuers falling within the new commercial companies and closed-ended investment fund categories will be eligible for inclusion in the FTSE UK Index Series, whereas companies falling within the transition category will not (as is consistent with the current approach).</p> <p>FTSE Russell acknowledges that the FCA's plans for reform are not yet final, and it will closely consider all further announcements by the FCA prior to confirming any changes to its index eligibility criteria. FTSE Russell expects any consequential changes to the FTSE Ground Rules and inclusion criteria to follow shortly after confirmation of the listing regime changes.</p>	<p>Shortly after confirmation of the listing regime changes</p>	<p><b>Red</b></p>
<p><b>Takeovers: Panel Bulletin 6 regarding Rule 20.1 Takeover Code</b></p> <p>Affects: transactions subject to the Takeover code</p>	<p>On 15 January 2024, the Takeover Panel published <a href="#">Panel Bulletin 6</a> concerning the application of Rule 20.1 Takeover Code which requires equality of information to shareholders in an offeree company. It underlines the importance of considering the application of Rule 20.1 where a target director has been appointed by a target shareholder and that director is provided with information by the target company; and that director (or the target) provides information to the appointing target shareholder.</p>	<p>Ongoing</p>	<p><b>Amber</b></p>
<p><b>Governance: ISS and PLSA published 2024 guidelines</b></p> <p>Affects: listed companies</p>	<p>In January 2024, Institutional Shareholder Services published its updated <a href="#">UK and Ireland proxy voting guidelines</a> for 2024. These are effective for meetings on or after 1 February 2024.</p> <p>On 15 February 2024, the Pensions and Lifetime Savings Association published its <a href="#">2024 Stewardship and Voting Guidelines</a> and <a href="#">Summary</a> document which summarises the changes in this edition from the previous publication.</p>	<p>2024 AGM season</p>	<p><b>Amber</b></p>



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## 2 | General corporate

# General corporate

## Key developments since Q1 2024

- Identity verification regime for new and existing directors could commence during H1 2025
- Consultation on raising employee threshold for medium-sized companies and exempting medium-sized companies from producing a Strategic Report

Issues	Status	Key Timing	Impact
<p><b>Corporate transparency and economic crime: Companies House reform and new economic crime offences</b></p> <p>Affects: all companies</p>	<p>The <a href="#">Economic Crime and Corporate Transparency Act 2023</a> introduces a broad range of measures to tackle economic crime, including introducing an identity verification regime for new and existing directors, LLP members and people with significant control. <a href="#">See previous editions of the UK REIT Horizon Scanner for background and progress to date.</a></p> <p>Subject to the Parliamentary timetable and passage of secondary legislation, the Identity verification regime could commence during H1 2025 (DBT Progress Report). Draft Registrar's Rules, which set out the information and evidence that will be required when applying for identity verification at Companies House, were published in May 2024.</p> <p>The following were also published and laid before Parliament in May 2024:</p> <ul style="list-style-type: none"> <li>• <a href="#">draft Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations 2024 and explanatory memorandum which introduce the first part of ECCTA 2023's privacy reforms.</a></li> <li>• <a href="#">draft Information Sharing (Disclosure by the Registrar) Regulations 2024 and explanatory memorandum which enable the registrar to disclose information to specified persons to assist with specified purposes relating to insolvency and/or bankruptcy proceedings.</a></li> </ul>	<p>Ongoing</p> <p>Identity verification regime may begin in H1 2025</p>	Red
<p><b>Corporate governance: revised UKCGC</b></p> <p>Affects: mainly premium listed companies</p>	<p>In January 2024, the FRC published the <a href="#">2024 UK Corporate Governance Code</a> and associated <a href="#">Corporate Governance Code Guidance</a>. The 2024 UKCGC will apply to financial years beginning on or after 1 January 2025, other than Provision 29 which will apply to financial years beginning on or after 1 January 2026. See previous editions of the UK REIT Horizon Scanner for details.</p>	<p>1 January 2025 and 1 January 2026 for internal control provisions</p>	Red
<p><b>Corporate governance: Stewardship Code 2020 review</b></p> <p>Affects: issuers, asset managers and owners</p>	<p>On 27 February 2024, the FRC published a <a href="#">Policy Statement</a> launching a review of the UK Stewardship Code 2020. It is intended that this review be carried out in three phases – a targeted outreach exercise aimed at issuers, asset managers, asset owners and service providers, followed by a public consultation after the 2024 AGM voting season during the summer, with the revised Code most likely published in early 2025.</p>	<p>During 2024, with publication of new Code likely 2025</p>	Red

# General corporate (continued)

Issues	Status	Key Timing	Impact
<b>Corporate reporting: non-financial reporting review</b>  Affects: potentially all companies	On 16 May 2024, the government published a consultation: <a href="#">Non-financial reporting review: simpler corporate reporting</a> which seeks views on raising the employee threshold for medium-sized companies to 500 employees and exempting medium-sized companies from producing a Strategic Report. The consultation closed on 27 June 2024.	27 June 2024	Red
<b>Payment practices regarding retention clauses in construction contracts with suppliers</b>  Affects: large companies	On 20 May 2024, the draft <a href="#">Reporting on Payment Practices and Performance (Amendment) (No. 2) Regulations 2024</a> were laid before Parliament, along with a draft <a href="#">Explanatory Memorandum</a> . The regulations will amend the Reporting on Payment Practices and Performance Regulations 2017 (and the associated LLP Regulations) and will require in-scope entities to publish certain information relating to retention clauses in qualifying construction contracts with suppliers. This reflects proposals from an earlier consultation that had not previously been enacted.	Expected 1 October 2024	Amber
<b>Non-compete clauses: 3 months limit</b>  Affects: UK employers/ees	On 10 May 2023, the Department for Business and Trade published a <a href="#">policy paper</a> setting out measures intended to grow the economy, including some proposed changes to non-compete clauses, as well as the Working Time Regulations 1998 and TUPE. In relation to non-competes, the government indicated in its <a href="#">response</a> to its related consultation, that it will bring forward legislation to introduce a statutory limit on the length of non-compete clauses of 3 months when parliamentary time allows.	Ongoing	Amber
<b>National security: NSIA market guidance</b>  Affects: all UK companies	On 18 April 2024, the Cabinet Office published a <a href="#">Response</a> to its call for evidence launched in November 2023 on the impact, scope and operation of the National Security and Investment Act 2021 (NSIA 2021) regime setting out the feedback received and the areas of work that the Government will be taking forward. On 21 May 2024, the Cabinet Office also published an <a href="#">updated version of the section 3 statement</a> , explaining how the Secretary of State expects to exercise the call-in power under the NSIA 2021, and new <a href="#">market guidance</a> on the operation of the NSIA 2021 regime.	Ongoing	Green
<b>Corporate governance: IoD consultation on code of conduct for directors</b>  Affects: all directors	On 6 June 2024, the Institute of Directors launched a <a href="#">consultation</a> on a proposed code of conduct for directors. The Code is intended as a practical tool to help directors fulfil their responsibilities and make better business decisions. The Code is applicable to directors of organisations of all sizes and is designed to compliment the other codes of conduct to which directors may be subject. The consultation closes on 16 August 2024.	Ongoing	Green
<b>Corporate re-domiciliation</b>  Affects: all foreign-incorporated companies	On 12 April 2022, the government published a <a href="#">response</a> 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 intends to introduce the regime but no timescales are given.	Ongoing	Green

# General corporate (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>Corporate transparency and economic crime: Companies House reform and new economic crime offences</b></p> <p>Affects: all companies</p>	<p>The <a href="#">Economic Crime and Corporate Transparency Act 2023</a> extended the scope of corporate criminal liability, creating a new offence of failure to prevent fraud committed by employees or agents (application only to large organisations) and expanding the common law identification doctrine to allow for the attribution of criminal liability to companies where senior managers commit certain economic crimes. See previous editions of the UK REIT Horizon Scanner for background</p> <p>The company law reforms introduced by the Act will be effected through amendments to the Companies Act 2006 and implemented through secondary legislation (most yet to be published). Many will require extensive upgrades to Companies House systems. Certain changes to company law were introduced on 4 March 2024 by the Economic Crime and Corporate Transparency Act 2023 (Commencement No. 2 and Transitional Provision) Regulations 2024. These include new rules for all companies to have an "appropriate" registered office address as well as an appropriate email address for correspondence with Companies House (not publicly available). Companies must also confirm that it is being formed for a lawful purpose on incorporation, and that its intended future activities will be lawful on confirmation statements. Also note that companies wishing to file paper documents will need to post them to Companies House Cardiff office from 4 March 2024.</p>	Various	Red
<p><b>Corporate governance: Investment Association letter to remuneration committees</b></p> <p>Affects: listed companies</p>	<p>On 26 February 2024, the IA published a <a href="#">press release</a> and a <a href="#">letter</a> sent to remuneration committee chairs providing an update on the review of the IA principles of remuneration and remuneration issues that may be important to IA members during the 2024 AGM season. The IA plans to update the principles of remuneration in 2024 to reflect evolving views and practice on quantum of awards and the use of hybrid plans.</p>	2024 AGM season	Amber
<p><b>Late payment practices</b></p> <p>Affects: large companies</p>	<p>The Reporting on Payment Practices and Performance Regulations 2017 require in-scope businesses to publish information about their payment practices twice a year. They were due to expire on 6 April 2024, but their term has been extended by the <a href="#">Reporting on Payment Practices and Performance (Amendment) Regulations 2024</a> (in force 5 April 2024) for 7 years so that they now expire on 6 April 2031. Qualifying businesses will also be required to report the total value of invoices paid, in addition to the existing reporting requirement as to the volume of invoices, and on the proportion of invoices that are disputed and disclose the percentage of payments that were not paid within agreed terms.</p>	6 April 2031	Amber
<p><b>Corporate reporting: FRC publishes</b></p> <p>Affects: private subsidiaries of UK-listed companies</p>	<p>On 31 January 2024, the FRC published a <a href="#">Thematic Review: Reporting by the UK's largest private companies</a> which examines the quality of corporate reporting by the UK's largest private companies.</p>	Ongoing	Green

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# 3 | Financial services regulation

# Financial services regulation

## Key developments since Q1 2024

- Delay to publication of the next edition of the Regulatory Initiatives Grid
- FCA reviewing feedback to proposals to publicise enforcement investigations
- Trade body urges new government to resolve cost disclosure issues
- FCA responds to House of Lords Financial Services Regulation Committee on investment trusts' cost-disclosure regime
- FCA publishes Dear CEO letters on implementing the Consumer Duty for closed products and services
- FinDatEx publishes final version of the EMT V4.2 Template
- New FCA webpage to assist asset managers applying for authorisation
- FCA consults on payment optionality for investment research

Issues	Status	Key Timing	Impact
<p><b>Delay to next edition of Regulatory Initiatives Grid</b></p> <p>▪ Affects: REITs and their managers and advisers</p>	<p>As a result of the UK General Election, there has been a delay to the publication of the eight edition of the Regulatory Initiatives Grid (Grid). The latest Grid is therefore still the <a href="#">version</a> published in November 2023. In an update to the <a href="#">Grid webpage</a> published on 30 May 2024, the FCA said that members of the Forum will consider the best time to publish an update on the regulatory pipeline and initiatives later this year.</p>	Ongoing	Green
<p><b>FinDatEx final version of the EMT v4.2 template</b></p> <p>▪ Affects: REIT managers and REIT advisers</p>	<p>On 22 April 2024, the Financial Data Exchange (FinDatEx) published the final version of the <a href="#">EMT v4.2 template</a>. The current template integrates the previous one (EMT v4.1) with a supplementary UK-specific section linked to detailed on-going costs.</p> <p>EMT V4.2 can be used before 30 June 2024. From 30 June 2024, EMT v4.2 will be mandatory within the UK market and v4.1 will be retired. Both v4.2 and v4.1 will remain valid from 30 June 2024.</p>	Ongoing	Green

# Financial services regulation (continued)

Issues	Status	Key Timing	Impact
<p><b>FCA reviewing feedback to proposals to publicise enforcement investigations</b></p> <p>Affects: REIT managers and REIT advisers</p>	<p>In a <a href="#">speech</a> delivered on 26 June 2024, Steve Smart, Joint Executive Director of Enforcement and Market Oversight at the FCA, referred to the FCA's proposals to publicise enforcement investigations set out in <a href="#">CP24/2</a>, which closed for comments on 30 April 2024. The FCA has proposed that where it is in the public interest to do so, it would publicise the fact that it has an investigation open at an earlier stage. There has been widespread criticism of the proposals from a range of stakeholders.</p> <p>In his speech, Smart said that the FCA may not exercise its proposed power at the outset noting that each investigation would be considered on a case-by-case basis and there would be no presumption of publication. As has already been confirmed to parliament by the Chief Executive of the FCA, Nikhil Rathi, the FCA is reviewing the responses and will continue to engage with industry and other stakeholders. Smart concluded that the FCA will take its time to 'consider the right way forward over the next few months.'</p>	Q3/Q4	Amber
<p><b>FCA Dear CEO letters on implementing the Consumer Duty for closed products and services</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 16 May 2024, the FCA published a series of sector-specific Dear CEO letters on implementing the Consumer Duty rules for closed products and services ahead of the rules coming into force for such products and services on 31 July 2024. See asset management sector letter <a href="#">here</a>.</p> <p>The FCA also sent out a general <a href="#">letter</a> to all other regulated firms. The letters explain the application of the duty to closed products and services, and they identify priority issues that are particularly acute or widespread in closed products and services. These are:</p> <ul style="list-style-type: none"> <li>• Gaps in customer data.</li> <li>• The fair value of products and services.</li> <li>• The treatment of consumers with characteristics of vulnerability.</li> <li>• Gone-away or disengaged customers and vested contractual rights.</li> </ul> <p>The FCA emphasised that the Duty applies in full to closed products and services from the deadline and does not apply to past actions of firms.</p>	Ongoing	Amber
<p><b>FCA consults on payment optionality for investment research</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 10 April 2024, the FCA published a <a href="#">consultation paper</a> (CP24/7) on a new way of paying for investment research (closed 5 June 2024). The FCA is consulting on rules to introduce a new option to pay for investment research and is considering creating an option for paying for research using a bundled payment for trade execution and research. It proposes a new regime that would allow firms to bundle payments for third-party research and execution services, subject to the FCA's proposed guardrails.</p>	H2 2024	Amber

# Financial services regulation (continued)

Issues	Status	Key Timing	Impact
<p><b>FCA responds to House of Lords Financial Services Regulation Committee on investment trusts' cost-disclosure regime</b></p> <p>Affects: REITs industry</p>	<p>On 14 May 2024, the House of Lords Financial Services Regulation Committee published a <a href="#">letter</a> (10 May 2024), from Nikhil Rathi, FCA Chief Executive. The letter is a response to the Committee's letter of 30 April 2024 on the cost-disclosure regime that applies to investment funds under assimilated law. The letter states that the FCA understands and appreciates the need to move as quickly as possible to address challenges created by the cost-disclosure regime. Points of interest include:</p> <ul style="list-style-type: none"> <li>• The FCA disagrees with industry concerns that the UK is alone, compared to EEA jurisdictions, in its application to investment trusts of the retained EU law versions of the PRIIPs Regulation (1286/2014) (UK PRIIPs Regulation) and Commission Delegated Regulation (EU) 2017/565 (MiFID Org Regulation).</li> <li>• The FCA's November 2023 forbearance statement, intended to assist listed closed-ended funds in respect of costs disclosure, highlights the FCA's commitment to resolving challenges for the sector. This statement went as far as the FCA reasonably could without legislative changes.</li> <li>• The FCA will consult on the details of the replacement CCI regime by Autumn 2024.</li> </ul>	Ongoing	Amber
<p><b>New FCA webpage to assist asset managers applying for authorisation</b></p> <p>Affects: REIT managers and REIT advisers applying for authorisation</p>	<p>On 15 April 2024, the FCA published a new <a href="#">webpage</a> which sets out a non-exhaustive list of errors made by asset managers when applying for authorisation, which have reduced firms' chances of success or caused delays when the FCA determine applications. The common errors to avoid include:</p> <ul style="list-style-type: none"> <li>• Senior management lacking experience or qualifications.</li> <li>• Non-UK office locations.</li> <li>• Exposing clients to risk.</li> <li>• Underestimating accountability when outsourcing.</li> <li>• Failing to identify conflicts of interest.</li> <li>• Avoiding appropriate redress schemes protecting consumers.</li> </ul>	Ongoing	Amber
<p><b>Trade body urges new government to resolve cost disclosure issues</b></p> <p>Affects: REITs industry</p>	<p>On 23 May 2024, the Association of Investment Companies (AIC) published a <a href="#">press release</a>, in which it urged the incoming government on 5 July 2024 to prioritise resolving the issues with investment company cost disclosure. The AIC would like investment companies to be treated as they were in 2018 (i.e. before MiFID II and PRIIPs were introduced) and therefore advocates for a removal of investment companies from the scope of regulated cost disclosure. The press release follows a related <a href="#">announcement</a> from the AIC dated 7 May 2024, in which it called on HMT to confirm whether investment companies would be treated as Consumer Composite Investments (CCI), for the purposes of the <a href="#">UK's retail disclosure framework</a>.</p>	Ongoing	Amber



# Financial services regulation (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Publication of Directive amending AIFMD</b></p> <p>Affects: REITs sold into EU</p>	<p>On 26 March 2024, <a href="#">Directive (EU) 2024/927</a> was published in the Official Journal of the European Union. The Directive amends the Alternative Investment Fund Managers Directive (2011/61/EU) relating to delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services, and loan origination by alternative investment funds. It enters into force on 15 April 2024.</p>	Q2 2024	Amber
<p><b>Reforms to UK AIFMD</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 21 March 2024, HMT published a <a href="#">note</a> on the next phase of the Smarter Regulatory Framework (SRF), the process by which assimilated law will be replaced by rules determined by the financial regulators. The SRF divides assimilated law into tranches. Tranche 3 of the SRF includes the UK AIFMD. For further details on HMT's update, please read our article <a href="#">here</a>. In its March 2024 interim supervisory <a href="#">update</a> to the asset management and alternatives sector, the FCA confirmed that 'while the timeframe for migration of ... regulations into the FCA Handbook is yet to be determined, we expect to make significant progress this year.' It expects to 'lift and drop' significant parts of existing regulation but will be informed by three priorities for reform, which are based on the feedback it received to <a href="#">DP23/2</a>, 'Updating and improving the UK's regime for asset management'. These include making the AIFMD regime more proportionate and supporting technological innovation.</p>	Ongoing	Amber
<p><b>FCA review of AIFM hosting</b></p> <p>Affects: REITs industry</p>	<p>On 25 March 2024, the FCA published a new <a href="#">webpage</a> which sets out its findings from a 2023 review of alternative investment fund manager hosting. AIFMs can use the host model to employ staff on secondment from a third party to help manage the AIF who carry out regulated tasks or administrative jobs. Sometimes, the AIFM may be a principal firm and the person seconded to the AIFM may come from one of its appointed representatives. The FCA found potential harm from: a lack of oversight of seconded staff; insufficient involvement in investor due diligence, and inadequacies in capital adequacy calculations. It also found misleading claims from third parties that had seconded staff to an AIFM.</p> <p>The FCA therefore provides guidance for firms operating the AIFM host model on: supervising and monitoring the actions of all employees, including secondees; undertaking regular reviews and audits of the files of any third parties they delegate due diligence functions to, to ensure financial crime obligations are complied with, and factoring in the number of AIFs or ARs when calculating their capital requirements.</p> <p>The FCA has taken action against individual firms where it has seen harm arising from this model, so continues to closely monitor secondment arrangements in the AIFM sector.</p>	Ongoing	Amber

# Financial services regulation (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>FCA publishes 2024/25 business plan and updated approach documents</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 19 March 2024, the FCA published its 2024/25 <a href="#">business plan</a>, outlining how it will deliver the 13 commitments in its April 2022 Strategy to achieve better outcomes for consumers and markets. Key issues it will prioritise include:</p> <ul style="list-style-type: none"> <li>• Protecting customers: the FCA will continue to test whether firms are meeting the high standards set by the Consumer Duty, support people's long term financial wellbeing through the Advice Guidance Boundary Review and ensure pension products deliver value for money.</li> <li>• Ensuring market integrity: the FCA will finalise far-reaching capital markets reforms, continue to lead the debate on how the right form of regulation can support growth for UK markets, and invest in data and technology to support rigorous market oversight.</li> <li>• Promoting effective competition: the FCA will improve the attractiveness and reach of UK wholesale markets, support firms to invest, innovate and expand through its innovation services, and continue to make it quicker and easier for firms to apply for authorisation.</li> </ul> <p>Nikhil Rathi, FCA Chief Executive, <a href="#">highlighted</a> that the FCA has already made significant progress in delivering the bold vision set in the 2022 strategy, and remains resolute in supporting the vital role that the financial sector plays in the UK's long-term economic growth. The planned programme of work builds on the progress made in recent years to become a more outcomes-based, assertive and data-led regulator.</p> <p>On the same day, the FCA updated the following webpages:</p> <ul style="list-style-type: none"> <li>• <a href="#">Our approach to supervision</a>: its approach to regulatory oversight of both firms and the individuals who control firms.</li> <li>• <a href="#">Our approach to consumers</a>: how it uses its powers and tools protect consumers of financial services, in line with its consumer protection objective.</li> <li>• <a href="#">Our approach to competition</a>: how it identifies potential harm caused by a lack of competition, and what actions it can take to protect consumers.</li> <li>• <a href="#">Our approach to international firms</a>: what it expects from international firms providing financial services in the UK, or firms preparing to apply for full UK authorisation.</li> </ul>	Ongoing	Green
<p><b>Technology Working Group publishes second report on UK fund tokenisation</b></p> <p>Affects: REIT industry</p>	<p>On 26 March 2024, the Technology Working Group (TWG) published a <a href="#">report</a> on the second phase of its work in considering the possible use cases of fund tokenisation, building on its November 2023 <a href="#">interim report</a>. The TWG was launched in April 2023 and operates alongside the government's Asset Management Taskforce. One of the use cases the latest report considers is the role that tokenised funds may play in 'on-chain' investment markets that will enhance back-office functionality. The report also explores how funds may be able to hold tokenised assets in the portfolio. Phase three of the TWG will focus on the role of artificial intelligence and other technology in the investment management sector.</p>	Ongoing	Green

# Financial services regulation (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>Consumer Duty updates</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 20 February 2024, the FCA published a <a href="#">webpage</a> setting out good and poor practice for the implementation of the Consumer Duty, following the FCA's review of firms' implementation plans, fair value frameworks, and previous communications. The webpage states that firms should review the information provided and continue to make improvements in line with good practice. The webpage is also useful for closed products and services firms, which must ensure compliance with the Consumer Duty by implementation deadline of 31 July 2024. The FCA has also published the results of its Autumn 2023 survey on firms' progress and challenges to implementing the Consumer Duty, alongside a corresponding <a href="#">webpage</a> summarising the survey's findings.</p> <p>In a <a href="#">speech</a> on 20 February 2024, Sheldon Mills, the FCA's Executive Director of Consumers and Competition, noted that the FCA is ready to work with the industry to meet the closed products and services Consumer Duty implementation deadline. He also noted that, while many firms have made significant progress on implementing the Duty, there is still room for improvement. He emphasised that firms should embed the Consumer Duty at every level, with leadership from boards.</p> <p>On 15 March 2024, the FCA <a href="#">announced</a> that it is reviewing firms' treatment of customers in vulnerable circumstances. It will share its findings by the end of 2024.</p>	Q2-Q4 2024	Amber
<p><b>ECON adopts draft reports on proposed retail investment package</b></p> <p>Affects: REITs sold into EU</p>	<p>On 21 March 2024, the European Parliament's Economic and Monetary Affairs Committee (ECON) published a <a href="#">press release</a> announcing it had adopted its <a href="#">draft report</a> (published 2 April 2024) on the proposed Directive on retail investment protection. The proposed Directive amends a number of EU Directives, including MiFID II and AIFMD, including to help investors compare the costs of investment products.</p> <p>ECON also announced the adoption of its draft report on the proposed Regulation, which amends the Regulation on key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs). The amendments introduce an independent online comparison tool of different investment options available in the EU market.</p> <p>The texts will be tabled for approval during the 22 April to 25 April 2024 plenary session of the EU Parliament and followed up by the new Parliament after the June EU elections.</p>	Q3 2024	Amber
<p><b>Changes to financial promotion exemptions reversed</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 27 March 2024, the changes to the high net worth individual and sophisticated investor financial promotion exemptions were reversed. For further background, please read our article <a href="#">here</a>. In its <a href="#">Perimeter Report</a> (updated on 5 April 2024), the FCA confirmed that it disagrees with the reversal of the changes. Its position remains that self-certification should be removed, that the threshold for 'high net worth' should be raised significantly and that firms should have greater responsibility to check that individuals meet the relevant criteria within the exemptions. The FCA notes that it will continue to work with HMT on possible ways to strength the regime as a whole and will continue to raise any evidence on ongoing consumer harm with HMT.</p>	26 March and onwards	Amber

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

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# 4 | Real estate, planning and construction

# Real estate, planning and construction

## Key developments since Q1 2024

- Leasehold Reform and Freehold Reform Act 2024 passed on 24 May 2024 – requires secondary legislation for implementation

Issues	Status	Key Timing	Impact
<p><b>Building Safety Act 2022</b></p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>The end of the transitional period in April 2024 means that the Building Safety Act 2022 (BSA) is now fully operational. The Building Safety Regulator is the building control authority for higher-risk buildings, Registered Building Control Approvers have replaced Approved Inspectors, and a new role of Registered Building Inspector is created.</p> <p>The BSA introduces new responsibilities for duty-holders, i.e. the client, the principal designer, principal contractor, designers and contractors, and the details are set out in Part 2A of the Building Regulations 2010. Unlike other aspects of the BSA, the duty holder regime applies to all building works being carried out and not just works related to higher-risk buildings, but there are additional responsibilities where higher-risk buildings are involved.</p> <p>The various dutyholders take on new roles and duties around the planning, managing and monitoring of work carried out with the focus on Building Regulation compliance. Clients will need to appoint a principal designer and principal contractor and duty holders will need to co-operate with each other to ensure that building work complies with the relevant requirements. All designers and contractors will need to demonstrate that they meet new competency requirements before undertaking work.</p> <p>Higher-risk buildings (HRBs) in England for design and construction are buildings of over 18 metres in height (or 7 storeys) and which contain two or more residential units, a care home or hospital. Buildings which consist entirely of secure residential institutions, hotels and military premises are excluded (see the Higher-Risk Buildings (Descriptions and Supplementary Provisions) Regulations 2023). The Welsh Government is given powers to vary the scope and application of the regime for buildings in Wales.</p> <p>The Building Safety (Description of Higher-Risk Building) (Design and Construction Phases (Wales) Regulations came into force on 1 January 2024 and confirm that in Wales during design and construction a higher-risk building is any building over 18 metres in height or at least seven storeys and which contains at least one residential unit; is a hospital, care home or children's home. The exclusions from the definition of higher-risk buildings in Wales are the same as for England.</p>	<p>Now fully operational</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Building Safety Act 2022 (cont'd)</b></p> <p>Affects: Investors, owners and developers of higher risk buildings</p>	<p>Applications for work to new and existing HRBs will need to pass through the relevant gateways for planning and receive BSR sign off before construction can start and prior to occupation. This process requires submission of detailed documentation, competence and compliance declarations, and the collation of golden thread information in order to demonstrate to the BSR that the building to be delivered will comply with Building Regulations and that the duty-holders have complied with their duties</p> <p>New and existing HRBs need to be registered with the BSR. It is an offence for an HRBs (except hospitals and care homes) to be occupied but not registered. There are new statutory duties on the Principal Accountable Person and Accountable Person for HRBs to manage safety risks. These duties include continuous assessment and management of building safety risks using safety management systems; preparation of safety case reports; compliance with mandatory occurrence reporting; operation of a residents' engagement strategy and a complaints handling procedure. The detail is contained in the Higher-Risk Buildings (Management of Safety Risks etc) (England Regulations 2023. Golden Thread information will need to be maintained and updated by the Principal Accountable Person with the detail being contained in the Higher-Risk Buildings (Keeping and Provision of Information etc) (England) Regulations 2024.</p> <p>The calling-in process which leads to the issue of a Building Assessment Certificate (which requires information and documents arising out of the above duties to be submitted to the BSR) started in April 2024.</p> <p>The Building Safety Regulator Charging Scheme and the <a href="#">Building Safety (Regulator's Charges) Regulations 2023</a> set out details of the charges required by the BSR from the client and Principal Accountable Person.</p> <p>An amendment to the BSA, introduced by the Levelling Up and Regeneration Act 2023, ensures that the leaseholder protections for "qualifying leaseholders" set out in Sections 117 – 125 and Schedule 8 BSA (which set out the limited circumstances in which remediation costs of relevant defects can be passed on to tenants) apply to extensions of "qualifying leases" by providing that a "connected replacement lease" will also be a "qualifying lease". This amendment has retrospective effect and is treated as coming into force on 28 June 2022.</p> <p>Further changes to the BSA dealing with Remediation Orders and Remediation Contribution Orders are introduced with effect from 24 July 2024 under the Leasehold and Freehold Reform Act 2024. These changes relate to the ability of the First Tier Tribunal to order a relevant landlord to take relevant steps, such as providing waking watches, fire sprinklers or fire alarms, in addition to remedying specified defects.</p>	<p>24 July 2024</p>	<p>Red</p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Second staircase in new residential properties over 18 metres</b></p> <p>Affects: Investors, owners and developers of residential properties over 18 metres</p>	<p>Guidance relating to the requirements for a second staircase in new high-rise residential buildings over 18m comes into effect on 30 September, subject to transitional arrangements. The new guidance to <a href="#">Approved Document B</a> confirms that flats in buildings of 18 m or more in height should have more than one common staircase. The guidance confirms that interlocked, or “scissored” stairs, will count as a single staircase and do not constitute an alternative means of escape. Evacuation lifts are not required, but note that the London Plan does require evacuation lifts for new residential buildings over 18m for use by those with mobility impairments/disabilities.</p> <p>The previous version of the Approved Document B will continue to apply where a building notice or an initial notice has been given to, or a building control approval application with full plans made to, the relevant authority before <b>30 September 2026</b> and either the building work to which it relates: has started and is sufficiently progressed before that day; or is started and is sufficiently progressed within the period of 18 months beginning on that day (i.e. by 30 March 2028). From <b>1 October 2026</b> all new applications for building control approval will need to conform to the new guidance.</p> <p>Building work is to be regarded as ‘sufficiently progressed’: a) where the building work consists of the construction of a building, when the pouring of concrete for the permanent placement of the trench, pad or raft foundations has started, or the permanent placement of piling has started; or b) where the building work consists of work to an existing building, when that work has started; or c) where the building work consists of a material change of use of a building, when work to effect that change of use has stated.</p> <p><a href="#">Approved Document B 2024 amendments: circular 01/2024 - GOV.UK (www.gov.uk)</a>  <a href="#">Amendments to the Approved Documents - Approved Document B: Fire safety volumes 1 and 2 (publishing.service.gov.uk)</a></p>	<p>30 September 2024</p> <p>1 October 2026</p>	<p>Red</p>
<p><b>Building Safety Levy</b></p>	<p>The <a href="#">response</a> to the consultation on the design of the Building Safety Levy (published on 23 January 2024) confirms that:</p> <ul style="list-style-type: none"> <li>• The Levy will apply to all new residential buildings in England that require building control approval (regardless of height).</li> <li>• The Levy will apply to Build to Rent developments, most purpose-built student accommodation (save where the development has fewer than 30 bed-spaces), private retirement housing and conversions/change of use, where buildings are being converted to residential use, (subject to these not falling within other exemptions, such as developments of fewer than ten units).</li> <li>• Exclusions from the Levy include affordable homes and non-social homes built by not-for profit registered providers, community facilities such as NHS hospitals and other NHS facilities, care homes, accommodation for the armed forces personnel, criminal justice accommodation, and developments of fewer than ten units.</li> <li>• Clarification is still awaited as to whether hotels, private hospitals and hospices will be subject to the Levy.</li> <li>• The rate of the Levy will be calculated on a “per square metre” basis (as opposed to a “per unit” of residential building) although further clarification is needed as to how floorspace is to be measured.</li> <li>• A different geographical levy rate will be applied based on local authority boundaries to reflect local land values.</li> <li>• A 50% levy rate will be applied for developments on brownfield sites.</li> <li>• Local authorities will act as the collection agent.</li> </ul>	<p>Unclear when the Levy will come into force</p>	<p>Red</p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Economic Crime (Transparency and Enforcement) Act 2022</b></p> <p>Affects: Overseas owners of UK property</p>	<p>The Economic Crime (Transparency and Enforcement) Act 2022 (ECTEA – in force 1 August 2022) introduced a new Register of Overseas Entities (ROE) at Companies House to identify the beneficial owners of overseas entities which own registered property. ECTEA requires any overseas entity which acquires or has acquired registered property in England and Wales since 1 January 1999 (8 December 2014 for Scotland) to register on the ROE. Now the Transitional Period has passed, if an overseas entity owns land in the UK, and has not registered it, it is committing a criminal offence and cannot sell, lease or charge its registered property. Once an overseas entity is registered on the ROE, 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.</p> <p>Several changes were made to the legislation relating to the ROE from 4 March 2024:</p> <ul style="list-style-type: none"> <li>• Where an overseas entity nominee is the registered proprietor and holds the relevant property as nominee for a 3rd party, or an entity of which the 3rd party is a beneficial owner, then the 3rd party is to be treated as a registrable owner. This is a significant change because, for the first time, information is required about the beneficiaries of the property and not just the beneficial owners of the overseas entity itself. The beneficiaries of the property in a nominee situation are treated as a registrable beneficial owner of the overseas entity.</li> <li>• For an overseas entity that is allocated an overseas entity ID on or after 4 March 2024, disclosure of the party/parties for whom the nominee holds the relevant property is required and this catches beneficiaries.</li> </ul>	<p>Ongoing updating requirements.</p>	<p><b>Red</b></p>
<p><b>Renters Reform Bill</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The <a href="#">Renters (Reform) Bill</a> was introduced into Parliament on 17 May 2023. Key proposals for change include:</p> <ul style="list-style-type: none"> <li>• <b>Simplifying letting structures:</b> all tenancies to be rolling (monthly) periodic. ASTs abolished, along with fixed terms. There are limited exceptions, e.g. certain student accommodation, higher rentals (over £100,000), local authority tenancies and terms over 7 years.</li> <li>• <b>Removing s21 evictions:</b> the ability under s21 of the Housing Act 1988 to evict without proving fault will be scrapped. Landlords will only be able to evict on fault-based grounds and in 'reasonable circumstances' which are to be defined in the act.</li> <li>• <b>Permitting pets:</b> landlords cannot unreasonably refuse consent to keeping a pet (with suitable insurance).</li> <li>• <b>Reforming possession grounds generally:</b> notice periods will change, and grounds amended generally e.g. landlords will be able to sell or move in a close relation after initial 6 month period, but will need to wait 4 weeks (not 2) to evict on the grounds of rent arrears</li> <li>• <b>Strengthening protections against rent rises:</b> notice periods for rises will double to at least two months and statutory rent increase process likely to become more important (abolishing s.21 prevents landlords unable to agree a new rent from terminating and reletting). Tenants will be able to challenge increases in the First Tier Tribunal and there are administrative notice hurdles to market increases.</li> <li>• <b>Improving PRS management:</b> the Bill lays groundwork for regulations to make landlords join a redress scheme for tenant complaints and register with a public (landlord funded) Property Portal, so prospective tenants can view the letting histories of landlords and properties. Also a new Private Renters' Ombudsman whose powers and decisions will be binding on landlords. Membership will be mandatory and the Ombudsman will have powers to compel landlords to take remedial action or pay compensation.</li> </ul> <p>In their manifesto Labour announced they would "immediately" abolish section 21 'no fault' evictions; give tenants the power to challenge unreasonable rent hikes, force landlords to implement minimum energy efficiency standards by 2030 and give renters greater protections against exploitation and discrimination. Further detail is awaited.</p>	<p>Implementation date awaited – concerns over court capacity for hearings</p>	<p><b>Red</b></p>



# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Leasehold and Freehold Reform Act</b></p> <p>Affects: Residential and mixed-use property owners, managers and investors</p>	<p>The <a href="#">Leasehold and Freehold Reform Act</a> was passed by the House of Lords in pre-election wash-up on 24 May 2024. Key provisions include:</p> <ul style="list-style-type: none"> <li>• A ban on the creation of new leasehold houses, subject to a very limited list of exceptions.</li> <li>• A removal of the two-year ownership requirement before a leaseholder will qualify to extend their lease or purchase the freehold, therefore allowing leaseholders to act immediately.</li> <li>• Allowing leaseholders to extend their leases by an additional 990 years (as opposed to 50 years for houses and 90 years for flats under the previous legislation).</li> <li>• Allowing leaseholders in mixed used buildings with up to 50% of commercial space to enfranchise or take over the management of the building (this threshold was previously set at 25%).</li> <li>• Making it cheaper for leaseholders to extend their leases and purchase the freehold of their property by introducing a new valuation method for calculating the premiums payable to landlords and removing the requirement for tenants to pay the landlord's costs associated with these processes.</li> <li>• Abolishing marriage value for leases under 80 years.</li> <li>• Requiring all service charge demands are issued in a standardised format to increase the transparency for leaseholders.</li> </ul> <p>The notable omissions included:</p> <ul style="list-style-type: none"> <li>• No abolition or cap on ground rents for existing leases, a proposition which had been opposed by investor landlords who are concerned about the impact on their portfolio.</li> <li>• No introduction of a ban on forfeiture of long residential leases after an amendment to do so was voted down by MPs.</li> </ul> <p>The Labour party have said that they want to go further and to "bring the feudal leasehold system to an end". It has said it will enact the Law Commission's recommendations for enfranchisement, right to manage and commonhold, crack down on "unregulated and unaffordable" ground rents and maintenance charges.</p>	<p>Implementation date awaited.</p>	<p><b>Red</b></p>

# Real estate, planning and construction (continued)

Issues	Status	Key Timing	Impact
<p><b>Levelling up and Regeneration Act 2023 and Land Control</b></p> <p><b>Output from the Planning For the Future – White Paper</b></p> <p>Affects: investors and developers</p>	<p>The Levelling Up and Regeneration Act received Royal Assent on 26 October 2023. It promises to make fundamental changes to the current system of local government, planning, developer contributions and regeneration.</p> <p>The Act is wide-ranging and includes:</p> <ul style="list-style-type: none"> <li>• measures to tackle slow build out by developers (involving new development progress reports, financial penalties &amp; refusal of further permissions);</li> <li>• a new permanent pavement licensing scheme;</li> <li>• discretionary powers for councils to apply a council tax premium of up to 100% on empty and second homes in their areas; and</li> <li>• 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 Act), remain wide-reaching.</li> </ul> <p>Three key proposals to watch out for this year:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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). <b>In force from 31 March 2024.</b></li> <li>• 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.</li> </ul>	<p>Commencement legislation awaited. Government seeking views on transparency of land ownership involving trusts – closed 21 February 2024.</p> <p>Government seeking views on Street vote development orders - closed 2 February 2024.</p>	<p><b>Amber</b></p>

 TaylorWessing | **5 | Tax**

# Tax

## Key developments since Q1 2024

- Conservative election manifesto pledged the extension of full expensing to leasing (when fiscal conditions allow)
- Labour election manifesto pledged to retain a full expensing system

Issues	Status	Key Timing	Impact
<p><b>Permanent 100% and 50% first year capital allowances for plant and machinery expenditure</b></p> <p>Affects: REITs investing in certain capital assets</p>	<p>At Autumn Statement 2023 the government announced that the temporary 100% and 50% capital allowances for companies investing in qualifying new plant and machinery (introduced in Finance (No 2) Act 2023) would be made permanent. Section 1 of Finance Act 2024 therefore removes the expiry date of 1 April 2026 from the legislation. Accordingly:</p> <ul style="list-style-type: none"> <li>• Qualifying expenditure on main rate assets that would ordinarily qualify for 18% writing down allowances is relieved by a 100% first year allowance ('full expensing').</li> <li>• Qualifying expenditure on special rate assets (including long-life assets and integral features) that would ordinarily qualify for 6% writing down allowances is relieved by a 50% first year allowance.</li> </ul> <p>At Spring Budget 2024 the government further announced that it will seek to extend full expensing to assets for leasing when fiscal conditions allow <b>and this is reflected in its election manifesto. Labour has pledged to retain a full expensing system but has not indicated an intention to expand its scope.</b></p> <p>Although income from a REIT's property rental business is not within the charge to UK tax, notional allowances will be taken into account in calculating its distributable profits, reducing the amount that the REITs are required to distribute to investors.</p>	<p><b>September/October 2024:</b> Possible Autumn Budget</p>	<p><b>Amber</b></p>

# Tax (continued)

Looking back

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

# Tax (continued)

Looking back

Issues	Status	Key Timing	Impact
<p><b>Legislation for targeted changes to UK REITs rules</b></p> <p>Affects: UK REITs</p>	<p>Schedule 7 to the Finance Act 2024 contains a third tranche of changes to the UK REITs.</p> <p>Various amendments are being made to the 'non-close' condition, notably:</p> <ul style="list-style-type: none"> <li>• Confirmation that the exemption from the non-close condition may be satisfied where an institutional investor is an indirect participator (to be treated as always having had effect).</li> <li>• Further restrictions on certain institutional investors (i.e. open-ended investment companies and authorised unit trusts (and their overseas equivalents), and collective investment scheme limited partnerships) requiring them to be non-close or to satisfy genuine diversity of ownership.</li> <li>• A requirement for long-term insurers to meet the non-close condition.</li> <li>• Adding Co-ownership Authorised Contractual Schemes (CoACs) that meet the genuine diversity of ownership condition or the non-close condition to the list of entities regarded as institutional investors (for the purposes of the non-close condition).</li> </ul> <p>Further amendments include:</p> <ul style="list-style-type: none"> <li>• Extending the tax exemption for gains realised on disposals of interests in UK property rich companies to also include interests in UK property rich CoACs.</li> <li>• For the purposes of the profit-to-financing-costs ratio in the interest cover test, amending the definition of 'property financing costs' to mean costs referable to the UK property rental business (treated as always having had effect) but excluding non-deductible expenses other than amounts disallowed under the corporate interest restriction (having effect for accounting periods ending on or after 1 April 2023).</li> <li>• Enabling insurance companies to hold an interest of any size in a group UK REIT.</li> <li>• Preventing investors from being 'holders of excessive rights' where they are taxed at a particular rate (or not taxed at all) on Property Income Distributions under a double tax treaty other than where that is conditional on holding an interest of a certain size in the REIT.</li> </ul>	<p>The various amendments have effect from <b>22 February 2024</b> (the date Finance Bill 2024 received Royal Assent) unless otherwise stated</p>	<p><b>Red</b></p>



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UK REIT Horizon Scanner Q3 2024

# ESG

## Key developments since Q1 2024

- FCA webpage on sustainability disclosure requirements and investment labelling regime
- FCA publishes finalised guidance on anti-greenwashing rule and consults on extending the SDR regime to portfolio managers
- SDR and FinDatEx's EMT V4.2 template
- ESMA publishes final report on greenwashing
- ESAs publish joint opinion on the assessment of SFDR
- ESMA final report on guidelines on funds' names using ESG or sustainability-related terms
- Update on UK Sustainability Disclosure Requirements regime
- Corporate Sustainability Due Diligence Directive published in Official Journal

Issues	Status	Key Timing	Impact
<p><b>FCA webpage on its sustainability disclosure requirements and investment labelling regime</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 1 July 2024, the FCA updated its <a href="#">webpage</a> on its sustainability disclosure requirements (FCA SDR) and investment labelling regime. The webpage outlines an implementation timeline as well as answers to common queries that the FCA has received in relation to the requirements imposed by the regime. The anti-greenwashing rule and guidance came into force on 31 May 2024: see TW article <a href="#">here</a>.</p> <p>The webpage includes information to help funds using or wanting to apply a label under the regime. Labels can be displayed from 31 July 2024 if firms meet the requirements. A new section has been added to the webpage, which sets out how firms can notify the FCA about their use of an investment label and contains details of how to apply to make associated changes to a fund's name, investment objectives or policy. The FCA reiterates that it does not approve labels, but firms are required to notify it when they use, revise, or stop using a label. The webpage outlines four scenarios for notifying the FCA, but the steps will vary depending on the position of the firm.</p>	Q3 2024	Red



# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>FCA publishes finalised guidance on anti-greenwashing rule and consults on extending the FCA sustainability disclosure requirements regime to portfolio managers</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 23 April 2024, the FCA published <a href="#">finalised guidance</a> (FG24/2) on its new anti-greenwashing rule, as well as a <a href="#">consultation paper</a> (CP24/8) on extending the FCA sustainability disclosure requirements and investments labelling regime to portfolio managers. The guidance aims to help firms better understand the FCA's expectations under its new anti-greenwashing rule and other, associated requirements. The rules apply when firms make claims about the sustainability of a product or service, or when firms communicate a financial promotion, to a person in the UK. The guidance came into force on 31 May 2024, which is when the anti-greenwashing rule came into force. CP24/8 closed to comments on 14 June 2024. The FCA intends to publish its final rules in the second half of 2024.</p> <p>The proposed extension of the FCA sustainability disclosure requirements and investment labels regime to all forms of portfolio management services will include:</p> <ul style="list-style-type: none"> <li>• Product labels to help consumers understand what their money is being used for.</li> <li>• Naming and marketing requirements so products can only be described as having positive outcomes on the environment and/or society when those claims can be backed up.</li> </ul>	Q3 2024	Amber
<p><b>SDR and FinDatEx's EMT v4.2 template</b></p> <p>Affects: REIT managers and REIT advisers</p>	<p>Following implementation of the FCA's sustainability disclosure requirements regime (see entry above), <a href="#">FinDatEx's EMT version 4.2</a> template has also been updated to allow preparers to indicate where a fund has published a consumer facing document, which is required under the regime.</p>	Ongoing	Amber
<p><b>ESMA publishes final report on greenwashing</b></p> <p>Affects: REITs sold into EU</p>	<p>On 4 June 2024, ESMA published its <a href="#">final report</a> on greenwashing, in response to the European Commission's request for input on greenwashing risks and the supervision of sustainable finance policies. The other ESAs, EBA and EIOPA, also published final reports on the same day. The ESAs have taken a coordinated approach on greenwashing risks. The reports reiterate the common high-level understanding of greenwashing as a practice whereby sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This may be misleading to consumers, investors, or other market participants. The ESAs highlight that financial market players have a responsibility to provide sustainability information that is fair, clear, and not misleading.</p> <p>Each final report:</p> <ul style="list-style-type: none"> <li>• outlines the current supervisory response to greenwashing risks under the respective ESA's remit;</li> <li>• notes that national competent authorities (NCAs) are already taking steps in the area of supervision of sustainability-related claims;</li> <li>• considers how sustainability-related supervision can be gradually enhanced; and</li> <li>• considers potential improvements to the regulatory framework around greenwashing.</li> </ul> <p>Whilst the reports focus on the EU's financial sector, they acknowledge that addressing greenwashing requires a global response, involving close cooperation among financial supervisors and the development of interoperable standards for sustainability disclosures.</p>	Ongoing	Amber

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>ESMA final report on guidelines on funds' names using ESG or sustainability-related terms</b></p> <p>Affects: REITs sold into EU</p>	<p>On 14 May 2024, ESMA published a <a href="#">final report</a> setting out its guidelines on funds' names using ESG or sustainability related terms. The draft guidelines consider feedback ESMA received to its November 2023 consultation (see UK REIT Horizon Scanner Q1 2024).</p> <p>The report sets out the text of the draft guidelines, which aim to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims in fund names. The guidelines also provide asset managers with measurable criteria to assess their ability to use ESG or sustainability related terms in fund names. The guidelines will be translated and will apply three months after publication of the translations, subject to a transitional period of six months for funds existing before the application date.</p>	Q4 2024	Amber
<p><b>ESAs publish joint opinion on the assessment of SFDR</b></p> <p>Affects: REITs sold into EU</p>	<p>On 18 June 2024, the ESAs published a <a href="#">joint opinion</a> on the assessment of the Sustainable Finance Disclosure Regulation. The opinion was published on the ESA's own initiative in the context of the European Commission's review of the SFDR framework, launched in September 2023. It calls for a coherent sustainable finance framework that caters for both sustainable finance transition and investor protection.</p> <p>The ESAs' recommendations to the Commission include:</p> <ul style="list-style-type: none"> <li>• The Commission could consider introducing a product classification system, based on regulatory categories or sustainability indicators to help consumers navigate the broad selection of sustainable products and support the full transition to sustainable finance.</li> <li>• The categories should be simple with clear objective criteria or thresholds, to identify which category the product falls into. The ESAs encourage, at least, categories of 'sustainability' and 'transition'.</li> <li>• A sustainability indicator could refer to environmental sustainability, social sustainability or both, illustrating to investors the sustainability features of a product in a scale.</li> <li>• Options for product categorisation and sustainability indicators should be consumer tested and consulted on. With clear product categories and sustainability indicators, sustainability disclosures would not need to be as detailed and extensive.</li> <li>• The ESAs strongly recommend the Commission ensures that sustainability disclosures cater to different investor needs. Also, improvements in sustainability disclosures should consider different distribution channels, including digital ones, and ensure consistency of the information provided. The Commission should prioritise only essential information for retail investors, although professional investors may benefit from more detailed information.</li> <li>• The Commission could carefully reflect on whether to include other products within scope of the SFDR to ensure harmonised disclosures for both products currently in scope of the SFDR and any other products that could be brought within scope.</li> </ul>	Ongoing	Amber

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: government's updated Green Finance Strategy</b></p> <p>Affects: all companies</p>	<p>On 30 March 2023, the government published <a href="#">Mobilising Green Investment: Green Finance Strategy 2023</a>, which updates its 2019 Green Finance Strategy. See previous editions of the UK REIT Horizon Scanner for further details. Key measures include the following.</p> <ul style="list-style-type: none"> <li>• <b>Implementing the UK Sustainability Disclosure Standards framework (now referred to as the UK Sustainability Disclosure Requirements (UK SDR)), including IFRS Sustainability Disclosure Standards endorsement:</b> see entry below.</li> <li>• <b>Non-Financial Reporting Review:</b> See section 2, General corporate.</li> <li>• <b>Net zero transition plans:</b> see entry below.</li> <li>• <b>UK green taxonomy:</b> see entry below.</li> <li>• <b>Stewardship:</b> the FRC has launched a review of the UK Stewardship Code 2020. – see section 2, General corporate</li> <li>• <b>Nature-related financial disclosures:</b> See entry below.</li> <li>• <b>Reporting on scope 3 greenhouse gas (GHG) emissions:</b> government call for evidence on reporting on scope 3 GHG emissions – see entry below – response awaited.</li> <li>• <b>Regulating ESG ratings providers:</b> see entry below.</li> <li>• <b>Environmental Reporting Guidelines:</b> government intended to update these, including for Streamlined Energy and Carbon Reporting (SECR) - see entry below.</li> </ul>	<p>Ongoing</p>	<p>Amber</p>
<p><b>Climate: UK Sustainability Disclosure Requirements - Update</b></p> <p>Affects: potentially all companies (mainly larger entities)</p>	<p>On 16 May 2024, following the publication of <a href="#">Mobilising Green Investment: Green Finance Strategy 2023</a> (see above) the government published an update on its implementation plan for the development of an economy-wide Sustainability Disclosure Requirements in the UK (UK SDR): <a href="#">Sustainability Disclosure Requirements: Implementation Update 2024</a> (Update).</p> <p><i>IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) (IFRS SDS)</i></p> <p>The government aims to decide whether to endorse IFRS S1 and IFRS S2 for use in the UK by Q1 2025, thereby creating UK Sustainability Reporting Standards (UK SRS). Subject to endorsement, the first two UK SRS will be created based on IFRS 1 and IFRS 2.</p> <p>If the IFRS SDS are endorsed for use in the UK, in 2025 the FCA intends to consult on amending the FCA rules to move from TCFD to UK-endorsed ISSB disclosure standards (see <a href="#">Primary Market Bulletin 49</a> – published 21 May 2024), and the government intends to consult on requirements for UK companies that do not fall within the FCA's regulatory perimeter to disclose in line with the UK SRS, in Q2 2025 (see Update). The FCA has also indicated that companies may wish to start reporting voluntarily against the IFRS Sustainability Disclosure Standards before the end of the UK endorsement process. Note that the TCFD has been disbanded following the publication of IFRS S1 and IFRS S2.</p> <p>The UK Sustainability Disclosure Technical Advisory Committee (TAC) and a UK Sustainability Disclosure Policy and Implementation Committee (PIC) have been established to assist with the process. On 16 May 2024, the DBT also published: <a href="#">Framework and Terms of Reference for the Development of UK Sustainability Reporting Standards</a> setting out the process the government will go through to endorse and implement the IFRS Sustainability Disclosure Standards, as well as the terms of reference for the TAC and PIC.</p>	<p>During 2024, assessment of IFRS S1 and IFRS S2 for endorsement in UK to form basis of UK SRS. Consultation on draft UK SRS and endorsement decision, expected Q1 2025.</p>	<p>Amber</p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: UK Sustainability Disclosure Requirements – Update (cont.)</b></p> <p>Affects: potentially all companies (mainly larger entities)</p>	<p><i>Net zero transition plan disclosures</i> IFRS S2 includes a requirement for companies to disclose details about their transition plan, if they have one, as well as many disclosure requirements that are relevant to transition planning. The TPT Disclosure Framework provides more detailed recommendations on how to disclose effectively in line with these requirements. Given this overlap, the FCA plans to consult on strengthening its expectations for transition plan disclosures in line with the TPT Disclosure Framework as part of its consultation on implementing the UK-endorsed IFRS SDS in 2025 mentioned above (see <a href="#">Primary Market Bulletin 49</a>). The Update also states that the government intends to consult in Q2 2024 on how the UK’s largest companies can most effectively disclose their transition plans.</p> <p><i>SDR and Investment labels</i> Please see entries above.</p> <p><i>UK Green Taxonomy</i> The government expects to consult in 2024 on the design of the proposed UK Green Taxonomy. After the Taxonomy has been finalised, it is intended that there will be a testing period for voluntary disclosures and use for at least two reporting years before exploring mandating disclosures. No decision has been made on whether to introduce mandatory disclosures against the Taxonomy. Any such decision would be subject to further consultation.</p> <p><i>Nature-related financial disclosures</i> The government indicated in <a href="#">Mobilising Green Investment: Green Finance Strategy 2023</a> that it would explore how to incorporate the framework from the Taskforce on Nature-related Financial Disclosures (TNFD) into UK policy and legislation. In the Update, it stated that “[it] continues to welcome the ongoing commitment of the ISSB to research and develop future additional standards, which could also include reporting on nature-related risks and opportunities and encourages the ISSB to take the work and the holistic nature risk management approach of the TNFD into account at the appropriate time.” New <a href="#">sector guidance</a> was published 28 June 2024 which includes recommended sector-specific metrics for disclosure in line with the TNFD disclose recommendations published in September 2023.</p>	<p>Gov intends to consult transition plan disclosure approach for UK companies in Q2 2024.</p> <p>Consultation on UK Green Taxonomy expected 2024.</p> <p>FCA aims to consult on updating TCFD-aligned rules to reference endorsed UK SRS, and strengthen transition plan disclosure expectations, in 2025.</p> <p>Gov to consult on UK SRS for UK companies outside FCA remit in Q2 2025.</p>	<p><b>Amber</b></p>
<p><b>Climate: reporting on Scope 3 emissions and effectiveness of SECR framework</b></p> <p>Affects: potentially all companies, in particular existing SECR participants</p>	<p>On 19 October 2023, the Department for Energy Security and Net Zero published a <a href="#">Call for Evidence</a> on Scope 3 emissions seeking views on Scope 3 greenhouse gas emissions reporting, and the current Streamlined Energy and Carbon Reporting (SECR) framework, which came into force on 1 April 2019. Findings from this call for evidence (closed 14 December 2023) in relation to the SECR framework will be considered in the wider context of the non-financial reporting review (see section 2, General corporate).</p> <p>Listed and large private UK companies are required to disclose Scope 1 and Scope 2 Greenhouse Gas emissions in their annual reports under the SECR regime. However, disclosure of Scope 3 emissions (indirect emissions occurring in a company’s value chain) are largely voluntary. Adoption of the ISSB standards (entry above) would extend mandatory reporting to Scope 3 emissions.</p>	<p>During 2024</p>	<p><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: government consultation on UK carbon border adjustment mechanism</b></p> <p>Affects: companies importing into the UK products from the identified sectors</p>	<p>On 21 March 2024, HM Treasury and HMRC published a <a href="#">consultation</a> on proposals for a UK carbon border adjustment mechanism (UK CBAM). UK CBAM will apply a levy to the import into the UK of certain carbon-emission intensive products in identified sectors (aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron and steel) from countries which do not operate comparable carbon pricing schemes to that which operated in the UK (the UK Emissions Trading Scheme (UK ETS)). It aims to close the gap on the carbon price applied in the country of origin (if any) and the carbon price that would have been applied had the good been produced in the UK. UK CBAM will operate alongside the UK ETS. The consultation closes on 13 June 2024, and will likely be implemented by 2027.</p>	<p>Consultation closes on 13 June 2024 with implementation expected by 2027</p>	<p><b>Amber</b></p>
<p><b>Climate reporting: FRC market study into sustainability reporting assurance</b></p> <p>Affects: companies reporting on sustainability issues</p>	<p>The FRC launched a market study into the market for the assurance of sustainability reporting. The study aims to ensure the rapidly growing market for providing independent assurance over the sustainability information disclosed by UK companies is functioning effectively and providing high quality assurance over companies' sustainability reporting. As some major audit firms are significant suppliers in this market in addition to providing statutory audits, the FRC wants to understand any potential implications for competition and resilience in the UK's statutory audit market. Comments welcome by 13 June 2024, and the study is expected to conclude in early 2025.</p>	<p>Comments by 13 June 2024</p>	<p><b>Green</b></p>
<p><b>Climate: UK Net Zero Carbon Buildings Standard</b></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><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Climate: Potential introduction of performance-based ratings system for large commercial and industrial buildings</b></p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>A Consultation relating to the potential introduction of a performance-based ratings system for large commercial and industrial buildings in England and Wales closed on 9 June 2021. The Government is still analysing feedback but the scheme would first apply to commercial and industrial buildings above 1,000m<sup>2</sup> in England and Wales (although kept under review), with mandatory disclosure of ratings by 2023-24. See previous editions of the UK REIT Horizon Scanner for further details.</p>	<p>Consultation closed 9 June 2021</p> <p>Response awaited.</p>	<p><b>Amber</b></p>
<p><b>Climate: Non-domestic buildings minimum energy efficiency standards</b></p> <p>Affects: developers, owners and occupiers and the construction supply chain</p>	<p>The 2020 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. Then 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%'. In 2021, a full consultation suggested that minimum EPC ratings would increase to C by 2027 and B by 2030, but the Government's response is still awaited. In the meantime, in the domestic sector, the Government confirmed in the Autumn that similar proposals to tighten the minimum standard for MEES compliance would be abandoned, but no such confirmation was made for the commercial sector. Given the government's general direction of travel towards net zero therefore, we might sensibly expect that MEES regime will be tightened, albeit that the timeline for new minimum standard targets set out in 2021 is not now possible. The Energy Act 2023 (which received Royal Assent on 26 October 2023) certainly empowers the government to amend the assessment, certification and publication of energy performance certificates (EPCs).</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 any new MEES requirements, particularly if the minimum standard raising rises. 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><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Corporate reporting: EU Corporate Sustainability Reporting Directive</b></p> <p>Affects: large EU companies, non-EU companies 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 <a href="#">EU Corporate Sustainability Reporting Directive (CSRD)</a> 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 amends and extends sustainability reporting requirements. In particular, it requires in-scope companies to disclose information on a broad range of sustainability matters relevant to their businesses. For further details, see previous editions of the UK REIT Horizon Scanner.</p> <p>On 22 January 2024, EFRAG (formerly the European Financial Reporting Advisory Group) published a <a href="#">consultation</a> on exposure drafts of EU sustainability reporting standards (ESRS) for listed small- and medium-sized enterprises and for non-listed SMEs. The consultation closes on 21 May 2024. EFRAG is developing ESRS to support the CSRD, which requires in-scope companies to report against the ESRS.</p> <p>On 8 May 2024, the <a href="#">Directive (2013/34/EU)</a> postponing the deadline for adoption of sector-specific European Sustainability Reporting Standards (ESRS), and general standards to be used by certain non-EU companies, by two years to 30 June 2026 was published in the Official Journal. Since general reporting obligations for non-EU companies with turnover above E150 million and their branches in the EU with turnover above E40 million will only start to apply in 2028, adoption of reporting obligations in 2026 will give them sufficient time to prepare.</p>	<p>Ongoing, but first reporting obligations for large EU 'public interest entities' with EU listed securities from 1 Jan 2024 for reporting in 2025 and from Jan 2028 for non-EU companies with significant business in the EU</p>	<p><b>Amber</b></p>
<p><b>Supply chains: EU Corporate Sustainability Due Diligence Directive</b></p> <p>Affects: in-scope EU companies, and non-EU companies with a substantial presence in the EU or which are part of an EU group or in the value chain of an in-scope company</p>	<p>On 5 July 2024, the <a href="#">corporate sustainability due diligence directive (CSDDD)</a> was published in the Official Journal and will come into force twenty days later. Member states will have two years to transpose the CSDDD into national law. Application will then commence on a staggered basis, starting in 2027 for the largest companies. The CSDDD will impose a substantive corporate duty for in-scope companies to assess and address adverse human rights and environmental impacts in their value chains. For further details, see previous editions of the UK REIT Horizon Scanner.</p>	<p>2027 at the earliest</p>	<p><b>Amber</b></p>

# ESG (continued)

Issues	Status	Key Timing	Impact
<p><b>Supply chains: UK Private Members' Bill: duty to prevent human rights and environmental harms in supply chains</b></p> <p>Affects: "commercial organisations"</p>	<p>On 28 November 2023, the <a href="#">Commercial Organisations and Public Authorities (Human Rights and Environment) Private Members' Bill</a> was introduced to the House of Lords. If enacted, it would require commercial organisations (within the meaning of s 7(5) of the Bribery Act 2010) to prevent human rights and environmental harms in their own operations, subsidiaries and value chains, and conduct and publish due diligence assessments. The Bill does not provide for financial or other compliance thresholds (except that a turnover threshold would apply in relation to proposed reporting requirements).</p> <p>The UK government has previously indicated that it had no plans to replicate the CSDDD (see above) and the Bill (whilst still early days) marks a contrast to that more reticent approach to managing human rights and environmental risks in commercial supply chains.</p>	Ongoing	Green
<p><b>Modern slavery: modern slavery statements</b></p> <p>Affects: large companies (with a turnover of £36 million or more)</p>	<p>On 10 May 2022, the <a href="#">Queen's Speech</a> set out proposals for a new Modern Slavery Bill which would mandate the areas to be included in modern slavery statements, require organisations to publish their statements on a government-run registry, and introduce civil penalties for non-compliance. The aim of the Bill would be to strengthen the protection and support for victims of human trafficking and modern slavery and increase the accountability of companies to drive out modern slavery from their supply chains.</p> <p>Further: (a) as part of the government's general review of the non-financial reporting framework (see Section 2, General corporate) it is seeking stakeholder views on modern slavery reporting; and (b) on 28 February 2024, the House of Lords Committee on the Modern Slavery Act 2015 published a <a href="#">call for evidence</a> for its inquiry into the impact and effectiveness of the Act which will also consider how the Act's provisions have been implemented, how it has been impacted by recent political developments and whether it requires improvement. The Committee will report by 30 November 2024. <a href="#">On 26 April 2024, the Home Office updated the modern slavery registry for statements required by s 54 Modern Slavery Act 2015 to encourage companies to upload their annual modern slavery statements (press release).</a></p>	<p>Ongoing</p> <p>Report expected by 30 November 2024</p>	Amber



# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Climate: TPT Sector Summaries and Deep Dives</b></p> <p>Affects: real estate industry and asset managers/owners</p>	<p>On 9 October 2023, the Transition Plan Taskforce (TPT) published its final <a href="#">framework</a> for the disclosure of private sector transition plans (TP). On 9 April 2024, the TPT published two types of sector guidance to complement its disclosure framework: the TPT Sector Summary and the TPT Sector Deep Dives (<a href="#">website</a>). The TPT Sector Summary provides an overview of transition plan guidance for 30 financial and real economy sectors, including real estate industry entities, providing a glance of key information and guidance sources for each sector. The TPT Sector Deep Dive guidance provides sector-specific guidance for preparers to interpret the disclosure framework for seven sectors, including asset managers and asset owners.</p>	Ongoing	Amber
<p><b>Regulation of ESG rating activities in the EU and the UK</b></p> <p>Affects: REITs industry</p>	<p><b>UK:</b> on 6 March 2024, the government confirmed that ESG ratings providers will be brought within the FCA's regulatory perimeter where assessments of ESG factors are used for investment decisions and influence capital allocation. A full response to HMT's March 2023 <a href="#">consultation</a> on ESG ratings providers and legislative steps is awaited. For background, please see Q2 2023 UK REIT Horizon Scanner.</p> <p><b>EU:</b> on 14 February 2024, the Council of the EU released the <a href="#">text</a> of the political agreement reached with the European Parliament on the proposed Regulation on the transparency and integrity of ESG rating activities. The text outlines four key areas of focus:</p> <ul style="list-style-type: none"> <li>Conflicts of interest: ESG rating providers cannot carry out consulting activities, audit activities or credit rating activities but they may be able to carry out other activities, provided measures are put in place to avoid potential conflicts of interests.</li> <li>Small ESG rating providers: Small providers may opt into a lighter regulatory and supervisory regime for three years, under which they will be exempt from paying ESMA supervisory fees. ESMA will have discretion to exempt small providers from certain requirements.</li> <li>Third-country providers: Non-EU ESG rating providers that wish to operate in the EU will need to obtain an endorsement of their ratings by an EU ESG rating provider.</li> <li>Ratings: providers may provide separate E, S and G ratings, and where a single rating is provided the weighting of the E, S and G factors should be explicit.</li> </ul> <p>Parliament adopted the <a href="#">text</a> on 24 April 2024 with Council's formal adoption expected later in 2024. The Regulation will then be published in the Official Journal of the EU entering into force 20 days afterwards. The Regulation will apply 18 months after entering into force.</p>	Later in 2024	Amber
<p><b>Investment Association publishes report on asset managers' climate-related disclosures</b></p> <p>Affects: REIT managers and REIT advisers that are subject to the TCFD-disclosure regime in the FCA's ESG sourcebook</p>	<p>On 8 March 2024, the Investment Association published a <a href="#">report</a> on insights and suggested actions on the FCA's Task Force on Climate-related Financial Disclosures rules for asset managers. This follows the commencement of reporting obligations of climate-related disclosures under the ESG sourcebook. The report reviews the key themes emerging from the first round of asset manager reporting in line with the TCFD framework, and sets out the key findings, including challenges faced by firms for their 2023 reports, and some ideas that firms can take away when producing their 2024 report.</p> <p>Key themes found in entity-level reports include differences in the use of quantitative and qualitative reporting and varied reports on transition planning. Future focus areas for asset managers include being consistent with wider sustainability reporting, consumer testing and usability, and data timing. The IA will use the report to evaluate where further guidance from the FCA might be helpful.</p>	Ongoing	Amber

# ESG (continued)

## Looking back

Issues	Status	Key Timing	Impact
<p><b>Working group to support financial advisers with product sustainability claims established by FCA</b></p> <p>Affects: REITs and their managers and advisers</p>	<p>On 16 January 2024, the FCA <a href="#">announced</a> that it had established an industry-led working group focused on supporting the financial advice sector in advising consumers on products making claims about sustainability. The FCA will be an active observer of the new working group, and has requested that the working group be ready to report on how the advice sector can be supported in delivering good practice in H2 2024. The working group met for the first time on 13 March 2024 and held its second meeting on 26 March 2024.</p> <p>Further information about the group, including its membership, may be found on a dedicated <a href="#">webpage</a>, hosted by the Personal Investment Management and Financial Advice Association, which provides the secretariat to the group.</p>	H2 2024	Amber
<p><b>Joint Committee of the ESAs updated Q&amp;As on the Sustainable Finance Disclosure Regulation</b></p> <p>Affects: REITs sold into EU</p>	<p>On 12 January 2024, the Joint Committee of the ESAs published an <a href="#">updated version</a> of its consolidated Q&amp;As on the Sustainable Finance Disclosure Regulation (SFDR) and on the SFDR Delegated Regulation.</p>	Ongoing	Green
<p><b>Network for Greening the Financial System technical document on climate scenarios</b></p> <p>Affects: REITs industry</p>	<p>On 23 January 2024, the Network for Greening the Financial System (NGFS) published a <a href="#">technical document</a> explaining the purpose and use cases of climate scenarios. The technical document also provides guidance on where institutional adaptations are required in relation to the NGFS scenarios. The NGFS scenarios assist central banks, supervisors, and other financial actors in exploring potential future outcomes of climate change and the transition. The document also sets out answers to frequently asked questions about the scenarios, which will be updated regularly over time.</p>	Ongoing	Green
<p><b>Diversity: FTSE Women leaders Review 2023 and Parker Review update</b></p> <p>Affects: FTSE 350 companies</p>	<p>On 27 February 2024, FTSE Women Leaders published the third <a href="#">FTSE Women Leaders Review 2023</a>. The review highlights progress towards achieving greater gender balance on the boards of FTSE 350 companies.</p> <p>On 11 March 2024, the Parker Review published its <a href="#">Update Report: Improving the Ethnic Diversity of UK Business</a> setting out the findings of its latest voluntary census on ethnic diversity on the boards and senior management of FTSE 350 and large UK private companies. The Parker Review is generally encouraged by the results.</p>	Ongoing	Green
<p><b>ClientEarth refused permission for JR of FCA approval of climate risk disclosures</b></p>	<p>On 13 December 2023, the High Court (Lang J) refused ClientEarth's application for permission to apply for judicial review of the FCA's decision to approve the prospectus of UK oil and gas company, Ithaca Energy plc (case <a href="#">here</a>).</p>	N/A	Green



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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. With thanks to Knowledge Lawyers Claire Hawley, Daniel Hirschfield, Annabel Pyke, Lorraine Smith and Rona Westgate.

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