Keeping up with Tax – Asset and Wealth Management

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February 2021

Welcome back...

Welcome to our February edition of Keeping up with Tax – Asset and Wealth Management.

Since our last publication, PwC's latest survey undertaken in conjunction with the CBI has shed some interesting light on many of the most significant developments facing the asset and wealth management ('AWM') industry. The full survey and report can be downloaded here. There are two key areas which merit particular consideration.

Firstly, operational readiness for the post-Brexit period remains a key focus for the financial services sector as a whole, with only 41% of those surveyed reporting being fully operational from the perspective of moving the necessary people into EU locations on the ground. It will be important for AWMs not to take their foot off the gas and to continue planning strategically to understand their long-term staffing requirements in other European centres and the tax and regulatory ramifications of such long-term changes.

A second significant finding of our survey was the size of the potential impact of Environmental, Social, and Corporate Governance ('ESG') considerations on the asset management industry as a whole. Our finding, that ESG is the most important development to take hold in the industry since the emergence of exchange traded passive funds, points to the magnitude of the change. If this is of particular interest to you, our recent publication on the emergence of 'sustainable finance', including the regulatory implications pertaining to disclosure and other compliance obligations is available to read here. Our survey pointed to 40% of asset managers facing internal resource constraints when it came to their ESG agenda, and AWMs will need to address this as a commercial as well as a social imperative.

We will be returning to these issues in future editions, as well as in our regular Heads of Tax Roundtables and Brexit and Beyond webinars.

In the past month, we hosted the first in our series of Brexit and Beyond seminars covering the immediate impact for AWM's of the EU-UK Trade and Cooperation Agreement. A recording of the session can be watched here. Our next webinar will focus on delivering Substance and will take place on Thursday 18 March at 4pm GMT. We will consider where the Substance bar has moved to during the Brexit process and where we might see further specific Substance requirements from either the FCA or EU regulators as 2021 unwinds. In addition we will look at the people and travel issues as asset managers look to deliver Substance in both their UK and EU operating models. Please register for the webinar here.

Our recent Heads of Tax Roundtables covered global macroeconomic trends as well as HMT's UK funds consultation. For the next three Heads of Tax Roundtables, we have the following sessions planned:

1. Update on the evolving market for operational tax services – 22nd February
2. Chancellor's second budget update – 8th March (TBC)
3. ESG for AWMs – 22nd March

In the meantime, however, we will be covering the following topics this month:

- UK – HMT launches review of UK funds regime
- Luxembourg – Sustainable assets leading to reduced 'tax d'abonnement'
- Navigating through a challenging tax environment: COVID-19 and OECD Guidance
- Japan – 2021 tax reform proposals
- UK – Corporate governance update: Institute of Corporate Governance ('ICG') final report on board evaluations.

As always, please continue to share your feedback with us, and please do get in touch with any of the contacts listed, or your usual PwC contact, if you would like to discuss any of the topics further.

Kind regards,

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HMT launches review of UK funds regime

Background

HM Treasury ('HMT') published its Review of the UK funds regime: a call for input on 26 January 2020. The overarching objective of the review is to boost the international competitiveness of the UK asset management sector by identifying changes to the tax and regulatory regime that would make the UK a more attractive location to set up, manage and administer funds.The context to this is not only Brexit, but a wider recognition that the UK's share of the regulated and AIF fund domicile market falls far short of Ireland, Luxembourg and Germany amongst others.

What are HMRC consulting on?

Whilst UK expertise in portfolio management is already well established, enhancing the UK's reputation for fund location and administration (including the creation of entirely new funds) could strengthen the UK's status as a world-leading hub for asset management.

With regards to the UK fund taxation regime, HMT emphasises the need to ensure that open-ended authorised funds remain competitive for both retail and institutional investors. HMT is seeking input on whether lower corporation tax, amendments to the Tax-Elected Fund regime, or deductions for fund distributions would be effective in maintaining the UK's tax competitiveness.

Beyond the direct taxation of funds, HMT observes that VAT on fund management services can be a differentiator in fund domicile selection. It welcomes input on the effectiveness of recent policy changes in strengthening the UK's position as a location for asset management and fund domicile, and how those changes might be built upon.

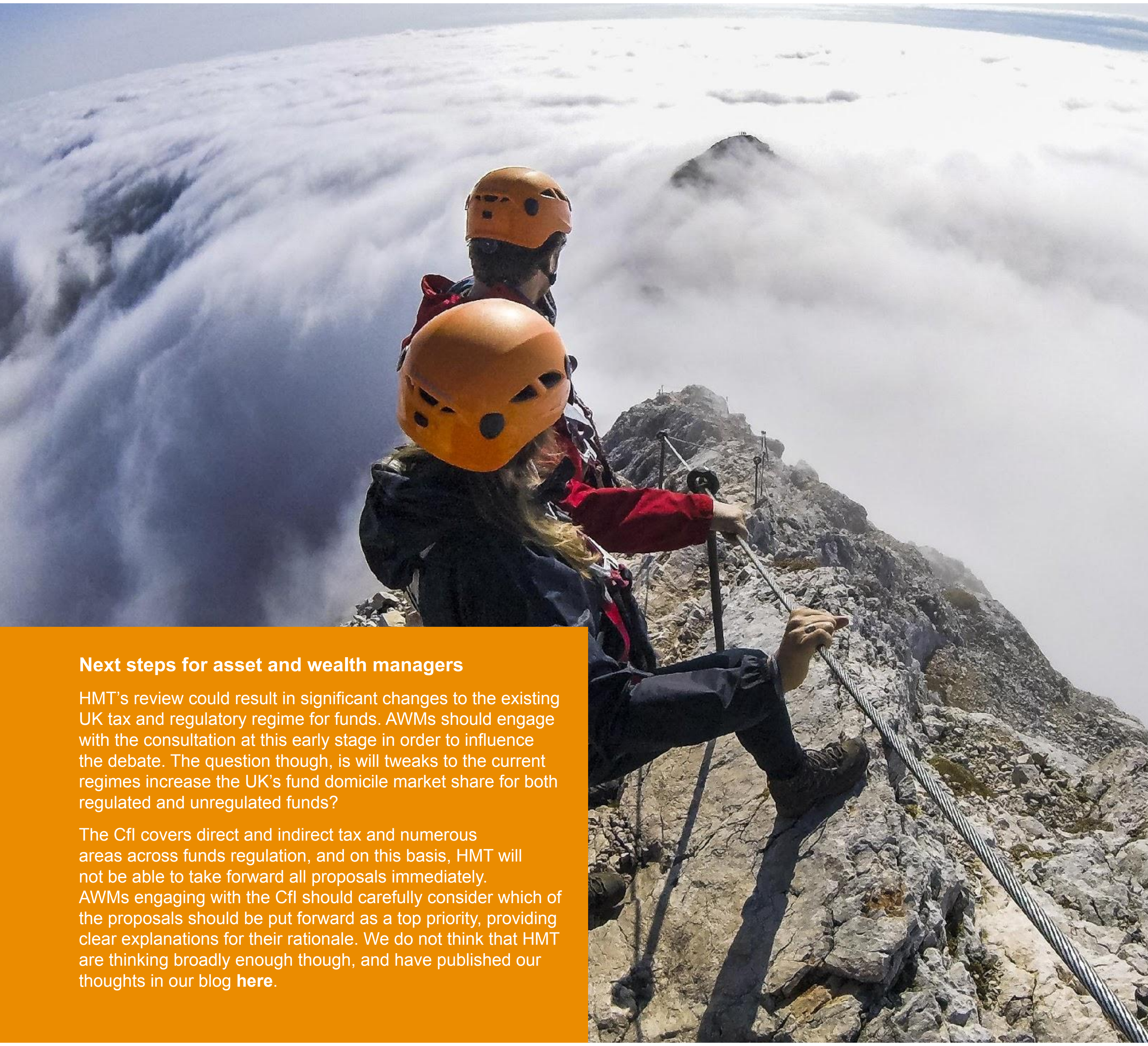
HMT is seeking views on how it can support the wider use of closed-ended fund structures, acknowledging that they may be more appropriate for investing in certain illiquid assets. Proposals under consideration include whether asset managers should be required to justify their use of a closed or open-ended fund structure. Also under consideration is the introduction of new fund structures to better facilitate investment in long-term, illiquid assets, including through the establishment of a Long-Term Asset Fund ('LTAF').

The Call for Input ('CfI') will specifically consider the tax implications of establishing an LTAF, namely whether it would be appropriate to apply the current tax rules for authorised investment funds to LTAFs. The FCA intends to consult separately on setting up a regulatory framework for the LTAF in early 2021.

Alongside the LTAF, the CfI explores proposals to introduce new unauthorised fund vehicles which could better meet the needs of professional investors. HMT is looking for input on how these new vehicles should be structured.

The CfI also seeks views on whether a tax-exempt unauthorised fund structure would encourage growth in alternative open-ended funds.

HMT launches review of UK funds regime (cont'd)



Next steps for asset and wealth managers

HMT's review could result in significant changes to the existing UK tax and regulatory regime for funds. AWMs should engage with the consultation at this early stage in order to influence the debate. The question though, is will tweaks to the current regimes increase the UK's fund domicile market share for both regulated and unregulated funds?

The CfI covers direct and indirect tax and numerous areas across funds regulation, and on this basis, HMT will not be able to take forward all proposals immediately. AWMs engaging with the CfI should carefully consider which of the proposals should be put forward as a top priority, providing clear explanations for their rationale. We do not think that HMT are thinking broadly enough though, and have published our thoughts in our blog **here**.

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Luxembourg – Sustainable assets leading to reduced taxe d’abonnement

With an eye on ESG, The Luxembourg Budget Law 2021 introduced the possibility of gradually reducing the rate of subscription tax (‘taxe d’abonnement’) applicable to fund vehicles, the rules of which are currently covered by the law relating to the Undertakings for Collective Investments (UCI) Part I and Part II of the 2010 UCI regime.

This move is directly linked to the European Commission’s plan on sustainable finance which aims at achieving three objectives:

- Proper management of financial risks coming from climate and environmental risks
- Foster transparency and long termism
- Reorient capital flows towards sustainable investments.

Luxembourg's response to the European Commission’s plan was formalised in the Luxembourg Sustainable Finance Roadmap, which aims at leveraging Luxembourg’s positioning to drive sustainable finance developments and give retail investors the possibility to reduce the subscription tax they pay through their investments in relevant Luxembourg Investment vehicles.

In practice, the subscription tax is payable quarterly on the basis of the value of the aggregate assets of the fund (or sub-fund) at the end of the relevant calendar quarter. For retail investors, this rate amounts to 0.05% while Institutional share classes suffer a rate of 0.01%.

Within this amendment to the Law, the reduced rates for retail investors are as follows.

Percentage of net assets invested in ‘sustainable’ assets	Subscription tax rate (annualised) of net assets that are ‘sustainable’
Over 5%	0.04%
Over 20%	0.03%
Over 35%	0.02%
Over 50%	0.01%

To benefit from this reduced scheme, the manager will have to respect two main conditions:

- The sustainable assets have to be defined according to Article 3 of the Taxonomy Regulation, and it is only on that portion of assets that are considered sustainable to which the reduced rate will apply
- The validation of the applicable rate has to be subject to an audit in accordance with international standards and signed off by a Réviseur d’Entreprises Agréé.

Currently the Taxonomy Regulation has defined two out of its’ six environmental criteria:

- Climate change mitigation
- Climate change adaptation.

The other four criteria will be defined in the coming months, leading to a wider spectrum of assets that could qualify for such a scheme in the near future.

This is just the beginning of a long journey towards sustainable investments becoming mainstream!

Next steps for asset and wealth managers

- Conduct a cost/benefit analysis of your funds' range in order to identify which products would be in scope of this new law
- Engage in discussions with the relevant people in charge of the ESG agenda within your organisation to assess the level of maturity with regards to the Taxonomy.

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Navigating through a challenging tax environment: COVID-19, OECD Guidance and key takeaways for AWMs

The COVID-19 pandemic is requiring Assets and Wealth managers ('AWM') to deal with unprecedented challenges, and we will discuss the issues arising from two particular areas

i. Cross-border working and resultant permanent establishment ('PE'), corporate residence and employment tax challenges

ii. Validity of the transfer pricing ('TP') models in light of the pandemic. The OECD has recently released two papers to help taxpayers and tax administrations address some of these unique tax challenges.

Cross-border working – PE, corporate residence and employment tax considerations

The issue of cross-border working (e.g. as a result of displaced workers and an increasingly virtual workforce) has created uncertainty for AWMs with respect to PE, corporate residence and employment tax risks. In our experience, AWMs have adopted one of three approaches to managing these risks to date.

- When lockdown and travel restrictions in the UK and elsewhere began to lift last summer, some AWMs requested remote workers to return to their 'normal' working location and restricted (or altogether banned) future cross-border working
- More typically, AWMs have established frameworks for monitoring and managing the risks, for example, by implementing formal approval processes and allowing individuals to spend a certain number of days working overseas up to a certain threshold (depending on the jurisdiction and relevant Double Tax Treaty)
- Others have put in place measures to accommodate certain individuals working overseas on a more permanent basis, establishing branches or entities and allocating profit to reflect the activities undertaken.

Against this backdrop, many AWMs are re-assessing their operating models and thinking about how to accomodate a more virtual workforce in the future, particularly in the context of attracting and retaining talent.

The OECD Secretariat guidance on tax treaties and the impact of the COVID-19 pandemic

On 21 January 2021, the OECD Secretariat published updated guidance on tax treaties and the impact of the COVID-19 pandemic ('OECD Secretariat paper'), updating the guidance previously published on 3 April 2020. The guidance published in April 2020 focussed on the 'temporary and exceptional' nature of working arrangements arising as a result of various lockdowns and travel restrictions imposed as a result of the pandemic. The updated OECD Secretariat paper is intended to cover some of the additional fact patterns that were not addressed in detail in April 2020.

The paper focuses on some of the practical challenges for businesses and workers as a result of public health measures imposed or recommended by governments, particularly in relation to cross-border working and the implications for taxing rights in different jurisdictions. The paper reflects a Secretariat view on the interpretation of various treaty provisions and is intended to provide a degree of certainty to taxpayers in interpreting treaty provisions in certain circumstances. However, each jurisdiction may adopt different interpretations.

Permanent establishment

There is a clear recommendation to local tax authorities to acknowledge that people working from home during the pandemic, or temporarily having to conclude contracts outside of the employing entity's location, should not give rise to a PE, provided that public health measures are/were in place that restrict the ability of the employee to return to the employing entity's location. This is primarily due to the temporary nature of the activity (or lack of habituality in the case of the conclusion of contracts). However, it is recognised that if the individual(s) were located outside of the employing entity's location, or were habitually concluding contracts in that jurisdiction, before such measures commenced, or continue to do so afterwards, an analysis of all the facts or circumstances will be necessary to assess whether the activities have been performed with sufficient degree of permanency or habituality to create a PE.

Residence status

The paper also considers the situation where board members or other senior executives are unable to travel for meetings, thus potentially impacting the 'place of effective management' of a company and consequently its residence. Similar to the stance on PE, the paper states that it is unlikely that the pandemic will result in any changes to the residence status of a company, as the inability to travel and the change in location of certain individuals should be considered an extraordinary and temporary issue. A company's 'usual' and 'ordinary' place of effective management is what will drive its residence status. A temporary change in circumstances would not be expected to impact this.

Navigating through a challenging tax environment: COVID-19, OECD Guidance and key takeaways for AWMs (cont'd)

Employment tax

The right to tax employment income under most treaties is allocated between an employee's jurisdiction of residence and the place where they perform their employment ('host jurisdiction') according to specific criteria. If an individual begins to exercise their employment in a host jurisdiction, a treaty may allow that jurisdiction to tax the income if the employer is also resident there (or has a PE there that bears the cost), or the employee passes the day count test (usually 183 days). The OECD Secretariat paper suggests that where an individual is unable to travel from the host country, any such days should be discounted when looking at the 183 day test. However, the paper also stresses that an individual who merely follows government recommendations to avoid unnecessary travel may fall outside the rules covering 'public health measures' and hence it may not be possible to discount days of presence in the host country in all cases. It is important to remember that the OECD Secretariat paper is intended as guidance only and, as a consequence, we are aware that some countries are not intending to apply a more relaxed view of the 183 day test in the treaty hence if a company intends to rely on the relaxation, we would recommend ensuring this will be accepted by the host country tax authorities.

Impact of the COVID-19 pandemic on TP models

On the whole the AWM industry has fared well through the pandemic, unlike most consumer-facing/retail industry players who have faced significant supply chain disruptions, cash flow constraints and business interruption for the past year. The guidance on TP implications of the COVID-19 pandemic ('the TP Guidance'), published on 18 December 2020, is primarily aimed at those businesses, and will be most relevant for AWMs whose performance and profitability has been adversely impacted through the pandemic.

The TP Guidance represents the consensus view of the 137 members of the Inclusive Framework on BEPS and aims to guide and reinforce the applicability of the arm's length standard. It emphasises that the objective of any TP analysis is to 'find a reasonable estimate of an arm's length outcome' and stresses that taxpayers and tax administrations should exercise judgement to achieve that objective in the face of the challenges created by the pandemic. It focuses on four main areas: (i) comparability analysis, (ii) losses and the allocation of COVID-19 specific costs, (iii) government assistance programs; and (iv) advance pricing agreements. A summary of the key messages and applicability to AWMs is provided below.

Comparability analysis. Given the challenges that arise from relying on comparability analysis based on historical data (which may not reflect the economic conditions of the pandemic), the TP Guidance discusses a number of practical approaches that can be adopted to address information deficiencies (e.g. use of macroeconomic data, adjustments based on taxpayer's information or the use of statistical methods). For AWMs, comparability analysis is typically most relevant in determining an arm's length price for functions such as back office support as well as, in some cases, other benchmarkable fees such as advisor/sub-advisor/marketing remuneration, and consideration should be given to the financial impact of the pandemic on comparable service providers.

Losses and the allocation of COVID-19 specific costs. The TP Guidance emphasises the importance of the allocation of risks between the parties to an intercompany arrangement, and how profits or losses would be allocated between independent parties under a comparable arrangement. For AWMs, this could be relevant if the pandemic has created fee pressure from investors, or negatively impacted performance fees. Under such scenarios, AWMs should consider whether the existing TP policies appropriately allocate losses/eroded revenue streams to the parties assuming the relevant risks.

Government assistance programmes. The TP Guidance also discusses government assistance programmes (e.g. wage subsidies) and whether the economic benefit of such government assistance should be retained by the entity that directly receives it, or passed on to another related party. This is less likely to be relevant for AWMs.

Advance pricing agreements. The TP Guidance recommends a careful analysis to assess the extent to which, if any, the change in economic conditions affects the application of existing APAs or negotiation of existing APAs, encouraging a transparent dialogue between taxpayers and tax authorities. Again, this aspect of the guidance is likely to be less relevant for most AWMs.

Navigating through a challenging tax environment: COVID-19, OECD Guidance and key takeaways for AWMs (cont'd)

Next steps for asset and wealth managers

AWMs should continue to monitor current operating models and people movements and identify how the guidance detailed in the OECD Secretariat paper could apply. In considering potential PE risk and corporate residence status it will be important to determine whether temporary arrangements were a result of public health measures restricting travel, or whether such arrangements were in place prior to (and/or will continue after) such measures are lifted. Understanding the role of any cross-border workers and their ability to bind the fund manager and/or fund will be crucial, with particular sensitivity around those that perform key investment management and/or marketing activities. Assessing any existing presence in the relevant jurisdiction(s) will also be important, whether this is through a taxable presence or not. In the case of employment taxes, employers and employees should proactively monitor working arrangements in the context of relevant thresholds. Consideration should also be given to other potential risk areas, such as regulatory, VAT and immigration (i.e. whether the individual has the right to work in the host country).

To the extent the pandemic has had a financial impact on the business, any implications for TP models will need to be carefully assessed in light of the recent OECD TP Guidance. Any changes should be underpinned by a commercial rationale and the arm's length principle. For example, any renegotiation of the terms and conditions to existing contracts (e.g. between a lead advisor and its sub-advisor) should be in line with what independent parties would agree to under similar conditions. Similarly, any reduction in the mark-ups of cost plus service providers should be supported by a robust comparability analysis.

In all cases, it will be important to gather appropriate evidence and documentation to substantiate the positions adopted on the above issues (including notices of travel restrictions and public health measures, records of any discussions or other communication relating to pricing and contract negotiations), in order to ensure businesses are adequately prepared for potential tax authority scrutiny.

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Japan – 2021 Tax Reform Proposals

The 2021 tax reform proposals (known as Taiko) were released on 10 December 2020 and submitted to the Japanese parliament (Diet) in January 2021.

A selection of the more impactful and relevant changes affecting the asset and wealth management industry in Japan are discussed below.

Strengthening Japan's role in global finance

The 2021 tax reform proposals seek to introduce numerous measures with the objective of strengthening Japan's financial markets and enhancing its reputation as a global financial hub.

1. Introduction of conditions for deduction of performance linked remuneration paid to directors that can now apply to private (unlisted) asset managers operating in Japan

Under existing tax law, performance linked remuneration paid to directors, typically focused on annual bonuses, is generally non-deductible, albeit there are certain carve outs and exceptions. One such exception is where the calculation method of performance linked remuneration is disclosed in the Annual Securities Reports (**ASRs**) filed by listed corporations, including asset managers under the Financial Instruments and Exchange Act (**FIEA**). However, as unlisted asset management corporations are not required to submit ASRs, they are not eligible for this exception.

Based on the proposal, this exception will be extended to certain private asset management corporations (i.e., non-family corporations or 100% subsidiaries of non-family corporations that do not submit ASRs) operating in Japan where certain qualifying conditions are met, including:

a. The calculation method of the performance linked remuneration is stated in the partnership agreements, or is approved amongst investors, such as being tabled in investor meetings

b. The calculation method of the performance linked remuneration is stated in the Annual Business Reports **(ABR)** filed under the FIEA, and published by the Financial Securities Agency **(FSA)** once determined in a compensation committee under the Corporations Law

c. The performance linked remuneration is objectively calculated based on the profits derived from funds under management of the manager.

These amendments, if effective, will be applicable for a definite term of within five (5) years from fiscal years starting on or after 1 April 2021.

2. Expanding the scope of claims available under the PE Fund income exemption

A foreign individual or corporate partner **(Foreign Partner)** may invest in a Japanese investment business limited partnership (toushi jigyou yugen sekinin kumiai, or **IBLP**) or other similar foreign partnership **(Foreign Limited Partnership)** whose general partner is located in Japan without being taxed on income attributable to a permanent establishment **(PE)** in Japan on account of that investment, provided certain qualifying conditions are met and filing procedures followed, including that the Foreign Partner's investment ratio in the IBLP/Foreign Limited Partnership is less than 25% **(Investment Ratio Test).**

Where the Foreign Partner invests in an IBLP/Foreign Limited Partnership through another partnership **(Fund LP)**, the Investment Ratio Test should be judged at the level of the Fund LP (i.e., the investment ratio of all investors in the Fund LP should be aggregated). The 2021 tax reform proposals seek to amend this test such that it is judged at the level of investors in the Fund LP (i.e., assessed individually) rather than at the level of the Fund LP where the following conditions are met:

a. The investment ratio in the Fund LP is less than 25%

b. The Foreign Limited Partner is not involved in the management and control of the IBLP/Foreign Limited Partnership.

3. Clarification of taxation on carried interest for individuals

Where partnership funds derive capital gains from investing in and/or trading shares etc., fund managers may receive allocated returns in excess of their capital contribution ratio based on their investment performance in accordance with the fund's terms (often referred to as **carried interest).**

The 2021 tax reform proposals seek to clarify the taxation of carried interest earned by fund managers who are individuals which can be subject to a separate taxation (at a flat rate of 20.315%) as capital gains arising from sale of shares, rather than comprehensive taxation (where marginal progressive tax rates of up to 55% apply), to the extent the distribution ratio of carried interest is reasonably determined and the distribution is from capital gain.

Reform of earnings stripping rules

Under the existing earnings stripping rules, net interest expense (which excludes interest expense subject to Japanese taxation in the hands of the income recipients or paid to qualifying public service corporations) exceeding 20% of adjusted income (as defined) is treated as non-deductible (although such amounts may be carried forward for up to seven years, subject to certain conditions).

Japan – 2021 Tax Reform Proposals (cont'd)

It is proposed that distributions of bond investment trusts, generated from interest revenues of government or corporate bonds, can also be included in the calculation of net interest expense to net off against interest expense under the earning stripping rules.

In addition, the 2021 tax reform proposals also seek to exclude certain additional types of interest expense from being subject to the earnings stripping rules. These include (i) anticipated interest expense for insurance premium reserves according to life or non-life insurance contracts; and (ii) anticipated interest expense for refund reserve according to non-life insurance contracts.

The amendments, if approved, will be applicable from fiscal years ending on or after 31 March 2021.

Tax treatment for non-deductible interest on liability corresponding to capital attributed to a PE

Where capital on the accounting books of a PE in Japan of a foreign corporation is less than the capital attributed to the PE for Japanese tax purposes, interest expense attributable to such deficient capital **(deficient capital)** is non-deductible in the calculation of the PE's attributable income.

The 2021 tax reform proposals seek to include negative interest-bearing debts in the total amount of debts for purposes of calculating the amount of non-deductible interest expenses.

Extension of tax exemption for interest received by specific foreign corporations entering into Japanese repos (saiken-gensaki)

Interest on repos received by specific foreign corporations is exempt from corporation and withholding tax, subject to certain conditions. This exemption is proposed to be extended for a further two years, until 31 March 2023.

Next steps for asset and wealth managers

The 2021 tax reform proposals include a number of significant developments for the asset and wealth management industry,and therefore asset managers should monitor these changes closely once the proposals have been enacted to review whether they may apply and the relevant conditions required to be satisfied. For a more in-depth discussion of these changes, please reach out to your regular PwC Japan contact or the following contacts below.

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Corporate governance update: Institute of Corporate Governance ('ICG') final report on board evaluations

Background

In September 2018, the BEIS published a response to the consultation on the corporate governance of companies that were nearing insolvency. They asked the ICG to undertake a review to identify how organisations carrying out their own internal evaluations and those instructing external service providers to undertake their board evaluations could be improved, with the view to introduce minimum standards. Their final report was published in January 2021 (the 'Report'). This Report primarily looks at the listed sector, but the ICG are clear that the recommendations are suitable for organisations in all sectors.

The Report sets out a number of proposed measures, the aim of which is to develop a market-based mechanism for raising standards and increasing accountability, without the need for regulatory intervention. The measures include:

1. **Code of Practice** for board evaluators and service providers.

   This is issued to all organisations performing board evaluations for (at least) FTSE 350 companies, and those aspiring to perform reviews, encouraging them to become signatories. Signatories are expected to show that they adhere to the standards in the code on an 'apply and explain' basis (i.e., they apply the principles and explain how they have done so);

2. **Principles of Good Practice** for listed companies.

   These are designed to enhance the Code and FRC Guidance on Board Effectiveness, aiming to go further than the Code's 'comply or explain' basis. It is recommended that companies 'do not limit themselves to what is simply required in order to comply with the Code'.

   - **Selection:** The company will not delegate the decision of appointment of an evaluator to a single employee; the company will not appoint reviewers with which it has a commercial relationship that might constitute a conflict of interest
   - **Scope and process:** Set agreed terms of engagement before the review commences; the company to provide the reviewer direct access to the board; the reviewer must be presented with the opportunity to present to the board
   - **Disclosure:** In its annual report, the company will state whether it has followed these principles, and whether the reviewer is a signatory to the code of practice, as above.

3. **Guidance for listed companies** on how to report on their board evaluations, in line with the requirements of the UK Corporate Governance Code 2018 (the 'Code').

Disclosure guidance

The ICG has published disclosure guidance, applying to both internal and external board reviews, to both

- Assist companies to comply with the Code, the above principles, and other guidance on board effectiveness
- Provide shareholders and other stakeholders with information necessary in improving the transparency of board evaluations.

For externally-facilitated evaluations, it recommends that companies elect to disclose additional information to what is already specified in the Code, in three main areas:

- Disclosing whether the external review is a signatory to the Code of Practice
- Information about the length of the relationship established between the reviewer and the company, and disclosing the value of any other services being provided by the evaluator
- The process used by the company to select the reviewer.

Together, these disclosures ensure that companies are using adequate methods for selecting an external reviewer, providing assurances to investors and other related stakeholders.

Next steps for asset and wealth managers

These measures are intended to improve the strength and quality of the existing board evaluation regime. It is understood by both BEIS and ICG that there is not a widespread market failure of evaluations that needs to be corrected, but there is large room for improvement. Following the Report, BEIS will need to consider whether it agrees with the recommendations, and then implement a timetable for executing them. It is unrealistic to ask companies to report in 2022 on whether their evaluator was a signatory to the Code of Practice, but there is a strong demand from investors that the other information recommended for disclosure is reported on. Companies should therefore start considering the disclosure requirements and the application to their business now.

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