UNITE
STUDENTS

FOCUSED ON GROWTH AND SUSTAINABILITY

THE UNITE GROUP PLC
Annual Report and Accounts 2021

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COMPANIES HOUSE
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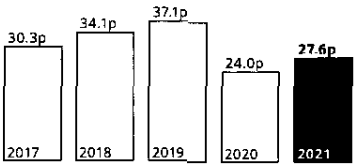
CREATING A HOME FOR SUCCESS FOR STUDENTS

A safe and welcoming home enables students to engage, learn and thrive. That's the philosophy that underpins the core of our purpose, which is to create a Home for Success for our students.

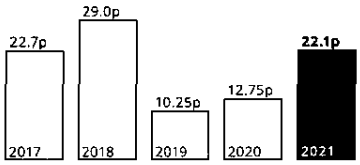
It's fundamental to everything we do.

FINANCIAL HIGHLIGHTS



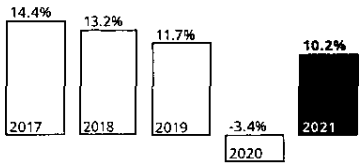
ADJUSTED EARNINGS PER SHARE[1,2] (P)

27.6p



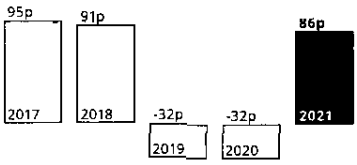
DIVIDEND PER SHARE (P)

22.1p



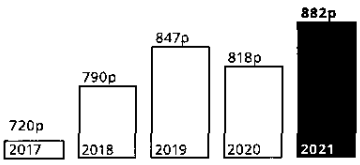
TOTAL ACCOUNTING RETURN[1] (%)

10.2%



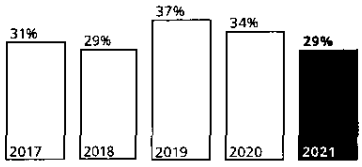
IFRS BASIC EARNINGS PER SHARE (P)

86p



EPRA NTA PER SHARE[1,3] (P)

882p



LOAN-TO-VALUE RATIO[1] (%)

29%

OPERATIONAL HIGHLIGHTS

- **Recovery in 2021/22 and strong student demand for 2022/23**
- **Record development pipeline, funded through active capital recycling**
- **Best-in-class platform supporting attractive financial returns**
- **Balance sheet positioned for growth**
- **Committed to being a responsible and resilient business**

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View our 2021 Annual Report & Accounts online at: **unite-group.co.uk/investors/reports-and-presentations**

Page references are shown throughout for links to important content

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information and are based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions and note 8 for calculations and reconciliations.
2. Adjustment made to EPRA EPS to remove the impact of the LSAV performance fee. Further details are provided in notes 2 and 8.
3. 2017 & 2018 based on EPRA NAV as previously reported
4. With effect from 1 January 2022, the Audit Committee will be renamed the Audit & Risk Committee. See the Audit Committee report for more information.

OUR ANNUAL REPORT AT A GLANCE

OUR PURPOSE

04

Read more

Our purpose, Home for Success, provides the right environment for students living with us to engage, learn and thrive.

WHY INVEST IN UNITE

06

Read more

We are the UK's largest owner, manager and developer of purpose-built student accommodation, serving the UK's world-leading Higher Education sector.

BUSINESS MODEL

08

Read more

We provide high-quality student accommodation that we own, operate and manage. We continually enhance our portfolio and work alongside universities to deliver their long-term accommodation strategies.

CHIEF EXECUTIVE'S REVIEW

20
Read more

We have seen positive recovery in our performance in 2021 and are positioned for growth. The outlook for the business and UK Higher Education sector is strong, driven by rising participation rates, demographic growth and increasing numbers of international students. We have a record development pipeline and balance sheet capacity to pursue new growth opportunities.

SUSTAINABILITY REPORT

34
Read more

We are a responsible and sustainable business. Our Sustainability Strategy helps us prioritise areas of focus and our *stakeholder materiality* review, undertaken in 2020, continues to inform our actions.

CORPORATE GOVERNANCE

89
Read more

The Board is focused on delivering a long-term sustainable and resilient strategy for the Group. The Board's composition brings a range of broad skills, balance and experience to our business.

BEING PURPOSE-LED

HOME FOR SUCCESS

Home for Success provides the right home environment for the students who come to live with us each year from across the globe, to enable them to achieve whatever goals and ambitions they aspire to. Home for Success is also about being the right partner for universities to work with as well as providing our people with the opportunity to grow, develop and succeed.

Our corporate strategy is underpinned by our strategic objectives, sustainability strategy, brand promises and values.

Strategic Objectives

Delivering for our customers and universities	Attractive returns for shareholders	A responsible and resilient business

Read more about our **three strategic objectives** on **pages 30–31**

Sustainability Strategy

Net zero carbon	Resource efficient	Health & wellbeing	Opportunities for all	Raising standards

Read more about our **Sustainability Strategy** on **pages 34–49**

Brand Promises

Provide a space to grow and thrive	Provide a place to belong	Be there when you need us

Values

Keeping us safe	*Creating room for everyone*	*Doing what's right*	*Raising the bar together*

OUR PURPOSE IN ACTION DURING COVID-19

Student Wellbeing

The Covid pandemic amplified the need to support students, particularly those who were far away from home or were unable to travel home due to distance or personal circumstances.

We have invested in our city teams ensuring they are there for students when needed. Our student support teams are available in all cities and, working together with our Resident Ambassadors, provide a valuable support network for all students living with us.

- **Over £100m in financial support to students during Covid-19 pandemic**
- **All properties remained open and operational during Covid-19 providing support for students**
- **Six dedicated student support teams across the UK**
- **Over 190 Resident Ambassadors recruited in year**

University Partnerships

We work closely with our University partners. During the pandemic this relationship was strengthened by the actions we took to support students.

In addition, we regularly provide research and insight to the higher education sector about student trends and sentiment which informs their thinking and planning. Our Class of 2021 research highlighted student concerns about the 2021/22 academic year. Concerns primarily related to being ready, leaving the safety of sixth form and their mental health whilst being away from home. In response to this, we have enhanced our focus on creating supportive communities in our properties with people on hand to support.

- **Over 60 partnerships with Higher Education institutions**
- **Over half of beds sold under nomination agreements**
- **Four student and parent research reports published during 2020/21 academic year**

Employee Inclusion

We are committed to providing opportunities for all our team members, whatever their background, gender or ethnicity. With the Covid pandemic creating extra pressures for our teams, we focused on keeping employees safe through the provision of PPE, providing regular operational Covid-19 updates and providing flexibility for those employees who needed to work from home. Throughout the pandemic we have engaged with our teams through a range of tools and channels, surveyed how they are feeling and provided forums by which to hear their feedback.

- **Weekly Covid updates to teams throughout the Covid pandemic**
- **Recruitment of EDI & Wellbeing lead**
- **Launch of new employee engagement forum, Culture Matters**
- **Employee engagement score of 75 (2020: 74)**

WHY INVEST IN UNITE

SUSTAINABLE GROWTH

Sector leader in UK student accommodation with strong returns

STRUCTURALLY GROWING SECTOR

Demographic growth
The UK's 18-year-old population is set to grow by 22% by 2030, supporting demand for an additional c.200k undergraduate places at current participation rates.

Rising HE participation
2021/22 saw a record share of 18-year-olds accepting a place at university, reflecting young people's recognition of the life experience that university provides.

Growing international demand
The UK Government is targeting further growth in International student numbers with a particular focus on attracting more students from Africa, the Middle East and Asian countries outside of China.

18-YEAR-OLD PARTICIPATION RATE IN 2021/22

38.3%

*See **pages 27–29** for more information*

HIGH-QUALITY PORTFOLIO

Aligned to the strongest universities
Our portfolio is increasingly focused on the UK's leading universities, where we see the strongest prospects for student number growth, through our new investment activity and disciplined capital recycling.

Investing to enhance our operational estate
Multi-year asset management opportunity to create value by enhancing rents and reducing operational costs through investments in our customer proposition.

% OF THE RENTAL PORTFOLIO BY VALUE IN RUSSELL GROUP CITIES

90%

*See **pages 62–69** for more information*

BEST-IN-CLASS OPERATING PLATFORM

Over 60 University partnerships
We are the partner of choice for a large number of the UK's leading universities, reflecting our track record, focus on student welfare and our high-quality, affordable products and services.

Passionate frontline teams
Front-line service excellence is monitored throughout the year through the Net Promoter Score which drives greater customer advocacy.

Sector-leading operating margins
We drive cost efficiencies through our scale using our PRISM technology platform. Management fees from joint ventures and funds also cover c.67% of our annual overheads.

SHARE OF BEDS LET UNDER NOMINATION AGREEMENTS FOR 2021/22

51%

*See **pages 56–61** for more information*

HIGH VISIBILITY OVER RETURNS

Targeting attractive total returns of 8.5–10% p.a.
Achieved through recurring earnings, rental growth and development profits.

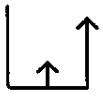
Sustainable rental growth of 3.0–3.5% p.a.
Underlying rental growth driven by student demand and contracted increases through multi-year university nomination agreements, supported by asset management initiatives.

6,000-bed development pipeline
Secured pipeline of £967 million, which is expected to add 78p to NTA and 10p to EPRA EPS on delivery.

TOTAL ACCOUNTING RETURNS OVER THE PAST 10 YEARS

13.5% pa

See **pages 70–73** for more information



SUBSTANTIAL GROWTH OPPORTUNITIES

Market share gains from HMO sector
Almost one million students live in houses of multiple occupancy, providing a significant opportunity.

Development of 1,500–2,500 beds per annum
Investment focused on strongest 8–10 markets in the UK, with growing opportunities in London and major regional cities.

New University partnerships
Opportunities for new developments on and off-campus as well as partnerships for the transfer of their existing accommodation stock to unlock operating efficiencies and help to fund investment in new accommodation.

Emerging young professionals market
Significant potential from expanding our platform to cater for the growing number of professional renters living in major cities.

FULL-TIME STUDENTS LIVING IN UNIVERSITY-OWNED ACCOMMODATION OR HMOS

1.4 million

See **pages 20–26** for more information

LEADERSHIP IN SUSTAINABILITY

Net zero carbon
Becoming a net zero carbon for both our operations and developments by 2030.

Unite Foundation
Providing support for estranged and care experienced students throughout the course of their studies.

Leapskills
Helping young people prepare for independent living.

Improved index rating
Maintained a GRESB 4-star rating and improved score to 85.

TARGET REDUCTION IN OPERATIONAL ENERGY CONSUMPTION BY 2030

28%

See **pages 34–55** for more information

BUSINESS MODEL

WHO WE ARE

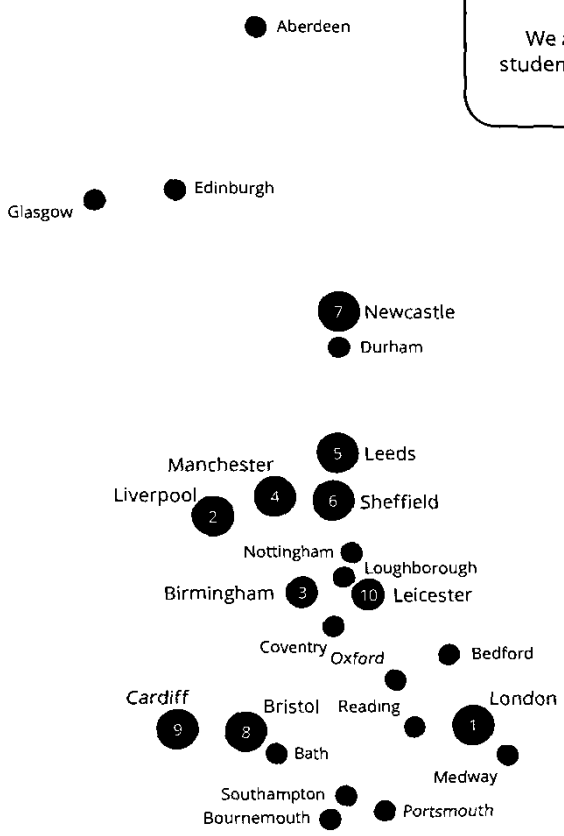
We are the UK's largest owner, manager and developer of purpose-built student accommodation

We provide homes to 74,000 students across 172 properties in 25 leading university cities and towns.

We currently partner with over 60 universities across the UK.

Our accommodation is high quality and affordable as well as safe and secure.

We are committed to raising standards in the student accommodation sector for our customers, *investors and employees.*



2021 rank	CITY	COMPLETED BEDS (21/22)
1	London	11,654
2	Liverpool	6,365
3	Birmingham	5,919
4	Manchester	5,620
5	Leeds	5,610
6	Sheffield	4,498
7	Newcastle	3,763
8	Bristol	3,753
9	Cardiff	3,481
10	Leicester	3,251
	Top 10	***53,914***
	Total	***73,907***

RANKED
No. 1
The largest provider of student accommodation in the UK

PROPERTIES
172
Operate in 25 cities and towns across England, Scotland and Wales

BEDS
74,000
In properties across the UK

UNIVERSITY PARTNERS
>60
Work alongside University partners to deliver their accommodation needs

OUR FOCUS

People, culture and relationships

We have 1,900 employees who are committed to the delivery of our purpose, Home for Success. Our *values underpin how they deliver* day-in, day-out and we encourage open and honest conversations with our employees about how we can improve our offering to students as well as ways to make Unite Students a great place to work. We are a Real Living Wage employer and provide fair pay to our employees. Our commitment to training and developing provides opportunities for progression amongst our teams.

Our actions are driven by insights from our employees and students and this enables us to work collaboratively with our University partners across the range of topics including sustainability, inclusion, wellbeing and safety which form part of student life at university.

NUMBER OF EMPLOYEES

1,900

Earnings, occupancy and demand

We have high visibility over our earnings, provide sector leading margins and operate *in a structurally growing sector* with demographic demand set to grow by 22% by 2030.

Occupancy is driven by a mix of nomination agreements with University partners and direct-let sales.

Nomination agreements are contracts between universities and private accommodation providers for the provision of beds for students. These can range from one year to multi-year contracts up to 30 years providing a guaranteed number of beds over a fixed period. Over half of these agreements are multi-year deals benefiting from annual fixed or inflation-linked rental uplifts.

In addition, we market directly to students through our website and agents enabling us to capture market share from the houses of multiple occupancy (HMO) market, an area where we have seen significant progress in the last two years.

AVERAGE LENGTH OF NOMINATION AGREEMENTS

7 years

Development and University partnerships

The quality, location and scale of our portfolio is a key component in our business model and long-*term strategy.*

We have a development pipeline and balance sheet capacity to provide new growth opportunities through University partnerships and targeted acquisitions

Our strategy is focused on optimising our portfolio through capital rotation by growing alignment to the strongest universities and focusing new investment in London and prime regional cities.

We offer a flexible, collaborative and mutually beneficial partnership approach to meet the needs of universities and students delivering accommodation which meets university and student needs.

Our aim is to provide universities with a level of control over their capital investment, ongoing costs and student experience.

We aim to be a strategic partner to the strongest universities to deliver solutions which work for them and support their growth ambitions.

DEVELOPMENT PIPELINE ALIGNED TO UNIVERSITY PARTNERSHIPS

83%

BUSINESS MODEL *continued*

HOW WE OPERATE

UNRIVALLED INSIGHT

We have a 30-year track record in the UK student accommodation sector, having pioneered its early development and since created the largest portfolio in the sector. This knowledge is complemented by a range of data sources and forecasts, which drive the evolution of our operating model and capital allocation decisions.

The customer is at the heart of what we do and we invest significant time into understanding the wants and needs of our customers through regular research and insight. In addition, we actively engage with university leaders across the UK to ensure we can best support their growth ambitions.

Segmented customer offer

We see opportunities to tailor our customer offer to better address the needs of different customers as they progress through university and beyond. PBSA has typically been a first-year orientated product and, as a result, the majority of non-first-year and UK postgraduate students currently opt to live in the HMO sector.

This presents a significant opportunity to capture market share through more tailored service and property propositions targeted at students as they participate in their higher education journey and seek greater independence over the years.

BEST-IN-CLASS OPERATING PLATFORM

We operate and manage 74,000 beds across 25 cities and towns in the UK. Our scale and PRISM operating platform allow us to deliver the best all-round customer experience for students, alongside sector-leading operating margins.

Our teams are central to delivering our purpose of providing a 'Home for Success' for students. Staff training is focused on student welfare with welfare leads in every city and peer support provided by Resident Ambassadors.

We are leaders in sustainability, health, safety and student welfare in the student accommodation sector.

Passionate front-line teams

As well as overseeing the day-to-day running of our properties, our front-line teams are committed to support students during their stay. This includes being available when questions arise, supporting their overall welfare and in the case of international students providing cultural orientation support. Our teams are a much-valued connection between parents and students which is key when students first move away from home.

PORTFOLIO ENHANCEMENT

We seek to continuously enhance our portfolio through acquisition, asset management and disposals to ensure we have the best buildings, aligned to the strongest universities.

This is complemented by our significant and growing development pipeline focused on high-quality, well-located new buildings in the strongest university cities in the UK. Opportunities are sourced and delivered by our experienced in-house development team. Development activity is funded through capital recycling, debt facilities and equity issuance for larger opportunities.

High-quality pipeline

Our secured development pipeline totals 6,000 beds with a total development cost of £967 million to be delivered in the period to 2026. 100% of the pipeline is aligned to Russell Group university cities, where we see the strongest student demand.

We have significantly increased our London pipeline since our 2020 equity issue and development in London now accounts for 78% by value of our secured pipeline.

UNIVERSITY PARTNER OF CHOICE

We partner with universities to deliver their long-term accommodation strategies. We are proud of our track record of aligning to the strongest universities. Our track record and commitment to students has helped us increase the share of beds leased to universities over the long-term, increasing visibility over income.

Our Higher Education Engagement team work closely with universities to identify new opportunities for University partnerships.

Visibility of income

We lease over half of our beds to universities through nomination agreements which have an average length of seven years.

Over half of these agreements are multi-year deals benefiting from annual fixed or inflation-linked rental uplifts. These multi-year agreements are expected to see rental increases of around 4% for the 2022/23 academic year.

BUSINESS MODEL *continued*

THE VALUE WE CREATE

STUDENTS

Key issues

- Value-for-money
- Customer service
- Welfare support

How we engaged

Our front-line property teams engage with students on a day-to-day basis, supplemented by peer-to-peer support provided by our Resident Ambassadors. We also engage with students using our MyUnite app and social media channels.

This is complemented by our customer research programme which includes surveys on specific issues, including student views on climate change.

Value creation in 2021

- Provided 50% rental discounts for 10 weeks between Jan–Mar 2021
- Offered complimentary four-week tenancy extensions for eligible students in summer 2021
- Increased peer-to-peer support for students through our Resident Ambassador programme
- Helped to provide accommodation scholarships to 166 students through the Unite Foundation

Priorities for 2022

We continue to evolve our product offering to reflect the range of customers living with us, as has been shown through our customer segmentation work undertaken during 2021.

We continue to engage with students on a range of issues which impact on their living habits and, during 2022, will be developing proposals to address student concerns relating to climate change which we know from our student survey in 2021, is an important issue for them

OUR PEOPLE

Key issues

- Training and development
- Equality, diversity and inclusion
- Health, safety and wellbeing

How we engaged

We provide a range of channels for our teams to feedback. We hold regular 'Unite Live' sessions with our CEO and key senior leaders to provide business updates with the opportunity to ask questions.

We conduct regular employee engagement surveys with findings shared with our teams to help jointly develop action plans

We also launched our new employee engagement forum, Culture Matters, during the year attended by Non-Executive Director, Ilaria del Beato.

Value creation in 2021

- Flexible working policy implemented
- Safety enhancements for property teams including solo protect and bodycam cameras
- EDI training programme provided to senior leaders
- Investment in the Learning and Development team and resources to support our teams

Priorities for 2022

Our focus is to provide our employees with a great place to work. Our EDI strategy will be launched this year and a new training academy providing support will be operational during 2022.

UNIVERSITIES

Key issues

- Student welfare
- Operational performance
- Health and safety

How we engaged

Through our Higher Education Engagement team, we meet regularly with leaders across the UK university sector.

We engage at various levels in institutions for discussions ranging from strategic planning to day-to-day operational requirements.

In addition, we engage actively in the wider higher education sector, presenting at conferences and contributing to higher education research.

Value creation in 2021

- Provided 37,359 beds to universities for the 2021/22 academic year
- Progressed University partnership developments with University of Bristol and King's College London
- Secured two new development sites in London, providing new affordable housing under nomination agreements
- Enhanced student welfare services, including support for students shielding or self-isolating during Covid-19

Priorities for 2022

We continue to explore opportunities for new University partnerships, where we can work with universities to unlock operational efficiencies alongside new accommodation.

We are also set to deliver 1,351 beds in new accommodation for the 2022/23 academic year.

See our **s172 statement** on **page 15**

COMMUNITIES

Key issues

- Trust and transparency
- Land use
- Local investment and job creation

How we engaged

Our operational teams are active in their communities through our Company-wide volunteering programme.

We are relaunching our Positive Impact programme in 2022, which includes awards for projects undertaken by employees aimed at delivering measurable benefits in their local communities.

We also engage actively with local stakeholders for our development projects to ensure the design of our buildings, public spaces and community facilities meets their needs.

Value creation in 2021

- Employment for 1,500 people in local communities
- Committed to build c.2,000 beds of new student accommodation in our communities
- Invested £3 million in initiatives to reduce our environmental impact
- 296 hours of employee volunteering in the year

Priorities for 2022

In 2022, we are developing a long-term community engagement strategy, which ensures greater ongoing engagement with local stakeholders from the development stage through to operations. This will focus on promoting healthy and economically viable communities, while increasing transparency over our community impact.

SUPPLIERS

Key issues

- Risk management
- Human rights
- Responsible supply chain

How we engaged

With support from an independent procurement consultancy, we undertook a thorough review of our supplier relationships during 2021.

We continued to ensure our buildings meet existing and emerging safety regulations, including planned work for the remediation of cladding where required.

Value creation in 2021

- Spent £130 million with suppliers across development activity, cladding remediation and refurbishments
- Entered into build contracts for our development at Derby Road, Nottingham
- Supported new renewable power generation through our first corporate PPA for a Scottish wind farm

Priorities for 2022

Having conducted a review of our strategic suppliers during 2021, we will continue to formalise our approach with our next tier of suppliers and introduce a new Code of Conduct.

INVESTORS

Key issues

- Financial performance
- Strategic direction
- Sustainability and risk management

How we engaged

We engaged regularly with investors around our financial results as well as through ad hoc events. In addition, we hosted a Capital Markets Day in Manchester to update analysts and investors on our Group strategy.

Value creation in 2021

- Delivered increased occupancy of 94% and 2.3% rental growth
- 15% growth in adjusted EPS
- Total accounting return of 10.2%
- Receipt of £53 million LSAV performance fee
- Dividend payout ratio increased to 80%
- Added c.2,000 new beds to the secured development pipeline

Priorities for 2022

We are focused on a return to full occupancy and 3.0–3.5% p.a. rental growth from 2022/23, as well as delivery of our secured development pipeline.

Investors are also keen to understand our long-term approach to sustainability, and in particular our strategy to address climate-related risks.

CREATING VALUE

PROVIDING OPPORTUNITIES FOR ALL

Government Kickstart Scheme

The Kickstart Scheme is open to people aged 16–24 that are currently claiming Universal Credit and are at risk of long-term unemployment. In 2021, amongst a challenging recruitment period with a high number of vacancies in front line roles, we took part in the scheme. Designed to help boost youth employment following the Covid-19 pandemic, these roles were required as additional headcount, as opposed to replacing existing roles. We hired 83 individuals between the ages of 18–24 who had been on Universal Credit, offering them six month job placements and training to develop key employment skills, paid at the National Living Wage. We remain committed to the Kickstart Scheme moving forward.

For more about this project, go online to: **unite-group.co.uk/creatingvalue**

SECTION 172

Statement by the Directors in accordance with Section 172(1) of the Companies Act 2006

Meeting the needs and expectations of our stakeholders is fundamental to delivery of our purpose, Home for Success. Acting in the long-term interests of the business and all our stakeholders, including students, our people, universities, the communities we operate in, our suppliers and our investors, is central to the Board's decision-making process and shapes the Group's strategy. Our Board also considers the impact of the Company's operations on the environment and the risks posed by climate change.

In all decision making, the potential impact on our stakeholders is taken into account, together with the likely consequences of these decisions in the long term and also the desirability of the Company maintaining a reputation for high standards of business conduct (see principal decision making as further detailed on pages 110–114 and stakeholder engagement on pages 12–13). These considerations are central to delivering our Home for Success purpose, which include, for example, when we offered rental discounts to students (as further detailed on page 21) and the development of our Net Zero Carbon Pathway (as further detailed on page 26).

The Board maintains oversight of the Company's performance, and reserves specific matters for approval, including significant new strategic initiatives and major decisions relating to capital raising and allocation.

To help the Board understand our wider stakeholder relationships and inform the Board's decision-making, the Board receives regular updates from the Executive team, as well as the wider senior leadership team including the Group People Director, the Group Investment & Sustainability Director, the Group Energy & Environmental Manager, the Higher Education Director, Head of Fund Management and the Group Legal Director and Company Secretary.

Through measurement against long-term objectives, the Board monitors how management is acting in accordance with the Board's agreed strategy and the long-term interests of our key stakeholders.

Our investors

The Board recognises that acting fairly in the interests of all shareholders increases investor confidence, reduces our cost of capital and ensures good governance. This also supports the ability of the business to invest and grow through access to capital when it is required. We provide all investors with equal access to information through our public reporting for financial results and trading statements, as well as additional disclosures in areas such as sustainability through our corporate website. In addition, we engage regularly with investors at conferences and ad hoc meetings, which address investor groups from a range of markets and of differing sizes.

In 2021, the Remuneration Committee conducted a consultation with the Company's twenty largest shareholders regarding the renewal of the Remuneration Policy, which will be presented to shareholders for approval at the 2022 AGM. The outcome of shareholder feedback confirmed that the current Remuneration Policy in respect of salaries, pension contributions and performance-linked short and long-term incentives remains appropriate and fit-for-purpose, with suggested minor refinements to include a simplified annual bonus deferral approach. We proposed changing the financial metrics of the annual bonus from 70% to 60% allowing for an increase in non-financial ESG metrics from 30% to 40% however following shareholder feedback, the current 70/30 split of financial and non-financial metrics will remain. Further information on the Remuneration Policy can be found in the Remuneration Committee Chair's Introduction to the Director Remuneration Policy on page 136.

In 2021, we held a Capital Markets Day in Manchester where we shared our strategy and approach to longer term sustainability, alongside tours of our operations in the city with our local teams. Reflecting requests from investors for greater transparency around the costs of environmental initiatives, the presentation provided new disclosure around planned investments and EPC ratings across the portfolio.

Through engagement with investors and conscious of our values, in particular 'Doing what's right', the Board oversaw the renewal of the Group's revolving credit facility which was converted into a sustainable loan agreement with KPIs linked to our environmental and social initiatives.

The interests of our employees

As a service business, providing homes for 74,000 young people, often their first time living away from home, the Board recognises the importance of our employees and the role they play in our business. Engaging with our people has been especially important through the pandemic. During 2021, we established our new employee engagement forum, Culture Matters, providing a quarterly forum where employee feedback and engagement can be tabled formally. Our Non-Executive Director for Workforce Engagement, Ilaria del Beato, attends the Culture Matters meetings and provides regular updates to the Board, ensuring consideration is given to employee needs and concerns. The Board also understands employees' views through our regular employee surveys as well as 'Unite Live' sessions with our CEO and senior leaders enabling employees to ask questions directly of the CEO and leadership team. Our commitment to employee engagement can be seen by our employee engagement score of 75 (2020: 74).

Further information on **employee engagement** can be found on **pages 99–102**

SECTION 172 continued

The need to foster business relationships with our customers, University partners and suppliers

Customers

Our purpose, Home for Success, is to provide a safe and welcoming home for students to engage, learn and thrive at university, while preparing them for life beyond. Our student survey programme provided an opportunity for students to provide direct and frank feedback which enabled us to listen to the student voice to understand what is important to them during their time living with us and also on wider topics. During 2021, climate change was reported as a top priority for our customers and accordingly we plan to increase engagement with them on how they can develop sustainable living habits.

The Board reviews the Net Promoter Score from our student surveys. This helps the Board decide where to invest in customer service and property enhancements to ensure we deliver value-for-money for our customers.

Our city teams engage with our student customers on a day-to-day basis, covering welfare issues which have increased during Covid-19. This is complemented by our Resident Ambassadors, who provide peer-to-peer support to students, and organise activities in our properties to help foster like-minded communities.

University partners

Universities are key strategic stakeholders, directly accounting for around half of our reservations each year under nomination agreements and the other half indirectly through their students who book directly with us. The reputation, health and future growth of our University partners remains central to our business prospects.

Partnering with the strongest universities helps us provide a range of different approaches delivering solutions which work for our partners and support their growth ambitions. Through this partnering, we can explore opportunities for new University partnerships, where we can unlock operational efficiencies, alongside new accommodation options. This in turn helps support our improved day-to-day operations and our longer-term growth.

Our Higher Education Engagement Team meets regularly with university leaders and teams at various levels enabling us to discuss this strategic planning as well as day-to-day operational requirements. This feedback is shared with our Board who in turn consider our strategies for delivering value to universities. Our annual Higher Education Engagement survey provides the Board with key insight into our reputation and performance with our university partners as further detailed as part of our Higher Education Trust operational KPI on page 33. This helps inform the way we improve our product and service. The Board is also regularly updated on trends in the Higher Education sector in the UK and globally, which inform the Group's strategy around the universities with which it seeks to partner over the long-term.

Suppliers

We work with a wide range of suppliers across our operations and development activities to deliver a high-quality, affordable customer offer.

Our teams maintained strong relationships with suppliers and throughout Covid-19. This was especially important during Covid-19 when we initially paused development activity at Middlesex Street, London and Campbell House, Bristol, and subsequently resumed activity in early 2021. The Board recognises the importance of supplier relationships and were provided with regular updates throughout the year which included feedback following a thorough review of our supplier relationships and interviews with our twenty-five strategic suppliers.

Our impact on the community and the environment

Community

Home for Success is about creating a sense of belonging and community both in our properties and beyond. To maximise the value we create for communities and ensure our ability to continue to operate and grow within them, we seek to build trusted, long-term relationships with community partners. This can be seen in our development activity where we actively engage with local communities to ensure the design of our buildings, public spaces and community facilities also meets their needs. Our high-quality properties provide additional economic benefit for local businesses and development activity helps regenerate local areas, deliver public realm improvements and create new community spaces. Our operational and property teams actively engage with communities through public services, local authorities and local businesses. Our Positive Impact programme encourages our teams to work with local stakeholders.

The environment

As a responsible business, our wider stakeholders demand we proactively manage environmental, social and governance risks. Moreover, we understand the significant contribution that property makes to global CO_2 emissions and how essential it is that we play our part in the fight against climate change while keeping in mind the likely consequence of our decisions in the long-term.

The Board has oversight of our environmental impact through review of our Sustainability Strategy, which was approved by the Board in 2020 and launched externally in 2021. This new strategy specifies clear targets to reduce our environmental impact over time. In addition, our Net Zero Carbon Pathway, published in December 2021, details our approach to reach net zero carbon across our operations and developments by 2030. Engagement around environmental impact comes indirectly through feedback from investors, students, universities and local communities, all of which is considered by the Board. During the year, the Sustainability Committee considered the Group's approach to climate disclosures under Task Force on Climate-related Financial Disclosure (TCFD), providing feedback which has shaped the enhanced reporting included in this Annual Report.

Further information on our **Sustainability Strategy** can be found on **pages 34–55**

STAKEHOLDER	STAKEHOLDER CONCERN	OUR RESPONSE
Investors	Our investors wanted to understand our business, its resilience through Covid-19 and longer term sustainability, as well as be kept up-to-date with events impacting financial returns.	Our 2021 Capital Markets Day set out the Group's strategy to deliver on its purpose, 'Home for Success'. The event focused on enhancing the student experience and discussed planned investments in the portfolio to drive rental growth. It also explored the ways in which we are improving our environmental and social impact and how we plan to deliver financial returns to our shareholders. In 2021, we reinstated our dividend payments with a payout ratio of 80% of adjusted EPS as market conditions stabilised.
Employees	Our employees were concerned about the impact of Covid-19 on their health and wellbeing in their workplace, its impact on our day-to-day business operations and the resilience of our longer term business. Our employees were concerned about equality, diversity and inclusivity (EDI).	We obtained a BSC Covid Secure status to ensure health and safety in our operations through the pandemic. We are trialling a new Hybrid Flexible Working Policy and expanded the training and resources we provide to our people around health, safety and wellbeing as well as enhancing mental health provision. In 2021, we hired a Diversity, Inclusion & Wellbeing lead who is developing our EDI & Wellbeing strategy and helping us embed equality, diversity, inclusion and wellbeing into our culture through a learning and development programme.
Customers	Our customers wanted action on climate change.	Throughout the year, we engaged with students on a range of issues which impact on their stay in our properties. In light of their feedback on the climate change survey, we are developing initiatives focused on how they can play a role in making their stay more sustainable which we know is an important issue for them.
	Our customers wanted increased support.	We increased peer-to-peer support for students through our new Resident Ambassador programme, which provides invaluable support to students in finding like-minded students. The Resident Ambassadors are focused on finding the voice of the student community in properties and are working with our property teams to deliver a personalised student experience.
	Our customers wanted more value-for-money.	We improved our hassle-free, value-for-money offer to attract customers currently living in houses of multiple occupancy (HMOs) and are seeing an increase in sales to UK second and third year students and a meaningful increase in re-booking activity for 2022/23.
University partners	Our University partners wanted clarity on the Covid-19 measures in place across our properties. Our University partners wanted to be supported in their growth ambitions.	We maintained regular contact with our university partners updating them on the latest Covid-19 measures and working with them to support students throughout the year. Our properties remained open and operational throughout the pandemic. We regularly engaged with university teams to offer a range of different approaches which ensured we delivered the right solutions for them and are focused to work with universities to unlock operational efficiencies alongside new accommodation requirements.
Suppliers	Our suppliers wanted longer term relationships.	To help ensure we have longer term and valuable supplier relationships, we undertook a thorough review of our supplier relationships during 2021 with support from a third-party procurement consultancy, including interviews with our twenty-five strategic suppliers.
The community and the environment	Our local communities wanted to ensure they benefit from our presence in their communities. We continue to be aware of the growing importance on climate change and environmental, social and governance issues for all of our stakeholders.	Throughout 2021 and through our development activity, we employ over 1,500 roles in local communities. In addition, we invested £3 million in initiatives to reduce our environmental impact and over 296 hours of employee volunteering was carried out in the year. A structured community engagement strategy is being developed to ensure greater ongoing engagement from the development stage through to operations. Our Sustainability Committee was formed in 2021 to provide formal oversight and challenge to the execution of the Group's Sustainability Strategy launched in 2021. In addition, sustainability performance measures are being introduced into the Executive remuneration.

CHAIR'S STATEMENT

A ROBUST PERFORMANCE

We continued to do what's right for all stakeholders, in line with our values

"During the year the business returned to earnings growth, increased occupancy, grew the development pipeline and delivered disposals to enhance the quality of the portfolio. We also continued to do what's right for all stakeholders, including providing further financial support to students."

Richard Huntingford
Chair

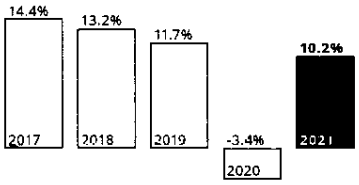
Dear Shareholders,

2021 has been a successful year for Unite, in which we have delivered a strong performance despite the challenges posed by the Covid-19 pandemic. I would like to start by thanking all our staff across the group for the hard work and resilience they have shown to deliver for our student and university customers and position the business for future growth. I would also like to thank our university partners for their ongoing support.

During the year the business returned to earnings growth, increased occupancy, grew the development pipeline and delivered disposals to enhance the quality of the portfolio. We also continued to do what's right for all stakeholders, in line with our values, including providing further financial support to students.

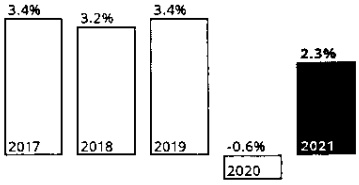
The year in review

2021 saw a recovery in our financial performance and a return to growth. Across our portfolio, the Group delivered an improvement in occupancy to 94% for the 2021/22 academic year (2020/21: 88%) alongside 2.3% rental growth, reflecting strong student demand. Together with a lower impact from rental discounts offered in response to the pandemic, this resulted in a 15% increase in adjusted EPS to 27.6p (2020: 24.0p).



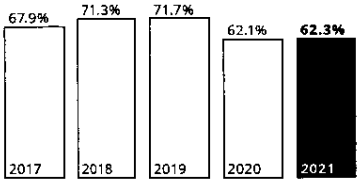
TOTAL ACCOUNTING RETURN[1]

10.2%



RENTAL GROWTH[1]

2.3%



ADJUSTED EBIT MARGIN[1]

62.3%

Investor demand for the student accommodation sector remains strong which, together with rental growth, supported a 4.6% revaluation uplift in the property portfolio during the year. This contributed to 8% growth in our EPRA NTA to 882p (31 December 2020: 818p) and a return to an IFRS profit before tax of £343.1 million (2020: loss of £120.1 million), equating to IFRS EPS of 85.9p (2020: loss of 31.8p).

The balance sheet remains in robust health with LTV reduced to 29% following £261 million of disposals in the year and receipt of a £53 million performance fee from our LSAV joint venture. This provides the financial capacity to deliver our secured development pipeline and pursue new growth opportunities.

Reflecting the improving trading outlook and the Board's confidence in the Group's future outlook, the proposed dividend for the year has been increased by 73% to 22.1p.

Delivery of our strategy

Unite is the largest operator of purpose-built student accommodation in the UK with 74,000 beds across 25 leading university towns and cities and celebrated its 30th anniversary this year. The business growth to date has been built on the solid foundations of a best-in-class operating platform, high-quality portfolio, trusted university relationships and in-house development capability. Our aim is to further develop this platform to create a sector-leading business, which delivers value for its customers, attractive returns for shareholders and has a positive impact on the environment and wider society.

As outlined at our Capital Markets Day in October 2021, our stakeholders have rising expectations around our product, service and wider business impact on the environment and society. In response, our strategy is focused on delivering an enhanced experience for our customers, supported by investments in technology and our estate and a more segmented customer offer over time.

This activity will support sustainable rental growth through our value-for-money offer and margin improvements over time. Our secured development pipeline also offers significant visibility over future growth in earnings and net assets.

A responsible and resilient business

We are committed to creating a responsible and resilient business, which delivers for all of our stakeholders over the long term. This commitment has shaped our response to the pandemic, during which we have acted to protect the interests of students, our university partners, employees and investors. We have placed significant focus on the health, safety and wellbeing of our customers and our people by reducing risks in our buildings as far as possible and supporting those needing to self-isolate. Recognising the disruption caused to students during the national lockdown in early 2021, we offered additional rental discounts to students unable to use their accommodation. We have now provided over £100 million in financial support to students during the pandemic. The Board believes this response has strengthened our reputation with students, parents, universities and Government.

Our new Sustainability Strategy, launched in early 2021, includes stretching new targets for how we will reduce our environmental impact, improve opportunities for employees and raise standards across the student housing sector. We published our Net Zero Carbon Pathway at the end of 2021, which sets out the activities and investments required by the business to meet our 2030 net zero ambition. Delivery and development of this strategy is being overseen by our new Sustainability Committee, formed during 2021.

Board changes

This is my first year as Chair, following Phil White stepping down from the Board with effect from 31 March 2021.

I would like to thank Phil for his leadership over many years and his contribution to the growth of Unite and making Unite the business it is today. I have a strong empathy for Unite's 'Home for Success' purpose and have been hugely impressed by the talent and commitment of our teams since joining the business.

We have a strong Board with a mix of complementary skills as well as diversity of knowledge, background and gender. As a team, we bring a range of expertise from the higher education, real estate, finance and hospitality sectors. During the year, Richard Akers stepped down from the Board in view of his other business commitments. Richard was a very valuable member of the Unite Board with his wealth of experience of the wider property market and his sound judgement. On behalf of the Board, we wish Richard well.

Based on our year end Board composition, we meet the Hampton Alexander gender target with 33% of the Board being female and will look to further broaden the diversity of our Board in the coming years.

Looking forward

There is growing demand for UK Higher Education and an unmet need for the high-quality, value-for-money accommodation that we provide. These drivers support strong organic growth, underpin demand for our secured developments and create opportunities for new growth through development, strategic partnerships with universities and potentially expansion into other complementary living sectors to our operating platform and customer focus. As a result, I look forward with great confidence to the Group delivering attractive and growing returns to shareholders over the coming years.

Richard Huntingford
Chair
23 February 2022

1. See glossary for definitions and note 8 for alternative performance measure calculations and reconciliations.

CHIEF EXECUTIVE'S REVIEW

RESILIENCE AND FLEXIBILITY

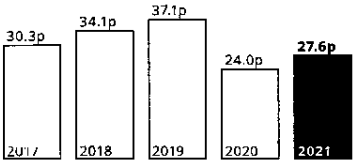
During the Covid-19 pandemic we prioritised working with our University partners to support students

"The business has seen a strong recovery in performance in 2021. We are well positioned for growth due to our alignment to the strongest universities, an enhanced reputation thanks to our supportive actions during the pandemic, and our best-in-class operating platform."

Richard Smith
Chief Executive Officer

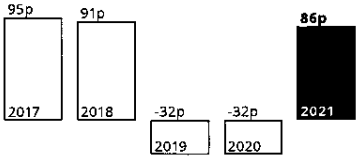
The business has delivered a strong performance in 2021, despite the ongoing challenges presented by the Covid-19 pandemic. We have once again proven the quality and resilience of our operating platform, with all properties remaining open during national lockdowns at the start of the year, as they did throughout 2020. This reflects the commitment of our teams as well as the value of our best in class operating platform, PRISM, which allowed us to quickly adapt to the changing circumstances.

As a business, we are committed to acting responsibly and 'Doing what's right'. This principle has shaped our response to the pandemic and led to the further rental discounts and complimentary tenancy extensions offered to students unable to use their accommodation at the start of 2021. We have increased the support offered to students and our employees



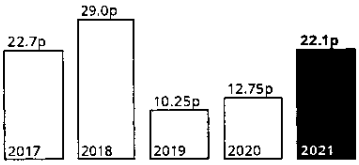
ADJUSTED EARNINGS PER SHARE[1,2] (P)

27.6p



IFRS BASIC EARNINGS PER SHARE (P)

86p



DIVIDEND PER SHARE (P)

22.1p

to ensure their health, safety and wellbeing. We believe these actions have enhanced our reputation with students, parents, universities and Government and will create further opportunities in the future.

Return to growth

The business delivered a strong recovery in financial performance in 2021 with adjusted earnings of £110.1 million and adjusted EPS of 27.6p, up 15% year-on-year. This reflects an increase in occupancy to 94% for the 2021/22 academic year (2020/21: 88%) and a lower impact from rental discounts when compared to 2020. The profit before tax of £343.1 million also reflects the valuation growth of our property portfolio during the year. We have announced a dividend of 22.1 p for the full year, which represents a payout ratio of 80% of adjusted EPS, underlining our confidence in future business performance. Total accounting returns for the year improved to 10.2%, reflecting an 8% increase in EPRA NTA to 882p. Our LTV ratio reduced to 29% during the year through revaluation gains, disposal proceeds and receipt of our LSAV performance fee. This provides the financial headroom to deliver our secured development pipeline and pursue new growth opportunities. Our key financial performance indicators are set out in the table below.

Continued support for students and universities

Since the outbreak of Covid-19, we have strived to play our part and do the right thing for our students and University partners in a fair and proportionate way. In response to the national lockdown announced in January 2021, students not living in their accommodation were able to apply for a ten-week rental discount and four-week complimentary tenancy extension.

We have now provided over £100 million in financial support to students during the Covid-19 pandemic through a combination of rent waivers and flexibility offered to students. We believe this is the largest package of financial support offered in the Higher Education sector and reflects our commitment to show leadership in the sector as well as encouraging others to act accordingly.

All our properties remained, and continue to remain, open and operational, employing a range of measures to reduce transmission of Covid-19 where possible. With the removal of the remaining restrictions during the fourth quarter of 2022, students will be able to enjoy the full experience of university life.

Positive outlook for 2022/23

We see strong demand for accommodation this autumn, with UCAS applications up 7% on pre-pandemic levels. Reservations for the 2022/23 academic year are encouraging at 67%, which is ahead of the prior year level of 60%. This is underpinned by the 50% of beds secured under nomination agreements for an average term of seven years. We expect bookings under nomination agreements to grow as a percentage of bookings by the end of the current annual sales cycle and to increase to 55% of total beds over the next two academic years. This reflects the opportunity to deepen relationships with our existing University partners.

We have recently secured new multi-year agreements to let 1,000 beds to two Russell Group universities from the 2022/23 academic year. We expect strong student demand for 2022/23 from both domestic and international students. We have maintained our focus on retaining existing direct-let customers, which has led to an increased share of sales to re-bookers. The attractiveness of PBSA over HMO is being clearly proven.

This supports our anticipated return to 97% occupancy and 3.0–3.5% rental growth for the 2022/23 academic year.

Financial highlights[1]	2021	2020
Adjusted earnings	£110.1m	£91.6m
Adjusted EPS	27.6p	24.0p
IFRS profit/(loss) before tax	£343.1m	£(120.1)m
IFRS basic EPS	85.9p	(31.8)p
Dividend per share	22.1p	12.75p
Adjusted EPS yield	3.4%	2.8%
Total accounting return	10.2%	(3.4)%
EPRA NTA per share	882p	818p
IFRS net assets per share	880p	809p
Loan to value	29%	34%

1. See glossary for definitions and note 8 for alternative performance measure calculations and reconciliations. A reconciliation of profit/loss before tax to EPRA earnings and adjusted earnings is set out in note 8 of the financial statements.

1 The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information and are based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions and note 8 for calculations and reconciliations.

2. Adjustment made to EPRA EPS to remove the impact of the LSAV performance fee. Further details are provided in notes 2 and 8.

CHIEF EXECUTIVE'S REVIEW continued

HOME FOR SUCCESS

OUR STRATEGIC OBJECTIVES

DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES

ATTRACTIVE RETURNS FOR SHAREHOLDERS

A RESPONSIBLE AND RESILIENT BUSINESS

Strategic overview

Having shown real resilience during the pandemic, the business is now positioned for growth. Our best-in-class operating platform provides us with strong foundations to adapt to evolving student needs and deliver an enhanced customer experience. There are also significant opportunities to invest in our well-located and affordable estate to drive rental growth and improve the environmental performance of our buildings.

Our strategy is focused on three key objectives, which will deliver value for our range of stakeholders:

- **Delivering for our customers and universities** – Our purpose is to deliver a Home for Success for our customers by delivering a highly valued experience during their time with us. We will also support our University partners to deliver their accommodation needs and future growth ambitions
- **Attractive returns for shareholders** – Delivered through a combination of growing recurring income, rental growth and value-add through our development activities, supported by a robust and flexible balance sheet
- **A responsible and resilient business** – We are committed to doing what's right by raising standards for our customers, investors and employees to ensure we build on our sector-leading position in the student housing sector

Delivering for our customers and universities

We have a best-in-class operating platform in the student accommodation sector, underpinned by our PRISM technology platform, passionate front-line teams and sector-leading welfare and support. However, we recognise that student expectations are evolving with higher expectations for rooms, social spaces, amenities and technology. In response, we are investing in the next generation of our PRISM technology platform to enable the seamless digital experience expected by students and to further improve our sector-leading efficiency.

We also see an opportunity to tailor our customer offer to better meet the needs of different segments in the student market. We are already successful in catering to undergraduate 1st-year students, as reflected in the large number of beds let to universities under nomination agreements. We also see opportunities to tailor our customer proposition to better meet the needs of non-1st-year students seeking greater independence as well as an postgraduate and international students who may be willing to pay a premium for a higher level of service.

In 2021, we conducted successful trials of a postgraduate-focused customer offer at seven properties, which delivered increases in rental income and net promoter scores. As a result, we have increased our product and service segmentation for postgraduates for the 2022/23 sales cycle.

These initiatives will enhance student experience, increase customer retention and support higher operating margins over time. Improving our hassle-free, value-for-money offer will also help us capture market share from the one million students currently living in houses of multiple occupancy (HMOs). We are already seeing success in this area, with direct-let sales to UK students for 2021/22 up 33% on pre-pandemic levels and a meaningful increase in re-booking activity for 2022/23.

We remain convinced in the opportunity for strategic partnerships with universities to meet their long-term accommodation needs. The pandemic has increased the operational and financial challenges faced by universities and there is a growing appetite for partnerships with leading operators of student accommodation. This is reflected in over 80% of our development pipeline by value being underpinned by University partnerships. For developments completing in 2022, 78% are let under nomination agreements for an average of nine years. We also see further opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of University partnerships through traditional off-campus development, on-campus development or stock transfer.

Attractive returns for shareholders

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We are focused on growing our alignment to the strongest universities seeing the greatest student number growth, reflected in the 90% of our rental portfolio and 100% of our development pipeline being located in Russell Group cities. We expect our portfolio to become more concentrated towards the strongest markets over time with our weighting to London increasing from 35% to 44% on a Unite share basis through delivery of our development pipeline.

Over the past 12 months, we have sold £261 million of assets to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These proactive sales have reduced our footprint from 27 to 25 markets and largely completed the disposals of non-strategic assets identified following our acquisition of Liberty Living in 2019.

Our development capability and track record is a major differentiator in the student accommodation sector. This, combined with our strong reputation and relationships with universities, supports our future growth through development and new University partnerships. Our new investments are focused on 8–10 cities, including London and prime regional markets with the strongest demand outlook. Our development pipeline is now at a record level, totalling 6,000 beds and £967 million in total development cost. This is expected to deliver 10p of upside to EPRA EPS and generate an NTA uplift of 78p on completion. We continue to see a positive flow of development opportunities and expect to add further schemes to the pipeline during 2022.

Our portfolio activity supports our target to deliver sustainable rental growth of 3.0–3.5% p.a. and significant future growth in recurring earnings. Together with the combination made by our development activities, this underpins our target for total accounting returns of 8.5–10% p.a.

A responsible and resilient business

Our new Sustainability Strategy was launched in March 2021, building on our existing work to reduce our environmental impact and improve student outcomes. Reflecting the expectations of our stakeholders, our targets are now more ambitious, as reflected by our net zero carbon commitment by 2030. We recently published our Net Zero Carbon Pathway, including targets validated by the SBTi, which sets out the activities and investment required to reach net zero for both our operations and development activities.

We are increasing our investment in energy efficiency initiatives to reduce consumption, save carbon and ensure ongoing compliance with regulations, such as energy performance certificate minimum standards. We invested £3 million in these initiatives in 2021, taking our total investment to over £30 million since 2014. We have identified a further c.£100 million of opportunities for capital investment to help us achieve our environmental targets, which equates to an annual investment of c.£10 million from 2022 onwards (£5–7 million p.a. at Unite share). As well as being the right thing to do, there is also a strong business case for this investment with a payback of under 10 years through operating cost savings.

A best in-class student experience

CLASS OF 2021

Students arriving at university in 2021 experienced significant disruption to their studies due to the pandemic. As a result, we didn't want to assume their needs would be the same as previous cohorts

In response, we hosted roundtables with students and conducted a survey with applicants, which was used to compare responses with surveys from 2019 and 2017.

The results flagged preparedness for university and student wellbeing as key issues. There was also greater desire from students for support to build communities in their accommodation. These findings helped inform our student welcome materials and events for the 2021/22 academic year.

For more about this project, go online to:
unite-group.co.uk/partnerships/insights

CHIEF EXECUTIVE'S REVIEW continued

We have a strong track record in delivering positive social impact at Unite with a clear link to our purpose of providing a 'Home for Success'. Our initiatives are focused on helping young people to succeed through supporting the transition from school to university and helping to widen access to Higher Education. The Unite Foundation celebrates its 10th anniversary this year and to date our support has helped provide accommodation scholarships for over 500 care leavers and students who are either care leavers or estranged from their families. We are committed to delivering positive social impact for our students and communities over the long term, which is reflected in our target to invest 1% of profits into these initiatives each year.

Fire safety

Fire safety is a critical part of our health and safety strategy and how we operate as a responsible business. We are committed to being leaders in fire safety standards, through a proactive risk-based approach, which is embedded across our entire business, to ensure that students and our employees are kept safe. All our buildings are independently confirmed as safe to operate and occupy by fire safety experts.

We have undertaken a thorough review of the use of high-pressure laminate (HPL) cladding on our properties. During the period we completed remedial works on four buildings and are now on site at a further eight, spending a total of £38 million (Unite share: £18 million) in the year. Our year-end balance sheet includes provisions and accruals for £107 million (Unite share: £55 million) of cladding remediation costs, which will be incurred over the next 12–36 months.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings remain safe to occupy.

We are seeking to mitigate the costs of cladding replacement through claims from contractors under build contracts, where appropriate. To date, we have recovered £10 million from completed claims, representing 70% of the costs of remediation on those buildings. We expect to recover 50–75% of total replacement costs over time, but this is not reflected in our balance sheet.

Well protected against inflation

Like many businesses, rising inflation is resulting in cost pressures in parts of our operations and development supply chains. Positively, the business is well protected from these impacts through the inflation-hedging characteristics of our income and risk management through cost hedging.

Our rooms are either re-sold each year on a direct-let basis or re-priced based on RPI, CPI or fixed rental inflators under our multi-year nomination agreements. These multi-year agreements are expected to deliver contracted rental increase of c.4% for the 2022/23 academic year, supporting rental growth across the total portfolio of 3.0–3.5%. We remain focused on providing value-for-money accommodation for students and recognise that affordability is key to the sustainability of our rental growth over the long term. Our cost base is also protected from some inflationary pressures through hedging of utility costs, interest payments and fixed-price contracts for committed development projects. At current energy prices, our utilities hedging will save the Group £24 million in 2022, representing around 0.5% of our rent.

Investing to enhance our estate

DEVELOPMENT IN THE HEART OF LONDON

At Aldgate east, London, we are set to deliver 920 new beds for the 2022/23 academic year. The scheme, located on Middlesex Street, is our largest ever development with a total development cost of £187 million

We are in advanced negotiations with a high tariff University partner for a five-year nomination agreement for this development for approximately two thirds of the total beds. The project is expected to realise £109 million in NTA uplift by completion and add 2.0p to EPRA EPS.

For more about this project, go online to:
unite-group.co.uk/our-portfolio/development-pipeline

We remain confident in our ability to manage inflation in the short term through efficiencies across the operations business and by factoring higher build costs into our development appraisals.

Growing demand for Higher Education

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand-supply imbalance for our product. Demographic growth will see the population of UK 18-year-olds increase by 22% by 2030. Participation rates in the UK also continue to grow and are now at their highest ever level, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers.

The Government is targeting growth in international student numbers, aided by the two-year post-study visa (three years for postgraduates). This ambition is underpinned by the UK Higher Education sector's global standing and the strength of its universities. Given constraints on new supply of university-owned stock and private-rented housing, the vast majority of this new demand will need to be met by corporate PBSA providers.

Brexit has had a negative impact on EU student numbers due to the loss of home fee status and access to a tuition fee loan with student acceptances falling from 32,000 to 16,000 in 2021/22. EU customers represent 5% of occupancy in 2021/22, down from 10% in 2019/20. We anticipate a more marginal reduction in EU student numbers over the next two years, which we expect to more than offset through increasing demand from UK and non-EU students.

The Skills for Jobs White Paper, published in 2021, underlines the Government's commitment to widening participation in post-18 education and strengthening the global standing of the UK Higher Education sector. Ahead of the Government's final response to the Augar Report on post-18 education and funding, the Office for Students (OfS) has launched a consultation on student outcomes in the HE sector. It will consider the quality of HE provision and value-for-money for students and the taxpayer and may lead to the introduction of minimum standards for HE providers based on course completion rates and the share of students going on to employment or further study.

We are confident that our strategic alignment to high and mid-ranked universities positions us to successfully navigate future changes to the Government's HE policy. Around half of our income comes from universities in the top quartile of the OfS's quality metrics with only 4% coming from universities in the bottom quartile.

Growth through development and University partnerships

OPTIMISING OUR PORTFOLIO

Development and University partnerships are significant drivers of growth

We have secured development and a University partnerships pipeline of £967 million representing c6,000 beds for delivery of the next four years.

In 2021, we opened Artisan Heights in the centre of Manchester, a £57 million development providing over 600 beds. We are due to open two new properties in time for the start of the 2022/23 academic year at Middlesex Street, Aldgate, London and Campbell House in Bristol. Middlesex Street will be a landmark asset in partnership with King's College London. Campbell House is let to the University of Bristol under a 15-year nomination agreement.

Both UCL and University of the Arts London are developing new campuses in Stratford, London which are due to bring a further 10,500 full-time students to the area from the 2022/23 academic year. We have exchanged contracts to acquire a c.1,000 bed development site in Stratford, east London on a subject to planning basis, further expanding our footprint in London.

For more about this project, go online to:
unite-group.co.uk/our-portfolio/development-pipeline

CHIEF EXECUTIVE'S REVIEW continued

Opportunities to grow our platform

There remain significant opportunities to grow the business in the UK PBSA sector through our secured development pipeline, targeted acquisitions and partnerships with universities. We have also periodically considered opportunities to expand our PBSA footprint outside of the UK. However, we strongly believe that the core strengths of our best-in-class operating platform, stakeholder relationships and development expertise could be better leveraged in growing the business within the UK.

Demand for student accommodation continues to grow due to rising student numbers and the increasing awareness of the benefits of PBSA among non-1st-year students. The HMO sector, which provides homes to one million students, is increasingly expensive and not fit-for-purpose in a backdrop of rising environmental standards through EPC certification. The cost to HMO landlords of addressing this issue is substantial, which we expect to result in increased costs for students and a reduction in the availability of private rented homes. Through our ambitious sustainability commitments and leadership in the student accommodation sector, we are well positioned to attract more students over time.

There is also a potentially significant opportunity to grow our platform in the wider living sector by catering to the growing number of young professional renters living in major UK cities. There is an acute shortage of high-quality, professionally managed and sustainable rental accommodation in the UK. We believe our operating platform and development capability would enable us to be successful in the young professional living market. We are already trialling a new product for the non-student element of our development at Campbell House in Bristol and, more broadly, we are reviewing the relative attractiveness and scale of opportunities in this sector.

Outlook

The outlook for the business remains strong, reflecting the underlying strength of student demand, our alignment to the strongest universities, the capabilities of our best-in-class operating platform and our track record of delivering growth.

We are confident in our ability to deliver significant growth in earnings and attractive total accounting returns for shareholders. We expect strong demand for the 2022/23 academic year with reduced disruption from travel restrictions and grade inflation. This supports a return to 97% occupancy, 3.0–3.5% rental growth and the delivery of total accounting returns of c.10% for 2022, excluding any impact from yield movements. We therefore remain very confident in the prospects for the business.

Richard Smith
Chief Executive Officer
23 February 2022

Improving our environmental and social impact

NET CARBON ZERO BY 2030

In December 2021 we published our Net Zero Carbon Pathway which sets out our approach to achieving our carbon reduction targets

These targets have been validated by the Science Based Targets initiative. We are developing individual plans for all of our buildings to deliver energy efficiency improvements and will complete these in 2022. A further milestone in the year was the purchase of around 20% of our electricity direct from a windfarm in Scotland under a new corporate power purchase agreement, a key step towards fulfilling our RE100 commitment to purchase 100% renewable electricity by 2030.

Our broader Sustainability Strategy is focused on creating a business which will shape a positive future for generations to come and enhancing the contribution that we make to society. We are engaging with our customers, partners and suppliers to adopt new ways of working which support society's wider mandate to do the right thing.

For more about this project, go online to:
unite-group.co.uk/sustainability/our-net-zero-pathway

MARKET OVERVIEW

RECORD STUDENT NUMBERS AND PARTICIPATION RATES

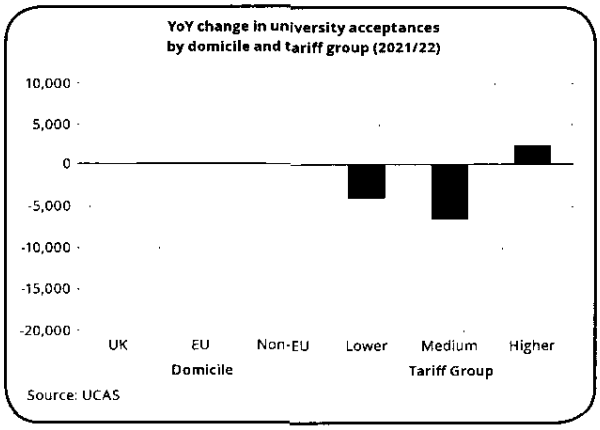
Full-time student numbers reached 2.1 million for 2020/21

The number of applicants and the number of students accepted onto courses in 2021 was 750,000 and 562,000 respectively (2019: 729,000 and 570,000). The 1% year-on-year (YoY) reduction in acceptances reflected a record participation rate among UK 18-year-olds and further growth in non-EU students but this growth was more than offset by a 50% reduction in EU acceptances following Brexit.

The reduction in EU student numbers was higher than our initial expectations for a 40% fall in demand post-Brexit. It is unclear at present to what extent this has been driven by increases in tuition fees and loss of access to tuition fee loans for EU students or the influence of travel disruption caused by the pandemic. Reflecting this impact, our share of beds let to EU students reduced to 5% for the 2021/22 academic year, down from 9% in the prior year.

Higher tariff universities once again outperformed, reflecting an ongoing flight to quality by students, with a 1% increase in acceptances, which compared to reductions of 4% and 2% for medium and lower tariff institutions respectively.

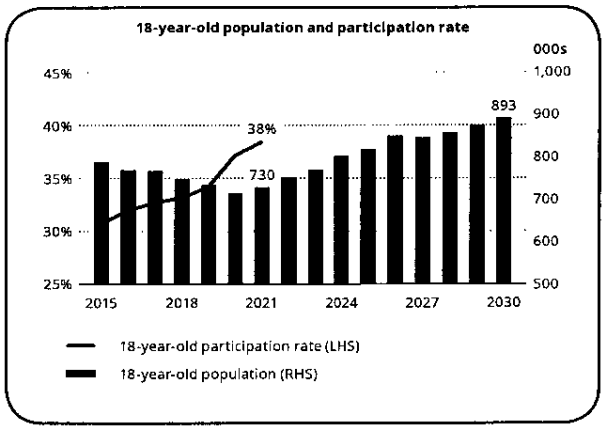
The initial applications data for the 2022/23 academic year is encouraging, with overall applications up 7% on pre-pandemic levels in 2020/21. This reflects a 5% increase in applications by UK school leavers, who represent our key customer group, driven by a record application rate of 43.4% (2020/21: 42.6%) and demographic growth. Non-EU applications increased by 5% year-on-year, reflecting strong demand from China and India as well as less mature markets such as Nigeria. Overall, applications from international students are unchanged year-on-year, reflecting a further reduction in demand from EU students following Brexit.



The Government has announced that A-level grading will return to pre-pandemic levels over the next two years with grading in 2022 to reflect a midway point between 2021 and 2019. This clarity will support universities in their offer making to students for the 2022/23 academic year and is expected to result in a more normal distribution of students among institutions next year.

Growing demand for Higher Education

The long-term outlook for student numbers remains strong. Demographic growth is significant over the next decade, with the 18-year-old population returning to the height of 2010 by 2024 and continuing to grow strongly thereafter. This would imply demand for around 200,000 additional UK undergraduate places by 2030 at current participation rates. We do not expect this new demand to be distributed evenly, with growth likely to be concentrated in high-tariff and teaching-led Universities delivering strong graduate outcomes. Regional differences in demographics are also significant. London sees the greatest demographic growth over the next 10–15 years and is therefore expected to see the greatest increase in student demand.



The Government is also targeting further growth in international student numbers by actively seeking to increase the UK's share of international students from Africa, the Middle East and Asian countries, outside of China.

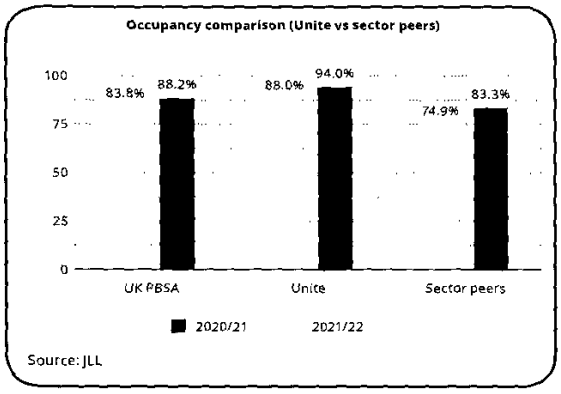
MARKET OVERVIEW continued

Resilient occupancy and rental growth

The UK PBSA market delivered rental growth of 1.7% for the 2021/22 academic year, broadly in line with the 1.6% delivered in 2020/21, with growth somewhat depressed by vacancy in some markets as a result of disruption created by the pandemic. JLL's Student Housing Leasing Survey reported a recovery in occupancy to 88% in 2021/22 from 83% in 2020/21 across the sector. Our occupancy and rental growth in 2021/22 (94% and 2.3% respectively) both outperformed the wider sector, reflecting the strengths of our best-in-class operating platform, income visibility through our nomination agreements and alignment to the strongest universities.

For the 2021/22 academic year, average weekly ensuite rents for corporate PBSA ranged from £130–235 per week in major regional markets and £265 per week in London. This compares to our average weekly ensuite rent of £141 in regional markets and £222 in London. The largest segment of PBSA demand remains at a price point of between £100 to £150 per week, where there is also the opportunity to attract and retain more non-1st-year students from the private rented sector. Around two thirds (66%) of our beds in regional markets are priced below £150 per week.

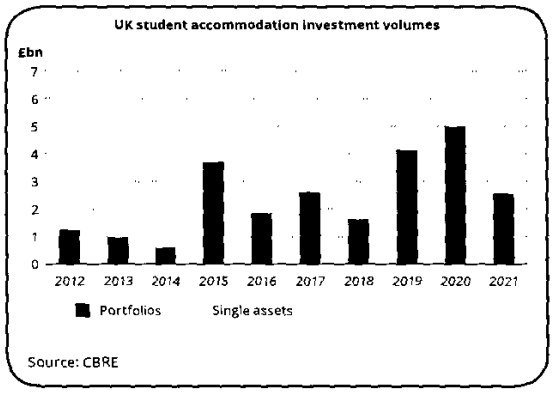
Current UK inflation implies an increase in rental growth from multi-year nomination agreements with fixed or inflation-linked annual rental increases for 2021/22 to around 4%. Based on our expectation of strong student demand and a further easing of international travel restrictions, we anticipate a return to full occupancy and rental growth of 3.0–3.5% in 2022/23.



Strong investment appetite

The PBSA sector's strong fundamentals and a track record of consistent rental growth continues to attract significant volumes of capital. Approximately £3 billion of assets traded in 2021, below the volumes seen in the previous two years due to a shortage of available stock in the market. North American investors were the dominant buyers of portfolios during the year, reflecting investment appetite from private equity buyers.

There remains a strong appetite to deploy capital in the sector, with investment demand principally coming from international or institutional investors. Investors are increasingly focused on the strength of location, the health of local universities, building amenities and fire safety. Larger investors also recognise the value created by specialist operating platforms, which are capable of delivering a higher consistency of product and service to customers alongside cost efficiencies through scale. As a result, we would expect larger operating platforms of 10,000 beds or more to attract a portfolio premium if they come to the market.



Valuation growth supported by yield compression

Capital values rose across the student accommodation sector in 2021, driven by rental growth and yield compression. Yields for UK student accommodation reduced by c.10–25 basis points in the year, reflecting increased competition for assets from larger operators and private equity as well as the attractive income characteristics of the sector. We have continued to see capital growth outperformance by London and other prime regional markets. However, there has also been increased investor interest for assets in weaker locations and cities in the past 12 months.

Looking forward, we see yields remaining broadly stable in 2022, albeit with continuing polarisation between prime and secondary markets in a competitive market for student numbers.

An indicative spread of direct-let yields by location is outlined below:

Indicative direct-let yields by location

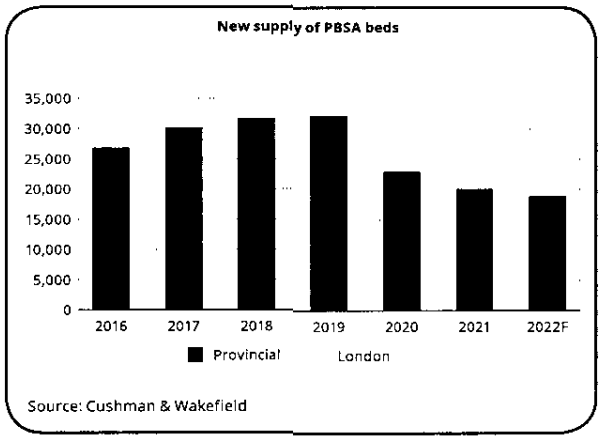
	31 Dec 2021	31 Dec 2020
London	3.65–4.10%	3.90–4.25%
Prime regional	4.50–4.75%	4.50–5.00%
Major regional	5.00–5.75%	5.00–6.00%
Provincial	6.00–7.50%	6.25–7.50%

New supply slowing

The PBSA sector now provides homes to over 700,000 students, representing around one-third of the UK's student population. At this level, there still remains a c.365,000 shortfall in beds compared to the numbers of 1st-year and international students, before taking account of the increasing numbers of 2nd and 3rd-year students who are choosing this type of accommodation.

2021 saw the delivery of an additional 23,000 beds across 37 different UK markets, around two thirds of which was delivered in the 25 cities in which we operate. There has been a reduction in new supply in the past two years, which is partly explained by short-term disruption created by the pandemic but also some more fully supplied markets adjusting to higher levels of recent supply. New supply in London remains constrained, with only 3,000 beds delivered in the year, reflecting limited land supply and more restrictive planning requirements for student accommodation in the new London Plan. We expect new supply to run at around 15,000–25,000 beds p.a. in the next two to three years.

The new London Plan requires new student accommodation developments to secure a nomination agreement with one or more Higher Education providers as well as the provision of at least 35% of units at affordable student rents. Moreover, local authorities are increasingly keen to promote new supply in the Build to Rent (BTR) sector, creating increased competition for development sites in major UK cities. We see a trend towards mixed-use planning consents, incorporating BTR units alongside student accommodation. These factors increase barriers to entry for new PBSA supply, however we remain confident in our ability to secure new development opportunities thanks to our long-held university relationships, flexible operating platform and highly experienced development team.



Development costs increasing

Demand in the UK construction sector has recovered strongly following the initial slowdown in activity created by the pandemic. This coupled with supply chain disruption, increasing raw material costs and pressures on availability of skilled labour in some trades has led to inflation in build costs of around 5% during 2021. We expect build costs to rise by around a further 3–5% in 2022, followed by a return to increases of 2–3% from 2023 as the market adjusts to current pressures around supply of materials and labour.

Land prices have increased in regional markets over the past year despite rising build costs. This reflects increasing demand from PBSA developers as well as competing uses such as BTR, scarcity of sites in some cities and rising investment values. Land price inflation remains more muted for larger sites capable of delivering greater than 500 beds, which remain the target for our land purchasing.

Growing focus on environmental sustainability

There is a growing focus on environmental sustainability in the student accommodation sector. Many governments reiterated pledges to reduce emissions at COP26 and it is clear that business and industry will need to play a big part in delivering these changes. Increasing Minimum Energy Efficiency Standards (MEES) will also require significant investment across the purpose-built sector and HMOs to meet new requirements for EPC ratings of C by 2027 and B by 2030 for private rented property. There are significant challenges in improving older building stock and many HMOs are not fit for purpose. We estimate a potential cost to student HMO landlords of £10–12 billion for required investments in energy efficient technologies and building fabric based on an average improvement cost of £40,000–50,000 for a typical shared property. These costs may reduce through technological innovation, Government subsidy or exemptions but private landlords will still be required to make a significant investment in their properties over the next decade.

Our research shows that students are more concerned about climate change than any other issue. We expect this to become a major influence in their choice of accommodation, impacting occupancy and rental growth over the long-term. Our sector leadership in sustainability, reflected in our ambition to achieve net zero carbon by 2030, creates a significant opportunity to positively differentiate our customer offer and attract more students from the HMO sector over time.

We are yet to see clear evidence of a 'green premium' or 'brown discount' emerge for PBSA in investment markets but expect this to happen over the medium-term, as has already been seen in the office sector, as sustainability considerations grow in importance for stakeholders.

OUR STRATEGY

Our strategic objectives underpin the delivery of our strategy

OUR STRATEGY

DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES

CURRENT STRATEGIC FOCUS

- Delivering a best-in-class student experience
- Investment to enhance our physical estate
- Front-line service excellence training
- Investment in our digital capabilities and technology platform
- Segmentation of our product and service
- Maintaining our proactive response to cladding risk

ATTRACTIVE RETURNS FOR SHAREHOLDERS

CURRENT STRATEGIC FOCUS

- Dividend payout of 80% of adjusted EPS
- Recovery in earnings and return to normalised growth of 6–8% p.a.
- Return to pre-Covid-19 adjusted EBIT margins
- Increasing our alignment to the strongest universities
- Sourcing new growth opportunities through development and University partnerships
- Disciplined capital management with new capital to pursue growth opportunities

A RESPONSIBLE AND RESILIENT BUSINESS

CURRENT STRATEGIC FOCUS

- Becoming net zero carbon by 2030
- Creating resource efficient assets and operations
- Enhancing the health and wellbeing of our employees and students
- Providing opportunities for all through investment in the Unite Foundation and the Leapskills programme.
- Raising standards for the student housing sector

2021 IN REVIEW

- Provided 50% Covid-19 rent discounts for 10 weeks for students not living in their accommodation
- Complimentary four-week tenancy extension over summer 2021
- Launched our new group-booking tool
- Re-launched our Resident Ambassador programme, offering peer-to-peer support to students
- Delivered an enhanced solution for student room moves
- Postgraduate trials carried out at seven properties

2022 OBJECTIVES

- Improve Net Promoter Score
- Increase rebooking rate with direct-let customers
- Successful delivery of three asset management projects in Manchester properties for 2022/23
- Wider roll-out of customer segmentation trials
- Continued investment in our technology platform (PRISM)
- *Deliver two new developments*
- Increase number of nomination agreements

LINKS TO PERFORMANCE

- Net Promoter Score
- Higher Education Net Promoter Score
- Customer retention
- New nomination agreements and University partnerships
- Social advocacy

2021 IN REVIEW

- Delivered 94% occupancy and 2.3% rental growth for 2021/22 academic year
- Added £371 million of developments to our secured pipeline
- Secured planning approval for our Derby Road development in Nottingham
- £261 million of disposals, increasing portfolio quality
- Received £53 million performance fee from LSAV

2022 OBJECTIVES

- Return to 97% occupancy and 3.0–3.5% rental growth
- Drive adjusted EBIT margin improvement through income growth and cost discipline
- Secure new sites for the development pipeline
- Secure planning on 2024 and 2025 development completions
- Targeting £200–250 million of disposals to enhance the quality of our portfolio

LINKS TO PERFORMANCE

- Earnings per share
- NTA per share
- Total accounting return
- Like-for-like rental growth
- Adjusted EBIT margin
- LTV

2021 IN REVIEW

- Launched new Sustainability Strategy in March 2021
- Net Zero Carbon Pathway published, including targets validated by the SBTi
- Full provision made for replacement of HPL cladding on 24 high-rise properties
- Relaunched our Positive Impact scheme for community engagement
- Issued our first sustainability-linked loan
- GRESB score improved to 85 (2020: 81)

2022 OBJECTIVES

- Complete costed asset transition plans for the entire portfolio
- Deliver c.£10 million of energy investments
- Increase engagement with students and employees around sustainable behaviours
- Continue to progress cladding remediation programme
- Enhanced investment in Unite Foundation
- Re-launch Leapskills programme for school leavers

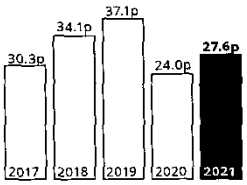
LINKS TO PERFORMANCE

- Carbon emissions
- Energy and water intensity
- EPC ratings
- Employee engagement score
- Investment in social initiatives
- Gender and ethnic diversity mix
- Unite Foundation scholarships
- GRESB rating
- Number of reportable accidents

KEY PERFORMANCE INDICATORS

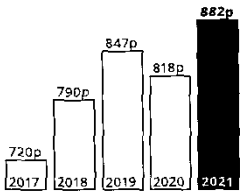
The business delivered a strong performance in 2021

FINANCIAL KPIs



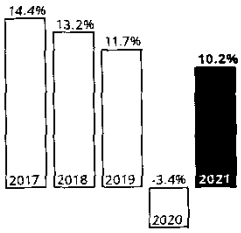
ADJUSTED EARNINGS PER SHARE[1] (P)

27.6p



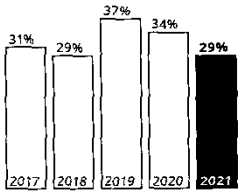
EPRA NTA PER SHARE[2] (P)

882p



TOTAL ACCOUNTING RETURN (%)

10.2%



LOAN-TO-VALUE RATIO (%)

29%

Link to Remuneration

Bonus and LTIP

Measure

Our measure of profit per share reflects the level *of income delivered by* operating activities.

Performance in 2021

The business delivered a strong recovery in financial performance in 2021, despite some ongoing disruption created by Covid-19, delivering adjusted EPS of 27.6p, up 15% YoY. This reflects higher occupancy for the 2021/22 academic year and a lower impact from rental discounts offered to students in response to the pandemic.

Link to Remuneration

Bonus and LTIP

Measure

Our EPRA NTA per share measures the market value of rental properties and developments less any debt used to fund them plus any working capital in the business.

Performance in 2021

The NTA increase has been driven by an increase in the value of the Group's property portfolio (due to rental growth, higher occupancy and modest yield compression), development surpluses, recognition of the remaining LSAV performance fee and a further provision for the replacement of HPL cladding.

Link to Remuneration

Bonus and LTIP

Measure

The total accounting return to shareholders is the ratio of growth in EPRA NTA per share plus dividends paid as a percentage of opening EPRA NTA per share.

Performance in 2021

Growth in EPRA NTA was the key component of the total *accounting return delivered* in the year, alongside *dividends paid of 19.25p.*

Link to Remuneration

Bonus

Measure

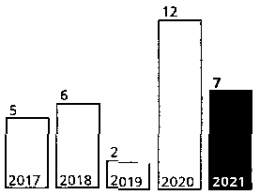
Our ratio of net debt to property values, on a see-through basis.

Performance in 2021

The reduction in LTV during the year was primarily driven by proceeds from *property disposals, the* impact of valuation gains *and the receipt of the LSAV* performance fee, which *more than offset the impact* of capital expenditure in *the period.*

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. *These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information and are based on* the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are also used internally to measure and manage the business and to align to *the performance related conditions for Directors' remuneration.* See glossary for definitions and note 8 for calculations and reconciliations
2. 2017 & 2018 based on EPRA NAV as previously reported

OPERATIONAL KPIs



SAFETY (NUMBER OF ACCIDENTS)

7

Link to Remuneration

N/A

Measure

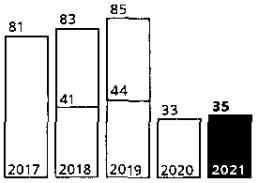
The number of RIDDOR reportable accidents in our operations each year acts as an indicator of our health and safety management.

Performance in 2021

There were seven reportable incidents in 2021. Five reports comprised of incidents or accidents that resulted in our employees being absent from work for over seven days. The majority of these incidents related to manual handling or slips, trips and falls.

Priorities going forward

Our focus for 2022 will be refreshing our manual handling training for employees which incorporates a focus on slips, trips and falls enabling us to address the leading cause of such incidents



CUSTOMER SATISFACTION[3]

35

Link to Remuneration

Bonus

Measure

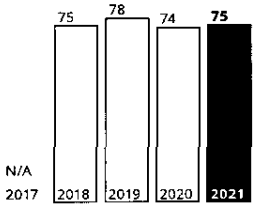
Net Promoter Score (NPS) is a new measure introduced in 2020 which provides a commercially relevant customer experience measure.

Performance in 2021

The Net Promoter Score for the 2021 student arrival check-in was 35 after adjusting for properties that were non comparable due to cladding remediation works. An improvement in the score followed investment in driving up product quality e.g. wifi and the Turnaround Room process and cleanliness scores. In addition, there were improvements in a number of areas such as information before arrival, help and support and making customers feel safe. Sites where the new post-graduate product was trialled saw a positive upward trend.

Priorities going forward

With the business returning to a normal operating environment, further improvement in NPS is anticipated. NPS will be used more regularly throughout the year.



EMPLOYEE ENGAGEMENT

75

Link to Remuneration

N/A

Measure

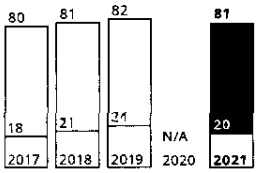
Independent, anonymous surveys are undertaken by an external provider amongst our employees to gain regular and insightful feedback on how they feel and how we can continue to improve. Scores are based on the methodology adopted by an external provider.

Performance in 2021

During Covid-19 a number of employee surveys were undertaken to check the welfare of our teams. The participation score on the main survey saw 91% (2020: 69%) of employees complete the survey.

Priorities going forward

An annual survey will be undertaken supplemented by a number of other engagement channels that have been put in place during Covid including Unite Live.



HIGHER EDUCATION TRUST[3]

81

Link to Remuneration

Bonus

Measure

Regular surveys are undertaken with our Higher Education customers to understand their perception of Unite and how we meet their needs. In 2021 we transitioned to a Net Promoter Score.

Performance in 2021

Due to Covid-19 pandemic this was our first survey since 2019. The score fell slightly but the decline was lower than the majority of other companies which saw sharper drops during Covid-19. Scores for those University partners with whom there was a pre-existing relationship pre-pandemic were particularly encouraging with our Covid response consolidating our reputation with them.

Priorities going forward

Through our partnerships we anticipate a continuous improvement of the NPS.

3. NPS in grey.

SUSTAINABILITY REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

OUR SUSTAINABILITY STRATEGY AND PROGRESS IN 2021

Our Sustainability Strategy *consists of five pillars covering* environmental, social and governance issues. This page sets out the highlights in year and our focus for 2022.

This year our sustainability activities were enhanced with the formation of a Group Sustainability Committee to oversee the implementation of our Sustainability Strategy.

For more about our **Sustainability Committee** go to **pages 126–129**

For more about this project, go online to: **unite-group.co.uk/sustainability**

NET ZERO CARBON

COMMITMENT

Becoming net zero carbon for both our operations and *developments* by 2030

PERFORMANCE

ON TRACK

- April – Signed first Corporate Power Purchase Agreement
- December – Published net zero carbon pathway for operations and developments with science based target accredited by SBTi, and alignment with RIBA Climate Challenge benchmarks for embodied carbon and *operational energy for future* developments
- Creation of individual asset transition plans for every property

2022 FOCUS

- Ongoing development of the Sustainable Construction Framework
- Reduce embodied carbon in new developments, *refurbishments and projects*

RESOURCE EFFICIENT

COMMITMENT

Reducing waste, energy and water use and helping students adopt life-long *sustainable behaviours*

PERFORMANCE

ON TRACK

- Property improvement projects including LED lighting, *heating controls and air-*source heat pumps
- Completed scenario based analysis of material climate-related risks in line with TCFD
- Trials commenced on reducing water usage in properties
- *Piloted new waste and* recycling initiatives

2022 FOCUS

- Continued roll-out of water and energy efficient initiatives

> *"In March 2021 we launched our Sustainability Strategy which builds on our purpose, Home for Success, and our values."*
>
> **Richard Smith** Chief Executive Officer

HEALTH & WELLBEING

COMMITMENT

Enhancing the health and wellbeing of our employees and students

PERFORMANCE

AHEAD OF TARGET

- Improved employee engagement score of 75 (2020: 74)
- October – Launch of new employee Culture Matters forum
- Launch of a range of new student support policies and procedures which focus on enhanced student wellbeing

2022 FOCUS

- Continued monitoring of employee and student engagement/listening forums
- Refreshed student support programme

OPPORTUNITIES FOR ALL

COMMITMENT

An environment where all can succeed, whatever their background, gender or ethnicity

PERFORMANCE

AHEAD OF TARGET

- Six module EDI leadership workshop undertaken by leaders
- Appointment of EDI & Wellbeing lead
- Ongoing commitment to invest in social initiatives
- Peer-to-peer support from Resident Ambassadors programme
- Increased support for Unite Foundation providing a long-term funding agreement to deliver their five-year plan

2022 FOCUS

- Relaunch of Leapskills and Positive Impact employee programmes
- Focus on succession planning and supporting personal development through launch of new training academy
- Introduction of mentoring for talent with high potential

RAISING STANDARDS

COMMITMENT

Raising standards across the student housing sector for governance, safety and transparency

PERFORMANCE

ON TRACK

- GRESB score improved to 85 (2020:81)
- Climate risk scenario modelling undertaken in accordance with TCFD
- Over £100 million investment in supporting students during Covid pandemic

2022 FOCUS

- Increase visibility and assurance around sustainability performance with greater focus on impact measures

Our Sustainability Strategy helps us bring together a range of activities, some of which are already underway in the business, while prioritising areas of focus which are of most interest to our stakeholders

During the year, we have recalibrated our thinking based on the latest and emerging legislation and good practice requirements. For example, a major focus for our 'Opportunities for All' pillar has been raising awareness of equality, diversity and inclusion and promoting career opportunities within our business for members of teams. This provides a strong foundation for delivery of our future targets.

Key performance indicators relating to environmental metrics

	2020			2021			YEAR ON YEAR CHANGE		
Average Scope 1+2 (location based) emissions intensity – tonnes CO_2e/bed/yr	0.61			0.60			1.6% reduction		
Average energy intensity – kWh/bed/yr	2,821			2,970			5.3% increase		
EPC ratings as % of total floor area	A–B	C	D–G	A–B	C	D–G	A–B	C	D–G
	35.1%	22.1%	42.8%	35.1%	21.8%	43.1%	0.27% reduction in A–C rated sites		
Total social contribution	£1.8 million			£1.8 million			No change		
GRESB rating	81****			85****			4 point improvement		
Water intensity per m²	36.6			39.8			8.7% increase		
% of electricity from renewable sources	74.0%			99.9%			35.0% increase		
Investment in energy efficiency initiatives (£m)	–			£3 million			£3 million increase		

Scope 1 and location based Scope 2 emissions intensity fell by 1.6%, as although energy intensity rose by 5.3% as occupancy returned to near pre-pandemic levels, it was mitigated by a 9.8% reduction in grid electricity carbon intensity from 2020 to 2021. Proportion of A–C rated sites by floor area fell slightly by 0.27%. This is where a site which has not yet benefited from energy efficiency improvements had a new EPC produced to replace an expired EPC, with a small change in score pushing it across a rating boundary.

Water consumption increased slightly, reflecting the reduced opportunity to fix leaks in student bedrooms as a result of Covid-19 management practices. The commencement of our first corporate PPA in 2021 helped raise the proportion of electricity purchased that is REGO backed up to 99.9%.

Overall our GRESB rating rose by 4 points to 85 reflecting our ongoing progress implementing our Sustainability Strategy.

Our stakeholder materiality review, undertaken in 2020, continues to inform our actions

2021 saw significant progress towards our Net Zero Carbon goal. We published our Net Zero Carbon Pathway which includes our approach to achieving our carbon reduction targets, which have been validated by the Science Based Targets initiative. We are developing individual plans for each of our buildings, which will be completed in 2022, setting out the energy efficiency improvements required to fulfil our 1.5°C SBTi validated science based carbon target. Another key milestone for 2021 was the purchase of around 20% of our electricity direct from a windfarm in Scotland under a new corporate power purchase agreement. This is a key step towards fulfilling our RE100 commitment to purchase 100% renewable electricity by 2030.

We calculate and report our emissions in line with the GHG Protocol Corporate Standards and UK Government guidelines, including both location based and market based Scope 2 emissions. As a TCFD supporter, we disclose details of the most significant climate-related risks and impacts we face, including physical and transitional risks, and we are factoring these into our plans and activity to reduce exposure and mitigate impacts, details can be found on pages 51–52. Details of non-financial reporting can also be found on page 46 and further details can be found on our corporate website at www.unite-group.co.uk/sustainability.

We remain committed to transparency and disclosure on ESG issues, achieving further improvements in our 2021 Global Real Estate Sustainability Benchmark (GRESB) score and achieving a ranking of 1st out of 7 in the European residential listed sector. Our full GRESB scorecard can be viewed on our corporate website, along with our CDP and EPRA sBPR disclosures and benchmark reports.

All our actions are focused on creating a business which will shape a positive future for generations to come. This means we need to support our teams in delivering on our commitments and also work with our customers, partners and suppliers to adopt new ways of working which support society's wider mandate to do the right thing.

The following pages provide an update on our Sustainability Strategy progress during the year.

NET ZERO CARBON

Becoming net zero carbon for both our operations and developments by 2030

We are the UK's first purpose-built student accommodation provider to commit to achieving net-zero. In December 2021 we published our Net Zero Carbon Pathway, which confirmed a focus to:

1. **Reduce operational energy consumption:** Based on a target of 28% reduction in energy intensity by 2030 against 2019 base year. This target is in line with the Carbon Risk Real Estate Monitor (CRREM) 1.5°C energy reduction pathway.
2. **Invest in renewable energy:** We have made a commitment under the RE100 programme to source 100% renewable electricity by 2030 and will seek to purchase more energy in the future via corporate power purchase agreements that support the development of new renewable energy generation capacity.
3. **Reduce embodied carbon:** Based on targets in line with the RIBA Climate Challenge programme, we target a 48% reduction in embodied carbon by 2030.
4. **Mitigate residual carbon:** We will offset any residual operational or development emissions that cannot be removed completely using certified carbon offsets, aiming to prioritise measures that actively remove atmospheric carbon.

We have already invested over £30 million in energy efficiency since 2014 and have identified a further c.£100 million of additional opportunities for capital investment to achieve carbon reduction targets. This represents an annual investment of around £10 million in energy initiatives going forward (equivalent to £5–7 million p.a. on a Unite share basis).

Our in-house energy and environment team has developed a new modelling tool that is being used to produce individual plans for all of our properties, setting out a route to net zero carbon. Work to meet targets for new developments will focus on site selection, material selection, design optimisation and cutting construction site impacts. We are developing a Sustainable Construction Framework to support this work which will help ensure that sustainability considerations are factored into each stage of a project.

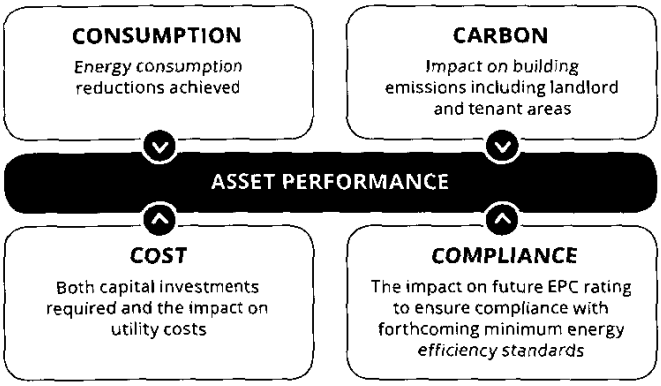
CASE STUDY

THE FOUR Cs

Impact assessments informing asset transition plans

We are identifying and delivering operational performance improvements in our estate. Working closely with our estates and operations functions, our in-house energy and environment team has developed a modelling tool to help chart each building's route to net zero. Taking in real life energy consumption data, information from detailed site surveys and insight from previous energy efficiency improvements, the tool calculates the current breakdown of energy consumption by usage e.g. as lighting, space heating, hot water, small power, and landlord plant, and models the potential impact of different combinations of energy efficiency measures.

Their impact is assessed against what we call the four Cs: consumption, carbon, cost and compliance. The findings from each building's plan feeds directly into our asset management and capital investment planning, ensuring a holistic approach to improving asset performance.



This approach is being utilised in the refurbishment of Parkway Gate in Manchester, which will be completed in time for students to occupy in September 2022. The building will be adapted to reduce energy consumption by 30%, in line with our net zero carbon target.

Parkway Gate, Manchester

For more about this project, go online to: **unite-group.co.uk/sustainability**

CASE STUDY

OUR VISION FOR NET CARBON ZERO BUILDINGS

Our vision is to develop net zero carbon buildings and our current projects in development are incorporating aspects which reduce both embodied carbon and operational energy

By working with our supply chain, we are looking at how net zero carbon can be built into the construction process through optimising design, using low-carbon materials and using good construction site practices.

Across our existing estate, we are rolling out a range of measures to reduce energy use and carbon emissions. Such initiatives include decarbonising our energy supply through the purchase of 100% renewable electricity, reducing heat loss through upgrades to insulation and glazing, installing solar panels on existing buildings where feasible, introducing smart building controls and using high efficiency LED lighting and controls to reduce energy use.

For more about this project, go online to:
unite-group.co.uk/sustainability/our-net-zero-pathway

RESOURCE EFFICIENT

Reducing waste, energy and water use and helping students adopt life-long sustainable behaviours

As well as cutting carbon in line with our net zero carbon target, we are committed to reducing our wider environmental impact. We are focused on cutting energy and water use, reducing our impact through our supply chain and managing our exposure to climate and wider environmental risks to create an efficient and *resilient business.*

Key to this is identifying the right solutions, 2021 saw us trialling a number of new initiatives. These included water saving measures such as direct-flush toilets with no cistern, and retrofit packaged air-source heat pumps to replace electric hot water cylinders.

Our focus on keeping our employees and students safe during the pandemic meant we suspended our award winning student and employee sustainable engagement programme, Positive Impact. This has been relaunched for the 2021/22 academic year and will continue to help students to adopt behaviours which are better for the environment and which help to create positive social impact.

We have a unique opportunity to help students adopt lasting responsible living habits, laying the foundations for life-long sustainable behaviours.

CASE STUDY

ADDRESSING CLIMATE RISKS

Water trials to reduce water stress

We recognise the serious threat that climate change poses and, as a TCFD supporter, are committed to disclosing details of the most significant climate-related risks and impacts identified for our business. These include both physical risks (e.g. extreme weather) and transitional risks (e.g. increasing regulation). We will continue to report on how these factors could affect our business and operations, and how we plan to mitigate them through changes to the way we manage our existing operations and build new properties. Further details are set out in our TCFD disclosure on pages 50–55.

Water stress has been identified as a potential long term issue, leading to operational disruption and rising prices. We have been trialling ways to reduce water use in existing buildings. In 2021, we piloted new cistern-less toilet flush mechanisms which showed potential to cut water use for toilet flushing by up to 50%. We will be running further trials on a wider scale during 2022 with a view to expanding this programme in 2023 and beyond.

For more about this project, go online to: **unite-group.co.uk/sustainability**

HEALTH & WELLBEING

Enhancing the health and wellbeing of our employees and students

The Covid pandemic has increased the importance and focus given to the welfare of both employees and students.

The Group has a strong track record in this field and during the pandemic we supported our students and employees. We have continued to enhance our working practices for employees through the introduction of hybrid working for central support services teams and, following the recruitment of new ED&I Wellbeing lead held our first Culture Matters employee forum which is underpinning existing employee networks e.g. Women's and LGBT+ forums.

In summer 2021, we kickstarted preparation for the new 2021/22 academic year with Fresh Start employee events taking place across the country, enabling our teams to reset their plans for the incoming student cohort, including increasing need for greater welfare support for students.

In light of student welfare challenges, heightened by the pandemic, in July, our Student Services offering was relaunched to address increasing mental health challenges among students. This included the introduction of new student support and safeguarding policies, new welfare check guidance for on-site teams, new case conferencing and risk assessment protocols and a new support animals protocol. During 2022 we are piloting the Student Minds programme 'Look After Your Mate' and will continue to play an active role in the continued evolution of student welfare policy and practice in the higher education sector.

CASE STUDY

STUDENT WELLBEING

Using technology to stay connected

In April and May 2021, after a long winter of lockdown, we arranged a series of events to help our students manage their wellbeing and to encourage them to reach out for support when needed.

The programme included a popular student-led session on Five Ways to Wellbeing hosted by our Resident Ambassadors, focusing on proven strategies to improve wellbeing. The ambassadors were coached and supported by our Student Support Managers.

The programme included a session run by Student Minds, showing the resources available on the Student Space website. This also highlighted specialist information for students from diverse backgrounds or experiencing particular symptoms.

An additional panel session was led by chaplains from three universities, discussing the support that they offer to students from all faiths or none.

OPPORTUNITIES FOR ALL

An environment where all can succeed, whatever their background, gender or ethnicity

We are driven by our values and aspire to create a culture where individuals can be different and are valued for being different.

Changing mindsets through the lens of inclusion helps us to transform communities and creates room for everyone, in line with our values.

Research overwhelmingly shows that when employees work for an inclusive business where equality, diversity, inclusion and wellbeing are at the heart of business decisions and people care, there is better collaboration, reduced organisational bias, higher performance and productivity as well as a bottom-line business advantage. In addition there is greater motivation, engagement, loyalty and an increased feeling of belonging. This year we have given our employees greater opportunities to speak up about their experiences and become part of the conversation. This activity has been supported through the recruitment of an ED&I lead.

A focus on succession planning and supporting personal development will help us maintain a balanced talent pipeline enhanced through the introduction of mentoring for talent with high potential.

The business has a strong track record of promoting internally and developing talent within the business. To support new ways of working and the refreshed strategic direction, new talent and capability will be brought in as required alongside developing internal capability.

Gender diversity

	Male	Female
Board	6	3
Management	33	17
All employees	1,006	846

CASE STUDY

EQUALITY, DIVERSITY AND INCLUSION

Driving impactful change through commitment and role modelling, supported by education

In 2021, senior leaders from across the business participated in a six workshop development programme with René Cayarol, an external specialist in coaching and a pioneer in cultural diversity and inclusive leadership. An EDI & Wellbeing Manager was hired who is now supporting the wider team with the creation and delivery of a EDI & Wellbeing strategy. A series of virtual skills sessions were launched for line managers so they could gain greater understanding of their own vulnerability and be braver in starting what are sometimes difficult conversations.

Also to gain greater feedback and information on personal experiences, an EDI employee survey was undertaken which has resulted in renewed emphasis on championing the collection of EDI data.

For more about this project, go online to:
https://www.unite-group.co.uk/about-us/people-and-culture

CASE STUDY

THE UNITE FOUNDATION

Unite Students is proud to be the principal supporter of the Unite Foundation, the only charity that provides a home at university for estranged and care experienced students through a unique accommodation scholarship scheme

We have committed over £13 million to the charity since its inception in 2012, including a £5 million injection as part of the Foundation's 5th anniversary celebrations in 2017. With our support the Foundation provides a home at university for 80 new students each year. To date it has awarded 514 scholarships and 254 scholars have graduated. There are currently 166 students who are eligible for the scholarship and of those 91 have a home at university with us. Twenty-six University partners currently support the scheme.

During 2022, in celebration of the Foundation's 10th anniversary, we have renewed our commitment to the Foundation agreeing a long-term funding commitment to enable them to realise the ambitions of the new five-year strategic plan.

The Foundation continues to develop new delivery models enabling University partners to participate in its scholarships and increase the number of accommodation scholarships available.

UNITE INVESTMENT TO DATE

£13m

SCHOLARSHIPS AWARDED TO DATE

514

For more about this project, go online to:
unite-group.co.uk/sustainability/the-unite-foundation

RAISING STANDARDS

Across the student housing sector leading for governance, safety and transparency

Our ambition is to continue to lead on sustainability and raise standards within the PBSA sector.

In addition to our focus on environmental and social impact, we remain committed to transparency, good governance and driving up standards across the whole student accommodation sector.

We use data and insight to help track our progress. On the back of the Covid pandemic, we believe the actions we took have consolidated our position in the sector and improved our reputation across our stakeholder groups.

Fire safety remains a critical part of our strategy and we were one of the first companies to remove ACM cladding from our buildings. Our values of 'Doing what's right' and 'Keeping us Safe' has led to the development of a more proactive, risk-based approach to fire safety, embedded across our entire business. We have improved the way we manage fire risk over the past three and a half years.

New regulation and the availability of insight and knowledge following the fire at Grenfell Tower have helped influence the improvements we have made. Our approach is also shaped by a clear drive to go further and faster whenever appropriate. This approach and commitment extends beyond the way we operate our existing estate, to new buildings and those under construction. During the period we completed remedial works on four buildings and are now on site at a further eight, spending a total of £38 million (Unite share: £18 million) in the year. We are committed to increasing the required investment to meet new and emerging regulation so that students are kept safe.

Notable achievements in the year included:

- 1st out of 7 in the GRESB European residential listed sector. Our sustainability activities are benchmarked in the upper quartile of GRESB making us the highest ranking in our sector
- Deeper understanding of climate-related risks through scenario based analysis and enhanced disclosure in line with TCFD
- First PBSA to have targets validated by the SBTi targets
- Net Zero Carbon Pathway launched
- First UK PBSA to sign up to RE100
- Started buying renewable power under corporate PPA

Other significant developments include:

- Commitment to 1% of annual profits being focused on social initiatives such as Leapskills and the Unite Foundation
- Awarded the British Safety Council Sword of Honour in 2020 for excellence in health and safety management
- Providing 83 young people with jobs through the Government Kickstart scheme
- Collaborating with Government agencies including Public Health England during the Covid pandemic with regular briefings and updates with agencies responsible for students at universities
- Launched Accommodation Matters, the first Higher Education podcast, fully focused on the student accommodation sector
- Continued partnership with the British Heart Foundation

CASE STUDY

POSITIVE IMPACT

A United Nations award winning programme supported by the NUS

Our Positive Impact programme is an iteration of the NUS Green Impact scheme, a United Nations award winning programme which targets sustainable behaviour change. Unite Students is the only PBSA participating nationally in the programme and during 2022, we are refreshing the programme for relaunch to our teams. The programme is our key vehicle for driving employee engagement and all of our city teams are working to achieve a minimal bronze level award during 2022. Some teams are working towards silver or gold levels, which includes a defined community project. Each city has a recognised Positive Impact Lead supported by the Social Impact team to help drive activity within a region. This year, the bronze criteria have been mapped against the UN Sustainable Development Goals (SDGs) and our sustainability commitments.

For more about this project, go online to:
unite-group.co.uk/sustainability/positive-impact

CASE STUDY

OUR RESPONSE TO COVID

We were the first purpose-built student accommodation provider to release students from their contracts during the first national lockdown

In January 2021 when students were returning to University faced with further uncertainty and significant disruption, all eligible students received a 50% rent discount for up to ten weeks. Our student rent support activity since the start of the pandemic has totalled over £100 million.

During the pandemic we have played our part to do the right thing for students in a fair and proportionate way, always mindful that most students wanted to return and enjoy university life. All our properties remained open throughout the pandemic and through the efforts of our teams, none of whom we furloughed, we have continued to support students at all times.

Throughout the pandemic the business worked with a range of Government agencies to focus on student safety including Public Health England who used our data and insight to inform their planning with the Department for Education.

For more about this project, go online to: **unite-group.co.uk/media-and-pr**

SUSTAINABILITY REPORT continued

We provide in the following pages statutory reporting for the key impacts on our business.

Non-financial information statement

The table below summarises how we comply with non-financial performance reporting requirements.
All policies are also available on www.unite-group.co.uk/investors.

Description of the business model	Details of who we are, how we operate and the value we create can be found on pages 8–13	
Employees	Equality, diversity and inclusion Policy is focused on providing opportunities for all	12
	Development and increased training around health, safety and wellbeing	17
	Employee engagement through our newly created employee forum, Culture Matters	5 & 104
	Our whistleblowing policy enables employees to raise a concern in confidence	104
	Gender pay gap	159–160
	Board Diversity Policy seeks to enhance the overall diversity of the Board and ensures an appropriate and diverse mix of skills, experience and knowledge	119
Anti-corruption and bribery	Our anti-bribery policy confirms our zero tolerance approach to bribery and corruption and outlines employee responsibilities. Read our policy at **www.unite-group.co.uk**	
Our policies	All of our public policies are available on our website, **www.unite-group.co.uk**	
Human rights	We operate a zero tolerance approach to slavery to ensure it does not occur anywhere within our business or supply chain. We carry out due diligence on all third parties we work with. Read our Modern Slavery statement and our Code of Ethics on **www.unite-group.co.uk**	

Policy, due diligence and outcomes	The policies included in this non-financial information statement contain further details (as cross referenced herein) of the policy, due diligence conducted and policy outcomes, which also include the following:	
	Risk management detailing our risk management framework and risk review process	74
	Principal risks and uncertainties considering both internal and external risks, the potential impact and details of risk mitigation in place	76
	Viability statement considering the viability of the Group for the next three year period	78
	Audit Committee report	120
	Group Health & Safety Policy which details the Group's commitment to the health & safety of our employees, students and visitors to our site	
	Non-financial KPIs relevant to the Company's business	33 & 36
Social matters	Our Resident Ambassador programme provides peer to peer support for students	5 & 59
	Market overview focusing on demographic trends	27
	The Group is the principal supporter of the Unite Foundation, the only charity that provides a home at university for estranged and care experienced students	43
	Our response to Covid-19 including student rental discounts	5 & 45
Environmental matters	Sustainability report includes reference to our Sustainability Strategy, launched in March 2021, setting out clear objectives in respect of environmental, social and governance matters	34
	TCFD	50
	Our pledge to be net zero carbon by 2030 was published in our Net Zero Carbon Pathway in December 2021	38
	Read further details at page 126 and on our website at **www.unite-group.co.uk**	

Carbon emissions and climate change

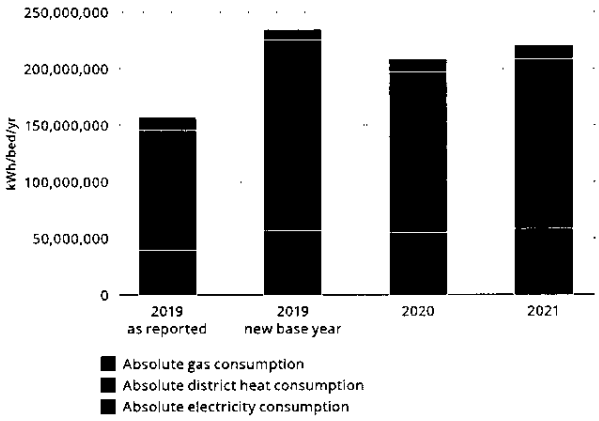
In line with our new net zero carbon ambition, we have made some changes to how we report energy and carbon consumption, including reporting progress against a new base year linked to our science-based targets, replacing the base year of 2014 previously used. In line with our new SBTi approved science-based carbon targets. 2019 has been used as our new base year, as the impact of Covid-19 related disruption in 2020, as outlined in last year's Annual Report, means it is not representative of our normal levels of emissions and so cannot form the basis of our new targets. Our new 2019 base year includes actual emissions as previously reported in 2019, together with the 2019 emissions associated with the former Liberty Living portfolio (not reported in 2019 as it was not part of Unite at that time). All Scope 1 and Scope 2 emissions arise in the UK.

Although the impact of the pandemic on our operations was less severe in 2021 than in 2020, we experienced reduced levels of occupancy and changes in student behaviour compared to a normal year, keeping energy consumption below pre-pandemic levels.

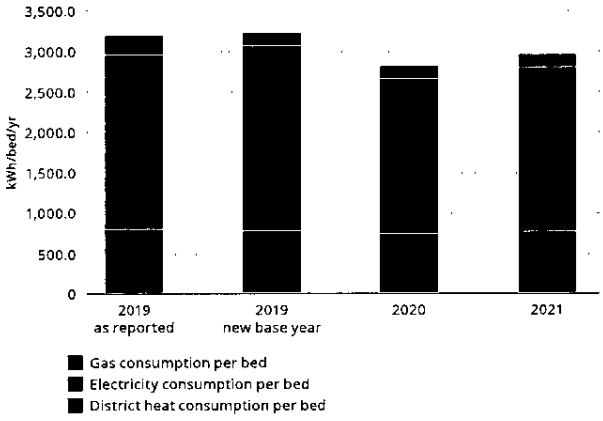
2021 did see consumption increase by 5.4% from 2020, although this remained 6.8% below our new 2019 base. Despite this increase in energy consumption from 2020 to 2021, combined Scope 1 and location-based Scope 2 emissions fell by 1.6% vs 2020 driven by a 9.8% reduction in grid electricity carbon intensity; combined Scope 1 and market-based Scope 2 fell further still by 37.5% compared to 2020, reflecting the fact that 99.9% of electricity purchased in 2021 was REGO backed, an increase of 25.9% on 2020 levels. While over £3 million was invested in energy efficiency capital projects, the phased delivery of these initiatives (including installation of smart networked heating controllers and heat pumps) means they made only a small contribution in year.

Scope 3 emissions fell significantly from 2021 reflecting the fact that no new developments were completed in 2021 and so there was no embodied carbon contribution to Scope 3 category 1 emissions in year.

Absolute utilities consumption



Utilities consumption per bed



SUSTAINABILITY REPORT *continued*

	2019 as reported	2019 new base year†	2020					2021				
ESTATE DATA	Data	Data	Data	Change vs 2019 base year		Change vs prior year		Data	Change vs 2019 base year		Change vs prior year	
Year end bed numbers	49,992	73,990	75,531	2.08%	▲	51.09%	▲	76,171	2.95%	▲	0.85%	▲
Pro rata bed numbers	49,242	73,240	74,193	1.30%	▲	50.67%	▲	74,303	1.45%	▲	0.15%	▲
Pro rata floor area (m²)	1,400,011	1,931,148	1,962,411	1.62%	▲	40.17%	▲	1,945,560	0.75%	▲	-0.86%	▼

† (including Liberty Living)

	2019 as reported	2019 new base year†	2020					2021				
ENERGY & WATER USE	Consumption	Consumption	Consumption	Change vs 2019 base year		Change vs prior year		Consumption	Change vs 2019 base year		Change vs prior year	
Natural gas												
Absolute (kWh)	39,616,444	57,414,070	55,587,055	-3.2%	▼	40.3%	▲	59,170,049	3.1%	▲	6.4%	▲
Relative to bed numbers (kWh/bed)	804.5	783.9	749.2	-4.4%	▼	-6.9%	▼	796.3	1.6%	▲	6.3%	▲
Relative to floor area (kWh/m²)	28.3	29.7	28.3	-4.7%	▼	0.1%	▲	30.4	2.3%	▲	7.4%	▲
Electricity												
Absolute (kWh)	106,148,132	167,593,224	141,656,529	-15.5%	▼	33.5%	▲	149,211,285	-11.0%	▼	5.3%	▲
Relative to bed numbers (kWh/bed)	2,155.7	2,288.3	1,909.3	-16.6%	▼	-11.4%	▼	2,008.1	-12.2%	▼	5.2%	▲
Relative to floor area (kWh/m²)	75.82	86.78	72.18	-16.8%	▼	-4.8%	▼	76.7	-11.6%	▼	6.2%	▲
Renewable electricity												
As % of overall electricity purchased	60.9%	61.1%	74.0%	21.2%	▲	21.5%	▲	99.9%	38.8%	▲	25.9%	▲
Heat												
Absolute (kWh)	11,775,682	11,775,682	12,091,340	2.7%	▲	2.7%	▲	12,312,277	4.6%	▲	1.8%	▲
Relative to bed numbers (kWh/bed)	239.1	160.7	162.9	1.4%	▲	-31.9%	▼	165.7	3.1%	▲	1.7%	▲
Relative to floor area (kWh/m²)	8.41	6.10	6.16	1.0%	▲	-26.7%	▼	6.3	3.8%	▲	2.7%	▲
TOTAL ENERGY (gas + electricity + heat)												
Absolute (kWh)	157,540,259	236,782,977	209,334,924	-11.6%	▼	32.9%	▲	220,693,611	-6.8%	▼	5.4%	▲
Relative to bed numbers (kWh/bed)	3,199.3	3,232.9	2,821.4	-12.7%	▼	-11.8%	▼	2,970.2	-8.1%	▼	5.3%	▲
Relative to floor area (kWh/m²)	112.5	122.6	106.7	-13.0%	▼	-5.2%	▼	113.4	-7.5%	▼	6.3%	▲
Water												
Absolute (m³)	1,954,648	3,037,827	2,723,396	-10.4%	▼	39.3%	▲	2,956,278	-2.7%	▼	8.6%	▲
Relative to bed numbers (m³/bed)	39.7	41.5	36.7	-11.5%	▼	-7.5%	▼	39.8	-4.1%	▼	8.4%	▲
Relative to floor area (m³/m²)	1.4	1.6	1.4	-11.8%	▼	-0.6%	▼	1.5	-3.4%	▼	9.5%	▲

† Including Liberty Living

GREENHOUSE GAS EMISSIONS	2019 as reported	2019 new base year†	2020			2021		
	Emissions	Emissions	Emissions	Change vs 2019 base year	Change vs prior year	Emissions	Change vs 2019 base year	Change vs prior year
Total Scope 1 emissions								
Absolute (tonnes CO_2e)	7,397	10,669	10,392	-2.6% ▼	40.5% ▲	11,009	3.2% ▲	5.9% ▲
Relative to bed numbers (tonnes CO_2e/bed)	0.150	0.146	0.140	-3.9% ▼	-6.8% ▼	0.148	1.7% ▲	5.8% ▲
Relative to floor area (kg CO_2e/m^2)	5.3	5.5	5.3	-4.2% ▼	0.2% ▲	5.7	2.4% ▲	6.9% ▲
Total Scope 2 emissions (location based)								
Absolute (tonnes CO_2e)	29,205	44,910	35,113	-21.8% ▼	20.2% ▲	33,784	-24.8% ▼	-3.8% ▼
Relative to bed numbers (tonnes CO_2e/bed)	0.593	0.613	0.473	-22.8% ▼	-20.2% ▼	0.455	-25.9% ▼	-3.9% ▼
Relative to floor area (kg CO_2e/m^2)	20.9	23.3	17.9	-23.1% ▼	-14.2% ▼	17.4	-25.3% ▼	-3.0% ▼
Total Scope 2 emissions (market based)								
Absolute (tonnes CO_2e)	3,128	18,833	10,694	-43.2% ▼	241.9% ▲	2,170	-88.5% ▼	-79.7% ▼
Relative to bed numbers (tonnes CO_2e/bed)	0.064	0.257	0.144	-43.9% ▼	126.9% ▲	0.029	-88.6% ▼	-79.7% ▼
Relative to floor area (kg CO_2e/m^2)	2.2	9.8	5.4	-44.1% ▼	143.9% ▲	1.1	-88.6% ▼	-79.5% ▼
Total Scope 1+2 emissions (location based)								
Absolute (tonnes CO_2e)	36,602	55,579	45,504	-18.1% ▼	24.3% ▲	44,793	-19.4% ▼	-1.6% ▼
Relative to bed numbers (tonnes CO_2e/bed)	0.743	0.759	0.613	-19.2% ▼	-17.5% ▼	0.603	-20.6% ▼	-1.7% ▼
Relative to floor area (kg CO_2e/m^2)	26.1	28.8	23.2	-19.4% ▼	-11.3% ▼	23.0	-20.0% ▼	-0.7% ▼
Total Scope 1+2 emissions (market based)								
Absolute (tonnes CO_2e)	10,524	29,502	21,086	-28.5% ▼	100.4% ▲	13,178	-55.3% ▼	-37.5% ▼
Relative to bed numbers (tonnes CO_2e/bed)	0.214	0.403	0.284	-29.4% ▼	33.0% ▲	0.177	-56.0% ▼	-37.6% ▼
Relative to floor area (kg CO_2e/m^2)	7.5	15.3	10.7	-29.7% ▼	42.9% ▲	6.8	-55.7% ▼	-37.0% ▼
Total verifiable Scope 3 emissions								
Absolute (tonnes CO_2e)	9,859	15,134	12,422	-17.9% ▼	26.0% ▲	4,576	-69.8% ▼	-63.2% ▼
Relative to bed numbers (tonnes CO_2e/bed)	0.200	0.207	0.167	-19.0% ▼	-16.4% ▼	0.062	-70.2% ▼	-63.2% ▼
Relative to floor area (kg CO_2e/m^2)	7.0	7.8	6.3	-19.2% ▼	-10.1% ▼	2.4	-70.0% ▼	-62.8% ▼
Total non-verifiable Scope 3 emissions								
Absolute (tonnes CO_2e)	113,963	114,623	66,924	-41.6% ▼	-41.3% ▼	50,448	-56.0% ▼	-24.6% ▼
Relative to bed numbers (tonnes CO_2e/bed)	2.3	1.6	0.9	-42.4% ▼	-61.0% ▼	0.7	-56.6% ▼	-24.7% ▼
Relative to floor area (kg CO_2e/m^2)	81.4	59.4	34.1	-42.5% ▼	-58.1% ▼	25.9	-56.3% ▼	-24.0% ▼
Total of verifiable and non-verifiable Scope 3 emissions								
Absolute (tonnes CO_2e)	123,822	129,757	79,346	-38.9% ▼	-35.9% ▼	55,024	-57.6% ▼	-30.7% ▼
Relative to bed numbers (tonnes CO_2e/bed)	2.5	1.8	1.1	-39.6% ▼	-57.5% ▼	0.7	-58.2% ▼	-30.8% ▼
Relative to floor area (kg CO_2e/m^2)	88.4	67.2	40.4	-39.8% ▼	-54.3% ▼	28.3	-57.9% ▼	-30.1% ▼

† Including Liberty Living.

Floor Area: As part of our new base year calculation we have used an updated floor area data set to calculate intensity metrics. This data set includes corrections from new EPCs and where infill development has taken place etc., and has been applied to the 2019 base year data and onwards in the table above

Energy consumption: Energy data reported is predominantly half-hourly meter data (92.6% and 89.7% respectively for electricity and gas), with remainder being billing data (6.1% and 9.4% respectively) and a small number of estimates (1.3% and 0.9% respectively) where neither meter or billing data is yet available. District heating data is 86% billing with 14% estimates.

Boundaries: Energy and water consumption reported is whole-building including all that used by students, as our all-inclusive billing means these contribute directly to Scope 1 and 2 emissions rather than Scope 3. Energy and emissions are reported along operational control lines (not equity share lines) and includes all Unite Group plc entities, including 100% of all buildings operated by Unite Students regardless of ownership.

GHG calculation methodology: GHG emissions have been calculated in accordance with HM Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting March 2019 (Updated Introduction and Chapters 1 and 2)' and the GHG Protocol's 'A corporate Accounting and Reporting Standard (Revised Edition)'

Scope 1 emissions include gas consumed in properties, and fuel consumed in business vehicles.

Scope 2 emissions include grid electricity consumption, and district heating consumption in properties.

Verifiable Scope 3 emissions include Category 1 (Purchased goods and services – water, calculated using water meter and billing data), Category 3 (Fuel and energy-related activities including T&D and WTT emissions, calculated using same energy data used for Scope 1 and 2 emissions), Category 6 (Business travel – including direct and indirect (WTT and T&D) emissions from flights (including RF), and rail travel, calculated using data provided by travel booking partners), where verifiable data sources exist.

Non-verifiable Scope 3 emissions include Category 1 (Purchased goods and services – operation and management of real estate assets, calculated using QUANTIS Scope 3 evaluator tool based on spend), Category 2 (Capital goods – new properties, calculated using a detailed embodied carbon assessment of a real and representative new build property, Category 5 (Waste Generated in Operations calculated using QUANTIS Scope 3 evaluator tool based on spend), and Category 7 (Employee commuting calculated using QUANTIS Scope 3 evaluator tool), where insufficient data is available to verify.

Emissions factors: Emissions factor used are the relevant factors from the 'UK Government emission conversion factors for greenhouse gas company reporting (2021 data set)'. Location Based Scope 2 emissions are calculated using the UK national average grid emissions factor, whilst Market Based Scope 2 emissions are calculated using our supplier Npower's contractual emissions factor which is zero for all electricity purchased under our Group supply contract as 100% is backed by REGOs. We disclose detail asset by asset consumption to CDP and GRESB (Global Real Estate Sustainability Assessment).

Independent verification: all energy and carbon data reported is subject to independent verification by SGS UK Ltd to a level of "Reasonable Assurance" against the requirements of ISO 14064-3:2006. While this has been competed for all prior years, at time of publishing this report the process was still ongoing for 2021 data. Once completed, details will be published via our website www.unite-students.co.uk/sustainability.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Introduction

The Board recognises the scale of the challenge posed by climate change, its potential impact on real estate and therefore the urgent need to take mitigating action. With the built environment accounting for c.40% of all greenhouse gas emissions, we also recognise our responsibility to do what we can to minimise our carbon footprint and encourage our customers to do the same. We have set out a detailed pathway to achieving net zero carbon by 2030 and committed to helping our customers adopt sustainable living habits which will stay with them for life. This is a goal shared by our investors, customers, suppliers and people. We have set climate targets validated as 1.5°C – aligned by the Science Based Targets initiative (SBTi) and CRREM, and we are a signatory of the RE100 initiative.

We have complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures

We support the aims of the Task Force on Climate-related Financial Disclosures (TCFD) and believe that businesses should clearly communicate the risks and opportunities that climate change brings.

In this Annual Report, we continue to integrate climate-related disclosures throughout the Strategic Report. In this section, we discuss in detail the risks and opportunities arising from climate change, the potential impact on our business, and the actions we are taking to mitigate these risks in line with TCFD requirements.

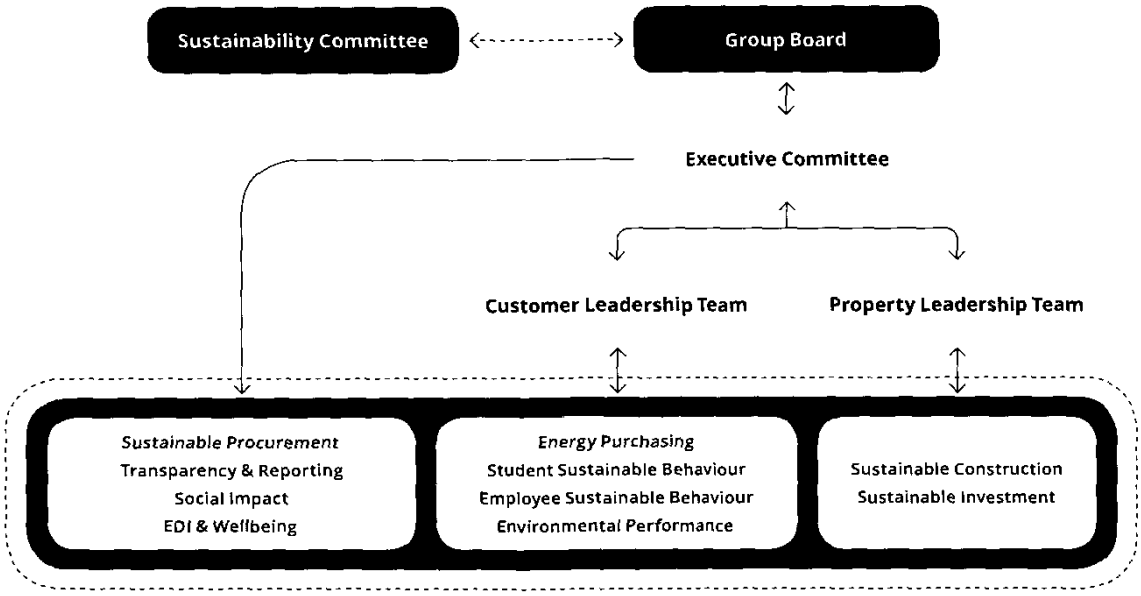
Governance

Our Chief Executive has overall responsibility for our climate-related risks and opportunities with ongoing oversight of climate-related issues with our Sustainability Committee, a sub-Committee of the Board. Our Sustainability Committee meets four times per year to maintain Board oversight of environmental, social and governance issues, and hold the business to account for performance in this area including the management of climate-related risk. The Board also undertakes a twice-yearly formal risk review (see page 74) which includes sustainability related risks.

Our Executive Team coordinates the implementation of our Sustainability Strategy across the business, drives continual improvement, and is responsible for the assessment, management and reporting of climate-related risks and opportunities. This is primarily managed through our Customer and Property Leadership teams which bring together senior managers and coordinates delivery of our Sustainability Strategy.

Our Investment Committee, responsible for reviewing and approving all major investment decisions, requires all proposals to consider sustainability related issues, including climate change, as part of decision making.

Our 2022 LTIP awards will include sustainability metrics relating to operational energy consumption and EPC ratings. Further detail is contained within the Remuneration Report from pages 134–167.



Strategy

Climate change is a principal risk which has the potential to impact our business in the short, medium and long term. We face potential acute and chronic physical risks from the effects of climate change on our business, including extreme weather and flooding. Potential transition risks associated with the shift to a low-carbon economy include changing consumer preferences, impacts on investment property valuations according to their climate resilience and future policy and regulation.

These also present opportunities where, for example, our leadership in the sector may be valued by our customers and ultimately lead to improved financial performance.

Through our risk management process, we identified heat stress and flood risk as the two climate-related risks most likely to materially affect the Group's future financial performance.

RISK	HEAT STRESS	FLOODING
Description	Rising average temperatures and frequency of heatwaves make our buildings uncomfortably hot during the summer months.	Increased rainfall may increase the risk of both flash flooding from acute rainfall and rivers bursting banks.
Likelihood[1]	Unlikely	Possible
Key metrics	Energy intensity and Scope 1+2 emissions	Energy intensity and Scope 1+2 emissions
Impacts	We may be required to relocate customers in excessively hot rooms at our expense or otherwise compensate for disruption. Sustained increases in temperature may make us unable to let buildings during the summer without active cooling or investment in passive cooling technologies.	The impact of a flood could be significant to a single property, either from temporary disruption to our customers and operations teams, or damage to the building itself and the plant and machinery within. In the most extreme scenario, a flood may damage the plant room of a building requiring temporary closure whilst repairs are completed.
Time period	M L	S M L
Financial implications	c.£15 million of summer short term lettings income at risk or increased cooling costs. Higher temperatures during winter may reduce the heating requirement of our buildings.	The geographic diversity of the portfolio means that flood damage is unlikely to be material in the context of the Group. A risk assessment using Environment Agency flood risk data found that approximately 10% of the total portfolio has a High (1 in 76–100 years) or Very High (1 in <75 years) risk of flooding.
Methodology	We compared forecast temperatures during the summer under 1.5°C, 2°C and 4°C scenarios using the RCP8.5 projections versus the 1981–2010 baseline. The datasets used for this analysis were extracted from the UKCP18 data published by the Met Office Hadley Cell GCMs (HadREM3-GA705).	We compared forecast rainfall during the winter under 1.5°C, 2°C and 4°C scenarios using the RCP8.5 projections versus the 1981–2010 baseline. The datasets used for this analysis were extracted from the UKCP18 data published by the Met Office Hadley Cell GCMs (HadREM3-GA705).
Management response	We routinely monitor building temperature and ensure comfortable temperatures are maintained at all times as part of student welfare.	We reviewed the flood risk of the portfolio during 2021 in partnership with our insurers and will continue to do so. We maintain operational flood response plans at higher risk properties.

S Short-term M Medium-term L Long-term

1. Likelihood based upon expectation of risk crystalising given current trends and experience.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

RISK	TRANSITION	STAKEHOLDER VALUES	POLICY AND REGULATION
Description	The transition to a low carbon economy will require significant investment in our portfolio and present stranding risk to assets if we are not able to adapt at sufficient pace.	Our 2021 Student Survey highlighted climate change as the number one priority for students. We expect climate change to continue and to be of increasing importance for University partners and other stakeholders.	Regulation and Government policy will continue to evolve and we must both comply and make best use of regulations to deliver our strategy.
Likelihood[1]	Likely	Likely	Likely
Key metrics	GRESB and EPC ratings	Renewable energy sources, gender split in leadership team	EPC ratings
Impacts	Stranded assets may no longer meet Minimum Energy Efficiency Standards (MEES), cost more to operate, be harder to let or suffer a 'brown discount' in valuation due to lower liquidity.	Our leadership in the sector may be recognised by our customers and partners providing additional business opportunities or income benefits from our leadership in sustainability. Failure to at least meet stakeholder expectations could be detrimental to business performance through many channels including our ability to secure nomination agreements and increased financing costs.	Regulations may require increased or acceleration of investment to meet MEES. Carbon pricing may impact the viability of our development pipeline and ongoing operating costs of the existing portfolio.
Time period	M L	S M L	M L
Financial implications	We have invested over £30 million since 2014 and plan to invest a further £100 million to support our sustainability targets. Our investment in energy efficiency has already delivered cumulative savings of approximately £20 million and expect this to grow as we invest more. We typically target our sustainability investments to pay back in 10 years or less on an undiscounted basis.	Not quantified.	The UK Government has set a legally binding net zero target of 2050. Under our more ambitious strategy, we expect to spend £100 million on our transition to net zero carbon by 2030.
Methodology	We reviewed our portfolio using the CREEM tool with asset specific energy data and market based energy sources reflecting our 100% REGO power procurement.	n/a	n/a
Management response	Delivery of our 2030 net zero target, in conjunction with our asset transition plans are expected to avoid asset stranding. We will monitor progress against these plans and take corrective action where required.	We actively engage with our customers, University partners, suppliers and investors to explain and seek feedback on our sustainability performance and goals in addition to understanding their requirements and expectations.	We engage with Government and our advisory teams to understand likely future legislation and the impacts that it might have on the business.. This gives us the greatest amount of time possible to adapt to new regulation ahead of introduction.

S Short-term M Medium-term L Long-term

1. Likelihood based upon expectation of risk crystalising given current trends and experience.

As has been seen in other real estate asset classes, we expect a "green premium" to emerge in PBSA for assets with leading energy and environmental performance. We consider any premium more likely to emerge through property valuation yields driven by investment demand rather than income. Conversely, a "brown discount" may apply for less efficient buildings where substantial investment may be needed in future to reach net zero carbon or comply with emerging legislative requirements.

Were a 5bps green premia to apply to asset valuations for assets with an EPC rating of B higher, valuations would increase by £40 million, reflecting a 6p increase in NTA per share of the Group. Conversely 5bps brown discount on assets rated E or below would reduce valuations by £3 million, a 0p decrease in NTA. We have considered the resilience of our strategy under two climate scenarios:

RESILIENCE OF OUR STRATEGY	SHORT TERM (NEXT 10 YEARS)	LONGER TERM
<2°C Scenario **equivalent to RCP1.9 limiting temperature rises to 1.5°C by 2100**	Significant transition and mitigation activity • £100 million invested into sustainability initiatives in addition to over £30 million invested since 2014 • Will achieve minimum EPC rating of B from 2030 • Mitigates increasing pricing of carbon emissions and offset costs • Meets changing university, student and investor expectations for environment performance, potential for green/brown premia/discounts to asset values	Physical risks broadly maintained • Continuing transition risk as expectations and regulation continue to evolve • No significant risk of heat stress disrupting summer lettings • Strategy provides broad resilience if worst effects of climate change mitigated globally
4°C Scenario **equivalent to RCP8.5 with temperatures rising to 4°C by 2100**	No significant changes from RCP8.5 pathway • No significant changes to prevailing physical risks in next decade • Average 1 in c.250 year risk of flooding due to surface water based upon Environment Agency zoning	Increased physical and adaption risk • More aggressive carbon reduction investment ultimately required • Risk to summer and short term lettings viability • Increased average 1 in c.200 year risk of flooding due to surface water

Our Sustainability Strategy has been validated as 1.5°C aligned by the SBTi and is a core part of our wider Group Strategy. We therefore expect our Strategy to be resilient under a <2°C such a scenario in both the short term to 2030 and the longer term beyond. Under a 4°C climate scenario, the resilience of our Strategy is likely to be tested, particularly towards the middle of the century as temperatures increase significantly. We may face increased costs and have to increase our investment in sustainability to mitigate the worst impacts of climate change. We will continue to monitor the potential impacts of climate change on our Strategy and make adjustments when appropriate.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

We have also taken action on the risk of increased water scarcity and potential price increases as a result of climate change to reduce the intensity of water usage in our portfolio. As set out in the Sustainability Report, we have installed low volume shower heads and toilet cisterns. Such efficiency measures are part of our new developments' standard specification.

Direct financial costs from climate-related disruption on the Group have been negligible to date. However, the Group has invested over £30 million into energy efficiency since 2014.

Building on c.£3 million of capital already deployed in 2021, we will be accelerating efforts in 2022 with c.£10 million investment planned for 2022 in solar PV, improvements in building fabric and glazing, smart building controls, and air source heat pumps, as well as measures to cut water use. As well as cutting carbon emissions, these measures deliver significant reductions in energy costs, helping to mitigate rising energy prices and typically achieving financial payback within 10 years. We have identified a further c.£100 million (c.£60 million at Unite share) of further opportunity for capital investment to help us achieve our 28% energy efficiency target.

Risk management

The process for assessing, identifying and managing climate-related risks is the same for all principal risks with responsibility sitting with the Board and is described on pages 74–88. Details of how we identify, assess and manage climate-related risks are covered in Principal Risk 8 on page 86.

We undertake a climate-related risk scoping workshop assessment at least annually, as part of our overall risk management process described in the Risk Management Report, covering the constituent risks of our broader Sustainability and ESG risk, to identify the most material risks and assess their potential impacts under different future climate scenarios, as well as the likelihood, business consequences, and possible management and mitigation strategies. We use judgement to determine the most significant climate risks and prioritise investment in mitigations which are then approved by the Board. The findings from this process are shared with our Sustainability Steering Group and our wider Executive Committee comprising of Executive Directors and other business directors, who ensure these risks are factored into business planning and decision making. All investment cases are required to consider sustainability, specifically delivery of net zero and EPC requirements. This is reflected in our business strategy set out in the Strategic Report section of our 2021 Annual Report pages 30–31 with one of the three strategic objectives of our business plan being to create a "Responsible and Resilient Business". Relevant climate-related risks and opportunities are therefore communicated to our Executive Committee and Group Board, for consideration during business planning and decision making. Relevant business functions are then tasked with tracking, managing and reporting on relevant climate-related risks via our Property and Customer Leadership Teams who in turn also report into our Executive Committee. Climate-related risks are considered out to 2050, across all of our operations including the UK and globally given that 30% of our customers come from overseas, and sensitivity of climate-related risks to macroeconomic and geopolitical factors.

In order to determine how our business could potentially be impacted, both positively and negatively, by a changing climate, we have conducted extensive research to determine the potential impacts of a changing physical world both in terms of the physical changes (weather patterns, temperature increase etc.) and the transitional changes (legislative, financial etc.).

To manage risks at an operational level, KPIs are set for various stages of the building life cycle including: design stage, development, refurbishment and demolition. The use of building ratings tools such as CREEM and BREEAM, along with the targets set as part of our net zero pathway and asset transition plans, ensure a consistent approach to sustainability and specifically to managing the risks of climate change across our entire portfolio. Our portfolio has been modelled using CREEM which, although lacking a specific PBSA asset class, allows us to track progress against transition pathways for each asset.

Each of our projects, whether it is a refurbishment, asset management initiative or a new acquisition or development, are required to ensure that climate-related issues are considered, such as how to deliver net zero and reach a minimum EPC rating of B.

Metrics and targets

The metrics used in our risk management process to assess climate-related risks are set out in our Sustainability Report on page 34–55.

Our Scope 1, Scope 2, and Scope 3 greenhouse gas emissions, including comparison to prior years, are externally verified to a reasonable level of assurance and are disclosed on pages 48–49. These disclosures include both absolute and relative measures to aid comparability in our performance.

In 2021 we launched our new Sustainability Strategy which includes a net zero carbon commitment for the business and development by 2030. This is built on our Science Based Targets approved by the SBTi, and a commitment under the RE100 scheme to purchase 100% renewable electricity by 2030. As a residential landlord, our customers' energy use is included within our Scope 2 emissions, this gives us significant opportunity to reduce both our and our customers' impact on the environment. We published our net zero pathway during 2021. This sets out the action we will take over the coming decade. Net zero will require us to reduce energy intensity by 28%, source all of our energy from renewable sources and reduce embodies carbon in new developments by 48%.

We review our performance against these metrics on an ongoing basis as part of our business performance. Investment into sustainability measures is made with reference to these metrics and our individual asset transition plans which are being developed to support our net zero pathway. Should performance diverge from the required trajectory to 2030, we will assess and potentially accelerate interventions required to deliver our net zero pathway.

Summary table of key metrics and performance:

Metric	Target vs baseline	2021 performance	2020 performance
Operational energy intensity	(28)%	(8.1)%	(13)%
Proportion of renewable electricity	100%	(99.9)%	(74.0)%
Scope 1 and 2 carbon emissions per bed	(56)%	(20.6)%	(19.2)%

The Group is considering the introduction of carbon pricing into its development appraisals during 2022. Initially this pricing will likely be notional and charged to projects based upon externally established pricing benchmarks. Over time, we anticipate cost of carbon being charged to new developments and the cost reinvested into delivery of sustainability initiatives within the business.

OPERATIONS REVIEW

DELIVERING FOR OUR CUSTOMERS

Our best-in-class operating platform continues to deliver and support both service enhancements and operational efficiency

"We are committed to investing in an enhanced student experience that delivers value-for-money for students and support our purpose of creating a Home for Success"

Karan Khanna
Chief Customer Officer

Sales, rental growth and profitability

The key strengths of our operating business are our highly committed people, our PRISM operating platform, our brand and the strength of our relationships with universities. These capabilities helped to deliver a recovery in financial performance in 2021, despite some ongoing disruption created by Covid-19, delivering adjusted EPS of 27.6p (2020: 24.0p). The 15% increase in adjusted EPS reflects higher occupancy for the 2021/22 academic year (2020/21: 88%) and a lower impact from rental discounts offered to students in response to the pandemic.

Based on a positive outlook for student demand and progress to date on reservations, we anticipate an increase to 97% occupancy for the academic year. This supports our guidance for EPRA EPS of 41~43p for the 2022 financial year.

The Group continues to report on an IFRS basis and presents its performance in line with best practices as recommended by EPRA. The Operations and Property reviews focus on EPRA measures as these are our key internal measures and aid comparability across the real estate sector.

Summary income statement[1]	2021 £m	2020 £m
Rental income	282.7	263.2
Property operating expenses	(90.9)	(82.9)
Net operating income (NOI)	191.8	180.3
NOI margin	67.8%	68.5%
Management fees	15.9	14.0
Overheads	(31.5)	(30.9)
Finance costs	(63.3)	(64.9)
Development and other costs	(2.8)	(6.9)
LSAV performance fee	41.9	5.7
EPRA earnings	**152.0**	**97.3**
LSAV performance fee	(41.9)	(5.7)
Adjusted earnings	**110.1**	**91.6**
Adjusted EPS	**27.6p**	**24.0p**
EPRA EPS	**38.1p**	**25.5p**
Adjusted EBIT margin	62.3%	62.1%

1 A reconciliation of profit/loss after tax to EPRA earnings and adjusted earnings is set out in note 2.2b to the financial statements. See glossary for definitions of APMs and note 8 for calculations and reconciliations.

Rental income increased by £19.5 million to £282.7 million, up 7%, as a result of higher occupancy and a reduced level of rental discounts. The total value of discounts offered to students in 2021 was c.£10 million, reflecting 40% take-up of the 10-week rental discount offered to students not staying in their accommodation between January and March 2021.

Net operating income increased by 6% to £191.8 million, reflecting the uplift in rental income and a 10% year-on-year increase in operating expenses. The increase in operating expenses reflects the resumption of certain costs not incurred during 2020 due to one-off cost saving measures, including summer cleaning costs and staff bonus payments, as well as increased utilities costs as a result of higher occupancy over the year and underlying price increases. In addition, increased investment was made into marketing to drive sales for the 2021/22 academic year.

Our electricity costs are fully hedged in 2022 and 85% hedged for 2023, and gas (which accounts for less than 0.5% of our rent) is hedged through 2023. We are exploring opportunities to fix energy costs through further power purchase agreements (PPAs) in support of new renewable energy capacity. PPAs provide competitive pricing compared to wholesale energy markets as well as cost certainty through multi-year contracts, while aligning to our commitment to source 100% renewable electricity.

Property operating expenses breakdown	2021 £m	2020 £m	Change
Staff costs	(28.4)	(26.6)	(1.8)
Utilities	(21.9)	(19.8)	(2.1)
Summer cleaning	(3.3)	(2.4)	(0.9)
Marketing	(5.8)	(3.3)	(2.5)
Central cost allocation	(9.7)	(7.9)	(1.8)
Other	(21.8)	(22.9)	1.1
Property operating expenses	**(90.9)**	**(82.9)**	**(8.0)**

Overheads increased by £0.6 million, principally reflecting increases in staff costs. Recurring management fee income from joint ventures increased to £15.9 million (2020: £14.0 million), driven by higher NOI and property valuations in USAF and LSAV.

Our adjusted EBIT margin increased to 62.3% in 2021 (2020: 62.1%), reflecting a reduction in overheads net of recurring management fees as a percentage of rental income. Reflecting our cost discipline and the anticipated recovery in rental income from 2021/22 onwards, we are targeting an improvement in our adjusted EBIT margin to around 70% in 2022 and above 72% over the medium term. This will be delivered through growth in occupancy and rents, development completions and further efficiencies over time in areas such as staff costs, procurement, utilities and the enhanced use of technology.

Finance costs reduced to £63.3 million (2020: £64.9 million), reflecting a reduction in average borrowings during the year as cash balances reduced to more typical levels on the back of an improved trading outlook. This impact was partially offset by a higher average cost of finance in 2021 of 2.9% (2020: 2.7%) as we repaid revolving credit facilities at lower average rates. Interest capitalised into development schemes increased to £5.2 million (2020: £4.6 million), driven by resumption of development activity at Middlesex Street in London and Campbell House in Bristol, as well as a development start at Derby Road in Nottingham. We expect capitalised interest to increase to around £7–8 million in 2022 as development activity increases ahead of deliveries in 2022, 2023 and 2024.

Continued over

OPERATIONS REVIEW continued

Development (pre-contract) and other costs were lower at £2.8 million (2020: £6.9 million), reflecting the cost of development overheads, the earnings impact of share-based incentives, deferred and current tax and our contribution to the Unite Foundation. The year-on-year reduction reflects a credit of £2.8 million for tax in 2021 (2020: £2.0 million expense).

EPRA earnings includes £41.9 million of performance fees in the year (2020: £5.7 million) in relation to the performance fee received from LSAV as well as the unwind of tax provided against the performance fee in previous years. The fee became payable on extension of the joint venture and represents out-performance compared to our expectation at the start of the year due to the strong valuation performance of LSAV's London properties. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.

Improved occupancy for 2021/22

We achieved occupancy of 94% across our total portfolio for the 2021/22 academic year (2020/21: 88%, 2019/20: 98%), reflecting a meaningful improvement from the disrupted booking cycle in 2020/21. This represented significant outperformance of our PBSA peers, who delivered average occupancy of 83% for 2021/22 (JLL).

We continue to sell over half of our beds through nomination agreements with universities. This represents a key differentiator for Unite in the PBSA sector with our nomination agreements accounting for around 40% of all beds leased by universities across the UK. Occupancy through nomination agreements has reduced slightly during the past two pandemic-affected leasing cycles, reflecting understandable caution from universities over student demand.

Occupancy by type and domicile by academic year

		Direct-let				
	Nominations	UK	China	EU	Non-EU	Total
2019/20	57%	16%	15%	4%	6%	98%
2020/21	53%	16%	11%	4%	4%	88%
2021/22	51%	21%	13%	3%	6%	94%

Student acceptances for 2021/22 were broadly stable at 562,000 (2020/21: 570,000) with a record share of UK school leavers entering universities and the highest ever admissions for non-EU students but, as expected, this was offset by a significant reduction in EU student numbers following Brexit.

The gap to pre-pandemic occupancy levels of 97–98% in 2021/22 could be principally attributed to two reasons. The first is the disruption created by higher grade attainment due to teacher assessed grades, which has distorted the distribution of students among our cities. More students attained the entry requirements for their first-choice universities than in a normal year, reflecting the 44% of students awarded A* or A grades in this year's A levels, compared with 25% in 2019. We sold out in the majority of our markets with significant waiting lists in a number of key cities where students struggled to find suitable accommodation. However, we have seen a concentration of voids in a small number of cities where we expect universities to have lost market share of students or which are adjusting to new supply.

Our waiting lists for 2021/22 equated to an additional c.1–2% in potential occupancy, which we would expect to be re-distributed among our other cities as disruption from higher grading unwinds. The Government has confirmed that grade boundaries will return to pre-pandemic levels over the next two years, and we do not expect the same level of disruption for the student intake in 2022. This year's strong undergraduate intake in higher-ranked cities will also support student numbers and rental growth prospects in these markets over the next three years.

The second factor is the ongoing impact of the pandemic on international travel. Despite a record level of non-EU admissions in 2021/22, this did not fully translate into bookings. In particular, we have continued to see an effect on demand from China, accounting for a two percentage-point reduction in occupancy compared to 2019/20. To mitigate the challenges posed by the pandemic, we offered international students needing to isolate on arrival in the UK the opportunity to arrive at their accommodation up to three weeks early at no extra cost. We continue to monitor international travel closely and expect an increase in the number of international students travelling to the UK for the 2022/23 academic year.

Continued over

OUR PURPOSE IN ACTION

GENERATION Z

Student expectations are evolving

Generation Z expectations are evolving and with elevated expectations students want improved social space and amenities which cater for their interests as well as the use of latest technology. In addition, University partners have higher expectations for student welfare.

This year, we have trialled a number of new initiatives to respond to these changing needs. This included providing more information prior to arrival about their accommodation, new features on the MyUnite app and increasing our welfare provision. We have also increased our event activity in properties, building communities for like-minded students who can connect through common interests. These events are run by our Resident Ambassadors who provide peer-to-peer support and host a calendar of events, enabling students to connect.

For more about this project, go online to: **unite-group.co.uk/partnerships/insights**

OPERATIONS REVIEW continued

Return to rental growth

Annual rents increased by 2.3% on a like-for-like basis for 2021/22 (2020/21: (0.6)%), reflecting increases of 1.2% through nomination agreements and 3.3% average increases in direct-let rents. Occupancy was broadly consistent across our wholly owned portfolio, USAF and LSAV.

2020/21 rental growth and occupancy	Rental growth[1]	Occupancy[2]
Nomination agreements	1.2%	
Direct-let	3.3%	
Total	**2.3%**	**94%**

1. Like-for-like properties based on annual value of core student tenancies.
2. Beds sold.

We have maintained a high proportion of income let to universities, with 37,359 beds sold (51% of total) for 2021/22 under nomination agreements (2020/21: 39,250 and 53%). The slight reduction in the number of beds under nomination agreements reflects the decision of some universities not to renew rolling single-year agreements in light of uncertainty over student numbers and occupancy created by Covid-19.

62% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts based on RPI or CPI. These agreements are expected to secure average annual rental growth of 4% in 2022/23 based on current levels of inflation and contractual caps on RPI/CPI-linked rental increases. The remaining agreements are single year, and we achieved a renewal rate of 74% on these agreements for 2020/21 (2020/21: 76%).

Enhanced service levels and our extensive understanding of student needs have resulted in longer-term and more robust partnerships with universities over recent years. The unexpired term of our nomination agreements is 6.7 years, up from 6.4 years in 2020/21. We expect the share of beds let under nomination agreements to increase to around 55% over the next two years and have recently secured new multi-year agreements to let 1,000 beds to two Russell Group universities from the 2022/23 academic year.

A balance of nomination agreements and direct-let beds provides the benefit of having income secured by universities, as well as the ability to offer rooms to re-bookers and postgraduates and determine market pricing on an annual basis.

Agreement length	Beds 2021/22	Beds 2020/21	% Income 2021/22
Single year	14,529	17,709	38%
2–5 years	7,754	5,748	22%
6–10 years	6,034	6,873	17%
11–20 years	6,608	6,724	16%
20+ years	2,434	2,196	6%
Total	37,359	39,250	100%

UK students account for 70% of our customers for 2021/22 (2020/21: 66%), making up a large proportion of the beds under nomination agreements with universities. In addition, 25% and 5% of our customers come from non-EU and EU countries respectively (2020/21: 25% and 9%), reflecting the relative appeal of our hassle-free product when compared with alternatives in the private rented sector. Our proactive decision to increase sales to UK customers has offset a reduction in demand from EU customers following Brexit.

Re-bookers accounted for 20% of our direct-let bookings for the 2021/22 year (2020/21: 25%) reducing our exposure to less predictable 1st-year undergraduate customers. Postgraduates now make up 25% of our direct-let customer base, driven by strong growth in UK postgraduate numbers and increasing awareness of the benefits of PBSA.

Positive outlook for 2022/23

Reservations for the 2022/23 academic year are progressing positively with 67% of rooms now sold (2021/22: 60%, 2020/21: 73%). We expect strong student demand for 2022/23 from both domestic and international students but anticipate a slightly later sales cycle for international students than in a typical year due to uncertainty relating to Covid-19. As a result, we have increased our focus on retaining existing direct-let customers, which has led to an increased share of sales to re-bookers.

Applications data for the 2022/23 academic year is encouraging, with total applications broadly in line with record levels in 2021/22 (-1%) and 7% ahead of pre-pandemic demand in 2020/21. This reflects a 5% increase in applications by UK school leavers, who represent one of our largest customer groups, driven by a record application rate of 43.4% (2020/21: 42.6%) and demographic growth. Demand is also strong from our other key customer demographic of non-EU students. Non-EU applications are 5% higher year-on-year, reflecting strong demand from China and India as well as less mature markets such as Nigeria, offsetting a further reduction in demand from EU students following Brexit.

Current reservations under nomination agreements deliver 50% occupancy (2021/22: 51%). Discussions are ongoing with universities over potential additional demand once they have greater visibility on student numbers, which we expect to increase occupancy from nomination agreements towards

our target of 55%. Direct-let reservations account for the remaining 17% of reserved occupancy, which is significantly ahead of the same point last year, thanks to an increase in UK re-bookers.

This is supportive of our guidance for full occupancy and rental growth of 3.0–3.5% for the 2022/23 academic year.

Delivering for our customers

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We are committed to investing in an enhanced student experience that delivers value-for-money for students and support our purpose of creating a Home for Success. This includes a segmented product offering, tailoring student activities and community building alongside improvements to our MyUnite app, our Resident Ambassador programme and the provision of student welfare services.

Enhancements to our student experience

During 2021, we have focused on using data and insight to deliver an enhanced student experience across the academic year tailored to the communities in each property. Insight was drawn from both an applicant survey of 1,000 prospective students to gauge the sentiment of the new cohort and from data shared directly by our customers ahead of their arrival regarding their preferences, interests, hopes and fears.

Key themes were both a desire for, and a fear of, meeting new people and making friends, the need for support in finding part-time work, and advice and support regarding wellbeing and life skills for independent living. Peer-to-peer support and engagement was also a high priority. We responded by increasing our Resident Ambassador programme through recruitment of over 190 paid student ambassadors, who have provided support and organised events based on the community's needs.

A series of events was held for our city teams during the summer months to ensure a great welcome and arrival experience for the class of 2021/22. The teams generated over 1,900 ideas to tailor and improve the student experience during the crucial first six weeks of the new term, leading to our highest ever Net Promoter Score in our autumn student survey (+39) and a significant improvement in reviews on Trustpilot.

As part of our evolving approach to customer segmentation, trials were conducted in seven properties to define our offer for postgraduate students for the 2021/22 academic year. The look and feel, amenity spaces and student experience were all enhanced, based on our student insight, which delivered increased occupancy, rental income and some of the highest net promoter scores in the portfolio. The postgraduate offer has been extended for the 2022/23 sales cycle with further refinements included.

Our refurbishment and extension of Kincardine Court in Manchester, due for delivery this September, is also being tailored to postgraduate students based on the smaller flat sizes available.

A number of digital experience enhancements were delivered during 2021 aimed at allowing students to increasingly self-serve and to allow our property teams to deliver service in the moment. These included a new, multilingual, dynamic FAQ tool, allowing customers to submit questions in any language.

In February 2021, we launched a new group booking tool and marketing campaign to target groups of students who might otherwise look to house share in the private-rented sector. This function generated £11 million of sales to domestic returning students, further supporting our capture of market share from the HMO sector.

Students often wish to book a specific room and we are in the process of rolling out a room selector tool, which enables our students to browse the available rooms in a property, review the details and select a specific room which best meets their requirements. When room selector is used, there has been a 35% increase in conversion rate compared to other web-based sales. We have also enhanced our technology and processes to facilitate easier room moves by students if they are not satisfied in their allocated rooms or flats.

Health, safety and wellbeing

All our properties have remained open and operational throughout the pandemic, and we continue to employ a range of measures in our buildings to reduce transmission of Covid-19, where possible. This includes enhanced cleaning and physical and social distancing measures, as well as offering support to those students needing to self-isolate.

We have also increased provision and access to student wellbeing and mental health support through enhanced student welfare services, including bespoke support for students who are shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme. We have dedicated welfare leads in each of our cities and also provide 24/7 support through our Emergency Contact Centre and a partnership with Nightline. We also work closely with universities' student welfare and wellbeing teams to ensure students are signposted to available help and support.

Karan Khanna
Chief Customer Officer
23 February 2022

PROPERTY REVIEW

OPTIMISING OUR PORTFOLIO

We have a record secured development and University partnership pipeline for delivery over the next four years

"We are growing our alignment to the strongest universities, investing in London and key regional cities and maintaining discipline around capital recycling."

Nick Hayes
Group Property Director

EPRA NTA PER SHARE INCREASED BY 8% TO
882p
(31 December 2020: 818p)

IFRS NET ASSETS PER SHARE UP 9% TO
880p
(31 December 2020: 809p)

EPRA NTA growth

EPRA NTA per share increased by 8% to 882p at 31 December 2021 (31 December 2020: 818p) with IFRS net assets per share up 9% to 880p (31 December 2020: 809p). In total, EPRA NTA were £3,532 million at 31 December 2021, up from £3,266 million a year earlier.

Summary balance sheet (Unite share basis)

	31 December 2021			31 December 2020		
	Wholly owned £m	Share of Fund/ JV £m	Total £m	Wholly owned £m	Share of Fund/ JV £m	Total £m
Rental properties	3,323	1,542	4,865	3,615	1,278	4,893
Rental properties (leased)	98	–	98	102	–	102
Properties under development	324	–	324	187	–	187
Total property	3,745	1,542	5,287	3,904	1,278	5,182
Net debt	(1,030)	(492)	(1,522)	(1,326)	(416)	(1,742)
Lease liability	(94)	–	(94)	(96)	–	(96)
Other assets/(liabilities)	(107)	(32)	(139)	(40)	(38)	(78)
EPRA net tangible assets	**2,514**	**1,018**	**3,532**	**2,442**	**824**	**3,266**
IFRS NAV	**2,510**	**1,018**	**3,528**	**2,412**	**823**	**3,235**
LTV			29%			34%

The main drivers of the 64p per share increase in EPRA NTA per share were the increase in the value of the Group's share of investment assets due to rental growth, higher occupancy and modest yield compression. In addition, the EPRA NTA movement reflects development surpluses, recognition of the remaining LSAV performance fee and a further provision for the replacement of HPL cladding.

	£m	Diluted pence per share
EPRA NTA as at 31 Dec 2020	**3,266**	**818**
Rental growth	72	18
Yield movement	107	27
Cladding provision	(23)	(6)
Development surplus	50	13
LSAV performance fee	42	10
Swap cancellation and debt break fees	(4)	(1)
Disposals and associated transaction costs	(21)	(5)
Retained profits/other	43	8
EPRA NTA as at 31 Dec 2021	**3,532**	**882**

IFRS net assets increased by 9% in the year to £3,527.8 million (31 December 2020: £3,234.9 million), principally driven by positive revaluation movements, further recognition of the LSAV performance fee and retained profits. On a per share basis, IFRS NAV increased by 9% to 880p. The movement in other assets and liabilities in 2021 was due to an increase in deferred income, arising from higher occupancy, an increase in accruals and provisions for cladding remediation works and settlement of the LSAV performance fee.

Continued over

PROPERTY REVIEW continued

Total accounting return

Growth in EPRA NTA was the key component of the 10.2% total accounting return delivered in the year (2020: (3.4)%), alongside dividends paid of 19.25p (2020: nil).

We are targeting delivery of attractive total accounting returns of 8.5–10% through a balance of recurring income and capital growth. This includes allowance for £1,000/bed p.a. of investment into protective capex for lifecycle maintenance, improvements in environmental performance and cladding remediation. Our balance sheet already provides for all committed and compliant spend on fire safety improvements and we will make future investments, as required, to ensure our buildings remain safe to occupy.

In 2022, we expect total accounting return to be at the top end of this range due to growth in recurring earnings, rental growth and development surpluses from a number of significant planning milestones. Our guidance does not include any impact from movements in property yields in the year.

Property portfolio

The valuation of our property portfolio at 31 December 2021, including our share of gross assets held in USAF and LSAV, was £5,287 million (31 December 2020: £5,182 million). The £105 million increase in portfolio value (Unite share) was principally attributable to a valuation surplus of £211 million on the investment and development portfolios, capital expenditure of £144 million and disposals of £246 million.

Our property portfolio saw a 5.2% increase in valuations on a like-for-like basis during the year (Unite share: 4.6%). Just under half of the increase was driven by yield compression, particularly in London and other prime regional markets. The remaining increase was split broadly evenly between rental growth and the unwinding of deductions relating to Covid-19 occupancy recovered.

The see-through net initial yield of the portfolio was 4.9% at 31 December 2021 (December 2020: 5.0%). This reflected reductions in property yields for the wholly owned portfolio, USAF and LSAV of 9 basis points, 11 basis points and 23 basis points respectively.

LSAV's predominantly London-based portfolio saw the strongest valuation performance in the year, reflecting more significant yield compression in London and partial realisation of reversion potential on certain assets approaching the end of nomination agreements.

Breakdown of like-for-like capital growth

£m	31 Dec 2021 valuation	Yield compression	Occupancy recovery	Rental growth / other	Like-for-like capital growth
Wholly owned	3,323	49	39	22	110
LSAV	1,819	70	17	51	138
USAF	2,867	58	57	12	127
Total (Gross)	**8,009**	**177**	**113**	**85**	**375**
Total (Unite share)	**4,865**				**207**
% capital growth					
Wholly owned		1.5%	1.2%	0.7%	3.4%
LSAV		5.2%	1.3%	3.9%	10.4%
USAF		2.1%	2.1%	0.4%	4.6%
Total (Gross)		**2.4%**	**1.6%**	**1.2%**	**5.2%**
Total (Unite share)					**4.6%**

OUR PURPOSE IN ACTION

ENHANCING OUR STRONG LONDON FOOTPRINT

The London Plan, Stratford, London

London provides a significant growth opportunity for PBSA, particularly East London. Following the Olympics, Stratford, in the east of London, offers excellent transport links and shopping facilities and has become a hub for residential living and particularly student accommodation. We already offer c.1,700 beds across two buildings in Stratford, all close to Stratford station and local amenities including Westfield Stratford. Both University College London and the University of the Arts London have future plans to develop and extend their campuses in Stratford and are looking for new student accommodation. To support this requirement, we have two properties in planning adding c.1,800 beds to our existing portfolio with completion expected in 2025/26. Both properties will include large bedrooms and large amenity spaces which will appeal to international students, postgraduates and returners which is a market that continues to grow.

For more about this project, go online to:
unite-group.co.uk/our-portfolio/development-pipeline

PROPERTY REVIEW continued

The proportion of the property portfolio that is income generating is 94% by value, down from 96% at 31 December 2020. Properties under development have increased to 6% of our property portfolio by value (31 December 2020: 4%) following resumption of development activity in the year and new commitments to deliveries in 2023. Our development pipeline carries greater operational risk than the income generating portfolio but delivers attractive risk-adjusted returns, which we expect to materially contribute to the Group's future earnings growth.

The investment portfolio is 35% weighted to London by value on a Unite share basis, which will rise to 44% on a built-out basis following completion of our secured development pipeline.

Unite investment portfolio analysis at 31 December 2021

		Wholly owned	USAF	LSAV	Lease	Total	Unite share
London	Value (£m)	849	425	1,545	16	2,835	1,733
	Beds	2,882	1,863	6,649	260	11,654	35%
	Properties	10	6	14	1	31	
Prime regional	Value (£m)	993	692	-	24	1,709	1,169
	Beds	7,645	5,337	-	618	13,600	24%
	Properties	17	18	-	2	37	
Major regional	Value (£m)	1,264	1,511	274	28	3,077	1,762
	Beds	17,721	19,403	3,067	753	40,944	35%
	Properties	36	47	1	2	86	
Provincial	Value (£m)	217	239	-	30	486	299
	Beds	3,730	2,920	-	1,059	7,709	6%
	Properties	8	7	-	3	18	
Total	**Value (£m)**	**3,323**	**2,867**	**1,819**	**98**	**8,107**	**4,962**
	Beds	31,978	29,523	9,716	2,690	73,907	100%
	Properties	71	78	15	8	172	
Unite ownership share		**100%**	**22%**	**50%**	**100%**		
	Value (£m)	**3,323**	**632**	**910**	**98**	**4,962**	

Development and University partnership activity

Development and University partnership activity continues to be a significant driver of growth in future earnings and NTA and is aligned to our strategic focus on high and mid-ranked universities. Our pipeline of traditional development and University partnerships includes 5,956 beds with a total development cost of £967 million, of which 3,661 beds or 77% by development cost will be delivered in central London.

We continue to identify new development and University partnership opportunities that deliver our target returns in both London and the regions. We expect to add to our pipeline during 2022 and maintain a run-rate of c.1,500–2,000 new beds p.a.

The anticipated yield on cost of this secured pipeline is 6.2%. Prospective returns on new direct-let schemes remain attractive at around 7.5–8.0% in provincial markets. We have lower hurdle rates for developments that are supported by universities or where another developer is undertaking the higher risk activities of planning and construction. The London Plan requires student accommodation to secure a nomination agreement with one or more universities for the majority of rooms, meaning we expect new London developments to be delivered as University partnerships with development yields of around 6.0%. University partnerships make up around 83% by value of our secured development pipeline.

2022 completions

We are due to complete £231 million of development, representing 1,351 new beds, for the 2022/23 academic year at our schemes at Middlesex Street in London and Campbell House in Bristol. Development is on track across both sites from a programme, cost and letting perspective.

Campbell House is let to the University of Bristol under a 15-year nomination agreement. We are in advanced negotiations with a high tariff university partner for a 5-year nomination agreement at our Middlesex Street scheme for approximately two thirds of the total beds. Middlesex Street will be a landmark asset for the business, becoming our highest value property across the Group.

2023 completions

During the year, we received planning consent for an enlarged 700-bed development at Derby Road in Nottingham, due for completion for the 2023/24 academic year which is located adjacent to the University of Nottingham campus. We were successful in securing additional beds for the scheme through the planning process, resulting in total development costs of £58 million. The scheme will deliver a development yield of 8%.

The development will target a BREEAM Excellent rating and net zero carbon in operations through optimised design, integration of solar panels at roof level and an all-electric heating solution, including high efficiency air-source heat pumps. The development will also deliver a substantial biodiversity improvement through opening and improving access to the River Leen.

Development pipeline

There remains widespread acknowledgement from local authorities of the need for new PBSA supply to address growing student numbers and relieve pressure on housing supply. Universities also remain willing to support our planning applications as a means of delivering the high-quality, affordable accommodation required to deliver their growth ambitions. However, we have experienced delays in the planning process as a result of the pandemic which have put pressure on delivery timelines for certain of the schemes in our pipeline.

We continue to make progress on our London development pipeline with two significant new schemes secured over the past 12 months. Our total secured London pipeline includes 3,661 beds and a total development cost of £740m, in total we expect these schemes to contribute 63p of development surplus by completion and materially contribute to growing our quality of earnings once let.

During the year, we submitted a planning application for our 768-bed scheme at Paddington in central London, which we now expect to deliver for the 2024/25 academic year. We also exchanged contracts to acquire a c.1,000 bed development site in Stratford, east London on a subject to planning basis. Total development costs are estimated to be c.£160 million with the scheme targeted for delivery for the 2025/26 academic year, subject to planning approval. The development will be delivered as a University partnership, delivering a development yield in line with our targets in London and will help to serve the growing cluster of universities with campuses in the area. Both UCL and University of the Arts London are developing new campuses in Stratford, which are due to bring a further 10,500 full-time students to the area. The site adds to our two existing operational assets in Stratford, providing opportunities to segment our customer base, including a more tailored offer for postgraduates.

In January 2022, we added a further 270-bed scheme to our pipeline in Nottingham city centre. The newly acquired site is located in a prime location on Lower Parliament Street in the heart of the city centre, close to Nottingham Trent University's campus as well as the University of Nottingham's planned city centre campus development for final-year and postgraduate students.

In February 2022, we exchanged contracts to acquire a 700-bed development site in East London on a subject to planning basis. The scheme is targeted for delivery for the 2026/27 academic year, subject to vacant possession and planning approval, and will target a long-term nomination agreement with one of the Group's existing University partners in London. The development, which is located in a prime location close to transport links and university campuses, will increase the Group's operational scale in East London.

In addition to our secured pipeline, we continue to progress a number of further development opportunities in London and prime regional markets at attractive returns.

Development costs

We are seeing some upward pressure on build costs, which typically account for 50–70% of our total development costs, reflective of supply chain pressures in securing materials and a reduced supply of EU labour post-Brexit. We anticipate build cost inflation of 3–5% over the next 12 months.

As part of our commitment to become a net zero business, we are targeting a 48% reduction in the embodied carbon of our developments by 2030. Building to a net zero standard is expected to result in small increases in construction costs. However, we expect this cost increase to be reflected in reduced land pricing over time and ultimately rewarded through a valuation premium for more sustainable buildings.

Continued over

PROPERTY REVIEW continued

Development costs are already fixed for our 2022 completions through design and build contracts. We have recently procured the build contracts for our 2023 delivery at Derby Road in Nottingham, which reflects recent inflation in materials and labour costs as well as incorporating low-carbon construction methods where possible. We expect that the combination of inflation and environmental enhancements will result in a reduction in our forecast yield on cost of c.10–20 basis points on deliveries in 2024 and 2025 compared to initial underwriting assumptions.

Despite current cost pressures, we continue to see opportunities to add to our development pipeline at attractive returns and will factor this expected inflation into our appraisal of future schemes.

University partnerships pipeline

We continue to make progress with our strategy of delivering growth through strategic partnerships with universities where student numbers are growing fastest. Reflecting the financial and operational constraints faced by universities, there is a growing appetite for partnerships. We see opportunities to capitalise on our brand and the goodwill created by our response to Covid-19 to accelerate and enhance our pipeline of University partnerships.

We intend to deliver our three London schemes as University partnerships in line with requirements in the new London Plan for the majority of new beds to be leased to a HE provider. The developments will help to meet the growing need for high-quality, purpose-built student accommodation in London and will incorporate a range of design features to reduce its embodied and operational carbon. We have secured planning support for the schemes from University partners and discussions are already underway with a view to agreeing a long-term nomination agreement.

In addition, we are in active discussions with a range of high-quality universities for new partnerships, which we are looking to progress over the next 12–18 months. We also continue to make progress with a significant further pipeline of medium-term opportunities.

Secured development and partnerships pipeline

	Target delivery	Secured beds No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
Direct-let development								
Derby Road, Nottingham	2023	700	84	58	11	45	17	8.0%
Abbey Lane, Edinburgh	2024	298	33	24	1	21	9	8.3%
Wyvil Road, London[1]	2024	265	75	60	–	41	18	6.2%
Lower Parliament Street, Nottingham	2024	270	43	34	–	34	9	7.0%
Total wholly owned		**1,533**	**235**	**176**	**12**	**141**	**53**	**7.2%**
Long term university agreements								
Middlesex Street, London	2022	920	296	187	51	34	29	6.0%
Campbell House, Bristol	2022	431	63	44	12	7	8	6.2%
Temple Quarter, Bristol[1]	2024	596	85	67	1	64	18	6.2%
TP Paddington, London[1]	2024	768	203	156	3	151	48	6.0%
Stratford, London[1]	2025	1,008	251	160	–	158	92	6.3%
East London[1]	2026	700	241	177	–	177	63	5.4%
Total University partnerships		**4,423**	**1,139**	**791**	**67**	**591**	**258**	**6.0%**
Total pipeline (Unite share)		**5,956**	**1,374**	**967**	**79**	**732**	**311**	**6.2%**

1. Subject to obtaining planning consent.

Asset management

In addition to our development activity, we see significant opportunities to create value through asset management projects in our estate. Our customer base is currently dominated by 1st-year and international students but we see opportunities to segment our portfolio to better address the needs of returning and postgraduate students. These opportunities will be particularly focused on those cities where we have gained additional scale through our acquisition of Liberty Living. This activity will consider upgrades to the specification of our buildings and amenity spaces as well as incorporating investments to improve energy and carbon performance.

These asset management projects typically have shorter lead times than new developments (often carried out over the summer period) and have the potential to deliver attractive risk-adjusted returns. We intend to invest £35–50 million p.a. into such opportunities, delivering uplifts to rental income equivalent to an additional 0.5–1.0% of annual rental growth across the Group portfolio.

During 2021 we committed to three asset management schemes in Manchester. Investment across the three projects is £42 million in aggregate, which is expected to deliver a 7% yield on cost. The projects will deliver new accommodation, refurbish existing rooms and enhance the environmental performance of the underlying assets. The upgraded assets will support our segmentation strategy, with new specification and service tailored to the postgraduate market.

Disposal activity

We continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best universities.

During the year, the Group contracted £261 million of disposals on a Unite share basis. This included a £133 million (Unite share: £90 million) portfolio of eight assets in Coventry, Wolverhampton, Birmingham, Exeter and Manchester to Aventicum at a 6.5% yield and a 2% discount to book value. Completion occurred during the year for seven of the assets with the sale of the remaining property in Manchester completing early in 2022. In June, we completed the sale of two London assets in Whitechapel and Wembley to LSAV for £342 million (Unite share: £171 million) at a 4.0% yield and in line with book value.

As part of our ongoing portfolio optimisation, we are in negotiations to sell a c.£235 million portfolio (Unite share) during the first half of 2022, which has been treated as held for sale in our year-end balance sheet.

Following these disposals, we will have largely completed the disposal programme set out at the time of our acquisition of Liberty Living in 2019. These disposals have helped to increase the alignment of our portfolio to the strongest university cities and our ability to sustain rental growth over a longer time horizon. Following our planned portfolio sale in 2022, we expect disposals to reduce to a lower level.

Nick Hayes
Group Property Director
23 February 2022

FINANCIAL REVIEW

MAINTAINING OUR FINANCIAL STRENGTH

A resilient and agile risk management approach has helped us navigate the Covid-19 pandemic

"The business delivered a strong recovery in financial performance in 2021, despite some ongoing disruption created by Covid-19."

Joe Lister
Chief Financial Officer

Income statement

The performance of the business has continued to be impacted by the Covid-19 pandemic during 2021 through lower occupancy, principally as a result of lower demand from international students, and rental discounts offered to students during national lockdowns.

A reconciliation of profit before tax to adjusted earnings and EPRA earnings is set out in summary below and expanded in note 8 of the financial statements.

	2021 £m	2020 £m
Adjusted earnings	**110.1**	**91.6**
LSAV performance fee	41.9	5.7
EPRA earnings	**152.0**	**97.3**
Valuation gains/(losses) and loss on disposal	182.2	(178.8)
Changes in valuation of interest rate swaps and debt break costs	6.7	(35.9)
Non-controlling interest and other items	2.2	(2.7)
IFRS profit/(loss) before tax	**343.1**	**(120.1)**
Adjusted earnings per share	27.6p	24.0p
IFRS basic earnings per share	85.9p	(31.8)p

The profit before tax of £343.1 million (2020: £120.1 million loss) includes adjusted earnings of £110.1 million (2020: £91.6 million) and the £41.9 million performance fee received in respect of LSAV performance (2020: £5.7 million), valuation gains and losses on disposal of £182.2 million (2020: £178.8 million loss), reflecting recovery of the income shortfall resulting from Covid-19, as well as £6.7 million of gains associated with changes in the valuation of interest rate swaps (2020: £35.9 million costs).

Cash flow and net debt

The Operations business generated £108.1 million of net cash in 2021 (2020: £57.3 million) and see-through net debt reduced to £1,522 million (2020: £1,742 million). The key components of the movement in see-through net debt were:

- Disposal proceeds of £241 million
- Operational cash flow of £114 million on a see-through basis
- Receipt of the LSAV performance fee of £53 million
- Total capital expenditure of £101 million
- Dividends paid of £65 million
- A £22 million outflow for other items including lease payments and swap cancellation fees

In 2022, we expect see-through net debt to increase as planned capital expenditure on investment and development activity will exceed anticipated asset disposals.

Debt financing and liquidity

As at 31 December 2021, the wholly owned Group had £421 million of cash and debt headroom (31 December 2020: £379 million) comprising of £96 million of drawn cash balances, and £325 million of undrawn debt (2020: £329 million and £50 million respectively).

The Group maintains a disciplined approach to managing leverage, with LTV reducing to 29% at 31 December 2021 (31 December 2020: 34%). The reduction in LTV during the year was primarily driven by proceeds from property disposals, the impact of valuation gains and the receipt of the LSAV performance fee, which more than offset the impact of capital expenditure in the period. We intend to dispose of £200–250 million of assets in 2022 (Unite share basis) to fund our development activity and manage our LTV target to 35% on a built-out basis. The level of disposals going forward will be lower than recent years following delivery of asset sales planned following our acquisition of Liberty Living.

With greater focus on the earnings profile of the business, we are continuing to monitor our net debt to EBITDA ratio, which we target to return to 6–7x over the medium term. The improvement in net debt to EBITDA in the year to 8.3x (2020: 10.1x) reflects the improved operational performance of the business and the reduction in gearing during the year.

During the year the Group refinanced and extended its £450 million revolving credit facility (RCF) with HSBC, NatWest and Royal Bank of Canada. The facility has an initial term of 3.5 years, which may be extended by a maximum of a further two years at Unite's request, subject to lender consent. The RCF incorporates three sustainability-linked performance targets linked to reductions in Scope 1 and 2 carbon emissions, improvements in EPC certifications and investments in social impact initiatives.

The Group published its Sustainable Finance Framework during the year. The framework sets up the criteria for financing projects through sustainable bonds, loans and other debt products. Underlying projects have a positive environmental and/or social impact, thereby contributing to the United Nations Sustainable Development Goals, while supporting the company's business strategy. These include green buildings, projects aimed at improving the energy efficiency of our properties and renewable energy as well as social initiatives including the provision of affordable housing, financial support for students through the Covid-19 pandemic and projects aimed at widening participation in post-18 education.

Continued over

FINANCIAL REVIEW *continued*

The Unite Group plc has maintained investment grade corporate ratings of BBB from Standard & Poor's and Baa2 from Moody's, reflecting Unite's robust capital position, cash flows and track record. During the year Moody's upgraded the Group's credit outlook from Stable to Positive, and Standard & Poor's upgraded from Negative to Stable, following recovery from the impact of Covid-19.

Interest rate hedging arrangements and cost of debt

Our average cost of debt based on current drawn amounts has reduced to 3.0% (31 December 2020: 3.1%). The Group has 90% of investment debt subject to a fixed or capped interest rates (31 December 2020: 75%), providing protection against future changes in interest rates. The repayment of amounts drawn from our RCF, as confidence in trading recovered from Covid-19, resulted in an increase in the average term and hedge ratio on our investment debt.

Our average debt maturity is 5.0 years (31 December 2020: 4.2 years) and we will continue to proactively manage our debt maturity profile, diversify our lending base and seek to lock into longer-term debt at rates below our current average cost of debt. Borrowings for the combined Group are well diversified across lenders and maturities and we are in the process of refinancing LSAV debt due to expire this year.

During the period, we published our Sustainable Finance Framework, aligned to our new Sustainability Strategy, which will enable future sustainable debt issuance and provide the opportunity to further diversify our sources of debt.

Key debt statistics (Unite share basis)	31 Dec 2021	31 Dec 2020
See-through net debt	£1,522m	£1,742m
LTV	29%	34%
Net debt:EBITDA ratio	8.3	10.1
Interest cover ratio	2.8	2.5
Average debt maturity	5.0 years	4.2 years
Average cost of debt	3.0%	3.1%
Proportion of investment debt at fixed rate	90%	75%

Dividend

We are proposing a final dividend payment of 15.6p per share (2020: 12.75p), making 22.1p for the full year (2020: 12.75p). The final dividend will be fully paid as a Property Income Distribution (PID) of 15.6p, which we expect to fully satisfy our PID requirement for the 2021 financial year. This represents a payout ratio of 80% of adjusted EPS for FY2021, which will remain our target dividend payout ratio going forwards.

Subject to approval at Unite's Annual General Meeting on 12 May 2022, the dividend will be paid in either cash or new ordinary shares (a "scrip dividend alternative") on 20 May 2022 to shareholders on the register at close of business on 19 April 2022. The last date for receipt of scrip elections will be 4 May 2022. During 2021, scrip elections were received for 17.8% and 2.4% of shares in issue for the 2020 final dividend and 2021 interim dividend respectively. Further details of the scrip scheme, the terms and conditions and the process for election to the scrip scheme are available on the Company's website.

CASE STUDY

OUR SUSTAINABLE FINANCE FRAMEWORK

Linking the company's financing strategy with our wider Sustainability Strategy

The Sustainable Finance Framework, announced in April 2021, enables us to fund our sustainability journey through debt instruments that are environmentally and socially impactful, allowing investors to more directly link the benefits of their funding to our sustainability objectives. The Framework sets up the criteria for financing projects through sustainable bonds, loans and other debt products. Initiatives include green buildings, projects aimed at improving the energy efficiency of our properties and renewable energy as well as social initiatives including the provision of affordable housing, financial support for students through the Covid-19 pandemic and projects aimed at widening participation in post-18 education.

Building on our commitment to our sustainability goals, in September 2021 a £450 million sustainability-linked unsecured revolving credit facility (RCF) from HSBC, NatWest and Royal Bank of Canada was launched incorporating three sustainability-linked performance targets aligned to our Sustainability Strategy. This RCF is our first sustainability-linked loan and future loans are expected to include similar sustainability-linked features against the UN Sustainable Development Goals (SDGs).

For more about this project, go online to:
unite-group.co.uk/media-and-pr

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we recognised a corporation tax credit of £2.8 million of (2020: £2.0 million charge), relating primarily to a £2.3 million tax credit in respect of prior years (2020: £0.3 million). The Government has confirmed that it does not expect purpose-built student accommodation to be subject to the Residential Property Developer Tax, aimed at funding remediation of cladding defects.

Funds and joint ventures

The table below summarises the key financials at 31 December 2021 for our co-investment vehicles.

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Total return	Maturity	Unite share
USAF	2,867	(806)	(105)	1,956	431	8.9%	Infinite	22%
LSAV	1,819	(628)	(18)	1,173	587	19.9%	2032	50%

USAF and LSAV have delivered a strong performance in the year, despite the challenging environment resulting from Covid-19. USAF's total returns reflect the payment of distributions retained from 2020 which, if excluded, decrease the effective total return of the fund to 6.9%. LSAV's stronger underlying total return reflects a greater increase in property valuations over the year, due to yield compression in London.

USAF is a high-quality, large-scale portfolio of 29,500 beds in leading university cities. The fund has positive future prospects through rental growth and investment opportunities in asset management initiatives, forward funds and targeted acquisitions. Unite is currently engaging with unitholders in its role as fund manager to determine the best way to fund both USAFs ongoing capital requirements and continued growth. Unite is currently considering increasing its investment in USAF, either by way of a purchase of secondary units or subscription to new equity, subject to availability of units and pricing. This will provide an additional route for Unite to gain access to high quality income producing assets.

USAF reinstated distributions in April having suspended them in 2020 to preserve cash in response to Covid-19. The secondary market for USAF units continues to operate effectively with £52 million of units trading in 2021 at a 2% average discount to NAV. During the year, Unite extended the LSAV joint venture with GIC for a further 10 years to 2032. Unite will be entitled to receive a performance fee from LSAV equivalent to 12.5% of returns in excess of 8% p.a. in the period from 2021 to 2032. Unite will continue to act as property and asset manager for the duration of the new joint venture on existing terms and fee levels.

Fees

During the year, the Group recognised net fees of £15.9 million from its fund and asset management activities (2020: £14.0 million). The increase was driven by the recovery in NOI and growth in asset valuations as a result of yield compression and Covid-19 disruption unwinding.

Following the quarterly LSAV valuation at 30 September 2021, Unite received a payment of £53 million from GIC in full settlement of the LSAV performance fee due from 2012–2021, with £41.9 million being recognised in the year, representing the balancing amount not previously recognised in 2019 and 2020. The increase in the fee was due primarily to the strong performance of valuations in LSAV in 2021 and the certainty created by the extension of the joint venture.

	2021 £m	2020 £m
USAF asset management fee	12.0	10.7
LSAV asset and property management fee	3.9	3.3
LSAV performance fee	41.9	5.7
Total fees	**57.8**	**19.7**

Joe Lister
Chief Financial Officer
23 February 2022

RISK MANAGEMENT

RESILIENT AND AGILE

Our approach to risk helped the business deliver the strong 2021 performance

"Our risk management framework is designed and operates to ensure the Board can clearly identify our risks and assess our risk profile and risk appetite."

Chris Szpojnarowicz
Company Secretary
and Group Legal Director

Our risk management framework

The Board has overall responsibility for the oversight of risk as well as maintaining a robust risk management framework and internal control system, with the Audit Committee reviewing the effectiveness of our risk management and internal control processes. Our risk management framework is designed to ensure the Board can clearly identify our risks, assess our risk profile and set our risk appetite, and ensure these risks are being managed and mitigated transparently and effectively. Integral to this design is ensuring we are agile and resilient, which proved especially critical through 2020 and 2021 as we navigated the dynamic and widespread challenges of Covid-19.

1. Board leads risk review

Assessing our overall risk profile and setting our risk appetite. Active consideration of our principal risks and our agility in reacting when the unexpected happens or new requirements arise.

2. Top-down review

Identifying a wide range of strategic and emerging risks and opportunities.

3. Bottom-up review

Challenging risks identified by operational management and more technical risks such as information technology, security, business continuity, GDPR, financing and treasury.

4. Board searches externally for best practice

Engaging with senior leaders in the Higher Education sector and technical experts on key issues such as Covid-19 and fire safety.

Output – six risk categories

Market risks (supply and demand)	Operational risks	Property/ development risks	ESG risks	Financial risks	People risks
Read more on **pages 79–81**	Read more on **pages 82–83**	Read more on **pages 84–85**	Read more on **pages 86–87**	Read more on **page 87**	Read more on **page 88**

The Board conducts a twice-yearly dedicated risk review. This considers risks with both a top-down review (identifying a wide range of strategic and emerging risks and opportunities) as well as a bottom-up review (challenging the detailed risk trackers produced by the Customer and Property Leadership Teams). As part of this focused risk review, the Board undertakes its annual assessment of the principal risks facing the Group, taking account of those that would threaten our business model, future performance, solvency or liquidity as well as the Group's strategic objectives.

As the UK and the rest of the world continued to live with Covid-19 through 2021, we continued to adapt our approach to risk management as appropriate. Whilst we remained vigilant to the impact that Covid-19 could have on our principal risks, the Board remained satisfied that there were no fundamental changes to our principal risks due to Covid-19.

Our risk management framework and how we assess our principal risks, identify emerging risks and ultimately manage and mitigate risk are set out on the following pages.

Our Covid-19 risk response

The Group continued to take a proactive and pragmatic approach to managing the business in response to the changing nature of the ongoing pandemic. The health, safety and wellbeing of our customers and employees has always been a principal risk and Covid-19 underlined the importance of putting them first. This safety risk has remained elevated and as the pandemic continued through the course of 2021, alongside physical health, the risk to mental health and wellbeing of our student customers and our people has significantly increased.

To protect the risk to our reputation, the Board's Covid-19 risk plan ensured clear dialogue and engagement with our customers, Public Health England, local authorities, Universities and other stakeholders as well as direct Government engagement. As we navigated the impact of the pandemic for our business, staying loyal to our value 'doing what's right' guided our decision making. This was demonstrated with the measures we put in place to respond to Covid-19 for our customers and employees. This included protecting our long-term reputation and enhancing our University partnerships through the pandemic; Unite waived rent for students who choose to return home during the third term of 2019/20 academic year, offered discounts to those not using their accommodation during the third national lockdown in early 2021, offered late check-out at the end of the 2020/21 academic year and early check in at the start of the 2021/22 academic year, offering up to three weeks' free accommodation to those students arriving from amber list countries to enable them to self-isolate. We also ensured a safe working environment for our employees (for more, see page 5).

The Board's decision at the start of the pandemic to conserve cash through (among other things) cancelling dividends and deferring two developments proved effective and with improving student occupation for the 2021/22 academic year and an improving Covid-19 outlook, the Board was able to reinstate dividends and resume the development activities.

To manage our Financing risks, the Board continued the detailed monitoring of headroom under our banking covenants under various stress tested scenarios. Covenants vary between facilities but are principally based on LTV and interest cover ratios (ICRs). The ICR ratios were especially challenged by the widespread nature of the pandemic and its impact on income. The Board ensured proactive engagement with lenders.

Continued over

PRINCIPAL RISKS AND UNCERTAINTIES

Our risk appetite

The Group's risk appetite is considered as a fundamental part of the Board's strategy setting and annual budget – it does not happen in isolation. Our risk appetite is underpinned by our objective of being a responsible and resilient business whilst delivering for our customers and universities with attractive returns for our shareholders.

During the year, the Board continued to regularly review and assess our risk appetite against the context of the especially fluid and uncertain Covid-19 situation with a primary focus on the resilience of the business and its agility. This considered both threats to – and opportunities in – our business as well as wider macro risk developments impacting the PBSA sector and the broader Higher Education sector, property market and economy.

Our overall risk appetite in the year was broadly unchanged from the previous financial year, with the Board taking an ongoing prudent approach to risk and opportunity whilst the impact and duration of the pandemic continues as uncertain.

Risks – and the related benefits of our actions – are reviewed and assessed with a greater emphasis on their impact on all stakeholders – employees, customers, universities, investors and suppliers – along with wider society in the context of Covid-19 and its impact on the economy.

Stress testing / scenario planning and our Strategic Plan

Each year, the Board develops and refreshes the Group's Strategic Plan. This is based on detailed three-year strategic/financial projections (with related scenario planning) and rolls forward for a further two years using more generic assumptions. The Board maps our strategic objectives against our risk profile. Then, always conscious that risk events do not necessarily happen in isolation, the Board stress tests these projections against multiple combined risk events. Through this process, a base case and stress-tested Strategic Plan are developed.

During 2021, this scenario planning continued to closely monitor Government and public health authority guidance on Covid-19, the ongoing and adapting operating plans of universities for 2021/22 and 2022/23 academic years, as well as the emerging impacts of Brexit on overseas student mobility. The Board developed a wider range of scenarios and stress tests to assess our preparedness and ability to withstand adverse market conditions.

Creating the right corporate culture for effective risk management

The Group's risk management framework is designed to identify the principal and emerging risks, ensure that risks are being appropriately monitored, controls are in place and required actions have clear ownership with requisite accountability.

This year, in recognition of the continued growth of the business, we made some changes to how we manage risk and related assurance activities. We appointed a Group Risk and Assurance Director to embed best practice in risk management across the business. In addition, with effect from 1 January 2022, we have expanded the scope of the Audit Committee; recognising the importance of risk in all that we do and the increasing regulatory burden with TCFD and the potential changes that may arise from the Department for Business, Energy & Industrial Strategy white paper "Restoring trust in audit and corporate governance", so it becomes the Audit & Risk Committee. The Committee will have increased oversight for risk and provide the Board with further assurance over risk management in the Group.

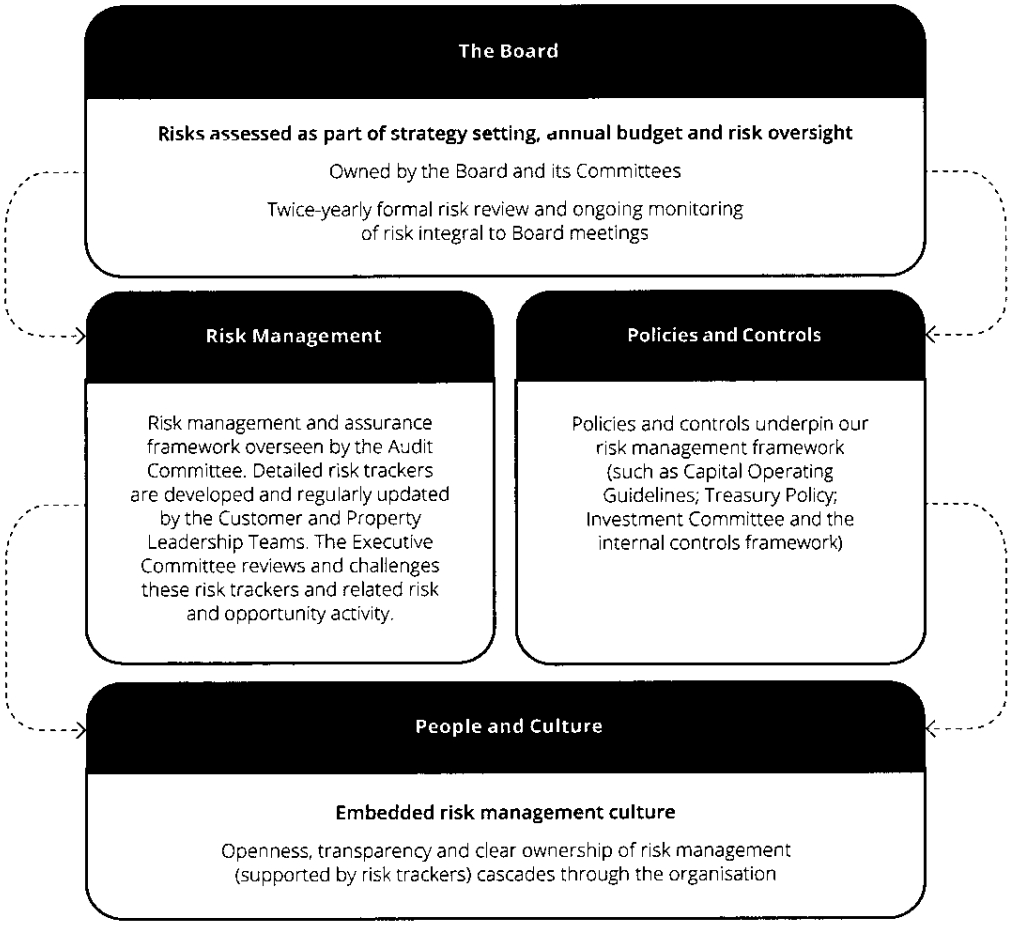
The organisation has an open and accountable culture, led by an experienced leadership team operating in the sector for a number of years. This culture is set by the Board in the way it conducts its Board and Committee meetings and cascades through the organisation enabling a suitable culture for risk management.

The culture of the organisation recognises – and accepts – that risk is inherent in business and encourages an open and proactive approach to risk management as opposed to a blame culture. By viewing our risks through the lens of our strategic objectives, the Group is able to ensure risk management is pro-active and pre-emptive and not a tick box exercise.

The Board has the overall responsibility for the governance of risks and ensures there are adequate and effective systems in place. It does this in various ways:

- Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities – risk is recognised as an inherent part of each opportunity
- A twice-yearly formal review by the Board of principal risks, how they are changing and considering any emerging risks
- Enhanced stress testing/scenario planning to reflect the changing nature of Covid-19
- The Executive Committee considers and updates the principal and emerging risks that the Group is facing or should consider and then brings these to the Board for its detailed assessment of these risks
- Specific risk management in dedicated Board sub-Committees allowing focus on specific risk areas (for example, the Audit Committee, Health and Safety Committee and the Sustainability Committee)
- The Executive Committee and senior leadership team scrutinise and challenge management activity allowing a focused forum for risk identification and review
- Risk assurance through external and internal auditors as well as specialist third party risk assurance where appropriate

OUR RISK MANAGEMENT FRAMEWORK



OUR KEY RISK INDICATORS

Our Service Platform	Our Properties	University Partnerships
Safety	Gross Asset Value	Safety
Customer satisfaction	Asset age	Higher Education trust
Employee engagement	Occupancy	Customer satisfaction
	Rental Growth	% Nominations

PRINCIPAL RISKS AND UNCERTAINTIES continued

Robust assessment of principal risks

The Directors confirm that they have conducted a robust assessment of the principal and emerging risks facing the Group together with an assessment of the procedures to identify emerging risks. The process for how the Board determined these risks is explained above and these risks are set out on pages 79–88.

Viability statement

The Directors have assessed the viability of the Group over a three year period to December 2024, taking account of the Group's current position and the potential impact of its principal risks. The Directors consider the three year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period combined with the levels of planning certainty that can be derived from the development pipeline. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2024.

The outlook and future prospects beyond the viability period for the business remains strong, reflecting the underlying strength of student demand, our alignment to the strongest universities and the capabilities of our best-in-class operating platform. There are significant growth opportunities for the business created by the ongoing shortage of high quality and affordable purpose-built student accommodation, universities need to deliver an exceptional student experience through their accommodation and the growing awareness of the benefits of PBSA among non-1st-year students. In particular, we see opportunities for new developments and University partnerships, building on the strength of our enhanced reputation in the sector.

The Group achieved an improvement in financial performance from the 2020/21 academic year and expects a further improvement in financial performance from the 2021/22 academic year. The Directors believe that UK universities will continue to experience strong demand from UK students as the 18 year old demographic profile becomes increasingly favourable and the further relaxation of international travel restrictions allows increased numbers of international students to study in the UK. The Group has an annual business planning process, which comprises a Strategic Plan, a financial forecast for the current year and a financial projection for the forthcoming three years (which includes stress testing and scenario planning and also rolls forwards for another two years). This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan is cascaded down across the Group and provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and longer-term incentive schemes.

The financing risks of the Group are considered to have the greatest potential impact on the Group's financial viability. The three principal financing risks for the Group are:

- short-term debt covenant compliance
- the Group's ability to arrange new debt/replace expiring debt facilities; and
- any adverse interest rate movements

The Group has secured funding for the committed future development pipeline, which includes the Unite and Liberty Living unsecured loan facilities and prepares its Strategic Plan on a fully funded basis in line with the three year outlook period. Disposals are an important part of our strategy with the recycling of assets out of our portfolio generating capital to invest in development activity and other investment opportunities.

To hedge against the potential of adverse interest rate movements the Group manages its exposure with a combination of fixed rate facilities and using interest rate swaps for its floating rate debt. During the year the Group has complied with all covenant requirements attached to its financing facilities.

Read our Financial review on **pages 70–73**

MARKET RISK

1 Demand reduction: driven by macro events (such as Covid-19, Government policy around HE or immigration and Brexit uncertainty)

POSSIBLE EVENTS

- Longer term impact of Covid-19 including possible restrictions on travel and societal change such as changing patterns of study / alternative course delivery
- Changes in Government policy on Higher Education funding
- Immigration policy changes affecting international student numbers and behaviour
- Brexit impacting numbers of EU students coming to study in the UK

POTENTIAL IMPACT

- Covid-19 impacted the business in the 2020/21 academic year leading to a loss of income compared to plans; improving position for the 2021/22 academic year.
- Potential reduction in demand, leading to reduced profitability and asset values
- Departure from EU impacting EU research grants and EU students coming to the UK

RISK MANAGEMENT OBJECTIVE

Read about our **Business model** on **pages 8–14**

- Offering market leading customer service is key to helping us address any reduction in demand. Ensuring we have high quality properties aligned to universities with a growing share of student demand mitigates demand reduction

WHAT HAPPENED IN 2021

- Covid-19: ongoing impact for the business alongside wider and indirect global impact
- Student applications: The number of applicants and the number of students accepted onto courses in 2021 was 750,000 and 562,000 respectively (2020: 729,000 and 570,000)
- Brexit disruption continued through 2021
- UK continued as second most popular international destination for students after the US
- The 2020/21 academic year was the first year of the new two-year post-study work visa for international students (three years for postgraduates)
- September 2021 saw the launch of the Turing Scheme, replacing the EU Erasmus scheme
- Uncertainty continues as to when any of the recommendations in The Higher Education Funding Review (published in May 2019) will be implemented
- Increased focus on quality and length of nomination agreements

RISK MITIGATION IN 2021

Read more about **Market review** on **pages 27–29**

- Ongoing monitoring of Covid-19 guidance from the Government and public health authorities as well as extensive dialogue with our HE partners on their dynamic operating plans. Prepared budgets and business plans under a variety of scenarios and stress tests to assess our preparedness and ability to withstand the adverse market conditions
- Government dialogue and ongoing monitoring of Government HE and immigration policy and its impact on UK, EU and international student numbers studying in the UK
- Implemented our plan for our key Brexit operational risks – People, Procurement and Development – through our Brexit Disruption Plan
- Regularly reviewed our portfolio to ensure we have a quality portfolio, appropriately sized and in the right locations
- Undertook a refresh of our core purpose – Home for Success – with a series of 'Fresh Start' employee events. The focus of the events was to put our customers, students living with us, back at the heart of everything we do, empowering our teams to give a great customer experience in in their cities and properties

FOCUS FOR 2022

- Capitalise on the energy from the Fresh Start events and continue to drive excellent customer service
- Continuing to work with our HE partners on their dynamic operating plans and increase the number of beds under nominations agreement
- Ongoing monitoring of Government HE funding and immigration policy
- Engagement with the two largest think tanks in HE to understand and influence future HE policy
- Focus on driving higher levels of re-bookers
- Continued focus on portfolio management, using disposals to reduce exposure in higher risk markets

PRINCIPAL RISKS AND UNCERTAINTIES *continued*

MARKET RISK

2 Demand reduction: value-for-money/affordability

POSSIBLE EVENTS

- Increasing focus on the cost of a university education – affordability and value – with increasing value-for-money demanded by students
- Increasing risk of blended university learning (digital plus in person) – accelerated by Covid-19
- Emerging risk of shorter/more semester-led courses and increasing home study
- Emerging risk of monitoring or regulation of the costs, rents, profitability and value-for-money of student accommodation
- Potential for London Weighting applied to student finance to be removed as part of the Government 'levelling-up' review
- Emerging risk of Further Education being promoted over HE

POTENTIAL IMPACT

- Covid-19 has directly impacted the student experience and elevated concerns around university education affordability and value-for-money. This has generally focused on questions around the value of the student experience with students studying on-line through the pandemic and limitations on their in-person study and wider university life experience
- More competition and reduced demand for year-round student accommodation in the longer-term resulting in lower profitability and asset values

RISK MANAGEMENT OBJECTIVE Read our **Business model** on **pages 8–14**

- Offering quality service is key to ensuring we have relationships with the high and mid ranked Universities, the ones most likely to sustain a reduction in demand. We have embarked on a transformation programme to ensure our operating platform remains world-class and helps us deliver the best customer service efficiently
- Offering a wider range of product enables students to have more choice

WHAT HAPPENED IN 2021 Read more about **Market review** on **page 27–29**

- Increasing proportion of second and third year students chose PBSA. 65% of direct-lets are to non 1st-years.
- Alongside our 'Fresh Start' events, we re-launched our Resident Ambassador programme, with 191 ambassadors focused on finding the voice of the student community in properties, working with our in property teams to deliver a more personalised experience and not a 'one size fits all'.

RISK MITIGATION IN 2021

- Having waived 2020 summer rents for students returning home due to Covid-19 during the first national lockdown early in 2021, Unite was the first PBSA operator to offer 50% discounted rents and a complimentary four week extension in the summer to allow students to enjoy the summer in their university cities conscious this was an especially challenging time for them
- Provided flexible check-in for students during September/October 2021
- Offered international students from "amber list" countries three weeks accommodation free of charge at the start of the 2021/22 academic year to enable them to self-isolate
- Connected students via the MyUnite digital app before they moved in so they could get to know each other in advance
- Further investment in training to provide increased provision and access to student wellbeing and mental health support, including:
  - Enhanced student welfare services, including bespoke support for students who are shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme
  - Online chat rooms for students in the same building, and online events run by student ambassadors
  - MyUnite App: students communicate remotely with our in property teams without having to leave their rooms
  - 24/7 support through the Unite Emergency Contact Centre and a partnership with Nightline
  - Dedicated welfare leads for all students including those in quarantine and/or self-isolation
  - Worked closely with our University partners supporting students and maintaining our focus to keep all students and staff safe across our properties through the pandemic

FOCUS FOR 2022

- Working with our HE partners on their dynamic operating plans during the continuing pandemic and ensuring we st'll provide the best and valued customer experience, whilst keeping everyone safe
- Demonstrating the value-for-money of our offer compared to alternatives, with our continued focus on Home for Success and our brand promise
- Ongoing monitoring of Government higher education funding
- Working with HE partners to increase the number of beds under nominations agreements
- Ongoing review of our services, product proposition and specif cation
- Greater segmentation of product for customers

MARKET RISK

3 Supply increase: maturing PBSA sector and increasing supply of PBSA beds

POSSIBLE EVENTS

- New supply of beds as sustained high levels of investment demand filter into the development market, primarily through investors providing forward commitments to smaller developers

POTENTIAL IMPACT

- More competition for the best sites
- Potential impact on rental growth and occupancy

RISK MANAGEMENT OBJECTIVE

Read more in **Operations review** and **Property review** on **pages 56-69**

- Offering great service as well as having high quality properties is critical to mitigating any supply surplus

WHAT HAPPENED IN 2021

- New supply impacted by more challenging planning environments and the emergence of the private rent sector (PRS) as an alternative option for sites that could have been developed for PBSA
- The PBSA sector continues to mature and is becoming increasingly professionalised

RISK MITIGATION IN 2021

Read more about **Market review** on **pages 27-29**

- Disciplined investment approach to markets with supply/demand imbalance
- Exposure to the best universities underpinned with our new developments secured with nomination agreements
- Investment in our brand and student experience – creating better environments within our new developments through Home for Success
- Maintaining strong relationships with key Higher Education partners

FOCUS FOR 2022

- Our portfolio: delivering our development pipeline underpinned with strong University partnerships
- Our people and our operating platform: ensure our people and systems continue to help us deliver consistently high levels of service to students and universities alike
- Our capital structure: ensuring we have a strong yet flexible capital structure so we can adapt appropriately as supply grows
- Completion of the disposal programme set out at the time of the Liberty Living acquisition in 2019, increasing the alignment of our portfolio to the strongest university cities and sustain rental growth over a longer time horizon

PRINCIPAL RISKS AND UNCERTAINTIES continued

OPERATIONAL RISK

4 Major health and safety (H&S) incident in a property or a development site

POSSIBLE EVENTS

- Covid-19 impacting our customers, employees and contractors
- Fatality or major injury from a fire or other incident at a property
- Multiple contractor injuries at a development or operational site

POTENTIAL IMPACT

- Covid-19 impacting both the physical and mental health of our customers and employees
- Fire or similar safety incident impacting our employees, the students living with us, contractors working on-site and visitors
- Reputational damage and loss of trust in Unite as a reliable partner

RISK MANAGEMENT OBJECTIVE

Read our **Business model** on **pages 8–14**

- Ensuring the safety of our customers, contractors and employees is fundamental to our service offer

WHAT HAPPENED IN 2021

Read more about Health and Safety Committee report | **pages 130–133**

- Covid-19 has impacted our safety risk in many ways. Our safety risks such as fire and contractor safety continue, and in some cases are even increasing. More students are cooking in their student accommodation so there is an increased risk of kitchen fires and we have seen other behavioural challenges. Along with the physical health impacts of Covid-19, our students' and employees' wellbeing and mental health are being challenged even more than usual
- Changes to Building Regulations continued the focus on fire safety especially in high-rise residential properties
- Focus on combustible materials continued, with high-pressure laminates (HPL) and other materials under review, with a high number of properties remediated during the year
- Fire safety management – despite Covid-19, continued focus on our policies and procedures, risk assessments, training and fire records
- Continued working closely with Ministry for Housing, Communities and Local Government (MHCLG) and local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings

RISK MITIGATION IN 2021

- H&S has direct Board supervision by the H&S Committee (a sub-Committee of the Board) which actively supervises H&S, ensuring robust policies and procedures are in place and consistently complied with
- H&S is also actively reviewed in the Customer Leadership Team and Property Leadership Team, ensuring that H&S is top of mind in our day-to-day operations and regularly assessed and validated
- First accommodation provider to achieve Covid Secure status accredited by the British Safety Council
- Regular dialogue and engagement with Public Health England, local authorities, our various stakeholders as well as direct Government engagement on Covid-19
- Comprehensive Covid-19 risk management programme, including:
  - Covid Response Team, Covid Secure Workplace and Covid Secure BSC Assurance
  - Covid audits by our Regional H&S Managers (these audits consist of 20 questions checking whether we are compliant with our Covid safe requirements e.g. staff are wearing facemasks; sanitiser stations are stocked, and additional cleaning regimes are in place)
  - Our Covid Wiki page (our online employee repository for Covid information) with working safely guidance, change of lay out and 'how-to' videos
  - Recognising the increasing mental health risk, we expanded our H&S wellbeing for employees and appointed Healthy Work Company to work with our operational and safety teams
- Continued engagement with Faithful & Gould for assurance on Development safety risk (this includes specific Covid-19 audits on sites as well as a Wellbeing focus)
- Finding ways to show visible leadership for Safety & Wellbeing driven by our senior leaders. We measure how our teams feel safe and well at work through Glint employee surveys and how our customers feel safe and secure in their homes (NPS)
- Well-resourced health and safety team, working with our customer facing teams on a continual basis
- Use of audits and external consultants to ensure that we are maintaining high standards
- Fifteen buildings with HPL remediated during the year with minimum disruption to students

FOCUS FOR 2022

- Monitoring the dynamic Covid-19 situation and proactively revising our operating practices
- Further strengthen the H&S team with the appointment of a Director of Safety
- Continued focus on the safety and wellbeing of our customers, employees and contractors
- Implementation of our cladding remediation plan with activity prioritised according to our risk assessments, starting with those over 18 metres in height
- Monitoring and preparing for emerging fire & building safety regulations

OPERATIONAL RISK

5 Information Security and Cyber threat

POSSIBLE EVENTS

- Significant loss of personal or confidential data or disruption to the corporate systems either through cyber attack or internal theft/error

POTENTIAL IMPACT

- Reputational and / or financial damage with increased scrutiny including sanctions and fines

RISK MANAGEMENT OBJECTIVE

Read our **Business model** on **pages 8–14**

- Having strong but proportionate controls to minimise risk of data loss and to ensure we are compliant with information security and data protection regulations

WHAT HAPPENED IN 2021

- Responded to the external Cyber Maturity Assessment completed in Q4 2020, making further improvement in our Information Security approach and controls with the implementation of its key recommendations
- Technical security controls aligned to industry standards which was supported through external security testing and renewal of our certification under the Cyber Essentials Plus scheme
- Agreed Information Security Strategy and Technical Security Roadmap
- Progressed improvement in security controls through implementing the Information Security Management System aligned to ISO27001
- External penetration test undertaken with all high risk findings addressed promptly
- Ongoing programme of training and awareness to promote everyone's responsibility to protect information, especially personal data
- Continued to capture customers' self-isolation status data to support with Covid-19 response activity

RISK MITIGATION IN 2021

- Provided ongoing support to the challenges presented by Covid-19, such as technical improvements to support increased remote working, improved awareness for employees on information risks of working from home and ensuring the increase in personal data collected for tracking was handled appropriately
- Continued monitoring of the increased data protection risks due to the processing of Covid-19 health related data. Steps taken to mitigate the risk included cross-functional collaboration, strict access and data retention controls and stringent procedural controls
- Conducted the Security Awareness For Everyone (SAFE) Programme driving new initiatives and education campaigns
- Monitoring of emerging cyber threats to identify any issues that required a response
- Information Security and Data protection policies in place to define rules for protecting information. Range of policies and supporting procedures are being expanded
- Developed Information security vulnerability assessment and threat hunting capability
- Improved Information Security Incident Management procedures, with a focus on our repose to the increased threat of Ransomware
- Conducted a review and gap assessment of the Data Protection activities to define an improved framework approach
- Renewed Cyber Insurance policy

FOCUS FOR 2022

- Continue the alignment with the ISO27001 Information Security standard, which provides a framework for a risk-based approach to identifying, implementing and improving security controls
- Re-launch the Information Security Committee as the Information Security and Data Protection Committee (IS&DPC) and associated working group to better enable business level engagement with Information owners
- Expand the perpetual security monitoring and testing activities
- Continue to monitor the processing of, and controls in place for, Covid-19 health related data

PRINCIPAL RISKS AND UNCERTAINTIES continued

PROPERTY/DEVELOPMENT RISK

6 *Inability to secure the best sites on the right terms. Failure or delay to complete a development* within budget and on time for the scheduled academic year

POSSIBLE EVENTS

- Covid-19 impacting delivery of schemes to programme
- Site acquisition risk – increasing competition for the best sites
- Planning risk – delays or failure to get planning
- Construction risk – build cost inflation due to increasing development (albeit tempered by Covid-19 / economic uncertainty)
- Construction execution risk – delivery delays impacting labour/ materials coming from outside the UK
- *Disposals risk – inability to execute our disposals programme*
- *Climate risk – physical, regulatory and transactional risks* associated with climate change and the environmental impact of our development activity

POTENTIAL IMPACT

- NTA and EPS affected by deferred schemes and/or reduced financial returns, with cash tied up in development
- Reputational impact of delivering a scheme late and leaving *students without accommodation*
- Recycling our portfolio through disposals is a critical aspect of our development strategy and failure to deliver planned disposals may result in a deteriorating net debt position and negatively impact our ability to commit to all our planned *development pipeline*
- *Potential increases in construction costs as we seek to reduce* the carbon intensity of our developments and comply with more stringent building regulations

RISK MANAGEMENT OBJECTIVE Read more about our **Sustainability Strategy** on **pages 34-49**

- Optimising our portfolio
- *High-quality service for students and universities*
- Reduce our environmental impacts

WHAT HAPPENED IN 2021 Read more about our **Property review** on **pages 62-69**

- Resumed development activity for schemes deferred in 2020 to conserve cash due to Covid-19
- Developed plans for delivery of our first net zero buildings
- Secured development and university pipeline partnerships of £967million representing c.6,000 beds for delivery over the next 4 years

RISK MITIGATION IN 2021 Read more about our **development pipeline** and **University partnerships pipeline** on **pages 62-69**

- Experienced development team with extensive site selection and planning expertise, coupled with strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing. Group Board approval for commitments above a certain threshold
- Financial investment in schemes carefully managed prior to grant of planning
- Managed development delivery despite Covid-19 as well as managed Brexit-related disruption
- Regular development team and property review, with Group Board Director oversight to ensure failure to secure sites or complete on time are managed in the budget
- Detailed planning pre-applications and due diligence before site acquisition
- Build cost inflation regularly appraised and refreshed. Mid-sized framework contractors used and longer-term relationships established to mitigate cyclical swings
- *Engagement with our supply chain regarding future reductions* in embodied carbon through our development activity, for example through building design and material specification

FOCUS FOR 2022 Read more about **secured development** and **partnerships pipeline** on **pages 62-69**

- *Optimising our portfolio:*
  - Growing alignment to strongest universities
  - New investment focused on 8-10 markets (London and prime regional cities)
  - Securing more sites to build the pipeline for 2024 and beyond
  - Continued discipline around capital recycling with focus on building/location quality and targeting £200–250m of disposals in 2022.
  - *Reducing the impact of our operational carbon emissions* as well as embodied carbon from our development and refurbishment activity
- Managing Development cost inflation

PROPERTY/DEVELOPMENT RISK

7 Property markets are cyclical and performance depends on general economic conditions

POSSIBLE EVENTS

- Buying, developing or selling properties at the wrong point in the cycle

POTENTIAL IMPACT

- Reduction in asset values reducing financial returns and leading to an increase in LTV

RISK MANAGEMENT OBJECTIVE

Read more about our **Business model** on **pages 8-14**

- Managing the quality of our portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best universities

WHAT HAPPENED IN 2021

Read more about **Property portfolio** and **Disposals** on **pages 62-69**

- The purpose-built student accommodation sector continued to deliver strong performance relative to the wider UK real estate sector amid the disruption caused by Covid-19. Strong sector fundamentals and a track record of consistent rental growth continue to attract significant volumes of capital to the sector
- Earlier in the Covid-19 pandemic, transaction activity slowed but transaction activity now returning especially where sellers are willing to provide a one-year income guarantee to buyers
- The average net initial yield across the portfolio is 4.9% (December 2020: 5.0%). At a city level, there was yield compression in London and other super prime provincial markets, offset by a further increase in yields in more fully supplied provincial markets

RISK MITIGATION IN 2021

- Group Board and Property Leadership Team ongoing monitoring of property market, direction and values
- Ensuring we have a strong yet flexible capital structure so we can adapt appropriately to market conditions
- Clear and active asset management strategy
- Acquisitions – disciplined acquisitions strategy exercising caution over portfolio premiums being paid in the market. Careful management of net debt and LTV
- Maintaining disciplined approach to new development transactions by maintaining Group hurdle rates

FOCUS FOR 2022

- Continue monitoring of Covid-19, Government and central bank policies and their impact on the property market and general economic conditions. Ensuring a strong yet flexible capital structure to manage the property cycle
- Ongoing monitoring of build cost inflation and factoring this into our appraisal of future schemes
- Continued focus on Home for Success and our partnerships with stronger universities

PRINCIPAL RISKS AND UNCERTAINTIES continued

SUSTAINABILITY / ESG RISK

8 ESG risk: failing to proactively address the environmental, social and governance risks demanded of Unite Students as a responsible business

Environmental risks: the risk of not addressing the impact of climate change on our business and not addressing the transition to a low carbon economy

- Regulatory risks: ongoing evolution of more stringent climate related regulations such as energy efficiency standards and reporting standards
- Physical risks: increased frequency and severity of extreme weather events such as high winds, intense rainfall and heatwaves
- Transition risks: risk associated with the transition to a low carbon economy such as increased regulation, rising stakeholder expectations on performance and disclosure, reducing embodied carbon, asset stranding, energy supply challenges and rising non-commodity costs
- Stakeholder risks: not being prepared and / or able to meet increasing expectations from our investors, Higher Education partners and our student customers around reducing our contribution to climate change

Social risks: the risk of not delivering the social aspects of our Sustainability Strategy:

- Opportunities for all and our ED&I and Wellbeing commitments for our people and customers
- Social impact through positive engagement with our customers, University partners and communities

Governance risks: the risk of not meeting the increasingly stringent and complex reporting requirements and wider governance around sustainability

POTENTIAL IMPACT

- Reputational and financial impacts arising from lack of clarity about environmental targets and enforcement action for non-compliance, such as on minimum standards for EPCs
- Damage to properties and disruption to customer experience, operations and supply chain due to extreme weather events
- Reduced investor confidence and access to finance
- Requirement for significant capital investment and asset management activity to address these environmental risks

RISK MANAGEMENT OBJECTIVE Read more about our **Sustainability Strategy** on **pages 34–49**

- Deliver our Sustainability Strategy
- Deliver energy and carbon performance improvements required to follow UK decarbonisation targets

WHAT HAPPENED IN 2021 Read our **Sustainability Committee report** on **pages 126–129**

- Launched our Sustainability Strategy and established our Sustainability Committee
- Published our Net Zero Carbon Pathway, validated by the Science Based Targets Initiative (SBTI)
- A key milestone for 2021 was the purchase of around 20% of our electricity direct from a windfarm in Scotland under a new corporate power purchase agreement
- Our Group's revolving credit facility on renewal was converted into a sustainable loan agreement with 3 KPIs linked to our environmental and social initiatives, namely: (1) targeted reductions in Scope 1 & 2 carbon emissions, (2) improvements in the % of assets with an A-C EPC rating and (3) the value of social investments made by the business, including the Unite Foundation
- Increasing stakeholder expectation around ESG performance and disclosure, and themes such as Task Force on Climate-related Financial Disclosures (TCFD), GRESB and net zero carbon emissions
- Volatile wholesale energy markets with ongoing uncertainty and complexity, and increasing non-commodity costs
- Achieved MSCI ESG rating: AA (2020: AA), CDP Climate Change rating B and GRESB score and rating: 85 (2020: 81)
- Launched our Positive Impact programme; an iteration of the NUS Green Impact scheme, a United Nations award winning programme which targets sustainable behaviour change, driving activities with organisations and their customers to support this

RISK MITIGATION IN 2021

- Developed our Asset Transition Plans as part of our building energy performance strategy to manage EPC risk exposure and deliver performance improvements across our portfolio as well as closer integration with asset management and development activity
- Enhanced focus in the wider business on improving sustainability performance and reporting
- Implementing further corporate power purchase agreements (PPAs) linking a proportion of our baseload energy consumption directly to renewable energy generation assets
- Continued investment in energy efficiency initiatives to deliver real world energy and carbon savings
- Disclosed in line with EPRA sBPR, achieving Silver rating

8 ESG risk: failing to proactively address the environmental, social and governance risks demanded of Unite as a responsible business

FOCUS FOR 2022

- Embed sustainability in our "business as usual"
- Ongoing review of our sustainability targets and performance and delivery of our Sustainability Strategy
- Complete the asset transition plans for all our properties
- Complete the development of our Social Investment Fund which will act as the umbrella for all the social investments carried out by the Group, focusing on activity which directly benefits young people through education, life skills and employment

FINANCING RISK

9 Balance sheet liquidity risk / compliance with debt covenants

POSSIBLE EVENTS

- Breach a debt covenant
- Inability to replace debt on expiry
- Interest rate increase
- Unable to meet future financial commitments

POTENTIAL IMPACT

- Breaching a debt covenant may lead to an event of default followed by a repayment demand which could be substantial
- Inability to replace debt on expiry may lead to a possible forced sale of assets potentially below valuation. Slowdown of development activity
- Adverse interest rate movements can lead to reduced profitability and reduction in property values (through resulting expansion of valuation yields and lower valuations)

RISK MANAGEMENT OBJECTIVE

Read more about our **Business model** on **pages 8-14**

- Deliver for our customers and universities with attractive returns for our shareholders, whilst being a responsible and resilient business
- Managing the quality of our portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best universities

WHAT HAPPENED IN 2021

Read more about **Financial review** on **pages 70-73**

- Due to Covid-19, our debt covenants, like for so many borrowers, were fundamentally tested by the sudden, unexpected and wide ranging shock of the pandemic. There has been a specific focus on ICR covenants, not historically a risk and not necessarily designed for a shock such as this
- Maintained our disciplined approach to leverage, with see-through LTV of 29% at 31 December 2021 (31 December 2020: 34%)
- Unite Group PLC maintained investment grade corporate ratings of BBB from Standard & Poor's and Baa2 from Moody's, reflecting Unite's robust capital position, cash flows and track record
- See-through average cost of debt 3% (31 December 2020: 3.1%) and 90% of see-through investment debt is subject to a fixed interest rate (31 December 2020: 75%) for an average term of 5 years (31 December 2020: 4.2 years)
- Compliance with our debt covenants

RISK MITIGATION IN 2021

- Mitigated the Covid-19 reduced income by (among other things) reducing our dividends and reducing costs where possible
- Due to Covid-19 and specifically ICR covenants, continued our increased covenant monitoring across a range of income / stress scenarios to ensure that if any risks emerge, we are ready to identify further action and work with lenders well in advance of formally reporting a covenant breach. In addition, external audit review of covenant compliance through the Going Concern process
- Proactive engagement with all our lenders
- Interest rates monitored by the funding team as an integral part of our refinancing activity – owned by the CFO and with Group Board oversight
- Gearing ratios defined in our Capital Operating Guidelines and reviewed and approved by the Group Board
- Interest rate exposure hedged through interest rate swaps and caps and fixed rate debt

FOCUS FOR 2022

- Ongoing monitoring of cash headroom, liquidity and covenant headroom / compliance
- Extend the maturity profile of our debt and diversify our funding sources
- Funding future development acquisitions beyond 2023

PRINCIPAL RISKS AND UNCERTAINTIES continued

PEOPLE RISK

10 Unable to attract, develop and retain an appropriately skilled, diverse and engaged workforce

POSSIBLE EVENTS

- Disproportionate effect of Covid-19 on the workforce due to Government policy decisions, impact of long Covid
- Loss of talent to other purpose-built student accommodation providers
- Fail to meet our obligations / commitments in ED&I areas

POTENTIAL IMPACT

- Higher absences through illness
- Potential for corporate liability
- Unable to attract high calibre talent to the business
- Unable to deliver challenging business strategy in the next five years
- Reputational damage from not meeting ED&I targets

RISK MANAGEMENT OBJECTIVE

Read more about our **Business model** on **pages 8–14**

- People are key to the delivery of our service to students and universities

WHAT HAPPENED IN 2021

- New People team recruited to drive the core strategy forward
- New Culture Matters forum launched; designed to put the employee voice 'front and centre' in supporting the shaping of our people strategy
- Succession planning for key roles
- Training co-ordination and tracking was centralised, bringing more consistency
- Delivered ED&I training to our senior leaders
- Maintained our Real Living Wage status

RISK MITIGATION IN 2021

- Covid-19 secure environment, with policies and procedures reviewed in line with Government advice and policy
- Notice periods for key members of staff reviewed and amended
- Provided a range of channels for our teams to ask questions and feedback
- We held regular 'Unite Live' sessions with our CEO and key senior leaders to provide business updates with the opportunity to ask questions
- Conducted our employee engagement survey and shared findings with our teams to help jointly develop actions plans
- Implemented flexible working policy

FOCUS FOR 2022

- Finalise, communicate and embed the strategy for ED&I and Wellbeing
- Improve training and awareness
- Focus on succession plan and supporting personal development through launch of training academy
- Introduction of mentoring for talent with high potential
- Review and update recruitment policies and practices, including how we promote roles
- Explore the use technology to mitigate bias in recruitment

The Strategic Report on pages 1–88 was approved on 23 February 2022 by the Board and is signed on its behalf by:

Richard Smith
Chief Executive Officer

GOVERNANCE

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CHAIR'S INTRODUCTION TO GOVERNANCE

A SUCCESSFUL AND RESILIENT 2021

The Board's governance has supported delivery of a successful year

"The Board's response early in the pandemic, ensuring the right governance and dedicated resources were in place, has helped the business with this resilient performance through 2021"

Richard Huntingford
Chair

Through the hard work and dedication of our teams, underpinned by our robust governance and risk management framework, we have seen the business deliver a strong performance in 2021. The Board's response early in the pandemic, ensuring the right governance and dedicated resources were in place, has helped the business with this resilient performance through 2021. The Board has overseen the return to earnings growth driven by increased occupancy, whilst in parallel ensuring we enhance our portfolio by growing the development pipeline and delivering disposals.

The safety of our customers and employees has always been one of our key risks and especially so through the pandemic. It was important we remained open and fully operational, providing safe and secure homes to so many young people at such a critical part of their life, and our British Safety Council Covid Secure accreditation and our engagement with universities and public health authorities, have enabled us to do so. We took a number of key steps to ensure the safety and wellbeing of our customers, employees, and visitors to our sites. These are detailed in the Health and Safety Committee report on pages 130–131.

The challenges of Covid-19 weighed heavily on our key stakeholders, in particular our customers, whose lives and studies continued to be impacted by the pandemic. The Board recognised the ongoing disruption to students during the national lockdown in early 2021 and living our values and especially 'doing what's right', we offered additional rental discounts to students unable to use their accommodation. The Board has overseen over £100 million of financial support to students through the pandemic and believes this response has strengthened our reputation with students, parents, universities, and Government.

The Board's focus on our values and specifically 'doing what's right' and 'raising the bar together' has also driven our new Sustainability Strategy, launched in early 2021. Conscious this is a complex and dynamic area, the Board established our new Sustainability Committee early in 2021 to ensure governance and strategic oversight of the delivery of stretching new targets to reduce our environmental impact, improve opportunities for employees and raise standards across the student housing sector. Critical to the Board overseeing how we will reduce our environmental impact, is our 2030 net zero carbon roadmap, published at the end of 2021 and validated by the Science Based Targets Initiative (SBTi). This gives the Board assurance and confidence in the delivery of our Sustainability Strategy. For more detail, see the Sustainability Report on page 34 and the Sustainability Committee report on page 126.

Through the work of the Nomination Committee, we have reviewed our Board composition. Our mix of complementary skills and range of expertise across the higher education, real estate, finance, and hospitality sectors has supported us well through the pandemic. This is my first year as Chair, following Phil White stepping down on 31 March 2021, and I am grateful for Phil's leadership making Unite what it is today and helping prepare our platform for growth. During the year, Richard Akers also stepped down from the Board due to his other business commitments. I am grateful for Richard's valuable contributions to the Board with his wealth of real estate experience and sound judgement.

The Board sees growing demand for higher education in the UK together with further demand for high-quality, value-for-money student accommodation. We see this demand as a driver for the business's organic growth, whilst the Board also considers our strategy for growth through further development, University partnerships and potentially other living sectors complimentary to our operating platform and customer focus.

Engagement with our wider stakeholders continues as key to our growth, along with robust and effective governance and risk management.

The following pages explain how our governance and stakeholder engagement have supported us through 2021 and how it will continue to support our growth and sustainability in the longer-term.

Richard Huntingford
Chair
23 February 2022

BOARD OF DIRECTORS

Richard Huntingford
Chair

N A R H S

Years on the Board: 2

Richard joined the Board on 1 December 2020 and became the Chair on 1 April 2021.

Relevant skills, experience and contribution

Richard is a chartered accountant, and has over 30 years of plc board experience including as Chief Executive of Chrysalis Group plc between 2000 and 2007 and as a Non-Executive Director of Virgin Mobile Holdings (UK) plc. His Chair roles have included Wireless Group plc (formerly UTV Media plc), Creston plc and Crown Place VCT plc and Richard is currently Chair of Future plc.

Richard's proven FTSE chair, wider non-executive and executive experience helps us ensure best practice in board effectiveness and corporate governance. His wealth of experience in public company governance and leadership, corporate finance, investment, business development, investor relations and media helps us drive our strategy development and effective engagement with our wider stakeholders.

External appointments

- Future plc (Chair)
- JP Morgan Mid Cap Investment Trust plc (Non-Executive Director)

Richard Smith
Chief Executive Officer

N A R H S

Years on the Board: 10

Richard became Chief Executive Officer in June 2016 after working as Unite's Managing Director of Operations since 2011 and joining the business as Deputy Chief Financial Officer in 2010.

Relevant skills, experience and contribution

Prior to Unite, Richard spent 19 years in the transport industry, working in the UK, Europe, Australia and North America. Richard spent 14 years at National Express Group where he held a range of senior finance, strategy and operations roles, including Group Development Director and Chief Financial Officer, North America.

Richard continues to lead the successful development, communication and implementation of the Group's strategy, providing clear and valued leadership and delivery of the Group KPIs. His engagement with our investors helps ensure our strategy is well understood and valued. His operational expertise has helped ensure the business's resilience and ongoing delivery through the challenges of Covid-19 whilst ensuring the Group is well-placed for growth.

External appointments

- Industrials REIT Limited (Non-Executive Director)

Joe Lister
Chief Financial Officer

N A R H S

Years on the Board: 13

Joe joined Unite in 2002 and was appointed Chief Financial Officer in January 2008 having previously held a variety of roles including Investment Director and Corporate Finance Director.

Relevant skills, experience and contribution

Joe has continued to lead the design and delivery of the Group's sustainable growth and financial performance, which was especially tested through 2020 and 2021 by Covid-19. Joe's deep experience of our business and especially our funding arrangements has been critical in helping us navigate the challenges of the pandemic. Together with Richard, Joe ensures the development and communication of the Group's ongoing performance and strategy with our investors. Joe is the Executive Board lead for our Sustainability Strategy, our Property portfolio and our Information Systems and Technology (this includes Board responsibility for information security and data protection).

External appointments

- Helical PLC (Non-Executive Director)

Committee key

- N Nomination Committee Member
- A Audit Committee Member
- R Remuneration Committee Member
- H Health & Safety Committee Member
- S Sustainability Committee Member
- C Committee Chair

Elizabeth McMeikan
Senior Independent Director

N A R H S

Years on the Board: 8

Elizabeth was appointed a Non-Executive Director in February 2014 and became the Senior Independent Director of Unite in January 2018.

Relevant skills, experience and contribution

Elizabeth has significant experience in customer-focused businesses previously working at Tesco and Colgate Palmolive, where she was successful in driving growth through an understanding of customer needs and an innovative marketing approach. Previously she was a Non-Executive Director of JD Wetherspoon plc, the chair of Moat Homes Ltd, a leading housing association in the South East, and CH & Co Ltd, a privately owned catering company.

Elizabeth brings her extensive consumer-focused experience, both as an executive and also on the boards of other FTSE companies, to help oversee the design and development of our customer proposition and enhanced customer service. As Senior Independent Director of Unite, Elizabeth supports the Chair in the effective running of the Board, and as Chair of the Remuneration Committee, helps ensure the Executive Directors' and broader senior leadership's remuneration is aligned to the long-term sustainable success of the Group.

External appointments

- McBride plc (Non-Executive Director)
- Dalata Hotel Group Plc (Non-Executive Director)
- Fresca Group Ltd (Non-Executive Director)
- Custodian REIT plc (Senior Independent Director)

Ross Paterson
Non-Executive Director

N A R H S

Years on the Board: 5

Ross joined Unite in September 2017 and became the Audit Committee Chair in January 2018.

Relevant skills, experience and contribution

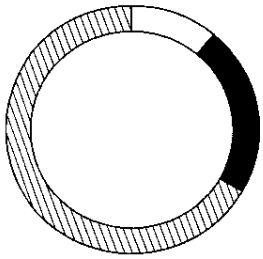
Ross is the Finance Director of Stagecoach Group plc, and as a member of Stagecoach's Board is responsible for finance, business development and legal.

Ross contributes to Unite's Board using his many years' experience of managing finance in a complex operational business like our own. He also brings valued insight to innovation as we continue to enhance our service offer to our student customers. Ross uses his financial and broader business experience as Chair of the Audit Committee, helping oversee the Group's financial rigour and delivery.

External appointments

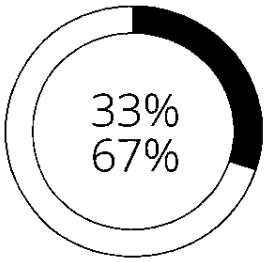
- Stagecoach Group plc (Finance Director)
- WCT Group Holdings Limited (Non-Executive Director)
- Institute of Chartered Accountants of Scotland (Business Policy Panel member)

Composition of the Board



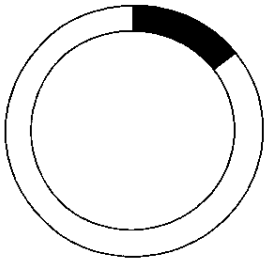
- Chair 1
- Executive Directors 2
- Non-Executive Directors 6

Gender diversity



- Female 3
- Male 6

Independence



- Non-Executive Directors 1
- Independent Non-Executive Directors 6

BOARD OF DIRECTORS continued

Ilaria del Beato
Non-Executive Director

N A R H S

Years on the Board: 4

Ilaria was appointed a Non-Executive Director in December 2018. Ilaria is also our Designated Non-Executive Director for Workforce Engagement.

Relevant skills, experience and contribution

Ilaria is CEO of Frasers Property UK, part of Frasers Property, a global real estate group. Ilaria was formerly CEO of GE Capital UK, a regulated Bank and corporate lender and led GE Capital Real Estate UK, a commercial real estate investor, developer and lender.

Ilaria brings her 30 years of experience in real estate, including asset management, investment and lending, to the Group. This experience is vital to the Group as we navigate the ongoing and upcoming market uncertainties and increasing professionalisation of the sector.

External appointments

- Frasers Property UK (CEO)

Dame Shirley Pearce
Non-Executive Director

N A R H S

Years on the Board: 3

Dame Shirley joined the Board in November 2019 as a Non-Executive Director and Chairs our Sustainability Committee.

Relevant skills, experience and contribution

Dame Shirley has held chair, senior executive and non-executive roles at board level in Higher Education, health and policing with experience of both the public and private sectors. Shirley was Vice Chancellor of Loughborough University from 2006–2012 and was board member at the Higher Education Funding Council for England, the Universities and Colleges Employers Association, and the Healthcare commission, as well as being a Non-Executive Director of Health Education England, and the Norfolk, Suffolk and Cambridgeshire Strategic Health Authority. She has held senior governance roles at the LSE, and was appointed an independent reviewer of the Teaching Excellent Framework. She was appointed CBE in 2005 for services to education in the NHS and in 2014 appointed DBE for services to Higher Education.

Dame Shirley brings her wide ranging and hands on experience in the HE sector to the Board. This is especially critical at a time of ongoing change in the sector, where her insight and knowledge of HE and broader policy initiatives help inform the Board on our strategic direction. As Chair of Sustainability Committee, Shirley helps ensure appropriate oversight of our Sustainability Strategy.

External appointments

- Committee on Standards in Public Life (Independent member)
- Higher Education Quality Assurance Panel for the Ministry of Education in Singapore
- Royal Anniversary Trust (Trustee)
- HCA (Advisory Board member)
- Association of University Administrators AUA (Hon President)

Thomas Jackson
Non-Executive Director

N A R H S

Years on the Board: 3

Thomas joined as a Non-Executive Director in November 2019 following the Group's acquisition of Liberty Living from CPPIB.

Relevant skills, experience and contribution

Thomas has been the head of CPP Investments' UK real estate business since 2015 and is responsible for CPP Investments' entry into a number of new real estate sectors, including student housing, life sciences and the Build-to-rent sector. In addition to sitting on the Board of The Unite Group PLC, Thomas also sits on a number of CPP Investments' office, retail and logistics Joint Venture boards. Beyond the UK, Thomas is also responsible for CPP Investments' real estate investment activity in Germany and the CEE regions. Thomas originally joined CPP Investments in 2011 and was instrumental in its transaction activity in Spain, the Nordics and India.

Prior to joining CPP Investments, Thomas was a Vice President in the real estate investment banking team at Macquarie bank and focused on M&A transactions within the UK and European public and private real estate companies.

Thomas brings wide ranging real estate experience, not only from the student housing sector, but also his wider build-to-rent, retail and logistics real estate experience to the Board. His international experience will also be invaluable for the Board, helping provide a wider perspective on developments in real estate as the Board progresses further its strategic thinking.

External appointments

- Canada Pension Plan Investment Board (Managing Director, Head of Real Estate, UK)

Committee key

- N Nomination Committee Member
- A Audit Committee Member
- R Remuneration Committee Member
- H Health & Safety Committee Member
- S Sustainability Committee Member
- C Committee Chair

Professor Sir Steve Smith
Non-Executive Director

N A R H S

Years on the Board: 2

Professor Sir Steve joined the Board on 1 April 2020.

Relevant skills, experience and contribution

Professor Sir Steve brings his wealth of experience in the HE sector. He was the Vice-Chancellor and Chief Executive of the University of Exeter from 2002 to August 2020. Sir Steve was the president of Universities UK (2009–2011), Chair of UCAS (2012–2019), served on the Boards of UUK and the Russell Group, and was Chair of the UUK International Policy Network (2014–2020).

Between 2007 and 2010, Sir Steve led for Higher Education on the Prime Minister's National Council of Excellence in Education, which provided advice to Government about strategy and measures to achieve world-class education performance for all children and young people. Sir Steve was knighted in 2011 for services to Higher Education locally and nationally.

Sir Steve's extensive experience in the HE sector contributes to how the Board navigates a changing HE sector. In addition, his hands-on knowledge and insight into how universities operate help us develop stronger University partnerships. Sir Steve also Chairs our Health and Safety Committee and his on-campus knowledge helps us ensure our approach to safety is well aligned with our customers, universities, employees and wider stakeholders.

External Appointments

- Chair of the Liveable Exeter Place Board
- Trustee for Fulbright Programme

Chris Szpojnarowicz
Company Secretary

N A R H S

Years with Unite: 8

Chris was appointed Company Secretary and Group Legal Director in 2013.

Relevant skills, experience and contribution

Prior to Unite, Chris held General Counsel roles at GE, MTV Networks and other multinationals. He was previously an M&A/corporate and commercial lawyer at Clifford Chance and Baker McKenzie. Chris uses his general counsel and corporate/commercial legal experience to ensure our corporate and risk governance is aligned with our business activity.

External appointments

- The West of England Friends Housing Society (Board Trustee)

BOARD STATEMENTS

Under the UK Corporate Governance Code, the Board is required to make a number of statements. These statements are set out below

COMPLIANCE WITH THE CODE

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Unite Group PLC is listed on the London Stock Exchange and is subject to the requirements of the UK Corporate Governance Code 2018 (the "Code"). The Board is required to apply the principles of the Code and to either comply with the provisions of the Code or, where it does not, explain the reasons for non-compliance. The code is available at www.frc.org.uk	The Board considers that the Company has, throughout the year ended 31 December 2021, applied the principles and complied with the provisions set out in the Code except in relation to (a) Provision 19: Chair tenure: Phil White resigned as the Chair and Non-Executive Director on 31 March 2021 after serving on the Unite Board for ten years and was succeeded by Richard Huntingford as Chair on 1 April 2021, who was independent on appointment (see explanation on page 96 of 2020 Annual Report on Chair tenure and successor appointment); (b) Provision 38: alignment of Executive Director pension contributions with the workforce (see explanation on page 138 of the Directors' Remuneration Report) and (c) Provision 40 and 41: Engagement with the workforce on remuneration policy (see explanation on page 152 of the Directors' Remuneration Report).	Details on how the Company has applied the principles and complied with the provisions can be found throughout this Corporate Governance section of the Annual Report. The table below on page 98 details where disclosure against the principles of the Code can be found in this Corporate Governance report.

GOING CONCERN

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Board is required to confirm that the Group has adequate resources to continue in operation for the foreseeable future.	After making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.	More details on the Going Concern statement can be found on pages 190–191.

VIABILITY STATEMENT

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties set out on pages 76–88.	Taking account of the Company's current position and principal risks, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to December 2024.	More details on the Viability statement can be found on page 78.

PRINCIPAL AND EMERGING RISKS FACING THE GROUP

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Board is required to confirm that it has carried out a robust assessment of the principal and emerging risks facing the Company and include a description of these principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	A robust assessment of the principal and emerging risks facing the Company was undertaken during the year, including those arising from climate change and Covid-19, and those that would threaten its business model, future performance, solvency or liquidity, together with an assessment of the procedures to identify emerging risks.	Information around key risks and risk management processes and how they are being managed or mitigated can be found on pages 74–88 and on pages 120–125 of the Audit Committee report.

RISK MANAGEMENT AND INTERNAL CONTROL

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness.	The Board conducted a review of the effectiveness of the internal controls, supported by the work of the internal auditor and their reports to the Audit Committee. No significant weaknesses were identified through the course of the reviews.	Details on the systems of risk management and internal control can be found on pages 74–88.

FAIR, BALANCED AND UNDERSTANDABLE

REQUIREMENT	BOARD STATEMENT	MORE INFORMATION
The Board should confirm that it considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	The Directors consider, to the best of each person's knowledge and belief, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	See the Audit Committee report on pages 120–125.

BOARD STATEMENTS continued

COMPLIANCE WITH THE CODE

The Company's disclosures on its application of the principles of the Code can be found in the table below:

BOARD LEADERSHIP AND COMPANY PURPOSE	PAGE
A. Long-term sustainable success and contribution	Pages 12 to 13, 15 to 17, 34 to 49
B. Purpose, values and culture	Pages 99 to 102
C. Resources and control framework	Pages 74 to 78, 102
D. Engagement with shareholders and stakeholders	Pages 12 to 13, 15 to 17, 104
E. Workforce policies and practices	Pages 12, 15, 35, 41, 42, 46, 101, 102, 104

DIVISION OF RESPONSIBILITIES	PAGE
F. Board leadership	Pages 106
G. Board composition and responsibilities	Pages 106
H. Role and commitment of Non-Executive Directors	Pages 106
I. Board effectiveness	Pages 107

COMPOSITION, SUCCESSION AND EVALUATION	PAGE
J. Board appointments, succession plans and diversity	Pages 118 and 119
K. Board experience, skills and knowledge	Pages 92 to 95, 107
L. Board evaluation	Pages 114

AUDIT, RISK AND INTERNAL CONTROL	PAGE
M. Internal and external audit – independence and effectiveness	Pages 124
N. Fair, balanced and understandable	Pages 120 to 125
O. Risk management and internal controls	Pages 74 to 88, 124

REMUNERATION	PAGE
P. Remuneration policies and practices – long-term strategy and success	Pages 134 to 167
Q. Development of policy on remuneration	Pages 136, 142
R. Judgement and discretion	Pages 135, 142, 144, 151

BOARD LEADERSHIP AND PURPOSE

GOVERNANCE LEADERSHIP AND CORPORATE CULTURE

The Board is responsible for establishing the Company's purpose, values and strategy, promoting its culture, overseeing its conduct and affairs, and for promoting the long-term sustainable success of the Company for the benefit of its members and stakeholders.

Our Purpose – Home for Success

The Board has defined our purpose: to create a Home for Success for all our students. We do this by providing communities within our properties where students can succeed both professionally and personally. Our purpose describes our shared commitment and motivation and helps us articulate our business model, develop our strategy, operating practices, approach to risk and how we engage with our stakeholders.

Home for Success is about providing the right home experience for all the tens of thousands of students that come to live with us each year from across the globe and to enable them to achieve whatever goals and ambitions they aspire to. The Board oversees our service proposition and how we keep our students safe and secure. Our purpose of Home for Success and 'doing what's right' led to the Board's decision to offer further rental discounts in 2021 and complimentary tenancy extensions into the summer of 2021 to allow students to explore and enjoy their university cities following the ongoing Covid-19 disruption. This has enhanced our reputation with students, parents, universities and the Government and underlines our Home for Success purpose.

The Board's focus on Home for Success is also about ensuring the right platform for our University partners by understanding their long-term aspirations, accommodation requirements and evolving expectations around student welfare. This means our offer is built around the priorities of students and universities alike. Our focus on our Home for Success purpose and the quality and resilience of our operating platform has enabled all our properties to remain open during national lockdowns, providing homes to our student customers throughout Covid-19.

With our people being at the heart of our business, the Board's focus on Home for Success is also about ensuring an environment whereby our employees can grow, develop, succeed and belong. The Board is driven by our commitment to develop diverse and inclusive teams, filled with positive energy and new ideas. We provide a range of career pathways and make opportunities for progression available to all.

The Board has ultimate responsibility to Unite's shareholders for all the Group's activities as well as a broader responsibility to consider the views of other key stakeholders including our customers, universities, employees and the communities we operate in as well as considering environmental and social issues when making decisions. This responsibility is intertwined into our purpose of Home for Success.

Our values and culture

We remain committed to our purpose, continuing to evolve through our stakeholder engagement and our people. The Board's ambition is to have a 'One Team' culture, where our values can reflect the mindset, behaviours and attitudes we aspire to role model across the business. These continue to shape our culture, capture who we are, the things we believe in and how we act. They connect us and drive our behaviours. As we progress on our journey, we do so with an enhanced commitment to doing what's right. This goes beyond regulatory compliance and relates to all aspects of the business including the impact on our people and communities.

During 2021, the Board approved the formation of our 'Culture Matters' employee forum. The Board wanted to ensure our employees' voice is 'front and centre' in shaping and implementing our People strategy. This forum ensures two-way communication between the Board and the wider company, involving and engaging employees through consultation, enabling them to contribute to the success of the business. Ilaria del Beato, our Designated Non-Executive Director for Workforce Engagement, attends the forum meetings. This forum also underpins a number of employee networks already established across the business including the Women's and LGBT+ forums.

How the Board monitors our culture

Our culture defines what makes Unite a great place to work and a great company to do business with and forms the fundamental basis for our governance. The Board monitors corporate culture through interaction and dialogue with our people and also through regular employee engagement surveys and site visits. This Board interaction takes place right through the organisation, helping ensure our values and culture are well understood and giving our people the opportunity for frank and open feedback and the sharing of different views.

Our employee surveys help measure engagement through their participation rates as well as the feedback received across the broad range of topics surveyed. During 2021, the Board resumed its City visits (not possible through 2020 due to Covid-19) and visited our operations in Cardiff, a new city for Unite following our Liberty Living acquisition, and our new developments in Bristol. Our +20 HE Trust score shows universities trust us to support them and gives an insight on our culture from our external stakeholders. Our initiatives undertaken supporting our Values mentioned on pages 99–101 reflects our values led culture.

BOARD LEADERSHIP AND PURPOSE continued

Our Values and Culture continued

Our Values

The Board led the development of our values, which guide the organisation in delivering our purpose of a Home for Success, where everyone feels they belong and are treated equally.

CREATING ROOM FOR EVERYONE

Being authentic and striving for a truly diverse and inclusive environment

Unite is a business that strives to be welcoming and inclusive to all, creating an opportunity to participate and feel valued. The Board has zero tolerance of any form of discrimination and embraces cultural diversity to provide an environment that enables everyone to be their true selves, creating a sense of belonging for everyone.

- 34% female / 66% gender split in leadership team
- 66% of managerial roles filled internally
- 83 individuals hired supporting Government's Kickstart scheme
- 514 Foundation scholars supported since 2012 and 254 scholars graduated
- Signed up for Black Interns programme
- Six city team training sessions held under Leapskills programme

KEEPING US SAFE

Safety is at the heart of our brand and at the core of everything we do

The Board believes we are at our best when everyone around us is at their best. Looking after everyone's wellbeing, both physically and mentally remains the Board's key priority. Safety is not just something else we do, it is part of everything we do and is weaved through the entire business and culture.

- Seven RIDDOR accidents
- British Safety Council Covid Assurance Assessment compliant
- Over 1,000 bodycam/solo protect cameras in operation across our city teams

DOING WHAT'S RIGHT

Always operate with a highly ethical, collaborative and solution driven mindset

Being a responsible business is part of our DNA. The Board always looks to do the right thing in the right way, creating trust for our people, our students, our University partners and the communities we operate in. This drives the Board's actions and decisions as demonstrated by the Board's leadership in the decision to offer rent discounts and four-week complimentary summer extensions of tenancy agreements due to the pandemic. The Board challenges the status quo when needed and takes accountability for its actions.

- Net Carbon Zero commitment by 2030
- Real Living Wage employer
- Gold Investor in People accreditation
- Launch of first Culture Matters employee engagement forum
- Over £73 million invested in replacement of cladding
- Social programmes including Leapskills and Unite Foundation
- Partnership with the British Heart Foundation

RAISING THE BAR TOGETHER

Continuously focused on improving the way things are done

The Board's ambition is to constantly strive to be better, by embracing an inquisitive mindset and exploring the potential of our people's own development. This does not mean constantly trying new ideas but focusing on our own expertise and building on that. The Board uses clear insight and data to help inform us and understand what really matters to students, driving efficiency, effectiveness and a great customer experience every time.

- +35 Customer satisfaction NPS
- +20 Higher Education Trust NPS
- Maintained a GRESB 4-star rating and improved score to 85
- Service improvements driven by ideas submitted by employees

For more about our culture and values, go online to:
unite-group.co.uk/cultureandvalues

BOARD LEADERSHIP AND PURPOSE *continued*

Fresh Start – reinvigorating our Purpose, Values and Culture

Following Covid-19 disruption through 2020, the Board was keen to reinvigorate our purpose, values and culture once physically meeting together again became possible through 2021. To support this, the business ran 19 Fresh Start events across 16 cities, with everyone across the business invited. The Board's focus for these events was to ensure we put our customers back at the heart of everything we do, empowering our teams to give a great customer experience in their cities and properties. After 18 months of working through the Covid pandemic, this also provided an opportunity to bring teams together and spend quality time as a team.

Unite Live

Unite Live provides employees with an opportunity to engage with our Chief Executive Officer and senior leadership directly through an online forum. Any question can be tabled about working in Unite with regular questions relating to safety, wellbeing and diversity.

We update our people on business developments through weekly updates from our Communications team and via a range of platforms including the employee intranet, the Hub.

BOARD SITE VISITS

5

properties visited by the Board during the year

Board oversight

The Board discharges some of its responsibilities directly and others through Committees and senior management. Terms of Reference for the Committees are available in our Governance Framework, published on www.unite-group.co.uk/about-us/corporate-governance. To discharge their broader responsibility effectively, the Group operates in an open, harmonious and transparent manner, ensuring open communication between the Board and the business and its stakeholders.

During 2021, the Board started meeting again in person where Covid-19 guidance allowed this but also held hybrid meetings ensuring there was ample opportunity to listen and hear directly from the leadership team, the wider business and our stakeholders. During 2021, this included comprehensive engagement with our employees, customers and universities on the impact of Covid-19 as well as our environmental and social impact.

The Board also receives updates on business performance from our leadership team, including the Chief Customer Officer, Group Investment & ESG Director, Group Property Director, Deputy Chief Financial Officer, Chief Strategy Officer, Head of Health & Safety, Group Communications Director, Head of Energy & Environment, Chief Technology Officer, Higher Education Engagement Director and Group Legal Director & Company Secretary (among others).

The Board is also responsible for:

- Assessing, monitoring and promoting the Company's culture, and ensuring that this closely aligns with its purpose, values and strategy (see page 99–101, Our Values and Culture).
- Ensuring the necessary resources are in place for the business to meet its strategic objectives. During 2021, this required the Board to ensure there was an appropriate balance between dedicated resources to focus on Covid-19 whilst ensuring other teams could also focus on other strategic priorities such as Fire Safety and implementing our Sustainability Strategy.
- Establishing workplace policies and business practices that align with the Company's culture and values and support its strategy (see page 104).
- Overseeing the implementation of a robust controls framework to allow effective management of risk, with this oversight delegated to the Audit Committee (see pages 120–125).
- Effective succession planning for key senior personnel, much of which is delegated to the Nomination Committee (see pages 117–119).

The Board has ultimate responsibility to Unite's shareholders for all the Group's activities as well as a broader responsibility to consider the views of other key stakeholders including our customers, universities, employees, suppliers and the communities we operate in as well as considering environmental and social issues when making decisions. All of the Board's significant decisions are considered having regard to Section 172 and specifically the likely consequences of these decisions in the long term and their impact on our stakeholders. Pages 12–17 of the Strategic Report highlight how the Board has sought to effectively consider and engage with our shareholders and wider stakeholders.

While the above summarises the key areas of Board responsibility, it is not intended to be exhaustive.

Board structure

Board Committees

The Board has delegated certain responsibilities to its Committees, as detailed on the following pages. The terms of reference for each Committee are reviewed annually.

During 2021, the Board established the Sustainability Committee to oversee the implementation of our Sustainability Strategy and ensure Unite is a responsible, resilient and sustainable business.

The current membership of each Committee of the Board is set out in the chart below:

NOMINATION COMMITTEE

The Nomination Committee reviews the structure, size, composition, skills and experience of the Board and focuses on succession planning with due regard to diversity.

© **Richard Huntingford**
Elizabeth McMeikan
Ross Paterson
Ilaria del Beato
Professor Sir Steve Smith
Shirley Pearce
Thomas Jackson
Richard Smith

See **committee report** on **pages 117–119**

AUDIT COMMITTEE

The Audit Committee oversees the financial reporting, risk management and internal control procedures.

© **Ross Paterson**
Ilaria del Beato
Professor Sir Steve Smith

See **committee report** on **pages 120–125**

REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration policy in consultation with shareholders for the remuneration of the Board and the implementation of this policy.

© **Elizabeth McMeikan**
Ross Paterson
Shirley Pearce
Professor Sir Steve Smith

See **committee report** on **pages 134–167**

HEALTH & SAFETY COMMITTEE

The Health and Safety Committee oversees the performance of the Group's health and safety and helps drive the Group's "Safe and Secure" promise.

© **Professor Sir Steve Smith**
Elizabeth McMeikan
Ilaria del Beato
Shirley Pearce
Richard Smith

See **committee report** on **pages 130–133**

SUSTAINABILITY COMMITTEE

The Sustainability Committee oversees the implementation of the Sustainability Strategy and helps ensure Unite is a responsible, resilient and sustainable business.

© **Shirley Pearce**
Richard Smith
Ross Paterson
Ilaria del Beato
Thomas Jackson

See **committee report** on **pages 126–129**

© Committee Chair

BOARD LEADERSHIP AND PURPOSE continued

How the Board operates and stakeholder engagement

The Board has an annual operating rhythm with an agenda of items for the forthcoming year built around our strategic objectives. The Board's meetings are split between strategy (considered in light of principal and emerging risks, opportunities and the approval of specific investments above certain thresholds as well as ESG and longer term sustainability) and routine operational, property and financial updates (providing context for the strategic discussions as well as governance oversight of in-year activity).

Meetings usually take place throughout the UK, often at universities or in our operating cities, although this was more challenging during the pandemic. These meetings enable the Board to meet Vice-Chancellors and learn about their experiences with Unite, their accommodation requirements more generally and broader developments in the Higher Education sector. In the beginning of this year meetings took place virtually or as hybrid meetings (to allow for ongoing social distancing measures) and in the summer of 2021 resumed in person meetings once this was possible.

Senior leaders are regularly invited to attend meetings and present to the Board. These meetings provide the Board, and in particular the Non-Executive Directors, with direct and open access to leaders throughout the Group and helps build a culture of openness and directness. In addition, external experts are also invited to present to the Board (such as university Vice-Chancellors and property valuers) to give the Directors a broader and independent perspective.

Stakeholder engagement on pages 12–17 explains how the Board engages and measures the views of our key stakeholders and the outcomes from this engagement.

Workforce engagement and the role of our Designated Non-Executive Director for Workforce Engagement

The Board has designated one of its Non-Executive Directors (Ilaria del Beato) to help ensure the views and concerns of the workforce are brought to the Board and taken into account following the framework of 'listen, reflect and represent'. The Board chose Ilaria since she is a CEO at a real estate group and thus well placed to understand current challenges faced by employees and also since Ilaria is a member of our Sustainability Committee which includes our Social impact as part of its ESG remit.

Her role includes:

- attending the Culture Matters forum;
- monitoring our employee engagement surveys and actions arising;
- soliciting the views of employees on remuneration structures and processes across the Group;
- collaborating with our Group People Director and the wider People team who also hear the views of the workforce directly; and
- providing feedback to the Board on People concerns and the results of surveys and other liaison.

By attending the Culture Matters forum and engaging with people across our organisation, Ilaria is able to:

- understand the concerns of the workforce and share these at Board meetings;
- ensure the Board, and in particular the Executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact; and
- ensure plans are fed back to the workforce.

This chosen engagement mechanism continues to be the subject of feedback from the workforce in determining that it is an appropriate and effective mechanism for engagement and is included in the annual agenda of the Culture Matters forum.

Workforce engagement has led to shaping the Board's decision making. Through 2021, these decisions were primarily focused on our people and an increased focus on equality, diversity, inclusion and belonging as well as safety and wellbeing. This applied to both those employees who continued to work in our properties and those employees able to fulfil their roles working from home. See page 12 on how we engaged with our people in 2021. Our engagement resulted in the following:

- The recruitment of an ED&I lead who is developing our ED&I and wellbeing strategy and embedding diversity, inclusion and wellbeing into the culture of our business through a learning and development programme.
- ED&I training programmes led by Diversity specialist René Carayol and sharing of views and experiences of diversity and inclusion in the workplace. For more about these programmes see page 42.
- Employees being able to include their pronouns in their email profiles through our Better Data, Fairer Workplace project. See more under 'Providing opportunities for all' on pages 35, 42 and 128 and Equality, Diversity and Inclusion on page 42.
- Wellbeing foundational training for all employees, especially those working from home conscious this has continued for two years. The Board continues to support flexibility in our ways of working. See more on page 35 on Enhancing the health and wellbeing of our employees and students.
- Relaunch of our Positive Impact programme (see more on page 44 about this programme).

The Board, through the detailed work of the Remuneration Committee, also monitors pay and practices across the wider workforce with the Group People Director attending these meetings to update on workforce initiatives and offer an employee perspective to the Committee's deliberations.

The Board also considers diversity, inclusivity and belonging across the workforce, by considering (among other things) our gender and ethnic diversity throughout the Group as well as our gender pay gap.

Investment in workforce

The Company invests in our people, conscious that we can only deliver a home for our students, and ultimately our purpose of Home for Success, through our people. Our people are a key stakeholder and how we engage with them and measure this is set out on pages 12, 15, 17, 35, 104 and 138. The Company is a fully accredited Living Wage employer and provides recognition through pay awards, annual bonuses for all employees and our annual employee scheme, Stars Awards, recognising individuals and teams. Senior leaders are eligible to participate in the Long Term Incentive Plan. All employees are eligible to participate in the Company's SAYE scheme. As a responsible and sustainable business, creating diverse and engaged teams is critical to our on-going success.

Whistleblowing programme

The Board annually reviews our Whistleblowing programme and the nature of concerns raised. Our Whistleblowing policy and a clear explanation as to how employees can raise a concern in confidence is readily available and published on our intranet. This includes raising a concern via an independent third-party if someone feels this is necessary. Concerns raised are then investigated by the Company Secretary and escalated as appropriate.

Section 172 of the Companies Act 2006 (Section 172)

Section 172 requires the Directors to take into consideration the interests of stakeholders in their decision making. In particular, Section 172(1) states that regard should be had to the long-term consequences of decisions; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the impact of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. Pages 15 to 17 explains how this was considered during 2021. Further, pages 109 to 113 explain Board activity and decision making during the year which flowed from our stakeholder engagement and how this is aligned to our strategic objectives.

How we engage with our investors

The Board values effective communication with shareholders and other providers of capital to the business and welcomes their views on the Group's approach to corporate governance. The Board creates sustainable value for our three types of investors: institutional, retail and debt investors:

INSTITUTIONAL INVESTORS

Investors attend our year-end and half-year results presentations (these were held virtually this year due to Covid-19 but are usually in person). The year-end results presentation also included the launch of our new Sustainability Strategy.

After our results, our Executive Directors held meetings with investors to ensure their views were taken into consideration as we develop our strategy, help them understand the ongoing performance of the business and our approach to the reinstatement of dividends.

We held a Capital Markets Day in October in Manchester, showing investors our new properties and our City operations and sharing views on the Higher Education outlook.

We also engage with investors throughout the year on various aspects of environmental, social and governance matters.

The Board is made aware of the views of major shareholders concerning the Company through, among other means, regular analyst and broker briefings and shareholder surveys. These will continue throughout 2022. Richard Huntingford also reaches out to the top 20 shareholders each year.

INSTITUTIONAL INVESTORS: c.800

RETAIL INVESTORS

Due to continued Covid-19 disruption, we had to hold our 2021 AGM as a closed AGM. However, to ensure all shareholders were given an opportunity to raise questions of the Board, shareholders were invited to ask questions via email in advance of the meeting.

All resolutions put to the 2021 AGM received overwhelming support from our shareholders. The results of voting are available at: www.unite-group.co.uk/investors/agm. There were no resolutions with less than 80% voting in favour and therefore Code Provision 4 did not apply.

PRIVATE INVESTORS: c.450

DEBT INVESTORS

Bond holders
Bond holders are invited to an annual meeting with senior management and Treasury to update them on performance and business strategy. Other discussions are held with bondholders on specific topics as required such as ESG and our Sustainability Strategy.

Lenders
Regular dialogue is maintained with our key relationship lenders, through meetings or conference calls with our CFO and Treasury team. Our Treasury team also actively engages with new and potential lenders. During early 2021 engagement with our lenders had focused on our Financing covenants compliance but is now once again addressing our financing commitments more generally.

Credit Rating Agencies
During the year, business and financial updates were provided by our Treasury team to Standard & Poor's and Moody's who gave us an investment grade corporate rating of BBB and Baa2, respectively.

NUMBER OF LISTED BONDS: 5

NUMBER OF EQUITY INVESTORS: c.1,250

Shareholder consultation on proposed new Remuneration Policy

During 2021, the Remuneration Committee conducted a consultation with the Committee Chair engaging with the 20 largest shareholders (representing approximately two-thirds of the issued share capital) and with proxy advisors (Glass Lewis, the Investment Association and ISS) regarding proposed changes to the Company's Remuneration Policy (more detail on page 136). The Committee was grateful for investors taking the time to participate in the consultation and the constructive feedback received. The Committee used this direct feedback, along with the latest investor and shareholder proxy voting principles to refine and conclude our final proposals. The feedback received and the outcome of this engagement is set out on pages 136–138 under Review of the Directors' Remuneration Policy.

During 2021, the Company refreshed its corporate website providing insightful information for both institutional and retail investors. We continue to offer a scrip dividend alternative to shareholders, which enables them to opt for shares rather than cash with no dealing costs or stamp duty. The scheme was renewed for a further three years at the 2021 Annual General Meeting. Full details are available on our website. The Company has frequent discussions with shareholders on a range of issues affecting its performance, both following the Company's announcements and in response to specific requests. The Company regularly seeks feedback among its shareholders, the investor community more broadly and its wider stakeholders.

DIVISION OF RESPONSIBILITIES

Composition of the Board

The composition of the Board is set out in the table on page 108.

The Board currently consists of the Chair, two Executive Directors and six Non-Executive Directors.

Each of the Directors offers themselves for election or re-election at the Annual General Meeting, to be convened this year on 12 May 2022, in accordance with the requirements of the Code. Brief biographies of all the Directors and their skills, experience and contribution, are set out on pages 92 to 95. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election, it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role and add value and relevant experience to the Board.

On 15 December 2021, Richard Akers, a Non-Executive Director of the Company, stepped down from the Board in view of his other increasing business commitments. Richard has served as a Non-Executive Director of the Company since 1 September 2018.

Independence

The Board considers five of its six Non-Executive Directors to be independent. Thomas Jackson is not considered to be independent, having been nominated as a Director of the Company by its largest shareholder Canada Pension Plan Investment Board (CPPIB) pursuant to a Relationship Agreement signed as part of the Liberty Living acquisition. Accordingly, the Company meets the requirement of the Code that at least half of the Board (excluding the Chair) is made-up of independent Non-Executive Directors. In addition, Richard Huntingford (Chair of the Board) is considered independent on his appointment to the role.

Roles

The Chair and the Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The roles of the Chair and CEO are clearly separated. Summaries of the responsibilities of the Chair, CEO and Senior Independent Director are set out in the table below.

Role: Chair

Richard Huntingford's principal responsibilities are:

- to establish, in conjunction with the Chief Executive, the strategic objectives of the Group for approval by the Board
- to organise the business of the Board
- to enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders generally

Role: Chief Executive

Richard Smith has responsibility for:

- establishing, in conjunction with the Chair, the strategic objectives of the Group, for approval by the Board
- implementing the Group's business plan and annual budget
- the overall operational and financial performance of the Group

Role: Senior Independent Director

As Senior Independent Director, Elizabeth McMeikan's principal responsibilities are to:

- act as Chair of the Board if the Chair is conflicted
- act as a conduit to the Board for the communication of shareholder concerns if other channels of communication are inappropriate
- ensure that the Chair is provided with effective feedback on his performance

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Time commitment

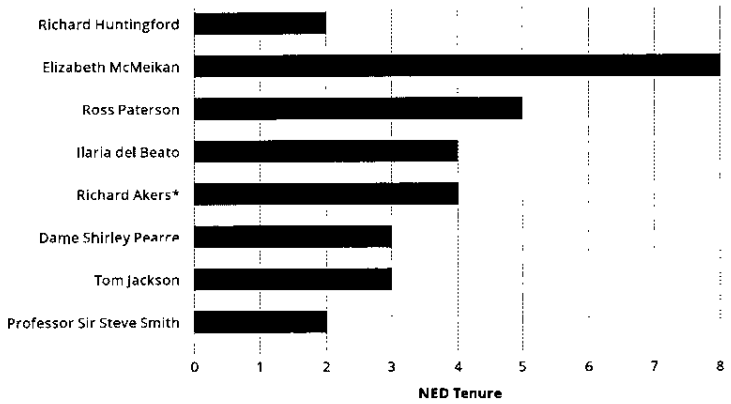
On 1 April 2021, Elizabeth McMeikan became a Senior Independent and Non-Executive Director of Custodian REIT plc. No potential conflict has been identified in relation to Elizabeth's appointment. Elizabeth's total time commitment with Custodian REIT plc is anticipated to be c.22 days per year. There are no timing issues identified with Unites' Board dates and Custodian REIT plc. Custodian REIT plc has a March financial year-end. The Board approved this appointment in advance and agreed that it would not impact Elizabeth's commitment as a Non-Executive Director of Unite.

Non-Executive Directors are expected to commit approximately 20 days per annum to the business of the Group. We have reviewed the responsibilities of all Directors and are satisfied that they can fully fulfil this commitment. During 2020 and 2021 additional time commitment was needed as a result of Covid-19 and the Directors attended regular Covid-19 Board calls in addition to the scheduled Board meetings to ensure an appropriate balance between a focused Covid-19 response and an ongoing focus on other key business areas.

It is the Board's policy to allow Executive Directors to accept directorships of other unconnected companies so long as the time commitments do not have any detrimental impact on the ability of the Director to fulfil his duties. It is considered this will broaden and enrich the business skills of Directors. Any such directorships must be undertaken with prior approval of the Board.

Board tenure

Each of the Executive Directors has a rolling contract of employment with a 12-month notice period, while Non-Executive Directors are, subject to re-election by shareholders, appointed to the Board for a term of approximately three years. The adjacent chart shows the current tenure of the Non-Executive Directors (rounded up to the nearest year).



* Richard Akers resigned on 15 December 2021

Professional advice and training

Directors are given access to independent professional advice at the Company's expense when the Directors deem it necessary in order for them to carry out their responsibilities. The Directors also have regular dialogue with, and direct access to, the advice and services of the Company Secretary, who ensures that Board processes and corporate governance practices are followed.

The Board considers it important that the Committee Chairs continue to receive sector and relevant functional training (such as on accounting, corporate governance and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars. The Board as a whole receives ongoing training on corporate governance and other relevant developments.

Board induction

On appointment to the Board, each Director takes part in a comprehensive and personalised induction programme. This induction is also supplemented with ongoing training throughout the year to ensure the Board is kept up to date with key legal, regulatory and industry updates. Any Director on appointment undergoes induction programme following this framework:

- The business and operations of the Group and the Higher Education sector; the role of the Board and matters reserved for its decisions; the terms of reference and membership of Board Committees; and powers delegated to those Committees.
- The Group's corporate governance practices and procedures and the latest financial information about the Group. The legal and regulatory responsibilities as a Director and, specifically, as a Director and Chair of a listed company.

As part of the induction programme, they meet with key senior executives, so from the outset they have access to people throughout the organisation to help them form their own independent views on the Group, its performance and the sector we operate in. In addition, they meet with representatives of the Company's key advisers. Arrangements are made for each Director to visit key locations to see our business operations and properties first-hand and the Higher Education institutions with which we partner.

DIVISION OF RESPONSIBILITIES continued

Board activities in 2021

Directors' attendance at meetings

Current Directors	Status	Date of appointment to the Board	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee	Sustainability Committee
Richard Huntingford	Chair / Independent	01 December 2020	11/11	–	–	100%	–	–
Elizabeth McMeikan	Independent	01 February 2014	11/11	–	100%	100%	100%	–
Joe Lister	Executive	02 January 2008	11/11	–	–	–	–	–
Richard Smith	Executive	01 January 2012	11/11	–	–	–	100%	100%
Ross Paterson	Independent	21 September 2017	11/11	100%	100%	100%	–	100%
Richard Akers[1]	Independent	01 September 2018	11/11	100%	100%	100%	–	100%
Ilaria del Beato	Independent	01 December 2018	11/11	100%	–	100%	100%	100%
Dame Shirley Pearce	Independent	01 November 2019	11/11	–	100%	100%	100%	100%
Thomas Jackson	Non-independent	29 November 2019	11/11	–	–	100%	–	100%
Professor Sir Steve Smith	Independent	01 April 2020	11/11	100%	–	100%	100%	–
Phil White[2]	Chair	21 January 2009	3/3	–	100%	–	–	–

1. Resigned on 15 December 2021.
2. Resigned on 31 March 2021.

BOARD ACTIVITIES

2021 Board activities table

	Governance	*Strategy*	Financial & Risk *management*	*People*	Operational and *commercial*
February	Higher Education sector review	Group Strategy review	Annual Tax review Valuer update	Gender pay gap review ED&I initiatives	Development market update
March	Approve Annual Report IR review	Launched Sustainability Strategy LSAV extension	Preliminary results Group cashflow review Resuming Dividend	Development safety	Post-completion review Cladding review
May	Annual General Meeting Review auditors	Development strategy and review	Review internal controls Review Information Security	Employee Wellbeing review	Disposals
June	Embedding Sustainability Strategy	Digital Upskilling programme Strategy and Growth Initatives	Funding options Principal and emerging risks review	Safe and Secure promise during Covid-19 Employee engagement – Culture Matters Fire Safety	Investment market review Development and Estates update
July	Refreshing our OKRs (Objectives and Key Results in light of Covid-19) Internal Audit Cyber Security review	HE sector and Covid-19	Interim results Debt strategy	Plans for our 2021 internal Board evaluation	Covid-19 operational review
September	Climate Change risks and TCFD Higher Education sector engagement	Refreshing our Sustainability Strategy Marketing, Communications and Brand Strategy Review	Interims feedback Sustainability-linked revolving credit facility	Workforce Engagement update People & Culture Review Customer survey update	Net Zero Carbon Pathway
October	Capital Markets Day Shareholder Consultation on Remuneration Policy	Sustainabiltity progress review	Cladding Update	Student wellbeing Unite Foundation update	Property – development approval (Derby Road, Nottingham)
November	Internal Board & Committee Evaluation feedback Audit Committee expansion to Audit & Risk Committee	Data and Technology Road Map and Strategy Implementation Update	2022 budget themes	Organisational people design to deliver our Strategy	Fire safety
December	Internal Audit & Assurance	Net Zero Carbon Pathway Annual Tax strategy review & approval	Principal and emerging risks review 2022 budget approval	Employee Bonus Scheme Whistleblowing review	Liberty Living integration – review of learnings

BOARD ACTIVITIES continued

Board Decision making during 2021

STRATEGIC OBJECTIVE

DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES

BOARD'S GOVERNANCE ROLE	LINK TO PRINCIPAL RISK	WHAT THE BOARD DID IN 2021 AND ITS DECISION MAKING
Safety, health and wellbeing: Governance to ensure the health, safety, wellbeing and security of our customers is paramount. During 2021 this has continued with a particular focus on Covid-19 and fire safety.	**Operational risk – Major health and safety incident in a property or a development site on page 82**	The Board reviews the safety of our students, visitors and employees, as well as contractors at our development sites, at each Board meeting. • **Covid-19:** The Board oversees how our properties can remain open and operational throughout the pandemic and ensures we employ the appropriate range of measures across our buildings to reduce transmission of Covid-19 where possible. • **Fire safety:** The Board and the Health and Safety Committee review and challenge our fire safety programme, a critical part of our health and safety strategy. The Board is committed to the business being a leader in fire safety standards through a proactive, risk-based approach embedded across the business and ensuring that students and our employees are kept safe. The Board also oversees our cladding remediation programme and related spending. Read more about ***Health & Safety Committee report*** on ***page 130***
Ensuring our product is affordable and provides good value-for-money for our customers.	**Market risks – Demand reduction: value-for-money / affordability on page 80**	Board governance of our decision and commitment to 'doing what's right' o offer further rental discounts and complimentary tenancy extensions to our customers unable to use their accommodation at the start of 2021. Board analysis of the Higher Education accommodation sector, and *ensuring we continue to offer an affordable and value-for-money product.* Board analysis of our customer offer and how we service undergraduate 1st-year students through lettings to universities under nomination agreements and also considering the opportunities to tailor our customer proposition to better meet the needs of returning students seeking greater independence and postgraduate and international students who may be willing to pay a premium for a higher level of service. Oversight of trials in 2021 of a postgraduate focused customer offer which delivered increases in rental income and Net Promoter Scores and our resulting increased offer of our product and service segmentation for postgraduates for the 2022/23 sales cycle. Read more about **Operations review** on **pages 56-61**

DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES CONTINUED

BOARD'S GOVERNANCE ROLE	LINK TO PRINCIPAL RISK	WHAT THE BOARD DID IN 2021 AND ITS DECISION MAKING
Governance to ensure our best-in-class operating platform delivers for our customers and University partners.	**Market risks – supply and demand on pages 79–81**	Through our direct engagement with VCs and other levels of management within universities, the Board is able to take into account the views of these stakeholders as well as monitoring and measuring our performance. Board oversight that our operating platform and our customer facing operational apps (such as the MyUnite app) deliver: • a robust booking system • an improved and scalable platform for revenue management and customer engagement • enhanced service levels for both universities and students • market differentiation. Read more about **Operations review** on **page 56–61** Read more about **Stakeholder engagement** on **pages 12–17, 104**
Ensuring our 'safe and secure' promise extends to keeping our customers' and employees' personal data safe and secure.	**Operations risk – Information Security and Cyber threat on page 83**	Ongoing review of our information security and its governance, in particular having regard to the General Data Protection Regulation (GDPR).
Board scrutiny of our developments and portfolio recycling to ensure we partner with the right universities and enhance our long standing relationships. Building university relationships through ongoing engagement and dialogue with universities.	**Market risk – supply and demand and Property/ Development risk on pages 79–81 and pages 84–85**	Board portfolio activity focused on increasing our alignment to high and mid-ranked universities and being in the best locations with 90% of our rental portfolio and 100% of our development pipeline located in Russell Group cities and becoming more concentrated towards the strongest markets over time and our weighting towards London increasing to 44% through delivery of our development pipeline. Board approval of development/ disposals activity. Read more about **Development and University partnership activity** on **page 66**

BOARD ACTIVITIES *continued*

Board Decision making during 2021 continued

STRATEGIC OBJECTIVE

ATTRACTIVE RETURNS FOR SHAREHOLDERS

BOARD'S GOVERNANCE ROLE	LINK TO PRINCIPAL RISK	WHAT THE BOARD DID IN 2021 AND ITS DECISION MAKING
Dividend Policy: Board governance role in framing of our dividend policy.	**Financing risk on page 87**	Board focus on reinstating our dividend payments with a payout ratio of 80% of adjusted EPS as market conditions stabilised.
Development pipeline: Board scrutiny of city and site selection for new developments against a backdrop of increasing competition for the best sites. Governance of developments/ acquisitions to ensure they run to budget and schedule and are earnings accretive.	**Property/Development risk on pages 84–85**	Board oversight of our new investment focused on 8–10 cities, including London and prime regional markets with the strongest demand outlook. Through 2021, the Board led the increase in development through a development pipeline increase to 6,000 beds and £967 million in total development cost. The Board takes into account its engagement with universities about these developments when making a decision whether to proceed or not with these development schemes. Read more about **Development and partnership activity** on **page 66**
Disposals: Board governance of our portfolio recycling as we increase our exposure to the UK's best universities, while generating capital to invest in further development activity.	**Property/Development risk on pages 84–85**	Board oversight of the sale of £261 million of assets to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These have reduced our footprint from 27 to 25 markets and includes disposals identified following our acquisition of Liberty Living in 2019. Read more about **Disposals** on **page 69**

STRATEGIC OBJECTIVE

A RESPONSIBLE AND RESILIENT BUSINESS

BOARD'S GOVERNANCE ROLE	LINK TO PRINCIPAL RISK	WHAT THE BOARD DID IN 2021 AND ITS DECISION MAKING
Sustainability: As a listed plc and responsible/trusted business, our wider stakeholders demand we proactively manage environmental, social and governance risks. The Board oversees the setting and implementation of our Sustainability Strategy which has the overarching ambition for Unite to clearly lead the student housing sector on sustainability issues and be in the leading pack of real estate companies in the wider sector.	**Sustainability/ESG risk on page 86**	During March 2021, the Board led the launch of our new Sustainability Strategy developed following extensive stakeholder engagement and materiality assessments. This new Sustainability Strategy provides a clear structure with objectives, flagship targets including net zero carbon operations and construction from 2030 and governance to ensure its successful delivery. The Board approved the Net Zero Carbon Pathway, built on science based targets validated by the SBTi, which sets out the activities and investment required to achieve our objective of becoming net zero carbon across both the Company's operations and development activities by 2030. The Board also interrogated our ongoing ESG regulatory and reporting compliance. The Board considered the Board's specific climate change risks, identifying them across: Regulatory risk; Physical risk; Transition risk; and Stakeholder risk. The Board considered the impact of these risks and oversees the assurance of the corresponding risk management.
Fire safety: Proactive Board oversight of improvements in fire safety, demonstrating leadership on removal of HPL cladding.	**Operational risk – Major health and safety incident in a property or a development site on page 82**	The Board oversaw the Group being one of the first companies to take action to remove Aluminium Composite Materials (ACM) cladding from our buildings where needed. Following this, the Board led the review of High-Pressure Laminate (HPL) cladding on our properties and the governance of our cladding remedial plan and the investment to be incurred over the next 12–36 months implementing this plan.
Employee wellbeing: Governance to ensure the health, safety, wellbeing and security of our 1,900 employees is paramount. **Diversity and inclusion**	**Operational risk – Major health and safety incident in a property or a development site on page 82**	The Board has designated one of its Non-Executive Directors (Ilaria del Beato) to help ensure the views and concerns of the workforce are brought to the Board and taken into account. The Board approved the formation of our Culture Matters forum. This puts the employee voice 'front and centre' in supporting the shaping of our People strategy and consulting on strategic change. The Board also has oversight of various wellbeing and Equality, Diversity, Inclusion & Belonging (ED&I) initiatives. We hired a Diversity, Inclusion & Belonging lead who is developing our ED&I and wellbeing strategy and embedding equality, diversity, inclusion and wellbeing into the culture of the business through a learning and development programme. Read more about **employee wellbeing** and **ED&I initiatives** under **Workforce engagement** on **pages 42 and 104**

BOARD ACTIVITIES continued

Board Decision making during 2021 continued

A RESPONSIBLE AND RESILIENT BUSINESS CONTINUED

BOARD'S GOVERNANCE ROLE	LINK TO PRINCIPAL RISK	WHAT THE BOARD DID IN 2021 AND ITS DECISION MAKING
***HE Government Policy and* Brexit:** Continued focus on *potential HE Government* policy changes as well as our *Brexit response.*	*Market risk – supply and* demand pages 79–81	*Ongoing Board monitoring of HE Government policy and its* impact for PBSA and more widely as well as continued monitoring *of how we are responding to, and mitigating the impact of,* Brexit on our business.
Covenants compliance: Group Board oversight of our Covenants compliance.	Financing risk on page 87	Board oversight of our Financing Covenants compliance tested by the sudden, unexpected and wide ranging impact of Covid-19. During 2020 and early 2021, there has been a specific focus on ICR covenants. The Board monitors Covenants' compliance across a range of income / stress scenarios to ensure that if any risks emerge, the Board is ready to identify further action and work with lenders well in advance. *Covenant compliance also has oversight in the Audit Committee* and by the external audit review of our Covenant compliance *through the Going Concern process.* Read more about **Financial review** on **page 70**
Capital structure: Group Board focus on a strong and flexible capital structure, which can adapt to market conditions, and reducing and diversifying the cost of funding.	Financing risk on page 87	Board oversight of our capital structure, including the £450 million sustainability-linked unsecured revolving credit facility. Read more about **Financial review** on **page 70**
Leadership development and *succession planning/talent* pipeline.	Market risk – supply and *demand on pages 79–81*	The Nomination Committee focuses on Board succession as well *as our broader talent pipeline and leadership development.* Read more about **succession planning/talent pipeline** on **page 117**

2021 performance evaluation

Each year the Board, its Committees and Directors are evaluated, considering (among other things) the balance of skills, experience, independence and knowledge on the Board, its diversity (including gender), how it works together as a unit and other factors relevant to its effectiveness. The Company's policy is to conduct an externally facilitated evaluation every third year. During 2021, the evaluation was conducted internally. The previous external evaluation was in 2020 and the next external evaluation is expected to be during 2023.

Board evaluation process

The Board completed an anonymous online questionnaire using Thinking Board, provided by Independent Audit Limited that addressed a broad range of issues and which enabled it to provide comments on a range of matters. The questions covered Board performance, culture, the content and scope of topics covered at Board meetings, and the nature and dynamics of Director contributions at meetings. The question set were consistent with 2020 to provide comparative results. There were separate questionnaires for the Audit, Remuneration, Health & Safety and Nomination Committee. The conclusions were discussed by the Board and each Committee at their meetings in Q4 of 2021. Since the Sustainability Committee was only established earlier in 2021, it was not included in the formal Committee evaluation process but the Sustainability Committee considered its effectiveness in January 2022.

Conclusion from this year's Board evaluation

The general conclusion was that the Board and its Committees continue to operate to a high standard and work effectively. Other areas of strength included the skills and experience of the Non-Executive Directors both to challenge and support the Executive team, and contributions to Board discussion and decision making. The consensus is that the Board is effectively developing and reviewing its wider business strategy and Sustainability Strategy, with clear alignment around our Purpose and Values. The Directors believe that the Board fulfils its role relating to strategy, risk, governance and oversight of operational and financial performance well. The key areas where there are opportunities for further development include:

- organisation oversight, with a particular regard to succession planning, culture and values;
- a better understanding of risks and mitigation around IT and data and how this may inform our strategy and more generally understanding how our risks link to our strategy;
- a better understanding of our People issues and data; and
- upskilling in fast developing areas such as Technology, Sustainability and Net Zero.

The Board and each of its Committees reviewed the suggestions and outcomes of the Board evaluation and have developed an implementation plan. The Board also considered its and the Committees' current composition. The only change was adding Richard Smith as a member of the Nomination Committee (effective 1 February 2022) so as CEO he could share his views on the Board's structure, size and composition and helping ensure the Board has the right balance of skills, diversity and experience.

Progress against the 2020 Board Evaluation recommendations

	2020 BOARD EVALUATION RECOMMENDATIONS	2021 PROGRESS AGAINST THESE RECOMMENDATIONS
1.	Consider setting up a Sustainability Committee, reporting to the Board, to have oversight of the development, integration and communication of the Sustainability Strategy and review how climate-related change and environmental concerns are integrated into our strategy.	The Board established a Sustainability Committee in early 2021 to provide this formal oversight and challenge to the execution of the Group's Sustainability Strategy. During 2021, the Committee had three Committee meetings and expects to have four meetings per year going forwards.
2.	Create space in the Board agenda for more unstructured strategic discussion and blue-sky thinking and discussion.	One 2021 Board meeting was focused purely on our strategy development and strategy is also picked up on Board focused sessions focusing on different themes of our strategy.
3.	Continue to develop the Board's oversight of the Company's culture and approach to employee engagement.	The Board approved our new People strategy, which among other things focuses on diversity and inclusion. The creation of the Culture Matters forum and the work of our Designated Non Executive Director for Workforce Engagement helps the Board better understand our employees and the business culture.
4.	Create more opportunities for the Board members to spend more informal time together when circumstances permit.	In mid-2021, the Board transitioned to hybrid meetings and has now moved back to in person meetings together with operational City visits (which included Bristol and Cardiff in 2021).

BOARD ACTIVITIES continued

2022 governance priorities

DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES

Governance of initiatives to enhance student experience and increase customer retention.

Governance to support our university partners to deliver their accommodation needs and future growth ambitions through off-campus development, on-campus development or stock transfer.

ATTRACTIVE RETURNS FOR SHAREHOLDERS

Governance to generate attractive returns for shareholders through a combination of growing recurring income, rental growth and value add through our development activities, University partnerships and potentially other living sectors complimentary to our operating platform and customer focus.

A RESPONSIBLE AND RESILIENT BUSINESS

Governance to ensure continued progress against the five pillars of our Sustainability Strategy. Governance of our Net Zero Carbon Pathway and investments in energy initiatives.

Governance of our People strategy to ensure the Group embraces the opportunities a truly diverse and inclusive workforce brings across all levels of our business, creating a sense of belonging and ensuring our people can bring their true selves to work.

NOMINATION COMMITTEE

PEOPLE GOVERNANCE

Succession planning and diversity continue as the Committee's primary focus

NUMBER OF MEETINGS
2

ATTENDANCE
100%

Committee Membership

Richard Huntingford
Chair of the Nomination Committee

Elizabeth McMeikan
Senior Independent Director

Ross Paterson
Non-Executive Director

Ilaria del Beato
Non-Executive Director

Dame Shirley Pearce
Non-Executive Director

Thomas Jackson
Non-Executive Director

Professor Sir Steve Smith
Non-Executive Director

Richard Smith
Chief Executive Officer
(Joined effective 1 February 2022)

NOMINATION COMMITTEE continued

Nomination Committee Chair's overview

Succession planning and growing the diversity of the Board has been the primary focus of the Committee through 2021, whilst also monitoring ongoing executive succession planning and our talent and leadership development.

Composition

The Committee consists of all the Non-Executive Directors and, effective 1 February 2022, Richard Smith also joined the Committee. The Committee felt it important that the Chief Executive is a member of the Committee for Board composition and wider leadership succession discussions and planning. At the invitation of the Committee, other people may be invited to attend meetings of the Committee if considered desirable in assisting the Committee in fulfilling its role.

Role

The role of the Committee is to:

- Ensure that appropriate procedures are adopted and followed in the nomination, selection, training, evaluation and re-election of Directors and for succession planning, with due regard in all cases to the benefits of diversity on the Board, including gender
- Regularly review the structure, size, composition, skills and experience of the Board and to make recommendations with regard to any adjustments considered necessary
- When it is agreed that an appointment to the Board should be made, lead a selection process that is formal, rigorous and transparent
- Be responsible for identifying, reviewing and recommending candidates for appointment to the Board

Nomination Committee meetings

The Nomination Committee met twice with 100% attendance at these meetings.

Review of Board composition and succession planning

During the year, the Committee reviewed the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. The Committee noted the Board was strengthened by the appointment of two Non-Executive Directors with strong HE experience (Dame Shirley Pearce and Professor Sir Steve Smith). This proved especially helpful for higher education insight as the Board navigated Covid-19 through 2020 and 2021.

The Committee believes the Board currently has the correct balance of skills, experience, independence and knowledge but is conscious of the tenure of the longer standing Non-Executive Directors. Consequently, in early 2022, the Committee created a dedicated sub-committee to start the search for a new Non-Executive Director. MWM Consulting, an external search consultancy, is leading the search for this new Non-Executive Director. MWM Consulting has no other connection with the Company or individual Directors.

Board succession planning for executive roles is also considered by the Committee, looking to ensure the business has a deep, diverse and inclusive talent pipeline for future Board appointments. As an integral part of executive succession planning, the Committee oversees our talent mapping to ensure we are growing and nurturing our talent and developing our high-performers' potential. Our diversity and inclusivity initiatives (outlined below) are aligned with this succession planning.

Diversity and inclusion

The Board recognises that diversity and inclusion is fundamental to the culture of the Group, our purpose of Home for Success and ultimately our long-term sustainability. With employees a key stakeholder and at the heart of our business, the Board's focus is on creating a workplace where people feel they belong and can bring their whole and true selves into the workplace. Our values recognise this, especially 'creating room for everyone'.

In 2021, the Board oversaw the formation of our Culture Matters forum. This puts the employee voice 'front and centre' in supporting the shaping of our People strategy and consulting on strategic change. During the year senior leaders from across the business participated in a six-module workshop development programme with Rene Cayarol, an external specialist in coaching and a pioneer in cultural diversity and inclusive leadership. To help implement our EDI strategy, we appointed a new EDI & Wellbeing Lead.

Board Diversity Policy

The Board and Nomination Committee drive the agenda for diversity across the business. We are making progress, but recognise we need to do more.

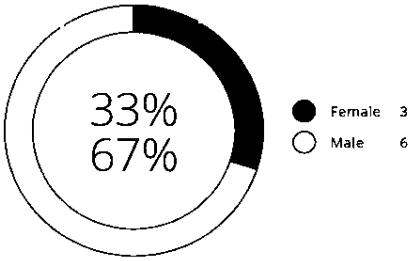
The Board's diversity policy is that Board appointments (a) are made on merit and relevant experience, while taking into account the broadest definition of diversity and (b) ensure Unite has, on an ongoing basis, the most effective Board and leadership team to operate the business for the benefit of all its stakeholders. The Committee ensures that when making Board appointments the retained search firm places an emphasis on putting forward candidates who would enhance the overall diversity of the Board. On an ongoing basis, the Committee keeps under review the tenure and experience of the Executive and Non-Executive Directors to ensure the Board has an appropriate and diverse mix of skills, experience, knowledge and diversity.

Board and senior leadership diversity

The Board embraces the Code's underlying principles with regard to Board balance and diversity, including in respect of ethnicity, gender and age.

As of 31 December 2021, the Board comprised three women and six men, meeting the recommendations of the Hampton-Alexander Review with a Board comprising at least 33% women.

Gender diversity



As of 31 December 2021, the number of women in the Executive Committee and their direct reports (including the Company Secretary as required by the Code) was 18 (out of a total of 51) representing 35% of this Group. We are looking to grow the percentage of women in leadership positions.

	Male	Female	Total
Executive Committee and Company Secretary	7	2	9
Direct Reports	26	16	42
Total	33	18	51
Total (%)	**65%**	**35%**	**100%**

The Nomination Committee is also conscious of the Parker Review and in particular one of its key recommendations that each FTSE250 Board should have at least one director of colour by 2024. Building on our diversity initiatives and having regard to this recommendation, the Nomination Committee will build a pipeline of candidates working towards the goal of making a Board appointment no later than 2024.

In addition, the Committee will continue its focus on delivering diversity for the wider business to help the Company develop a deep and diverse succession plan at more senior levels within the organisation.

Richard Huntingford
Chair – Nomination Committee
23 February 2022

AUDIT COMMITTEE

FINANCIAL GOVERNANCE

The Audit Committee provided oversight for the Board in respect of the Group's financial management and reporting

NUMBER OF MEETINGS
5

ATTENDANCE
100%

Committee Membership

Ross Paterson
Chair of the Audit Committee

Ilaria del Beato
Non-Executive Director

Professor Sir Steve Smith
Non-Executive Director

Audit Committee Chair's overview

During the year, the Audit Committee continued its key oversight role for the Board with its specific duties as set out in its terms of reference to reassure shareholders that their interests are properly protected in respect of the Group's financial management and reporting.

The Audit Committee works to a structured programme of activities, with agenda items focused to coincide with key events in the annual financial reporting cycle. The Audit Committee reports regularly to the Board on its work.

During the year, the Audit Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems in line with the requirements under the UK Corporate Governance Code. The Audit Committee determined the focus of the Group's internal audit activity, reviewed findings, and verified that management was appropriately implementing recommendations. The Audit Committee also challenged the approach to assessing the Group's ability to continue as a going concern and its likely loan covenant compliance, by reviewing various scenarios for future performance.

The Audit Committee undertook a review of its effectiveness in September 2021. The review found that the Audit Committee is working effectively. The review identified areas in which we can strengthen our performance and these are reflected in the Committee's priorities for 2022.

During 2021, the Audit Committee undertook a full evaluation exercise of the Deloitte audit approach to ascertain the effectiveness of the external audit function. Further to the completion of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach and have recommended to the Board that Deloitte be re-appointed as auditor in 2022.

We last reviewed the effectiveness of the internal auditors, PricewaterhouseCoopers (PwC), in 2020. Whilst we were satisfied with both the independence and effectiveness of the internal auditors, we undertook a full review of the overall risk assurance arrangements, including internal audit, to ensure they remained appropriate and effective for the enlarged Group following the major acquisition of Liberty Living in 2019. The review highlighted that risk and assurance for the enlarged Group would be more effective if an in-house team, with external support where appropriate, was established. The team is in the process of being established; a Group Risk and Assurance Director is now in post and further recruitment will be completed in 2022. To further support this transition from external to in-house, effective from 1 January 2022, the terms of reference of this Committee expanded to include oversight of the risk management framework and the name of this Committee changed to Audit & Risk Committee.

As noted in this Corporate Governance Statement, the Board delegates certain of its duties, responsibilities and powers to the Audit Committee, so that these can receive suitably focused attention. However, the Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors as a whole.

Role of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee take into account the requirements of the Code and are available for inspection at the registered office, at the Annual General Meeting and on the Group website at http://www.unite-group.co.uk/about-us/corporate-governance.

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review significant financial reporting judgements
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems
- To monitor the effectiveness of the Group's internal audit function and review its material findings
- To oversee the relationship with the external auditor, including making recommendations to the Board in relation to the appointment of the external auditor and monitoring the external auditor's objectivity and independence.

Composition of the Audit Committee

The members of the Audit Committee are set out on page 103 of this Corporate Governance Statement. The Audit Committee members are all independent Non-Executives and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Audit Committee's duties. The Board considers that as a chartered accountant and serving Finance Director of a UK-listed company, I have recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector.

AUDIT COMMITTEE continued

Audit Committee meetings

The Audit Committee met five times during the year and attendance at those meetings is shown on page 108 of this Corporate Governance Statement. Meetings are scheduled to coincide with key dates in the financial reporting cycle and a forward agenda is agreed by the Committee and reviewed on an ongoing basis.

Meetings are attended, by invitation, by the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Finance Director and (from December 2021) the Group Risk & Assurance Director.

I also invite our external auditor, Deloitte, to most meetings. The Audit Committee regularly meets separately with Deloitte without others being present. As appropriate, I also invite our internal auditor, PwC, to attend the meetings. Deloitte and PwC meet independently of management to ensure alignment, to update on respective findings and consider the impact on the relative approaches of their work.

Main activities of the Audit Committee during the year

Meetings of the Audit Committee generally take place just prior to a Group Board meeting and I report to the Board, as part of a separate agenda item, on the activity of the Audit Committee and matters of particular relevance to the Board in the conduct of its work. At its five meetings during the year, the Audit Committee focused on the following activities.

The Audit Committee reviewed the half-year and annual financial statements and the significant financial reporting judgements. As part of this review, the Audit Committee supported the Board by reviewing the financial viability and the basis for preparing the accounts on a going concern basis. This included challenging forecast cash headroom and reviewing scenarios, which were determined by management, to stress test the impact of a range of performance outcomes upon the viability of the business, in particular with regard to loan covenants.

The Audit Committee also reviewed and challenged the external auditor's report on these financial statements.

As discussed above, the effectiveness of the external audit function was considered during 2021. During the evaluation process the Audit Committee considered: the independence and objectivity of the external auditor; the make-up and quality of the audit team; the proposed audit approach and the scope of the audit; the execution of the audit and the quality of the audit report to the shareholders; as well as ultimately the fee structure.

The Audit Committee discussed reports from PwC, as the Group's internal auditor, on their audit and assessment of the control environment. The Committee reviewed and proposed areas of focus for the internal audit programme of review including the approach to ensure that the internal audit activity continues to be aligned to the principal Group risks.

Financial reporting

The primary focus of the Audit Committee, in relation to financial reporting in respect of the year ended 31 December 2021 was to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on:

- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or where there has been discussion with the external auditor
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Audit Committee's assessment of the Annual Report to ensure that it is fair, balanced and understandable took into account the following considerations:

- A review of what fair, balanced and understandable means for Unite
- The high level of input from the Chief Executive Officer and Chief Financial Officer with early opportunities for the Board to review and comment on the Annual Report
- Ensuring consistency in the reporting of the Group's performance and management information (as described on pages 30–31), risk reviews (as described on pages 74–88), business model and strategy (as described on pages 8 to 13 and 32–33)
- A cross-check between Board Minutes and the Annual Report is undertaken to ensure that reporting is balanced
- Whether information is presented in a clear and concise manner, illustrated by appropriate KPIs to facilitate shareholders' access to relevant information.

To aid our review, the Audit Committee considers reports from the Group Finance Director and reports from the external auditor on the outcomes of their half-year review and annual audit. As an Audit Committee, we support Deloitte in displaying the necessary professional scepticism its role requires.

Significant issues considered by the Committee

After discussion with both management and the external auditor, the Committee determined that the key risk of misstatement of the Group's 2021 financial statements related to:

- Property valuations
- Joint venture accounting

Further information about each of these items is set out on the next page.

Property valuations

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in USAF or LSAV. The investment properties are carried at fair value based on an appraisal by the Group's external valuers who carry out the valuations in accordance with the RICS Red Book valuation guide, taking into account transactional evidence during the year. The valuation of property assets involves significant judgement and changes in the core assumptions could have a significant impact on the carrying value of these assets.

Management discusses the underlying performance of each asset with the external valuers and provides detailed performance data to them including rents, university lease agreements, occupancy, property costs and costs to complete (for development properties). Management receives detailed reports from the valuers and performed a detailed review of the valuations to ensure that management considers the valuations to be appropriate. The valuation report is reviewed by the Chief Financial Officer and the Group Property Director prior to sign-off.

During the year, the Committee and/or the Board met with members of the Group's valuer panel and challenged them on the basis of their valuations and their core assumptions, including the yield for each property, rental growth and forecast costs.

The Audit Committee questioned the external valuers on market trends and transactional evidence that supports the valuations. The Audit Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The Audit Committee was satisfied that an appropriate valuation process had taken place, the core assumptions used were reasonable and hence the carrying value of investment and development properties in the financial statements was appropriate.

The external auditor explained the audit procedures to test the valuation of investment and development properties and the associated disclosures. On the basis of the audit work, the external auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on asset valuations is set out on pages 62–69.

Joint venture accounting

Two of Unite's significant assets are its investments in USAF and LSAV which the Group has historically accounted for as joint ventures.

The Group reports under IFRS 10 – 12 which provides guidance on how an investor should account for its interests in other entities, including a definition of control and guidance on how to classify and account for jointly controlled arrangements. During the year, management undertook a detailed review of its classification for both USAF and LSAV, and following that analysis concluded that both USAF and LSAV should continue to be treated as joint ventures. The Audit Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as joint ventures under IFRS 11, with Unite recording its 22.0% share of the results and net assets of USAF as a joint venture using equity accounting and likewise 50% for LSAV.

Other issues considered by the Committee

Accounting for the cost of cladding remediation

The Group has provided for the estimated cost of remediating cladding on properties where there is a legal or regulatory requirement to do so. The Audit Committee reviewed, challenged and agreed the basis on which costs associated with the remediation of cladding have been included in the Financial Statements. The Committee also reviewed, challenged and agreed the extent to which the Group had any constructive obligations in respect of cladding remediation that should be provided for. Based on this, the Committee was comfortable with the process and controls adopted by management around the disclosures and estimation of costs and provisions associated with cladding remediation.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee.

Our work here was driven primarily by performing an assessment of the approach to risk taken by the Group's Executive and senior leadership team Committee. In 2021 the Executive Committee took responsibility for the delivery of the Group's Risk Management Framework, which had previously been held by the Group's Risk Committee, a sub-committee of the Executive. The Audit Committee considered the work of the Executive through the year, which included a risk workshop facilitated by PwC and has approved both the Group's Risk Management Framework, and the Group's assessment of its principal risks nd uncertainties, as set out on pages 76–88.

Through these reviews, the Audit Committee considered the risk management procedures within the business and was satisfied that the key Group risks were being appropriately managed.

The risk assessment flags the importance of the internal control framework to manage risk and this forms a separate area of review for the Audit Committee.

The Board also formally reviewed the Group's principal risks at two meetings during the year.

AUDIT COMMITTEE *continued*

Internal controls

Led by the Group's risk assessment process, we reviewed the process by which the Group evaluated its control environment. Management is responsible for establishing and maintaining adequate internal controls. Internal controls are designed to provide reasonable assurance regarding (among other things) the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. A comprehensive strategic planning, budgeting and forecasting process is in place. Monthly financial information and performance insight is reported to the Board.

The Audit Committee's work to review the effectiveness of the internal controls was driven by the Deputy Chief Financial Officer's report on internal controls, supported by the work of the internal auditor and their reports to the Audit Committee. The feedback from the Group's internal auditor on specific areas of control is tested on a periodic basis and our external auditor is requested to provide specific feedback and assessment of the Group's financial controls and highlight any areas of weakness. No significant weaknesses were identified through the course of the Audit Committee's reviews.

Internal audit

The Group continued to engage PwC through 2021 to perform internal audit activity, with this internal audit function reporting directly to the Audit Committee.

Due to the ongoing Covid-19 situation, the 2021 internal audit plan was adapted allowing us to focus on key issues. This approach resulted in PwC completing two pieces of internal audit work. The first was over debt management, in particular the contract to cash process, the second was on the integration of Liberty Living into the Unite portfolio, with a focus on the implementation of key controls at former Liberty sites and integration of former Liberty colleagues. In addition, a specialist third party audit consultant was engaged to deliver an audit over Estates compliance. Overall, both PWC and the specialist consultant concluded that there were no significant issues and controls were well designed, but noted there were some areas of improvement to be made to maximise controls and operational efficiency, which management is in the process of implementing.

External audit

The effectiveness of the external audit process is facilitated by appropriate audit risk identification at the start of the audit cycle which we receive from Deloitte in a detailed audit plan, identifying their assessment of these key risks.

For the 2021 financial year, the significant risks identified were in relation to valuation of properties, classification of joint ventures, revenue recognition and management override. These focus areas were discussed at the Audit Committee and it was agreed that they should be the principal areas of focus as they represent the areas with the greatest level of judgement and materially impact the overall performance of the Group. These risks are tracked through the year and we challenged the work done by the auditor to test management's assumptions and estimates around these areas.

We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte at both the half-year and year-end and also reports from management on how these risks are being addressed.

For the 2021 financial year, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. We hold private meetings with the external auditor at each Audit Committee meeting to provide additional opportunity for open dialogue and feedback from the Audit Committee and the auditor without management being present. Matters typically discussed include:

- The auditor's assessment of business and financial statement risks and management activity thereof
- The transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit
- How they have exercised professional scepticism

I also meet with the external lead audit partner outside the formal Audit Committee process.

The Audit Quality Review team of the Financial Reporting Council reviewed Deloitte's audit of the Group's financial statements for the year ended 31 December 2020. The Financial Reporting Council wrote to me setting out a summary of the scope of the review, its assessment of the audit work reviewed and examples of good practice. The Committee was satisfied with the assessment.

In October 2021, the Group received a letter from the FRC requesting further information following a review of the 2021 interim financial report. The questions related to revenue recognition associated with the LSAV performance fee. The Audit Committee reviewed and approved the Group's response to the FRC. The Group's correspondence with the FRC closed satisfactorily with agreement on enhanced disclosures.

Independence and external audit tender

The Audit Committee considers the re-appointment of the external auditor, including the rotation of the audit partner which is required every five years, each year and also assesses their independence on an ongoing basis. 2021 is the seventh year during which Deloitte has been the Group's external auditor.

The Audit Committee reviewed Deloitte's audit work and determined that appropriate plans are in place to carry out an effective and high quality audit. Deloitte confirmed to the Audit Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Audit Committee's assessment of the on-going independence of the auditor, the Audit Committee receives details of any relationships between the Group and Deloitte that may have a bearing on their independence and receives confirmation that they are independent of the Group.

As discussed above, an assessment of Deloitte's effectiveness, its processes, audit quality and performance was undertaken in May 2021 following completion of the 2020 audit.

The Audit Committee also regularly considers when it next intends to complete a competitive tender process for the Company's external audit. As noted above, the Audit Committee remains satisfied with Deloitte's effectiveness and independence. In view of this, the Audit Committee does not currently anticipate that it will conduct an audit tender before 2024 in respect of the 2025 financial year for which a tender would be required in accordance with applicable law and regulations. The Audit Committee considers this to be in the best interests of the Company's shareholders for the reasons outlined above and will keep this decision under review.

The Committee confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities Order 2014) Order 2014.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte from providing certain services, such as valuation work or the provision of accounting services.

For certain specific permitted services (such as reporting accountant activities and compliance work), the Audit Committee has pre-approved that Deloitte can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chair, or in my absence, another member, can pre-approve permitted services.

During the year, Deloitte was appointed to undertake non-audit services. Fees for non-audit work performed by Deloitte for the year ended 31 December 2021 were £0.1m (2020: £0.1m). The non-audit fees related to the work undertaken by Deloitte LLP in its role as external auditor to the Group for the review of the half year report. Further disclosure of the non-audit fees incurred during the year ended 31 December 2021 can be found in note 2.6 to the consolidated financial statements on page 205. Accordingly, the Audit Committee was satisfied that both the work performed by Deloitte LLP, and the level of non-audit fees paid to it, were appropriate and did not raise any concerns in terms of Deloitte LLP's independence as auditor to the Group.

The Audit Committee approved the fees for audit services for 2021 after a review of the level and nature of work to be performed, including additional audit procedures required as a result of Covid-19 and changes in the regulatory environment, and after being satisfied by Deloitte that the fees were appropriate for the scope of the work required.

Audit Committee evaluation

The Audit Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process can be found under 'Performance evaluation'.

Ross Paterson
Chair – Audit Committee
23 February 2022

SUSTAINABILITY COMMITTEE

SUSTAINABILITY GOVERNANCE

Our Sustainability Strategy supports our growth as a responsible and resilient business

NUMBER OF MEETINGS
3

ATTENDANCE
100%

Committee Membership

Dame Shirley Pearce
Chair of the Sustainability Committee

Richard Smith
Chief Executive Officer

Ilaria del Beato
Non-Executive Director

Ross Paterson
Non-Executive Director

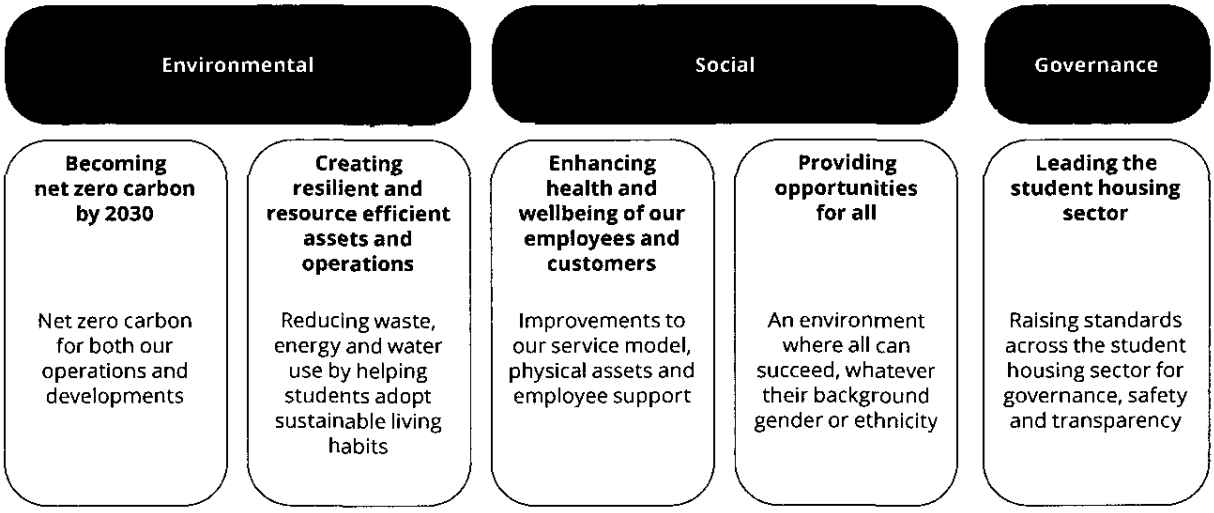
Tom Jackson
Non-Executive Director

It has been a pleasure to chair the Board's first Sustainability Committee, established in 2021, and provide this report to shareholders.

The Sustainability Committee was formed to oversee the implementation of our Sustainability Strategy launched in March 2021 and recommend to the Board any changes to this strategy. Our Sustainability Strategy forms a key component of our business planning and is central to delivering our "Home for Success" purpose and our values, especially "doing what's right".

The Sustainability Committee reports to the Unite Board whilst seeking input from several different working groups from across the business to ensure Unite is a responsible and resilient business.

Keeping in mind the paramount importance of our responsibility to stakeholders and the wider community, the Sustainability Committee reviews the Group's performance against its targets and ambitions whilst engaging with the workforce in accordance with Provision 5 of the UK Corporate Governance Code. With the ever-increasing prominence of environmental, social and governance matters, the Sustainability Committee's focus is on the following five pillars of our Sustainability Strategy:



Key highlights for the year ended 31 December 2021

There was a strong focus in 2021 to identify the activity, investment and resources required to implement our Sustainability Strategy. This included an increased focus and review of our sustainability performance and disclosures which led to the publication of the Net Zero Carbon Pathway. The Sustainability Committee also reviewed the KPI reporting of the sustainability pillars in detail. The business confirmed its compliance with the Taskforce on Climate-related Financial Disclosure (TCFD) and improvements in the Global ESG Benchmark for Real Assets (GRESB) rating following input from the Sustainability Committee as further detailed on pages 50–55.

SUSTAINABILITY COMMITTEE continued

2021 saw the recruitment of an experienced and dedicated EDI & Wellbeing lead to help drive forward the development of the new EDI Strategy and launch of the Culture Matters forum. The Sustainability Committee had oversight over continued social impact engagement through the Unite Foundation, the Leapskills programme and the Positive Impact programme following its re-launch.

Environmental – Net Zero Carbon Pathway and Energy Efficiency

Our Net Zero Carbon Pathway was published on 15 December 2021. The Sustainability Committee provided oversight of the publication of our Net Zero Carbon Pathway and our pledge to be net zero carbon by 2030 in both our Developments and our Operations.

The pathway includes a detailed breakdown of our baseline carbon emissions and targeted reductions, the key activities of our delivery strategy as well as associated reporting metrics we will use to track our progress. The Sustainability Committee oversaw the validation of our net zero targets by the Science Based Targets Initiatives (SBTI) which endorses our emissions reduction targets and ensures they align with our commitment to support limiting global temperature increases to 1.5 degrees above pre-industrial levels.

Our pathway to net zero in both our Operations and Developments involves four key steps. The first step requires the reduction in absolute carbon emissions by cutting operational energy use to support this step, the Sustainability Committee ensured there is an appropriate programme driving behavioural change for our student customers and employees in the responsible use of energy, whist overseeing significant capital investment in energy efficiency measures and a move away from gas. The second step requires the decarbonisation of our energy supply through investment in renewable energy with the Sustainability Committee considering options for onsite renewable generation (such as solar PV) as well as renewable energy purchasing. The third step focuses on reducing embodied carbon of new buildings we develop through the application alternative design and construction approaches such as modular construction, the use of lower carbon materials including timber and cement-replacements, and a focus on cutting construction activity related emissions. Finally to achieve net zero carbon, any residual emissions that cannot be removed by these first three steps will be mitigated and through appropriately certified carbon offsetting programmes.

Our science based carbon targets requires a 56% reduction in combined scope 1 and 2 (market-based) carbon emissions from a 2019 base year. The Sustainability Committee oversees how these reductions will be delivered through a significant reduction in energy use and the development of property specific asset transition plans. These asset transition plans specify the physical improvements to building fabric and services and their impact on carbon emissions, energy consumption, utility costs and EPC compliance in accordance with Minimum Energy Electricity Standard (MEES) targets. For new developments, the Sustainability Committee has initially targeted at least a 20% reduction in the embodied carbon of new buildings (from the materials and construction process) with a view to achieving a 48% reduction by 2030 to achieve the RIBA 2030 Climate Challenge benchmark of 625kgCO_2, where possible. In addition, the Committee is looking towards a 75% reduction in operational energy use on completed schemes again in line with the RIBA 2030 benchmarks.

The Sustainability Committee ensures sustainability is a key consideration in all the business's major investment decisions with this now integrated within our financial approvals governance. As part of the decarbonisation of our energy supply, 2021 saw an agreement to source 20% of our annual electricity supply from a Scottish wind farm under a corporate power purchase agreement, supporting our RE100 commitment to increase annual sourcing of renewable electricity to 100% by 2030.

Social – Wellbeing and Providing Opportunities for all

In what was again a challenging year due to ongoing disruption to people's working and personal lives through the pandemic, the Sustainability Committee has had a particular focus on employee and student wellbeing. Increased support was given to our employees whilst remote working and on their gradual return to the office through training and new resources.

The Sustainability Committee oversaw the establishment of our new employee forum, the Culture Matters Group, which gives employees a voice and

offers two-way communication between the senior leadership team and the wider business by way of elected representatives. The Sustainability Committee will receive regular updates on our people through our designated Non-Executive Director for Workforce Engagement.

Our commitment to employee engagement continues evidenced by a positive employee engagement score of 75 (2020: 74). The business will focus on addressing concerns raised by all teams and seek input from the Sustainability Committee.

The Sustainability Committee has reviewed the Group's strategy for delivering positive social impact, examining areas including equality, diversity and inclusion, wellbeing of students and our employees and our initiatives to deliver a positive social impact for young people and the communities in which we operate. This includes the development of a Social Investment Fund which acts as the umbrella for all social investments carried out by the business including our contributions to the Unite Foundation. This fund helps ensure a more strategic approach to our social investments and maximising our impact, with our investments focused on activity which directly benefits young people, focusing on education, life skills and employment and/or the communities in which we operate.

The Sustainability Committee oversees that the new Sustainability Strategy is being embedded across the business, with engagement sessions with managers, Unite Live sessions with employees and the re-launch of The NUS Positive Impact programme in August 2021. This scheme is a collaboration between the business and the National Union of Students aimed at helping students adopt lasting sustainable living habits through wellbeing, community and social impact initiatives and comprised of a network of champions across the operation and support side of the business, with a keen interest and passion for sustainability.

The Sustainability Committee is keen to ensure the implementation of the Sustainability Strategy and its ambitions and targets become "business as usual" for our employees and is intrinsically aligned with "Home for Success".

Governance – Leading the Student Housing Sector and Raising Standards

Our Governance sustainability objective focuses on us Leading the Student Housing Sector and Raising Standards. To help achieve this, the Sustainability Committee considers two of the leading sustainability rating providers: GRESB and MSCI. The Group's GRESB rating has improved on a year-on-year basis to 85 (2020: 81), with the business ranked first among listed residential real estate companies. The MSCI rating has been reconfirmed at AA in the 2021 review (2020: AA). Our governance continues to score particularly highly but the Sustainability Committee has identified opportunities to enhance our rating through improved disclosure on our employee development strategy.

Alongside Governance, oversight of compliance with EPC regulations remains a key focus for the Sustainability Committee and the tightening of minimum standards to 'B' by 2030 in England and Wales, and likely to 'C' by 2027 in Scotland. At present, 53% of the Group's floorspace is rated A–C, and 100% is fully compliant with current regulations. The Sustainability Committee is overseeing the process for the creation of asset transition plans for every property to determine the investment required to ensure ongoing EPC compliance, alongside reductions in consumption, carbon emissions and cost. This includes a variety of improvement measures such as LED lighting, heating controls and air-source heat pumps. The Sustainability Committee oversees that EPC ratings are a fundamental consideration in the refurbishment of any asset and that energy improvements are delivered alongside regular lifecycle works.

Sustainable loan agreement

During 2021, as part of the renewal of the Group's revolving credit facility, it was converted into a sustainable loan agreement with three KPIs linked to our environmental and social initiatives, namely: (1) targeted reductions in Scope 1 & 2 carbon emissions, (2) improvements in the % of assets with an A–C EPC rating and (3) the value of social investments made by the business, including the Unite Foundation. The Sustainability Committee will oversee the performance of these three KPIs as part of its oversight of the business's Sustainability Strategy, being conscious that the margin on the loan agreement will be adjusted either marginally upwards or downwards depending on the performance against these KPIs.

Key focus areas for 2022

Looking ahead to 2022, the Sustainability Committee will:

- oversee the embedding and implementing of the Sustainability Strategy and regularly review the sustainability targets and performance of the business
- oversee the completion of the remaining asset transition plans for our properties
- actively encourage senior leaders to empower our people to 'bring sustainability to life' in the business including helping our students to adopt lasting responsible living habits
- oversee the commitment to support Unite Foundation scholars in the 2022/2023 academic year as well as the launch of our enhanced Leapskills programme. 2022 will also see the development of our community investment performance metrics which will be aligned to the Societal Impact (B4SI) Framework
- continue to oversee the development of the Social Investment Fund.

Dame Shirley Pearce
Chair – Sustainability Committee
23 February 2022

HEALTH & SAFETY COMMITTEE

HEALTH AND SAFETY GOVERNANCE

A focus on health, wellbeing, safety and security

NUMBER OF MEETINGS
4

ATTENDANCE
100%

Committee Membership

Professor Sir Steve Smith
Chair of the Health & Safety Committee

Richard Smith
Chief Executive Officer

Dame Shirley Pearce
Non-Executive Director

Elizabeth McMeikan
Senior Independent Director

Ilaria del Beato
Non-Executive Director

Highlights and Achievements from 2021

We remained Covid secure whilst still ensuring the safety of our teams at work and customers living with us. In addition, we rolled out or restarted the following initiatives:

- **Violence and assaults** – Following an increasing number of assaults and violence against our employees in 2020, the Health and Safety Committee oversaw the roll out of conflict management training across our service and safety teams. In addition, body-worn camera trials were carried out in 12 cities and body-worn camera technology has been available in all our cities from January 2022 following positive *feedback from our employees.*
- **Customer Check-In** – We increased our focus on Covid-19 safety check-in measures and provided the local teams with event safety guidance for local events. In October 2021, just after the majority of students had checked in, we hosted our annual student fire safety campaign focused on kitchen safety.
- **Health and Safety training** – We continued to deliver training courses to our employees on Health, Safety, Security, Fire and Wellbeing. Alongside this, we continued our mandatory e-learning modules for all employees.
- **Health and Safety Software** – In the second half of 2021 we rolled out 'AVA', new market-leading health and safety software which has reduced the need for multiple systems for reporting on safety incidents, inspections and audits. It is simpler for our teams to use and provides greater insight and improved data collection.
- **CCTV Upgrades** – We successfully upgraded the CCTV across a third of our estate, upgrading systems where the risk was greatest or systems were end-of-life. The remainder of the estate will be upgraded within the next two years, in line with the *life expectancy of the systems.*
- **Third party H&S and Security Inspections** – We reinstated our *programme of third-party* H&S and Security inspections, paused in 2020 due to Covid-19. 132 of our buildings achieved a 'green' audit status meaning they scored 90% or more across a broad spectrum of safety areas. A further 23 buildings achieved 'amber' with a score between 80–89%. Given the challenging conditions that the teams were operating in, we were pleased to see a very small number of our properties receive a 'red' report, and in all cases, the score was over 70%.

Covid 19, fire safety, the mental wellbeing of employees and safety in our development activity remained key areas of focus through 2021.

Covid-19

Staying Covid secure is a priority for us. Key achievements and activities regarding Covid-19 during 2021 included:

- **Covid-19 Secure Workplace** – Our Covid-19 controls and measures were subject to regular review and updates to ensure adherence to ongoing Government guidance including the re-opening of support services in Bristol and London.
- **Working From Home/Hybrid Working Policy** – We introduced flexible working arrangements for our office-based teams alongside the phased re-opening of our support services offices in Bristol and London with physical control measures and risk assessments in place. Increased support was provided to our employees through training and the availability of new resources including an online DSE Assessment and e-learning. We also commenced a trial of a new hybrid working policy and are reviewing employee feedback.
- **Getting ready for Academic Year 2021/22** – Our in-property teams worked tirelessly through Covid-19 to ensure our properties were ready for safe occupation at the start of the academic year. Our Home Charter sets out the requirement for two-way respect between students and our teams to maintain a Covid safe environment for all.
- **Student welfare** – We have continued to work closely with our University partners to increase access to wellbeing and mental health support during the ongoing pandemic.
- **Covid support team** – We set up a cross functional Covid team providing support to our employees dealing with Covid-19 queries. This included regular updates following Government advice, calls with Public Health England and regular 'drop-in' sessions for our teams with Q&A sessions.

Fire Safety

Fire safety is critical to our health and safety programme and fundamental to being a responsible business. We are committed to being leaders in fire safety standards, through a proactive, risk-based approach, which is embedded across our entire business, to ensure that students and our employees are kept safe. The business continued its partnership with the Avon Fire and Rescue Service as our Primary Authority and worked with safety experts to provide advice and assistance on projects enhancing and maintaining our safe and secure promise.

All our properties have been confirmed as safe to operate by independent fire safety experts. This reflects our extensive approach to fire safety and fire impairment across our portfolio, with increased building patrols and additional alarm measures where required. We previously completed the removal of Aluminium Composite Materials (ACM) cladding from our buildings where needed and in 2021 conducted a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. Four buildings with HPL were remediated during the year with limited disruption to students and works are underway at eight other buildings.

HEALTH & SAFETY COMMITTEE continued

The Health and Safety Committee oversees the ongoing remedial work in respect of other fire impairments, including smoke ventilation systems and Automatic Opening Vents (AOVs). Areas for improvement were highlighted by survey reports with a remedial plan to be completed in 2022.

We continue to anticipate the impact of evolving fire safety legislation and are currently reviewing the impact of the upcoming Building Safety Act.

Mental health and wellbeing

Through 2021, the business engaged an external provider to review our current Employee Assistance Programme and Occupational Health provision to ensure the level of support and benefits to employees were fit for purpose. The primary focus of the review was the support provided for employees following critical incidents, however, the findings of the report highlighted areas where improvements could be made to the service offerings more generally. In 2022 we plan to introduce a new Employee Welfare Framework, taking into consideration the findings of the review. The framework will include, amongst other thing, the provision of training and support for employees impacted by serious incidents and trauma.

Our focus for 2022

Our top five risks remain unchanged from 2021 and which we continue to manage through robust health and safety management systems for which the Health and Safety Committee have oversight.

Our focus for 2022 remains on the safety of our customers and people, our properties and our workplace. We will continue to strive to deliver our brand value 'Keeping uS Safe' by building relationships with universities and local Fire & Rescue services, continuing to improve fire safety knowledge and awareness and developing our occupational health and wellbeing programme. We are also aiming to provide simplified H&S and Fire Management systems for our teams, along with a programme of continued professional development in managing safety risk at an individual property level.

2022 top five safety risks

- Fire Safety
- Electrical safety
- Contractor safety
- Driving for work
- Violence and assault against our team members in the workplace

Safety in our Development activity

Throughout 2021 we progressed the development of two sites: Middlesex Street in London and Campbell House in Bristol, and development continues at Derby Road in Nottingham for the 2022/23 academic year. In addition, building improvement works for Parkway Gate, Manchester and Kincardine, Manchester commenced in 2021 despite the Covid-19 challenges and in particular, the impact of contractor self-isolation.

We continued our efforts, alongside our contractors, to ensure our sites were safe to operate and the relevant social distancing, Covid-19 testing and personal protective equipment were in place. We also continued to work with our supply chain to mitigate delays in product and material delivery to our development sites.

In light of what was again a challenging environment throughout 2021, particular focus was on:

- **Wellbeing** – Promotion of the wellbeing programme offered to construction operatives through external specialists to promote the support of British Safety Council audit recommendations. Positive feedback has been received from those subscribing to the wellbeing programme.
- **Reporting** – Encouraged reporting of near misses and working closely with the estates and development teams to encourage cross departmental collaboration and reporting.
- **Integration of project delivery** – The appointment of a new construction director who has accountability and responsibility for unifying H&S and delivery standards across all construction projects.
- **Safety Audits** – Continuing across the development and estate projects under a revised metric, which seeks to push our contractors to achieve industry leading standards which far exceed statutory compliance. All sites inspected under the revised metric have exceeded statutory compliance and thereby reinforces our safe and secure promise.
- **Safety KPIs** – Building on delivering year on year improvements with our safety KPIs across all developments.

Safety performance in our Development Sites and Cladding / Refurbishment works

Across our Development sites and cladding / refurbishment works in 2021, we had no RIDDOR reportable injuries and 16 minor incidents (15 in our cladding/refurbishments works and 1 at our Development sites). This represents good safety performance against the industry norm and within our Unite internal benchmarks. This is especially encouraging despite the continued challenges of Covid-19.

Development sites

Property	Total Hours Worked	Non-reportable Incidents	Reportable Incidents
Arch View House, London	23,230	0	0
Middlesex Street, London	289,124	1	0
Campbell House, Bristol	189,190	0	0
Derby Road, Nottingham	5,380	0	0
Total	**506,924**	**1**	**0**

Cladding / Refurbishment works

Property	Total Hours Worked	Non-reportable Incidents	Reportable Incidents
Chalmers Street, Edinburgh	2,421	0	0
Piccadilly Point, Manchester	21,009	0	0
Jennens Court, Birmingham	44,207	5	0
Aston Student Village – James Watt and William Murdoch, Birmingham	54,142	0	0
Aston Student Village – Mary Sturge and Harriet Martineau, Birmingham	37,710	2	0
Unite House, Bristol	14,150	1	0
Rosalind Franklin, Portsmouth	4,800	0	0
James Baillie Park, Leeds	9,556	0	0
Parkway Gate, Manchester	96,324	5	0
Phoenix Court, Bristol	4,547	1	0
Emily Bowes, London	464	1	0
New Medlock House, Manchester	460	0	0
Kincardine, Manchester	10,060	0	0
Total	**299,850**	**15**	**0**

2021 Combined Accident Reporting KPI

Incidents	KPI[1]	Benchmark
0 RIDDOR	0.00	0.30
16 Minor	1.98	5.00

1. KPI calculated as: No of incidents worked x 100,000 hours / hours worked.

Professor Sir Steve Smith
Chair – Health and Safety Committee
23 February 2022

REMUNERATION COMMITTEE

REMUNERATION GOVERNANCE

On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2021

NUMBER OF MEETINGS
4

ATTENDANCE
100%

Committee Membership

Elizabeth McMeikan
Chair of the Remuneration Committee

Ross Paterson
Non-Executive Director

Dame Shirley Pearce
Non-Executive Director

Sir Steve Smith
Non-Executive Director

As in previous years, this report is split into three sections: this Annual Statement, the Policy Report and the Annual Report on Remuneration. This year, we are asking shareholders to approve a new Remuneration Policy at the Annual General Meeting. The background to, and the reasons for, the proposed changes are set out later in this Annual Statement.

2021 performance and reward

2021 was a successful year for Unite, with a strong recovery in financial performance and a return to growth despite the ongoing challenges of the pandemic. Financial highlights included a 20% increase in adjusted earnings (15% on a per share basis), EPRA NTA growth of 8% and a total accounting return of 10.2%. From an operations perspective, we have seen an improvement in occupancy and rental growth for the 2021/22 academic year, with a record development pipeline funded through prudent asset disposals. 2021 also saw the launch of Unite's new Sustainability Strategy which, reflecting the expectations of stakeholders, sets out our commitment to net zero carbon by 2030 and an increased investment in energy initiatives over the coming years.

Unite's focus on doing the right thing for all stakeholders throughout the pandemic was further evidenced during 2021. With thanks to our dedicated and hard-working teams, all of our properties continued to remain open and operational, and we also offered further rental discounts and complimentary tenancy extensions to those students unable to use their accommodation at the start of the year. We have continued to support our employees in these uncertain times and, as in 2020, have neither furloughed any of our staff nor utilised any Government support schemes. Finally, for shareholders, we were able to reinstate dividend payments, with a full year dividend for 2021 of 22.1p reflecting a return to a 80% payout ratio. Against this backdrop of responsible actions, the Committee is confident that its decisions with respect to executive remuneration for FY21 and FY22 are appropriate.

As disclosed in last year's report, there were no increases to Executive Director salaries for 2021, in line with the majority of the employees across the organisation. Entry level salaries were increased in line with the rates set by the Living Wage Foundation.

Having suspended the scheme in 2020, the Committee reinstated the annual bonus for Executive Directors in 2021. Following a review of performance against the targets set at the start of the year, the Committee has confirmed that Executive Directors will each receive bonuses of 102.6% of salary (cf. a maximum of 140% of salary). This overall outcome reflects a year of recovery for the Group, with at least threshold performance achieved under all measures and with full payout registered under each of the TAR, LTV and GRESB rating measures. A bonus payout which is broadly in line with the 10-year average outcome at Unite is considered by the Committee to be a fair outcome. Further details, including bonus targets and outcomes are included on page 156.

LTIP awards made in July 2019 reached the end of their performance period as at 31 December 2021. These awards were based equally on absolute EPS, relative TSR and relative TAR, with Unite's performance for both the TAR and TSR elements compared to the constituents of the FTSE350 Real Estate Supersector Index. Over the three-year performance period Unite's relative TSR ranked between median and upper quartile versus the comparator group (equating to 60.5% vesting), whilst EPS performance was below the threshold target owing to the impact of the pandemic (0% vesting). Vesting of the relative TAR element will be finalised following the publication of comparator results over the coming months, with Unite currently estimated to rank between median and upper quartile, equating to around 50% vesting. Overall anticipated vesting of the 2019 awards is therefore around 36.8% of maximum. Although somewhat lower than the 10-year average long-term incentive outcome at Unite, the Committee is satisfied that this vesting level would appropriately reflect the underlying performance of, and challenges faced by, the Company over the last three years. Awards vesting will be subject to a two-year holding period from the third anniversary of grant in July 2022, and will only be released to Executive Directors in July 2024. Further details are included on page 157.

Taken as a whole, the Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2021 are appropriate and accordingly we have not applied any discretion to this year's incentive outcomes. A significant proportion of Executive Director pay is dependent on delivery against stretching short- and long-term targets aligned with Company strategy. An annual bonus outcome between target and stretch, and an overall (estimated) LTIP outcome just above threshold reflects a year of recovery for the Group and the progress made in operational delivery.

Also during the year, Executive Directors were each granted an award under the LTIP in April 2021 which will vest based on performance over the three financial years to 31 December 2023. Consistent with previous years, vesting of these awards continues to be based on challenging absolute EPS, relative TSR and relative TAR targets, with any award vesting required to be held for an additional two-year period. Reflecting sensitivities around target setting arising from the Covid-19 pandemic, and further to last year's report, targets for the absolute EPS element of the awards were set later in the year than normal (October 2021) and disclosed in a market announcement at that time. The Committee commits to review any payout from these awards to ensure that it does not reward windfall gains, and reflects the performance of the Company and the experience of stakeholders over the period. Further details are included on page 161.

REMUNERATION COMMITTEE continued

Review of the Directors' Remuneration Policy

The 2022 AGM marks the third anniversary of the adoption of the current Directors' Remuneration Policy and in line with UK reporting regulations, we are submitting a new Policy to shareholders for approval this year.

Having considered a range of alternative approaches, the Committee is satisfied that the existing remuneration structure – consisting of salaries, pension contributions and performance-linked short- and long-term incentives – remains appropriate. Previous Policy reviews have focused on the LTIP (in 2016) and the annual bonus (in 2019), and in each instance the Committee has made adjustments to align with developments in market practice and changes in investor sentiment over the intervening period. Accordingly, we believe that the current Policy remains fit-for-purpose and are putting forward only minor refinements to the existing Policy to ensure it remains appropriate for the next three years.

The Committee conducted a detailed consultation with Unite's top 20 shareholders on the proposed changes in the latter half of 2021, and we would like to thank those investors who took the time to provide the feedback which has shaped our final proposals as outlined below.

Proposed changes to the Remuneration Policy:

Simplify the approach to annual bonus deferral, requiring 50% deferral of any bonus earned in shares for 2 years, regardless of existing shareholdings. Unite's bonus deferral is currently determined with reference to a director's shareholding levels, with up to 50% deferral for 3 years where the relevant shareholding guideline has not been met, and deferral of any bonus earned above 100% of salary for 2 years where it has.

The Committee proposes to strengthen and simplify this deferral requirement by removing the differentiation relating to a director's shareholding levels. Going forward it is proposed that for all Executive Directors, 50% of any bonus earned will be deferred in Unite shares for 2 years. This proposal reflects feedback received from some investors in previous years, and in % of bonus deferred terms would bring Unite in line with market practice across the FTSE250 (and ahead of most real estate sector comparators). For existing Executive Directors, the proposal means that regardless of annual bonus outcome, a higher % will be deferred in shares than is currently the case.

Feedback on this proposed change during the consultation was supportive, with respondents confirming that the revised position would be consistent with current market best practice and general investor preference.

Withdrawn proposals

The Committee had proposed to give itself additional flexibility to vary the makeup of performance measures in the annual bonus each year by reducing the minimum weighting on financial measures in the annual bonus from 70% to 60% and allowing a greater weighting to be assigned to relevant non-financial metrics. Increasing the weighting on non-financial measures was aimed at allowing the Committee to capture other important ESG metrics which are both a central pillar in Unite's strategy and a clear focus area for our investors, employees and both student and university customers.

Feedback on this proposed change during the consultation was more varied. There was broad support for the proposal to introduce additional, relevant non-financial metrics aligned with our new ESG strategy; however, a number of investors suggested that this should be done through a rebalancing of existing non-financial metrics rather than through a reduction to the overall weighting assigned to financial performance. We did also receive a number of supportive responses for this proposal, as well as – in one case – the suggestion of an alternative 65/35 split.

On balance, and recognising the range of views expressed, the Committee ultimately decided to drop the proposed change to the minimum weighting on financial measures in the Remuneration Policy, and will instead maintain this at 70% as per the current Policy wording. Changes to the composition of annual bonus metrics for 2022 are set out in the section below.

Implementation of the new Policy for 2022

In addition to the proposed Policy changes outlined above, the Committee also consulted with shareholders on a number of changes to our implementation of the Policy over the next couple of years, as follows:

Proposed changes to implementation of the Policy:

A phased adjustment to Executive Director salary levels – to £578,000 for the Chief Executive, and to £440,000 for the Chief Financial Officer – over the next couple of years

Executive Director pay levels were last reviewed in detail back in late 2015, with shareholders consulted at the time on proposed increases to the salaries of the CFO and former CEO by 6% (to £291,000 and £460,000 respectively), and the salaries of the two Divisional Managing Directors by up to 18% over two years – in all cases alongside increases in the annual LTIP opportunity from 150% to 200% of salary.

In light of the resignation of the former CEO in early 2016, and following a decision by the Board to continue with a smaller executive team and to allocate responsibilities arising from Richard Smith's promotion from Managing Director, Operations to Chief Executive between the remaining directors, these increases were subsequently revised, with the CFO, for example, instead receiving a 20% increase (to £350,000). At the same time, Richard Smith's salary on appointment as CEO was set at £430,000, reflecting the Committee's view that – as his first listed company CEO role – his salary should be set at a discount to his predecessor. Salary levels for both remaining Executive Directors have since tracked the increases awarded to the broader workforce.

Noting the timing of the last comprehensive review, and the modest market positioning even then, the Committee has been mindful for a number of years that total pay levels, and in particular salaries, have not kept pace with the increase in size and scale of the company, nor with market movements. This has been particularly evidenced in the last couple of years by salary compression as a result of seeking to fill key senior roles below-Board with external hires, and the market rates required to attract these individuals to Unite. The talent market in our sector remains highly competitive. The Committee recognises that above-inflation salary adjustments for Executive Directors remain an area of significant scrutiny. However, we believe that, in order to avoid compounding this issue for the future (and in the interests of fairness for our strong performing and increasingly experienced executive team), an increase is now warranted.

In respect of the Chief Executive, the first decision taken has been to eliminate the on appointment discount to his predecessor. The Committee considers that this discount was warranted at the time, but believes that the reason for the differential (c.£33k, after adjusting for wage inflation across our wider employee population over that period) has fallen away, with Richard Smith now an experienced and high-performing CEO.

The Committee then considered what increment, if any, should be applied for both Executive Directors to reflect the considerable increase in size, scale and complexity of Unite over the last 5 years. During this period, the Executive Directors have overseen the successful acquisition and integration of Liberty Living, maintained a strong development pipeline in the face of an ever more challenging planning environment, and put in place a range of operational and strategic improvements which have contributed to the continued strong performance of the Group in a competitive sector.

Balancing different and competing stakeholder interests has, and will continue to bring additional complexity to the role of senior executives and to our operations. Executive Directors have set a clear vision for Unite to leverage its role as market-leader to help raise standards across the PBSA sector, as evidenced by the Group's decisive response to the Covid-19 pandemic, our commitment to the highest levels of health and safety performance and our ambitions around sustainability, employee and customer wellbeing, and diversity and inclusion. Determining an increment to reflect these changes is clearly subjective in nature. Having reflected, however, on a range of size metrics, and taking into account the Committee's assessment of the performance of both Executive Directors, we have concluded that a more meaningful adjustment is warranted.

The Committee considered over what period to phase any salary increases, and in particular whether this should be a one-off or cover a number of years. On balance, the Committee believes that a two-stage increase – with equal % increases in each of January 2022 and January 2023 – balances the views of different stakeholders, and has the advantage of allowing us to confirm that the second increase remains warranted by sustained strong performance and contribution over the 2022 financial year.

Combining each of these considerations, and taking into account a modest 2% per annum inflationary adjustment which might ordinarily have been applied for 2022 and 2023, our proposal for Executive Director salaries over the next couple of years is as set out in the table below.

As a final check, the Committee reviewed the proposed salary levels against market benchmarks provided by its independent advisers, looking in particular at real estate sector peers (as a whole, as well as specific operators), companies of similar market cap and the broader FTSE250.

The Committee is satisfied that the proposals are appropriate in this context and that salary and total remuneration levels for both Executive Directors would remain modestly positioned against these various reference points. It is noted that overall market positioning for the CFO would remain marginally ahead of that of the CEO and that the ratio of CFO to CEO remuneration would remain slightly ahead of market norms.

	Current 1 January 2021	Effective 1 January 2022	Effective 1 January 2023
CEO: Richard Smith	£472,313	£522,500 (+10.6%)	Up to £578,000 (+10.6%)
CFO: Joe Lister	£384,441	£411,250 (+7.0%)	Up to £440,000 (+7.0%)

However, the Committee – and indeed the CEO – are comfortable that this reflects Joe Lister's integral role as part of the senior leadership team, his experience and tenure with the Group, his breadth of responsibilities, his sustained contribution to Unite's success in recent years and the pivotal role he will play in delivering the ambitious strategic plans over the next few years.

Feedback on the proposed salary increases during the consultation was generally supportive, with a number of investors keen to explore further the underlying rationale for the proposed increases and to review the market pay data used. Our reading of investor comments received suggests that Unite has a track record of pay restraint and the Committee hopes that the strong justification for the proposed increases will encourage shareholders to support this proposal.

A revision to the scorecards of performance measures applying to both the annual bonus and LTIP to introduce additional ESG measures for 2022 cycles onwards;

Annual bonus

Noting the indications of support received for introducing additional non-financial metrics aligned to strategy, the Committee has resolved to introduce employee engagement into the Executive Director bonus for 2022 alongside customer satisfaction, Higher Education trust and GRESB rating. Each non-financial metric will be assigned a 7.5% weighting, thereby giving equal prominence to Unite's important stakeholder groups. The introduction of employee engagement coincides with the rollout of a new People strategy across the Group, and reflects the increasing importance of engaging our workforce to help deliver against an ambitious strategy.

Reflecting a general shareholder preference for objective, quantifiable targets, the employee engagement measure will be based on the outcome of the annual survey conducted by Glint, the output of which is reported in our Operational KPIs. In confirming any payout under this element, the Committee will also be mindful of the split in employee engagement levels by gender. A range of other important social indicators, including Diversity & Inclusion, the Gender Pay Gap and progress against broader sustainability objectives, will continue to be monitored by the Sustainability Committee.

REMUNERATION COMMITTEE continued

LTIP

The Committee also received positive feedback on a proposal to introduce sustainability metrics into the long-term incentive from 2022, but more varied comments about how this new element should be accommodated in relation to existing metrics. The Committee has endeavoured to find a compromise which best reflects the range of feedback received. For 2022, we have therefore determined that the LTIP will be based 16% on sustainability metrics, with relative TSR, relative TAR and EPS each equally weighted at 28%. The weighting on sustainability metrics will in turn be split equally between two environmental measures: operational energy intensity and EPC ratings, each making up 8% of the total LTIP.

The use of operational energy intensity aligns with our 2030 net zero carbon commitments and represents an environmental measure over which participants will have full control, avoiding distortions from either how Unite buys energy (which is easy to change and should not warrant an LTIP payout) and grid decarbonisation (which is outside of management's control). Progress against this measure is dependent on both a continued investment to improve the energy efficiency of the buildings which we operate, and on promoting initiatives to encourage customers and colleagues to reduce their energy use. The use of EPC ratings reflects the importance of making progress towards increasing minimum energy efficiency standards, an area currently under consultation by the UK Government. Each of these metrics lends itself to the setting of objective, quantifiable targets which can be externally reviewed and verified.

Save for these proposed changes, the Committee will implement the Policy in 2022 in a consistent manner to previous years. In line with our plan for aligning Executive Director pension contributions with the wider workforce, effective 1 January 2022 Richard Smith and Joe Lister will each receive a maximum pension contribution of 14% of salary. A final reduction to a maximum of 11% of salary will take effect from 1 January 2023. The maximum bonus opportunity will be 140% of salary and awards of 200% of salary will be made under the LTIP. Further details on each element of remuneration are included on pages 163–164.

Workforce remuneration considerations

The Committee continues to monitor pay and practices for other senior executives and more broadly across the wider workforce when considering the remuneration of Executive Directors. The Group People Director is invited to attend Committee meetings on a regular basis to provide updates on workforce initiatives and to offer an employee perspective to the Committee's deliberations. This year the Committee's work included reviewing the proposed workforce salary increases in light of changes to the Living Wage, and providing feedback on proposed simplifications to the broader employee bonus scheme for FY22.

We have continued to review and disclose both the statutory CEO pay ratios and additional ratios looking at both fixed pay and pay excluding long-term incentives. The Committee notes that there has been an increase in the ratios this year driven primarily by the resumption of an annual bonus scheme for Executive Directors. We are, however, satisfied that the year-on-year fluctuations mainly reflect differences in the structure of pay at different levels of seniority.

Finally, details of our gender diversity and pay gaps across the Group are provided on page 159–160, with the Committee pleased to note a further modest improvement in both the mean and median gender pay gaps in 2021. The Group's recently-launched Sustainability Strategy includes a target of 'Providing opportunities for all' and specific goal of 'Gender Equality', which, in addition to the recent recruitment of an ED&I Manager, reflects that this is an area of enduring focus for the leadership team.

Committee changes

Having served just over three years as Non-Executive Director at Unite, Richard Akers stepped down from the Remuneration Committee and the Board with effect from 15 December 2021. On behalf of the Committee, I would like to thank Richard for his insight and valuable contribution to our work over the past 3 years and wish him the very best for the future. Following year-end, effective 1 February 2022, Professor Sir Steve Smith, currently Chair of the Health & Safety Committee, also joined the Remuneration Committee. I look forward to working alongside Steve this year and to the different insights on executive remuneration that his past experience will provide us.

Looking ahead

The Committee will continue to monitor market developments throughout the 2022 AGM season and will consider the appropriateness of any emerging trends for Unite. I hope that you find this report a clear account of the Committee's decisions for the year and would be happy to answer any questions you may have at the upcoming AGM.

Elizabeth McMeikan
Chair – Remuneration Committee
23 February 2022

Overview of Unite remuneration policy and implementation

	Remuneration in respect of 2021	Overview of proposed new policy	Implementation of policy in 2022
Base salary	• Salaries unchanged on 2020 levels, as follows: – CEO, Richard Smith = £472,313 – CFO, Joe Lister = £384,441 See page 154	• Reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance; and to the experience of each Executive. See page 144	• Salaries increased with effect from 1 January 2022, as follows: – CEO = £522,500 (+10.6%) – CFO = £411,250 (+7.0%) See page 163
Pension, benefits	• Pension contributions (or equivalent cash allowance) at a maximum of 17% of salary for CEO and CFO. • Benefits in line with policy. See page 154	• For existing Executive Directors: commitment to phase down contributions (or equivalent cash allowance) to the workforce rate by 1 January 2023. • For new Executive Director appointees: company pension contributions aligned with the broader workforce (11% of salary). • Benefits typically consist of the provision of a company car or a car allowance, and private health care insurance. See page 144	• Pension contributions (or equivalent cash allowance) reduced to a maximum of 14% of salary for CEO and CFO with effect from 1 January 2022. • No change to benefits for 2022. See page 163
Annual bonus	• Annual bonuses of 102.6% of salary for each Executive Director (73.3% of maximum opportunity). • Bonuses in excess of 100% of salary to be deferred in Unite shares for two years; remainder to be paid in cash. See page 156	• Maximum annual bonus opportunity for all Executive Directors of 140% of salary. • Performance measures typically include both financial and non-financial metrics, as well as the achievement of individual objectives. • 50% of any bonus earned is deferred in shares for two years. • Malus and clawback provisions apply. See page 145	• Maximum annual bonus opportunities of 140% of salary. • 2022 bonuses to be based: – 25% on adjusted EPS – 25% on TAR per share – 20% on Loan to Value – 7.5% on customer satisfaction – 7.5% on Higher Education trust – 7.5% on employee engagement – 7.5% on GRESB rating See page 163
LTIP	• 2019 LTIP final vesting to be finalised once comparator TAR results are published. Expected total vesting of 36.8% based on: – Relative TSR ranking between median and upper quartile compared to the constituents of the FTSE350 Real Estate Index; – 2021 adjusted EPS below the threshold target; – Estimated relative TAR ranking between median and upper quartile compared to the constituents of the FTSE350 Real Estate Index; See page 157	• Maximum award size for all Executive Directors of 200% of salary in normal circumstances (up to 300% of salary in exceptional circumstances). • Awards vest subject to performance over a three-year period. Vested shares are typically subject to an additional two-year holding period • Malus and clawback provisions apply. See page 146	• Awards of 200% of salary to be made to each Executive Director in 2022. • Performance to be measured over the period 1 January 2022 to 31 December 2024. Awards based: – 28% on adjusted EPS – 28% on relative TAR – 28% on relative TSR – 8% on operational energy intensity – 8% on EPC ratings • Two-year holding period will apply to all vested shares. See page 164

REMUNERATION COMMITTEE continued

2021 Remuneration at a glance

2021 Single total figure of remuneration for current Executive Directors

	Salary (£)	Taxable benefits (£)	Pension (£)	Annual Bonus (£)	LTIP (£)	Other (£)	Total (£)
Richard Smith	472,313	17,242	65,613	484,688	349,946	0	1,389,802
Joe Lister	384,441	17,269	53,406	394,513	284,809	2,483	1,136,922

2021 Annual Bonus outcomes

Measure	Weight	Threshold 30% of max	On-target 50% of max	Maximum 100% of max	Actual	Outcome (% of max)
Adjusted EPS	25%	26p	29p	31p	27.6p	41.0%
TAR per share	25%	47.5p	55.9p	64.3p	75.9p*	100.0%
Loan to Value	20%	35.0%	34.3%	32.0%	29.0%	100.0%
Customer satisfaction	10%	35	36	38	35	30.0%
Higher Education trust	10%	19	20	22	20	50.0%
GRESB rating	10%	82	83	85	85	100.0%

* Excludes impact of the extension of LSAV and the performance fee

Executive	Max opportunity (% of salary)	Overall outcome (% of maximum)	Overall outcome (% of salary)	Overall outcome (£)
Richard Smith	140.0%	73.3%	102.6%	£484,688
Joe Lister	140.0%	73.3%	102.6%	£394,513

2019-2021 LTIP outcomes

Measure	Weight	Threshold 25% vest	Stretch 100% vest	Actual	Vesting (% of max)
2021 Adjusted EPS	1/3	46.9p*	56.2p*	27.6p	0.0%
Relative TSR performance	1/3	Median 11.7%	Upper quartile 60.3%	Between median and upper quartile: 34.7%	60.5%
Relative TAR performance	1/3	Median	Upper quartile	Current estimate**: Between median and upper quartile	50.0%

Executive	Estimated** overall vesting (% of maximum)	Estimated** interests vesting	Date vesting	Estimated** value (incl. dividends)
Richard Smith	36.8%	31,589	24 July 2022 (holding period applies until 24 July 2024)	£349,946
Joe Lister		25,747		£284,809

* Target range increased to reflect the Liberty Living acquisition plan around earnings accretion and the positive benefit of the IFRS 16 accounting standard change, as disclosed in the 2019 Directors' Remuneration Report.

** Vesting of the relative TAR element will be finalised following the publication of comparator results over the coming months, with Unite's TAR currently estimated to rank between median and upper quartile (based on performance after two full financial years). Full details will be provided in next year's report

Overview of remuneration across the Group

ELIGIBILITY	ELEMENT OF PAY	ELEMENT OF PAY
Employees at all levels	Salary	Salaries are generally reviewed annually, taking into account Company and individual performance, experience and responsibilities. As an accredited Living Wage employer all of Unite's employees receive at least the voluntary living wage rate.
	Benefits	Employees across all levels of the business are eligible for the company-funded Health Cash Plan and an enhanced Company sick pay scheme. All employees have free 24/7 access to our employee assistance programme which provides counselling and support to employees with everyday situations and more serious concerns including up to 12 face-to-face sessions per issue per year. Life assurance cover is provided for all eligible employees at 4 x annual salary and employees can access a range of deals and discounts through our discount providers. We offer employees 25 days annual leave a year plus bank holidays and also operate a holiday purchase scheme to allow employees to purchase up to an extra week of annual leave each year. Employees can support their chosen charities by participating in our charity match or give-as-you-earn schemes. We also offer financial support to our employees through season ticket loans, student rental discounts and the bike to work scheme and employee service is recognised with long-service awards.
	Pension	All employees can participate in the UNITE Group Personal Pension scheme, with an alternative cash pension allowance available in certain circumstances. Our pension offering was reviewed and improved with effect from 1 January 2020, with all employees eligible to receive a company contribution of up to 11% of salary, subject to their own contribution level.
	SAYE	We encourage all employees to become shareholders in Unite by participating in the SAYE scheme, under which participants save monthly over 3 years with the option to acquire shares at a discount at the end of the savings period. Currently c.28% of eligible employees participate in the SAYE.
	Annual bonus – cash	All employees are eligible to participate in the annual bonus scheme, with outcomes based on company performance. Maximum opportunities, performance measures and weightings vary by grade; metrics are similar across all levels to support delivery of our strategy.
Executive Directors and other senior leaders	Long-term incentive	Executive Directors and other senior leaders may be invited to participate in the LTIP each year. Performance conditions are consistent for all participants but award sizes vary.
Executive Directors only	Annual bonus – deferred	Currently only Executive Directors are required to defer a proportion of their bonus into Unite shares, which supports shareholder alignment.
	Shareholding guidelines	While all employees are strongly encouraged to become shareholders to allow them to share in the success of the Group, currently only Executive Directors are subject to formal shareholding guidelines (both in-post and post-exit).

REMUNERATION COMMITTEE continued

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the Single total figure of remuneration for Directors and accompanying notes (pages 154 to 155, Scheme interests awarded during the financial year (pages 161 to 162), Payments to past directors (page 162), Payments for loss of office (page 160) and the statement of directors' shareholdings and share interests (pages 165 to 166). The remaining sections of the report are not subject to audit.

The 2018 UK Corporate Governance Code sets out principles against which the Committee should determine the Policy for executives. A summary of the principles and how the Unite's Remuneration Policy reflects these is set out below:

PRINCIPLE	APPROACH
Clarity – Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee operates a consistent remuneration approach that is well-understood internally and externally. The Committee regularly engages with major shareholders on executive remuneration and undertook a detailed consultation during the design of the current Policy.
Simplicity – Remuneration structures should avoid complexity, and their rationale and operation should be easy to understand.	The Group operates a market-standard remuneration structure consisting of fixed pay, an annual bonus and a single long-term incentive. The annual bonus scheme has been further simplified as part of the most recent Policy review through the standardisation of the deferral requirement regardless of existing shareholdings.
Risk – Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Each year, incentive targets will be set which the Committee believes are stretching and achievable within the risk-appetite set by the Board. The Committee retains full discretion to override formulaic incentive outcomes under both the annual bonus and long-term incentive in the event that this would produce a result inconsistent with the Company's remuneration principles. All variable incentives incorporate recovery provisions (malus and clawback) that allow the Committee to reduce the outcomes, potentially down to zero, in specified cases. The Committee believes that these triggers are appropriately wide-ranging and enforceable.
Alignment to culture – Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	All permanent employees participate in the annual bonus, and share similar corporate performance metrics to ensure cultural alignment across the Group. We believe that aligning remuneration across the business is a key element of aligning our culture, fulfilling our values and being a strong driver of business performance.
Predictability – The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains clear caps on incentive opportunities and will use its available discretion if necessary.
Proportionality – The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee ensures performance metrics are clearly aligned with the Group's strategy each year, maintaining an appropriate balance between fixed pay, short- and long-term incentive opportunities. Targets are set to be stretching but achievable, within the Board's risk appetite. Details of our approach to measure selection and target setting is included as a note to the Policy Table.

Directors' Remuneration Policy

The Committee is seeking shareholder approval for a new Remuneration Policy at the 2022 AGM. A summary of the principal changes compared to the previously approved Policy is provided in the Annual Statement above, and identified in the relevant sections below.

The Group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Committee has designed a Remuneration Policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

In addition to the above, the Remuneration Policy for the Executive Directors and other senior executives is based on the following key principles, which are unchanged from the last Policy review:

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plans, taking care to consider the needs of all stakeholders;
- There should be a focus on sustained long-term performance, with performance measured over clearly specified timescales, encouraging executives to take action in line with the Group's strategic plan, using good business management principles and taking well considered risks;
- Individuals should be rewarded for success, but steps should be taken, within contractual obligations, to prevent rewards for failure – whether financial or operational; and
- Above all, executive remuneration should support the values and culture of the Group. Pay should be simple and easy to understand, with all aspects clear and openly communicated to stakeholders and with alignment with pay philosophies across the Group.

This section of the report sets out the policy for Executive Directors which the Company is asking shareholders to approve at the 2022 AGM. It is intended that the revised policy will come into effect from that date.

REMUNERATION COMMITTEE continued

Policy Table

FUNCTION	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Base salary To recognise the individual's skills and experience and to provide a competitive base reward.	Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies[1], to individual contribution to performance; and to the experience of each Executive.	Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive.	None
Pension To provide an opportunity for executives to build up income upon retirement.	All Executives are either members of The UNITE Group Personal Pension scheme or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Existing Executive Directors receive a Company pension contribution or an equivalent cash allowance. Company contribution levels will be reduced from 1 January 2022 and 1 January 2023 to an equivalent of up to 14% and 11% of salary respectively. For future Executive Director appointees, the maximum Company pension contribution will be aligned to that offered to a majority of employees across the Group in percentage of salary terms (currently 11% of salary).	None
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed.	Executives receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although can include any such benefits that the Committee deems appropriate.	Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically. The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the company's control have changed materially (e.g. increases in insurance premiums).	None
SAYE To encourage the ownership of shares in Unite.	An HMRC approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at up to a 20% discount.	Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None

1. Remuneration peer companies include the constituents of the FTSE350 Real Estate Index and UK-listed companies of similar market capitalisation. The Committee reviews comparator groups periodically to ensure they remain appropriate and retains the discretion to change companies

FUNCTION	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Annual Bonus To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.	Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. From the 2022 annual bonus onwards, 50% of any bonus payable will be deferred for two years. Deferral is generally by an allocation of shares in the Company, which are generally held in the Employee Share Ownership Trust. Awards under the Annual Bonus are subject to malus and clawback provisions, further details of which are included as a note to the policy table.	For Executive Directors, the maximum annual bonus opportunity is 140% of base salary. Up to 30% of maximum will be paid for Threshold performance under each measure and up to 50% of maximum will be paid for on-target performance. A payment equal to the value of dividends which would have accrued on vested deferred bonus shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any dividends payments in the form of shares.	Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year. Financial measures will make up at least 70% of the total annual bonus opportunity in any given year. The remainder will be split between non-financial metrics and personal / team objectives according to business priorities, with the weighting on the latter being no more than 20% of the total annual bonus opportunity. The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g., in the event of one of the targets under the bonus being significantly missed or unforeseen circumstances outside management control. The Committee also considers measures outside the bonus framework (e.g. H&S) to ensure there is no reward for failure. For 2022, financial metrics and non-financial metrics will make up 70% and 30% of the total annual bonus opportunity respectively. Further details of the measures, weightings and targets applicable are provided on page 163.

Changes to 2019 Policy: Delinking of bonus deferral requirement from existing shareholding levels.

REMUNERATION COMMITTEE continued

Policy Table continued

FUNCTION	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
LTIP To drive sustained long-term performance that supports the creation of shareholder value.	The LTIP comprises a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS). The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner, and is subject to the same performance conditions as awards made under the PSP. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table	The LTIP provides for an award up to a normal aggregate limit of 200% of salary for Executive Directors, with an overall limit of 300% of salary in exceptional circumstances. The current intention is to grant each Executive Director awards equivalent to 200% of salary. Awards may include a grant of HMRC approved options not exceeding £6k per annum, valued on a fair value exchange. A payment equal to the value of dividends which would have accrued on vested shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments in the form of shares.	Vesting of LTIP awards is subject to continued employment and performance against relevant metrics measured over a period of at least three years. The Committee will select performance measures ahead of each cycle to ensure that they continue to be linked to the delivery of the Company strategy. Under each measure, threshold performance will result in up to 25% of maximum vesting for that element, rising on a straight-line to full vesting. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the Committee, be subject to a holding period following the end of a three-year vesting period. The Committee's current intention is that all awards will be required to be held for an additional two-year period post-vesting. As under the Annual Bonus, the Committee has discretion to adjust the formulaic LTIP outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company. Details of the measures and targets to be used for 2022 LTIP awards are included in the Annual Report on Remuneration on page 164.

Notes to the policy table

The Committee is satisfied that the above remuneration policy is in the best interests of shareholders and does not promote excessive risk-taking.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as the vesting or exercise of past share awards).

Performance measure selection and approach to target setting

Measures used under the Annual Bonus and LTIP are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

The Committee considers that EPS (currently used in both the short- and long-term incentive) is an objective and well-accepted measure of the Company's performance which reinforces the strategic objective of achieving profitable growth, whilst a focus on Total Accounting Return (also currently used in both the short- and long-term incentive) is consistent with one of our stated objectives and a key indicator of Company performance in the real estate sector. The use of relative TSR is strongly aligned with shareholders and ensures that executives are rewarded only if they exceed the returns which an investor could achieve elsewhere in our sector. Finally, from 2022, the Committee has increased the overall weighting on Sustainability metrics across variable incentives in order to support and reinforce the Group's strategy in this area.

	Captured in...		Strategic objectives supported		
2022 incentive measures	**Annual bonus**	**LTIP**	**Delivering for our customers and universities**	**Attractive returns for shareholders**	**A responsible and resilient business**
Earnings Per Share (EPS)	✓	✓		✓	
Total Accounting Return (TAR)	✓ Absolute	✓ Relative		✓	
Loan To Value (LTV)	✓				✓
Total Shareholder Return (TSR)		✓		✓	
Customer satisfaction	✓		✓		
Higher Education trust	✓		✓		
Employee engagement	✓				✓
GRESB rating	✓				✓
EPC Ratings		✓			✓
Operational energy intensity		✓			✓

Targets applying to the Annual Bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year. Under the bonus, target performance typically requires meaningful improvement on the previous year's outturn, and, for financial measures, targets are typically set with reference to market consensus.

Remuneration policy for other employees

Unite's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. The Company is a fully accredited Living Wage employer.

In terms of variable incentives, all employees are eligible to participate in an annual bonus scheme with business area-specific metrics incorporated where appropriate. Senior managers are eligible to participate in the LTIP with annual awards currently up to 100% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

All employees are eligible to participate in the Company's SAYE scheme on the same terms.

REMUNERATION COMMITTEE continued

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares that remain subject to performance conditions) equivalent to 250% of base salary for the Chief Executive and 200% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired, up to 50% of the annual bonus payable to the relevant Director will be subject to deferral into shares. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration.

In order to provide further long-term alignment with shareholders and ensure a focus on successful succession planning, Executive Directors will normally be expected to maintain a holding of Unite shares for a period after their employment as a Director of the Group. This 'post-exit' shareholding guideline will be equal to the lower of a Directors' actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, with such shares to be held for a period of at least two years from the date of ceasing to be a Director. The specific application of this shareholding guideline will be at the Committee's discretion.

In order to monitor and enforce the post-exit shareholding requirement, the Committee has established an internal policy document detailing which shares are covered, the valuation methodology, the holding mechanism and any discretions available. In summary, this post-exit requirement will apply to any LTIP awards or deferred bonus share awards granted on or after 9 May 2019 (being the date of approval of the 2019 Policy), with shares deposited into a Nominee Account until such time that the required post-exit shareholding level has been achieved (calculated annually). Shares held in the Nominee Account will generally be held for a period of not less than 2 years from the date an individual ceases employment as a Director of the Group.

Changes to 2019 Policy: *Further detail provided on the approach to enforcing post-exit shareholding requirements.*

Malus and clawback

Awards under the Annual Bonus and the LTIP are subject to malus and clawback provisions which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years post-vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder, error in calculating the award vesting outcome and, from 2019 awards onwards, corporate failure as determined by the Remuneration Committee.

Non-Executive Director remuneration

NED	Date of service contract
E McMeikan	13 November 2013
R Paterson	21 September 2017
I Beato	20 July 2018
S Pearce	14 October 2019
T Jackson	29 November 2019
S Smith	14 October 2019
R Huntingford	26 October 2020

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. The appointment, re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

The Non-Executive Directors are not eligible to participate in the Company's performance-related bonus plan, long-term incentive plans or pension arrangements.

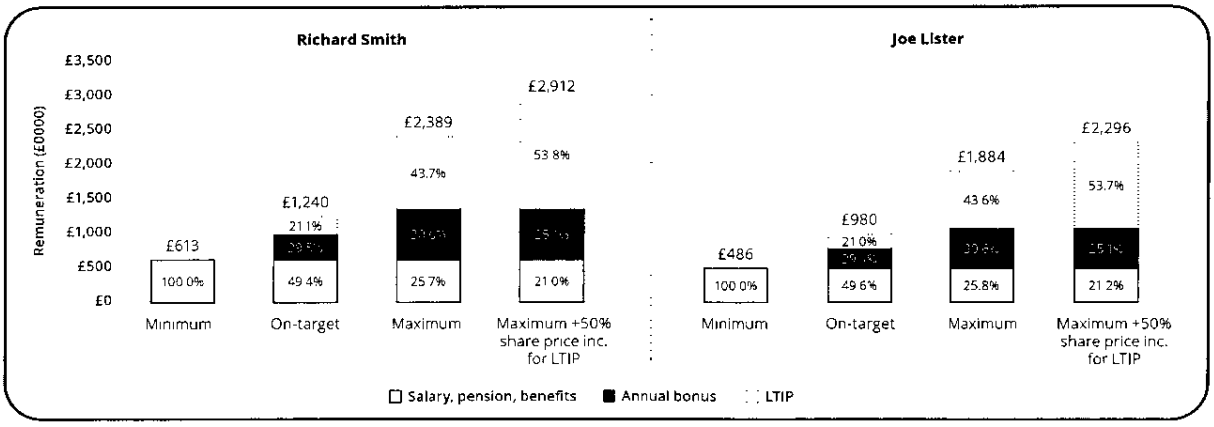
Details of the policy on fees paid to our Non-Executive Directors are set out in the table opposite:

FUNCTION	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed annually, with any adjustments typically effective 1 January in the year following review. The fees paid to the Chair are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's Committees (Audit, Remuneration, Nomination, Health & Safety, Sustainability). Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels. Expenses incurred by the Chair and the Non-Executive Directors in the performance of their duties (including taxable travel and accommodation benefits) may be reimbursed or paid for directly by the Company, as appropriate.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2022 are set out in the Annual Report on Remuneration. Fee levels will be next reviewed during 2022, with any increase effective 1 January 2023. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None

Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum including the impact of a 50% share price appreciation on LTIP awards'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 January 2022. Pension contributions reflect the agreed reduction to a maximum of 14% of salary effective 1 January 2022. The annual bonus and LTIP are based on the maximum opportunities set out under the Remuneration Policy, being 140% of salary under the annual bonus and a 2022 LTIP grant of 200% of salary. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period). The exception to this is the last scenario which, in line with the requirements of the UK Corporate Governance Code, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.



REMUNERATION COMMITTEE *continued*

The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive's remuneration packages not linked to performance.

The 'on-target' scenario reflects fixed remuneration as above, plus bonus payout of 70% of salary and LTIP threshold vesting at 25% of maximum award (50% of salary).

The 'maximum' scenario is shown on two bases: excluding and including the impact of share price appreciation on the value of LTIP outcomes. In both cases, the scenario includes fixed remuneration and full payout of all incentives (140% of salary under the annual bonus and 200% of salary under the LTIP), with the final scenario also including the impact of a 50% increase in Unite's share price on the value of the LTIP (in effect valuing this element of pay at 300% of salary).

	Salary	Benefits (based on FY21)	Pension	2022 maximum annual bonus	2022 LTIP award face value
CEO	£522,500	£17,242	14% of salary	140% of salary	200% of salary
CFO	£411,250	£17,269	14% of salary	140% of salary	200% of salary

Approach to recruitment remuneration

External appointment to the Board

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

COMPONENT	APPROACH	MAXIMUM ANNUAL GRANT VALUE
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role.	
Pension	New appointees will receive Company pension contributions or an equivalent cash supplement aligned to that offered to a majority of employees across the Group at the time of appointment (currently 11% of salary).	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses. New appointees will also be eligible to participate in all-employee share schemes.	
SAYE		
Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive.	140% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal aggregate limit of 200% of salary will apply, save in exceptional circumstances where up to 300% of salary may be awarded.	300% of salary

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Unite and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, which may be awarded in addition to the remuneration structure outlined in the table above. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. With regards to pension contributions, as above, this would be aligned to that offered to a majority of employees across the Group at the time of promotion to the Board. The Remuneration Policy for other employees is set out on page 147. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary to provide better line-of-sight.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 149. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and /or as Chair of the Board's Committees.

Service contracts and treatment for leavers and change of control

Executive	Date of service contract
J Lister	28 March 2002
R Smith	28 September 2011

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary, benefits and any other statutory payments only. Where a payment is made in equal monthly instalments, the Committee will expect the Director to mitigate his / her losses by undertaking to seek and take up, as soon as reasonably practicable, any suitable / similar opportunity to earn alternative income over the period in which the instalments are to be made. The instalment payments will be reduced (including to zero) by the amount of such income that the employee earns and / or is entitled to earn over the applicable period. Executive Director service contracts are available to view at the Company's registered office.

The Remuneration Committee will exercise discretion in making appropriate payments in the context of outplacement, settling legal claims or potential legal claims by a departing Executive Director, including any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by them in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

REMUNERATION COMMITTEE *continued*

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

	Calculation of vesting / payment
Annual bonus	
Cash element	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and will only be paid to the extent that financial and individual objectives set at the beginning of the plan year have been met. Otherwise, Executive Directors must be employed at the date of payment to receive a bonus.
Deferred element	Deferred bonus shares will normally be retained and will be released in full following completion of the applicable deferral period.
LTIP	
Leavers before the end of the performance period	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, the Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. This determination will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Committee may agree (within 12 months in the event of death). In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. If participants leave for any other reason before the end of the performance period, their award will normally lapse.
Leavers after the end of the performance period	Any awards in a holding period will normally vest following completion of the holding period.

External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Joe Lister was appointed as a Non-Executive Director on the Board of Helical Plc effective 1 September 2018 and received a fee of c.£58,000 in respect of his service for 2021. Richard Smith was appointed as a Non-Executive Director on the Board of Industrials REIT (formerly Stenprop Limited) effective 4 November 2020 and received a fee of c.£40,000 in respect of his service for 2021.

Consideration of conditions elsewhere in the Company

When making decisions on Executive Director remuneration, the Committee considers pay and conditions across Unite and reflects on available data such as the Gender Pay Gap reporting and the CEO pay ratio analyses. Prior to the annual salary review, the Group People Director provides the Committee with a summary of the proposed level of increase for overall employee pay. The Remuneration Committee did not formally consult with employees in designing the above executive remuneration policy. The Culture Matters forum, launched in October and attended by the employee engagement NED, will, in future, provide the Board and Committee with a greater opportunity to solicit the views of employees on remuneration structures and processes across the Group. Specifically, this forum will include as part of its agenda an opportunity to discuss remuneration issues, answer any questions around pay practices, and to explain to the workforce how executive pay arrangements align with the wider pay policy.

Consideration of shareholder views

During 2021, the Remuneration Committee consulted with Unite's top 20 investors and with proxy advisors (Glass Lewis, the Investment Association and ISS) to seek their views on the proposed changes to the Remuneration Policy, as well as remuneration at Unite more broadly. Further details are included in the Annual Statement of this report.

The Committee thanks investors taking the time to participate in the consultation and we welcomed the positive and constructive feedback received. The Committee used this feedback, along with updates to investor body principles published around the time of the review, to refine and further develop the final proposals. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

Annual Report on Remuneration

The following section provides details of how Unite's remuneration policy was implemented during the financial year ended 31 December 2021 and how it will be implemented in 2022.

Remuneration Committee membership in 2021

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for the Executive Directors and other senior executives;
- Approve the remuneration packages for the Executive Directors and ensure that pay outcomes reflect the performance of the Company; and
- Determine the balance between base pay and performance-related elements of the package so as to align Directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website. As of 31 December 2021, the Remuneration Committee comprised three independent Non-Executive Directors.

- Elizabeth McMeikan (Committee Chair)
- Ross Paterson
- Dame Shirley Pearce

Richard Akers served on the Committee prior to stepping down as a Non-Executive Director with effect from 15 December 2021. Certain Executives, including Richard Smith (Chief Executive) and Helene Murphy (Group People Director), are invited to attend meetings of the Committee, and the Company Secretary, Christopher Szpojnarowicz, acts as secretary to the Committee. Richard Huntingford and Thomas Jackson are also invited to attend meetings. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee convened four times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 108.

Key activities of the Remuneration Committee in 2021 included:

- Reviewed and approved the Executive Directors' performance against 2018 LTIP targets and approved vesting;
- Approved the Directors' Remuneration Report for 2020;
- Determined the Executive Directors' bonus and LTIP performance targets for 2021 in line with the strategic plan and approved grant of awards under the LTIP in April 2021;
- Considered remuneration market trends and corporate governance developments;
- Reviewed the Remuneration Policy and conducted shareholder consultations on the proposed changes;
- Reviewed the CEO pay ratio and gender pay data and disclosures; and
- Commenced preparation of the 2021 Directors' Remuneration Report.

Advisors

Ellason LLP was appointed as the independent remuneration advisor to the Committee effective 1 January 2021 and retained during the year. The Committee undertakes due diligence periodically to ensure that Ellason is independent and that the advice provided is impartial and objective. During 2021, Ellason provided independent advice including support on the review of the Remuneration Policy and consultation, supporting benchmarking for Executive Directors, updates on the external remuneration environment, performance testing for long-term incentive plans and Directors' Remuneration Report drafting support. Ellason reports directly to the Chair of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services to the Committee in 2021 were £43,113 (2020: £36,788 to Mercer) on the basis of time and materials.

Ellason is member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. None of the individual Directors have a personal connection with Ellason.

REMUNERATION COMMITTEE continued

Summary of shareholder voting at AGMs

The following table shows the results of the advisory vote on the 2020 Annual Report on Remuneration at the 2021 AGM and the binding vote on the 2019 Directors' Remuneration Policy at the 2019 AGM:

	2020 Annual Report on Remuneration		Directors' Remuneration Policy	
For (including discretionary)	344,430,454	97.76%	213,670,741	96.85%
Against	7,902,466	2.24%	6,938,947	3.15%
Total votes cast (excluding withheld votes)	352,332,920		220,609,688	
Votes withheld	1,024,435		0	
Total votes cast (including withheld votes)	353,357,355		220,609,688	

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2020 and 2021 by each Executive Director who served in the year ended 31 December 2021:

£		Salary	Taxable benefits	Pension	Annual Bonus	LTIP	Other	Total Single Figure	Total Fixed	Total Variable
		Note 1	Note 2	Notes 1, 3	Note 4	Note 5	Note 6			
R Smith	2021	472,313	17,242	65,613	484,688	349,946	0	**1,389,802**	555,168	834,634
	2020	425,082	16,202	73,738	0	418,918	0	**933,940**	515,022	418,918
J Lister	2021	384,441	17,269	53,406	394,513	284,809	2,483	**1,136,922**	455,117	681,805
	2020	345,997	17,498	59,626	0	341,057	2,248	**766,425**	423,120	343,305

1. 2020 salary and pension figures reflect the 30% reduction for Executive Directors which applied for a 4-month period from 1 April 2020.
2. Taxable benefits for 2021 consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £15,000 for Messrs. Smith and Lister.
3. Pension figures include contributions to the UNITE Group Personal Pension Scheme and cash allowances, where applicable. Pension contributions were reduced to a maximum of 17% of salary with effect from 1 January 2021.
4. The 2020 annual bonus scheme was suspended for the Chief Executive and Chief Financial Officer.
5. 2020 figures: The 2018 awards are valued based on the market price on the date of vesting (10 April 2021) of 1,083.5p. These amounts have been revised upwards from last year's report to reflect the actual share price on the date of vesting.
   2021 figures: For the 2019 awards, vesting of the relative TAR element will be finalised following the publication of comparator results over the coming months, with Unite currently estimated to rank between median and upper quartile, equating to c.50% vesting. Overall anticipated vesting of the 2019 awards used in this single figure is therefore around 36.84% of maximum. Similarly, the market price on the date of vesting for these awards is currently unknown and so the value shown is estimated using the average market value over the last quarter of 2021 of 1,085.5p. See following sections for further details. The value of the vested 2019 awards shown reflects the impact of a c.1% increase in the vesting share price compared to the share price at grant. Overall, the impact of the share price increase on the awards represents c 1% of the LTIP value, equivalent to c.£3k for Richard Smith and c.£2k for Joe Lister.
   For both 2020 and 2021, LTIP figures include the (estimated) value of dividends for vested awards, in both cases paid as additional shares. Awards in the form of HMRC-approved options are valued based on the embedded gain at vesting (i.e. subtracting the applicable exercise price) and attract no dividends.
6. 'Other' includes the embedded value of SAYE options at grant.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2020 and 2021 by each Non-Executive Director who served in the year ended 31 December 2021:

£		Base fee	Committee Chair / SID fees	Taxable benefits	Total Single Figure
Note 1		Note 2	Note 2	Note 3	
R Huntingford(i)	2021	181,110	–	74	**181,184**
	2020	4,120	–	–	**4,120**
E McMeikan	2021	49,440	16,120	39	**65,599**
	2020	44,496	14,508	133	**59,137**
R Paterson	2021	49,440	10,300	3	**59,743**
	2020	44,496	9,270	9	**53,775**
R Akers(ii)	2021	47,235	–	–	**47,235**
	2020	44,496	–	9	**44,505**
I Beato	2021	49,440	–	3	**49,443**
	2020	44,496	–	–	**44,496**
S Pearce(iii)	2021	49,440	8,279	3	**57,721**
	2020	44,496	–	9	**44,505**
T Jackson(iv)	2021	–	–	17	**17**
	2020	–	–	–	**–**
S Smith(v)	2021	49,440	10,300	49	**59,789**
	2020	32,136	4,735	–	**36,871**
P White(vi)	2021	49,806	–	–	**49,806**
	2020	179,302	–	252	**179,555**

1. Changes in Non-Executive Directors and responsibilities as follows:
   i. Richard Huntingford joined the Board as Chair Designate on 1 December 2020 and assumed the role of Chair on 1 April 2021.
   ii. Richard Akers stepped down as a Non-Executive Director with effect from 15 December 2021.
   iii. Dame Shirley Pearce became Chair of the Sustainability Committee with effect from 12 March 2021.
   iv. Thomas Jackson joined the Board on completion of the acquisition of Liberty Living Group plc on 29 November 2019. Reflecting the Relationship Agreement with CPPIB Holdco, Thomas will not receive any fees in respect of his Non-Executive Director position with Unite.
   v. Professor Sir Steve Smith joined the Board on 1 April 2020 and became Chair of the Health and Safety Committee from this date.
   vi. Phil White stepped down as Chair of the Board with effect from 31 March 2021.
2. 2020 figures reflects the 30% reduction to base fees and additional fees for Non-Executive Directors which applied for a 4-month period from 1 April 2020.
3. Taxable benefits relate primarily to certain travel expenses.

REMUNERATION COMMITTEE continued

Incentive outcomes for the year ended 31 December 2021 (audited)

Annual Bonus in respect of 2021 performance

The maximum bonus opportunity for each Executive Director in 2021 was 140% of base salary, with threshold and on-target performance paying 30% and 50% of maximum respectively under each performance measure. The 2021 annual bonus was based on an additive combination of financial (weighted 70%) and non-financial (30%) metrics, with Loan to Value (LTV) replacing net debt to EBITDA ratio and GRESB rating replacing individual / team objectives as compared to the 2019 scheme. Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

	Measure	Weight	Threshold 30% of max	On-target 50% of max	Maximum 100% of max	Actual	Outcome (% of max)
Financial (70%)	Adjusted EPS	25%	26.0p	29.0p	31.0p	27.6p	41.0%
	TAR per share	25%	47.5p	55.9p	64.3p	75.9p*	100.0%
	Loan to Value	20%	35.0%	34.3%	32.0%	29.0%	100.0%
Non-financial (30%)	Customer satisfaction	10%	35	36	38	35	30.0%
	Higher Education trust	10%	19	20	22	20	50.0%
	GRESB rating	10%	82	83	85	85	100.0%

* *Excludes impact of the extension of LSAV and the performance fee*

In confirming outcomes under the GRESB measure, the Committee considered, with input from the Sustainability Committee, how the constituent elements forming the overall GRESB rating had changed year-on-year, as well as the progress made on the Group's Diversity & Inclusion agenda.

Executive	Overall outcome (% of maximum)	Overall outcome (% of salary)	Overall outcome (£)
Richard Smith	73.3%	102.6%	£484,688
Joe Lister	73.3%	102.6%	£394,513

The Committee is satisfied that the overall bonus outcome of 102.6% of salary (cf. a maximum of 140% of salary) in respect of 2021 is appropriate. The overall outcome is around the 10-year average payout and reflects a year of recovery for Unite and the significant contributions made by both Directors. Reflecting the previous Policy under which the 2021 bonus operated, and having already reached their respective share ownership guidelines, each Executive Director will receive the first 100% of salary of their bonus awards in cash, with the remainder (2.6% of salary) deferred in shares for 2 years.

2019 LTIP vesting (vested on performance to 31 December 2021)

Awards in 2019 were made under the LTIP, consisting of the Unite Group Performance Share Plan and the Unite Group Approved Employee Share Option Scheme. Vesting of the awards was dependent on three equally-weighted measures over a three-year performance period: absolute EPS, relative TSR and relative TAR, with Unite's performance for both the TSR and TAR elements compared to the constituents of the FTSE350 Real Estate Supersector Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics, are provided in the table below:

Vesting of the relative TAR element will be finalised following the publication of comparator results over the coming months, with Unite currently estimated to rank between median and upper quartile, equating to c.50% vesting under this element and 36.84% vesting overall. Awards vesting will then be subject to an additional two-year holding period.

Measure	Weight	Targets	Outcome	Vest %
2021 Adjusted EPS	1/3	0% vesting below 46.9 pence 25% vesting for 46.9 pence 100% vesting for 56.2 pence or more; Straight-line vesting between these points	27.6 pence	0.0%
TSR ranking vs. constituents of the FTSE350 Real Estate Supersector Index	1/3	0% vesting below median 25% vesting for performance in line with median 100% vesting for performance in line with upper quartile or above; Straight-line vesting between these points	+34.7%: between median (+11.7%) and upper quartile (+60.3%)	60.5%
TAR ranking vs. constituents of the FTSE350 Real Estate Supersector Index	1/3	0% vesting below median 25% vesting for performance in line with median 100% vesting for performance in line with upper quartile or above; Straight-line vesting between these points	Estimated: Between median and upper quartile	Estimated: 50.0%

Note: As disclosed in the 2019 report, the EPS target range was increased to reflect the Liberty Living acquisition plan around earnings accretion and the positive benefit of the IFRS16 accounting standard change The original target range was 42.1–49.2 pence

Total estimated LTIP vesting (sum product of weighting and vest %)	36.84%

Executive	Interests held	Estimated vesting %	Estimated interests vesting	Date vesting	Assumed market price	Estimated value...	... of which, value due to share price growth
	Note 1					Note 2	
Richard Smith	85,747	36.84%	31,589	24 July 2022	1,085.5p	£349,946	£2,996 (0.9% of total)
Joe Lister	69,890		25,747			£284,809	£2,442 (0.9% of total)

1. In each case, interests held includes 577 HMRC-approved options under the ESOS.
2. Estimated value of HMRC-approved options is based on embedded gain (i.e. after subtracting 1,076.0p exercise price). Value includes the accumulated dividends on vested shares.

In line with reporting regulations, the value disclosed above and in the single total figure of remuneration table on page 154 captures the estimated full number of interests vesting (i.e. excluding the two-year holding period). As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2021 of 1,085.5p. Values will be trued-up in the 2022 Annual Report on Remuneration to reflect actual relative TAR vesting and the actual share price at the date of vesting for these awards.

The estimated values include the impact of a c.1% increase in the assumed market price compared to the share price at grant (1,076.0p). Executives also became entitled to additional shares representing the dividends payable on vested LTIP shares over the three-year performance period. The estimated value of these additional shares is included in the row entitled 'LTIP' in the single total figure of remuneration table on page 154, and equates to £9,258 and £7,535 for Messrs. Smith and Lister respectively. Actual dividends payable will be determined on finalising vesting of the TAR element of awards.

REMUNERATION COMMITTEE continued

Percentage change in remuneration of Directors and employees

This table is produced in accordance with the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and shows the change in remuneration of Unite Directors and employees over time.

Executive Director remuneration includes base salary, taxable benefits and annual bonus (where eligible). Non-Executive Director remuneration includes base fee and any additional fees paid, and taxable benefits. The pay for all employees is calculated using the increase in the earnings of full-time employees for the relevant tax years. The analysis excludes part-time employees and growth rates are based on a consistent set of employees, i.e. the same individuals appear in the 2021 and 2020 populations for the 2021 analysis and so on.

Director Note 1	Basic salary/total fee Note 2		Taxable benefits Note 3		Annual bonus Note 4	
	2021	2020	2021	2020	2021	2020
R Smith	11.1%	(6.9)%	6.4%	0.0%	n/m	(100.0)%
J Lister	11.1%	(6.9)%	(1.3)%	3.4%	n/m	(100.0)%
R Huntingford	266.3%	n/a	n/m	n/a	n/a	n/a
E McMeikan	11.1%	(7.3)%	(70.5)%	(60.2)%	n/a	n/a
R Paterson	11.1%	(7.3)%	(71.1)%	100.0%	n/a	n/a
R Akers	11.1%	(7.3)%	(100.0)%	(98.2)%	n/a	n/a
I Beato	11.1%	(7.3)%	n/m	(100.0)%	n/a	n/a
S Pearce	29.7%	(7.3)%	(71.1)%	100.0%	n/a	n/a
T Jackson	n/a	n/a	n/m	n/a	n/a	n/a
S Smith	17.0%	n/a	n/m	n/a	n/a	n/a
P White	11.1%	(7.3)%	(100.0)%	(84.5)%	n/a	n/a
All employees	2.9%	4.4%	2.3%	2.3%	285.0%	(67.8)%

1. Changes in Directors and responsibilities during the 2020 and 2021 financial years as follows:
   - Richard Huntingford joined the Board as Chair Designate on 1 December 2020 and assumed the role of Chair on 1 April 2021.
   - Dame Shirley Pearce became Chair of the new Sustainability Committee from 12 March 2021.
   - *Thomas Jackson joined the Board on completion of the acquisition of Liberty Living Group plc on 29 November 2019. Reflecting the* Relationship Agreement with CPPIB Holdco, Thomas will not receive any fees in respect of his Non-Executive Director position with Unite
   - Professor Sir Steve Smith joined the Board on 1 April 2020 and became Chair of the Health and Safety Committee from this date.
   - *Richard Akers stepped down as a Non-Executive Director with effect from 15 December 2021*
   - Phil White stepped down as Chair of the Board with effect from 31 March 2021.
2. The basic salary/total fee figures shown are based on full-time equivalent comparisons All Directors agreed a temporary 30% reduction to their salary/fees for the period of four months ended 31 July 2020 which is reflected in the year-on-year comparisons for both 2020 and 2021.
3. For Executive Directors, taxable benefits consist primarily of company car or car allowance and private health care insurance For Non-Executive Directors, taxable benefits relate primarily to certain travel expenses and accommodation which, given the relatively small numbers involved, can produce sizeable % changes from year to year.
4. The figures shown are reflective of any bonus earned during the respective financial year. Non-Executive Directors are not eligible to participate in the annual bonus scheme.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2020 and 31 December 2021, along with the percentage change in both.

	2021 £m	2020 £m	% change 2020–21
Total employee pay expenditure	65.0	64.7	0.5%
Distributions to shareholders	68.0	0.0	n/m

Distributions to shareholders reflects actual payments made during the relevant financial year. Employee remuneration excludes social security costs.

Relationship between the remuneration of the CEO and all employees

The Company's approach to remuneration is consistent for all employees.

Consistent with previous years, given the significant undertaking required to calculate the single figure of remuneration for all UK employees, the Committee opted to use data already available from the gender pay reporting as the basis for identifying employees at P25, P50 and P75 ('Option B'). We believe this provides a reasonable estimate for employees' pay at these levels within the organisation. Further details on the specific steps used in calculating the above ratios are as follows:

- We used the most recent gender pay gap data from 5 April 2021 to rank the hourly rates of all UK employees. From this initial ranking we identified those individuals positioned at P25, P50 and P75, as well as the immediate employees either side of P25, P50 and P75.
- Employees selected as P25, P50 and P75 were checked to confirm that they were employed for the whole of the 2021 financial year.
- Total FTE remuneration for each of these individuals was then calculated to 31 December 2021 on the same basis as used in the single figure table for our CEO. All figures are total amounts paid to full-time employees covering the whole 2021 financial year. Overtime pay, where received during the year, has been excluded so that the figures are comparable with the Chief Executive.
- In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

The Committee notes that the statutory CEO pay ratios have risen in 2021 as compared to 2020, with , for example, the ratio of CEO total remuneration to the median employee, for example, increasing from 38.1 to 55:1. This change reflects a number of factors, most notably the resumption of the annual bonus scheme for Executive Directors in 2021.

Reflecting that a significant proportion of the CEO's remuneration is linked to Group performance and share price movements over the longer-term and as a result that changes in the headline ratios may be volatile, the Committee also reviews ratios for salary and salary plus annual bonus. Participation in the Group's long-term incentives is currently limited to c.60 senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, the significant majority of our employees are eligible to participate in annual bonus arrangements – and so the Committee considers this ratio, as well as the ratio comparing just salaries, to provide helpful additional context.

Having reviewed these additional data points, the Committee is satisfied that the fluctuation in the headline ratios this year reflects appropriate differences in the structure of remuneration at different levels of seniority. Unite's total pay ratios have, in some years, been high relative to the broader FTSE250; however, the Committee believes that these differences are driven primarily by the Group's staffing model and the proportion of the workforce employed in our frontline teams, rather than excessive pay outcomes at a senior level.

REMUNERATION COMMITTEE continued

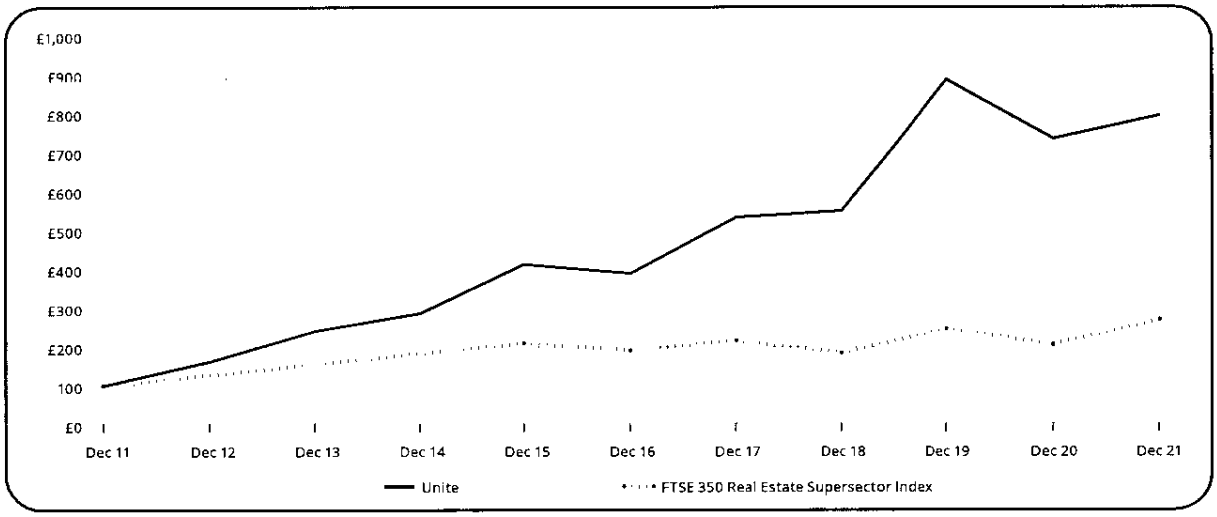
Relationship between the remuneration of the CEO and all employees

CEO pay ratio	2021	2020	2019
		Note 1	
Methodology used	**B**	B	B
Average number of employees	**1,900**	1,756	1,450
Ratio of CEO single figure total remuneration:			
– To employee at the 25th percentile	**57:1**	44:1	113:1
– To employee at the 50th percentile	**55:1**	38:1	96:1
– To employee at the 75th percentile	**42:1**	29:1	70:1
Ratio of CEO base salary plus annual bonus figure:			
– To employee at the 25th percentile	**42:1**	21:1	49:1
– To employee at the 50th percentile	**40:1**	18:1	41:1
– To employee at the 75th percentile	**31:1**	14:1	30:1
Ratio of CEO base salary figure:			
– To employee at the 25th percentile	**22:1**	22:1	25:1
– To employee at the 50th percentile	**22:1**	19:1	21:1
– To employee at the 75th percentile	**17:1**	14:1	15:1
Additional details			
CEO total single figure (£'000)	**1,390**	934	2,336
CEO base salary (£'000)	**472**	425	457
Employees total pay and benefits (£'000)			
– at the 25th percentile	**24.4**	21.2	20.6
– at the 50th percentile	**25.3**	24.6	24.4
– at the 75th percentile	**32.8**	32.0	33.5
Employees base salary (£'000)			
– at the 25th percentile	**21.1**	19.6	18.1
– at the 50th percentile	**21.8**	22.6	21.7
– at the 75th percentile	**28.5**	29.4	29.6

1. 2020 CEO single figure of remuneration has been trued-up from last year's report to reflect the actual market price on the date of vesting for 2018 LTIP awards, with ratios updated accordingly.

Review of past performance

The following graph charts the TSR of the Company and the FTSE350 Real Estate Supersector Index over the ten-year period from 1 January 2012 to 31 December 2021. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE350 Real Estate Index (the constituent members of which are all property holding and / or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company. The table below details the Chief Executive's single figure remuneration over the same period.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	M Allan	M Allan	M Allan	M Allan	M Allan R Smith	R Smith	R Smith	R Smith	R Smith	R Smith
									Note 1,2	Note 3
CEO single figure of remuneration (£000)	£994	£1,944	£2,987	£2,382	£223 £1,239	£1,456	£2,131	£2,336	£934	£1,390
Annual bonus outcome (% of maximum)	63.4%	84.0%	89.4%	88.2%	n/a 43.4%	63.6%	74.3%	80.9%	n/a	73.3%
LTIP outcome (% of maximum)	26.3%	83.1%	95.2%	100.0%	n/a 100.0%	96.1%	81.9%	97.1%	33.33%	36.84%

1. 2020 CEO single figure of remuneration has been trued-up from last year's report to reflect the market price on the date of vesting for 2018 LTIP awards.
2. 2020 annual bonus scheme was cancelled for Executive Directors in April 2020.
3. 2021 CEO single figure and LTIP outcome are based on an estimate of the vesting of the TAR element, see page 152 for further details.

Scheme interests awarded in 2021 (audited)

LTIP

In April 2021, Executive Directors were granted awards under the LTIP with a face value of 200% of their respective salaries. Any awards vesting for performance will be subject to an additional two-year holding period.

Executive	Date of grant	Shares over which awards granted	Market price at date of award	Face value
		Note 1		
Richard Smith	12 April 2021	87,549	1,083.5p	£948,593
Joe Lister		71,329		£772,850

1. Combination of HMRC-approved options under the ESOS (479) and nil cost options under the PSP calculated using a share price of 1,083.5p, being the closing mid-market price on the day the awards were calculated

REMUNERATION COMMITTEE continued

Scheme interests awarded in 2021 (audited) continued

Vesting of the awards is dependent on three equally-weighted measures over a three-year performance period: absolute Adjusted EPS, relative TAR and relative TSR, with Unite's performance for both the TAR and TSR elements compared to the constituents of the FTSE350 Real Estate Supersector Index. Targets for TAR and TSR measures are consistent with those disclosed prospectively in the 2020 Directors' Remuneration Report. Reflecting sensitivities around target setting arising from the Covid-19 pandemic, the Committee agreed targets for the absolute EPS element of awards later in the year than normal (October 2021) and disclosed these in a market announcement at the time. The Committee is satisfied that any vesting in 2024 will require exceptional performance over the remainder of the performance period. Details of the vesting schedules are provided below:

Measure	Weight	Targets
2023 Adjusted EPS	1/3	0% vesting below 44.0 pence; 25% vesting for 44.0 pence; 100% vesting for 51.5 pence or more; Straight-line vesting between these points
TSR ranking vs. constituents of the FTSE350 Real Estate Supersector Index (2021–2023)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.
TAR per share ranking vs. constituents of the FTSE350 Real Estate Supersector Index (2021–2023)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.

The Committee retains overarching discretion under the Remuneration Policy to approve the vesting of these awards. Any payout will be scrutinised by the Committee to ensure that it does not reward windfall gains, and reflects the performance of the Company and the experience of stakeholders over the period.

Deferred annual bonus

Given the suspension of the 2020 annual bonus scheme for Executive Directors, there were no deferred bonus awards granted during the 2021 financial year.

SAYE

During 2021, Joe Lister entered into a new savings contract under the SAYE plan. Details of all outstanding awards under this plan are included in the table on page 167.

Exit payments made in the year (audited)

There have been no exit payments during the year ended 31 December 2021.

Payments to past directors (audited)

There have been no payments (2020: £Nil) in excess of the de minimis threshold to former Directors during the year ended 31 December 2021 *in respect of their former roles as Directors. The Company has set a de minimis threshold of £5,000* under which it would not report such payments.

Implementation of Executive Director Remuneration Policy for 2022

Base salary

As detailed in the Annual Statement on pages 135–137, following a detailed review by the Committee it was determined to increase Executive Director salaries to reflect the increase in size, scale and scope of the Group in recent years, and in respect of the CEO, to eliminate the on-appointment discount to his predecessor. The first of this two-stage increase took effect from 1 January 2022 as shown in the table below. A similar % increase will apply with effect from 1 January 2023 subject to Committee confirmation based on each Director's performance and contribution over 2022.

Executive	Base salary from 1 January 2021	Base salary from 1 January 2022	Percentage increase
Richard Smith	£472,313	£522,500	10.6%
Joe Lister	£384,441	£411,250	7.0%

Salary increases across the Group for 2022 averaged 3.0%. Reflecting our commitment to being an accredited Real Living Wage employer, entry level salaries were increased by the higher of the rates set by the Living Wage Foundation (c.1.8% in London and c.4.2% in the rest of the UK) and the 3.0% groupwide increase.

Pension

Executive Directors will continue to receive a pension scheme contribution, a cash allowance of equivalent cost to the company or a combination of both. With effect from 1 January 2022, total employer pension contributions will be further reduced to an equivalent of up to 14% of salary for both Executive Directors. A final reduction next year will align both Executive Directors with the wider workforce.

Annual Bonus

For 2022, the maximum bonus opportunity for each executive will be 140% of salary, with threshold and on-target performance paying 30% and 50% of maximum respectively under each performance measure.

			Threshold	On-target	Maximum
	Corporate measures	Weight	30% max	50% max	100% max
Financial 70%	Adjusted EPS	25.0%	Targets considered commercially sensitive and will be disclosed retrospectively in the 2022 DRR		
	TAR per share	25.0%			
	Loan to Value (LTV)	20.0%			
Non-financial 30%	Customer satisfaction	7.5%	36	37	38
	Higher Education trust	7.5%	21	22	23
	Employee engagement	7.5%	Targets considered commercially sensitive and will be disclosed retrospectively in the 2022 DRR		
	GRESB rating	7.5%			

As disclosed in the Annual Statement on pages 137–138, there will be a change to the performance measures and weightings for the 2022 bonus scheme. The financial element of the bonus will continue to be based on a combination of EPS, TAR and Loan to Value (LTV), with the non-financial element to be split between customer satisfaction, Higher Education trust, GRESB rating and a new measure, employee engagement, each weighted 7.5%. The introduction of employee engagement coincides with the rollout of a new People strategy across the Group, and reflects the increasing importance of engaging our workforce to help deliver against an ambitious new strategy. Targets and outcomes for this measure will be based on the annual survey conducted by Glint, the output of which is reported in our Operational KPIs.

For both the financial and non-financial elements, proposed target levels have been set to be challenging relative to business plan. Targets for the financial elements are deemed to be commercially sensitive, as are the Employee Engagement and GRESB rating non-financial elements, and will be disclosed retrospectively in the 2022 Directors Remuneration Report. The Customer satisfaction and Higher Education reputation targets of the non-financial elements are not deemed to be commercially sensitive and are disclosed in the table above.

Subject to approval of the new Remuneration Policy, 50% of any bonus earned will be satisfied by an allocation of shares in the Company deferred for two years. Clawback and malus provisions apply to all awards.

REMUNERATION COMMITTEE *continued*

LTIP

During 2022, Executive Directors will each receive an award equivalent to a maximum of 200% of salary delivered through a combination of the PSP and ESOS, with the final level of vesting dependent on the achievement of three-year performance targets. As disclosed in the Annual Statement on page 138, we are introducing two sustainability metrics linked to the Group's new strategy for 2022.

The use of operational energy intensity aligns with our 2030 net zero carbon commitments and represents an environmental measure over which participants will have full control, avoiding distortions from either how Unite buys energy (which is easy to change and should not warrant an LTIP payout) and grid decarbonisation (which is outside of management's control). Progress against this measure is dependent on both a continued investment to improve the energy efficiency of the buildings which we operate, and on promoting initiatives to encourage customers and colleagues to reduce their energy use. The use of EPC ratings reflects the importance of making progress towards increasing minimum energy efficiency standards, an area currently under consultation by the UK Government.

Measure	Weight	Threshold 25% vesting	Stretch 100% vesting
2024 Adjusted EPS	28.0%	48.5 pence	53.6 pence
TSR ranking vs. constituents of the FTSE350 Real Estate Supersector Index (2022–2024)	28.0%	In line with median	In line with upper quartile
TAR per share ranking vs. constituents of the FTSE350 Real Estate Supersector Index (2022–2024)	28.0%	In line with median	In line with upper quartile
Operational energy intensity: cumulative reduction; 2024 vs 2019 baseline (kWh/m2)	8.0%	6.3% cumulative reduction	12.6 % cumulative reduction
EPC ratings: % of floorspace A–C rated in 2024	8.0%	67% of floorspace	79% of floorspace

No vesting below Threshold; straight-line vesting between Threshold and Stretch.

Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will also apply. Further details of the grant date and number of interests awarded will be disclosed in next year's report.

Implementation of Non-Executive Director Remuneration Policy for 2022

Chair and Non-Executive Director Fees

During the final quarter of 2021, the Board undertook its annual review of Non-Executive Director fees. Following consideration of salary increases across the Group and indicative fee increases at sector and FTSE comparators, the Board determined that the basic fee should be increased by 3.0% from £49,440 p.a. to £50,925 p.a. and that additional fees should be increased by a similar rate. The Committee, in considering similar factors, determined that the fee payable to the Chair of the Board should be increased by a similar rate from £225,000 to £231,750. Each of these fee increases is in line with increases applied to the broader employee population.

A summary of the fee increases, which are effective 1 January 2022, is set out in the table below.

Position		2021 fees	2022 fees
Base fees			
Chair		£225,000	**£231,750**
Non-Executive Director		£49,440	**£50,925**
Additional fees			
Senior Independent Director		£5,820	**£5,995**
Audit Committee Chair		£10,300	**£10,600**
Remuneration Committee Chair		£10,300	**£10,600**
Nomination Committee Chair	Note 1	n/a	**n/a**
Health and Safety Committee Chair		£10,300	**£10,600**
Sustainability Committee	Note 2	£10,300	**£10,600**

1. Role is undertaken by the Chair of the Board, with no any additional fee payable in respect of chairing this Committee
2. Fee payable with effect from 12 March 2021.

Directors' interests (audited)

A table setting out the beneficial interests of the current Directors and their families in the share capital of the Company as at 31 December 2021 is set out below. None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2021, there have been no changes in the Directors' interests in shares.

	Ordinary shares of 25p each at 31 December 2021	Ordinary shares of 25p each at 31 December 2020
R Smith	**295,586**	232,361
J Lister	**518,006**	464,875
R Huntingford	**10,135**	10,000
E McMeikan	**7,824**	7,721
R Paterson	**8,312**	8,312
I Beato	**1,724**	1,724
S Pearce	**1,163**	1,149
T Jackson	**0**	0
S Smith	**0**	0

Details of Executive Directors' interests in share-based incentives are set out in the tables below.

Share price information

As at 31 December 2021 the middle market price for ordinary shares in the Company was 1,110.5p per share. During the course of the year, the market price of the Company's shares ranged from 930p to 1,237p per ordinary share.

Executive Directors' shareholding requirements (audited)

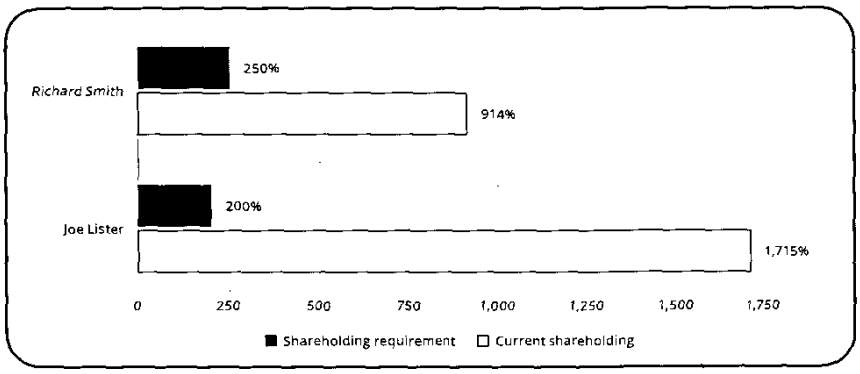
The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2021:

	Interests							
	Owned outright	Subject to deferral / holding period		Unvested and / or subject to perf. conditions		Shareholding requirement % of salary / base fee	Current shareholding % of salary / base fee	Requirement met?
		Shares / nil-cost options	Options / HMRC options	Shares / nil-cost options	Options / HMRC options			
		Note 1			Note 2			
R Smith	295,586	174,375	1,152	289,643	1,782	250%	914%	Yes
J Lister	518,006	141,908	1,152	235,693	1,782	200%	1,715%	Yes
R Huntingford	10,135						50%	
E McMeikan	7,824						176%	
R Paterson	8,312						187%	
R Akers Note 3	20,000						449%	
I Beato	1,724						39%	
S Pearce	1,163						26%	
T Jackson	0						0%	
S Smith	0						0%	
P White Note 4	15,290						85%	

1. Includes shares subject to a holding period under the LTIP and deferred bonus shares, where applicable. Excludes SAYE options.
2. Based on share price as at 31 December 2021 of 1,110.5p. Shares subject to deferral / holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation
3. As at the date of stepping down from the Board on 15 December 2021.

REMUNERATION COMMITTEE continued

Executive Directors' shareholding requirements (audited) continued



4. As at the date of stepping down from the Board on 31 March 2021.

Executive	Interests held at 01.01.21	Granted during the year	Lapsed during the year	Vested during the year	Interests held at 31.12.21	End of deferral period
Richard Smith	5,067	–	–	–	5,067	27.02.22
Joe Lister	4,124	–	–	–	4,124	27.02.22

Directors' interests in shares and options under Unite incentives (audited)

Deferred bonus

Executive	Plan	Interests held at 01.01.21	Interests awarded during the year	ESOS exercise price	Interests vested during the year	Interests lapsed during the year	Interests outstanding at 31.12.21	Period of qualifying conditions
					Note 1			
Richard Smith	PSP	110,258	–	–	36,748	73,510	–	10.04.18 – 10.04.21
	ESOS	739	–	811.0p	246	493	–	
	PSP	85,190	–	–	–	–	85,190	24.07.19 – 24.07.22
	ESOS	557	–	1,076.0p	–	–	557	
	PSP	117,383	–	–	–	–	117,383	23.04.20 – 23.04.23
	ESOS	746	–	803.5p	–	–	746	
	PSP	–	87,070	–	–	–	87,070	12.04.21 – 12.04.24
	ESOS	–	479	1,083.5p	–	–	479	
		314,873	**87,549**		**36,994**	**74,003**	**291,425**	
Joe Lister	PSP	89,732	–	–	29,907	59,825	–	10.04.18 – 10.04.21
	ESOS	739	–	811.0p	246	493	–	
	PSP	69,333	–	–	–	–	69,333	24.07.19 – 24.07.22
	ESOS	557	–	1,076.0p	–	–	557	
	PSP	95,510	–	–	–	–	95,510	23.04.20 – 23.04.23
	ESOS	746	–	803.5p	–	–	746	
	PSP	–	70,850	–	–	–	70,850	12.04.21 – 12.04.24
	ESOS	–	479	1,083.5p	–	–	479	
		256,617	**71,329**		**30,153**	**60,318**	**237,475**	

LTIP awards

Executive	Options held at 01.01.21	Granted during the year	Exercised during the year	Option price per share	Options held at 31.12.21	Maturity date
					Note 1	
Joe Lister	1,266	–	–	710.8p	1,266	01.12.21
	1,182	–	–	760.8p	1,182	01.12.23
	–	913	–	985.2p	913	01.12.24
Richard Smith	2,122	–	–	848.0p	2,122	01.12.22

1. All awards vesting for performance during the year are subject to an additional two-year holding period.

SAYE

1. As at year end, Joe Lister held 1,266 options under the 2018 scheme which had matured but not yet been exercised.

The highest, lowest and closing share prices for 2021 are shown on page 165.

Details of the qualifying performance conditions in relation to the above referred-to awards made in prior years are set out on previous pages or in earlier reports.

Awards made in prior years took the form of a combination of nil cost options under the PSP and HMRC-approved options

Executive	2021 £	2020 £
Richard Smith	444,937	342,046
Joe Lister	362,552	278,839

under the ESOS. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors' share options and LTIP awards recognised in the Income Statement is as follows:

The Directors' Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Elizabeth McMeikan
Chair – Remuneration Committee
23 February 2022

DIRECTORS' REPORT

As at 31 December 2021, the Company had received notifications from the following companies and institutions of themselves and their clients holding 3% or more of the issued share capital of the Company. There have been no significant changes since that date through to 23 February 2022.

SHARE CAPITAL

Shareholder	Percentage of share capital
Canada Pension Plan Investment Board (CA)	18.19
BlackRock Inc	6.70
APG Asset Management NV (NL)	5.98
Abrdn Plc	5.58
Norges Bank Investment Management	4.82
The Vanguard Group Inc	4.16
Royal London Asset Management Ltd (UK)	3.87

Share capital

At the date of this report, there are 399,131,264 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year and through to the date of this report, the following numbers of ordinary shares of 25p each were allotted and issued as follows:

- 789,927 – Unite share scrip scheme
- 133,415 – pursuant to the exercise of options under The Unite Group PLC Savings Related Share Option Scheme; and
- 7,270 – pursuant to the exercise of options under the Approved Scheme.

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association.

There are no restrictions on the transfer or voting rights of ordinary shares in the capital of the Company (other than those which may be imposed by law from time to time or as set out in the Company's Articles of Association).

The Directors have no authority to buy back the Company's shares.

In accordance with the Market Abuse Regulations, certain employees are required to seek approval to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary, the Company's Articles of Association may be amended by special resolution of the shareholders.

Authority to issue shares

The Directors may only issue shares if authorised to do so by the Articles of Association or the shareholders in general meeting. At the Company's Annual General Meeting held on 13 May 2021, shareholders granted an authority to the Directors to allot ordinary shares up to an aggregate nominal amount of £33,184,050 (which represented one-third of the nominal value of the issued share capital of the Company as at 1 April 2021). In accordance with guidelines issued by the Investment Association, this resolution also granted the Directors authority to allot further equity securities up to the aggregate amount of £33,184,050 (representing one-third of the nominal value of the issued share capital of the Company as at 1 April 2021). This additional authority was only permitted for fully pre-emptive rights issues. As at 31 December 2021, the shares that had been allotted were to satisfy awards under the Company's share schemes and the scrip scheme shares. As this authority is due to expire on 12 May 2022, shareholders will be asked to renew and extend the authority, given to the Directors at the last Annual General Meeting, to allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company for the purposes of Section 551 of the Companies Act 2006. Further details on the resolution will be provided in the Notice of this year's Annual General Meeting and its explanatory notes.

Disapplication of pre-emption rights

If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. At the forthcoming Annual General Meeting, shareholders will be asked to pass two special resolutions to grant the Directors powers to disapply shareholders' pre-emption rights under certain circumstances. Further details on the resolutions will be provided in the Notice of this year's Annual General Meeting.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding rewards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Other than certain of the Group's banking facilities, there are no other significant agreements to which the Company is a party that affect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Going Concern and viability statement

The going concern statement and viability statement are set out on pages 190, 191 and page 78 respectively and are incorporated into this Directors' Report by reference.

Disclosure of information to auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. A Director must notify the Chair (and the Chair notifies the Chief Executive) if he/she becomes aware that he/she, or any of his/her connected parties, may have an interest in an existing or proposed transaction with the Company or the Group. Directors have a continuing duty to update any changes to these conflicts.

Political donations

No political donations, contributions or expenditure were made during the year ending 2021.

Indemnities

There are no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions for the benefit of any of the Directors.

Research and development

The Company is not currently carrying on any activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside of the UK.

Appointment and replacement of Directors

The Company's Articles of Association provide that Directors may be appointed by the existing Directors or by the shareholders in a general meeting. Any person appointed by the Directors will hold office only until the next general meeting, notice of which is first given after their appointment and will then be eligible for re-election by the shareholders. A Director may be removed by the Company as provided for by applicable law and shall vacate office in certain circumstances as set out in the Articles of Association. In addition the Company may, by ordinary resolution, remove a Director before the expiration of his/her period of office and, subject to the Articles of Association, may by ordinary resolution appoint another person to be a Director instead. There is no requirement for a Director to retire on reaching any age.

Disclosures required under Listing Rule 9.8 4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

INFORMATION REQUIRED UNDER LR 9.8.4R		REFERENCE
(1)	Amount of interest capitalised and tax relief	Note 3.1, page 206
(2)	Publication of unaudited financial information	n/a
(4)	Details of long term incentive schemes	Pages 157 and 164
(5)	Waiver of emoluments by a Director	Page 162
(6)	Waiver of future emoluments by a Director	n/a
(7)	Non pre-emptive issues of equity for cash	n/a
(8)	Item (7) in relation to major subsidiary undertakings	n/a
(9)	Parent participation in a placing by a listed subsidiary	n/a
(10)	Contracts of significance	n/a
(11)	Provision of services by a controller shareholder	n/a
(12)	Shareholder waiver of dividends	n/a
(13)	Shareholder waiver of future dividends	n/a
(14)	Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' Report.

DIRECTORS' REPORT continued

Other information incorporated by reference

The following information in the Strategic Report and Financial Statements is incorporated into this Directors' Report by reference:

- Results and Dividend on pages 72 and 229
- TCFD disclosures, Greenhouse Gas Emissions and Energy Consumption Disclosures on pages 50–55
- Financial instruments and financial risk management on page 74 and Section 4 of the notes to the financial statements on page 218
- Future developments on pages 23–25 and 66–69
- Employment of disabled persons/Employee involvement on page 42
- Workforce engagement on page 104
- Engagement with customers, partners, suppliers and others on page 17

The Corporate Governance report (which includes details of directors who served throughout the year) on pages 88–170, the Statement of Directors' responsibilities on page 171 and details of post balance sheet events on page 237 are incorporated into this Directors' Report by reference.

Management Report

This Directors' Report together with the Strategic Report and other sections from the Annual Report forms the Management report for the purposes of DTR 4.1.8 R.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office at South Quay, Temple Back, Bristol, BS1 6FL at 9.30am on 12 May 2022. We request that shareholders who do wish to attend in person preregister their intention to attend to help us manage numbers. We will continue to monitor Covid-19 and any impact on our Annual General Meeting, with the health and safety of our shareholders, Directors and employees as our priority. If it becomes necessary or appropriate to make changes to the proposed format of the Annual General Meeting, we will inform shareholders as soon as we can. Shareholders are encouraged to monitor our website at https://www.unite-group.co.uk/investors/agm and London Stock Exchange announcements for any updates regarding the Annual General Meeting arrangements.

Formal notice of the meeting is given separately and will be available on the Company's website at https://www.unite-group.co.uk/investors.

This report was approved by the Board on 23 February 2022 and signed on its behalf by

Christopher Szpojnarowicz
Company Secretary
23 February 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the UK (Adopted IFRS) and applicable law and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards including FRS 101 – Reduced Disclosure Framework ("United Kingdom Generally Accepted Practice").

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the UK (or in accordance with UK General Accepted Practice)
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, the names of whom are set out on pages 92 to 95, confirms that to the best of his or her knowledge:

- The Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

R S Smith
Director

J J Lister
Director

23 February 2022

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INDEPENDENT AUDITOR'S REPORT

To the members of the Unite Group PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Unite Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated and Parent Company statements of cash flows; and
- the related sections 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in section 2.6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Investment property and development property valuation; and • Accounting for Joint Ventures. In the prior year our report included a key audit matter relating to going concern. However, given the lessening impact of Covid-19 upon the Group's current and forecast occupancy, as well as the available headroom to maintain specific financial ratios, we no longer consider this to represent a key audit matter. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £35.5m which was determined on the basis of net assets. However, we use a lower materiality threshold of £5.5m for balances which impact adjusted earnings.
Scoping	Our Group audit scope comprises the audit of The Unite Group Plc as well as Group's joint ventures: The Unite UK Student Accommodation Fund (USAF) and The London Student Accommodation Vehicle (LSAV). All audit work was completed by the Group audit team.
Significant changes in our approach	Changes to our key audit matters are set in in section 5 below.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained an understanding of the relevant controls over the going concern process, including management's process to formulate the cashflow forecasts as well as the approval process;
- Challenged the revenue assumptions, for the outturn of the 2021/22 academic year and the assumptions for the 2022/23 academic year. For the 2022/23 academic year specifically, we assessed the Group's current forward sales bookings and UCAS application data to forecast occupancy assumptions for reasonableness;
- Challenged the cost assumptions within the forecasts, including consideration of previous incurred costs and the impact of cost inflation;
- Challenged the likelihood of downside scenarios arising relative to reverse stress tests with reference to the income and cost assumptions. This included reference to the occupancy rates achieved during the previous academic years which were negatively impacted by lockdown requirements and restrictions in university in person teaching;
- Determined the sufficiency of Group's liquidity and headroom positions with reference to borrowing facility agreements, including the consideration of the availability of undrawn down facilities as well as facilities due to expire within the going concern period of assessment;
- Tested the arithmetical accuracy of the models used to prepare the Group's forecast and related scenarios;
- Assessed the reasonableness of key mitigations available to management to raise or preserve cash to ensure the Group has sufficient liquidity within the going concern period of assessment; and
- Assessed the sufficiency of the Group's disclosure concerning the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a *going concern for a period of at least twelve months from when the financial statements are authorised for issue.*

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT continued

To the members of the Unite Group PLC

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Investment property and development property valuation

Key audit matter description	The Group's principal assets are investment properties (2021: £3,192.8m; 2020: £3,716.5m) and investment properties under development (2021: £324.1m; 2020: £187.2m). The Group also holds investments in its joint ventures, USAF and LSAV, with their principal assets also being investment properties. The investment properties are carried at fair value based on an appraisal by the Group's independent external valuers. Valuations are carried out at six-monthly intervals for the Group in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards (the Red Book), taking into account transactional evidence during the year. The valuation is underpinned by a number of estimates and assumptions as it requires the estimation of property yields, rental growth, occupancy and property management costs. A small change in these assumptions could have a significant impact on the valuation of the properties and there is an associated fraud risk due to the risk of management override of controls relating to the valuation process. With regards to the valuation of the USAF and LSAV properties, small changes could also have a significant impact on a key input to the calculation of a performance fee if the hurdle rate is achieved as this is based on the net asset values of the funds. Valuations are also impacted by cladding remediation requirements. With regards to the investment properties under development, additional estimation is required to forecast discounted cash flows with a deduction for construction costs to complete. Refer to page 120 (Audit Committee Statement) and section 3.1: Wholly owned property assets and section 3.4 Investments in joint ventures. Significant accounting judgements and estimation uncertainty disclosures relating to Investment property and development property valuation are set out in Sections 1 and 3.1.
How the scope of our audit responded to the key audit matter	We performed testing on the property valuations and assessed the estimates that had been made. This work included: • Obtained an understanding and tested the relevant controls over the investment property and development property valuation processes; • Understood and challenged the assumptions used in relation to key drivers such as rental income and growth, occupancy, yields and property management costs including comparing them to the trends at the end of the year and the following year's budget; • Challenged the accuracy, completeness and consistency of the information provided to the external valuers which included testing a sample of income and tenancy data back to Group held information which have been subjected to accuracy tests; • We assessed the independence, objectivity, competence and capability of the Group's valuers. We met with the Group's external valuers to understand the assumptions being taken and consistency of the estimates with prior year; • With the assistance our valuation specialists within our Deloitte Real Estate team we benchmarked the assumptions used against market data, including relevant transactions; • Reconciled the external valuation reports to underlying financial records to test for completness and accuracy within the Group's financial statements; • Assessed the appropriateness of the external valuers approach with respect to replacement cladding and the impact on valuations and Unite's valuation related disclosures; • Assessed the Group's development appraisal process through meeting with the development team and assessing on a sample basis the forecast cost to complete against budget and substantive testing of costs incurred to date. We challenged the appropriateness of cost to complete information and reconciled the valuation reports to underlying financial records; and • Assessed the sufficiency of the Group's valuation disclosures, including the related sensitivities.
Key observations	We are satisfied with the approach and methodology adopted in valuing the property portfolio and consider the investment property and development property valuations to be suitable for inclusion in the financial statements at 31 December 2021.

5.2. Accounting for Joint ventures

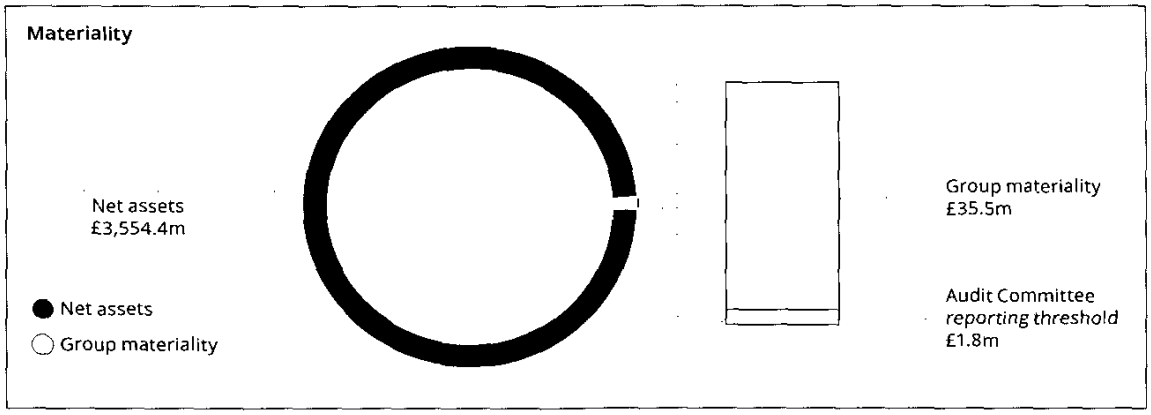
Key audit matter description	A significant proportion of the Group's assets is held within USAF and LSAV, jointly owned entities that are accounted for under the equity method as joint ventures (2021: £1,044.1m; 2020: £849.0m), on the basis that Unite does not control the entities. At 31 December 2021 Unite had a 22% (2020: 22%) ownership of USAF and 50.0% (2020: 50.0%) ownership of LSAV, and acts as manager of both joint venture vehicles. Due to the complexity of the contractual arrangements, and the Group's role as manager of the joint venture vehicles, the assessment of control involves judgements around a number of significant factors, particularly with regard to USAF. USAF is a multi-investor fund with an Advisory Committee and the Group's ownership stake is subject to change. In accordance with the requirements of IFRS 10 Consolidated Financial Statements, there is a need to assess control with regards to the ability to direct relevant activities, to have exposure to variable returns and the ability to use power to affect returns at each reporting period. Management have assessed (in line with the prior year) that the Group does not have control over USAF and LSAV, but has joint control. Consequently management has accounted for the joint ventures under the equity method rather than consolidating them within the Group's financial statements. During the year, the LSAV fund has been extended beyond its original 2022 maturity for a further 10 years. Refer to page 120 (Audit Committee Statement) and section 3.4: Investments in joint ventures. Significant accounting judgement disclosure relating to accounting for joint ventures is set out in Section 1.
How the scope of our audit responded to the key audit matter	Our audit procedures focused on assessing the activities of the businesses, understanding the contractual agreements in place and identifying the methodology applied by management in reaching their business decisions in order to consider the appropriateness of the classification of these arrangements as joint ventures in accordance with the requirements of IFRS. With regards to both USAF and LSAV ("the funds"), we have: • Obtained an understanding of the relevant controls over the accounting for joint ventures; • Assessed the key activities and how they impact the returns to the Group from the funds and challenged management's own consideration of these factors in their application of IFRS, including whether there was evidence of contradictory evidence; • Assessed the three key factors relating to control in accordance with the judgement required under IFRS 10. This included whether Unite had exercised control over the funds; and • Reviewed the fund agreements in the year to confirm that there have been no changes to the USAF fund agreement and to assess the changes to the LSAV fund agreement following the extension of the fund in the year. For the changes to the LSAV fund agreement we considered whether these changes impacted the key factors to assess control. Given the particular focus on USAF, we have: • Assessed the role of the USAF Advisory Committee including activities which it is resposnsible for as set out by the fund agreement; • Whether the Group has the sole power to direct the activities that are likely to most significantly affect the returns of USAF in the future, and therefore whether Unite does have control of USAF; and • Evaluated the impact of changes to the percentage ownership of the fund and whether this impacts Unite's power and control.
Key observations	We are satisfied with management's conclusion that there has been no changes to the structure and the role played by the Group as investor and asset / development manager or to the USAF fund agreement. The LSAV fund has been extended in the year however the changes to the LSAV fund agreement does not impact the control assessment and accounting treatment. We are satisfied with management's conclusion that the Group does not have control of the Joint Ventures. Therefore, treatment as joint ventures is considered to be appropriate.

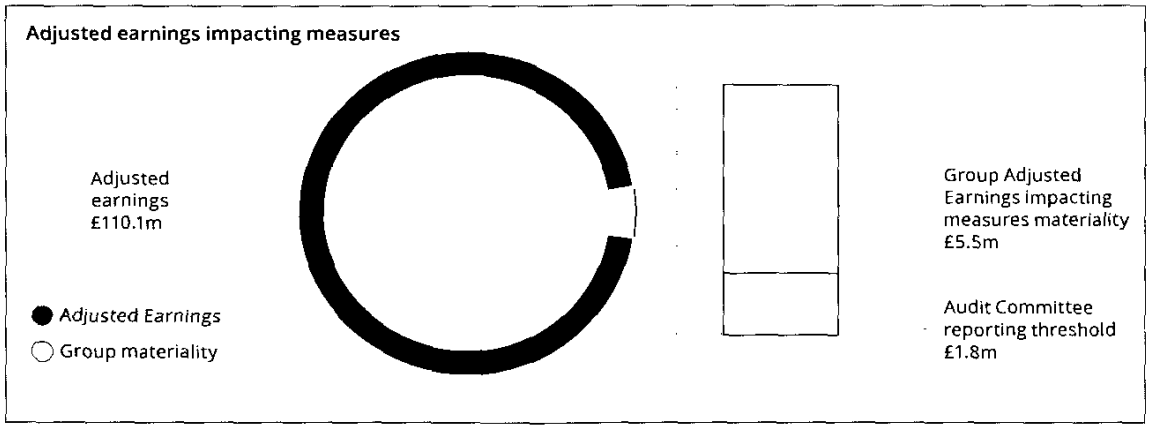
INDEPENDENT AUDITOR'S REPORT continued
To the members of the Unite Group PLC

6. Our application of materiality
6.1. Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£35.5m (2020: £32.5m) Adjusted earnings impacting measures: £5.5m (2020: £4.6m)	£34.9m (2020: £31.2m)
Basis for *determining* materiality	Materiality: 1% (2020: 1%) of net assets Adjusted earnings impacting measures: 5% (2020: 5%) of adjusted earnings	1% (2020: 1%) of Net Assets
Rationale for the benchmark applied	We determined materiality for the Group based on 1% of net assets as the balance sheet is considered to be a key driver of a property group. In addition to net assets, we consider the European Public Real Estate (EPRA) measures to be a critical financial performance measure for the Group and we have applied a lower threshold based on 5% of adjusted earnings for testing of those items impacting adjusted earnings.	As the parent holding company the principal activity is to hold the investments in subsidiaries. Therefore, the net assets balance is considered to be the key driver of the Company's performance and the most relevant benchmark for materiality.





6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Group and Parent Company performance materiality was set at 70% (2020: 70%) of Group and Parent Company respective materiality. In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment, and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.8m (2020: £1.6m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group is audited by one audit team, led by the Senior Statutory Auditor. We engage with staff at the Group's Bristol head office, as the books and records for each entity within the Group are maintained at this location. The Group only operates within the United Kingdom – this includes The Unite Group PLC and its related subsidiaries, as well as the two joint ventures, USAF and LSAV.

We audit all of the results of the Group together with USAF and LSAV, for the purposes of our Group audit. We have also tested the consolidation process to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of the control environment

From our understanding of the Group and after assessing relevant controls, we tested and relied on controls in performing our audit of:

- Investment and development property additions and disposals; and
- Rental income recorded within the Group's room booking system.

There were no areas where we had planned to rely on controls, other than those set out above.

Whilst we did not take controls reliance, we also assessed the controls relating the valuation of investment and development property given the significance to the Group.

In addition, we have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our key audit matters.

The Group uses the following application systems for the recording and reporting of its financial statements:

- Oracle EBS – general ledger and room booking system;
- Portal Agent Desktop (PAD) – room booking portal used by students and implemented on top of Oracle EBS and therefore where revenue transactions are initiated; and
- HFM – used to prepare the Group consolidation at the Group's Head Office.

INDEPENDENT AUDITOR'S REPORT continued

To the members of the Unite Group PLC

We involved IT specialists to assess the relevant controls over the three systems set out above. Working with IT specialists we identified and assessed relevant risks arising from each relevant IT system and the supporting infrastructure technologies based on the role of application in the Group's flow of transactions. We obtained an understanding of the IT environment as part of these risk assessment procedures. We further performed the following procedures:

- Determined whether each general IT control, individually or in in combination with other controls, was appropriately designed to address the risk;
- Obtained sufficient evidence to assess the operating effectiveness of the controls across the full audit period; and
- Performed additional procedures where required if there were exceptions to the operation of those controls, including relevant mitigating controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change including physical and transitional risks and is scenario based, as explained in the Strategic Report on pages 50 to 51.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements

We performed our own assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures also included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: investment property and development property valuation owing to the potential manipulation and override by management of the controls relating to the valuation process; and revenue recognition owing to the risk of management override of controls relating specifically to the Covid-19 discounts and refunds offered to students which were processed outside of the Group's automated revenue system. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety matters, including fire safety and fire cladding.

INDEPENDENT AUDITOR'S REPORT continued

To the members of the Unite Group PLC

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of investment property and development property as a key audit matter related to the potential risks of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, internal audit and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the identified revenue fraud risk relating to the Covid-19 discounts and refunds offered to students: understanding the relevant controls over the processing and approval of the discounts and refunds; reconciling the manual revenue adjustments to supporting schedules; and vouching a sample of refunds to tenancy agreement and cash refunds; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 188 and 189;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 76;
- the Directors' statement on fair, balanced and understandable set out on page 95;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 74 to 88;
-

- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 72 to 86; and
- the section describing the work of the Audit Committee set out on pages 120 to 125.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board on 10 June 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ended 31 December 2015 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Stephen Craig (Senior statutory auditor)
For and Behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

23 February 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Rental income	2.4	209.0	196.1
Other income	2.4	57.9	19.5
Total revenue		266.9	215.6
Cost of sales		(64.4)	(53.3)
Expected credit losses		(3.3)	(8.6)
Operating expenses		(36.3)	(34.7)
Results from operating activities before gains/(losses) on property		162.9	119.0
Loss on disposal of property		(12.0)	(1.9)
Net valuation gains/(losses) on property (owned and under development)	3.1	116.9	(124.2)
Net valuation losses on property (leased)	3.1	(11.1)	(11.2)
Integration/acquisition costs		–	(9.2)
Profit/(loss) before net financing costs and share of joint venture profit/(loss)		256.7	(27.5)
Loan interest and similar charges	4.3	(34.2)	(41.9)
Interest on lease liability	4.3	(8.5)	(8.8)
Mark to market changes on interest rate swaps	4.3	10.9	(5.8)
Swap cancellation fair value settlements and loan break costs	4.3	(4.2)	(30.1)
Finance costs		(36.0)	(86.6)
Finance income	4.3	–	5.6
Net financing costs		(36.0)	(81.0)
Share of joint venture profit/(loss)	3.4b	122.4	(11.6)
Profit/(loss) before tax		343.1	(120.1)
Current tax	2.5a	0.9	(1.2)
Deferred tax	2.5a	0.5	(0.9)
Profit/(loss) for the year		344.5	(122.2)
Profit/(loss) for the year attributable to			
Owners of the parent company		342.4	(121.0)
Non-controlling interest		2.1	(1.2)
		344.5	(122.2)
Profit/(loss) per share			
Basic	2.2c	85.9p	(31.8p)
Diluted	2.2c	85.7p	(31.8p)

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year		344.5	(122.2)
Mark to market movements on hedging instruments	4.5a	16.2	(12.8)
Hedges reclassified to profit or loss		(0.9)	2.5
Share of joint venture mark to market movements on hedging instruments	3.4b	0.6	(0.1)
Other comprehensive income/(loss) for the year		15.9	(10.4)
Total comprehensive income/(loss) for the year		360.4	(132.6)
Attributable to			
Owners of the parent company		358.3	(131.4)
Non-controlling interest		2.1	(1.2)
		360.4	(132.6)

All other comprehensive income may be classified as profit and loss in the future.
There are no tax effects on items of other comprehensive income.

CONSOLIDATED BALANCE SHEET

At 31 December 2021

	Note	2021 £m	2020 £m
Assets			
Investment property (owned)	3.1	3,095.1	3,614.7
Investment property (leased)	3.1	97.7	101.8
Investment property (under development)	3.1	324.1	187.2
Investment in joint ventures	3.4b	1,044.1	849.0
Other non-current assets	3.3b	18.9	21.9
Right of use assets	3.3a	3.6	4.3
Deferred tax asset	2.5d	3.0	1.9
Total non-current assets		4,586.5	4,780.8
Assets classified as held for sale	3.1	228.2	–
Interest rate swaps	4.2	6.1	–
Inventories	3.2	12.1	8.8
Trade and other receivables	5.2	108.8	104.0
Cash and cash equivalents	5.1	109.4	338.3
Total current assets		464.6	451.1
Total assets		5,051.1	5,231.9
Liabilities			
Interest rate swaps	4.2	(3.6)	(5.8)
Lease liabilities	4.6a	(4.9)	(4.4)
Trade and other payables	5.4	(200.7)	(141.3)
Current tax liability		(0.1)	(0.3)
Provisions	5.5	(33.5)	(15.7)
Total current liabilities		(242.8)	(167.5)
Borrowings	4.1	(1,162.0)	(1,689.9)
Lease liabilities	4.6a	(91.9)	(96.7)
Interest rate swaps	4.2	–	(17.8)
Total non-current liabilities		(1,253.9)	(1,804.4)
Total liabilities		(1,496.7)	(1,971.9)
Net assets		3,554.4	3,260.0
Equity			
Issued share capital	4.8	99.8	99.5
Share premium	4.8	2,161.2	2,160.3
Merger reserve		40.2	40.2
Retained earnings		1,225.0	949.0
Hedging reserve		1.6	(14.1)
Equity attributable to the owners of the parent company		3,527.8	3,234.9
Non-controlling interest		26.6	25.1
Total equity		3,554.4	3,260.0

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 23 February 2022 and were signed on its behalf by:

R S Smith — Director

J J Lister — Director

COMPANY BALANCE SHEET

At 31 December 2021

	Note	2021 £m	2020 Restated £m
Assets			
Investments in subsidiaries	3.5	2,143.5	1,826.7
Loans to Group undertakings	5.2	1,928.3	1,791.6
Total non-current assets		4,071.8	3,618.3
Interest rate swaps	4.2	6.0	–
Trade and other receivables	5.2	0.1	594.5
Cash and cash equivalents		0.2	2.0
Total current assets		6.3	596.5
Total assets		4,078.1	4,214.8
Current liabilities			
Interest rate swaps	4.2	(3.6)	(5.8)
Amounts due to Group undertakings	5.4	(38.0)	(0.6)
Other payables	5.4	(6.4)	(3.8)
Total current liabilities		(48.0)	(10.2)
Borrowings	4.1	(542.2)	(1,066.6)
Interest rate swaps	4.2	–	(17.8)
Total non-current liabilities		(542.2)	(1,084.4)
Total liabilities		(590.2)	(1,094.6)
Net assets		3,487.9	3,120.2
Equity			
Issued share capital	4.8	99.8	99.5
Share premium	4.8	2,161.2	2,160.3
Merger reserve		40.2	40.2
Hedging reserve		1.5	(13.3)
Retained earnings		1,185.2	833.5
Total equity		3,487.9	3,120.2

Total equity is wholly attributable to equity holders of The Unite Group PLC. The profit (2020: loss) of The Unite Group PLC in 2021 was £419.5 million (2020: £118.8 million).

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 23 February 2022 and were signed on its behalf by:

R S Smith Director

J J Lister Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Non-controlling interest £m	Total £m
At 1 January 2021		99.5	2,160.3	40.2	949.0	(14.1)	3,234.9	25.1	3,260.0
Profit for the year		–	–	–	342.4	–	342.4	2.1	344.5
Other comprehensive income for the year:									
Mark to market movements on hedging instruments		–	–	–	–	16.2	16.2	–	16.2
Hedges reclassified to profit or loss		–	–	–	–	(0.9)	(0.9)	–	(0.9)
Share of joint venture mark to market movements on hedging instruments	3.4b	–	–	–	–	0.6	0.6	–	0.6
Total comprehensive income for the year		–	–	–	342.4	15.9	358.3	2.1	360.4
Shares issued	4.8	0.3	0.9	–	–	–	1.2	–	1.2
Deferred tax on share-based payments		–	–	–	0.3	–	0.3	–	0.3
Fair value of share-based payments		–	–	–	2.4	–	2.4	–	2.4
Own shares acquired		–	–	–	(1.3)	–	(1.3)	–	(1.3)
Unwind of realised swap gain		–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid to owners of the parent company	4.9	–	–	–	(67.8)	–	(67.8)	–	(67.8)
Dividends to non-controlling interest		–	–	–	–	–	–	(0.6)	(0.6)
At 31 December 2021		99.8	2,161.2	40.2	1,225.0	1.6	3,527.8	26.6	3,554.4

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Non-controlling interest £m	Total £m
At 1 January 2020		90.9	1,874.9	40.2	1,069.0	(3.5)	3,071.5	26.5	3,098.0
Loss for the year		–	–	–	(121.0)	–	(121.0)	(1.2)	(122.2)
Other comprehensive loss for the year:									
Mark to market movements on hedging instruments		–	–	–	–	(12.8)	(12.8)	–	(12.8)
Hedges reclassified to profit or loss		–	–	–	–	2.5	2.5	–	2.5
Share of joint venture mark to market movements on hedging instruments	3.4b	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total comprehensive loss for the year		–	–	–	(121.0)	(10.4)	(131.4)	(1.2)	(132.6)
Shares issued	4.8	8.6	285.4	–	–	–	294.0	–	294.0
Deferred tax on share-based payments		–	–	–	0.1	–	0.1	–	0.1
Fair value of share-based payments		–	–	–	1.6	–	1.6	–	1.6
Own shares acquired		–	–	–	(0.7)	–	(0.7)	–	(0.7)
Unwind of realised swap gain		–	–	–	–	(0.2)	(0.2)	–	(0.2)
Dividends paid to owners of the parent company	4.9	–	–	–	–	–	–	–	–
Dividends to non-controlling interest		–	–	–	–	–	–	(0.2)	(0.2)
At 31 December 2020		99.5	2,160.3	40.2	949.0	(14.1)	3,234.9	25.1	3,260.0

The notes on pages 190 to 247 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2021		99.5	2,160.3	40.2	(13.3)	833.5	3,120.2
Profit and total comprehensive income for the year		–	–	–	15.0	419.5	434.5
Shares issued	4.8	0.3	0.9	–	–	–	1.2
Unwind of realised swap gain		–	–	–	(0.2)	–	(0.2)
Dividends to shareholders	4.9	–	–	–	–	(67.8)	(67.8)
At 31 December 2021		99.8	2,161.2	40.2	1.5	1,185.2	3,487.9

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2020		90.9	1,874.9	40.2	(3.0)	952.3	2,955.3
Loss and total comprehensive loss for the year		–	–	–	(10.1)	(118.8)	(128.9)
Shares issued	4.8	8.6	285.4	–	–	–	294.0
Unwind of realised swap gain		–	–	–	(0.2)	–	(0.2)
Dividends to shareholders	4.9	–	–	–	–	–	–
At 31 December 2020		99.5	2,160.3	40.2	(13.3)	833.5	3,120.2

The notes on pages 190 to 247 form part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2021

	Note	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Net cash flows from operating activities	5.1	**171.3**	**73.3**	**0.8**	**(0.7)**
Investing activities					
Investment in joint ventures		–	(7.5)	–	–
Capital expenditure on properties		(95.9)	(148.5)	–	–
Acquisition of intangible assets		(3.2)	(2.7)	–	–
Acquisition of plant and equipment		(0.4)	(0.7)	–	–
Proceeds from sale of investment property		307.3	–	–	–
Interest received		–	0.1	–	–
Dividends received		37.1	10.2	–	–
Payments to/on behalf of subsidiaries		–	–	(25.0)	(539.1)
Payments from subsidiaries		–	–	639.4	35.8
Net cash flows from investing activities		**244.9**	**(149.1)**	**614.4**	**(503.3)**
Financing activities					
Proceeds from the issue of share capital		1.1	294.0	1.1	294.0
Payments to acquire own shares		(1.3)	(0.7)	–	–
Interest paid in respect of financing activities		(47.9)	(54.2)	(21.3)	(17.5)
Swap cancellation FV settlements and debt exit costs		(4.2)	(30.1)	(4.2)	(1.5)
Proceeds from non-current borrowings		147.0	355.1	146.6	225.0
Repayment of borrowings		(675.0)	(233.3)	(675.0)	–
Dividends paid to the owners of the parent company		(57.2)	–	(57.2)	–
Withholding tax paid on distributions		(7.0)	(3.4)	(7.0)	(3.4)
Dividends paid to non-controlling interest		(0.6)	(0.2)	–	–
Net cash flows from financing activities		**(645.1)**	**327.2**	**(617.0)**	**496.6**
Net (decrease)/increase in cash and cash equivalents		**(228.9)**	**251.4**	**(1.8)**	**(7.4)**
Cash and cash equivalents at start of year		338.3	86.9	2.0	9.4
Cash and cash equivalents at end of year		**109.4**	**338.3**	**0.2**	**2.0**

NOTES TO THE FINANCIAL STATEMENTS

Section 1: Basis of preparation

This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates and has been clearly identified in a box.

Basis of consolidation

The financial statements consolidate those of The Unite Group PLC (the Company) and its subsidiaries (together referred to as the Group) and include the Group's interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not as a group.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an existing right that gives it the current ability to direct the relevant activities of the subsidiary, has exposure or right to variable returns from its involvement in the subsidiary and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, such as property disposals and management fees, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in the value of non-current assets.

Non-controlling interests are shown as a line item within equity and comprise the non-controlling interests in subsidiaries which are not directly or indirectly attributable to the Group. Non-controlling interests are assigned to one subsidiary as at both 31 December 2021 and 2020 (see note 3.4).

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 – Reduced disclosure framework (FRS 101), and the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom (Adopted IFRS), in conformity with the Companies Act 2006, and approved by the Directors. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes. The Company is also taking advantage of disclosure exemptions from requirements of IFRS 7, IFRS 13 and IAS 1.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The Company is a public company limited by shares and is registered in England, United Kingdom, where it is also domiciled.

Measurement convention

The financial statements are prepared on the historical cost basis except for investment property (owned), investment property (leased), investment property (under development), investments in subsidiaries and interest rate swaps all of which are stated at their fair value.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Directors have considered a range of scenarios for future performance through the remainder of the 2021/22 and 2022/23 academic years, with a focus on forecast liquidity and ICR covenant performance. This included a base case assuming cash collection and performance for the 2021/22 academic year remains in line with current trends and a return to 97% occupancy for the 2022/23 academic year; and a reasonable worst case scenario where income for the 2022/23 academic year was impacted by reduced sales broadly equivalent to the 2020/21 academic year where occupancy was 88%. Under each of these scenarios, the Directors are satisfied that the Group has sufficient liquidity and will maintain covenant compliance over the next 12 months. To further support the Directors' going concern assessment, a 'Reverse Stress Test' was performed to determine the level of performance at which adopting the going concern basis of preparation may not be appropriate. This involved assessing the minimum amount of income required to ensure financial covenants would not be breached. Within the tightest covenant, occupancy could fall to approximately 60% before there would be a breach.

As at the date of this report, whilst the global outlook as a result of Covid-19 is improving, it continues to be uncertain and the range of potential outcomes is significant. In particular, should the impact on trading conditions be more prolonged or severe than currently forecast by the Directors, namely if there is a further sustained national lockdown that results in universities not opening physically and students either not arriving at university or returning home, the Group's going concern status may be dependent on its ability to seek interest cover covenant waivers from its lenders. The Directors are satisfied that the possibility of such an outcome is sufficiently remote that adopting the going concern basis of preparation is appropriate.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of authorisation of these financial statements.

Standards and interpretations effective in the current period

During the year the following new and revised standards and interpretations have been adopted and have not had a material impact on the amounts reported in these financial statements:

- IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 (amendments) 'Interest rate benchmark reform – phase 2' (see note 4.5)
- IFRS 16 (amendments) 'Covid-19 related rent concessions'

Impact of accounting standards and interpretations in issue but not yet effective

At the date of approval of these financial statements there are a number of new standards and amendments to existing standards in issue but not yet effective. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 10 and IAS 28 (amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'
- IFRS 16 (amendments) 'Covid-19 related rent concessions beyond 30 June 2021'
- IFRS 17 'Insurance contracts'
- IAS 37 (amendments) 'Onerous contracts – Cost of fulfilling a contract'
- IFRS 10 and IAS 28 (amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'
- IAS 16 'Property, plant and equipment – proceeds before intended use'
- IAS 8 'Definition of accounting estimates'
- IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction'
- IFRS 4 'Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' – Extension of the temporary exemption from applying IFRS 9
- IAS 1 (amendments) 'Classification of liabilities as current or non-current'
- IAS 1 (amendments) and IFRS Practice Statement 2 'Disclosure of accounting policies'
- IFRS Standards (annual improvements)

The impact of all other IFRS Standards not yet adopted is not expected to be material.

Restatement of prior year Company balance sheet

It has been identified that amounts owed by Group undertakings totalling £1,791.6 million at 31 December 2020 had previously been presented within current assets in error, and should have been presented within non-current assets. Although the amounts are repayable on demand, there was no expectation that they would be recovered within 12 months and therefore did not meet the criteria to be classified as current assets. The comparative balance sheet has accordingly been restated to show these balances within non-current assets. There has been no impact on net assets or the result for the year as a result of this restatement.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 1: Basis of preparation continued

Critical accounting estimates and judgements

The Group's significant accounting polices are stated in the relevant notes to the Group financial statements.

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

Significant accounting judgements

The areas which involve a high degree of judgement or complexity in applying the accounting policies of the Group are explained in more detail in the accounting policy descriptions in the related notes to the financial statements.

The areas where accounting judgements have the most significant impact on the financial statements of the Group are as follows:

- classification of joint venture vehicles (note 3.4)
- recognition of provisions for cladding remediation (note 5.5)

Estimation uncertainty

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected. In 2021 these revisions include the impact of Covid-19.

The areas involving the most sensitive estimates and assumptions that are significant to the financial statements are set out below and in more detail in the related notes:

- valuation of investment property and investment property under development (note 3.1)
- valuation of provisions for cladding remediation (note 5.5)

Section 2: Results for the year

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net tangible asset value (NTA) per share.

The Group uses EPRA earnings, adjusted earnings and NTA movement as key comparable indicators across other real estate companies in Europe. EPRA earnings, Adjusted earnings and NTA movement are Alternative Performance Measures (APMs), further details of which are set out in section 8.

IFRS performance measures

	Note	2021 £m	2020 £m	2021 pps	2020 pps
Profit/(loss) after tax (*)	2.2b	**342.4**	(121.0)	**85.9p**	(31.8p)
Net assets (*)	2.3d	**3,527.8**	3,234.9	**880p**	809p

(*) Profit/(loss) after tax represents profit/(loss) attributed to the owners of the parent company, and net assets represents equity attributable to the owners of the parent company.

EPRA performance measures

	Note	2021 £m	2020 £m	2021 pps	2020 pps
EPRA earnings	2.2c	**152.0**	97.3	**38.1p**	25.5p
Adjusted earnings (**)	2.2c	**110.1**	91.6	**27.6p**	24.0p
EPRA NTA	2.3d	**3,532.2**	3,266.2	**882p**	818p

(**) Adjusted earnings are calculated as EPRA Earnings less the LSAV performance fee recognised, in order to reflect the comparable performance of the Group's underlying operating activities

2.1 Segmental information

The Board of Directors monitors the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2021 and 31 December 2020 are Operations and Property.

The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.

Detailed analysis of the performance of each of these reportable segments is provided in the following sections 2.2 to 2.3.

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one geographical segment.

2.2 Earnings

EPRA earnings and adjusted earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. In 2021, an alternative performance measure based on EPRA earnings, adjusted to remove the impact of the LSAV performance fee has been presented. Given the quantum of the LSAV performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year. In 2020, in consideration of EPRA's focus on presenting clear comparability in results from recurring operational activities, EPRA earnings excludes integration costs. The reconciliation between profit/(loss) attributable to owners of the parent company and EPRA earnings is available in note 2.2b.

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out in the Operations review on pages 56 to 61. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.2a) EPRA earnings

2021

		Share of joint ventures		Group on EPRA basis
	Unite £m	USAF £m	LSAV £m	Total £m
Rental income	209.0	37.6	36.1	282.7
Property operating expenses	(67.7)	(13.0)	(10.2)	(90.9)
Net operating income	141.3	24.6	25.9	191.8
Management fees	19.1	(3.2)	–	15.9
Overheads	(30.7)	(0.3)	(0.5)	(31.5)
Interest on lease liabilities	(8.5)	–	–	(8.5)
Net financing costs	(38.5)	(6.7)	(9.6)	(54.8)
Operations segment result	82.7	14.4	15.8	112.9
Property segment result	(2.2)	–	–	(2.2)
Unallocated to segments	83.9	(0.2)	(42.4)	41.3
EPRA earnings	164.4	14.2	(26.6)	152.0
LSAV performance fee	(84.1)	–	42.2	(41.9)
Adjusted earnings	80.3	14.2	15.6	110.1

Included in the above is rental income of £16.3 million and property operating expenses of £8.3 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share-based payments of (£2.4 million), contributions to the Unite Foundation of (£1.0 million), LSAV performance fee of £41.9 million, deferred tax credit of £0.8 million and current tax credit of £2.0 million. Depreciation and amortisation totalling £7.8 million is included within overheads.

2020

		Share of joint ventures		Group on EPRA basis
	Unite £m	USAF £m	LSAV £m	Total £m
Rental income	196.1	34.2	32.9	263.2
Property operating expenses	(61.9)	(12.8)	(8.2)	(82.9)
Net operating income	134.2	21.4	24.7	180.3
Management fees	20.1	(2.8)	(3.3)	14.0
Overheads	(30.1)	(0.3)	(0.5)	(30.9)
Interest on lease liabilities	(8.8)	–	–	(8.8)
Net financing costs	(40.6)	(6.6)	(8.9)	(56.1)
Operations segment result	74.8	11.7	12.0	98.5
Property segment result	(2.2)	–	–	(2.2)
Unallocated to segments	7.1	(0.3)	(5.8)	1.0
EPRA earnings	79.7	11.4	6.2	97.3
LSAV performance fee	(11.4)	–	5.7	(5.7)
Adjusted earnings	68.3	11.4	11.9	91.6

Included in the above is rental income of £14.6 million and property operating expenses of £7.3 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share-based payments of (£1.7 million), contributions to the Unite Foundation of (£1.0 million), LSAV performance fee of £5.7 million, deferred tax charge of (£0.8 million) and current tax charge of (£1.2 million).

Depreciation and amortisation totalling £9.2 million is included within overheads. EPRA earnings excludes integrations costs following the acquisition of Liberty Living, which total £9.2 million in the year.

2.2b) IFRS reconciliation to EPRA earnings

EPRA earnings excludes movements relating to changes in values of investment properties (owned, leased and under development), profits/losses from the disposal of properties, swap/debt break costs and integration costs, which are included in the profit/loss reported under IFRS. EPRA earnings and adjusted earnings reconcile to the profit/(loss) attributable to owners of the parent company as follows:

	Note	2021 £m	2020 £m
Profit/(loss) attributable to owners of the parent company		**342.4**	(121.0)
Net valuation (gains)/losses on investment property (owned)	3.1	**(116.9)**	124.2
Property disposals (owned)		**12.0**	1.9
Net valuation losses on investment property (leased)	3.1	**11.1**	11.2
Integration costs		**-**	9.2
Amortisation of fair value of debt recognised on acquisition		**(4.3)**	(4.3)
Share of joint venture (gains)/losses on investment property	3.4b	**(88.7)**	41.5
Share of joint venture property disposals	3.4b	**0.3**	-
Swap cancellation fair value settlements and loan break costs	4.3	**4.2**	30.1
Mark to market changes on interest rate swaps	4.3	**(10.9)**	5.8
Current tax relating to property disposals		**1.1**	-
Deferred tax	2.5d	**0.3**	0.1
Non-controlling interest share of reconciling items*		**1.4**	(1.4)
EPRA earnings	2.2a	***152.0***	***97.3***
Net LSAV performance fee	2.4	**(41.9)**	(5.7)
Adjusted earnings	2.2a	**110.1**	**91.6**

* The non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Limited. More detail is provided in note 3.4.

2.2c) Earnings per share

Basic EPS calculation is based on the earnings/(loss) attributable to the equity shareholders of The Unite Group PLC and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed on a day-to-day basis.

The calculations of basic and EPRA EPS and adjusted EPS for the year ended 31 December 2021 and 2020 are as follows:

	Note	2021 £m	2020 £m	2021 pps	2020 pps
Earnings/(loss)					
Basic		**342.4**	(121.0)	**85.9p**	(31.8p)
Diluted		**342.4**	(121.0)	**85.7p**	(31.8p)
EPRA	2.2b	**152.0**	97.3	**38.1p**	25.5p
Adjusted	2.2b	**110.1**	91.6	**27.6p**	24.0p

	2021	2020
Weighted average number of shares (thousands)		
Basic	**398,742**	381,379
Dilutive potential ordinary shares (share options)	**829**	872
Diluted	**399,571**	382,251

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes and the full year impact of the 2020 equity raise.

In 2021, there were no (2020: 11,278) options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.3 Net assets

2.3a) EPRA NTA

EPRA NTA makes adjustments to IFRS measures by removing the fair value of financial instruments and the carrying value of intangibles. The reconciliation between IFRS NAV and EPRA NTA is available in note 2.3c.

The Group's Property business undertakes the acquisition and development of properties. The way in which the Property segment adds value to the business is set out in the Property review on pages 62 to 69.

2021

		Share of JVs		
	Unite £m	USAF £m	LSAV £m	Group on EPRA basis £m
Investment property (owned) *	3,323.3	632.0	909.5	4,864.8
Investment property (leased)	97.7	–	–	97.7
Investment property (under development)	324.1	–	–	324.1
Total property portfolio	3,745.1	632.0	909.5	5,286.6
Debt on properties	(1,139.7)	(201.0)	(336.6)	(1,677.3)
Lease liabilities	(93.8)	–	–	(93.8)
Cash	109.4	23.4	22.7	155.5
Net debt	(1,124.1)	(177.6)	(313.9)	(1,615.6)
Other assets and (liabilities)	(90.5)	(23.2)	(9.0)	(122.8)
Intangibles per IFRS balance sheet	(16.1)	–	–	(16.1)
EPRA NTA	2,514.4	431.2	586.6	3,532.2
Loan to value**	28%	28%	35%	29%
Loan to value post IFRS 16	30%	28%	35%	31%

* *Investment property (owned) includes assets classified as held for sale in the IFRS balance sheet.*
** LTV calculated excluding investment properties (leased) and the corresponding lease liabilities. LTV is an APM – see section 8.

2020

		Share of JVs		
	Unite £m	USAF £m	LSAV £m	Group on EPRA basis £m
Investment property (owned)	3,614.7	616.7	661.8	4,893.2
Investment property (leased)	101.8	–	–	101.8
Investment property (under development)	187.2	–	–	187.2
Total property portfolio	3,903.7	616.7	661.8	5,182.2
Debt on properties	(1,663.5)	(201.1)	(268.2)	(2,132.8)
Lease liabilities	(96.3)	–	–	(96.3)
Cash	338.3	15.4	37.3	391.0
Net debt	(1,421.5)	(185.7)	(230.9)	(1,838.1)
Other assets and (liabilities)	(21.3)	(13.2)	(24.4)	(58.9)
Intangibles per IFRS balance sheet	(19.0)	–	–	(19.0)
EPRA NTA	2,441.9	417.8	406.5	3,266.2
Loan to value*	35%	30%	35%	34%
Loan to value post IFRS 16	36%	30%	35%	35%

* LTV calculated excluding investment properties (leased) and the corresponding lease liabilities. LTV is an APM – see section 8.

2.3b) Movement in EPRA NTA during the year

Contributions to EPRA NTA by each segment during the year is as follows:

2021

	Note	Unite £m	Share of JVs USAF £m	Share of JVs LSAV £m	Group on EPRA basis Total £m
Operations					
Operations segment result	2.2a	82.7	14.4	15.8	112.9
Add back amortisation of intangibles	3.3b	6.1	–	–	6.1
Total Operations		88.8	14.4	15.8	119.0
Property					
Rental growth		17.4	4.5	25.8	47.7
Yield movement		49.2	12.7	44.6	106.5
Disposal losses (owned)		(12.0)	(0.3)	–	(12.3)
Investment property gains (owned) *		54.6	16.9	70.4	141.9
Investment property losses (leased)	3.1a	(11.1)	–	–	(11.1)
Investment property gains (under development)	3.1a	50.3	–	–	50.3
Pre-contract/other development costs	2.2a	(2.2)	–	–	(2.2)
Total Property		91.6	16.9	70.4	178.9
Unallocated					
Shares issued		1.2	–	–	1.2
Investment in joint ventures		(118.6)	(17.7)	136.3	–
Dividends paid		(67.8)	–	–	(67.8)
LSAV performance fee		84.1	–	(42.2)	41.9
Swap cancellation FV settlements and debt break costs	4.3	(4.2)	–	–	(4.2)
Acquisition of intangibles	3.3b	(3.3)	–	–	(3.3)
Other		0.7	(0.2)	(0.2)	0.3
Total Unallocated		(107.9)	(17.9)	93.9	(31.9)
Total EPRA NTA movement in the year		72.5	13.4	180.1	266.0
Total EPRA NTA brought forward		2,441.9	417.8	406.5	3,266.2
Total EPRA NTA carried forward		2,514.4	431.2	586.6	3,532.2

* Investment property gains (owned) includes gains on assets classified as held for sale in the IFRS balance sheet.

The £0.3 million other balance within the unallocated segment includes a tax credit of £2.8 million, the purchase of own shares of (£1.3 million) and contributions to the Unite Foundation of (£1.0 million).

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.3 Net assets continued

2.3b) Movement in EPRA NTA during the year continued

2020

	Note	Unite £m	Share of JVs USAF £m	Share of JVs LSAV £m	Group on EPRA basis Total £m
Operations					
Operations segment result	2.2a	74.8	11.7	12.0	98.5
Add back amortisation of intangibles	3.3b	6.4	–	–	6.4
Total Operations		81.2	11.7	12.0	104.9
Property					
Rental growth		(102.4)	(24.0)	(15.0)	(141.4)
Yield movement		(17.6)	(1.1)	0.1	(18.6)
Disposal losses (owned)		(1.9)	–	–	(1.9)
Investment property losses (owned)		(121.9)	(25.1)	(14.9)	(161.9)
Investment property losses (leased)	3.1a	(11.2)	–	–	(11.2)
Investment property losses (under development)	3.1a	(4.2)	–	–	(4.2)
Pre-contract/other development costs	2.2a	(2.2)	–	–	(2.2)
Total Property		(139.5)	(25.1)	(14.9)	(179.5)
Unallocated					
Shares issued		294.0	–	–	294.0
Investment in joint ventures		2.3	(5.7)	3.4	–
Dividends paid		–	–	–	–
LSAV performance fee		11.4	–	(5.7)	5.7
Swap cancellation FV settlements and debt break costs	4.3	(30.1)	–	–	(30.1)
Acquisition of intangibles	3.3b	(2.7)	–	–	(2.7)
Integration costs		(9.2)	–	–	(9.2)
Other		(3.4)	(0.4)	(0.1)	(3.9)
Total Unallocated		262.3	(6.1)	(2.4)	253.8
Total EPRA NTA movement in the year		**204.0**	**(19.5)**	**(5.3)**	**179.2**
Total EPRA NTA brought forward		2,237.9	437.3	411.8	3,087.0
Total EPRA NTA carried forward		**2,441.9**	**417.8**	**406.5**	**3,266.2**

The £3.9 million other balance within the unallocated segment includes a tax charge of (£2.1 million), the purchase of own shares of (£0.7 million) and contributions to the Unite Foundation of (£1.0 million).

2.3c) Reconciliation to IFRS

To determine EPRA NTA, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and the carrying value of intangibles.

To determine EPRA NRV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and real estate transfer tax.

To determine EPRA NDV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, but include the fair value of fixed interest rate debt and the carrying value of intangibles.

The net assets reported under IFRS reconcile to EPRA NTA, NRV and NDV as follows:

2021

	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	**3,527.8**	**3,527.8**	**3,527.8**
Mark to market interest rate swaps	**(2.4)**	**(2.4)**	**–**
Unamortised swap gain	**(1.5)**	**(1.5)**	**(1.5)**
Mark to market of fixed rate debt	**–**	**–**	**(50.3)**
Unamortised fair value of debt recognised on acquisition	**23.7**	**23.7**	**23.8**
Current tax	**0.7**	**0.7**	**–**
Intangibles per IFRS balance sheet	**(16.1)**	**–**	**–**
Real estate transfer tax	**–**	**277.5**	**–**
EPRA reporting measure	**3,532.2**	**3,825.8**	**3,499.7**

2020

	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	**3,234.9**	**3,234.9**	**3,234.9**
Mark to market interest rate swaps	24.4	24.4	–
Unamortised swap gain	(1.8)	(1.8)	(1.8)
Mark to market of fixed rate debt	–	–	(85.2)
Unamortised fair value of debt recognised on acquisition	28.1	28.1	28.1
Current tax	(0.4)	(0.4)	–
Intangibles per IFRS balance sheet	(19.0)	–	–
Real estate transfer tax	–	312.0	–
EPRA reporting measure	**3,266.2**	**3,597.2**	**3,176.0**

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.3 Net assets continued

2.3d) NTA, NRV and NDV per share

Basic NAV is based on the net assets attributable to the equity shareholders of The Unite Group PLC and the number of shares in issue at the end of the year. The Board uses EPRA NTA to monitor the performance of the Property segment on a day-to-day basis.

	Note	2021 £m	2020 £m	2021 pps	2020 pps
Net assets					
Basic		**3,527.8**	3,234.9	**880p**	809p
EPRA NTA	2.3a	**3,532.2**	3,266.2	**885p**	820p
EPRA NTA (diluted)		**3,536.1**	3,271.0	**882p**	818p
EPRA NRV	2.3c	**3,825.9**	3,597.2	**959p**	903p
EPRA NRV (diluted)		**3,829.7**	3,601.9	**955p**	901p
EPRA NDV		**3,499.7**	3,176.0	**877p**	798p
EPRA NDV (diluted)		**3,503.6**	3,180.7	**874p**	796p

Number of shares (thousands)	2021	2020
Basic	**399,140**	398,226
Outstanding share options	**1,687**	1,484
Diluted	**400,827**	399,710

2.4 Revenue and costs

Accounting policies

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance fees
- Acquisition fees

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of its service to a customer.

Rental income

Rental income comprises direct-lets to students and leases to universities and commercial tenants. This revenue is recognised in the income statement over the length of the tenancy period as the Group provides the services to its customers. Included in the rental contract is the use of broadband facilities and room cleaning services. The Group does not offer these services as stand-alone products. Under IFRS 15 the Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract. The transaction prices for rental income are explicitly stated in each contract. A contract liability can result from payments received in advance, until the date at which control is transferred to the customer and at that point the revenue begins to be recognised over the tenancy period. Lease incentives are sometimes recognised on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

Rental income is derived from contracts which are less than 12 months in length and the Group accordingly recognises this income in the Income Statement on a straight line basis in accordance with IFRS 16.

Management and performance fees

The Group acts as asset and property manager for USAF and LSAV and receives management fees in relation to these services. Revenue from these fees is recognised on a straight line basis over time as the joint ventures simultaneously receive and consume benefits as the Group performs its management obligations which are determined by the services provided over the course of each academic year, and this reflects the profile of activities being performed. Detailed calculations in order to determine the transaction prices for these revenue streams are held within the joint venture agreements.

Management and performance fees (continued)

The Group is entitled to a USAF performance fee if the joint venture outperforms certain benchmarks. The Group recognises a USAF performance fee at a point in time in the year to which the fee relates. The Group initially assesses the probability of a fee being earned and its transaction price at half year and adjusts for any potential risks to receiving this income at year-end, when the achieved outturn is known. The USAF performance fee is settled within 12 months of the year to which the fee relates and the Group receives an enhanced equity interest in USAF as consideration for the performance fee.

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its original life ending in 2022. The Group recognises a LSAV performance fee at an amount which is considered 'highly probable' to become due based upon estimates of the future performance of the joint venture; such estimates include future rental income and the discount rate (yield). Prior to the maturity of the joint venture, the Group pro-rates the total LSAV performance fee over the life of the joint venture and recognises a cumulative catch-up to the currently completed term where sufficient certainty over outperformance of the benchmark is determined to exist; during the year to 31 December 2021, the Group agreed an extension of the LSAV joint venture which shortened the original term to 2021, and which crystallised the settlement of the performance fee in the year. Prior to 2021, the amount which was considered 'highly probable' to become due was reassessed annually with reference to the latest performance of the joint venture and forecasts. The LSAV performance fee was constrained in earlier years due to an inability to meet the highly probable criteria that the fee would be earned.

As per IFRS 15, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. The performance fee is variable and dependent on meeting specific performance targets. Accordingly where there is too much uncertainty over the cumulative outperformance of the benchmarks, particularly in earlier periods of the performance fee period, which cover each 10 year term of the venture, then no amounts of performance fee can be recognised as it is not highly probable that the performance fee will be earned.

In respect of the period to 30 September 2021 the value of the LSAV performance fee has been agreed and settled, and the remaining value of this settlement has accordingly been recognised in the year. The LSAV performance fee in respect of the renewed venture term commencing 1 October 2021 is not considered to have met the highly probable criteria and therefore no additional fee has been recognised at 31 December 2021.

Management and performance fees are presented in revenue net of the Group's share of the corresponding expense within the relevant fund.

At 31 December 2021, no further amounts are deemed to meet the highly probable criteria and therefore we have not disclosed any future fees receivable from these ongoing contracts.

Acquisition fees

The Group receives acquisition fees from its joint venture partners. This revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition. No such land or property acquisitions have occurred in 2021 or 2020.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.4 Revenue and costs continued

The Group earns revenue from the following activities:

		Note	2021 £m	2020 £m
Rental income*	Operations segment	2.2a	**209.0**	196.1
Management fees	Operations segment		**16.2**	14.0
LSAV performance fee	Unallocated		**41.9**	5.7
USAF acquisition fee	Unallocated		**–**	–
			267.1	215.8
Impact of non-controlling interest on management fees (note 3.4)			**(0.2)**	(0.2)
Total revenue			**266.9**	215.6

* *EPRA earnings includes £282.7 million (2020: £263.2 million) of rental income, which is comprised of £209.0 million (2020: £196.1* million) recognised on wholly owned assets and a further £73.7 million (2020: £67.1 million) from joint ventures, which is included in share of joint venture profit/(loss) in the consolidated income statement.

The LSAV performance fee was constrained in earlier years due to an inability to meet the highly probable criteria that the fee would be earned. In the year to 31 December 2021, the catch-up recognised in respect of the release of this constraint represents £36.0 million of the total £41.9 million fee recognised above.

The cost of sales included in the consolidated income statement includes property operating expenses of £64.4 million (2020: £53.3 million).

2.5 Tax

As a REIT, rental profits and gains on disposal of investment properties are exempt from corporation tax. The Group pays UK corporation tax on the profits from its residual business, including management fees received from joint ventures, together with UK income tax on rental income that arises from investments held by offshore subsidiaries in which the Group holds a non-controlling interest.

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year-end.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

As a REIT, rental profits and gains on disposal of investment properties and property rich investments are exempt from corporation tax. As a result, no deferred tax provision has been recognised at the balance sheet date in respect of property assets or units in USAF and LSAV.

2.5a) Tax – income statement

The total taxation (credit)/charge in the income statement is analysed as follows:

	2021 £m	2020 £m
Corporation tax on residual business income arising in UK companies	**1.0**	1.2
Income tax on UK rental income arising in non-UK companies	**0.3**	0.3
Adjustments in respect of prior periods	**(2.2)**	(0.3)
Current tax (credit)/charge	**(0.9)**	1.2
Origination and reversal of temporary differences	**(0.2)**	0.9
Effect of change in tax rate	**(0.2)**	(0.1)
Adjustments in respect of prior periods	**(0.1)**	0.1
Deferred tax (credit)/charge	**(0.5)**	0.9
Total tax (credit)/charge in income statement	**(1.4)**	2.1

The movement in deferred tax provided is shown in more detail in note 2.5d.

In the income statement, a tax credit of £1.4 million arises on a profit before tax of £343.1 million. The taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2021 £m	2020 £m
Profit/(loss) before tax	**343.1**	(120.1)
Income tax using the UK corporation tax rate of 19% (2020: 19%)	**65.2**	(22.8)
Property rental business profits exempt from tax in the REIT Group	**(18.4)**	(7.4)
Release of deferred tax liability due to legislative change	**–**	0.1
Non-taxable items relating to the acquisition of Liberty Living	**–**	(0.8)
Property revaluations not subject to tax	**(43.3)**	31.2
Mark to market changes in interest rate swaps not subject to tax	**(2.9)**	1.1
Effect of indexation on investments	**–**	0.7
Effect of other permanent differences	**0.2**	0.1
Effect of tax deduction transferred to equity on share schemes	**0.3**	–
Rate difference on deferred tax	**(0.2)**	–
Prior year adjustments	**(2.3)**	(0.1)
Total tax (credit)/charge in income statement	**(1.4)**	2.1

As a UK REIT, the Group is exempt from UK corporation tax on the profits from its property rental business. Accordingly, the element of the Group's profit before tax relating to its property rental business has been separately identified in the reconciliation above.

No deferred tax asset has been recognised in respect of the Group's accumulated tax losses on the basis that they are not expected to be utilised in future periods. At 31 December 2021 these losses totalled £14.6 million (2020: £24.3 million).

Although the Group does not pay UK corporation tax on the profits from its property rental business, it is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution (PID). PIDs are charged to tax in the same way as property income in the hands of the recipient. For the year ended 31 December 2021 the required PID is expected to be fully paid by the end of 2022.

2.5b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2020: £nil) has been recognised representing deferred tax.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 2: Results for the year continued

2.5 Tax continued

2.5c) Tax – statement of changes in equity

Within the statement of changes in equity a tax credit totalling £0.6 million (2020: £0.1 million charge) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

2.5d) Tax – balance sheet

The table below outlines the deferred tax (assets)/liabilities that are recognised in the balance sheet, together with their movements in the year:

2021

	At 31 December 2020 £m	Charged/ (credited) in income £m	Charged/ (credited) in equity £m	At 31 December 2021 £m
Investments	–	–	–	–
Property, plant and machinery and provisions	**(0.6)**	(0.6)	–	**(1.2)**
Share schemes	**(1.3)**	(0.2)	(0.3)	**(1.8)**
Tax value of carried forward losses recognised	–	0.3	(0.3)	–
Net tax assets	**(1.9)**	(0.5)*	(0.6)	**(3.0)**

* The £0.5 million balance above includes tax movements totalling £0.2 million in respect of Property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2b. Removing them results in the £0.3 million movement shown in note 2.2b.

2020

	At 31 December 2019 £m	Charged/ (credited) in income £m	Charged/ (credited) in equity £m	At 31 December 2020 £m
Investments	–	–	–	–
Property, plant and machinery and provisions	(0.9)	0.3	–	(0.6)
Share schemes	(1.3)	(0.2)	0.2	(1.3)
Tax value of carried forward losses recognised	(0.7)	0.8	(0.1)	–
Net tax (assets)/liabilities	**(2.9)**	**0.9***	**0.1**	**(1.9)**

* The £0.9 million balance above includes tax movements totalling £0.8 million in respect of Property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2 b. Removing them results in the £0.1 million movement shown in note 2.2b.

The deferred tax asset at 31 December 2021 has been calculated based on the rate at which it is expected to reverse. On 24 May 2021, Finance Act 2021 was substantively enacted which contains provisions to increase the corporation tax rate to 25% from 1 April 2023. This rate change increases the deferred tax assets recognised at the year end by £0.2m.

As a REIT, disposals of investment property and property rich investments are exempt from tax and as a result no deferred tax liability has been recognised in relation to these assets.

Legislation is expected to be enacted in 2022 in relation to a new tax, the Residential Property Developer Tax, effective from April 2022. The Government has confirmed that purpose-built student accommodation will be excluded from the scope of this tax, and therefore no material impact is expected for the Group.

Company

Deferred tax has not been recognised on temporary differences of £4.3 million (2020: £4.3 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

2.6 Audit fees

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2021 £m	2020 £m
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements	**0.4**	0.5
Fees payable to the Group's auditors for other services to the Group:		
– Audit of the financial statements of subsidiaries	**0.1**	0.1
Total audit fees payable to the Group's auditors	**0.5**	**0.6**
Audit-related assurance services	**0.1**	0.1
Other services	**–**	–
Total non-audit fees	**0.1**	**0.1**

Non-audit fees in both 2021 and 2020 relate entirely to services provided in respect of the half year review.

Details on the Company's policy on the use of the auditor for non-audit services is also set out in the Audit Committee Report on pages 120 to 125.

No services were provided pursuant to contingent fee arrangements.

Section 3: Asset management

The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio, whether wholly owned or in joint ventures, is the key factor that drives net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in four groups on the balance sheet at the carrying values detailed below.

In the Group's EPRA NTA all these groups are shown at market value, except where otherwise stated.

i) Investment property (owned)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are measured at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Investment property (leased)

These are assets the Group sold to institutional investors and simultaneously leased back. These right-of-use assets are measured at fair value in the balance sheet with changes in fair value taken to the income statement.

iii) Investment property (under development)

These are assets which are currently in the course of construction and which will be transferred to Investment property on completion. The assets are initially recognised at cost and are subsequently measured at fair value in the balance sheet with changes in fair value taken to the income statement.

iv) Investment property classified as held for sale

These are assets whose carrying amount will be recovered through a sale transaction rather than to hold for long-term rental income or capital appreciation. This condition is regarded as met only when the sale is highly probable and the investment property is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. The assets are measured at fair value in the balance sheet, with changes in fair value taken to the income statement. They are presented as current assets in the IFRS balance sheet.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Accounting policies

Investment property (owned) and investment property (under development)

Investment property (owned) and investment property (under development) are held at fair value.

The external valuation of property assets involves significant judgement and changes to the core assumptions: rental income, occupancy and property management costs, as well as estimated future costs, could have a significant impact on the carrying value of these assets. Further details of the valuation process are included below.

Construction and borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 3.1% (2020: 2.8%).

The recognition of acquisitions of investment property and land occurs at the date when control passes to Unite. The recognition of disposals of investment property occurs on legal completion when control passes from Unite. In accordance with IFRS 15, gains/(losses) from the disposal of investment property are recognised at a point in time.

Contingent consideration receivables are recognised on disposals where the amount of additional consideration is readily identifiable. It is recognised at the constrained value determined by the amount that is highly probable to be receivable at the time of the disposal, and any subsequent change in value is recognised in profit or loss in the later period.

Investment property (leased)

The Group holds certain investment property under historic sale and leaseback arrangements, acting as an intermediate lessor and subleasing its right-of-use assets. For each leased property, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. The right-of-use assets are initially measured at cost in accordance with IFRS 16 and subsequently at fair value in the balance sheet with changes in fair value taken to the income statement in accordance with IAS 40.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank LLP, Chartered Surveyors were the valuers in the years ended 31 December 2021 and 2020.

The valuations are based on:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of the fair value movements over the year.

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2021 are shown in the table below.

2021

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2021	**3,614.7**	**101.8**	**187.2**	**3,903.7**
Cost capitalised	**43.1**	**7.0**	**79.3**	**129.4**
Interest capitalised	**–**	**–**	**5.2**	**5.2**
Transfer from work in progress	**–**	**–**	**2.1**	**2.1**
Transfer to assets classified as held for sale	**(228.2)**	**–**	**–**	**(228.2)**
Disposals	**(401.1)**	**–**	**–**	**(401.1)**
Valuation gains	**125.6**	**–**	**52.3**	**177.9**
Valuation losses	**(59.0)**	**(11.1)**	**(2.0)**	**(72.1)**
Net valuation gains/(losses)	**66.6**	**(11.1)**	**50.3**	**105.8**
Carrying and market value at 31 December 2021	**3,095.1**	**97.7**	**324.1**	**3,516.9**

Total assets classified as held for sale at 31 December 2021 of £228.2 million (2020: £nil) comprised entirely investment property (owned). Assets classified as held for sale are reported within the operations segment, and represents a portfolio of properties intended to be sold within the next 12 months.

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2020 are shown in the table below.

2020

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2020	3,406.9	110.4	411.8	3,929.1
Cost capitalised	25.0	2.6	87.6	115.2
Interest capitalised	–	–	4.6	4.6
Transfer from investment property under development	312.6	–	(312.6)	–
Transfer from work in progress	–	–	–	–
Disposals	(9.8)	–	–	(9.8)
Valuation gains	56.5	–	6.4	62.9
Valuation losses	(176.5)	(11.2)	(10.6)	(198.3)
Net valuation losses	(120.0)	(11.2)	(4.2)	(135.4)
Carrying and market value at 31 December 2020	**3,614.7**	**101.8**	**187.2**	**3,903.7**

Included within investment properties at 31 December 2021 are £28.8 million (2020: £29.7 million) of assets held under a long leasehold and £0.1 million (2020: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2021 was £57.4 million (2020: £52.2 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £74.3million at 31 December 2021 (2020: £66.8 million) on a cumulative basis.

Investment property (under development) includes interests in land not currently under construction totalling £18.0 million (2020: £19.8 million).

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Recurring fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy.

Class of asset	2021 £m	2020 £m
London – rental properties	**849.8**	1,137.0
Prime regional – rental properties	**992.9**	949.3
Major regional – rental properties	**1,263.5**	1,255.8
Provincial – rental properties	**217.1**	272.6
London – development properties	**249.9**	158.8
Prime regional – development properties	**48.4**	25.6
Major regional – development properties	**25.8**	2.8
Investment property (owned)	**3,647.4**	**3,801.9**
Investment property (leased)	**97.7**	**101.8**
Market value (including assets classified as held for sale)	**3,745.1**	**3,903.7**
Investment property (classified as held for sale)	**(228.2)**	**–**
Market value	**3,516.9**	**3,903.7**

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, *estimated future costs, occupancy and property management costs.*

Where the asset is leased to a university, the valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's creditworthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method) less estimated costs to completion.

Fair value using unobservable inputs (Level 3)

	2021 £m	2020 £m
Opening fair value	**3,903.7**	**3,929.1**
Gains and (losses) recognised in income statement	**105.8**	(135.4)
Transfer to current assets classified as held for sale	**(228.2)**	–
Capital expenditure	**136.7**	119.8
Disposals	**(401.1)**	(9.8)
Closing fair value	**3,516.9**	3,903.7
Investment property (classified as held for sale)	**228.2**	–
Closing fair value (including assets classified as held for sale)	**3,745.1**	3,903.7

Quantitative information about fair value measurements using unobservable inputs (Level 3)
2021

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	**849.8**	Discounted cash flows	Net rental income (£ per week)	£191–£373	£291
			Estimated future rent increase (%)	3%–4%	4%
			Discount rate (yield) (%)	3.7%–4.9%	3.9%
Prime regional – rental properties	**992.9**	Discounted cash flows	Net rental income (£ per week)	£144–£235	£191
			Estimated future rent increase (%)	1%–4%	3%
			Discount rate (yield) (%)	4.0%–6.3%	4.7%
Major regional – rental properties	**1,263.6**	Discounted cash flows	Net rental income (£ per week)	£62–£173	£131
			Estimated future rent increase (%)	0%–4%	2%
			Discount rate (yield) (%)	4.7%–7.0%	5.7%
Provincial – rental properties	**217.1**	Discounted cash flows	Net rental income (£ per week)	£109–£188	£135
			Estimated future rent increase (%)	1%–4%	3%
			Discount rate (yield) (%)	5.1%–14.2%	7.0%
London – development properties	**249.9**	Discounted cash flows	Estimated cost to complete (£m)	£34.0m–£177.3m	£126.5m
			Net rental income (£ per week)	£185–£382	£289
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	3.6%	3.6%
Prime regional – development properties	**48.4**	Discounted cash flows	Estimated cost to complete (£m)	£7.1m–£64.3m	£35.9m
			Net rental income (£ per week)	£176–£258	£181
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Major regional – development properties	**25.8**	Discounted cash flows	Estimated cost to complete (£m)	£33.9m–£45.2m	£42.1m
			Net rental income (£ per week)	£171–£213	£172
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	5.0%	5.0%
	3,647.4				
Investment property (leased)	**97.7**	Discounted cash flows	Net rental income (£ per week)	£95–£185	£144
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 31 December 2021	**3,745.1**				

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.1 Wholly owned property assets continued

2020

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	1,137.0	Discounted cash flows	Net rental income (£ per week)	£164–£370	£267
			Estimated future rent increase (%)	2%–3%	3%
			Discount rate (yield) (%)	3.9%–5.0%	4.0%
Prime regional – rental properties	949.3	Discounted cash flows	Net rental income (£ per week)	£140–£229	£169
			Estimated future rent increase (%)	2%–3%	3%
			Discount rate (yield) (%)	4.0%–6.2%	4.8%
Major regional – rental properties	1,255.8	Discounted cash flows	Net rental income (£ per week)	£82–£167	£132
			Estimated future rent increase (%)	1%–3%	2%
			Discount rate (yield) (%)	4.7%–7.0%	5.7%
Provincial – rental properties	272.6	Discounted cash flows	Net rental income (£ per week)	£87–£188	£136
			Estimated future rent increase (%)	1%–3%	2%
			Discount rate (yield) (%)	5.0%–13.8%	6.8%
London – development properties	158.8	Discounted cash flows	Estimated cost to complete (£m)	£84.9m–£147.9m	£114.9m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime regional – development properties	25.6	Discounted cash flows	Estimated cost to complete (£m)	£19.1m–£65.3m	£40.8m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.3%	4.3%
Major regional – development properties	2.8	Discounted cash flows	Estimated cost to complete (£m)	£45.5m	£45.5m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	–	–
	3,801.9				
Investment property (leased)	101.8	Discounted cash flows	Net rental income (£ per week)	£129–£185	£147
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 31 December 2020	**3,903.7**				

Fair value sensitivity analysis

A decrease in net rental income or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) will result in an increase in fair value. There are inter-relationships between these rates as they are partially determined by market rate conditions. These two key sources of estimation uncertainty are considered to represent those most likely to have a material impact on the valuation of the Group's investment property within the next 12 months as a result of reasonably possible changes in assumptions used. The potential effect of such reasonably possible changes has been assessed by the Group and is set out below:

Class of assets	Fair value at 31 December 2021 £m	+5% change in estimated net rental income £m	-5% change in estimated net rental income £m	+25 bps change in nominal equivalent yield £m	-25 bps change in nominal equivalent yield £m
Rental properties					
London	**849.8**	892.0	807.9	798.9	908.0
Prime regional	**992.9**	1,046.7	949.7	948.4	1,053.8
Major regional	**1,263.5**	1,335.1	1,208.8	1,218.3	1,330.7
Provincial	**217.1**	228.4	206.7	209.5	226.2
Development properties					
London	**249.9**	265.0	226.8	233.0	273.1
Prime regional	**48.4**	53.6	44.5	44.8	53.9
Major regional	**25.8**	26.9	23.9	24.7	27.0
Market value	**3,647.4**	3,847.8	3,468.3	3,477.7	3,872.7

3.2 Inventories

Accounting policies

Inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. All costs directly associated with the purchase of land, and all subsequent qualifying expenditure is capitalised.

	2021 £m	2020 £m
Interests in land	**10.8**	6.7
Other stocks	**1.3**	2.1
Inventories	**12.1**	**8.8**

At 31 December 2021, the Group had interests in two pieces of land (2020: four pieces of land).

NOTES TO THE FINANCIAL STATEMENTS *continued*

Section 3: Asset management *continued*

3.3 Right of use assets and other non-current assets

Accounting policies

Leased assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. Right of use assets are initially measured at cost, which comprises a value set equal to the lease liability, adjusted for prepaid or accrued lease payments and lease incentives. They are subsequently measured at this initial value less accumulated depreciation and impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware at these sites.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

- Right of use assets — Shorter of lease and economic life
- Property, plant and equipment — 4–7 years

Intangible assets

Intangible assets predominantly comprise computer software which allows customers to book online and processes transactions within the sales cycle. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. The assets are amortised on a straight-line basis over four to seven years, being the estimated useful lives of the intangible assets, from the date they are available for use. Amortisation is charged to the income statement within operating expenses.

3.3a) Right of use assets

	2021			2020		
	Buildings £m	Other £m	Total £m	Buildings £m	Other £m	Total £m
Cost						
At 1 January	**5.8**	**1.4**	**7.2**	5.8	0.8	6.6
Additions	**–**	**0.4**	**0.4**	–	0.6	0.6
Disposals	**–**	**(0.5)**	**(0.5)**	–	–	–
At 31 December	**5.8**	**1.3**	**7.1**	5.8	1.4	7.2
Amortisation						
At 1 January	**(2.2)**	**(0.7)**	**(2.9)**	(0.8)	(0.3)	(1.1)
Amortisation charge for the year	**(0.7)**	**(0.4)**	**(1.1)**	(1.4)	(0.4)	(1.8)
Disposal	**–**	**0.5**	**0.5**	–	–	–
At 31 December	**(2.9)**	**(0.6)**	**(3.5)**	(2.2)	(0.7)	(2.9)
Carrying value at 1 January	**3.6**	**0.7**	**4.3**	5.0	0.5	5.5
Carrying value at 31 December	**2.9**	**0.7**	**3.6**	**3.6**	**0.7**	**4.3**

The Group leases several assets including office equipment and vehicles. The average lease term is three years.

Approximately 11% of the leases expired in the current financial year (2020: 42%). The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right of use assets of £0.4 million in 2021 (2020: £0.6 million).

The maturity analysis of lease liabilities is presented in note 4.6a.

Details of interest on lease liabilities and total cash outflows for leases are presented in notes 4.3 and 5.1.

3.3b) Other non-current assets

The Group's other non-current assets can be analysed as follows:

	2021			2020		
	Property, plant and equipment £m	**Intangible assets £m**	**Total £m**	**Property, plant and equipment £m**	**Intangible assets £m**	**Total £m**
Cost						
At 1 January	**12.1**	**61.8**	**73.9**	11.4	59.1	70.5
Additions	**0.4**	**3.3**	**3.8**	0.7	2.7	3.4
At 31 December	**12.5**	**65.1**	**77.7**	12.1	61.8	73.9
Depreciation and amortisation						
At 1 January	**(9.2)**	**(42.8)**	**(52.0)**	(8.1)	(36.4)	(44.5)
Depreciation/amortisation charge for the year	**(0.6)**	**(6.1)**	**(6.7)**	(1.1)	(6.4)	(7.5)
At 31 December	**(9.8)**	**(48.9)**	**(58.7)**	(9.2)	(42.8)	(52.0)
Carrying value at 1 January	**2.9**	**19.0**	**21.9**	3.3	22.7	26.0
Carrying amount at 31 December	**2.7**	**16.2**	**18.9**	**2.9**	**19.0**	**21.9**

Intangible assets include £0.8 million (2020: £1.1 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £nil (2020: £0.1 million) of assets not being depreciated as they are not ready for use. At 31 December 2021 the Group had capital commitments of £nil (2020: £0.1 million) relating to intangible assets and £nil (2020: £0.3 million) relating to Property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 3: Asset management continued

3.4 Investments in joint ventures (Group)

Accounting policies

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently, increased or decreased by the Group's share of total gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value – the difference between the nominal amount and fair value being treated as an investment in the joint venture. The implied discount is amortised over the contracted life of the investment loan.

The Directors consider that the agreements integral to its joint ventures result in the Group having joint control over the key matters required to operate the joint ventures. A significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS 10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unitholders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities: in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint control in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for LSAV is more straightforward because the Group and GIC each own 50% of the joint venture and there is therefore much clearer evidence that control over the key activities is shared by the two parties.

The Group has two joint ventures:

Joint venture	Group's share of *assets/results* 2021 (2020)	Objective	Partner	*Legal entity in which* Group has interest
The UNITE UK Student Accommodation Fund (USAF)	23.4%* (23.4%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE UK Student Accommodation Fund, *a Jersey Unit Trust*
London Student Accommodation Venture (LSAV)	50% (50%)	Operate student accommodation in London and Birmingham	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Limited, in which there is an external investor. A non-*controlling interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and* assets relating to its investment in USAF. The ordinary shareholders of The Unite Group PLC are beneficially interested in 22.0% (2020: 22.0%) of USAF.

3.4a) Net assets and results of the joint ventures

The summarised balance sheets and results for the year, and the Group's share of these joint ventures are as follows:

2021

	USAF £m			LSAV £m		Total £m	
	Gross	**MI**	**Share**	**Gross**	**Share**	**Gross**	**Share**
Investment property	**2,867.4**	**39.3**	**631.9**	**1,819.0**	**909.5**	**4,686.4**	**1,580.7**
Cash	**106.2**	**1.5**	**23.4**	**45.4**	**22.7**	**151.6**	**47.6**
Debt	**(912.1)**	**(12.5)**	**(201.0)**	**(673.0)**	**(336.5)**	**(1,585.1)**	**(550.0)**
Swap assets/(liabilities)	**0.5**	**–**	**0.1**	**(0.2)**	**(0.1)**	**0.3**	**–**
Other current assets	**106.6**	**1.5**	**23.5**	**22.0**	**11.0**	**128.6**	**36.0**
Other current liabilities	**(211.5)**	**(3.5)**	**(46.6)**	**(40.2)**	**(20.1)**	**(251.7)**	**(70.2)**
Net assets	**1,957.1**	**26.3**	**431.3**	**1,173.0**	**586.5**	**3,130.1**	**1,044.1**
Non-controlling interest	**–**	**(26.3)**	**–**	**–**	**–**	**–**	**(26.3)**
Swap (liabilities)/assets	**(0.5)**	**–**	**(0.1)**	**0.2**	**0.1**	**(0.3)**	**–**
EPRA NTA	**1,956.6**	**–**	**431.2**	**1,173.2**	**586.6**	**3,129.8**	**1,017.8**
Profit for the year	**146.9**	**2.1**	**34.2**	**172.2**	**86.1**	**319.1**	**122.4**

2020

	USAF £m			LSAV £m		Total £m	
	Gross	**MI**	**Share**	**Gross**	**Share**	**Gross**	**Share**
Investment property	2,798.3	38.3	616.7	1,323.6	661.8	4,121.9	1,316.8
Cash	69.7	1.0	15.4	74.6	37.3	144.3	53.7
Debt	(912.7)	(12.5)	(201.1)	(536.4)	(268.2)	(1,449.1)	(481.8)
Swap liabilities	–	–	–	(1.2)	(0.6)	(1.2)	(0.6)
Other current assets	1.0	–	0.2	0.4	0.2	1.4	0.4
Other current liabilities	(61.0)	(1.5)	(13.4)	(49.2)	(24.6)	(110.2)	(39.5)
Net assets	1,895.3	25.3	417.8	811.8	405.9	2,707.1	849.0
Non-controlling interest	–	(25.3)	–	–	–	–	(25.3)
Swap liabilities	–	–	–	1.2	0.6	1.2	0.6
EPRA NTA	**1,895.3**	**–**	**417.8**	**813.0**	**406.5**	**2,708.3**	**824.3**
(Loss)/profit for the year	**(42.6)**	**(0.8)**	**(11.1)**	**0.6**	**0.3**	**(42.0)**	**(11.6)**

Net assets and profit/(loss) for the year above include the non-controlling interest, whereas EPRA NTA excludes the non-controlling interest.

USAF and LSAV use derivatives to hedge their borrowings. These derivatives are designated in cash flow hedge relationships which are considered to be fully effective. The share of joint venture mark to market movements on hedging instruments is recognised in Group's Other Comprehensive Income within the share of joint venture mark to market movements on hedging instruments. The total notional value of borrowings in hedge relationships at 31 December 2021 is £225.0 million (2020: £225.0 million). See note 4.5 for further details.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures increased by £195.1 million during the year ended 31 December 2021 (2020: £26.2 million decrease), resulting in an overall carrying value of £1,044.1 million (2020: £849.0 million).

The following table shows how the increase has arisen.

	2021 £m	2020 £m
Recognised in the income statement:		
Operations segment result	**30.2**	23.7
Non-controlling interest share of Operations segment result	**1.1**	0.6
Management fee adjustment related to trading with joint venture	**3.0**	6.3
Net valuation gains/(losses) on investment property	**88.7**	(41.5)
Property disposals	**(0.3)**	–
Other	**(0.3)**	(0.7)
	122.4	(11.6)
Recognised in equity:		
Movement in effective hedges	**0.6**	(0.1)
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	**(3.4)**	(6.3)
Profit adjustment related sale of property to LSAV	**(1.9)**	–
Additional capital invested in LSAV	**157.6**	7.5
LSAV performance fee	**(42.2)**	(5.7)
USAF distributions received	**(18.6)**	–
LSAV distributions received	**(19.4)**	(10.0)
Increase/(decrease) in carrying value	**195.1**	**(26.2)**
Carrying value at 1 January	**849.0**	875.2
Carrying value at 31 December	**1,044.1**	**849.0**

3.4c) Transactions with joint ventures

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services.

In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives either cash or an enhanced equity interest in the joint ventures as consideration for the performance fee. The Group has recognised the following gross fees in its results for the year.

	2021 £m	2020 £m
USAF	**15.2**	13.5
LSAV	**3.9**	6.6
Asset and property management fees	**19.1**	20.1
LSAV performance fee	**41.9**	11.4
Investment management fees	**41.9**	11.4
Total fees	**61.0**	31.5

On an EPRA basis, fees from joint ventures are shown net of the Group's share of the cost to the joint ventures.

The Group's share of the cost to the joint ventures is £3.2 million (2020: £6.1 million), which results in management fees from joint ventures of £15.9 million being shown in the Operating segment result in note 2.2a (2020: £14.0 million).

Investment management fees are included within the unallocated to segments section in note 2.2a.

During 2021, the Group sold two properties to LSAV for gross proceeds of £341.9 million. Both properties had been held on balance sheet as investment property within non-current assets. The proceeds and carrying value of the property are therefore recognised in profit on disposal of property and the cash flows in investing activities. The profits relating to the sales, associated disposal costs and related cash flows are set out below:

	Profit and loss	
	2021 £m	2020 £m
Included in loss on disposal of property (net of joint venture trading adjustment)	**6.6**	–
Loss on disposal of property	**6.6**	–

	Cash flow	
	2021 £m	2020 £m
Gross proceeds	**341.9**	–
Less amounts settled by transfer of property	**(99.4)**	–
Net cash flows included in cash flows from investing activities	**242.5**	–

As part of the disposal of properties to LSAV, the Group received an additional investment in the joint venture as non-cash consideration totalling £104.0 million (before costs of £4.6 million), and the settlement of the LSAV performance fee also resulted in a non-cash increase in its investment value of £53.6 million. The Group's relative interest in the joint venture remained unchanged.

The Group did not sell any properties to USAF or LSAV in 2020.

3.5 Investments in subsidiaries (Company)

Accounting policies

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in profit or loss and presented in retained earnings in equity.

Carrying value of investment in subsidiaries

The movements in the Company's interest in unlisted subsidiaries and joint ventures during the year are as follows:

	Investment in subsidiaries	
	2021 £m	2020 £m
At 1 January	**1,826.7**	2,213.7
Additions	**–**	–
Revaluation	**316.8**	(387.0)
At 31 December	**2,143.5**	**1,826.7**

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans. This includes investment property, investment property under development and swaps at a fair value calculated by a third party expert. All investment properties and investment properties under development are classified as Level 3 in the IFRS 13 fair value hierarchy and have been discussed on page 208. The fixed rate loans range between Level 1 and Level 2 in the IFRS 13 fair value hierarchy and have been discussed further on page 219.

Significant assumptions underlying the valuation of investment in subsidiaries are valuation of investment property and investment property under development, together with the value of borrowings and inter-company debt.

A full list of the Company's subsidiaries and joint ventures can be found in note 9.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing.

Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements.

The following pages provide disclosures about the Group's funding position, including borrowings, gearing and hedging instruments; its exposure to market risks; and its capital management policies.

Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, less any attributable transaction costs, and subsequently at amortised cost.

With the exception of investments in subsidiaries and derivative financial instruments, no other financial assets or liabilities have been classified as either fair value through profit or loss or fair value through other comprehensive income.

The accounting policies applicable to specific financial assets and liabilities, and financing costs, are set out in the relevant notes.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables.

The accounting policy is set out in full in note 5.2.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments, including the relevant accounting policies, are disclosed in notes 4.2 and 4.5.

4.1 Borrowings

Accounting policies

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The table below analyses the Group's borrowings which comprise bank and other loans by when they fall due for payment:

	Group - Carrying value		*Company - Carrying value*	
	2021 £m	**2020 £m**	**2021 £m**	**2020 £m**
Current				
In one year or less, or on demand	**-**	-	**-**	-
Non-current				
In more than one year but not more than two years	**-**	795.9	**-**	795.9
In more than two years but not more than five years	**419.2**	297.3	**121.3**	-
In more than five years	**719.0**	568.6	**420.9**	270.7
	1,138.2	1,661.8	**542.2**	1,066.6
Unamortised fair value of debt recognised on acquisition	**23.8**	28.1	**-**	-
Total borrowings	**1,162.0**	**1,689.9**	**542.2**	**1,066.6**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £325.0 million (2020: £50.0 million). A further overdraft facility of £10.0 million (2020: £10.0 million) is also available.

During the year to 31 December 2020 the Group repaid all of its secured borrowings, retaining only unsecured borrowing at 31 December 2021 and 31 December 2020.

The carrying value and fair value of the Group's borrowings is analysed below:

	2021		2020	
Group	**Carrying value £m**	**Fair value £m**	**Carrying value £m**	**Fair value £m**
Level 1 IFRS fair value hierarchy	**898.8**	**936.7**	903.1	932.2
Other loans and unamortised arrangement fees	**263.2**	**263.2**	786.8	786.8
Total borrowings	**1,162.0**	**1,199.9**	**1,689.9**	**1,719.0**

	2021		2020	
Company	**Carrying value £m**	**Fair value £m**	**Carrying value £m**	**Fair value £m**
Level 1 IFRS fair value hierarchy	**425.0**	**439.0**	279.8	312.9
Other loans and unamortised arrangement fees	**117.2**	**117.2**	786.8	786.8
Total borrowings	**542.2**	**556.2**	**1,066.6**	**1,099.7**

The fair value of loans classified as Level 1 in the IFRS fair value hierarchy is determined using quoted prices in active markets for identical liabilities.

The following table shows the changes in liabilities arising from financing activities:

2021

Group	**At 1 January 2021**	**Financing cash flows**	**Fair Value adjustments**	**Other changes**	**At 31 December 2021**
Borrowings	**1,689.9**	**(563.8)**	**(4.3)**	**40.2**	**1,162.0**
Lease liabilities	**101.1**	**(13.2)**	**–**	**8.9**	**96.8**
Interest rate swaps	**23.6**	**(3.1)**	**(23.9)**	**0.9**	**(2.5)**
Total liabilities from financing activities	**1,814.6**	**(580.1)**	**(28.2)**	**50.0**	**1,256.3**
Company					
Borrowings	**1,066.6**	**(550.8)**	**(0.8)**	**27.2**	**542.2**
Interest rate swaps	**23.6**	**(3.1)**	**(23.9)**	**0.9**	**(2.5)**
Total liabilities from financing activities	**1,090.2**	**(553.9)**	**(24.7)**	**28.1**	**539.7**

2020

Group	**At 1 January 2020**	**Financing cash flows**	**Fair Value adjustments**	**Other changes**	**At 31 December 2020**
Borrowings	1,567.6	52.1	(4.3)	74.5	1,689.9
Lease liabilities	104.8	(13.1)	–	9.4	101.1
Interest rate swaps	7.6	(1.5)	17.5	–	23.6
Total liabilities from financing activities	**1,680.0**	**37.5**	**13.2**	**83.9**	**1,814.6**
Company					
Borrowings	442.2	207.5	(0.7)	417.6	1,066.6
Interest rate swaps	7.6	(1.5)	17.5	–	23.6
Total liabilities from financing activities	**449.8**	**206.0**	**16.8**	**417.6**	**1,090.2**

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.2 Interest rate swaps

The Group uses interest rate swaps to manage the Group's exposure to interest rate fluctuations. In accordance with the Group's treasury policy, the Group does not hold or issue interest rate swaps for trading purposes and only holds swaps which are considered to be commercially effective. The derivatives of the Company are the same as those of the Group, and the hedge accounting disclosures in note 4.5a are also relevant for the Company.

Accounting policies

Interest rate swaps are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement unless cash flow hedge accounting is applied.

The Group designates certain interest rate derivatives as hedging instruments. The interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. At inception the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of changes in fair value of the interest rate swap is recognised in Other comprehensive income and presented under the heading of Hedging reserve in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve is reclassified immediately to profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The following table shows the fair value of interest rate swaps which at 31 December 2021 are not designated in accounting hedge relationships:

	2021 £m	2020 £m
Current	(2.5)	5.8
Non-current	-	17.8
Fair value of interest rate swaps	**(2.5)**	23.6

The fair value of interest rate swaps (a debit balance in 2021 and a credit balance in 2020) have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy. At 31 December 2021 the net current asset fair value above comprises assets of £6.1 million offset by liabilities of £3.6 million (2020: all liabilities).

4.3 Net financing costs

Accounting policies

Net financing costs comprise interest payable on borrowings and interest on lease liabilities, less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement.

Recognised in the income statement:	2021 £m	2020 £m
Interest income	–	(5.6)
Finance income	–	(5.6)
Gross interest expense on loans	**43.7**	50.8
Interest capitalised	**(5.2)**	(4.6)
Amortisation of fair value of debt recognised on acquisition	**(4.3)**	(4.3)
Loan interest and similar charges	**34.2**	41.9
Interest on lease liabilities	**8.5**	8.8
Mark to market changes on interest rate swaps	**(10.9)**	5.8
Swap cancellation fair value settlements and loan break costs	**4.2**	30.1
Finance costs	**36.0**	86.6
Net financing costs	**36.0**	81.0

The average cost of the Group's wholly owned investment debt for the year ended 31 December 2021 is 3.0% (2020: 3.2%). The overall average cost of investment debt on an EPRA basis is 3.0% (2020: 3.2%).

4.4 Gearing

LTV is a key indicator that the Group uses to manage its indebtedness. The Group also monitors gearing, which is calculated using EPRA net tangible assets (NTA) and net debt. Net debt excludes IFRS 16 lease liabilities, the unamortised fair value of debt recognised on acquisition and mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

	Note	2021 £m	2020 £m
Cash and cash equivalents	5.1	**109.4**	338.3
Current borrowings	4.1	–	–
Non-current borrowings	4.1	**(1,162.0)**	(1,689.9)
Lease liabilities	4.6a	**(96.8)**	(101.1)
Interest rate swaps	4.3	**2.5**	(23.6)
Net debt per balance sheet		**(1,146.9)**	(1,476.3)
Lease liabilities	4.6a	**96.8**	101.1
Unamortised fair value of debt recognised on acquisition	2.3c	**23.8**	28.1
Adjusted net debt		**(1,026.3)**	(1,347.1)
Reported net asset value	2.3c	**3,527.8**	3,234.9
EPRA NTA	2.3c	**3,532.2**	3,266.2
Gearing			
Basic (net debt/reported net asset value)		**33%**	46%
Adjusted gearing (adjusted net debt/EPRA NTA)		**29%**	41%
Loan to value	2.3a	**29%**	34%

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.5 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (primarily interest rate risk), credit risk and liquidity risk. The Group's treasury policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on credit risk can be found in note 5.3.

4.5a) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group holds its debt finance under both floating and fixed rate arrangements. The majority of floating debt is hedged through the use of interest rate swap agreements. The Group's policy guideline has been to hedge 75%–95% of the Group's exposure for terms of approximately two to ten years.

At 31 December 2021, after taking account of interest rate swaps, 89% (2020: 70%) of the Group's borrowing was held at fixed rates. Excluding the £nil (2020: £250.0 million) of swaps and caps the fixed investment borrowing is at an average rate of 3.1% (2020: 3.2%) for an average period of 6.4 years (2020: 6.8 years), including all debt with current or forward starting swaps the average rate is 3.0% (2020: 3.2%).

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates upon the issuance of forecast fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the hedge contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships has historically been the effect of the counterparty and the Group's own credit risk on the fair value of the hedge contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships. However, changes in anticipated draw down of debt in 2022 as a result of planned property disposals have meant that the hedged items were no longer expected to occur. As the result the hedge relationships were discontinued from 1 July 2021. Subsequent changes in fair value of the derivatives of £10.0 million were recognised directly in profit loss. The amount accumulated in cash flow hedge reserve was reclassified to profit and loss.

The Group holds interest rate swaps and caps at 31 December 2021 against £nil (2020: £250.0 million) of the Group's borrowings, in designated in effective hedge relationships. The fair value of these instruments is net asset of £2.5 million (2020: £23.6 million). These instruments will mature within next 12 months.

The following tables provide information in respect of accounting hedge relationships that were in place until 30 June 2021.

Hedging instruments

	Applicable interest rates		Nominal amount		Carrying amount		Change in fair value	
	2021 %	2020 %	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Within one year	–	1.6	–	–	–	(5.8)	**5.0**	(5.8)
Between one and two years	–	0.1	–	250.0	–	(4.2)	**2.5**	(4.2)
Between two and five years	–	–	–	–	–	–	–	2.5
More than five years	–	1.6	–	50.0	–	(13.6)	**8.6**	(8.5)

Hedged items

	Nominal amount		Change in value		Hedging reserve – continuing		Hedging reserve – discontinued*	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Variable rate borrowings	–	300.0	**(16.2)**	12.8	–	(15.8)	**1.6**	1.8

* Balance in cash flow hedging reserve representing the unamortised value of the realised swap gain from hedging relationship for which hedge accounting is no longer applied.

At 1 July 2021 all of the previously effective Group hedges were de-designated as hedge relationships following changes in the anticipated timing of debt draw down requirements, and subsequently £10.0 million of swap charges were recognised in the income statement.

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to profit or loss:

	Changes in OCI		Hedge ineffectiveness			Reclassified to P&L – discontinued		Reclassified to P&L – continuing		
	2021 £m	2020 £m	2021 £m	2020 £m	Line item in P&L	2021 £m	2020 £m	2021 £m	2020 £m	Line item in P&L
Variable rate borrowings	**16.2**	(12.8)	–	(3.3)	Mark to market movements on interest rate swaps	**(1.1)**	2.3	–	–	Mark to market movements on interest rate swaps

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one-month SONIA (2020: LIBOR). The Group will settle the difference between the fixed and floating interest rate on a net basis.

In previous years, all interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts have been designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. At the end of the current year, the Group has no cash flow hedges in hedge relationships. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 31 December 2021. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant the Group's loss for the year ended 31 December 2021 would increase by £4.0 million (2020: £8.0 million). The Group's sensitivity to interest rates has decreased mainly due to the lower amount of unhedged floating rate debt in place during the year.

Phase 2 IBOR reform

During the year the Group transitioned its floating rate debt and derivative hedging instruments from LIBOR to Sterling Overnight Interbank Average rate (SONIA). In doing so the Group adopted Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7 and 16) and chose to use the practical expedent introduced by the amendments. The practical expedient allows the effect of the transition relating solely to the lending rate change when borrowings have been replaced not to be shown as a derecognition of an old instrument and recognition of a new instrument and therefore has mitigated recognition of any gains or losses in total comprehensive income in the year.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.5 Financial risk factors continued

4.5b) Credit risk on financial instruments

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and investments in these instruments, where the counterparties have minimum A- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information including CDS price and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties in line with Board policy.

Before accepting any new customer, the finance team uses external credit ratings to assess the potential customer's credit quality and defines credit limits by customer. Monitoring procedures are also in place to ensure that follow-up action is taken when ratings deteriorate. The Group does not hold any credit enhancements to cover its credit risks associated with its financial assets.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable;

- when there is a breach of financial covenants by the debtor; or
- *information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its* creditors, including the Group, in full (without taking into account collateral held by the Group).

Details of the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are set out on note 5.3.

4.5c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has *at its disposal to further reduce liquidity risk are set out below.*

For development activities, the Group has a policy of raising substantially the full amount of equity required for each development before drawing debt against the development. The funding requirements of developments are therefore *secured at the outset of works.*

The Group has the following financial instruments which impact the liquidity risk of the Group either now or in the future:

Financial assets including interest rate swaps, trade receivables, amounts due from joint ventures, other receivables and cash.

Financial liabilities including borrowings, lease liabilities, interest rates swaps, trade payables, retentions on construction contracts for properties, other payables and accrued expenses.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

2021

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	2.0%	0.2	0.4	1.9	130.6	–	133.1	121.3
Fixed interest rate instruments	3.1%	1.1	2.2	28.5	415.5	786.4	1,233.7	1,040.7
Lease liabilities	4.2%	–	3.3	9.8	53.9	94.2	161.1	96.8
Trade and other payables	n/a	–	130.6	–	–	–	130.6	130.6
Total		1.3	136.5	40.2	600.0	880.6	1,658.6	1,389.4

2020

	Weighted average effective interest rate %	Less than 1 month £m	1–3 months £m	3 months – 1 year £m	1–5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	1.7	1.1	2.3	10.2	810.2	–	823.8	793.1
Fixed interest rate instruments	3.2	0.7	1.5	25.8	409.6	635.2	1,072.8	896.8
Lease liabilities	4.2	–	3.3	9.7	53.2	107.8	173.9	101.1
Trade and other payables	n/a	–	91.0	–	–	–	91.0	91.0
Total		1.8	98.1	45.7	1,273.0	743.0	2,161.5	1,882.0

The Company has £133.1 million of variable rate borrowings with weighted average rate of 2.0% and £1,233.7 million of fixed rate borrowings with weighted average rate of 3.1%. The maturity of the Company's borrowings is disclosed in note 4.1.

The Group has access to financing facilities as described below, of which £335.0 million were unused at the reporting date (2020: £60.0 million). The Group expects to meet its other obligations from operating cash flows.

	2021 £m	2020 £m
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	–	–
– amount unused	10.0	10.0
	10.0	10.0
Unsecured committed bank loan facilities which may be extended by mutual agreement:		
– amount used	125.0	500.0
– amount unused	325.0	50.0
	450.0	550.0

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.5 Financial risk factors continued

4.5d) Covenant compliance

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2021, the Group was in full compliance with all of its borrowing covenants.

The Group's unsecured borrowings carry several covenants. The covenant regime is IFRS based and gives the Group substantial operational flexibility, allowing property acquisitions, disposals and developments to occur with relative freedom.

	2021		2020	
	Covenant	**Actual**	**Covenant**	**Actual**
Gearing	**< 1.50**	**0.30**	< 1.50	0.42
Unencumbered assets ratio	**> 1.70**	**3.25**	> 1.70	2.81
Secured gearing	**< 0.25**	**0.0**	< 0.25	0.0
Development assets ratio	**< 30%**	**7%**	< 30%	4%
Joint venture ratio	**< 55%**	**23%**	< 55%	18%
Interest cover	**> 2.00**	**5.49**	> 2.00	3.9

The Group also has bonds which carry several covenants which the Group was also in full compliance with as set out below.

	2021		2020	
	Weighted covenant	**Weighted actual**	**Weighted covenant**	**Weighted actual**
Net gearing	**< 60%**	**30%**	< 60%	35%
Secured gearing	**< 25%**	**0%**	< 25%	0%
Unsecured gearing	**> 1.67**	**3.31**	> 1.67	2.87
Interest cover	**> 1.75**	**2.79**	> 1.75	2.67

4.6 Leases

4.6a) Lease liabilities

Accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset (see note 3.1a) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate (since the rate implicit in the leases cannot be readily determined) of 4.17%.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period presented.

	Undiscounted cash flows		Carrying value	
Lease liabilities	**2021 £m**	**2020 £m**	**2021 £m**	**2020 £m**
Analysed as:				
Non-current			**91.9**	96.7
Current			**4.9**	4.4
Total lease liability			**96.8**	**101.1**
Lease liability maturity analysis				
Year 1	**13.0**	12.9	**4.9**	4.4
Year 2	**13.3**	13.0	**5.4**	4.8
Year 3	**13.5**	13.3	**6.2**	5.4
Year 4	**13.4**	13.5	**6.7**	6.2
Year 5	**13.7**	13.4	**7.4**	6.6
Onwards	**94.2**	107.8	**66.2**	73.7
Total	**161.1**	**173.9**	**96.8**	**101.1**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 4: Funding continued

4.6 Leases continued

4.6b) Lease receivables

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases.

Operating lease contracts with universities contain RPI uplifts and market review clauses.

The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease receivables

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Year 1	**194.1**	169.8
Year 2	**78.8**	93.9
Year 3	**57.9**	70.7
Year 4	**52.0**	68.2
Year 5	**46.2**	63.9
Onwards	**239.0**	363.0
Total	**668.0**	829.5

4.7 Capital management

The capital structure of the Group consists of shareholders' equity and adjusted net debt, including cash held on deposit. The Group's equity is analysed into its various components in the Statement of Changes in Equity. The components and calculation of adjusted net debt is set out in note 4.4. Capital is managed so as to continue as a going concern and to promote the long-term success of the business and to maintain sustainable returns for shareholders and joint venture partners.

The Group uses a number of key metrics to manage its capital structure:

- net debt (note 4.4)
- gearing (note 4.4)
- LTV (note 2.3a)
- weighted average cost of investment debt (note 4.5a)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £403.1 million of property assets were sold in 2021 and we plan to sell £200–£250 million of property during 2022. The Group targets a yield on cost of approximately 7% from investments in its development and University partnerships pipeline. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. Based on the assumption that no shareholders take up the scrip dividend, the full year dividend will be covered by operating cash flows. The full year dividend is expected to be £62.3 million compared to operating cash flow of £171.3 million.

4.8 Equity

Accounting policies

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

The Company's issued share capital has increased during the year as follows:

	2021			2020		
Called up, allotted and fully paid ordinary shares of £0.25p each	**No. of shares**	**Ordinary shares £m**	**Share Premium £m**	**No. of shares**	**Ordinary shares £m**	**Share Premium £m**
At 1 January	**398,170,432**	**99.5**	**2,160.3**	363,591,882	90.9	1,874.9
Shares issued (placing)	**–**	**–**	**–**	34,502,872	8.6	285.1
Shares issued (scrip dividend)	**789,927**	**0.2**	**(0.2)**	–	–	–
Shares issued (options exercised)	**179,277**	**0.1**	**1.1**	75,678	–	0.3
At 31 December	**399,139,636**	**99.8**	**2,161.2**	**398,170,432**	**99.5**	**2,160.3**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company's reserves are as follows:

- Called up share capital reserves contain the nominal value of the shares issued;
- Share premium reserves contain the excess consideration received above the nominal value of the shares issued;
- Merger reserves contain the excess in the value of shares issued by the Company in exchange for the value of shares acquired in respect of subsidiaries acquired (specifically on the acquisition of the Unilodge portfolio in June 2001);
- Hedging reserves contain the cumulative gains and losses on hedging instruments deemed effective; and
- Retained earnings contain the cumulative profits and losses of the Company net of dividends paid and other adjustments.

4.9 Dividends

Accounting policies

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

During the year, the Company paid the final 2020 dividend of £42.4m – 12.75p per share – and an interim 2021 dividend of £25.4 million – 6.5p per share (2020: cancelled the proposed final 2019 dividend and paid no interim dividend).

After the year-end, the Directors proposed a final dividend per share of 15.6p – totalling £62.3 million (2020: 12.75p), bringing the total dividend per share for the year to 22.1p (2020: 12.75p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for 2021 and 2022 and the PID requirement in respect of the year ended 31 December 2021 is expected to be satisfied by the end of 2022.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Section 5: Working capital

This section focuses on how the Group generates its operating cash flows. Careful management of working capital is vital to ensure that the Group can meet its trading and financing obligations within its ordinary operating cycle.

On the following pages you will find disclosures around the Group's cash position and how cash is generated from the Group's trading activities, and disclosures around trade receivables and payables.

Accounting policies

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.1 Cash and cash equivalents

The Group's cash position at 31 December 2021 was £109.4 million (2020: £338.3 million).

The Group's cash balances include £2.0 million (2020: £1.2 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs.

The Group generates cash from its operating activities as follows:

		Group		Company	
	Note	2021 £m	2020 £m	2021 £m	2020 £m
Profit/(loss) for the year		**344.6**	(122.2)	**419.5**	(118.8)
Adjustments for:					
Depreciation and amortisation		**7.8**	9.2	**–**	–
Fair value of share-based payments	6.1	**2.4**	1.7	**–**	–
Dividends received		**–**	–	**(125.0)**	(300.0)
Change in value of investment property (owned and under development)	3.1	**(116.8)**	124.2	**–**	–
Change in value of investment property (leased)	3.1	**11.1**	11.2	**–**	–
Change in value of investments	3.5	**–**	–	**(316.8)**	387.0
Net finance costs	4.3	**34.2**	36.3	**24.9**	26.7
Interest payments for leased assets	4.3	**8.5**	8.8	**–**	–
Mark to market changes in interest rate swaps	4.3	**(10.9)**	5.8	**–**	–
Swap break and debt exit costs	4.3	**4.2**	30.1	**4.2**	1.5
Loss on disposal of investment property (owned)		**12.0**	1.9	**–**	–
Share of joint venture (profit)/loss	3.4b	**(122.2)**	11.6	**–**	–
Trading with joint venture adjustment		**19.1**	12.0	**–**	–
Tax (credit)/charge	2.5a	**(1.5)**	2.1	**–**	–
Cash flows from operating activities before changes in working capital		**192.5**	**132.7**	**6.8**	**(3.6)**
(Increase)/decrease in trade and other receivables		**(52.5)**	(0.3)	**0.1**	(0.1)
(Increase) in inventories		**(2.9)**	(4.5)	**–**	–
Increase/(decrease) in trade and other payables		**34.2**	(53.3)	**(6.1)**	3.0
Cash flows from operating activities		**171.3**	**74.6**	**0.8**	**(0.7)**
Tax paid		**–**	(1.3)	**–**	–
Net cash flows from operating activities		**171.3**	**73.3**	**0.8**	**(0.7)**

Cash flows consist of the following segmental cash inflows/(outflows): operations £108.1 million (2020: £57.3 million), property (£324.8 million) (2020: (£78.2 million)) and unallocated (£12.2 million) (2020: £272.3 million).

The unallocated net cash outflow includes a net cash outflow of dividends paid totalling £64.8 million (2020: £nil), amounts received from shares issued of £nil (2020: £294.0 million), LSAV performance fee received of £53.3 million, tax paid of £nil (2020: £1.3 million), investment in joint venture of £nil (2020: £7.5 million) and £0.7 million (2020: £nil) on other costs.

During the year the Group acquired an additional investment in its LSAV joint venture as a non-cash transaction as part of the disposal of property to the joint venture (see note 3.4c for further details).

Dividends received by the Company from its subsidiary undertakings totalling £125.0 million (2020: £300.0 million) are non-cash distributions of reserves.

5.2 Trade and other receivables

Accounting policies

On the basis that trade receivables meet the business model and cash flow characteristics tests, they are initially recognised at transaction price and then subsequently measured at amortised cost.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to whether the tenant is a commercial organisation (including universities) or an individual student.

The expected loss rates are based on the payment profile for sales by academic year as well as the corresponding historical credit losses during the period. The historical rates are adjusted to reflect any current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, however given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within a reasonable period from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others are considered indicators of no reasonable expectation of recovery.

Other financial asset balances are assessed for expected credit losses based on the underlying nature of the asset, including maturity and age of the asset such as whether a longer term asset or a short term working capital balance subject to regular settlement arrangements, using the 12 month ECL model. No credit losses have been recognised in respect of these balances.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to loans to Group undertakings. In this respect, the Company recognises lifetime ECL when there has been a significant increase in credit risk (such as changes to credit ratings) since initial recognition. However, if the credit risk on the loans have not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Company expects that the loans to Group undertakings will be repaid in full at maturity or when called. If the Group undertakings were unable to repay loan balances, the Company expects that in such circumstances the counterparty would negotiate extended credit terms with the Company. As such, the expected credit loss is considered immaterial. No change in credit risk is deemed to have occurred since initial recognition and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 5: Working capital continued

5.2 Trade and other receivables continued

Trade and other receivables can be analysed as follows; all trade and other receivables are current.

		Group		Company	
		2021	2020	2021	2020 Restated
	Note	£m	£m	£m	£m
Trade receivables		27.9	16.4	–	–
Amounts due from Group undertakings	5.6	–	–	–	594.3
Amounts due from joint ventures		56.8	25.2	–	–
LSAV performance fee		–	22.8	–	–
Prepayments and accrued income		15.3	24.5	–	–
Other receivables		8.8	15.1	0.1	0.2
Trade and other receivables (current)		108.8	104.0	0.1	594.5
Loans to Group undertakings (non-current)	5.6	–	–	1,928.3	1,791.6

The Group offers tenancy contracts to commercial (universities and retail unit tenants) and individual tenants based on the academic year. The Group monitors and manages the recoverability of its receivables based on the academic year to which the amounts relate. Rental income is payable immediately, therefore all receivables relating to tenants are past the payment due date.

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures as these remain highly profitable. Details of amounts due from Group undertakings to the Company are disclosed in note 5.6.

2021

	Ageing by academic year			
	Total £m	2021/22 £m	2020/21 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	0.9	0.5	0.3	0.1
Individual tenants (past due and impaired)	41.9	31.3	3.7	6.9
Expected credit loss carried	(14.9)	(4.3)	(3.6)	(7.0)
Trade receivables	27.9	27.5	0.4	–

2020

	Ageing by academic year			
	Total £m	2020/21 £m	2019/20 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	1.4	1.0	0.3	0.1
Individual tenants (past due and impaired)	27.2	19.4	5.0	2.8
Expected credit loss carried	(12.2)	(4.6)	(5.3)	(2.3)
Trade receivables	16.4	15.8	–	0.6

Movements in the Group's expected credit losses of trade receivables can be shown as follows:

	2021 £m	2020 £m
At 1 January	**12.2**	3.9
Expected credit loss charged to income statement in year	**3.3**	8.6
Receivables written off during the year (utilisation of expected credit loss)	**(0.6)**	(0.3)
At 31 December	**14.9**	**12.2**

The loss allowance for trade receivables is estimated as an amount equal to the lifetime expected credit loss (ECL). This loss has been estimated using the Group's history of loss for similar assets and takes into account current and forecast conditions.

The impact of credit losses is not considered significant in respect of the financial statements.

5.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's cash balances, the Group's receivables from customers and joint ventures and loans provided to the Group's joint ventures.

At the year-end, the Group's maximum exposure to credit risk was as follows:

	Note	2021 £m	2020 £m
Cash	5.1	**109.4**	338.3
Trade receivables	5.2	**27.9**	16.4
Amounts due from joint ventures	5.2	**56.8**	48.0
		194.1	**402.7**

5.3a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates. Deposits were placed with financial institutions with A- or better credit ratings.

5.3b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds customer deposits of £0.8 million (2020: £0.8 million) as collateral against individual customers.

5.3c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans. The Group has strong working relationships with its joint venture partners, and the joint ventures themselves have strong financial performance, retain net asset positions and are cash generative, and therefore the Group views this as a low credit risk balance. No impairment has therefore been recognised in 2021 or 2020.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 5: Working capital continued

5.4 Trade and other payables

Accounting policies

Trade payables are initially recognised at the value of the invoice received from a supplier (fair value) and subsequently at amortised cost. The carrying value of trade payables is considered approximate to fair value.

Trade and other payables due within one year can be analysed as follows:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade payables	**35.3**	16.8	**–**	–
Retentions on construction contracts for properties	**4.2**	5.8	**–**	–
Amounts due to Group undertakings	**–**	–	**38.0**	0.6
Other payables and accrued expenses	**96.6**	68.4	**6.4**	3.8
Deferred income	**64.6**	50.3	**–**	–
Trade and other payables	**200.7**	**141.3**	**44.4**	**4.4**

Other payable and accrued expenses include £0.8 million (2020: £0.8 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Included within accrued expenses is £nil of capital commitments, relating to investment properties under development (2020: £nil million).

5.5 Provisions

Accounting policies

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material.

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 24 properties with HPL that needs replacing across our estate, seven of which are wholly owned. We are currently carrying out replacement works for properties with HPL cladding, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. The remaining cost of replacing HPL cladding is expected to be £92.0 million (Unite Share: £46.9 million), of which £33.5 million is in respect of wholly owned properties. Whilst the overall timetable for these works is uncertain, we anticipate this will be incurred over the next 2 years.

The Government has proposed a Building Safety Bill, covering building standards, which is likely to result in more stringent fire safety regulations. We will ensure we remain aligned to fire safety regulations as they evolve and will continue to make any required investment to ensure our buildings remain safe to occupy. We have provided for the costs of remedial work where we have a legal obligation to do so. The amounts provided reflect the current best estimate of the extent and future cost of the remedial works required and are based on known costs and quotations where possible, and reflect the most likely outcome. However, these estimates may be updated as work progresses or if Government legislation and regulation changes.

We have not recognised any assets in respect of future claims.

Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 20% increase in the remaining estimated costs recognised in the year would affect net valuation gains/l(osses) on property in the IFRS P&L and would reduce the Group's NTA by 2.3p on a Unite share basis. Whilst provisions are expected to be utilised within two years, there is uncertainty over this timing.

The Group has recognised provisions for the cost of these cladding works as follows:

	Gross £m				Unite Share £m			
	Wholly owned	USAF	LSAV	Total	Wholly owned	USAF	LSAV	Total
At 31 December 2019	0.3	1.4	–	1.7	0.3	0.4	–	0.7
Additions	15.7	50.6	14.4	80.7	15.7	11.0	7.2	33.9
Utilisation	(0.3)	(2.0)	(0.2)	(2.5)	(0.3)	(0.4)	(0.1)	(0.8)
At 31 December 2020	**15.7**	**50.0**	**14.2**	**79.9**	**15.7**	**11.0**	**7.1**	**33.8**
Additions	**18.0**	**23.4**	**0.5**	**41.9**	**18.0**	**5.1**	**0.3**	**23.4**
Utilisation	**(0.2)**	**(17.1)**	**(12.5)**	**(29.8)**	**(0.2)**	**(3.8)**	**(6.3)**	**(10.3)**
At 31 December 2021	**33.5**	**56.3**	**2.2**	**92.0**	**33.5**	**12.3**	**1.1**	**46.9**

5.6 Transactions with other Group companies

During the year, the Company entered into various interest-free, repayable on demand loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £4.1 million (2020: £3.1 million). As a result of these intercompany transactions, the following amounts were due from/to the Company's subsidiaries at the year end.

	2021 £m	2020 £m
Unite Holdings Limited	**135.1**	141.5
LDC (Holdings) Limited	**937.7**	1,532.0
Liberty Living Group plc	**855.5**	712.4
Amounts due from Group undertakings	**1,928.3**	2,385.9
Unite Integrated Solutions plc	**38.0**	0.6
Amounts due to Group undertakings	**38.0**	0.6

The Company has had a number of transactions with its joint ventures, which are disclosed in note 3.4c.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 6: Key management and employee benefits

The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that Unite's people make to the performance of the Group.

On the following pages you will find disclosures around wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

Accounting policies

The Group operates a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

6.1 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year (calculated on a monthly basis), analysed by category, was as follows:

	Number of employees	
	2021	**2020**
Managerial and administrative	**509**	532
Site operatives	**1,288**	1,207
	1,797	**1,739**

The aggregate payroll costs of these persons were as follows:

	2021 £m	**2020 £m**
Wages and salaries	**62.6**	62.0
Social security costs	**6.1**	5.8
Pension costs	**2.4**	2.7
Fair value of share-based payments	**2.4**	1.7
	73.5	**72.2**

The wages and salaries costs include redundancy costs of £0.5 million (2020: £6.1 million).

The total number of persons employed by the Group (including Directors) as at 31 December 2021 was 534 (2020: 508) managerial and administrative and 1,300 (2020: 1,396) site operatives. There are no employees employed directly by the Company.

6.2 Key management personnel

The remuneration of the Directors, including non-executive Directors, who are the key management personnel of the Group and Company, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 153 to 167 which covers the requirements of schedule 5 of the relevant legislation.

	2021 £m	**2020 £m**
Short-term employee benefits	**2.3**	1.1
Post employment benefits	**0.1**	0.1
Share-based payment benefits	**0.6**	0.8
	3.1	2.0

6.3 Share-based compensation

A transaction is classified as a share-based transaction where the Group receives services from employees and pays for these in shares or similar equity instruments. The Group operates a number of share-based compensation schemes allowing employees to acquire shares in the Company.

a) Share schemes

The Group operates the following schemes: **Long-Term Incentive Plan (LTIP), comprising the:**	
– Performance Share Plan (PSP); and – HMRC Approved Employee Share Option Scheme (ESOS)	Details can be found in the Directors' Remuneration Report
Save As You Earn Scheme (SAYE)	Open to employees, vesting periods of three years, service condition

b) Outstanding share options

The table below summarises the movements in the number of share options outstanding for the Group and their average exercise price:

	Weighted average exercise price 2021	Number of options (thousands) 2021	Weighted average exercise price 2020	Number of options (thousands) 2020
Outstanding at 1 January	**£0.83**	**2,672**	£1.45	1,929
Forfeited during the year	**£1.77**	**(604)**	£3.47	(159)
Exercised during the year	**£2.37**	**(354)**	£2.38	(255)
Granted during the year	**£0.69**	**657**	£0.50	1,157
Outstanding at 31 December	**£0.57**	**2,371**	£0.83	2,672
Exercisable at 31 December	**£5.45**	**99**	£3.46	59

For those options exercised in the year, the average share price during 2021 was £10.94 (2020: £9.75).

For those options still outstanding, the range of exercise prices at the year-end was 0p to 1084p (2020: 0p to 1076p) and the weighted average remaining contractual life of these options was 2.2 years (2020: 2.5 years).

The Group funds the purchase of its own shares by the 'Employee Share Ownership Trust' to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as 'Own shares acquired' in retained earnings. As at 31 December 2021, the number of shares held by the ESOT was 209,954 (2020: 342,342).

The accounting is in accordance with the relevant standards. No further information is given as the amounts for share-based payments are immaterial.

Section 7: Post balance sheet events

In February 2022 we exchanged contracts to acquire a development site in East London on a subject to planning basis. This site is anticipated to provide 700 beds, with a total development cost of £177 million.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 8: Alternative performance measures

The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board, and provide comparable information across the Group. The APMs below have been calculated on a see through/Unite share basis, as referenced to the notes to the financial statements. Reconciliations to equivalent IFRS measures are included in notes 2.2b and 2.2c. Definitions can also be found in the glossary.

Adjusted earnings, as set out below, is a new APM reflecting a more meaningful measure of the underlying earnings of the Group, excluding the non-recurring impact of the net LSAV performance fee, and therefore improve comparability.

Non-EPRA measures may not have comparable calculation bases between companies and therefore may not provide meaningful industry-wide comparability.

	Note	2021 £m	2020 £m
Adjusted EBIT			
Net operating income (NOI)	2.2a	**191.8**	180.3
Management fees	2.2a	**15.9**	14.0
Overheads	2.2a	**(31.5)**	(30.9)
		176.2	**163.4**
Adjusted EBIT margin %			
Rental income	2.2a	**282.7**	263.2
EBIT	8	**176.2**	163.4
		62.3%	**62.1%**
EBITDA			
Net operating income (NOI)	2.2a	**191.8**	180.3
Management fees	2.2a	**15.9**	14.0
Overheads	2.2a	**(31.5)**	(30.9)
Depreciation and amortisation		**7.8**	8.4
		184.0	**171.8**
Net debt			
Cash	2.3a	**155.5**	391.0
Debt on properties	2.3a	**(1,677.3)**	(2,132.8)
		(1,521.8)	**(1,741.8)**
EBITDA : Net debt			
EBITDA	8	**184.0**	171.8
Net debt	8	**(1,521.8)**	(1,741.8)
Ratio		**8.3**	**10.1**
Interest cover (Unite share)			
Adjusted EBIT	8	**176.2**	163.4
Net financing costs	2.2a	**(54.8)**	(56.1)
Interest on lease liability/operating lease rentals	2.2a	**(8.5)**	(8.8)
Total interest		**(63.3)**	(64.9)
Ratio		**2.8**	**2.5**

Reconciliation: IFRS profit/(loss) before tax to EPRA earnings and Adjusted earnings

	Note	2021 £m	2020 £m
IFRS profit/(loss) before tax		**343.1**	**(120.1)**
Net valuation (gains)/losses on investment property (owned)	2.2b	**(205.6)**	165.7
Property disposals (owned)	2.2b	**12.3**	1.9
Net valuation losses on investment property (leased)	2.2b	**11.1**	11.2
Integration costs	2.2b	**–**	9.2
Amortisation of fair value of debt recognised on acquisition	2.2b	**(4.3)**	(4.3)
Changes in valuation of interest rate swaps	2.2b	**(10.9)**	5.8
Swap cancellation fair value settlements and loan break costs	2.2b	**4.2**	30.1
Non-controlling interest and tax		**2.1**	(2.2)
EPRA earnings		**152.0**	**97.3**
Net LSAV performance fee		**(41.9)**	(5.7)
Adjusted earnings		**110.1**	**91.6**

Adjusted EPS yield

	2021	2020
Adjusted earnings (A)	**27.6p**	**24.0p**
EPRA NTA a EPRA NTA at 1 December (B)	**818p**	**847p**
Adjusted EPS yield (A/B)	**3.4%**	**2.8%**

Total Accounting Return

	Note	2021 £m	2020 £m
Opening EPRA NTA (A)	**2.3d**	**818**	847
Closing EPRA NTA	**2.3d**	**882**	818
Movement		**64**	**(29)**
H1 dividend paid	**4.9**	**12.75**	**–**
H2 dividend paid	**4.9**	**6.5**	**–**
Total movement in NTA (B)		**83.25**	**(29)**
Total accounting return (B/A)		**10.2%**	**(3.4%)**

NOTES TO THE FINANCIAL STATEMENTS continued

Section 8: Alternative performance measures continued

EPRA Performance Measures

Summary of EPRA performance measures

	Note	2021 £m	2020 £m	2021	2020
EPRA Earnings		**152.0**	97.3	**38.1p**	25.5p
Adjusted Earnings (*)		**110.1**	91.6	**27.6p**	24.0p
EPRA NTA (diluted)		**3,536.1**	3,271.0	**882p**	818p
EPRA NRV (diluted)		**3,829.7**	3,601.9	**955p**	901p
EPRA NDV (diluted)		**3,503.6**	3,180.7	**874p**	796p
EPRA Net initial yield				**4.0%**	3.8%
EPRA Topped Up Net initial yield				**4.0%**	3.8%
EPRA Like-for-like gross rental income				**4.7%**	(12.9%)
EPRA Vacancy rate				**5.6%**	13.0%
EPRA Cost ratio (including vacancy costs)				**38.8%**	40.0%
EPRA Cost ratio (excluding vacancy costs)				**36.8%**	36.2%

* Adjusted earnings calculated as EPRA Earnings less LSAV performance fee income recognised

EPRA like-for-like rental income *(calculated based on total portfolio value of £8 billion)*

£m	Properties owned throughout the period	Development property	Acquisitions and disposals	Total EPRA Earnings
2021				
Rental income	**265.3**	**15.5**	**1.9**	**282.7**
Property operating expenses	**(86.6)**	**(3.4)**	**(0.9)**	**(90.9)**
Net rental income	**178.7**	**12.1**	**1.0**	**191.8**
2020				
Rental income	253.3	2.3	7.6	263.2
Property operating expenses	(78.7)	(0.8)	(3.4)	(82.9)
Net rental income	**174.6**	**1.5**	**4.2**	**180.3**
Like-for-like net rental income	**£4.1m**	**£10.6m**	**£(3.2)m**	**£11.5m**
Like-for-like gross rental income	**4.7%**			

EPRA Vacancy Rate

	2021 £m	2020 £m
Estimated rental value of vacant space	**13.8**	31.5
Estimated rental value of the whole portfolio	**246.5**	241.8
EPRA Vacancy Rate	**5.6%**	**13.0%**

EPRA Net Initial Yield

	2021	2020
Annualised net operating income (£m)	**205.1**	197.7
Property market value (£m)	**4,864.8**	4,893.2
Notional acquisition costs (£m)	**254.3**	256.0
	5,119.1	5,149.2
EPRA Net initial yield (%) *	**4.0%**	3.8%
Unite Net initial yield (%) **	**4.9%**	5.0%

* No lease incentives are provided by the Group and accordingly the Topped Up Net Initial Yield measure is also 4.0% (2020: 3.8%)

** The Unite measure of Net Initial Yield assumes full occupancy on newly developed properties

EPRA Cost ratio

	2021 £m	2020 £m
Property operating expenses	**67.7**	61.9
Overheads	**30.7**	30.1
Development/pre contract costs	**2.2**	2.2
Unallocated expenses*	**0.5**	3.2
	101.1	**97.4**
Share of JV property operating expenses	**23.2**	21.0
Share of JV overheads	**0.8**	0.8
Share of JV unallocated expenses*	**0.4**	0.4
	125.5	**119.6**
Less: Joint venture management fees	**(15.9)**	(14.0)
Total costs (A)	**109.6**	**105.6**
Group vacant property costs**	**(4.1)**	(7.4)
Share of JV vacant property costs**	**(1.4)**	(2.5)
Total costs excluding vacant property costs (B)	**104.1**	**95.7**
Rental income	**209.0**	196.1
Share of JV rental income	**73.7**	67.1
Total gross rental income (C)	**282.7**	**263.2**
Total EPRA cost ratio (including vacant property costs) (A)/(C)	**39%**	**40%**
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	**37%**	**36%**

* Excludes amounts in respect of the LSAV performance fee.

** Vacant property costs reflect the per bed share of operating expenses allocated to vacant beds.

Unite's EBIT margin excludes non operational expenses which are included within the EPRA cost ratio above.

The Group capitalises costs in relation to staff costs and professional fees associated with property development activity.

NOTES TO THE FINANCIAL STATEMENTS continued

EPRA Valuation movement (Unite share)

	Valuation £m	Change £m	%
Wholly owned	3,323.3	109.8	3.4%
USAF	632.0	28.0	4.6%
LSAV	730.9	69.1	10.4%
Rental properties	4,686.2	206.9	4.6%
Leased properties	97.7		
2021/22 development completions	-		
Properties under development	324.1		
Properties held throughout the year	5,108.0		
Disposals to LSAV	178.6		
Total property portfolio	5,286.6		

EPRA Yield movement

	NOI yield	Yield movement (bps)		
	%	H1	H2	FY
Wholly owned	5.0%	(2)	(7)	(9)
USAF	5.2%	(1)	(10)	(11)
LSAV	4.1%	(3)	(20)	(23)
Rental properties (Unite share)	4.9%	(2)	(10)	(12)

Property related capital expenditure

	2021			2020		
	Wholly owned	Share of JVs	Group share	Wholly owned	Share of JVs	Group share
London	4.8	3.1	7.9	0.6	1.9	2.5
Prime regional	16.7	2.9	19.6	2.7	0.8	3.5
Major regional	8.1	10.8	18.9	5.3	2.2	7.6
Provincial	2.8	0.6	3.4	2.7	0.2	2.8
Total Rental properties	32.4	17.4	49.8	11.3	5.1	16.4
Increase in beds	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Developments	81.4	-	81.4	87.6	-	87.6
Capitalised interest	5.2	-	5.2	4.6	-	4.6
Total property related capex	119.0	17.4	136.4	103.5	5.1	108.6

Section 9: Company subsidiaries and joint ventures

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2021 is disclosed below. Unless otherwise stated, the Group's ownership interest represents 100% of the ordinary shares, units or partnership capital held indirectly by Unite Group PLC. No subsidiary undertakings have been excluded from the consolidation. The Unite Foundation has a year-end of 30 September to facilitate academic year reporting. All other subsidiaries have a year-end of 31 December.

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (AIB Warehouse) Limited (04872419)**	LDC (Portfolio Five) Limited (06079581)**
LDC (Alscot Road) Limited (06176428)**	LDC (Portfolio Four) Limited (04985603)**
LDC (Brunel House) Limited (09760628)**	LDC (Portfolio One) Limited (03005262)**
LDC (Camden Court Leasehold) Limited (05140620)**	LDC (Portfolio) Limited (08419375)**
LDC (Camden Court) Limited (05082671)	LDC (Project 110) Limited (05083580)**
LDC (Causewayend) Limited (08895966)**	LDC (Project 111) Limited (05791650)**
LDC (Chantry Court Leasehold) Limited (05140258)**	LDC (Radmarsh Road) Limited (05435290)**
LDC (Chaucer House) Limited (09898020)**	LDC (Skelhorne) Limited (09898132)**
LDC (Constitution Street) Limited (09210998)**	LDC (Smithfield) Limited (03373096)
LDC (Construction Two) Limited (04847268)	LDC (St Leonards) Limited (08895830)**
LDC (Euro Loan) Limited (06623603)**	LDC (St Pancras Way) GP1 Limited (07359501)
LDC (Ferry Lane 2) GP3 Limited (07503842)**	LDC (St Pancras Way) GP2 Limited (07359428)
LDC (Ferry Lane 2) GP4 Limited (07503913)**	LDC (St Pancras Way) GP3 Limited (07503268)
LDC (Ferry Lane 2) Holdings Limited (07504099)	LDC (St Pancras Way) GP4 Limited (07503251)
LDC (Finance) Limited (09760806)**	LDC (St Pancras Way) Holdings Limited (07360734)
LDC (Greetham Street) Limited (08895825)**	LDC (St Pancras Way) Limited Partnership**
LDC (Gt Suffolk St) GP1 Limited (07274156)	LDC (St Pancras Way) Management Limited Partnership**
LDC (Gt Suffolk St) GP2 Limited (07274000)	LDC (St Vincent's) Limited (10218310)**
LDC (Gt Suffolk St) Holdings Limited (07353946)	LDC (Swindon NHS) Limited (04207502)**
LDC (Gt Suffolk St) Limited Partnership**	LDC (Tara House) Limited (09214177)
LDC (Gt Suffolk St) Management GP1 Limited (07354719)	LDC (Thurso Street) GP1 Limited (07199022)
LDC (Gt Suffolk St) Management GP2 Limited (07354728)	LDC (Thurso Street) GP2 Limited (07198979)
LDC (Gt Suffolk St) Management Limited Partnership**	LDC (Thurso Street) GP3 Limited (07434001)
LDC (Hampton Street) Limited (06415998)	LDC (Thurso Street) GP4 Limited (07434133)
LDC (Hillhead) Limited (06176554)	LDC (Thurso Street) Limited Partnership**
LDC (Holdings) Limited (02625007)*	LDC (Thurso Street) Management Limited Partnership**
LDC (Imperial Wharf) Limited (04541678)**	LDC (Ventura) Limited (04444628)
LDC (International House) Limited (10131352)**	LDC (Vernon Square) Limited (06444132)

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS continued

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (Kelham Island) Limited (05152229)	LDC (William Morris II) Limited (05999281)**
LDC (Leasehold A) Limited (04066933)**	Liberty Atlantic Point (Liverpool) Limited (03885187)**
LDC (Leasehold B) Limited (05978242)**	Liberty Heights (Manchester) Limited (07399622)**
LDC (Loughborough) Limited (04207522)**	Liberty Living (HE) Holdings Limited (10977869)**
LDC (Magnet Court Leasehold) Limited (05140255)**	Liberty Living (LH Manchester) Limited (07120141)**
LDC (Millennium View) Limited (09890375)**	Liberty Living (Liberty AP) Limited (03633307)**
LDC (MTF Portfolio) Limited (05530557)**	Liberty Living (Liberty PP) Limited (03991475)**
LDC (Nairn Street) GP3 Limited (07808933)	Liberty Living (LP Bristol) Limited (07242607)**
LDC (Nairn Street) GP4 Limited (07808919)	Liberty Living (LP Coventry) Limited (04330729)**
LDC (Nairn Street) Holdings Limited (07579402)**	Liberty Living (LP Manchester) Limited (04314013)**
LDC (New Wakefield Street) Limited (10436455)**	Liberty Living (LQ Newcastle) Limited (04302869)**
LDC (Newgate) Limited (08895869)**	Liberty Living (LQ2 Newcastle) Limited (07298853)**
LDC (Old Hospital) Limited (09702143)**	Liberty Living Finance PLC (10979349)**
LDC (Oxford Road Bournemouth) Limited (04407309)**	Liberty Living Group Limited (BR020813)*/**
LDC (Portfolio 100) Limited (07989369)**	Liberty Living Investments 1 Limited Partnership**
LDC (Portfolio 20) Limited (08803996)**	Liberty Living Investments 2 Limited Partnership**
Liberty Living Investments 3 Limited Partnership**	Unite Finance One (Accommodation Services) Limited (04332937)
Liberty Living Investments GP1 Limited (09375866)**	Unite Finance One (Holdings) Limited (04316207)**
Liberty Living Investments GP2 Limited (09375868)**	Unite Finance One (Property) Limited (04303331)**
Liberty Living Investments GP3 Limited (10518849)**	Unite FM Limited (06807562)
Liberty Living Investments II Holdco 2 Limited (09574059)**	Unite For Success Limited (05157263)
Liberty Living Investments II Holdco Limited (08929431)**	Unite Holdings Limited (03148468)*/**
Liberty Living Investments II Limited (09680931)**	Unite Homes Limited (05140262)
Liberty Living Investments Limited (09375870)**	Unite Integrated Solutions PLC (02402714)
Liberty Living Investments Nominee 1 Limited (09375846)**	Unite Modular Solutions Limited (05140259)
Liberty Living Investments Nominee 2 Limited (09375849)**	Unite Rent Collection Limited (05982935)
Liberty Living Investments Nominee 3 Limited (10519085)**	Unite Student Living Limited (06204135)
Liberty Living Limited (04055891)**	USAF GP No 11 Management Limited (07351883)
Liberty Living SpareCo Limited (04616115)**	USAF LP Limited (05860874)**
Liberty Living UK Limited (06064187)**	USAF Management Limited (05862721)
Liberty Park (Bristol) Limited (07615601)**	USAF Management 6 Limited (06225945)
Liberty Park (US Bristol) Limited (07615619)**	USAF Management 8 Limited (06387597)
Liberty Plaza (London) Limited (07745097)**	USAF Management 10 Limited (06714695)
Liberty Point (Coventry) Limited (04992358)**	USAF Management 11 Limited (07082782)
Liberty Point (Manchester) Limited (04828083)**	USAF Management 12 Limited (07365681)
Liberty Point Southampton (Block A) Limited (10314954)**	USAF Management 14 Limited (09232206)
*Liberty Prospect Point (Liverpool) Limited (04637570)***	*USAF Management 18 Limited (10219775)*
Liberty Quay (Newcastle) Limited (05234174)**	USAF Management GP No.14 Limited (09130985)**
Liberty Quay 2 (Newcastle) Limited (07376627)**	USAF Management GP No.15 Limited (09749946)**
*Liberty Severn Point (Cardiff) Limited (04313995)***	*USAF Management GP No.16 Limited (09750068)***
Liberty Village (Edinburgh) Limited (10323566)**	USAF Management GP No.17 Limited (09750061)**
LL Midco 2 Limited (08998308)**	USAF Management No.18 Limited Partnership
*LSAV (Angel Lane) GP3 Limited (08646359)***	*LDC (Capital Cities Nominee No.1) Limited (05347228) (50.0%)*
LSAV (Angel Lane) GP4 Limited (08646929)**	LDC (Capital Cities Nominee No.2) Limited (05359457) (50.0%)
LSAV (Aston Student Village) GP3 Limited (10498217)	LDC (Capital Cities Nominee No.3) Limited (08792780) (50.0%)
LSAV (Aston Student Village) GP4 Limited (10498484)	*LDC (Capital Cities Nominee No.4) Limited (08792688) (50.0%)*

* Held directly by the Company.

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Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LSAV (Stapleton) GP3 Limited (08646819)**	LDC (Capital Cities) Limited (05347220) (50.0%)
LSAV (Stapleton) GP4 Limited (08647019)**	LDC (Ferry Lane 2) GP1 Limited (07359448) (50.0%)
LSAV (Stratford) GP3 Limited (08751654)**	LDC (Ferry Lane 2) GP2 Limited (07359481) (50.0%)
LSAV (Stratford) GP4 Limited (08751629)**	LDC (Ferry Lane 2) Limited Partnership (50.0%)
LSAV (Wembley) GP3 Limited (08725127)**	LDC (Ferry Lane 2) Management Limited Partnership (50.0%)
LSAV (Wembley) GP4 Limited (08725235)**	LDC (Stratford) GP1 Limited (07547911) (50.0%)
LSAV Rent Collection Limited (08496230)**	LDC (Stratford) GP2 Limited (07547994) (50.0%)
Stardesert Limited (04437102)	LDC (Stratford) Limited Partnership (50.0%)
The Unite Foundation	LDC Capital Cities Two (GP) Limited (08790742) (50.0%)
Unite Accommodation Management Limited (06190905)**	LSAV (Angel Lane) GP1 Limited (08593689) (50.0%)
Unite Accommodation Management 2 Limited (05193166)**	LSAV (Angel Lane) GP2 Limited (08593692) (50.0%)
Unite Accommodation Management 6 Limited (05077346)**	LSAV (Angel Lane) Limited Partnership (50.0%)
Unite Accommodation Management 9 Limited (06190863)**	LSAV (Angel Lane) Management Limited Partnership (50.0%)
Unite Accommodation Management 16 Limited (07061314)**	LSAV (Aston Student Village) GP1 Limited (10498478) (50.0%)
Unite Accommodation Management 18 Limited (08328484)**	LSAV (Aston Student Village) GP2 Limited (10498481) (50.0%)
Unite Accommodation Management 19 Limited (08790504)	LSAV (Aston Student Village) Limited Partnership (50.0%)
Unite Accommodation Management 20 Limited (08790642)	LSAV (Aston Student Village) Management Limited Partnership (50.0%)
Unite Accommodation Management One Hundred Limited (07989080)**	LSAV (Stapleton) GP1 Limited (08593695) (50.0%)
Unite Construction (Angel Lane) Limited (08792704)**	LSAV (Stapleton) GP2 Limited (08593699) (50.0%)
Unite Construction (Stapleton) Limited (09023406)	LSAV (Stapleton) Limited Partnership (50.0%)
Unite Construction (Wembley) Limited (09023474)	LSAV (Stapleton) Management Limited Partnership (50.0%)
Unite Finance Limited (04353305)*/**	LSAV (Stratford) Management Limited Partnership (50.0%)
LSAV (Wembley) GP1 Limited (08635735) (50.0%)	USAF GP No 6 Limited (05897755) (13.3%)
LSAV (Wembley) GP2 Limited (08636051) (50.0%)	USAF GP No 8 Limited (06381914) (13.3%)
LSAV (Wembley) Limited Partnership (50.0%)	USAF GP No 10 Limited (06714734) (13.3%)
LSAV (Wembley) Management Limited Partnership (50.0%)	USAF GP No 11 Limited (07075210) (13.3%)
UNITE Capital Cities Holdings Limited (08801242) (50.0%)	USAF GP No 12 Limited (07368735) (13.3%)
Unite Capital Cities Limited Partnership (50.0%)	USAF GP No 14 Limited (09089977) (13.3%)
Unite Capital Cities Two Limited Partnership (50.0%)	USAF GP No 15 Limited (09585201) (13.3%)
USAF Management 16 Limited (07735741) (22.2%)**	USAF GP No.15A Limited (12644211) (22.0%)
USAF Management 17 Limited (05591986) (22.2%)**	USAF GP No.16A Limited (12644210) (22.0%)
USAF Management No. 14 Limited Partnership (22.0%)	USAF GP No.17A Limited (12644208) (22.0%)
USAF Management No. 15 Limited Partnership (22.2%)	USAF GP No 18 Limited (10219336) (13.3%)
USAF Management No. 16 Limited Partnership (22.2%)	USAF Holdings B Limited (06324325) (13.3%)
USAF Management No. 17 Limited Partnership (22.2%)	USAF Holdings C Limited (06381882) (13.3%)
USAF No.1 Limited Partnership (22.0%)	USAF Holdings H Limited (09089805) (13.3%)
USAF No.6 Limited Partnership (22.0%)	USAF Holdings I Limited (09581882) (13.3%)
USAF No.8 Limited Partnership (22.0%)	USAF Holdings J Limited (10215997) (13.3%)
USAF No.10 Limited Partnership (22.0%)	USAF Holdings Limited (05870107) (13.3%)
USAF No.11 Limited Partnership (22.0%)	USAF Nominee No.1 Limited (05855598) (13.3%)
USAF No.12 Limited Partnership (22.0%)	USAF Nominee No.1A Limited (05835512) (13.3%)
USAF No.14 Limited Partnership (22.0%)	USAF Nominee No.6 Limited (05855599) (13.3%)
USAF No.15 Limited Partnership (22.2%)	USAF Nominee No.6A Limited (05885802) (13.3%)
USAF No.15A Limited Partnership (22.0%)	USAF Nominee No.8 Limited (06381861) (13.3%)

* Held directly by the Company.

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NOTES TO THE FINANCIAL STATEMENTS continued

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

USAF No.16A Limited Partnership (22.0%)	USAF Nominee No.17 Limited (12644192) (13.3%)
USAF No.17A Limited Partnership (22.0%)	USAF Nominee No.17A Limited (12644187) (13.3%)
USAF No.18 Limited Partnership (22.0%)	USAF Nominee No.18 Limited (10218595) (13.3%)
USAF No.11 Management Limited Partnership (22.0%)	USAF Nominee No.18A Limited (10219339) (13.3%)
Filbert Village Student Accommodation Limited Partnership (22.0%)	USAF RCC Limited (05983554) (13.3%)
LDC (Nairn Street) Limited Partnership (22.0%)	LSAV (No.1) Limited Partnership (50.0%)**
LDC (Nairn Street) Management Limited Partnership (22.0%)	LSAV (No.1) GP1 Limited (013184531) (50.0%)**
Filbert Village GP Limited (06016554) (13.3%)	LSAV (No.1) Nominee 1 Limited (013184589) (50.0%)**
LDC (Nairn Street) GP1 Limited (07580262) (13.3%)	LSAV (No.1) Management Limited Partnership (50.0%)**
LDC (Nairn Street) GP2 Limited (07580257) (13.3%)	LSAV (No.1) GP3 Limited (013184662) **
USAF Finance II Limited (08526474) (13.3%)	LSAV (No.1) Nominee 3 Limited (013184656) **
USAF GP No 1 Limited (05897875) (13.3%)	LSAV (Arch View) Limited Partnership (50.0%)**
USAF Nominee No.8A Limited (06381869) (13.3%)	LSAV (Arch View) GP1 Limited (013210709) (50.0%)**
USAF Nominee No.10 Limited (06714690) (13.3%)	LSAV (Arch View) Nominee 1 Limited (013210518) (50.0%)**
USAF Nominee No.10A Limited (06714615) (13.3%)	LSAV (Arch View) Management Limited Partnership (50.0%)**
USAF Nominee No.11 Limited (07075251) (13.3%)	LSAV (Arch View) GP3 Limited (013210526) **
USAF Nominee No.11A Limited(07075213) (13.3%)	LSAV (Arch View) Nominee 3 Limited (013210553) **
USAF Nominee No.12 Limited (07368733) (13.3%)	LSAV (Drapery Plaza) Limited Partnership (50.0%)**
USAF Nominee No.12A Limited (07368755) (13.3%)	LSAV (Drapery Plaza) GP1 Limited (013209904) (50.0%)**
USAF Nominee No.14 Limited (09231609) (13.3%)	LSAV (Drapery Plaza) Nominee 1 Limited (013209904) (50.0%)**
USAF Nominee No.14A Limited (09231604) (13.3%)	LSAV (Drapery Plaza) Management Limited Partnership (50.0%)**
USAF Nominee No.15 Limited (12644205) (13.3%)	LSAV (Drapery Plaza) GP3 Limited (013210206) **
USAF Nominee No.15A Limited (12644204) (13.3%)	LSAV (Drapery Plaza) Nominee 3 Limited (013209979) **
USAF Nominee No.16 Limited (12644201) (13.3%)	LSAV Management Holdings Limited (013305327) **
USAF Nominee No.16A Limited (12644197) (13.3%)	

* Held directly by the Company.

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Registered office and principal place of business: 13 Castle Street, St Helier, Jersey, JE4 5UT

LDC (Gt Suffolk St) Unit Trust	LSAV (Aston Student Village) Unit Trust (50.0%)
LDC (St Pancras Way) Unit Trust	LSAV (Holdings) Limited (50.0%)
LDC (Thursa Street) Unit Trust	LSAV (Trustee) Limited (50.0%)
LSAV (Jersey Manager) Limited	LSAV Unit Trust (50.0%)
Unite (Capital Cities) Jersey Limited	Unite Capital Cities Unit Trust (50.0%)
USAF Jersey Investments Limited	USAF Portfolio 18 Unit Trust (22.2%)
USAF Jersey Manager Limited	LDC (Nairn Street) Unit Trust (21.9%)
LDC (Ferry Lane 2) Unit Trust (50.0%)	Unite UK Student Accommodation Fund (13.3%)
LDC (Stratford) Unit Trust (50.0%)	LSAV (Arch View) Unit Trust (50.0%)
LSAV (Drapery Plaza) Unit Trust (50.0%)	

Registered office and principal place of business: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG

USAF Feeder Guernsey Limited (45.2%)	USAF Portfolio 17 Unit Trust (22.2%)
USAF Portfolio 15 Unit Trust (22.2%)	USAF 15 NRL Limited (22.2%)
USAF Portfolio 16 Unit Trust (22.2%)	

Registered office and principal place of business: Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2 EN	
LSAV (GP) Limited (SC431844) (50.0%)	LSAV (Property Holdings) Limited Partnership (50.0%)

Registered office and principal place of business: Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands	
Liberty Park (Bedford) Limited	Liberty Plaza (Newcastle) Limited

Registered office and principal place of business: Third Floor, Barclays House, Victoria Street, Douglas, Isle of Man, IM1 2LE
Filbert Street Student Accommodation Unit Trust (21.9%)

Registered office and principal place of business: Room 507, Floor 5, Block 1, Building No. 10, Jintong Road West, Chaoyang District, Beijing, People's Republic of China
Unite Students Accommodation (Beijing) Business Service Company Limited

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FINANCIAL RECORD

	2021	2020	2019	2018	2017
EPRA earnings (£m)	152	97	111	88	71
EPRA earnings per share (pence)	38	26	39	34	30
Adjusted earnings (£m)	110	93	105	88	71
Adjusted earnings per share (pence)	28	24	37	34	30
IFRS profit/(loss) before tax (£m)	342	(120)	(101)	246	229
IFRS profit/(loss) per share (pence)	86	(32)	(32)	91	95
EPRA net tangible assets (NTA)/net assets (NAV) (£m)[1]	3,532	3,266	3,087	2,085	1,740
EPRA NTA/NAV per share (pence)[1]	882	818	847	790	720
IFRS net assets (£m)	3,528	3,235	3,072	2,073	1,729
IFRS NAV per share (pence)	880	809	845	787	717
LTV (%)	29%	34%	37%	29%	31%
Managed portfolio value (£m)	8,108	7,838	7,702	4,994	4,612
Total Accounting Return (TAR)	10.2%	-3.4%	11.7%	13.2%	14.4%

1. EPRA NTA for 2021, 2020 and 2019. EPRA NAV for 2018 and 2017.

GLOSSARY

Adjusted earnings	An alternative performance measure based on EPRA earnings, adjusted to remove the impact of the LSAV performance fee which was settled in the year. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.
Adjusted earnings per share (Adjusted EPS)	EPRA earnings per share, adjusted to remove the impact of the LSAV performance fee. Given the quantum of the performance fee in the year, it has been excluded from adjusted earnings to improve the comparability of results year-on-year.
Adjusted EBIT	The Group's NOI plus management fees and less overheads. In the opinion of the Directors, adjusted EBIT is a useful measure to monitor our cost discipline and performance of the Group.
Adjusted EBIT margin	The Group's EBIT expressed as a percentage of rental income. In the opinion of the Directors, adjusted EBIT margin is a useful measure to monitor our cost discipline and performance of the Group.
Adjusted EPS yield	Adjusted EPS as a percentage of opening EPRA NTA (diluted).
Adjusted net debt	Net debt per the balance sheet, adjusted to remove IFRS 16 lease liabilities and the unamortised fair value of debt recognised on the acquisition of Liberty Living.
Basis points (BPS)	A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%.
Diluted earnings	Where earnings values per share are used "basic" measures divide the earnings by the weighted average number of issued shares in issue throughout the period, whilst the diluted measure also takes into account the effect of share options which have been granted and which are expected to be converted into shares in the future.
Diluted NTA/NAV	Where NTA/NAV per share is used, "basic" measures divide the NTA/NAV by the number of shares issued at the reporting date, whilst the diluted measure also takes into account the effect of share options which have been granted and which are expected to be converted into shares in the future (both for the additional number of shares that will be issued and the value of additional consideration that will be received in issuing them).
Direct let	Properties where short-hold tenancy agreements are made directly between Unite and the student.
EBITDA	The Group's adjusted EBIT, adding back depreciation and amortisation.
EPRA	The European Public Real Estate Association, who produce best practice recommendations for financial reporting.
EPRA earnings	EPRA earnings exclude movements relating to changes in values of investment properties, profits/losses from the disposal of properties, swap/debt break costs and integration costs.
EPRA earnings per share	The earnings per share based on EPRA earnings.
EPRA like-for-like rental growth	The growth in rental income measured by reference to the part of the portfolio of the Group that has been consistently in operation, and not under development nor subject to disposal, and which accordingly enables more meaningful comparison in underlying rental income levels.
EPRA Net Tangible Assets (NTA)	EPRA NTA includes all property at market value but excludes the mark to market of financial instruments, deferred tax and intangible assets. EPRA NTA provides a consistent measure of NAV on a going concern basis.
EPRA Net Tangible Assets per share	The diluted NTA per share figure based on EPRA NTA.
EPRA Net Reinstatement Value (NRV)	EPRA NRV includes all property at market value but excludes the mark to market of financial instruments, deferred tax and real estate transfer tax. EPRA NRV assumes that entities never sell assets and represents the value required to rebuild the entity.
EPRA Net Disposal Value (NDV)	EPRA NDV includes all property at market value, excludes the mark to market of financial instruments, but includes the fair value of fixed interest rate debt and the carrying value of intangible assets. EPRA NDV represents the shareholders' value in a disposal scenario.

EPRA Net Initial Yield (NIY)	Annualised NOI generated by the Group's rental property expressed as a percentage of its fair value, taking into account notional acquisition costs.
EPRA Topped Up Net Initial Yield (Topped up NIY)	EPRA Net Initial Yield adjusted to include the effect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods or step rents).
EPRA Vacancy Rate	The ratio of the estimated market rental value of vacant spaces against the estimated market rental value of the entire property portfolio (including vacant spaces).
EPRA Cost Ratio	The ratio of property operating expenses, overheads and management fees, against rental income, calculated on an EPRA basis.
ESG	Environmental, Social and Governance.
GRESB	GRESB is a benchmark of the Environmental, Social and Governance (ESG) performance of real assets.
Gross asset value (GAV)	The fair value of rental properties, leased properties and development properties.
The Group	Wholly owned balances plus Unite's interests relating to USAF and LSAV.
Group debt	Wholly owned borrowings plus Unite's share of borrowings attributable to USAF and LSAV.
HMO	Houses in multiple occupation, where buildings or flats are shared by multiple tenants who rent their own rooms and the property's communal spaces on an individual basis.
IFRS NAV per share	IFRS equity attributable to the owners of the parent company from the consolidated balance sheet divided by the total number of shares of the Parent Company in issue at the reporting date.
Interest cover ratio (ICR)	Calculated as adjusted EBIT divided by the sum of net financing costs and IFRS 16 lease liability interest costs.
Lease	Properties which are leased to universities for a number of years.
Like-for-like capital growth	Like-for-like capital growth is the growth in Gross Asset Value on properties owned throughout the current and previous years under review.
Loan to value (LTV)	Net debt as a proportion of the value of the rental properties, excluding balances in respect of leased properties under IFRS 16. Prepared on a see-through basis. In the opinion of the Directors, this measure enables an appraisal of the indebtedness of the business, which closely aligns with key covenants in the Group's lending agreements.
LTV post IFRS 16	Net debt as a proportion of the value of the rental properties, including balances in respect of leased properties under IFRS 16. Prepared on a see-through basis.
LSAV	The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, in which both hold a 50% stake. LSAV has a maturity date of September 2032.
Major regional	Properties located in Aberdeen, Birmingham, Cardiff, Durham, Glasgow, Leeds, Leicester, Liverpool, Newcastle, Nottingham, Sheffield and Southampton.
Net asset value (NAV)	The total of all assets less the value of all liabilities at each reporting date.
Net debt (EPRA)	Borrowings net of cash. IFRS 16 lease liabilities are excluded from net debt on an EPRA basis. In the opinion of the Directors, net debt is a useful measure to monitor the overall cash position of the Group.
Net debt per balance sheet	Borrowings, IFRS 16 lease liabilities and the mark to market of interest rate swaps, net of cash.
Net debt to EBITDA	Net debt as a proportion of EBITDA.

GLOSSARY continued

Net financing costs (EPRA)	Interest payable on borrowings less interest capitalised into developments and finance income.
Net operating income (NOI)	The Group's rental income less property operating expenses.
Nomination agreements	Agreements at properties where universities have entered into a contract to reserve rooms for their students, usually guaranteeing occupancy. The universities usually either nominate students to live in the building and Unite enters into short-hold tenancies with the students or the university enters into a contract with Unite and makes payment directly to Unite.
Provincial	Properties located in Bedford, Bournemouth, Coventry, Loughborough, Medway, Portsmouth, Reading, and Swindon.
Prime regional	Properties located in Bristol, Bath, Edinburgh, Manchester and Oxford.
Property operating expenses	Operating costs directly related to rental properties, therefore excluding central overheads
Rental growth	Calculated as the year-on-year change in average annual price for sold beds. In the opinion of the Directors, this measure enables a more meaningful comparison in rental income as it excludes the impact of changes in occupancy.
Rental income	Income generated by the Group from rental properties.
Rental properties	Investment properties (owned and leased) whose construction has been completed and are used by the Operations segment to generate NOI.
Rental properties (leased) / Sale and leaseback	Properties that have been sold to a third party investor then leased back to the Group. Unite is also responsible for the management of these assets on behalf of the owner.
Resident ambassadors	Student representatives who engage with students living in the property to create a community and sense of belonging.
See-through (also Unite share)	Wholly owned balances plus Unite's share of balances relating to USAF and LSAV.
TCFD	The Taskforce on Climate-related Financial Disclosures develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.
Total accounting return	Growth in diluted EPRA NTA per share plus dividends paid, expressed as a percentage of diluted EPRA NTA per share at the beginning of the period. In the opinion of the Directors, this measure enables an appraisal of the return generated by the business for shareholders during the year.
Total shareholder return	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional shares.
USAF/the fund	The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund focused purely on income-producing student accommodation investment assets. The fund is an open-ended infinite life vehicle with unique access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.
WAULT	Weighted average unexpired lease term to expiry.
Wholly owned	Balances relating to properties that are 100% owned by The Unite Group PLC or its 100% subsidiaries.

COMPANY INFORMATION

The Unite Group PLC

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Chief Executive Officer

Joe Lister
Chief Financial Officer

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