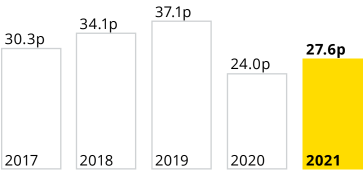
CREATING A HOME FOR SUCCESS FOR STUDENTS

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.

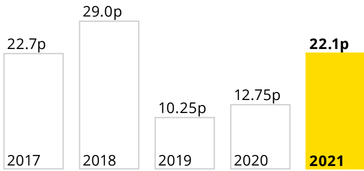
It's fundamental to everything we do.

FINANCIAL HIGHLIGHTS



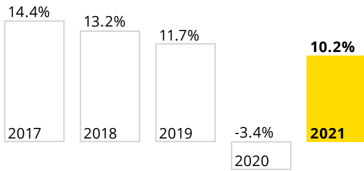
ADJUSTED EARNINGS PER SHARE[1, 2] (P)

27.6p



DIVIDEND PER SHARE (P)

22.1p

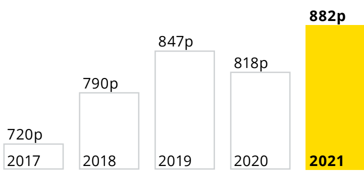


TOTAL ACCOUNTING RETURN[1] (%)

10.2%

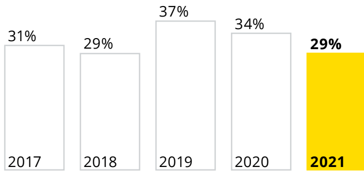
IFRS BASIC EARNINGS PER SHARE (P)

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**

CONTENTS

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

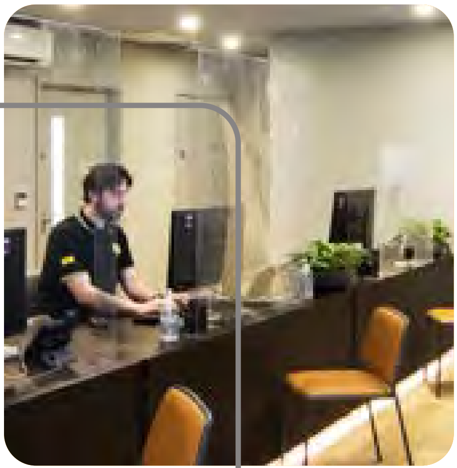
We are a responsible and sustainable business. Our Sustainability Strategy helps us prioritise areas of focus and our stakeholder materiality review, undertaken in 2020, continues to inform our actions.

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.

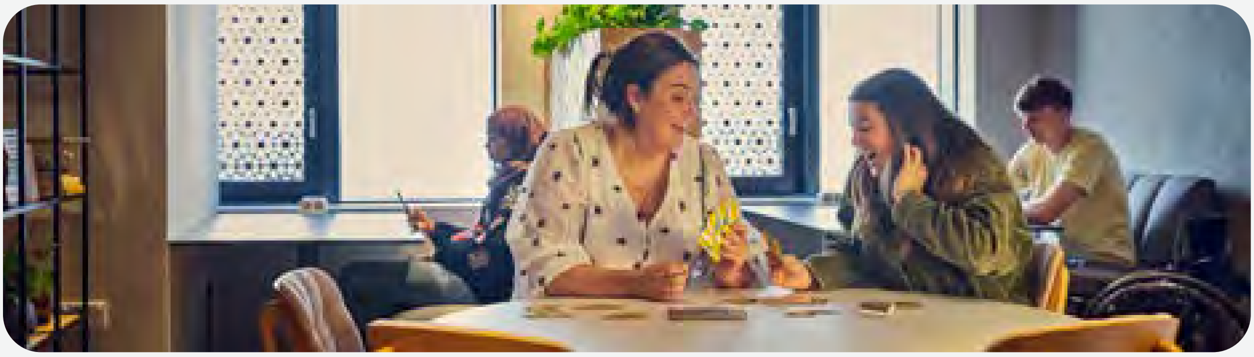
Passionate frontline teams
Front-line service excellence is monitored throughout the year through the Net Promoter Score which drives greater customer advocacy.

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.

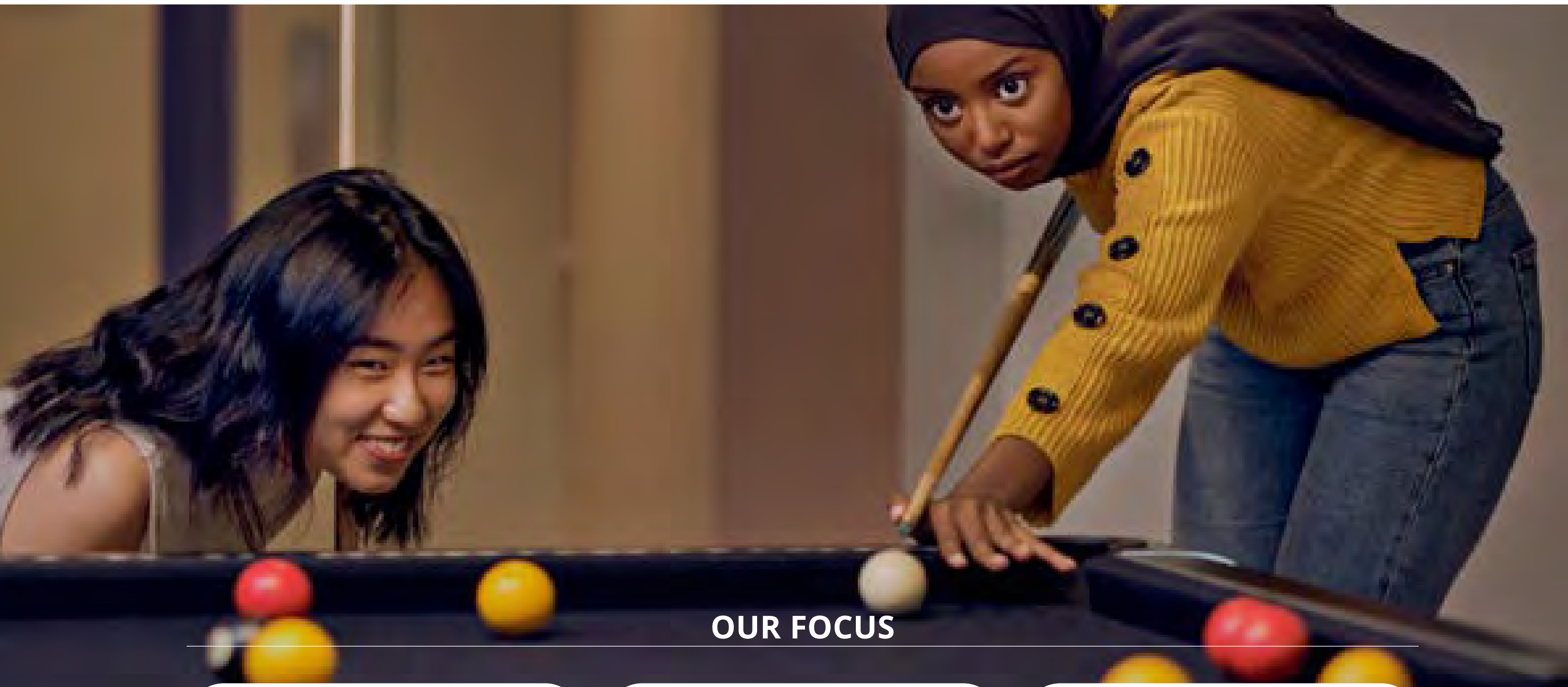
2021 rank	CITY	COMPLETED BEDS (21/22)
1	London	11,654
2	Liverpool	6,365
3	Birmingham	5,919
4	Manchester	5,620
5	Leeds	5,610
6	Sheffield	4,498
7	Newcastle	3,763
8	Bristol	3,753
9	Cardiff	3,481
10	Leicester	3,251
	Top 10	**53,914**
	Total	**73,907**

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

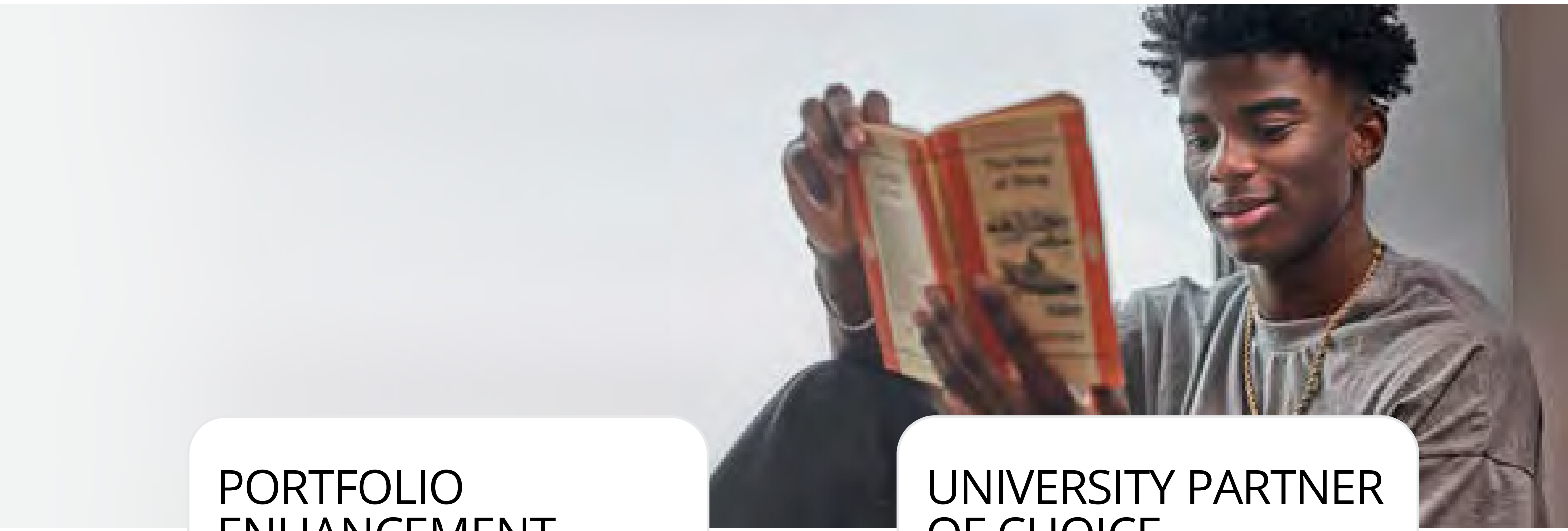
We operate and manage 74,000 beds across 25 cities and towns in the UK. Our scale and PRISM operating platform allow us to deliver the best all-round customer experience for students, alongside sector-leading operating margins.

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

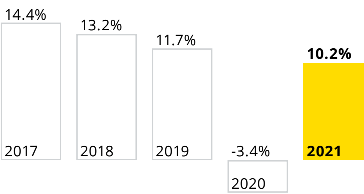
Dear Shareholders,

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.

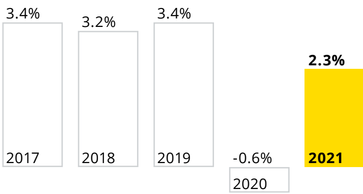
The year in review

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).



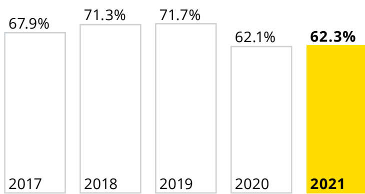
TOTAL ACCOUNTING RETURN[1]

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

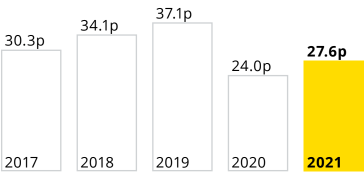
During the Covid-19 pandemic we prioritised working with our University partners to support students

"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

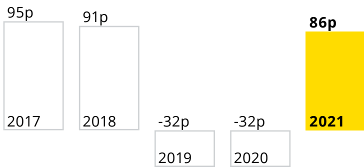
The business has delivered a strong performance in 2021, despite the ongoing challenges presented by the Covid-19 pandemic. We have once again proven the quality and resilience of our operating platform, with all properties remaining open during national lockdowns at the start of the year, as they did 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



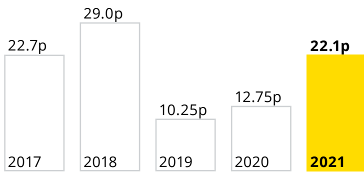
ADJUSTED EARNINGS PER SHARE[1, 2] (P)

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

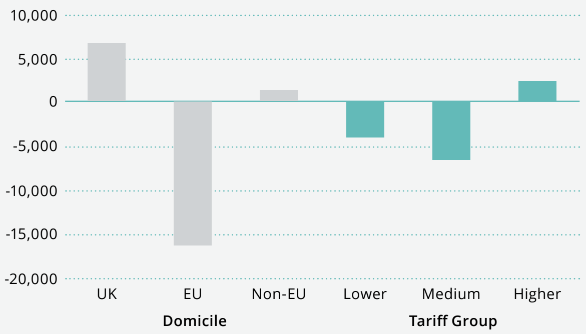
The number of applicants and the number of students accepted onto courses in 2021 was 750,000 and 562,000 respectively (2019: 729,000 and 570,000). The 1% year-on-year (YoY) reduction in acceptances reflected a record participation rate among UK 18-year-olds and further growth in non-EU students but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

YoY change in university acceptances by domicile and tariff group (2021/22)



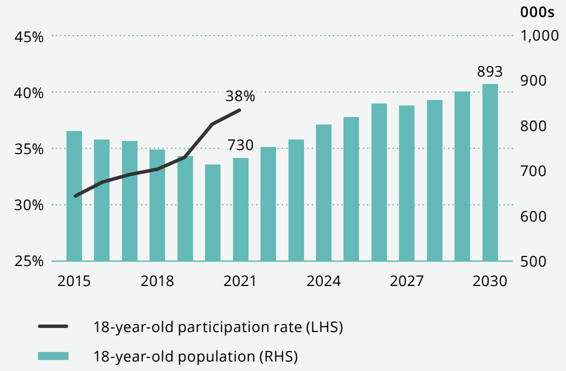
Source: UCAS

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.

18-year-old population and participation rate



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

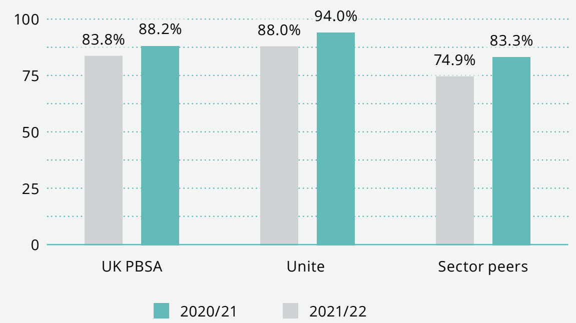
Resilient occupancy and rental growth

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.

Occupancy comparison (Unite vs sector peers)



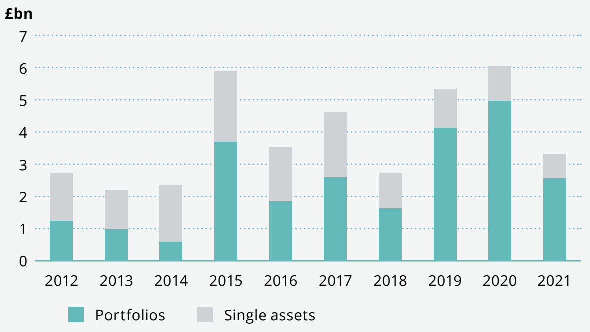
Source: JLL

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.

UK student accommodation investment volumes



Source: CBRE

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%

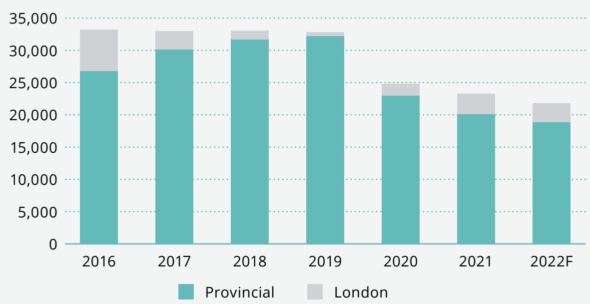
New supply slowing

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.

New supply of PBSA beds



Source: Cushman & Wakefield

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.

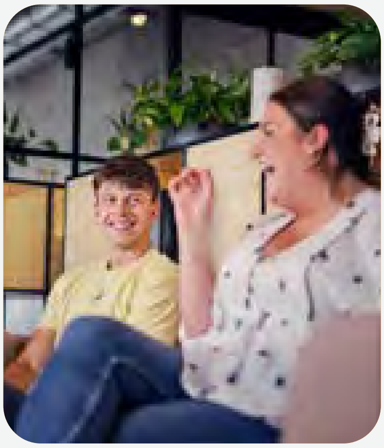
We are yet to see clear evidence of a 'green premium' or 'brown discount' emerge for PBSA in investment markets but expect this to happen over the medium-term, as has already been seen in the office sector, as sustainability considerations grow in importance for stakeholders.

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

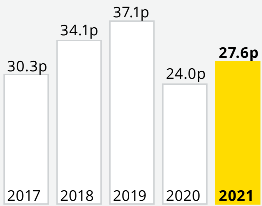
LINKS TO PERFORMANCE

- 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

Link to Remuneration

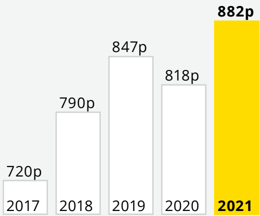
Bonus and LTIP

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.



EPRA NTA PER SHARE[2] (P)

882p

Link to Remuneration

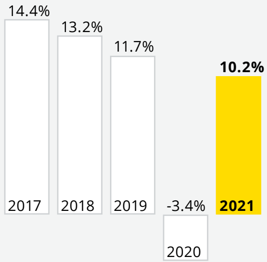
Bonus and LTIP

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.



TOTAL ACCOUNTING RETURN (%)

10.2%

Link to Remuneration

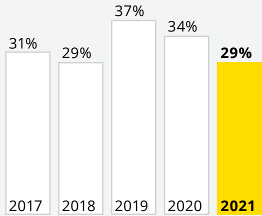
Bonus and LTIP

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.



LOAN-TO-VALUE RATIO (%)

29%

Link to Remuneration

Bonus

Measure

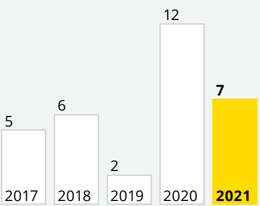
Our ratio of net debt to property values, on a see-through basis.

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.

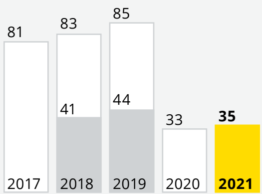
1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group uses alternative performance measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional 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



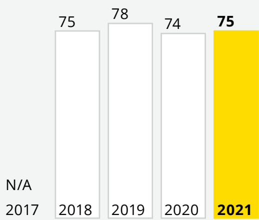
SAFETY (NUMBER OF ACCIDENTS)

7



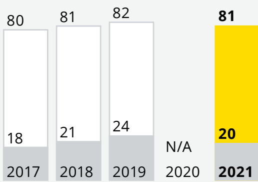
CUSTOMER SATISFACTION[3]

35



EMPLOYEE ENGAGEMENT

75



HIGHER EDUCATION TRUST[3]

81

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

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.

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.

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**

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

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

"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

SUSTAINABILITY REPORT continued

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 m^2			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 1.5ºC 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.

ISO 9001:2000 SGS

FTSE4Good

EPRA sBPR SILVER

GRESB

Living Wage

GREENHOUSE GAS PROTOCOL

INVESTORS IN PEOPLE We invest in people Gold

TCFD

Unite Foundation

SCIENCE BASED TARGETS

CDP DRIVING SUSTAINABLE ECONOMIES

RE100 CLIMATE GROUP

SUSTAINABILITY REPORT continued

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.

CONSUMPTION
Energy consumption reductions achieved

CARBON
Impact on building emissions including landlord and tenant areas

ASSET PERFORMANCE

COST
Both capital investments required and the impact on utility costs

COMPLIANCE
The impact on future EPC rating to ensure compliance with forthcoming minimum energy efficiency standards

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

SUSTAINABILITY REPORT continued

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.

SUSTAINABILITY REPORT continued

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

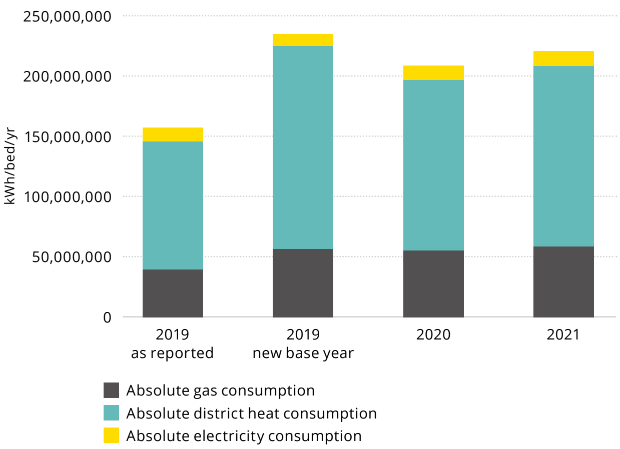
In line with our new net zero carbon ambition, we have made some changes to how we report energy and carbon consumption, including reporting progress against a new base year linked to our science-based targets, replacing the base year of 2014 previously used. In line with our new SBTi approved science-based 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.

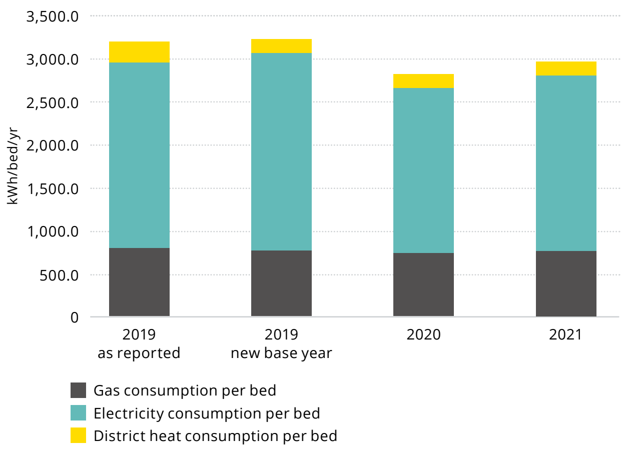
2021 did see consumption increase by 5.4% from 2020, although this remained 6.8% below our new 2019 base. Despite this increase in energy consumption from 2020 to 2021, combined Scope 1 and location-based Scope 2 emissions fell by 1.6% vs 2020 driven by a 9.8% reduction in grid electricity carbon intensity; 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/m²)	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/m²)	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/m²)	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/m²)	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/m²)	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/m²)	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/m²)	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/m²)	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.

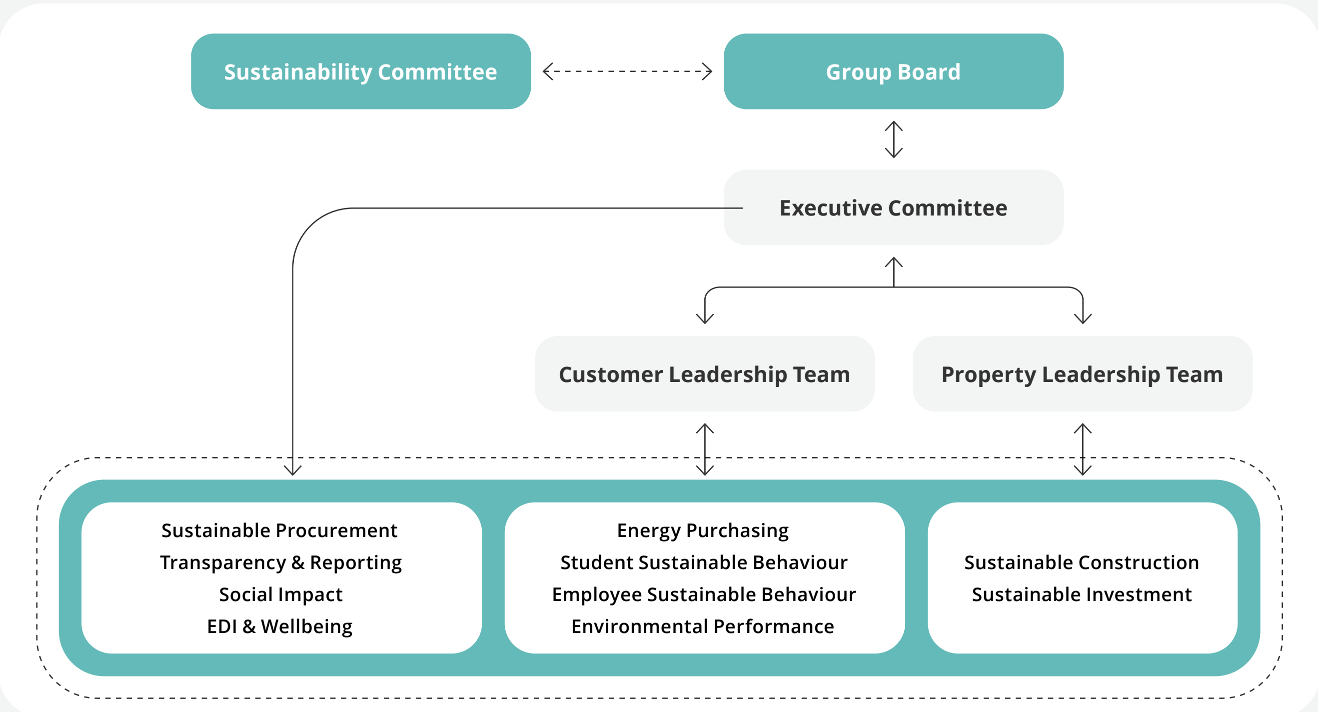
Governance

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.

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.

2. Top-down review

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

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

The Board

Risks assessed as part of strategy setting, annual budget and risk oversight

Owned by the Board and its Committees

Twice-yearly formal risk review and ongoing monitoring of risk integral to Board meetings

Risk Management

Risk management and assurance framework overseen by the Audit Committee. Detailed risk trackers are developed and regularly updated by the Customer and Property Leadership Teams. The Executive Committee reviews and challenges these risk trackers and related risk and opportunity activity.

Policies and Controls

Policies and controls underpin our risk management framework (such as Capital Operating Guidelines; Treasury Policy; Investment Committee and the internal controls framework)

People and Culture

Embedded risk management culture

Openness, transparency and clear ownership of risk management (supported by risk trackers) cascades through the organisation

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 still 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 specification
- 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