

UNITE
STUDENTS

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COMPANIES HOUSE

Resilience
through our
people and
platform

The Unite Group PLC
Annual Report & Accounts 2020

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 our core purpose, which is to create a Home for Success for our students. It's fundamental to everything we do.

We deliver this through our purpose, supported by a values led culture.

02

A Home for Success during Covid-19

The safety of our students and our teams remained a priority during Covid-19.

32

Our Business Model

The way we operate ensures we deliver for students, University partners, employees and investors.

46

Sustainability Strategy

A new Sustainability Strategy will enable us to grow and develop a long-term responsible and resilient business.

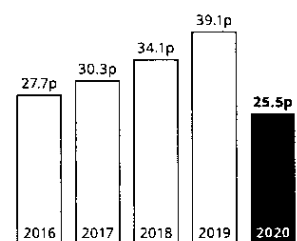


Page references are shown throughout for links to important content.

View our 2020 Annual Report
& Accounts online at
unite-group.co.uk/ar2020

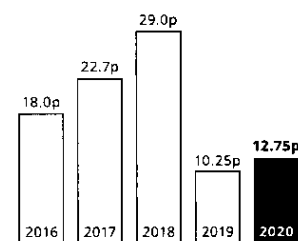
FINANCIAL HIGHLIGHTS

EPRA Earnings per share¹ (p)



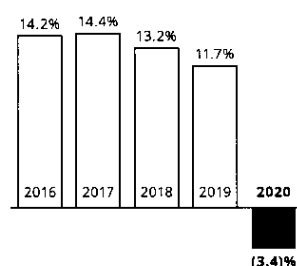
25.5p

Dividend per share (p)



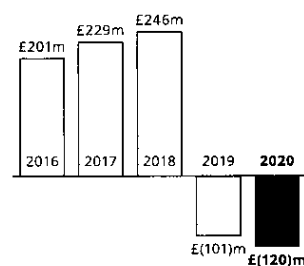
12.75p

Total accounting return¹ (%)



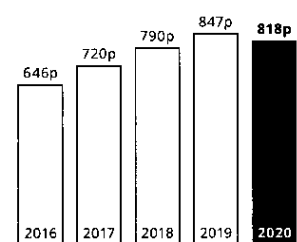
(3.4)%

(Loss)/Profit before tax (£m)



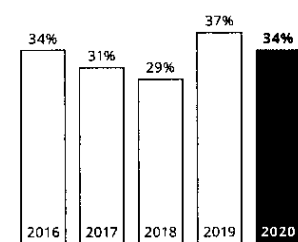
£(120)m

EPRA NAV/NTA per share¹ (p)



818p per share

Loan-to-value ratio¹ (%)



34%

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. A full glossary of definitions is available on pages 225 and 226.

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A HOME FOR SUCCESS DURING COVID-19

Safety is fundamental to our operations.
Covid-19 tested our ability to
respond and we demonstrated
our ability to deliver.

**We are the only student accommodation
provider to hold a 5-star safety rating
from the British Safety Council (BSC).**

**We also hold a BSC Covid Secure
Workplace assurance confirming
our policies, procedures and
protocols meet Government
guidelines on best practice.**

2019/20

Waived third term student
rents for the 2019/20
academic year at a
cost of c.£60m

2021

Offered rental discounts
to reflect extended
national lockdowns

24/7

support through the
Unite Emergency Contact
Centre and a partnership
with Nightline

Supporting students

- During Covid-19 we have undertaken regular student pulse surveys to monitor sentiment
- March 2020 – first in the sector to *waive rental payments for students not returning for the third term of the 2019/20 academic year*
- Offered free extensions on the 2019/20 academic year for those who needed to stay in our accommodation and could not go home
- Provided flexibility with student booking dates including flexible check-in
- January to March 2021 – provided rent discounts recognising extended national lockdown restrictions
- Provided free accommodation for care experienced and estranged students via the Unite Foundation scholarship scheme

Student wellbeing and mental health support

- Enhanced student welfare services, including bespoke support for students 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
- Provided links to University welfare teams
- MyUnite App helped students to communicate when self-isolating ensuring they were able to access services and support
- 24/7 support through the Unite Emergency Contact Centre and a partnership with Nightline
- Enhanced night time staffing, providing additional support during national lockdowns

Supporting our employees

- Covid-19 health and safety training focused on personal hygiene, PPE and keeping our teams safe in properties
- Increased flexible working and additional special leave to help employees juggling family responsibilities or those simply needing time away from work in light of Covid-19 pressures
- 'Working from home' guidelines and support, including training, to ensure the right home working environment was created
- Wellbeing support through partnering with the Healthy Work Company. Additional support was also available through the Employee Assistance Programme, the virtual Medicash GP and the mental health first aiders
- All front-line employees received a bonus in recognition of their efforts during Covid-19
- No employees were furloughed during Covid-19

AT A GLANCE

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

We provide a safe and secure home which is affordable and helps students to realise their academic potential whilst enjoying student life.

We own the buildings we operate giving us the flexibility to invest in and make decisions, enabling us to deliver on our brand promises.

Our regular drumbeat of student research enables us to build a unique insight and understanding of students and their needs, not just in a practical sense but their emotional journey.



- | | | |
|--------------|-----------------|---------------|
| ① Aberdeen | ⑩ Wolverhampton | ⑲ Bristol |
| ② Glasgow | ⑪ Nottingham | ⑳ Bath |
| ③ Edinburgh | ⑫ Loughborough | ㉑ Reading |
| ④ Newcastle | ⑬ Birmingham | ㉒ London |
| ⑤ Durham | ⑭ Coventry | ㉓ Medway |
| ⑥ Leeds | ⑮ Leicester | ㉔ Exeter |
| ⑦ Liverpool | ⑯ Bedford | ㉕ Southampton |
| ⑧ Manchester | ⑰ Oxford | ㉖ Bournemouth |
| ⑨ Sheffield | ⑱ Cardiff | ㉗ Portsmouth |

OUR VALUES

Creating room for everyone

Being authentic and striving for a truly diverse and inclusive environment

Keeping uS safe

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

Doing what's right

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

Raising the bar together

Continuously focused on improving the way things are done

OUR BRAND PROMISES



Safe and Secure

Buildings and teams. Everything we do is designed to protect students



There when you need us

We provide support 24 hours a day, 365 days a year



Getting you settled

New place, new people, new start. Helping students settle in



#1

We are the largest provider of student accommodation in the UK



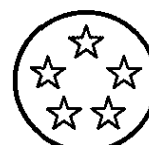
1,900

Employees



87%

of our portfolio is aligned to high and mid-ranked Universities



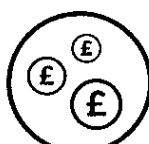
5-star

We are the only PBSA provider to be accredited with a 5-star rating by the BSC



60+

Universities choose to partner with us



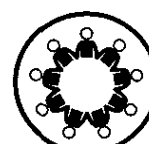
£1.1bn

development capital invested since 2015



£338m

of value creation through development since 2015



100+

commercial and community spaces developed and managed

WHY INVEST IN UNITE GROUP PLC

Sector leader in UK student accommodation with a track record of delivering strong returns.

A best-in-class platform

- 76,000 beds across 27 cities
- 30-years of experience and insight into student needs
- Sector leading operating margins, reflecting scale efficiencies from investment in our PRISM operating platform
- Strategic relationships with over 60 University partners
- Highly experienced property development team

Structurally growing demand for UK Higher Education

- Significant demographic growth for UK 18 year olds – potential 220,000 additional students by 2030
- Rising participation rates for Higher Education
- Government support for international student growth
- Supports positive rental growth outlook

£18m

of annual cost synergies
from acquisition of
Liberty Living

+5%

growth in University
acceptances for 2020/21

High visibility over earnings growth

- High-quality, well located portfolio, 87% aligned to high and mid-ranked Universities
- Demand outlook supports return to c.3% p.a. rental growth from 2022/23
- 60% of beds sold through Nomination agreements
- Re-bookers account for around a quarter of direct-let bookings
- Secured pipeline of 4,000 beds, generating a 6.4% yield on cost
- Confident in a rapid recovery in earnings

7p

of EPS growth from secured development pipeline

Substantial growth opportunities

- High-quality development opportunities at attractive returns
- Increasing demand for University partnerships
- Growth in accessing the 955,000 students living in Houses of Multiple Occupancy

£300m

placing in 2020 to fund continued investment in our platform

Robust income and capital structure

- Strong balance sheet
- Investment grade credit rating
- Well diversified debt across lenders and maturities
- Access to capital through funds and joint ventures

34%

LTV with a target of around 35%

CHAIRMAN'S STATEMENT

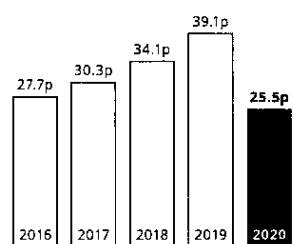
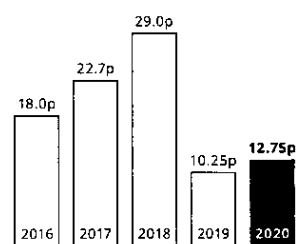
Throughout the pandemic, the Board has been focused on protecting the interests of its key stakeholders.

"2020 was a uniquely challenging year for the business due to the significant disruption created by the Covid-19 pandemic."

Phil White Chairman

The pandemic has brought out the best in our business, showing the resilience of our operating platform. I am proud of the hard work and dedication shown by our teams in supporting students throughout this period. On behalf of the Board, I would like to thank our colleagues for their steadfast commitment.

Throughout the pandemic, the Board has been focused on protecting the interests of its key stakeholders with a particular focus on doing what's right for students whose lives and studies have been significantly impacted. Unite was the first Purpose-Built Student Accommodation (PBSA) provider to forgo 2020 summer term rents for students returning home due to Covid-19 during the initial lockdown. We have since offered further flexibility and rental concessions for the 2020/21 academic year to recognise the ongoing disruption experienced by students. These decisions were taken with consideration for the long-term success of the business, our reputation and our desire to show leadership within the student accommodation sector.

EPRA Earnings per share¹ (p)**25.5p**

Dividend per share (p)

12.75p

Our financial performance has understandably been impacted by Covid-19, with EPRA EPS down 35% to 25.5p and total accounting return reduced to (3.4)%. This performance reflects the impact of rent forgone for the summer term of 2019/20, reduced occupancy for the first term of 2020/21 and an associated valuation loss. This resulted in an IFRS loss before tax of £120.1 million (2019: loss of £101.2 million).

Over the years, the business has worked hard to reduce its environmental impact, support the wellbeing of our customers, and promote access to Higher Education through the Unite Foundation. However, recognising the need to do more around environmental and social issues, the Board approved a new Sustainability Strategy in late 2020. It includes targets for net zero carbon operations and development by 2030, a commitment to providing opportunities for all our employees irrespective of their background, gender or ethnicity and a pledge to raise standards across the student housing sector. A Sustainability Committee of the Board has been established to oversee the implementation and development of this strategy.

As previously announced, I will retire as Chairman and step down from the Board with effect from 31 March 2021. I will be succeeded as Chairman by Richard Huntingford. My tenure as Chairman was extended to oversee the integration of the Liberty Living acquisition, which completed on schedule in September 2020, having exceeded the cost synergies targeted from the transaction.

Unite is a great business with fantastic people and it has been a privilege to have played just a small role in its success over the past decade.

While Covid-19 creates some uncertainty, the Higher Education sector's strong fundamentals, our high-quality portfolio and pipeline, the strength of our University relationships and our market-leading operating platform provide the foundations for a rapid recovery and significant future growth. Reflecting this confidence, the Board is recommending the reinstatement of dividends with a final dividend of 12.75p payable in May.

Phil White**Chairman**

16 March 2021

 See our **Sustainability Report on page 46**

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CHIEF EXECUTIVE'S REVIEW

During the pandemic we have placed a particular focus on supporting students, through financial support totalling over £100 million and a focus on their health, safety and wellbeing.

"Despite the challenges of the Covid-19 pandemic, I am proud that Unite has emerged from a tough year showing our operational resilience and building on our commitment to doing the right thing to support students."

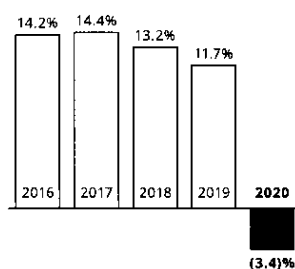
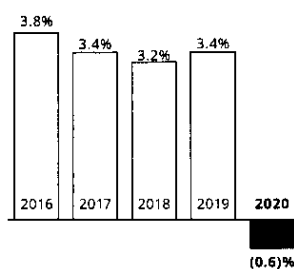
Richard Smith Chief Executive Officer

The resilience and flexibility of our response under extremely difficult and changing circumstances has only underlined the quality of our teams and value of our operating platform, PRISM.

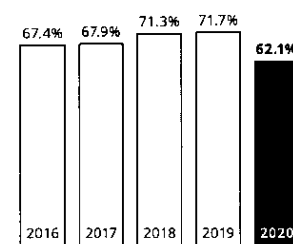
Our response to Covid-19

We recognise that the past year has been a particularly challenging time for all students, which is why their wellbeing, safety and security has been our priority since the start of the Covid-19 pandemic. All our properties have remained open and operational throughout the pandemic, recognising that for many students our accommodation is *their only home*.

Following the onset of the Covid-19 pandemic in March, most UK Universities chose to close their campuses, suspending all face-to-face teaching for the remainder of the 2019/20 academic year. In response, Unite was the first corporate PBSA provider to offer to release students from their tenancies for the summer term. We have subsequently offered students further rental discounts for the 2020/21 academic year, reflecting the challenges and disruption *students have faced during the latest lockdowns*. We have also offered students significant flexibility to manage their changing circumstances, including the ability to extend their stay during summer 2020 at no further cost and flexible or delayed check-ins for the 2020/21 academic year.

Total accounting return¹**(3.4)%**

Rental growth

(0.6)%

EBIT margin

62.1%

We were the first student accommodation provider to be accredited with Covid-19 secure status by the British Safety Council. We have also worked closely with our University partners to agree our approach, resulting in increased provision and access to student wellbeing and mental health support during the pandemic. This has included bespoke support for students who are shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme. We have also worked closely with Public Health England and local authorities during Covid-19.

Financial resilience

The business delivered a resilient financial performance in 2020 with EPRA earnings of £97.3 million and EPS of 25.5p, down 35% YoY. This reflects the impact of rent rebates for the summer term of 2019/20 and lower occupancy in the 2020/21 academic year, partially offset by cost savings made during the year. The loss before tax of £120.1 million is primarily driven by the valuation loss resulting from income reductions linked to Covid-19.

Despite the ongoing disruption created by Covid-19, we look forward to the future with confidence. We have increasing visibility over income thanks to the anticipated return of students following the Easter break, the strength of University applications and growing reservations for the coming 2021/22 academic year. This provides us with the confidence to reinstate dividends, through the payment of a final dividend of 12.75p. This represents a payout ratio of 50% for FY2020, which we intend to increase to at least 80% as market conditions stabilise.

Total accounting returns for the year reduced to (3.4)%, reflecting the valuation loss in the year. Looking forward, we expect a strong recovery in total returns from 2021, underpinned by a return to full occupancy and 2-3% growth for the 2021/22 academic year. We continue to target delivery of attractive total returns, through a balance of recurring income and capital growth.

In response to Covid-19, the business delivered £15 million of cost savings (Unite share) from insourcing of work over the summer, savings to utility and broadband costs and a four-month reduction in remuneration for Directors and cancellation of bonuses for 2020. Reflecting our cost discipline and the anticipated recovery in rental income, we are targeting an improvement in our EBIT margin to 74% by the end of 2023 (2020: 62.1%, 2019: 71.7%).

Our key financial performance indicators are set out below:

Financial highlights	2020	2019
EPRA earnings	£97.3m	£110.6m
EPRA EPS	25.5p	39.1p
IFRS loss before tax	£(120.1)m	£(101.2)m
IFRS basic EPS	(31.8)p	(31.5)p
Dividend per share	12.75p	10.25p
EPRA EPS yield	3.0%	4.9%
Total accounting return	(3.4)%	11.7%
EPRA NTA per share	818p	847p
IFRS NAV per share	809p	845p
Loan to value	34%	37%

A reconciliation of loss before tax to EPRA earnings is set out in note 8 of the

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CHIEF EXECUTIVE'S REVIEW CONTINUED

"I would like to thank our teams for their dedication over the past year."

financial statements.

Return to University

The Government announced its plan for a phased return of students to University on 22 February. From 8 March, Universities are able to resume in-person teaching for students who are studying practical or practice-based subjects and require specialist equipment and facilities. The Government will review the timing for the return of remaining students by the end of the Easter holiday. University campuses remain open, however we anticipate that some Universities will choose to switch to online-only teaching and assessment for the remainder of the academic year.

We know from our recent student survey that the majority want to return and enjoy University life. 86% students are keen to get onto University campus once it is safe to do so. Meanwhile, 79% of students said they wanted to receive some face-to-face teaching in the third term, if restrictions are eased. Approximately 65% of checked-in students have now returned to our buildings, which we expect to rise further following the end of the Government's stay at home rule on 29 March.

Over the next six months, our financial priorities are cash collection for the 2020/21 academic year and sales for 2021/22. We have now collected 95% of rent due to date for the 2020/21 academic year. As a result, we are confident in maintaining headroom against all ICR covenants across the Group and its funds and joint ventures.

Reservations for the 2021/22 academic year are encouraging at 66%, which, as expected, is slightly below the prior year level of 77%. We see strong demand for accommodation this Autumn based on an 8.5% increase in UCAS applications, but expect a later sales cycle than usual due to the uncertainty created by Covid-19. There also remains some uncertainty over the easing of UK travel restrictions later this year, which could affect some international students' ability to arrive in time for the start of the Autumn term. Positively, we have seen a c.150% increase in the daily rate of direct-let bookings since the Government published its roadmap out of lockdown on 22 February, reflecting increased confidence from both UK and international students.

Enduring appeal in the residential degree

Covid-19 has required Universities to develop new teaching methods to adapt to national lockdowns and social distancing requirements on campus. Almost all Universities provided in-person teaching in the autumn term of 2020/21 and delivered on a blended basis with face-to-face tutorials, seminars and practical work complemented by online lectures to observe social distancing guidelines. The experience has accelerated Universities' learnings around both the opportunities and limitations of online delivery.

HEPI research of student experiences in 2020 revealed a stronger perception of value-for-money before the move to remote learning in March 2020. We also know from our own surveys that students continue to see significant value in the independence that comes from living away from home and the friendships and interactions with their peers at University. This is underlined by UCAS applications data for 2021/22, which reveal a significant drop in the number of students intending to live at home while studying.

Rather than replacing the residential degree, Universities see the potential for online learning to enhance the on-campus student experience. Learning will become more personalised through higher quality face-to-face interactions in smaller groups, tutorials and practical work, supported by online content made available for students to access at a time that best suits them.

Continued investment in our best-in-class platform

In June 2020, we successfully raised £300 million of gross proceeds from an equity issue, equivalent to 9.5% of existing shares in issue at a price of 870p. The placing proceeds enable the Company to continue to invest in its market-leading platform and drive earnings growth.

The net proceeds, coupled with debt up to our 35% LTV target, provide around £400 million of investment capacity to capitalise on new University partnership and development opportunities in key cities. We have already secured c.£175 million of new development opportunities since the placing across two sites in central London and Edinburgh and have a healthy pipeline of further opportunities under evaluation.

The placing proceeds were initially used to repay £207 million of secured debt at a cost of 4.8% ahead of being deployed into new developments. As a result, the placing is immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

We are also in advanced discussions with GIC regarding a long-term extension of our LSAV joint venture, which would crystallise our performance fee during 2021.

Successful integration of Liberty Living

During 2020, we successfully completed the integration of our £1.4 billion acquisition of Liberty Living's 24,000-bed portfolio. All Liberty Living properties, customers and employees were fully integrated into our operating platform, PRISM, slightly ahead of planned timings. The Unite customer offer has also been extended to all former Liberty Living customers, including access to the MyUnite app and the comprehensive range of student welfare and support services we provide. I want to thank all of the former Liberty Living employees for their professionalism and commitment throughout the transition, which was challenging given the timing of the pandemic.

We realised cost synergies of £11 million in 2020 and now expect to achieve annual cost savings of £18 million from 2021 (increased from our initial target of £15 million). We incurred integration costs of £9.2 million in 2020, of which almost the entirety were recognised in H1. There are opportunities for further cost synergies to be realised over time in areas such as procurement and energy efficiency in the Liberty Living portfolio.

Creating a responsible and resilient business

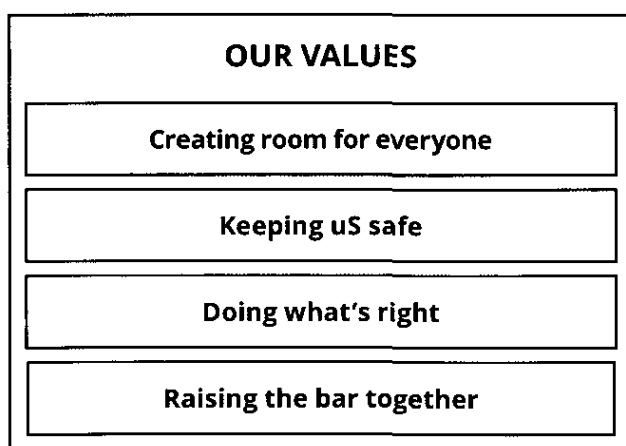
A commitment to 'doing what's right' is part of who we are at Unite Students. Over the years, we've worked hard to reduce our environmental impact, support the wellbeing of our student customers, and promote access to Higher

Education through the Unite Foundation. In late 2019, we set out to develop a new, ambitious and comprehensive Sustainability Strategy, building on what we had already achieved to address the most materially significant environmental, social and governance challenges we face.

During 2020, we engaged with key stakeholders to understand the risks and opportunities, and how we can do more to create a positive impact. Students are concerned about a wide range of topics related to both climate change and how to make the world a fairer place, while sustainability issues are of increasing interest to investors, Universities and other stakeholders.

Having listened to our stakeholders, we have developed five overarching sustainability objectives, defining our new level of ambition and showing how we will work to make a real difference:

- **Becoming net zero carbon by 2030** – we will reduce carbon emissions from new and existing buildings in line with climate science, ahead of the timescale set out in the Paris Climate Agreement to avoid the worst impacts of climate change. We will do this following the net zero carbon hierarchy, with a strong focus on reducing energy consumption through improving our buildings, while also strengthening the way we buy renewable energy and investing in certified carbon offsets for any residual emissions
- **Creating resilient, resource efficient assets and operations** – we will reduce the environmental impact of our new and existing buildings by improving energy and water efficiency, and also help our students to adopt lasting sustainable living habits
- **Enhancing the health and wellbeing of our employees and students** – driving real improvements in physical and mental health and wellbeing based on an understanding of their needs, through improvements to our service model, physical assets and employee support programmes
- **Providing opportunities for all** – including students, employees and in the communities where we work, where all can succeed, whatever their background, gender or ethnicity
- **Leading the student housing sector** – we will work to raise standards across the student housing sector, and deliver value to our customers and investors



CHIEF EXECUTIVE'S REVIEW CONTINUED

"In response to Covid-19, we introduced a number of new and enhanced Covid-19 secure operating practices for the 2020/21 academic year."

This Annual Report includes detail of our commitments, including targets, timescales and plans, and we are committed to sharing information on our progress and performance through regular and transparent reporting.

During 2020, we formally signed up as a supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) and will be publishing more details of our plan for full adoption in 2021, including our net zero carbon pathway. Our sustainability performance is measured by a range of leading external benchmarks, including GRESB, CDP and the EPRA sBPR and we achieved material year-on-year improvements in our ratings for GRESB (4*, 81/100) and CDP (B for Climate Change) in 2020.

Safe and secure

Safety forms a key part of how we operate as a responsible business, underpinned by our commitment to go above and beyond minimum standards to provide a safe and secure environment for our students and employees. Covid-19 has only underlined the importance of this commitment.

In response to Covid-19, we introduced a number of new and enhanced Covid Secure operating practices for the 2020/21 academic year. These included enhanced cleaning and new physical and social distancing measures such as floor markings, signage, communication in reception areas and repurposed common areas. Reflecting these measures, Unite was also the first student accommodation provider to be accredited with Covid Secure status by the British Safety Council as well as achieving the Sword of Honour for excellence in the management of occupational health and safety.

Our investments in our sector-leading operating platform, PRISM, and our MyUnite app have also helped to facilitate digital interactions between Unite employees and students – such as bookings, maintenance requests, parcel collections and logging of issues – and provide opportunities for enhanced service to students. We used the Unite app to manage arrivals and check-ins to ensure students were welcomed in a safe and secure environment.

Fire safety is a critical part of our health and safety strategy. Our fire safety plans involve engagement with our primary authority, the Avon Fire & Rescue Service, and local fire brigades as well as input from independent fire safety experts who conduct annual assessments of our portfolio and have confirmed that all our properties continue to be safe for occupation.

We also work closely with the Ministry of Housing, Communities and Local Government (MHCLG) to ensure our properties comply with emerging guidelines. As part of this, following the tragic events at Grenfell Tower, we were one of the first companies to take action to remove Aluminium Composite Materials (ACM) cladding from our buildings where needed, in line with Government advice. During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties.

We have identified 19 properties with HPL across our estate, all but three of which are greater than 18 metres in height. We are currently carrying out the replacement of HPL cladding on these properties, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. In line with our value of doing what's right, we will remove this cladding where it fails to meet regulations.

All of our properties have been confirmed as safe to operate and occupy by independent fire safety experts, reflecting a wide range of fire safety measures across our portfolio as well as the special measures put in place at the affected buildings, including increased building patrols by staff, additional alarm measures and other property specific factors such as sprinklers, fire prevention and evacuation plans.

The cost of replacing the HPL cladding is expected to be £79.9 million (Unite share: £33.8 million), which will be incurred over the next 12–36 months. We have fully provided for this spend in our year end balance sheet.

We are fully supportive of the Government's actions to improve fire safety in the UK. This is likely to result in more stringent fire safety regulations over the coming years. As we have done to date, we will ensure we are aligned to fire safety regulations as they evolve and will continue to make any required investment. We are seeking to mitigate the costs to Unite of cladding replacement in our buildings through claims from contractors under build contracts, where appropriate. We also await further details of the Government's recently announced cladding levy for new residential developments.

Partner of choice for Universities

Our reputation with partner Universities is a key strategic advantage for Unite. In a highly competitive environment, Universities increasingly recognise the importance of high quality, affordable accommodation in their ability to attract and retain students and ensure their satisfaction.

2,257

new beds have been
opened during 2020

39,250

beds are let
under Nomination
agreements

£4.9bn

investment portfolio
as at 31 December
2020

We believe the decisive actions taken by the business in response to Covid-19 have enhanced our reputation with Universities. Covid-19 has also intensified the operational and financial pressures faced by Universities, which we expect to create a growing appetite for partnerships with leading PBSA operators in delivering their long-term accommodation strategies. 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. Unite is already viewed as a strategic partner by Universities, building on our best-in-class operating platform and the commitment of 1,900 people whose understanding of students is informed by our 30-year history in the Higher Education sector.

For the 2020/21 academic year 39,250 beds are let under nomination agreements, representing 60% of total beds sold (2019/20: 41,500 and 59%). The reduction in beds under nomination agreements for 2020/21 reflects the impact of Covid-19 on occupancy and our willingness to provide flexibility to highly valued University partners on a selective basis. With an average remaining life of six years, our multi-year nomination agreements provide us with visibility for average annual rental growth of 2% over the next five years at current levels of inflation.

During 2020, we completed a new University Partnership with the University of Bristol, covering around 3,000 beds. We are also in active discussions with three high-tariff Universities over potential partnerships, covering around 7,000 existing and new beds, which we are looking to progress over the next 12-18 months. These discussions cover a range of potential solutions on a city-wide basis, including multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer.

Operating quality buildings

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We aim to operate high quality, affordable buildings and offer a range of price points to meet the needs of different students. Our properties are located in and around leading Universities where student demand is strongest, supporting high levels of occupancy and rental growth. Our portfolio activity is focused on increasing our alignment to high and mid-ranked Universities and being in the best locations. For the 2020/21 academic year,

87% of our income is generated by students attending such Universities (2019/20: 88%), increasing to 88% on delivery of our secured development pipeline and contracted disposals.

Value for money is the most important factor influencing students' decisions on where to live. Our accommodation is now cheaper than the private rented sector on a comparable basis, including bills and contents insurance. That is before allowing for the hassle-free services we also provide, including on-hand maintenance teams and help when it's needed from our 24/7 customer support centre and dedicated welfare teams. The significant support and flexibility we have offered during Covid-19 has also demonstrated to students and parents the value of a trusted, institutional landlord.

During 2020, we opened 2,257 new beds and have sold 242 beds to third parties. Taking into account these activities, together with valuation movements, the value of our investment portfolio (including our share of USAF and LSAV) is £4.9 billion as at 31 December 2020 (2019: £4.7 billion).

Despite the disruption resulting from Covid-19 and lockdown restrictions, we made excellent progress in our development pipeline during the year. We delivered three buildings for the 2020/21 academic year, with approximately 40% of the beds secured under nomination agreements with an average life of 22 years, supporting our quality of income. Development of our schemes at Middlesex Street in London and Old BRI in Bristol was suspended during the first national lockdown to conserve cash and ensure the safety of workers on site. We have now recommenced construction on both sites for delivery in 2022.

We intend to maintain a development run-rate of approximately 1,500-2,000 beds or £150-200 million of annual capital expenditure, with opportunities once again emerging in London as demand has weakened from some competing asset classes. London remains our most under-supplied market, with some of our strongest University relationships.

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we increase our exposure to the UK's best Universities, while generating capital to invest in further development activity and other investment opportunities.

CHIEF EXECUTIVE'S REVIEW CONTINUED

We completed the disposal of one wholly-owned property for £10 million in 2020 in line with book value. We are targeting £200–300 million of disposals in 2021 (Unite share) in anticipation of improving liquidity as greater visibility emerges over occupancy and income for the 2021/22 academic year.

Our ongoing disposal plan will be used to keep LTV to our medium-term target of 35% as we deliver our secured development pipeline. This disciplined approach to portfolio optimisation underpins our ability to sustain rental growth over a longer time horizon.

Government policy

The Government's final response to the Augar Report on post-18 education and funding is now expected later this year alongside the next Comprehensive Spending Review. The recent Skills for Jobs White Paper underlines the Government's commitment to widen participation in post-18 education and strengthen the global standing of the UK Higher Education (HE) sector. We expect an increased focus on the quality of HE provision and research, leading to a further concentration of student numbers and funding in high tariff, research-intensive Universities and leading teaching-led Universities. 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.

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 number of UK 18 year olds increase by 178,000 by 2030. Participation rates 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. Applications data for the 2021/22 academic year is very encouraging with an 8.5% increase in applicants as at the 29 January deadline.

The Government is targeting a c.80,000 increase in international student numbers by 2030, aided by the introduction of a new 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. The UK is the second most popular destination for international students and 26 UK Universities feature in the top 200 of the QS World University rankings. Unite works with 20 of these 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 will have a negative impact on EU student numbers from 2021/22, who account for 9% of our customers, due to the loss of home fee status and access to a tuition fee loan. We expect a 30–40% reduction in demand from EU students, equating to 3–4% of our customer base by 2023/2024. However, we are confident in our ability to absorb this impact thanks to the coinciding demographic growth for UK students and the supportive environment for the recruitment of non-EU students.

Board changes

Our Chairman, Phil White, will be stepping down from his role with effect from 31 March 2021. The Board would like to thank Phil for his service. During his Chairmanship, the Group has, among other things, grown within the FTSE 250 and become a leading European REIT and, more recently, completed the successful acquisition and integration of Liberty Living. His leadership has been especially critical as the Board navigated Covid-19 through 2020 and into 2021. Phil has ensured the business is ready and resilient to embrace the risks and opportunities ahead. Phil will be succeeded by Richard Huntingford who is the Chairman of Future plc, a FTSE 250 global platform for specialist media, and who joined the Board in December 2020.

Outlook

The outlook 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 growing student numbers, 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.

Despite uncertainty created by Covid-19, Brexit and the review of Higher Education funding, we remain well positioned for a rapid recovery in earnings. Positive progress with Covid-19 vaccinations in the UK will enable a full reopening of the UK economy. Moreover, the early strength of applications data and reservations for the 2021/22 academic year are supportive of a return to full occupancy and positive rental growth. We are also confident in the medium-term outlook for earnings growth, driven by a return to sustainable c.3% p.a. rental growth, our substantial secured development pipeline and further opportunities to deploy capital into new development and University partnership opportunities at attractive returns.

OPERATIONS REVIEW

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.

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 resilient financial performance in 2020, despite the significant disruption created by Covid-19, delivering EPRA EPS of 25.5p (2019: 39.1p). The 35% reduction in EPS reflects our decision to release students from their tenancies in term three of 2019/20 in response to the national lockdown and lower occupancy for term one of the 2020/21 academic year, partially mitigated by savings in operating costs and initial synergies from the acquisition of Liberty Living.

Summary income statement	2020 £m	2019 £m
Rental income	263.2	213.9
Property operating expenses	(82.9)	(53.1)
Net operating income (NOI)	180.3	160.8
NOI margin	68.5%	75.2%
Management fees	14.0	14.4
Operating expenses	(30.9)	(21.7)
Finance costs	(64.9)	(43.9)
Acquisition and net performance fees	4.6	6.8
Development and other costs	(5.8)	(5.7)
EPRA earnings	97.3	110.6
EPRA EPS	25.5p	39.1p
EBIT margin	62.1%	71.7%

A reconciliation of loss after tax to EPRA earnings is set out in note 2.2b to the financial statements.

Our acquisition of Liberty Living, which completed in November 2019, and the disruption to income caused by Covid-19 are the two key factors explaining the variance in our profitability and operating performance between 2020 and 2019.

Rental income increased by £49.3 million, up 23%, as a result of the acquisition of Liberty Living's 24,000 bed portfolio, which was partially offset by £37 million of rental income forgone through cancellations for the summer term of 2019/20 in response to Covid-19 and lower occupancy for term one of 2020/21. Net operating income also increased by 12%, reflecting our increased scale. EPRA like-for-like rental income reduced by 13.2% YoY for properties owned throughout 2019 and 2020, which resulted in a reduction in NOI margin to 68.5% (75.2%).

Overheads increased by £9.2 million, reflecting the impact of the Liberty Living acquisition and £11 million of initial cost synergies realised in the year. In response to Covid-19, the business delivered £15 million of cost savings (Unite share) from insourcing of work over the summer, savings to utility and broadband costs and a four-month reduction in remuneration for Directors and cancellation of bonuses for 2020.

Recurring management fee income from joint ventures reduced slightly to £14.0 million (2019: £14.4 million), reflecting the impact of lower NOI and property valuations in USAF and LSAV. Performance and acquisition fees of £4.6 million were received in the year (net of tax), relating to further partial recognition of the LSAV performance fee (2019: £6.8 million). Based on current expectations, Unite's remaining share of the LSAV performance fee is expected to be c.£15–20 million.

Our EBIT margin reduced to 62.1% in 2020 (2019: 71.7%), reflecting the impact of lower income and partial mitigation from cost savings. Reflecting our cost discipline and the anticipated recovery in rental income from 2021/22 onwards, we are targeting an improvement in our EBIT margin to 74% by the end of 2023. This reflects an increase in the annual cost synergies to be realised from the Liberty Living acquisition to £18 million from 2021, as well as opportunities for further efficiencies over time in areas such as procurement, enhanced use of technology and energy efficiency.

Finance costs increased to £64.9 million (2019: £43.9 million), reflecting the increase in average net debt during the year primarily resulting from the acquisition of Liberty Living. This impact was partially offset by a lower average cost of finance in 2020 of 2.7% (2019: 3.6%) as we have substantially drawn our revolving credit facilities at lower average rates and repaid £207 million in secured loans at a blended cost of 4.8%. Interest capitalised into development schemes decreased from £9.1 million to £4.6 million, driven by lower development spend following the pause on construction at Middlesex Street and Old BRI, which will now be delivered in 2022. We expect capitalised interest to increase in 2021, albeit not to 2019 levels, as development activity increases ahead of deliveries in 2022 and 2023.

Development (pre-contract) and other costs were broadly stable remained broadly flat at £5.8 million (2019: £5.7 million), reflecting the cost of paused development activity, the earnings impact of share-based incentives, deferred and current tax and our contribution to our charitable trust, the Unite Foundation.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Occupancy, reservations and rental growth 2020/21 academic year

We let 88% of bed spaces across the whole portfolio for the 2020/21 academic year (2019/20: 98%), which reflected a resilient performance in challenging circumstances. This represents meaningful outperformance of our PBSA peers, who delivered average bookings of 75% for 2020/21 according to JLL. This reflects the benefit of our long-term nomination agreements and the adaptability of our operating platform in successfully shifting the focus of our direct-let sales from international to domestic students, many of whom would ordinarily stay in the HMO sector.

The reduction in our occupancy contrasts with a 5% increase in accepted applicants to UK Universities for the 2020/21 academic year. Due to disruption and uncertainty created by Covid-19, student demand for accommodation has been temporarily impacted by some students either choosing to study from home, not travel to the UK or defer their place. We expect this demand to return from 2021/22, as restrictions ease relating to Covid-19.

Checked-in occupancy is currently 80%, reflecting those students who have now checked-in to their accommodation and nomination agreements where Unite receives rent directly from Universities. Customers making up the remaining 8% of occupancy are now past their scheduled check-in dates, of whom around 90% are international. Around half of those international customers yet to check-in have confirmed they still plan to arrive in the coming weeks.

We have now collected 95% of rent due to date for the 2020/21 academic year. This reflects successful term one rent collection of 96% and a positive start to term two rent

collection at 93% to date. Collection rates for rents received directly from students are 97% for the year to date and 85% for rents paid directly by Universities. Scheduled payments by Universities in the coming weeks will see the total collection rate further improve to over 95%.

In response to the latest national lockdown in January 2021, we announced that students were able to apply for a discount of 50% of their rent for a total of 10 weeks and, in addition, will be given a four-week complimentary extension of their tenancy agreement at the end of the academic year to extend their stay into the summer. The rental discount and tenancy extension were made available to all students checked-in but not living in their accommodation between 18 January and 28 March. Take-up of the offer has been c.40% by eligible customers, reflecting c.60% occupancy among checked-in students during term two. The loss of rental income associated with the rental discount and tenancy extension is expected to result in a reduction to EPRA EPS of up to £10 million or 2.5p for the 2021 financial year.

Based on rent collection in the year to date, assumed attrition in non-checked-in bookings and take-up of our 10-week rent discount, we expect to receive 90-95% of contracted rental income of £268 million for the 2020/21 academic year (on a Unite share basis).

2020/21 cash collection	Term 1	Term 2	Year to date
Payable by Universities	92%	81%	85%
Payable by students ¹	98%	96%	97%
Total	96%	93%	95%

1. Includes both direct-let and nomination referral customers.

Annual rents reduced by 0.6% on a like-for-like basis for 2020/21, reflecting contractual growth of 2.5% through nomination agreements offset by a 3.2% reduction in direct-let rents. The reduction in direct-let rents reflects an increase in the share of direct-let sales to UK customers (46% in 2020/21 vs 39% in 2019/20) as a result of our success in attracting more domestic students and a lower number of international student arrivals. On average, UK customers pay 20% lower annual rents than international customers, reflecting a preference for slightly shorter tenancy lengths and lower cost room types. Rental growth was also impacted by our flexible tenancy offer, which allowed students to delay the start of their tenancy to coincide with changes to University term dates. Occupancy was broadly consistent across our wholly owned portfolio, USAF and LSAV.

2020/21 rental growth and occupancy

By fund	LfL rental growth ¹	Occupancy ²
Nomination agreements	2.5%	
Direct-let	(3.2)%	
Total	(0.6)%	88%
Wholly owned	(1.7)%	88%
USAF	(0.1)%	89%
LSAV	1.5%	85%
Leased	(1.2)%	100%
Total	(0.6)%	88%

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 39,250 beds or 60% of those sold for 2020/21 under nomination agreements (2019/20: 41,484 and 59%). 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, and flexibility offered to University partners on a case-by-case basis.

55% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts. These agreements are expected to secure average annual rental growth of 2.1% over the next five years at current low levels of inflation. The remaining agreements are single year and we achieved a renewal rate of 76% on these agreements for 2020/21 (2019/20: 85%). 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 6.4 years, up marginally from 6.2 years in 2019/20.

We expect the proportion of beds let to Universities to remain at or around this level in the future. This 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.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Agreement length	Beds 2020/21	Beds 2019/20	% Income 2020/21
Single year	17,709	15,264	45
2–5 years	5,748	11,214	16
6–10 years	6,873	4,579	18
11–20 years	6,724	5,224	16
20+ years	2,196	5,203	5
Total	39,250	41,484	100

UK students account for 66% of our customers for 2020/21 (2019/20: 60%), making up a large proportion of the beds under nomination agreements with Universities. In addition, 25% and 9% of our customers come from non-EU and EU countries respectively (2019/20: 31% and 9%), reflecting the relative appeal of our hassle-free product when compared with alternatives in the private rented sector.

Re-bookers accounted for 25% of our direct-let bookings for the 2020/21 year, contributing to the 65% of direct-let bookings made to non-1st years. This reduces our exposure to less predictable 1st year undergraduate customers and puts less emphasis on Clearing following A-level results.

Postgraduates now make up 16% of our direct-let customer base, driven by strong growth in UK postgraduate numbers and increasing awareness of the benefits of PBSA. As a result, we are trialling ways to tailor our offer for postgraduates as part of our wider review of customer segmentation.

2021/22 academic year

Reservations for the 2021/22 academic year are encouraging at 66%, which, as expected, is slightly below the prior year level of 77% given the ongoing uncertainty created by Covid-19. We expect strong student demand for 2021/22 from both domestic and international students, but anticipate a later sales cycle than a typical year as a result of current 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 domestic re-bookers.

We have good visibility over rental growth for the 2021/22 academic year, with nomination agreements in place on a large proportion of our beds. Falling UK inflation over the past 12 months will result in a slight reduction in rental growth from multi-year nomination agreements with annual RPI-linked rental increases. However, we still anticipate annual rental increases of just under 2% from our nomination agreements. In addition, we see a positive outlook for direct-let sales to re-bookers by capturing market share from the HMO sector. We also see growing demand from non-EU international and postgraduate students, reflecting recent increases to the UK's post-study visa and the international reputation of the UK's Universities.

Based on our expectation of an enhanced campus experience for students, supported by an increase in face-to-face course delivery and a relaxation of international travel restrictions, we anticipate a return to full occupancy and 2–3% rental growth in 2021/22. However, there remains greater risk and uncertainty over occupancy and rental growth than a normal year as lockdown restrictions are eased.

Delivering for our customers

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value-for-money for students and support our purpose of creating a Home for Success. This includes investment in our MyUnite app, our Student Ambassador programme and the provision of student welfare services.

Health, safety and security

We recognise that the past year has been a particularly challenging time for all students, which is why their wellbeing, safety and security has been our priority since the start of the Covid-19 pandemic.

Unite Students was the first student accommodation provider to be accredited with Covid Secure status accredited by the British Safety Council, following the introduction of a number of new and enhanced Covid-19 secure operating practices for the 2020/21 academic year. These included enhanced cleaning and new physical and social distancing measures such as floor markings, signage, communication in reception areas and repurposed common areas. Our investments in our sector-leading operating platform, PRISM, and our MyUnite app, also enabled students to communicate remotely with Unite's teams without having to leave their rooms.

To help foster a sense of community, we introduced a Home Charter for 2020/21, which outlined the expectations for students living together and the ways in which we will assist. Our aim is to create a positive culture for living as a community and safe, respectful and harmonious homes that help students get the most out of their time at University. The Home Charter was introduced to reflect the new dynamics created by Covid-19 when living in shared accommodation. Going forward, it will be reviewed annually.

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 Unite's Emergency Contact Centre and a partnership with Nightline.

Financial support during Covid-19

We have provided over £100 million in financial support to students during the Covid-19 pandemic. We have shown sector leadership in offering rent waivers and flexibility, reflecting our focus on doing what's right for all stakeholders and the importance of maintaining a sustainable business. We were the first PBSA provider to forgo 2020 summer term rents for students returning home due to Covid-19 during the initial lockdown. We also offered students the ability to extend their stay into the summer at no extra cost.

For the 2020/21 academic year, we extended the traditional check-in period for Unite properties thereby reducing the traditional peak and provided flexible check-in for students during September/October 2020. We also allowed international students to move to a January start date, forgoing rent for the period from September to December, and provided the option to check-in early, at no extra cost, where students needed to quarantine having arrived from a Covid-restricted area.

Following the announcement of a further national lockdown in January 2021, we announced that students were able to apply for a rent discount of 50% for 10 weeks and a four-week complimentary extension of their tenancy into the summer.

We believe our response has strengthened our reputation with students, parents, Universities and Government. This goodwill creates opportunities to secure new University partnerships as well as take market share from the 955,000 students living in the HMO sector, where the response of private landlords has been inconsistent and less accommodating overall.

Service enhancements

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value-for-money for students and support our purpose of creating a Home for Success.

This year, there has been a significant focus on improving our digital capabilities to support our commitment of keeping students and our staff safe and secure during Covid-19. We enhanced our check-in solution by fully digitalising the end-to-end customer journey, which was used by 79% of customers, and also extended the capability of uChat to allow customers to chat to other residents on the same floor. This allowed students to connect with others they would not usually have met in regular circumstances and was used by c.18,500 customers. We also introduced a new feature in the MyUnite app for customers to let us know if they were self-isolating, allowing our staff to put measures in place to protect both students and our staff.

In October 2020, we launched new features for our student website. It delivers a more flexible, user-friendly platform that enables customers to self-serve. Key to this was the delivery of our simplified booking journey, where we reduced the length of the process by 50%. Simplifying the booking journey resulted in a 47% improvement in conversion rate YoY during November and December.

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. We have had encouraging early take-up, particularly from new customers to Unite, supporting our ambitions to capture market share from the HMO sector.

CHIEF EXECUTIVE'S REVIEW CONTINUED

“Universities increasingly recognise the importance of high-quality, affordable accommodation in their ability to attract and retain students and ensure their satisfaction.”

PROPERTY REVIEW

EPRA NTA growth

EPRA NTA per share reduced by 3% to 818p at 31 December 2020 (31 December 2019: 847p) with IFRS net assets per share down 4% to 809p (31 December 2019: 845p). In total, EPRA net tangible assets were £3,266 million at 31 December 2020, up from £3,087 million a year earlier.

The main drivers of the 29p per share reduction in EPRA NTA per share were:

- The reduction in the value of the Group's share of investment assets due to income deductions relating to Covid-19 disruption ((30)p) and modest yield expansion ((5)p)
- A provision for the replacement of HPL cladding ((8)p)
- The impact of the share placing at a premium to NAV (+1p)
- Swap cancellation and debt break fees ((8)p), primarily related to repayment of the Group's secured debt facilities
- Integration costs relating to the acquisition of Liberty Living ((2)p)
- The positive impact of retained profits and other items (+23p)

	£m	Diluted pence per share
EPRA NTA as at 31 Dec 2019	3,087.0	847
Rental growth	(118.6)	(30)
Cladding provision	(33.8)	(8)
Yield movement	(18.5)	(5)
Share placing	294.0	1
Swap cancellation and debt break fees	(30.1)	(8)
Integration costs	(9.2)	(2)
Retained profits/other	95.6	23
EPRA NTA at 31 Dec 2020	3,266.2	818

Changes in EPRA guidelines

In October 2019, EPRA issued updated best practice recommendations, including new definitions of NAV measures, which became effective for the Group on 1 January 2020. The revision includes the introduction of EPRA Net Tangible Assets (NTA), which is now the most relevant NAV measure for the Group, and will become our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets.

The table below summarises the difference in EPRA NTA and EPRA NAV as at 31 December 2019 and 31 December 2020. A full reconciliation of the EPRA measures, from the old to new methodology can be found in note 2.3c to the financial statements.

	31 December 2020	31 December 2019	Change from
EPRA NAV per share	823p	853p	(4)%
EPRA NTA per share	818p	847p	(3)%

Property portfolio

The valuation of our property portfolio at 31 December 2020, including our share of gross assets held in USAF and LSAV, was £5,182 million (31 December 2019: £5,225 million). The £43 million reduction in portfolio value (Unite share) was attributable to:

- Valuation reductions of £164 million on the investment and development portfolios, reflecting £ for £ reductions in value for income shortfalls due to Covid-19
- Capital expenditure on developments of £92 million, including interest capitalised
- Capital expenditure of £48 million on investment assets relating to refurbishment, asset management initiatives and works to replace HPL cladding
- Disposals of £10 million
- A net revaluation loss of £9 million on leased properties

The see-through net initial yield of the portfolio was 5.0% at 31 December 2020 (December 2019: 5.0%). Yields have remained broadly stable on investment assets held throughout the year.

Summary balance sheet

	31 December 2020			31 December 2019		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	3,615	1,278	4,893	3,407	1,296	4,703
Rental properties (leased)	102	–	102	110	–	110
Properties under development	187	–	187	412	–	412
Total property	3,904	1,278	5,182	3,929	1,296	5,225
Net debt	(1,326)	(416)	(1,742)	(1,450)	(434)	(1,884)
Lease liability	(96)	–	(96)	(99)	–	(99)
Other assets/(liabilities)	(40)	(38)	(78)	(142)	(13)	(155)
EPRA net tangible assets	2,442	824	3,266	2,238	849	3,087

The proportion of the property portfolio that is income generating is 96% by value, up from 92% at 31 December 2019. Properties under development have reduced to 4% of our property portfolio by value (31 December 2019: 8%) following delivery of our 2020 development completions. 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 41% on a built-out basis following completion of our secured development pipeline.

Unite investment portfolio analysis at 31 December 2020

		Wholly owned	USAF	LSAV	Lease	Total	Unite share
London	Value (£m)	1,137	401	1,054	17	2,609	1,770
	Beds	4,177	1,863	5,291	260	11,591	35%
	Properties	12	6	12	1	31	
Prime provincial	Value (£m)	949	647	–	25	1,621	1,117
	Beds	7,645	5,337	–	618	13,600	22%
	Properties	17	18	–	2	37	
Major provincial	Value (£m)	1,256	1,467	270	29	3,022	1,743
	Beds	18,058	19,507	3,067	753	41,385	35%
	Properties	37	48	1	2	88	
Provincial	Value (£m)	273	284	–	31	588	365
	Beds	4,958	3,520	–	1,059	9,537	7%
	Properties	11	10	–	3	24	
Total	Value (£m)	3,615	2,799	1,324	102	7,840	4,995
	Beds	34,838	30,227	8,358	2,690	76,113	100%
	Properties	77	82	13	8	180	
Unite ownership share		100%	22%	50%	100%		
	Value (£m)	3,615	616	662	102	4,995	

CHIEF EXECUTIVE'S REVIEW CONTINUED

Development and University partnership activity

Development and University partnership activity continues to be a significant driver of growth in future earnings and NAV and is aligned to our strategic focus on high and mid-ranked Universities. Our pipeline of traditional development and University partnerships includes 3,968 beds with a total development cost of £599 million, of which 2,023 beds or 70% 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. In particular, we see an emerging development opportunity in London, following a softening in land values and lower viability for some competing uses. We expect to add to our pipeline during 2021 and maintain a run-rate of c.1,500–2,000 new beds per annum.

The anticipated yield on cost of this secured pipeline is 6.4%. Prospective returns on new direct-let schemes remain attractive at around 8% 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 new 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 6.0–6.5%. University partnerships make up around 75% by value of our secured development pipeline.

We have contractually fixed our exposure to construction costs on all schemes completing in 2022, which substantially de-risks our cost risk. We have brought forward the procurement of all critical items supplied from European countries on our 2022 completions to mitigate any potential risks from disruption to supply chains.

2020 completions

We completed 2,257 beds across three new schemes during 2020 despite disruption caused to construction activity as a result of Covid-19 lockdowns and new social distancing measures on site. Around 40% of these beds are let to Universities under nomination agreements for the 2020/21 academic year, with an average duration of 22 years, supporting our ongoing focus on quality of income.

Our 976-bed University partnership scheme at White Rose View in Leeds, was completed on schedule in September. Just under 60% of the beds in the scheme are let to the University of Leeds on a 30-year nomination agreement, helping to strengthen our relationship with one of the UK's leading Universities.

Our schemes at Artisan Heights in Manchester Arch View House in Wembley, both saw delays to completions as a result of disruption caused by Covid-19. The schemes have since completed, allowing students to occupy the buildings from early 2021. The delays were clearly communicated to both student and University customers with students offered the opportunity to move to alternative Unite accommodation in the vicinity of both assets. Under the terms of the forward fund agreement for Arch View House, the shortfall in 2020/21 income is covered by the developer.

2022 completions

The decision was taken in March to delay the delivery of Middlesex Street in London and Old BRI in Bristol from 2021 to 2022, reflecting the priority of conserving cash during a period of significant uncertainty over income. The decision resulted in a cash saving of £72 million during 2020.

Development has now been recommenced across both sites, supporting delivery for the 2022/23 academic year. Old BRI is let to the University of Bristol under a 15-year nomination agreement and we are working with King's College London towards a long-term nomination agreement at Middlesex Street.

Development pipeline

During the year, we used the proceeds of our share placing to secure two new development and University partnership schemes for a total development cost of c.£175 million for delivery in 2023.

In July, we agreed to acquire a 300-bed development site in central Edinburgh, which forms part of a wider mixed-use redevelopment. We are targeting delivery of the direct-let development for the 2023/24 academic year, having secured planning in late 2020. Total development costs are estimated to be £24 million, delivering a development yield of 8.3%.

In November, we exchanged contracts to acquire a new 800-bed development site in Paddington, central London on a subject to planning basis. Total development costs are estimated to be c.£150 million, to be funded from the proceeds of our recent equity issue. The scheme is targeted for delivery for the 2023/24 academic year, subject to planning approval, and is expected to deliver a development yield of 6.5%. The development will target a BREEAM Excellent rating and incorporate a range of design features to reduce its embodied and operational carbon, supporting our transition to net zero development and operations.

University partnerships pipeline

In addition to the significant number of our beds and income underpinned by long-term University-backed nomination agreements, we continue to make progress with our strategy of delivering sustainable growth through partnerships with Universities.

During 2020, we completed a new University partnership with the University of Bristol, covering around 3,000 beds in Bristol. This will include a large proportion of Unite's existing operational assets in the city following targeted investments as well as the 431-bed Old BRI development and the 596-bed Temple Quay development in close proximity to the University's new Temple Quarter campus.

The long-term agreement strengthens our long-standing and valuable relationship with the University.

At our new development site in Paddington, central London we intend to deliver the scheme as a University Partnership in line with requirements in the new London Plan for the majority of new beds to be leased to a HE provider. The development will help to meet the growing need for high quality, purpose-built student accommodation in London and discussions are already underway with University partners to support the scheme through planning, with a view to agreeing a long-term nomination agreement.

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 ¹	2023	620	64	48	1	45	16	8.0%
Wyvil Road, London	2023	270	100	80	0	62	21	6.2%
Abbey Lane, Edinburgh	2023	298	33	24	1	22	9	8.3%
Total direct-let development		1,188	197	152	2	129	46	7.1%
University partnerships								
Middlesex Street, London	2022	920	280	187	59	85	55	6.0%
Old BRI, Bristol	2022	431	59	44	4	19	9	6.2%
Temple Quarter, Bristol ¹	2023	596	85	67	1	65	18	6.2%
TP Paddington, London ¹	2023	833	210	149	2	148	60	6.5%
Total University partnerships		2,780	634	447	66	317	142	6.2%
Total pipeline (Unite share)		3,968	831	599	68	446	188	6.4%

1. Subject to obtaining planning consent.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Future partnership opportunities

Reflecting the financial and operational constraints faced by Universities, there is a growing appetite for partnerships with leading operators. 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.

Through our Higher Education Engagement team, we are in discussions for new University partnerships with a range of Universities. These discussions often cover a range of potential solutions on a city-wide basis, reflecting each University's specific accommodation needs. These strategic discussions may include multi-year nomination agreements for our existing operational assets, on-campus and off-campus developments and stock transfer. We are in active discussions with three high-tariff Universities for around 7,000 existing and new beds, which we are looking to progress over the next 12-18 months. In addition, we have a significant further pipeline of medium-term opportunities.

The nature of these discussions and the commitment required by both parties means that some opportunities will fall away. However, we strongly believe that the operational complexity borne by Universities in dealing with Covid-19 and the negative impact on their finances will create new opportunities for University partnerships in the near to medium term. There remains a compelling rationale for Universities to work with us to deliver operational efficiencies and provide the new accommodation required to deliver their future growth ambitions.

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's share of disposals was £10 million, in line with book value.

We are targeting £200-300 million of disposals in 2021 (Unite share), slightly above historical levels, in anticipation of improving liquidity as greater visibility emerges over occupancy and income for the 2021/22 academic year. These target disposals, combined with rental growth, are intended to ensure that we meet our target LTV of 35% and underpin our ability to sustain rental growth over a longer time horizon.

Richard Smith
Chief Executive Officer

16 March 2021

MARKET REVIEW

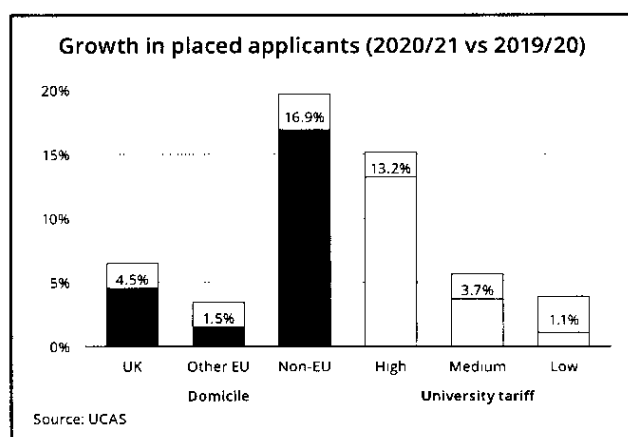
The outlook for student numbers remains strong with significant demographic growth and growing demand from international students.

Full-time student numbers reached record levels of two million for the 2019/20 academic year. The number of applicants and the number of students accepted onto courses in 2020 was 729,000 and 570,000 respectively (2019: 706,000 and 541,000). A 5.4% YoY increase in acceptances was driven by a record participation rate among UK 18 year olds and a 17% increase in acceptances from non-EU students.

The initial applications data for the 2021/22 academic year is very encouraging, with overall applications up 8.5%. UK applications are up by 12%, reflecting a record application rate of 43% for school leavers (2020/21: 40%) as well as strong growth from mature students. Non-EU applications increased by 17% YoY, reflecting strong demand from China and India, which substantially offset the 40% decline in EU students following the loss of home fee status and access to tuition fee loans post-Brexit.

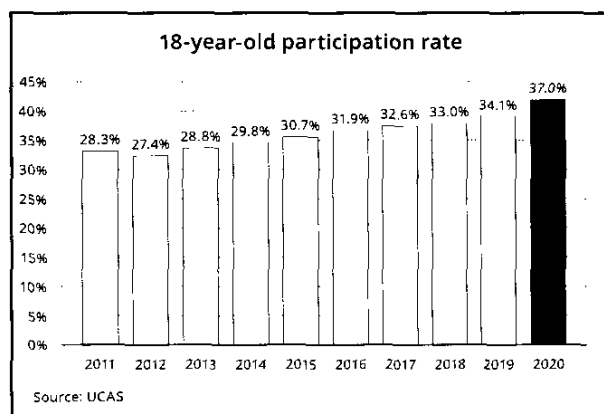
Given disruption caused by Covid-19, the Government has stated that A-Level students will not be in a position to sit their exams fairly this summer. As a result, grades will be awarded based on teacher assessments to allow students to progress fairly.

The outlook for student numbers remains strong. Demographic growth is significant over the next decade, with the 18-year-old population returning to 2010's height by 2024 and continuing to grow strongly thereafter. This would imply demand for around 220,000 additional UK undergraduate places by 2030 at current participation rates.



MARKET REVIEW CONTINUED

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 places required (HEPI).

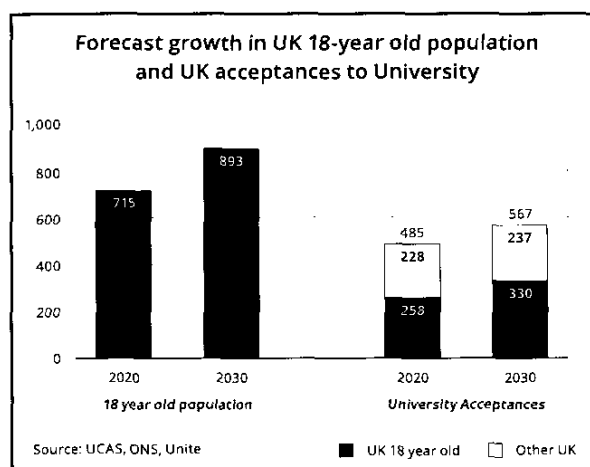


The UK Government's international education strategy is targeting growth in international student numbers to at least 600,000 by 2030, representing at least an additional 80,000 international students. In September 2019, the Government announced a new two-year post-study work visa for international students (three years for postgraduates), starting from the 2020/21 academic year. The change has already aided the UK's international competitiveness in the Higher Education sector, leading to significant growth in demand from China and India over the past two years. The Government is actively seeking to broaden the demand pool from international markets with opportunities for the UK to increase its market share of student arrivals from Africa and Asian countries, outside of China.

Higher Education policy

In January 2021, the Government published its interim conclusions on the Augar review of post-18 education and funding. The Government's key objectives are to drive up the quality of Higher Education provision, promote accessibility for students and maintain a financially sustainable student finance system. This will include consideration of the Augar Report's recommendations, including student finance terms and conditions, minimum entry requirements and the treatment of foundation years. The final conclusions on the Augar review will be published alongside the next Government Comprehensive Spending Review.

The Government also published its Skills for Jobs White Paper in January 2021, setting out a blueprint for a post-16 education system that enables every student with the aptitude and desire to go to University to be able to do so, alongside enhanced provision of technical qualifications,



aligned to the needs of employers. This includes a new Lifetime Skills Guarantee, giving access to a lifelong loan entitlement equivalent to four years of post-18 education.

We are encouraged by the Government's commitment to post-18 education and remain confident that our strategy of delivering high quality, affordable homes for students and relationships with the best Universities in the UK positions us to successfully navigate future policy changes in these areas.

Impact of Brexit

From 1 January 2021, EU students planning to study in the UK will be required to apply for a student visa unless exempt due to pre-settled status or Irish nationality. EU students starting their courses in 2020/21 or before will continue to benefit from home fee status and have access to tuition fee loans for the duration of their courses. EU undergraduate students starting courses from 2021/22 will no longer benefit from home fee status, meaning tuition fees are expected to rise by more than 50% on average from £9,250 to the higher rates paid on average by non-EU students. EU students will also no longer have access to a tuition fee loan.

The number of EU students studying in the UK increased to 135,000 in 2019/20, made up by 100,000 undergraduates and 35,000 postgraduate students. EU students account for 9% of our let bed spaces for the 2020/21 academic year. UCAS applications for 2021/22 report a 40% reduction in applications from EU undergraduates, reflecting the impact of Brexit and travel restrictions linked to Covid-19. If this reduction is sustained over the coming years, it would equate to a reduction of around 3% of total students by 2023.

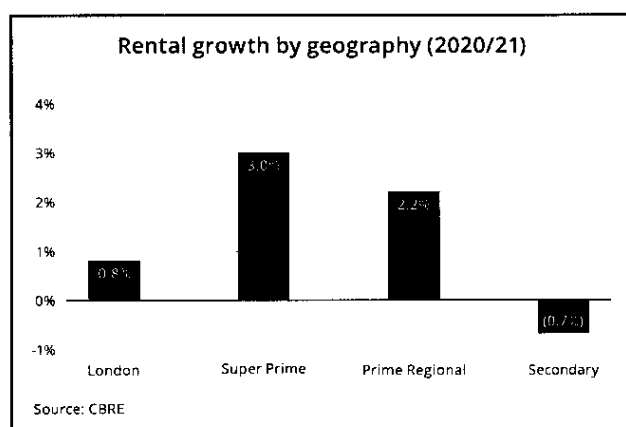
The Government has announced a new £100 million Turing Scheme for around 35,000 students to study and work abroad, which will replace the UK's participation in Erasmus+ starting from September 2021. The trade and cooperation agreement with the EU also enables the UK to continue to participate in the EU's Horizon 2020 Research and Innovation programmes.

Resilient occupancy and rental growth

The UK PBSA market delivered rental growth of 1.8% for the 2020/21 academic year (Cushman & Wakefield), a reduction on the 2.6% delivered in 2019/20, reflecting weaker occupancy as a result of disruption created by Covid-19. JLL's Student Housing Leasing Survey reported a reduction in occupancy to 83% in 2020/21 from 98% in 2019/20, with average tenancy lengths also reduced due to operators offering flexible start dates in response to delays to University term dates.

Across the sector, beds under nomination or lease agreements produced rental growth of 2.2% in 2020/21, above the 1.5% rental growth delivered by direct-let beds. This reflects short-term pressure on direct-let rents in markets with a high dependence on international students, where occupancy was more significantly impacted by Covid-19. We remain focused on providing a cluster-led ensuite product at more affordable price points, which aligns with the requirements of our University partners.

Regional markets delivered rental growth of 1.9% for 2020/21, outperforming the 0.8% growth witnessed in London where occupancy tends to over-index towards international students (CBRE). However, this masks a significant spread in performance at a city level with Prime regional markets delivering 3.0% rental growth, while Secondary markets saw a 0.7% decline in rents.



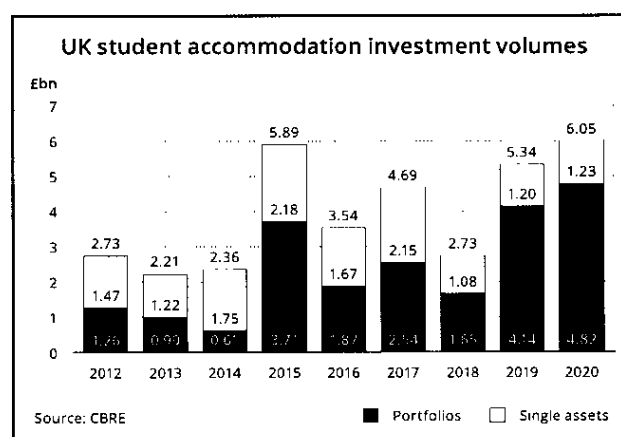
For the 2020/21 academic year, average weekly ensuite rents for corporate PBSA ranged from £125–175 per week in major provincial markets and £238 per week in London (Cushman & Wakefield). This compares to Unite's average ensuite rent of £137 in provincial markets and £219 in London. The largest segment of PBSA demand remains at a price point of between £100 to £150 per week, where there is also the opportunity to attract more non-1st year students from the private rented sector. More than two thirds 69% of Unite beds in provincial markets are priced below £150 per week.

Current UK inflation implies a slight reduction in rental growth from multi-year nomination agreements with fixed or inflation-linked annual rental increases for 2021/22 to around 2%. Based on our expectation of an enhanced campus experience for students and a relaxation of international travel restrictions, we anticipate a return to full occupancy and positive rental growth in 2021/22.

Strong investment appetite

The PBSA sector's strong fundamentals and a track record of consistent rental growth continues to attract significant volumes of capital, despite a reduction in investment volumes in the wider UK real estate sector due to political uncertainties. Approximately £6 billion of assets traded in 2020 (CBRE), in line with record transaction volumes witnessed in 2015. In February 2020, Blackstone agreed to acquire iQ's 28,000-bed portfolio for £4.7 billion. The price translated to a material premium to the underlying market value of iQ's property portfolio, illustrating the willingness of investors to attribute value to the brand, operating and development capabilities of major operators. We expect the increasing focus on operating platforms and scale to drive further continued consolidation of the PBSA sector in the UK. The remaining £1.3 billion of assets traded in the year were largely single small portfolios or single assets, in line with previous years.

There remains a strong appetite to deploy capital in the sector, with investment demand principally coming from international or institutional investors. As the sector has matured, investors have become more focused regarding strength of location, the health of local Universities, building amenities and fire safety. Given lower visibility over occupancy for the 2020/21 and 2021/22 academic years due to Covid-19, transaction pricing is likely to be stronger where sellers are willing to provide a one-year income guarantee to buyers.



MARKET REVIEW CONTINUED

“The PBSA sector’s strong fundamentals and a track record of consistent rental growth continues to attract significant volumes of capital.”

Stable property yields

Yields in the sector have remained stable over the past year, reflecting continued investor demand and the resilient income characteristics of the sector. However, we continue to see a growing divergence in pricing between prime and secondary markets. London and Prime regional assets saw modest yield compression in 2020, reflecting valuation evidence provided by Blackstone’s acquisition of iQ and other market transactions as well as the strong growth in applications for high-tariff Universities.

Demand for secondary and tertiary assets has reduced, resulting in yields in some provincial markets continuing to drift higher. This reflects a weakening demand-supply balance in some cities where student numbers are reducing or significant new supply is yet to be fully absorbed. In aggregate, these markets account for less than 10% of our portfolio valuation on a see-through basis. However, we consider income performance and asset pricing to be well supported in good-quality secondary markets, providing value-for-money accommodation with the potential to attract students from the private rented sector.

Looking forward, we see yields remaining broadly stable in 2021, 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:

	31 Dec 2020	31 Dec 2019
London	3.90–4.25%	4.00–4.25%
Prime provincial	4.50–5.00%	4.50–5.00%
Major provincial	5.00–6.00%	5.00–5.50%
Provincial	6.25–7.50%	6.00–7.25%

New supply expected to slow

The PBSA sector now provides homes to over 680,000 students, representing around one-third of the UK’s student population. At this level, there still remains a c.310,000 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.

2020 saw the delivery of an additional 25,000 beds across 32 different UK markets, of which just over half was delivered in the 27 cities in which Unite operates. New supply in London remains very constrained, with less than 2,000 beds delivered in the year, reflecting limited land supply and more restrictive planning requirements for student accommodation in the new London plan.

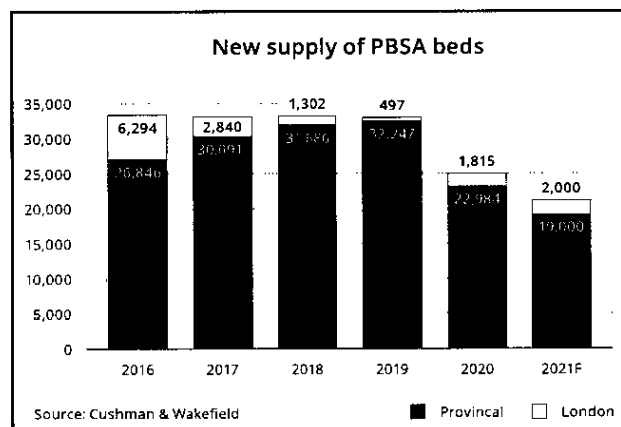
A number of schemes planned for delivery in 2021 have been delayed as a result of Covid-19. This includes our developments at Middlesex Street in London and Old BRI in Bristol, which will now be delivered for the 2022/23 academic year. As a result of these delays, we expect new supply across the UK to reduce to around 20,000 beds in 2021 and then further thereafter due to funding constraints faced by some smaller developers and more restrictive planning policy towards PBSA.

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 clear trend towards mixed-use planning consents, incorporating BTR units and co-living alongside student accommodation. These factors increase barriers to entry for new PBSA supply, however we remain confident in our ability to secure new development opportunities thanks to our long-held University relationships, flexible operating platform and highly experienced development team.

Development costs relatively stable

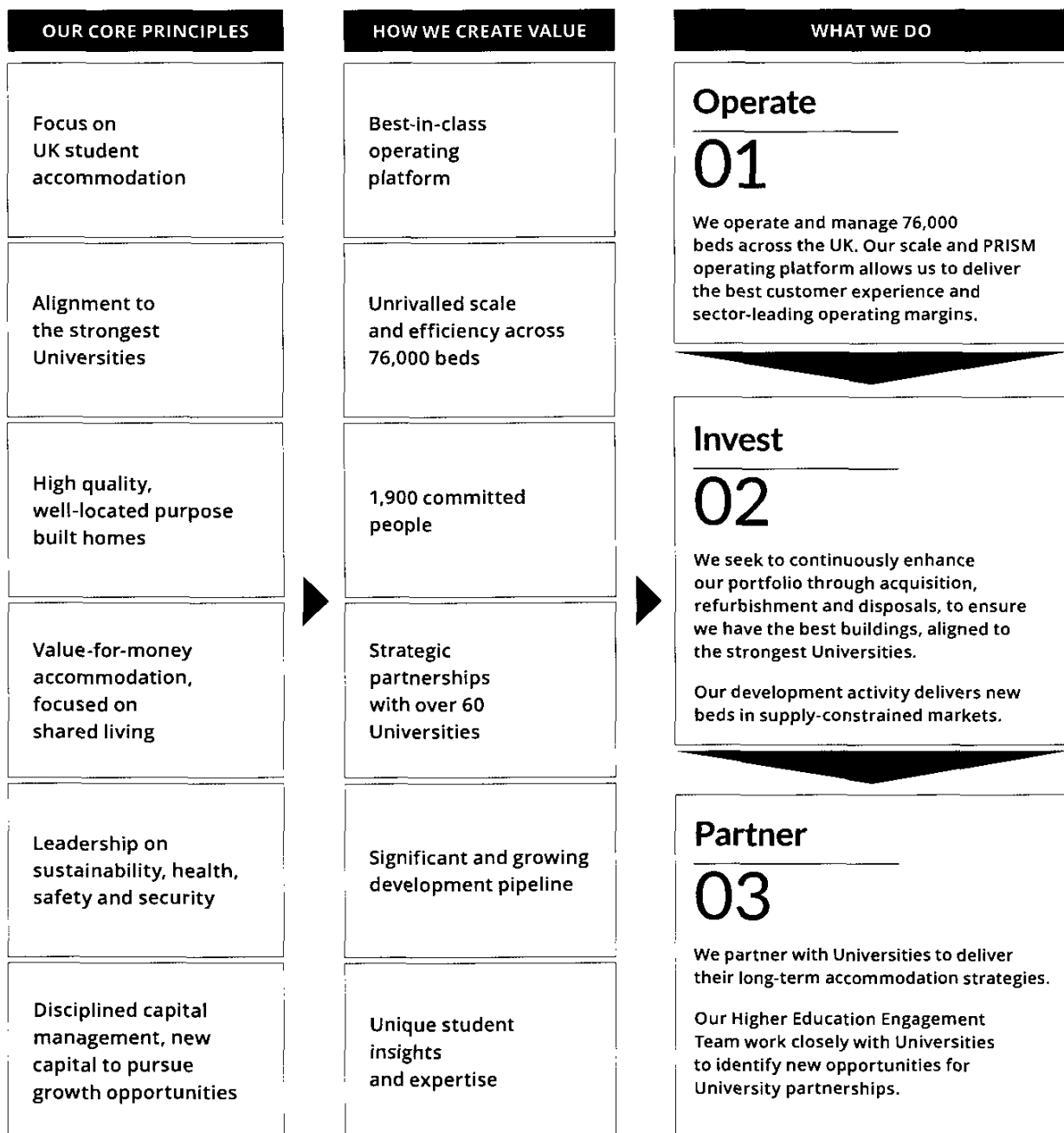
Activity in the UK construction sector was negatively impacted by the first national lockdown in 2020, but has since rebounded in line with wider business confidence. Lower activity overall has seen tender cost inflation moderate despite an increase in input cost inflation for some materials. Overall, we anticipate build costs to remain broadly flat in 2021 and with increases of 2–3% in 2022.

Land prices have softened slightly in regional markets over the past year. This reflects some caution on the part of developers given greater uncertainty around funding in the current environment. Land price inflation has been particularly muted for larger sites capable of delivering greater than 500 beds, which remain the target for our land purchasing. In London, land values have weakened over the past year as a result of depressed activity in both the office, hotel and built-for-sale residential sectors. This has improved the viability of student accommodation in zones 1 and 2 in central London, where we once again see opportunities to acquire sites which meet our hurdle rates for development. The scale and duration of this opportunity is uncertain given resilient investment activity in other sectors during H2 2020, which may create more competition for development sites.



OUR BUSINESS MODEL

The way we operate ensures we deliver for students, University partners, employees and investors.



WHAT WE DELIVER

OUR STUDENTS

A Home for Success that is
safe and secure with support
when it's needed

5-star

rating by
the BSC



Read more on
page 02

OUR UNIVERSITIES

A trusted partner,
helping to attract and
retain students

2,780

bed pipeline for
long-term University
partnerships



Read more on
page 14

OUR PEOPLE

Providing opportunities
for all, whatever their
background, gender
or ethnicity

+74

employee engagement
during the year



Read more on
page 41

OUR INVESTORS

Superior total returns

19% p.a.





total shareholder
return since 2011



Read more on
page 42

OUR STRATEGIC PRIORITIES

Our business focuses around our core purpose;
Home for Success supported by a values led
culture and underpinned by a focus on
the following areas.

STRATEGIC PILLARS	CURRENT STRATEGIC FOCUS
<p>Quality service platform</p> <p>01</p> 	<ul style="list-style-type: none"> • Maintain high occupancy, while increasing year-round utilisation • Deliver sustainable value-driven rental growth • Deliver efficiency improvements through our proprietary operating platform • <i>Research into the needs of today's students to enhance the service we provide</i>
<p>Quality properties</p> <p>02</p> 	<ul style="list-style-type: none"> • Portfolio optimisation through development, disposal, acquisition and lifecycle investments to ensure we have the right properties in the right locations, aligned with the strongest Universities • Ensuring our buildings are safe and secure for our customers and people
<p>Quality University partnerships</p> <p>03</p> 	<ul style="list-style-type: none"> • Strengthen our partnerships with Universities • Grow the proportion of beds aligned to high and mid-ranked Universities • Continue to increase the quality of nomination agreements • Pursue new opportunities for University partnerships across existing and new beds
<p>A responsible and resilient business</p> <p>04</p> 	<ul style="list-style-type: none"> • Becoming net zero carbon by 2030 • <i>Creating resilient resource efficient assets and operations</i> • Enhancing the health and wellbeing of our employees and students • Providing opportunities for all, including students, employees and the communities we work with

24,000
beds

Successful integration
of Liberty Living
portfolio

88%

Occupancy rate
across our portfolio
for 2020/21

87%

Beds now aligned to
high and mid-ranked
Universities

2020 IN REVIEW	OBJECTIVES FOR 2021	LINKS TO PERFORMANCE
<ul style="list-style-type: none"> 88% contracted occupancy and 1.1% growth in weekly rents for 2020/21 All properties remained operational throughout the Covid-19 pandemic Covid Secure status accredited by the British Safety Council Delivered £15 million of cost savings over summer 2020 in response to Covid-19 Successful integration of Liberty Living's 24,000 bed portfolio Increased run-rate for Liberty Living cost synergies to £18 million 	<ul style="list-style-type: none"> Return to full occupancy and positive rental growth for the 2021/22 academic year Mitigate income disruption from Covid-19 through targeted cost savings Research and development of our operating model of the future 	<ul style="list-style-type: none"> Earnings Per Share Like-for-like rental growth EBIT margin Higher Education Trust score Customer Satisfaction score Employee Engagement score Safety <p>Read more about our Quality service platform on page 17</p>
<ul style="list-style-type: none"> 2,257 new beds opened for 2020/21, with 40% of beds secured under nomination agreements Full provision made for replacement of HPL cladding on 19 properties 	<ul style="list-style-type: none"> Targeting £200–300 million of disposals to enhance the quality of our portfolio Increase alignment of our portfolio to high and mid-ranked Universities Secure new sites for the development pipeline Secure planning on 2023 development completions 	<ul style="list-style-type: none"> Earnings Per Share NTA per share Total accounting return Higher Education Trust score Customer Satisfaction score Like-for-like rental growth <p>Read more about our Quality properties on page 22</p>
<ul style="list-style-type: none"> Reputation enhanced through our response to Covid-19 and support for students 87% of beds aligned to high and mid-ranked Universities Completed 3,000 bed University partnership with the University of Bristol 	<ul style="list-style-type: none"> Pursue additional University partnership schemes to deliver further growth and long-term security of income Increase beds under long-term nomination agreements Improve Higher Education Trust score 	<ul style="list-style-type: none"> Earnings Per Share Total accounting return WAULT of nomination agreements % alignment to high and mid-ranked Universities Higher Education trust score <p>Read more about our Quality University partnerships on page 14</p>
<ul style="list-style-type: none"> The first purpose-built student accommodation provider to forgo 2020 summer term rents First student accommodation provider to be accredited Covid Secure by the BSC Increased provision and access to student wellbeing and mental health support Board approval for our new Sustainability Strategy Managed cash, liquidity and covenants through Covid-19 LTV reduced to 34% through proceeds of equity issue 	<ul style="list-style-type: none"> Stakeholder engagement around new Sustainability Strategy New Sustainability Committee formed to oversee implementation of Sustainability Strategy Publication of Sustainable Finance Framework and net zero roadmap Greater transparency around diversity and inclusion data 	<ul style="list-style-type: none"> BSC Health & Safety audit CO₂ emissions per bed Energy and water intensity per bed EPC ratings Employee Engagement score Gender and ethnic diversity Scholarships through the Unite Foundation LTV Average debt maturity <p>Read more about our Responsible and resilient business on page 46</p>

DIRECTORS' DUTIES AND SECTION 172 STATEMENT

Our Section 172 Statement.

Meeting the needs and expectations of our stakeholders is fundamental to the delivery of our purpose, Home for Success. Acting in the long-term interests of all of our key 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 helps shape the Group's strategy. Our Board also considers the impact of the Company's operations on the environment and the long-term risks posed by climate change.

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.

The Board receives regular updates from the Executive team, as well as the wider senior management team including the Group People Director, the Director of Strategy and Investor Relations, 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 that management is acting in accordance with its agreed strategy and the long-term interests of our key stakeholders.

The following sets out key examples of the Board's response and its decision making through 2020 when performing its duties under Section 172 of the Companies Act 2006:

Section 172	Overview	Relevant links
The long-term	<p>The Board is committed to acting in the long-term interests of all of our key stakeholders.</p> <p>The decisions made in response to Covid-19 were taken with consideration for the long-term success of the business, our reputation and our desire to show leadership within the student accommodation sector. The Company's long-term business strategy was also reviewed by the Board during the year.</p>	<p>Business model page 32</p> <p>Risk management report page 64</p> <p>Board Decision Making pages 102 and 103</p>
Our people	<p>Our people are central to our success as a business.</p> <p>The Board has kept up-to-date with the latest methods of employee engagement, particularly important given the challenges of Covid-19 and remote working. The Board receives regular updates through our designated workforce engagement Non-Executive Director, Elizabeth McMeikan, who attends Employee Panel Forum meetings.</p>	<p>Employee engagement page 94</p>
Business relationships with suppliers, our students and partners	<p>The Board understands the importance of fostering business relationships with students, University partners and suppliers.</p> <p>The Board considered the impact on students and Universities when making decisions to waive rent in response to the Covid-19 pandemic. Consideration was also given to the impact on our supply chain from delays to the delivery of property developments.</p>	<p>Covid-19 case study page 02</p>
Community and the environment	<p>The Board recognises the increasing importance of climate change and the impact our business has on the communities in which we operate. Community engagement is an important part of how we operate and design our buildings.</p> <p>A new Sustainability Strategy was reviewed and approved by the Board during the year, including new targets around our environmental impact and greater ambition around the social value we create in our communities.</p>	<p>Sustainability report page 46</p>
High standards of business conduct	<p>Delivering our Company purpose of providing a Home for Success can only be achieved through the highest standards of business conduct.</p> <p>Our values set our standards of conduct. These were refreshed following the Liberty Living acquisition to include a new value Creating Room for Everyone.</p>	<p>Our values page 90</p> <p>Governance report page 82</p>
Our Investors	<p>The Board recognises that acting fairly in the interests of all shareholders improves the Company's governance, increases investors' confidence and reduces our cost of capital.</p> <p>This year we have regularly engaged with our investors on our performance through the challenges of Covid-19 and also consulted with a significant number of shareholders prior to the June 2020 share placing.</p>	<p>Shareholder engagement pages 38 and 39</p>

Taking stakeholders views into account in Board decision making

The Covid-19 pandemic resulted in significant disruption to the Group's operational and development activities with implications for all of the Group's key stakeholders. The Board had regular video conference calls with the Executive team in addition to the scheduled Board meetings to help oversee and agree the Company's response to Covid-19. This helped to ensure timely and well-informed decision making in a period of rapidly changing circumstances. The Board considered the long term implications for the business, and the views of our wider stakeholders, when making the following key decisions:

- The Board took the decision to forgo rent for students who chose to return home for the remainder of the 2019/20 academic year and extend tenancies at no cost for students unable to return home at the end of their tenancies. The Board took this decision in light of its responsibility to do the right thing for students, while protecting the Group's brand and reputation with parents, Universities and Government. However, the Board also considered the significant financial cost of this move to investors, as well as the Company's ongoing ability to comply with covenants under its debt facilities. With all our properties open and operational throughout the first national lockdown, the Board supported the decision to collect rent under nomination agreements where the Group contracts directly with Universities.
- The Board took the decision to cancel the 2019 final dividend in March 2020 and later suspend the 2020 interim dividend to conserve cash in the business. Throughout the year, the Board regularly re-visited this decision, taking account of the Company's requirements to distribute dividends as part of its REIT status and its objective of delivering sustainable, growing dividends to shareholders.
- The Board continues to monitor progress on the planned works to remove HPL cladding on 19 affected properties. All our buildings have been independently confirmed as safe to occupy with special measures put in place at the affected buildings, including increased building patrols by staff, additional alarm measures and other property specific factors such as sprinklers, fire prevention and evacuation plans.
- Engagement with major shareholders also influenced the Board's decision to proceed with a £300 million equity issue in June 2020, to fund new opportunities to add to the Company's University partnership and development pipeline at enhanced returns.

The Board agreed to proceed at an issue price at a premium to prevailing NAV, ensuring no NAV dilution to existing shareholders, and providing new investment capacity to deliver earnings accretion as new development opportunities are delivered.

- In January 2021, following another national lockdown and with the Government advising students to remain at home, the Board recognised the difficulty students were facing. The Board agreed to support eligible students by providing a 50% rent discount for a total of ten weeks and offering a four week rent free extension to their tenancy agreement over the summer for students to enjoy their University city experience. This discount was extended for up to 10 weeks.

For more information on our Covid-19 response, see pages 2 and 3.

New Sustainability Strategy

The Board understands the growing importance of climate change and environmental, social and governance issues for all our stakeholders. With this in mind, development of a new and more ambitious Sustainability Strategy was a key objective for the Board during 2020:

- The new Sustainability Strategy was developed following a process of stakeholder engagement. The Board reviewed the proposed new Sustainability Strategy in September 2020 which helped validate the focus and level of ambition in this strategy. Subsequently, the Board approved the new strategy in November 2020 including commitments and a roadmap to net zero targets in operations and developments by 2030 and stronger commitments around diversity and inclusion in our workforce. The new Sustainability Strategy recognises the long-term impact of the Group's activities on our climate and society, while also addressing the most material issues facing our customers, employees, University partners and communities.
- The Board established a Sustainability Committee in early 2021 to provide formal oversight and challenge to the execution of the Group's Sustainability Strategy going forwards. Sustainability performance measures are being included in Executive remuneration for the first time in 2021.

For more information on our Sustainability Strategy, including the feedback obtained through our stakeholder engagement exercise, see pages 46 to 63 and for details on our climate change risk, see page 79.

STAKEHOLDER ENGAGEMENT

	OUR STUDENTS	OUR PEOPLE
WHO ARE OUR STAKEHOLDERS?	<p>With almost 30 years' experience in the student sector, we understand students' evolving needs. This unique perspective helps us to ensure our students get the most out of their University experience and differentiates us by delivering a better Home for Success.</p> <p>For more information on our Covid-19 response see pages 2 and 3</p>	<p>Our people are at the heart of our business and engaging with our people has been especially important during the Covid-19 pandemic.</p> <p>For more information on our workforce engagement and D&I strategy see pages 94 and 107</p>
HOW WE ENGAGE	<ul style="list-style-type: none"> • Day-to-day contact with in property teams • Regular student pulse surveys • Annual survey across the UK student body in partnership with the Higher Education Policy Institute • Our MyUnite app connects flatmates before they move in • Student ambassadors help new students settle in • Student life website 'The Common Room' with student-created content • A Home Charter designed to help foster a supportive community for students • Leapskills programme for school leavers which helps students prepare for University life 	<ul style="list-style-type: none"> • This year we adapted our people engagement strategy given Covid-19 challenges • Regular engagement and employee pulse surveys on a range of topics such as our support during Covid-19, diversity and inclusion and development of our Sustainability Strategy • Unite Live sessions with our CEO and key senior leaders providing regular business updates with an opportunity for our people to ask any question • Employee panels attended by Non-Executive Director, Elizabeth McMeikan • A new employee Culture Matters group providing employees with a dedicated employee driven forum to discuss diversity and inclusion issues
WHAT WE DID FOLLOWING ENGAGEMENT	<ul style="list-style-type: none"> • Waived 2019/20 third term rents for students during the first national lockdown and in light of lockdowns in 2021 we offered 50% rent discounts together with a four week complimentary extension into summer 2021 • Implemented a range of Covid-19 specific measures for our students and use of a range of communication channels including social media, text bursts and emails • Enhanced service features in the MyUniteApp including self-isolating notification and the ability to notify our teams remotely of maintenance or other assistance requests • Enhanced student welfare services, including bespoke support for students shielding, support for those self-isolating, online welfare checks and a pilot peer-to-peer scheme 	<ul style="list-style-type: none"> • Provided additional special leave to employees with caring responsibilities, extending our cycle to work scheme all year around and a new flexible working policy to balance work with home priorities • Commenced a programme of training for senior leaders with an external diversity and inclusion consultant to help our teams engage in supportive diversity and inclusion discussions • Launched our refreshed values, on the back of the completion of the Liberty Living acquisition, with the inclusion of a new value Creating Room for Everyone • Refreshed our Diversity and Inclusion strategy with new targets

OUR UNIVERSITIES

We aim to be a strategic partner to the strongest Universities, not just a supplier. This means we work with University partners to deliver solutions which work for them.

For more information on our University partnerships, see pages 34 and 35

We invest in understanding the long-term aspirations of Universities including their accommodation requirements and service expectations. This is achieved through:

- Our local management teams working closely with University accommodation and student services teams
- Our dedicated Higher Education team engaging regularly with Vice Chancellors and University leadership teams
- The Unite Foundation working in partnership with 27 Universities to provide support to students from challenging backgrounds

In light of Covid-19, this year the annual Higher Education Trust Survey was not undertaken but regular dialogue was maintained with Universities throughout the year.

The Universities we partner with recognise the decisions we have made during Covid-19 including:

- Allowing students to arrive 14 days before their 2020/21 tenancy start date rent-free for quarantine needs
- Providing delayed start dates for students to check in past the usual September start

This year, we have increased our support for Universities by providing:

- Our best practice Covid-19 guidelines and FAQs
- A monthly newsletter to our University partners outlining our activity over the previous month and sharing what we have planned
- Information on planned announcements on rent refunds and rent discounts
- A Higher Education podcast – Accommodation Matters – which is available on our website, Spotify, Podbean and Apple Podcasts featuring invited guests from the Higher Education sector to share learnings.

OUR INVESTORS

Our investors and funders are a key source of our efficient capital that allows our business to invest and grow.

For more information on our business model please see page 32

We aim to produce balanced and transparent reporting and communications to allow our investors to best understand our business and strategy, key risks and how we deliver long-term shareholder value. This year we increased our communications to investors with regular trading and business updates to keep investors informed of our performance and decisions made during the pandemic. We significantly increased the volume of meetings for investors and lenders throughout 2020, often in response to ad hoc requests, to provide maximum transparency around our response to the changing environment.

Our investors understand the difficult year this has been as a result of the pandemic and appreciate we have had to make difficult decisions such as cancelling the final dividend for 2019 and not paying an interim dividend for 2020. In June 2020, we consulted with a significant number of our major shareholders prior to a successful £300 million share placing where we received strong support from both new and existing shareholders. The principles of pre-emption were respected insofar as possible through the allocation process.

COMMUNITIES, PARTNERS AND SUPPLIERS

We understand the importance of building trusted relationships with our communities, partners and suppliers.

For more information, see our Sustainability Strategy on pages 46 to 63

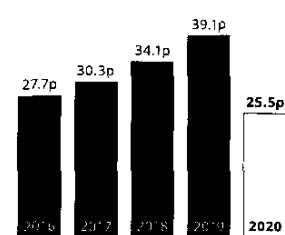
Throughout Covid-19 we have engaged actively with Government and liaised with Public Health England. We engaged with key stakeholders including students, Universities, our supply chain, strategic partners, investors, and our teams across the business to understand the material issues in developing our Sustainability Strategy. We engage with local decision makers including local councillors and stakeholders during the planning process for our new property developments. We work closely with our contractors and conducted a BSC Safety Council construction audit to understand areas of improvement.

We have developed key themes which we have incorporated into a new Sustainability Strategy to address the areas that matter most to us and our stakeholders. We engaged with local leaders on our Paddington, Bristol and Edinburgh developments and kept local MPs aware of our actions relating to Covid-19. Throughout the pandemic, we worked closely with our contractors to ensure our sites remained safe and also worked with our supply chain to mitigate delays in product and material delivery to our development sites. We now provide mental health and counselling support to contractors and their sub-contractors.

KEY PERFORMANCE INDICATORS

The business delivered a resilient performance in 2020.

Financial KPIs



EPRA Earnings per share¹ (p)

25.5p

Measure

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

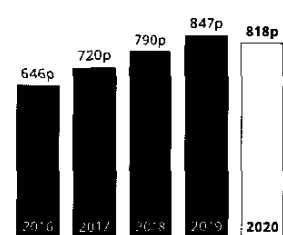
Comment

The business delivered a resilient financial performance in 2020 with EPRA EPS of 25.5, down 35% YoY. This reflects the impact of rent rebates for the summer term of 2019/20 and lower occupancy in the 2020/21 academic year, partially offset by cost savings made during the year.

Target

Deliver meaningful and sustainable growth in EPS by achieving high occupancy, rental growth, improving operating margins and delivering the development pipeline.

Alignment to strategy



EPRA NAV/NTA per share¹ (p)

818p

Measure

Our EPRA NAV/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.

Comment

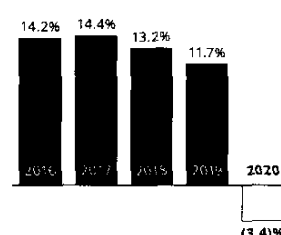
The NTA decrease has principally been driven by a reduction in the value of the Group's property portfolio, due to income deductions in relation to Covid-19 disruption, modest field expansion and debt exit fees related to the repayment of the Group's secured debt.

Further details of the change in EPRA guidelines can be found on page 175.

Target

To deliver growth in NTA through a combination of rental growth and development profits.

Alignment to strategy



Total accounting return (%)

(3)%

Measure

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

Comment

The negative total accounting return in 2020 reflects the valuation loss in the year and lower EPRA earnings.

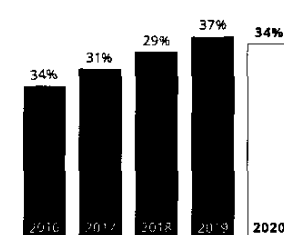
Looking forward we expect a strong recovery in total returns from 2021, underpinned by a return to full occupancy and positive rental growth for the 2020/21 academic year.

Further details of the change in EPRA guidelines can be found on page 175.

Target

To deliver attractive total returns, through a balance of recurring income and capital growth.

Alignment to strategy



Loan-to-value ratio (%)

34%

Measure

Our ratio of net debt to property values.

Comment

The reduction in LTV during the year was primarily driven by the net proceeds from the Group's share placing, which more than offset the impact of the valuation loss.

Target

To maintain LTV around the 35% level.

Alignment to strategy







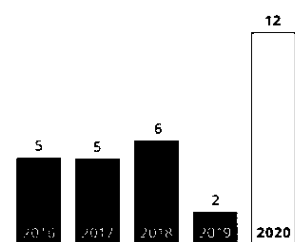
1. Results are based on the European Public Real Estate Association Performance measures. Reconciliations to IFRS measures are disclosed in note 2.2b and 2.3c.

2. The second block is the NPS score.

Operational KPIs

Strategic alignment key

-  Quality service platform
-  Quality properties
-  Quality University partnerships
-  Responsible and resilient business



Safety (Number of accidents)

12

Measure

The number of RIDDOR reportable accidents in our operations each year as a means of assessing our success in approaching health and safety.

Comment

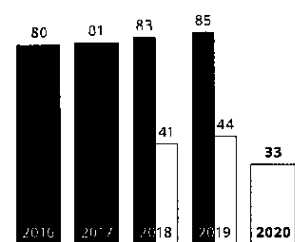
The increase reflects the enlarged portfolio following the acquisition of Liberty Living.

The largest contributor to the number of reportable accidents were five Covid-19 incidents which were reported whilst Public Health England supported two cities through initial unprecedented outbreaks of Covid-19.

Target

We strive to reduce the number of reportable incidents year-on-year and maintain our 5-star BSC Safety rating.

Alignment to strategy



Customer satisfaction²

+33

Measure

In 2020 we made the transition to a Net Promoter Score (NPS) as a more commercially relevant customer experience measure.

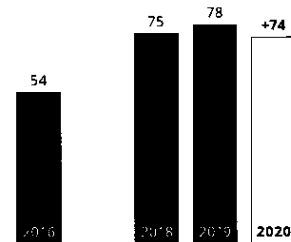
Comment

Three customer satisfaction surveys are typically undertaken per annum. The 2020 autumn NPS check-in survey achieved a score of +33, close to the international benchmark for hotels in non-Covid-19 times. Covid-19 has meant further surveys have not taken place. The chart data for 2018-2019 reflects a different measure of customer satisfaction, making it non-comparable with the NPS score for 2020.

Target

We will reset our NPS target once the disruption caused by the pandemic is over.

Alignment to strategy



Employee Engagement (%)

+74

Measure

We undertake independent, anonymous surveys amongst our employees to gain regular and insightful feedback on who we are as a company and how we can continue to improve.

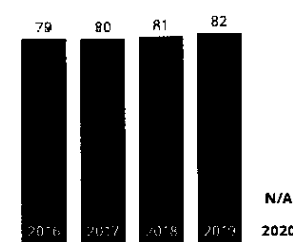
Comment

This year we changed the provider to our employee engagement surveys to Glint as we believe more regular pulse surveys for our teams provides more useful management information. During the year three pulse surveys were undertaken ensuring we kept aware of employee feedback during Covid-19. Due to the change in survey provider the 2020 employee engagement score is not directly comparable with previous measures.

Target

We strive to improve our score year-on-year.

Alignment to strategy



Higher Education Trust

N/A

Measure

We undertake regular surveys with our Higher Education customers to understand their perception of Unite and how we meet their needs.

Comment

In light of Covid-19 and the exceptional circumstances that Universities encountered, we did not undertake our annual Higher Education Trust survey. However, regular engagement with our University partners took place throughout the year providing guidance and feedback on student pulse surveys and working with them as Covid-19 developed. We aim to return to the survey in Autumn 2021.

Target

We aim to reach the mid-80 point level within the next three years.

Alignment to strategy



FINANCIAL REVIEW

The business delivered a resilient financial performance in 2020 through all of the challenges from Covid-19.

"Our performance reflects the acquisition and integration of Liberty Living and the loss of income and cost-savings resulting from Covid-19."

Joe Lister Chief Financial Officer

Income statement

A reconciliation of loss before tax to EPRA earnings measures is set out in summary below and expanded in section 8 of the financial statements.

The performance of the business has been materially impacted in the year by the effects of Covid-19. This reflects the impact of rent rebates for the summer term of 2019/20 and lower occupancy in the 2020/21 academic year, partially offset by cost savings made during the year.

	2020 £m	2019 £m
EPRA earnings	97.3	110.6
Valuation losses/gains and loss on disposal	(178.8)	198.1
Impairment of goodwill and intangibles	-	(384.1)
Integration/acquisition costs	(9.2)	(22.8)
Changes in valuation of interest rate swaps and debt break costs	(35.9)	(5.4)
Minority interest, tax and other items	6.5	2.4
IFRS loss before tax	(120.1)	(101.2)
EPRA earnings per share	25.5p	39.1p
IFRS basic earnings per share	(31.8)p	(31.5)p

The loss before tax of £120.1 million (2019: £101.2 million loss) includes valuation losses and losses on disposal of £178.8 million (2019: £198.1 million gain), reflecting the income shortfall resulting from Covid-19, as well as £35.9 million of costs associated with the repayment of the Group's secured debt facilities and changes in the valuation of interest rate swaps (2019: £2.7 million), which together more than offset EPRA earnings of £97.3 million (2019: £110.6 million).

Share placing

We completed a placing of 34.5 million new ordinary shares in June 2020 at a price of 870p per share, raising gross proceeds of £300 million. The Company consulted with a significant number of its shareholders prior to the Placing and respected the principles of pre-emption through the allocation process insofar as possible.

The net proceeds, coupled with debt up to our 35% LTV target, will be used to commit to new development or University partnership opportunities in central London and prime provincial markets for delivery in 2023 and 2024. We have already secured c.£175 million of new development opportunities since the placing across two sites in central London and Edinburgh and have a healthy pipeline of further opportunities that we are evaluating.

The placing proceeds were initially used to repay £207 million of secured debt at a cost of 4.8% ahead of being deployed into new developments. As a result, the placing is immediately accretive to total accounting returns and earnings neutral, with earnings accretion as new development opportunities are delivered.

Cash flow and net debt

The Operations business generated £57.3 million of net cash in 2020 (2019: £85.4 million) and see-through net debt reduced to £1,742 million (2019: £1,884 million). The key components of the movement in see-through net debt were:

- Net proceeds from the share placing (£294 million)
- Total capital expenditure of £140 million
- Operational cash flow of £65 million on a see-through basis
- Swap cancellation and debt break fees of £30 million
- A £47 million outflow for other items including lease payments and integration costs

In 2021, we expect net debt to increase slightly as planned capital expenditure on investment and development activity will exceed anticipated asset disposals.

Debt financing and liquidity

As at 31 December 2020, the wholly owned Group had £379 million of cash and debt headroom (31 December 2019: £332 million) comprising of £329 million of drawn cash balances, and £50 million of undrawn debt (2019: £27 million and £305 million respectively).

The Group maintains a disciplined approach to managing leverage, with see-through LTV of 34% at 31 December 2020 (31 December 2019: 37%).

The reduction in LTV during the year was primarily driven by the net proceeds from the Group's share placing, which more than offset the impact of the valuation loss. We intend to dispose of £200–300 million of assets in 2021 and £150–200 million per annum on an ongoing basis (Unite share basis) to fund our development activity and manage our LTV target to 35% on a built-out basis.

FINANCIAL REVIEW CONTINUED

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 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.

Debt covenants

We continue to monitor our banking covenants. Given the disruption to income caused by Covid-19, our principal focus is on our ICR covenants, which vary between 1.5-2.0x depending on the facility.

We remain compliant with all ICR covenants across the Group and its funds and joint ventures. Our tightest ICR covenant requires us to collect 70% of contracted rent for the 2020/21 academic year and we have collected 66% to date.

This requires us to collect less than 10% of rents due or outstanding for the balance of 2020/21 to maintain covenant headroom at the March and June 2021 quarter end tests. Given current progress on cash collection, scheduled payments by Universities and physical occupancy in our buildings, we are confident in retaining headroom under our ICR covenants.

From Q2 2021, headroom under our ICR covenants is expected to increase materially as the impact of cancellations in Q2 2020 are removed from the 12-month historical ICR calculation.

Interest rate hedging arrangements and cost of debt

Our average cost of debt based on current drawn amounts has reduced to 3.1% (31 December 2019: 3.3%) and the Group has 75% of investment debt subject to a fixed or capped interest rates (31 December 2019: 93%) for an average term of 4.2 years (31 December 2019: 5.4 years). The reduction in the average cost of debt during the year reflected the drawdown of our revolving credit facilities at a lower marginal cost, to ensure access to liquidity due to the uncertainty created by Covid-19. This also resulted in a reduction in the average term and hedge ratio on our investment debt, which we expect to reverse in 2021 as we refinance and repay our revolving credit facilities.

We will continue to proactively manage debt maturity profiles, diversify our lending base and look 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, with only limited maturities before late 2022.

We plan to publish a sustainable finance framework in the coming weeks, 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 December 2020	31 December 2019
Net debt	£1,742m	£1,884m
LTV	34%	37%
Net debt:EBITDA ratio	10.1	6.8 ¹
Interest cover ratio	2.5	3.5
Average debt maturity	4.2 years	5.4 years
Average cost of debt	3.1%	3.3%
Proportion of investment debt at fixed rate	75%	93%

1. 2019 calculation based on average net debt, pro rata for completion of Liberty Living acquisition in late November 2019.

Dividend

We are proposing a final dividend payment of 12.75p per share (2019: nil), making 12.75p for the full year (2019: 10.25p). The final dividend will be fully paid as a Property Income Distribution (PID) of 12.75p which we expect to fully satisfy our PID requirement for the 2020 financial year.

This represents a payout ratio of 50% for FY2020, which will increase to at least 80% as market conditions stabilise.

Subject to approval at Unite's Annual General Meeting on 13 May 2021, the dividend will be paid in either cash or new ordinary shares (a 'scrip dividend alternative') on 21 May 2021 to shareholders on the register at close of business on 16 April 2021. The last date for receipt of scrip elections will be 29 April 2021.

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.

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we incurred £1.5 million of corporation tax (2019: £2.5 million), relating primarily to profits on our property management activities, and a £0.3 million tax credit in respect of prior years (2019: £2.4 million).

The table below summarises the key financials at 31 December 2020 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	2,798	(843)	(60)	1,895	418	(3.9)%	Infinite	22%
LSAV	1,324	(462)	(49)	813	406	0.0%	2022/2027	50%

Funds and joint ventures

USAF and LSAV have delivered a resilient performance in the year, despite the challenging environment resulting from Covid-19. USAF's total returns do not reflect retained distributions which, if included, increase the effective total return of the fund to (2.0)%. LSAV's stronger underlying total return reflects a more modest reduction in property valuations over the year, due to £ for £ income deductions made in relation to Covid-19 having a less material impact on its lower yielding properties.

USAF is fully invested at present, based on a year-end LTV of 30%. Unitholders are supportive of further fundraising by USAF later in the year when there is greater visibility on the 2021/22 academic year, and we continue to monitor acquisition opportunities for the fund from both Unite's own balance sheet and the wider market.

There have been no distributions by USAF since January 2020, however they are expected to be reinstated in April to reflect positive progress around rent collection for the 2020/21 academic year and increasing confidence over reservations for the 2021/22 academic year.

The secondary market for USAF units continues to operate effectively with £41 million of units trading in 2020 at a modest average discount to NAV.

We are in advanced discussions with GIC for a long-term extension of our LSAV joint venture, reflecting its success since its creation in 2005 and subsequent extension and expansion in 2012. As part of the extension, Unite intends to maintain its stake in LSAV at 50%.

Fees

During the year, the Group recognised net fees of £18.6 million from its fund and asset management activities (2019: £21.2 million). The reduction was driven by the reduction in NOI and asset valuations resulting from Covid-19 and the absence of an acquisition fee in USAF that was generated from the Liberty Living acquisition.

The London portion of our LSAV joint venture has a scheduled maturity in 2022, at which point Unite is due to receive a performance fee accrued over the life of the JV. As part of the discussions with our joint venture partner GIC over the future of the vehicle, we expect to crystallise the performance fee during 2021 on completion of the extension of the JV. The 2019 results recognised an initial £5.7 million for Unite's share of this fee (£4.6 million net of tax) and we have recognised a further £5.7 million of this fee (£4.6 million net of tax) in 2020, bringing the total amount to date to £11.4 million (£9.2 million net of tax). Based on current expectations, Unite's remaining share of the performance fee is expected to be c.£15–20 million.

	2020 £m	2019 £m
USAF asset management fee	10.7	11.2
LSAV asset and property management fee	3.3	3.2
USAF acquisition fee	–	2.2
Net performance fee	4.6	4.6
Total fees	18.6	21.2

Joe Lister
Chief Financial Officer
16 March 2021

SUSTAINABILITY REPORT

Why sustainability matters.

Creating a responsible and resilient business.

Operating sustainably means acting in line with our values. We are creating a business which will shape a positive future for generations to come. Covid-19 has underlined the importance of putting the health and wellbeing of our employees and students first. We are committed to ambitious targets on net zero carbon, providing opportunities for students, employees and communities, and leading the student accommodation sector by piloting new initiatives which, working with our partners, will showcase a world-class student experience.

As we progress on this journey, we will be working to more closely align ourselves with the Sustainable Development Goals, a collection of interlinked goals set by the United Nations. The goals are designed as a blueprint to achieve a better and more sustainable future for all.

We have identified 11 goals that directly relate to our business and newly outlined objectives.

United Nations Sustainable Development Goals

ENVIRONMENTAL

Net zero carbon

Becoming net zero carbon in our operations and developments by 2030 – reducing the carbon emissions from new and existing buildings in line with climate science, ahead of the timescale set out in the Paris Climate Agreement to avoid the worst impacts of climate change.

Resource efficient

Creating resilient, resource efficient assets and operations – reducing the environmental impact of our new and existing buildings through investment in energy and water efficiency, moving away from the use of fossil fuels, and working with students to encourage sustainable living habits.

Baltic Wharf, Paddington, London: Targeting the highest levels of environmental performance

p51

Solar panels at Stapleton House

p52

SOCIAL

Health & wellbeing

Enhancing the health and wellbeing of our employees and students – engaging and listening to improve mental and physical health and wellbeing.

Opportunities for all

Providing opportunities for all – including students, employees and in the communities where we work, where all can succeed, whatever their background, gender or ethnicity.

GOVERNANCE

Raising standards

Leading the student housing sector – raising standards for our customers, investors and employees will ensure we further build on our reputation. This will ensure we support Universities to build on their reputation nationally and internationally.

Connecting students digitally

p54

The Unite Foundation

p58

Disclosure on ESG topics

p60 to 63

SUSTAINABILITY REPORT CONTINUED

We acknowledge the responsibility we have towards society and therefore choose to operate sustainably. This reflects our values, makes good business sense and is the right thing to do.



See pages 90 and 91

Students make choices based on their values and passions and are concerned about a wide range of sustainability issues, including climate change and social justice, and are ready to make a stand for those values through campaigns such as School Strike for Climate and Black Lives Matter.

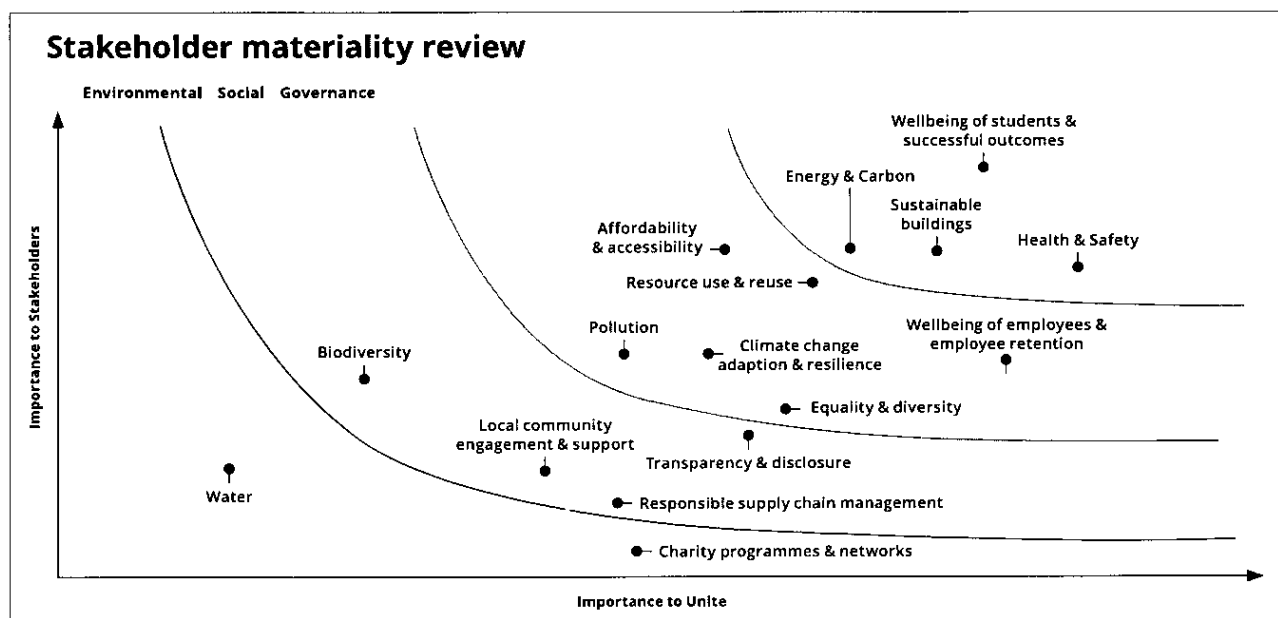
Environmental, social and governance issues are of increasing importance to investors, partners and other stakeholders, who recognise that an organisation's ability to effectively manage risks and opportunities in these areas plays a key role in their long-term success. All businesses have basic ethical and legal responsibilities. However, we understand the most successful businesses go further, and strive to balance the needs of shareholders against a responsibility to a wider group of stakeholders including customers, local communities and the environment. The regulatory and legislative landscape is also changing in the UK, with the UK Government increasing its ambition and commitment to a green and resilient recovery from the current crisis.

The Covid-19 pandemic has brought the importance of doing what's right into sharper focus with many businesses, including Unite, acting to support communities. We have reached an important crossroads and we are clear that building a business that is more sustainable, in every sense, presents the best way forward.

Reporting

We are committed to reporting our progress in an accessible and transparent way. This allows us to be intentional and thoughtful about the value we generate as a company – not only for our shareholders, but also for our people, our planet, and society.

Details of mandatory non-financial reporting can be found on pages 60 to 63, and further details can be found on our corporate website at www.unite-group.co.uk. Some of the schemes we disclose to and align with are set out across the bottom of this page. We are focused on ensuring our approach and our progress are clear and understandable.



Our energy consumption and carbon emissions for 2020 are set out on pages 61 and 62. These have been independently verified by SGS UK in line with ISO14064. We also disclose information in line with the European Public Real Estate Association's Sustainability Best Practice Reporting guidelines (EPRA sBPR) and have secured a Silver Award for this for the last two years.

In 2020, we formally signed up as a supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) and are aligning our climate-related risk management processes with the TCFD guidelines. Details of our approach are set out on page 63 and specific details of climate-related risks are included in the Risk Management report on page 79.

We know that the way we manage and respond to environmental, social and governance (ESG) issues is of growing interest to our investors and other stakeholders, who are increasingly factoring ESG performance and risk into their decision making.

We participate in a number of independent assessments of ESG performance including the sector-leading Global Real Estates Sustainability Benchmark (GRESB) and CDP, a not for profit running a global disclosure system for investors. For both we have achieved steady year-on-year improvements culminating in a four-star GRESB rating in 2020 and a score of 81/100, well above the overall average score of 70.

A new Sustainability Strategy

Our new Sustainability Strategy helps us bring together our activity in areas where we are already performing strongly, while also prioritising areas of focus which are of most interest to our stakeholders.

To inform the development of our strategy, we engaged with key stakeholders including students, Universities, our supply chain, strategic partners (including the NUS and Greater London Authority), investors, and employees across the business to understand the important sustainability topics for each group.

Based on this stakeholder feedback, and taking account of current and emerging regulation and best practice across the sector, we completed a materiality assessment of relevant ESG issues as shown above.

Using these findings, we have developed five clear sustainability objectives addressing the areas that matter most to us and our stakeholders. The following pages provide a more in depth view of our ambitions in each of these five areas, as well as progress made to date.

In addition to these five overarching objectives, we will be setting stretching and ambitious new targets in the coming year. We know it will take time, financial investment and significant business change to achieve them, and will provide updates on our progress during 2021.

SUSTAINABILITY REPORT CONTINUED

ENVIRONMENTAL

Becoming net zero carbon by 2030

We recognise the threat posed by climate change and the importance of reducing greenhouse gas emissions in accordance with the Paris Climate Agreement. We are aiming for net zero carbon emissions by 2030 for both new construction and the operation of existing buildings. We understand the huge scale of this challenge, and that we will not meet our ambitions straight away. But we are determined that doing what's right and are confident it is achievable with the right commitment and investment.

We are developing our plan to achieve net zero carbon operations and deliver net zero carbon new developments in accordance with the carbon hierarchy and will produce a Net Carbon Pathway which will be published later in 2021.

To deliver net zero carbon new buildings, we will design and build accommodation differently using alternative materials and methods to reduce embodied carbon from 'cradle to completion', while also making sure that they are net zero carbon in operation.

To achieve net zero carbon operations, we must significantly reduce energy consumption in our existing buildings, by improving energy efficiency and generating as much renewable energy on site as we can. We will also strengthen our existing commitment to purchase certified renewable energy, looking at new ways of doing so that support the construction of new renewable energy generation. We have already made good progress in this area, achieving a 60% reduction in carbon emissions per bed since 2014.

KEY TARGETS

- We will deliver net zero carbon new developments, with meaningful reductions in embodied carbon, by the end of 2030
- We will achieve net zero carbon operations, including significant reductions in energy consumption by the end of 2030
- We will purchase 100% certified renewable electricity that supports the development of new renewable generation capacity by 2028 and stop using fossil fuels by the end of 2030

Finally, we will need to use certified carbon offsets to tackle any residual carbon that cannot be completely removed.

This new level of ambition reflects how seriously we take the threat posed by climate change, and is in line with the increased focus on this topic by students, University partners and our shareholders.

PATHWAY TO NET ZERO CARBON

PATHWAY TO NET ZERO CARBON DEVELOPMENTS

1

REDUCE EMBODIED CARBON

Optimise design, use low carbon materials and good construction site practices

2

REDUCE OPERATIONAL ENERGY

Design for performance and maximise efficiency over full life of asset

3

MITIGATE RESIDUAL CARBON

Use of certified carbon offsetting

PATHWAY TO NET ZERO CARBON OPERATIONS

1

REDUCE ENERGY USE

Change behaviours to reduce demand and improve property energy efficiency

2

REDUCE OPERATIONAL ENERGY

Maximise on-site renewable generation and buy certified renewable power


3

MITIGATE RESIDUAL CARBON

Use of certified carbon offsetting

Baltic Wharf, Paddington, London: Targeting the highest levels of environmental performance

In 2021, we will submit plans for Baltic Wharf, a major new development in London and plan to make it one of our most sustainable buildings. We will be targeting significant reductions in embodied carbon through innovative design and the selection and sourcing of low embodied carbon materials. Baltic Wharf will also target the highest levels of environmental performance, aiming for a BREEAM Excellent rating and low energy use in operation, and will include a strong focus on urban-greening, rainwater harvesting, renewable energy and promotion of green transport options.

 Read the full case study at www.unite-group.co.uk

Corporate Power Purchase Agreement: Strengthening our commitment to renewable energy

Since 2017, all electricity purchased under our group supply contract with NPower (around 73% of the total electricity consumption across our buildings) comes from renewable sources and is backed by REGOs (Renewable Energy Guarantee of Origin Certificates) meaning it is zero carbon. However, to support our net zero carbon ambitions we will need to go further, and purchase energy in ways that directly support the creation of new renewable energy generation – a feature often called ‘additionality’. In 2020 we took our first steps in this direction, signing a 5MW corporate power purchase agreement (PPA) meaning that around 20% of our total electricity consumed will come from a specific wind farm in Scotland, and we are already looking at ways to increase the proportion energy we buy under similar arrangement in future.

"Buying electricity through a corporate power purchase agreement creates a strong link between the end user and a specific renewable generator. We were delighted to work with Unite and help deliver real reductions in carbon emissions via a 5MW corporate PPA with the Galawhistle windfarm in Scotland"

Npower

SUSTAINABILITY REPORT CONTINUED

ENVIRONMENTAL CONTINUED

Creating resilient and resource efficient assets and operations

We know it is important to reduce the environmental impact of our buildings and operations, including energy and water consumption, carbon emissions, and waste and resource use. We also have to ensure our business is resilient and can withstand the impacts of climate change and the transition to a low carbon economy over the coming years.

In the last six years we have invested over £30 million in energy efficiency projects, achieving a 10% reduction in our energy intensity (total energy use per student bedroom per year), but we know we must do much more. Therefore in 2021 we will be announcing ambitious targets and plans for further reductions in energy, water, waste and resource use, as part of a long-term focus on improving the environmental performance and resilience of our buildings.

KEY TARGETS

- Reduce carbon emissions per bed
- Reduce water usage
- Increase engagement with students and our employees to embed lasting environmentally responsible living habits



Read the full case study about our **Solar panels at Stapleton House** at www.unite-group.co.uk

SOCIAL

Enhancing the health and wellbeing of our employees and customers

This is an area where we have a strong track record and where we are well regarded by stakeholders across the sector, especially for the lead we took in response to Covid-19 to support both students and employees. We know that the wellbeing of our students and our employees should be a top priority because we have witnessed how this brings real benefits to our business, as well as the individuals involved.

A safe working environment for employees

During Covid-19, it has been especially important to fully engage with all employees in light of the rapidly evolving situation and the changing University calendar.

- We have introduced new two-way channels to listen to our employees and give them direct and frequent access to senior leaders so we can respond to their questions. This includes regular Unite Live forums and through regular Covid-19 updates.
- We have conducted regular pulse surveys with our teams to understand their needs during this difficult time.
- We have supported all office-based employees to work from home and this has been enabled by a health and safety assessment of their workplace.
- We have doubled our Special Leave to support with balancing work life with home life.
- We have not furloughed any employees.

Our operational teams have continued to work in challenging circumstances during the pandemic, especially those providing direct support to students. We have put in place a number of measures to support them so they can continue to respond safely in a dynamic situation. We have implemented a series of Covid Secure measures which are accredited by the British Safety Council and have worked with public health bodies nationally throughout the pandemic.

More broadly, we also know from experience that when our workforce is happy and engaged, they deliver better customer services, improve productivity, with reduced staff turnover and absenteeism.

Gender diversity

	Male	Female
Board	7 ¹	3
Senior Management	29	15
Other	1,019	879

¹ As at 1 April 2021 after Phil White retires as Chairman on 31 March 2021.

KEY TARGETS

- Improve employee engagement
- Reduce employee turnover and absenteeism
- Increase successful outcomes from student wellbeing interactions

Doing what's right for students

Year-on-year, we run a number of initiatives to help students make the transition to University life and to settle at the start of term, including the Leapskills programme, an interactive workshop used with schools. We provide easy access to extra support when students need it, all making a considerable difference to their experience at University and how they perform in their academic studies.

We know going to University and moving away from home is a significant life moment for students and with this in mind we initiated and co-wrote the PBSA Wellbeing guide for the British Property Federation in 2019. Regional Student Services Managers coach and support teams to identify and respond to student welfare issues, supported by a network of approximately 69 Welfare Leads with advanced training. Our student services team operate to a professional student welfare framework, working closely with our University partners.

 Read more about how we do what's right for our students at www.unite-group.co.uk

SUSTAINABILITY REPORT CONTINUED

SOCIAL CONTINUED

Enhancing the health and wellbeing of our employees and customers continued

To further support our students, we recently initiated Students Supporting Students – a peer to peer ambassador support programme – that focuses on current issues specific to the student accommodation setting. This covers five webinar topics including Settling into your City, Online Learning Motivation and Stress and Anxiety Management. We have drawn on specialist content developed by Student Minds to develop these webinars.

The peer-based model also helps them to develop friendship groups, which are fundamental to a successful student experience, where peers play a practical as well as emotional role in students' lives.

We work in a way which is designed to help students feel safe and secure in their accommodation, with well-trained teams and student ambassadors on hand to provide a vital safety net if required. We also provide access to a national helpline – Nightline – so that students have someone to speak to whatever their concern.

2020: a challenging year

In 2020 Covid-19 tested our business, like many others, and as a responsible business we felt we had an obligation to 'Do what's right' particularly for students living with us.

Standing by our convictions required considerable investment. Our decisions to waive the third term of rent in 2019/20 and provide rental discounts for the second term of 2020/21 resulted in a significant financial cost to the business. But we believe this was the right thing for students and their wellbeing and this decision enhanced our reputation with our stakeholders, while also underlining the importance of considering the long-term sustainability of the business.

Actions taken during Covid-19 included:

- First in the sector to refund students the cost of the 2019/20 third term's accommodation fees if they left accommodation early because of the pandemic.
- Providing a rent-free home for those students who did not want to return home in the summer of 2020, ensuring the continuity of a safe and secure living environment during an otherwise uncertain time in their lives.

Connecting students digitally

Today's students are the first true digital generation. Our MyUnite app helps them feel confident and connected, before and during their stay. It allows us to get them settled, to be there when they need us, and keep them safe. During Covid-19 the app provided a key channel to provide automated communications to students and their flatmates while self-isolating ensuring they remained connected.

The uChat feature provides a safe, secure and moderated chatroom for students to meet prospective flatmates. It enables students to contact the people they are going to be living with before they arrive at their accommodation, get answers to questions and alleviating some of the anxiety ahead of check-in day. This year we also offered chat rooms to whole floors, and for groups of students living in self-contained studios.

When living with us, students use the app to access and pay for services such as laundry, log maintenance requests, report complaints about noise or to access 24-hour help if they get locked out. They can also opt to receive notifications, for example when a parcel is delivered.

- Flexible booking particularly at the start of the new academic year given regional lockdowns.
- Conducting pulse surveys within the student community during Covid-19 to understand how they were coping.
- Providing rental discounts between January and March 2021.
- Introducing a Home Charter providing guidance on how to protect themselves and others, including advice sheets for self-isolation, cleaning and hygiene.
- Independent audit of policies, procedures and arrangements for Covid-19 by the British Safety Council (BSC). We are the only student accommodation provider to hold the highest 5-star safety rating from the BSC and are proud to have been one of the first UK companies that has been accredited a Covid assured workplace by the BSC.
- Greater use of technology to assist social distancing; digital check-in, self-service parcel collection, virtual maintenance assistance and an enhanced MyUnite App to help create student communities with safe social distancing.
- Increased cleaning and social distancing regimes.
- Trained and supervised Mental Health First Aid accredited welfare leads in each city and an Emergency Contact Centre available 24/7 and Nightline service for all residents.
- Welfare checks and ongoing support using remote access channels, as well as support on a case-by-case basis.
- In-person support delivered safely to students when required, including bespoke support to vulnerable groups.

Human rights

We believe human rights are universal and recognise that the *UN Guiding Principles on Business and Human Rights* set a standard of conduct expected of companies. We do our best to ensure that everyone involved or associated with our business is protected, treated fairly and subject to our anti-bribery and corruption, health and safety, anti-slavery and other policies, including those covering data protection, performance management, flexible working, grievances, leave, and quality and diversity.

The Common Room

Any student can read articles on our online blog platform, the Common Room, on different aspects of student life. We publish up to five new articles a week to help students through University, so they feel settled, achieve their goals and prepare for their future careers. Articles are either written by our in-house team or by a network of student journalists living with us. The platform has had over a million page views over the past 12 months.

The topics are driven by students themselves and range from preparing for University, making friends and settling in, to budgeting, staying healthy and career planning.

SUSTAINABILITY REPORT CONTINUED

SOCIAL CONTINUED

Enhancing the health and wellbeing of our employees and customers continued

Leapskills: A free resource helping young people prepare for independent living

In response to annual research with students showing 61% of young people are apprehensive and nervous about making the leap to independent living, Unite Students has responded with an interactive workshop used in schools to help better support these young people. This better prepares 17 and 18-year olds for this important transition and has already been used by over 3,000 young people.

Usually run as a 45-minute classroom programme as part of the Key Stage 5 PSHE programme, in 2020 Leapskills was adapted to an online format for use by students with parents and carers during Covid-19.

Through the workshop, young people discover what it is like living with new people, making new friends, balancing work with fun and managing their money. Those who use Leapskills say they feel better prepared at the end of the session and report increased levels of confidence in their move away from home. The Leapskills programme has been endorsed by the Department for Education.

"Going to University and living independently for the first time can be daunting – Leapskills workshops help Year 12 and 13 pupils prepare for this jump and build the skills they need to thrive at University."

Michelle Donelan MP

Minister of State for Universities

"The Leapskills toolkit will provide an additional but essential digital option for those who need specific inspiration for building their teen's life skills for successful communal living."

Dr Dominique Thomson

GP and young persons' mental health expert

Providing opportunities for all including students, employees and communities

Our teams are key to our business success. We are driven by our values and culture and a commitment to develop a diverse and inclusive organisation. We are keen to do more to provide interesting career pathways within our organisation and to ensure opportunities for progression are available for all. We are focused on greater representation of gender and ethnicity in senior positions and creating a more diverse workforce across our organisation, where everybody feels valued and engaged. We believe creating a more inclusive business improves conditions for all, not just those under represented, and will deliver long-term value for business and society. In support of Black Lives Matter, the business embarked on a review of its diversity and inclusion strategy with leadership training and support enabling leaders to communicate, engage and listen to their teams. This work will continue during 2021.

We work hard to act responsibly across all areas of the business, and we are committed to ensuring that everyone behaves with integrity and fairness. We regularly review our policies and ways of working to ensure we are creating an environment where our people can thrive. We know that only by creating a healthy, happy, engaged and productive team, can we go on to have a positive impact on young people at one of the most exciting times of their lives.

We are committed to creating safe, welcoming and inclusive communities for our students and supporting the wider purpose build student accommodation and University accommodation sector to improve inclusiveness. Activities over the coming years will include commissioning

KEY TARGETS

- A 50/50 gender split in the Unite leadership team by the end of 2023
- Fill 60% of managerial roles internally by the end of 2023
- Minority groups fairly represented in employees and management by the end of 2024

research into the needs of specific groups of students who may be at risk of exclusion, sharing these insights across the sector and taking positive action with our University partners to address these issues.

Achievements and recent progress include:

- The Business in the Community Race at Work Charter was signed in 2020 with a commitment to:
 - Capture ethnicity data and publicise progress.
 - A zero-tolerance approach on harassment and bullying.
 - Plans to support career progression of ethnic minority employees.
- In response to Black Lives Matter, a Culture Matters ally network was created in 2020.
- Engagement with a leadership and diversity and inclusions specialist, who is providing fresh thinking and stimulus to our teams.
- Enhanced shared parental leave.
- Investors in People – Gold award achieved.
- A Real Living Wage employer.
- Employee wellbeing champions network across the UK.
- Over the four years:
 - £1.1 million donated through student and employee fundraising.
 - Provided 1,300 counselling sessions to our employees.
 - Awarded over £95,000 to charities via employee charity match scheme.

SUSTAINABILITY REPORT CONTINUED

SOCIAL CONTINUED

Providing opportunities for all including students, employees and communities continued

Positive social impact in communities

In all of the 27 towns and cities where we operate, we partner with more than 60 Universities and have a positive impact by playing an active role in local communities. This activity has been enhanced during Covid-19 and is still going strong.

For example, by having our students living as part of communities, this increases spending locally and helps local businesses, creates employment opportunities and supports spin-off companies, including educational, cultural arts events, concerts, performances and sporting facilities. Across the UK, student spending supports more than £80bn of UK economic output and over 830,000 direct and indirect jobs.

We work hard to engage with our local communities, having a positive impact on local residents and wider communities. Every employee at Unite has the opportunity to spend one full day or eight hours each year volunteering. Although some activities were limited in 2020, this usually involves supporting a group, community or charity which benefits young people in the communities where we operate. *Over 83% of our volunteers have reported an increase in job satisfaction through a post volunteering survey, which has been completed on a rolling basis over the past two years.*

Unite Foundation

Unite has been the principal supporter of the Unite Foundation since 2021 and has so far committed over £10 million to its work. It is a charity that provides a unique scholarship for care leavers and estranged young people who want to go to University, providing free, purpose-built, student accommodation and wrap around support for up to three years of study. These young people do not have family support, some of them have been in care, others have been living independently, or with friends or extended family and some have been homeless. The scholarship provides a place for students to live throughout their studies so that they can *focus on embracing the full University experience and plan their future*. The Foundation, together with its 27 University partners and teams on the ground, ensures that its scholars have the opportunity to thrive at University and beyond.

- Each year, 80–100 new scholarships are awarded. This means 256 students are currently being supported through the scholarship programme.
- Since the programme started eight years ago, the Foundation has provided support to over 500 students.
- The retention rate for students supported by the Unite Foundation is significantly higher than that of care experienced and estranged students in the general student population, and 27% go on to undertake postgraduate study, which is higher than the national average. Unite is the major donor to the Unite Foundation each year.

 Find out more about our Positive Impact programme at www.unite-group.co.uk

GOVERNANCE

Leading the student housing sector by raising standards

Our ambition is to continue to lead the student housing sector and to raise standards and deliver value to customers. This has been demonstrated through Covid-19 when we have provided financial and wellbeing support to students living with us. Our main focus will be to build on established good practice to drive up standards across the whole student accommodation and Higher Education sector.

We will continue to put robust governance and management processes in place to ensure compliance with all relevant regulations, codes and other requirements, backed up with training and engagement, verification and reporting.

Our supply chain plays a key role in helping us achieve our ambitions and we will continue to work closely with them, and other partners who share our values to bring about measurable improvements, ensuring sustainable supply chains are operational across the business.

We also contribute actively to the ANUK National Code for purpose-built student accommodation and in recent years have helped to raise standards around student welfare support via the Code.

Our annual Insight Report, delivered in partnership with the Higher Education Policy Institute (HEPI), shares key insights and analysis around the attitudes, experiences and needs of students. It makes a strong contribution to the work of PBSA providers and Universities, and many of our University partners have used its findings in their strategy development.

Key achievements:

- First PBSA provider to be accredited Covid Secure by the British Safety Council and to achieve a BSC 5-star rating.
- Worked in partnership with the Scottish Government, individual Universities and Public Health England to develop guidance relating to Covid-19 for student accommodation providers.

KEY TARGETS

- Improve scores from the Higher Education sector on sustainability issues
- Full alignment of health and safety systems with ISO-45001
- Full compliance with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD)
- Year-on-year improvement of GRESB score, to indicate overall performance against ESG measures

SUSTAINABILITY REPORT CONTINUED

To complement the launch of our new Sustainability Strategy, 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

Employees	Group Health and Safety Policy Employee Handbook Equality, Diversity and Inclusion policy Trans and gender identity policy Whistleblowing policy Directors' Remuneration Report Read more about Employees on pages 38 and 39	Anti-corruption and bribery	Anti-bribery policy Read more on www.unite-group.co.uk
Environmental matters	Environment policy Statement on carbon reduction/target Read more about Environmental topics on pages 61 to 63	Description of principal risks and impact of business activity	Read more about Principal risks and impact of business activity on pages 68 to 80
Human rights	Unite Group Code of Ethics Modern Slavery statement Data Protection Policy Read more about Human rights on page 55	Description of the business model	Read more about Our business model on pages 32 and 33
Social matters	Volunteering Policy Fundraising guidelines Charity Policy including matched giving Read more on www.unite-group.co.uk	Non-financial key performance indicators	Read more about our Non-financial KPIs on page 41

Carbon emissions and climate change

Carbon emissions and climate change remain a priority area for focus. This year sees two major factors causing significant changes to energy consumption and associated carbon emissions.

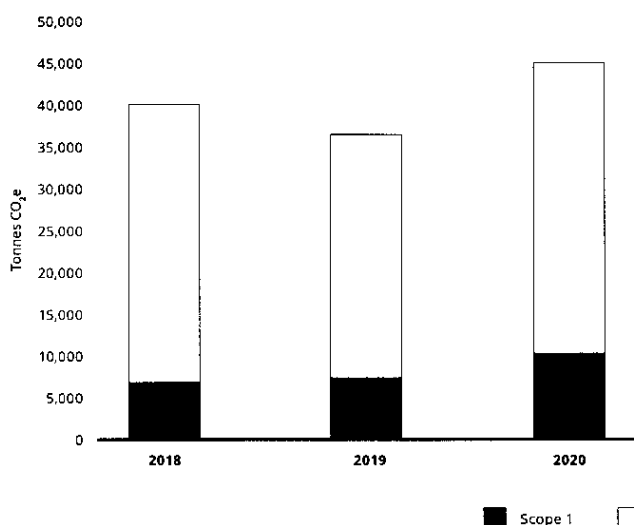
Following the acquisition of Liberty Living, emissions associated with these properties are in scope for the first time. This acquisition brought 55 additional properties into the portfolio, totalling over 24,000 student beds and c.700,000m² of floor area. In addition, these properties have not benefited from the same levels of investment in energy efficiency over recent years as the wider Unite estate, and so typically consume more energy per bed. Properties in the Liberty Living portfolio also make almost exclusive use of electricity for both heating and hot water (compared to the pre-existing portfolio where a significant minority of properties use gas or district heat for these), further changing the overall balance of scope 1 and scope 2 emissions. Furthermore until the end of September 2020 former Liberty Living properties operated under a legacy

electricity supply contract without any renewable element, resulting in a significant increase in market-based scope 2 emissions. From October 2020 onward these sites all moved across to the group supply contract with NPower and so benefitted from 100% renewable REGO backed electricity.

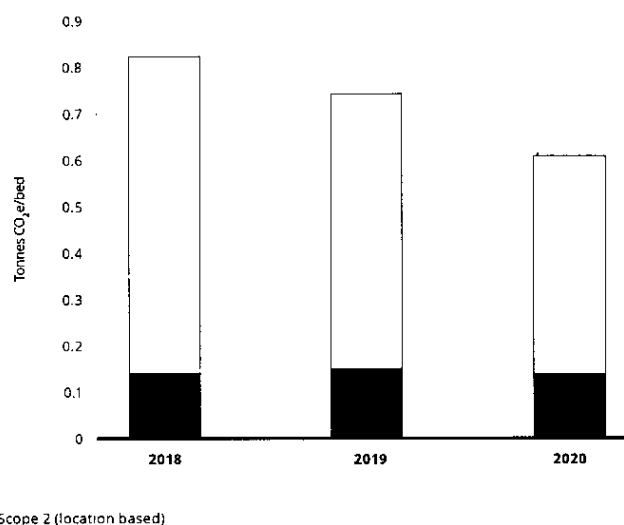
The second major impact this year has been the Covid-19 pandemic. Government restrictions and the interruption of normal teaching in the Higher Education sector led to significant changes in both overall levels of occupancy as well as day-to-day patterns of usage. Overall, this led to a significant reduction in consumption and corresponding carbon emissions compared to budget expectations. Disruption due to Covid-19 also meant that capital investment in energy and water saving initiatives planned for 2020 were unable to proceed as planned.

The interplay overall of these factors on net emissions is complex, although the effect is an increase in absolute energy consumption and emissions, but a reduction in energy and emissions per bed and per m² basis.

Whole estate Scope 1 + Scope 2 (location based) emissions, absolute



Whole estate Scope 1 + Scope 2 (location based) emissions, per bed per year



Subject to the easing of lockdown, we aim to undertake detailed energy surveys of the former Liberty Living properties during 2021 to identify energy efficiency opportunities that will help deliver our net zero carbon ambition.

Full details of energy consumption and carbon emissions are set out below:

Energy consumption carbon emissions data

ESTATE DATA	2018			2019			2020		
	Data	Change vs prior year		Data	Change vs prior year		Data	Change vs base year (2014)	Change vs prior year
Year-end bed numbers	48,622	-1.6%	▼	49,992	2.8%	▲	75,531	75.49%	▲
Carbon contributing bed numbers	48,706	-1.4%	▼	49,242	1.1%	▲	74,193	89.63%	▲
Carbon contributing floor area (m ²)	1,391,923	-1.4%	▼	1,400,011	0.5%	▲	2,118,807	84.64%	▲

ENERGY & WATER USE	2018			2019			2020		
	Consumption	Change vs prior year		Consumption	Change vs prior year		Consumption	Change vs base year (2014 for energy, 2015 for water)	Change vs prior year
Natural Gas									
Absolute (kWh)	36,632,735	19.3%	▲	39,616,444	8.1%	▲	55,242,941	136.81%	▲
Relative to bed numbers (kWh/bed)	752.12	21.1%	▲	804.53	7.0%	▲	744.58	24.88%	▲
Relative to floor area (kWh/m ²)	26.30	21.0%	▲	28.30	7.5%	▲	26.10	28.26%	▲
Electricity									
Absolute (kWh)	109,881,655	-5.5%	▼	106,148,132	-3.4%	▼	140,535,318	25.55%	▲
Relative to bed numbers (kWh/bed)	2,256.03	-4.0%	▼	2,155.66	-4.4%	▼	1,894.43	-33.79%	▼
Relative to floor area (kWh/m ²)	78.94	-4.1%	▼	75.82	-4.0%	▼	66.33	-32.00%	▼
Heat									
Absolute (kWh)	11,793,033	28.2%	▲	11,775,682	-0.1%	▼	12,091,340	277.61%	▲
Relative to bed numbers (kWh/bed)	242.13	30.2%	▲	239.14	-1.2%	▼	162.97	99.13%	▲
Relative to floor area (kWh/m ²)	8.47	30.1%	▲	8.41	-0.7%	▼	5.71	104.52%	▲
TOTAL ENERGY (gas + electricity + heat)									
Absolute (kWh)	158,307,423	1.4%	▲	157,540,259	-0.5%	▼	207,888,468	50.12%	▲
Relative to bed numbers (kWh/bed)	3,250.29	2.9%	▲	3,199.33	-1.6%	▼	2,801.73	-20.83%	▼
Relative to floor area (kWh/m ²)	113.73	2.8%	▲	112.53	-1.1%	▼	98.12	-18.69%	▼
Water									
Absolute (m ³)	2,452,769	11.8%	▲	1,954,648	-20.3%	▼	2,716,738	49.31%	▲
Relative to bed numbers (m ³ /bed)	50.40	13.5%	▲	39.70	-21.2%	▼	36.60	-13.30%	▼
Relative to floor area (m ³ /m ²)	1.80	13.4%	▲	1.40	-22.69%	▼	1.30	-22.69%	▼

SUSTAINABILITY REPORT CONTINUED

GREENHOUSE GAS EMISSIONS	2018			2019			2020		
	Emissions	Change vs prior year		Emissions	Change vs prior year		Emissions	Change vs base year (2014)	Change vs prior year
Total Scope 1 emissions									
Absolute (tonnes CO ₂ e)	6,851	18.8%	▲	7,397	8.0%	▲	10,328	135.1%	▲
Relative to bed numbers (tonnes CO ₂ e/bed)	0.14	20.6%	▲	0.15	6.8%	▲	0.14	24.0%	▲
Relative to floor area (kg CO ₂ e/m ²)	4.92	20.5%	▲	5.28	7.3%	▲	4.87	27.3%	▲
Total Scope 2 emissions (location based)									
Absolute (tonnes CO ₂ e)	33,315	-22.0%	▼	29,205	-12.3%	▼	34,856	-37.8%	▼
Relative to bed numbers (tonnes CO ₂ e/bed)	0.68	-20.8%	▼	0.59	-13.3%	▼	0.47	-67.2%	▼
Relative to floor area (kg CO ₂ e/m ²)	23.93	-20.8%	▼	20.86	-12.8%	▼	16.45	-66.3%	▼
Total Scope 2 emissions (market based)									
Absolute (tonnes CO ₂ e)	2,359	-89.7%	▼	3,128	32.6%	▲	10,694	-80.7%	▼
Relative to bed numbers (tonnes CO ₂ e/bed)	0.05	-89.6%	▼	0.06	31.1%	▲	0.14	-89.8%	▼
Relative to floor area (kg CO ₂ e/m ²)	1.69	-89.6%	▼	2.23	31.8%	▲	5.05	-89.5%	▼
Total Scope 1+2 emissions (location based)									
Absolute (tonnes CO ₂ e)	40,166	-17.1%	▼	36,602	-8.9%	▼	45,184	-25.2%	▼
Relative to bed numbers (tonnes CO ₂ e/bed)	0.82	-15.8%	▼	0.74	-9.9%	▼	0.61	-60.6%	▼
Relative to floor area (kg CO ₂ e/m ²)	28.86	-15.9%	▼	26.14	-9.4%	▼	21.33	-59.5%	▼
Total Scope 1+2 emissions (market based)									
Absolute (tonnes CO ₂ e)	9,210	-67.9%	▼	10,524	14.3%	▲	21,023	-64.9%	▼
Relative to bed numbers (tonnes CO ₂ e/bed)	0.19	-67.4%	▼	0.21	13.0%	▲	0.28	-81.5%	▼
Relative to floor area (kg CO ₂ e/m ²)	6.62	-67.4%	▼	7.52	13.6%	▲	9.92	-81.0%	▼
Total verifiable Scope 3 emissions									
Absolute (tonnes CO ₂ e)	11,666	-20.1%	▼	9,859	-15.5%	▼	12,326	-16.6%	▼
Relative to bed numbers (tonnes CO ₂ e/bed)	0.24	-18.9%	▼	0.20	-16.4%	▼	0.17	-56.0%	▼
Relative to floor area (kg CO ₂ e/m ²)	8.38	-19.0%	▼	7.04	-16.0%	▼	5.83	-54.8%	▼
Total non-verifiable Scope 3 emissions									
Absolute (tonnes CO ₂ e)	6,610	No data	No data	110,988	1579.1%	▲	76,285	n/a	n/a
Relative to bed numbers (tonnes CO ₂ e/bed)	0.14	No data	No data	2.25	1560.9%	▲	1.03	n/a	n/a
Relative to floor area (kg CO ₂ e/m ²)	4.75	No data	No data	79.28	1569.4%	▲	36.00	n/a	n/a
Total of verifiable and non-verifiable Scope 3 emissions									
Absolute (tonnes CO ₂ e)	18,276	No data	No data	120,847	561.2%	▲	88,631	n/a	n/a
Relative to bed numbers (tonnes CO ₂ e/bed)	0.38	No data	No data	2.45	554.1%	▲	1.19	n/a	n/a
Relative to floor area (kg CO ₂ e/m ²)	13.13	No data	No data	86.32	557.4%	▲	41.83	n/a	n/a

Notes:

GHG emissions have been calculated using methodology set out in HM Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting March 2019 (Updated introduction and Chapters 1 and 2)' in line with the GHG Protocol's 'A Corporate Accounting and Reporting Standard (Revised Edition)'. Energy consumption and GHG emissions reported here cover 100% of Unite operations, which all occur in the UK, and have been independently verified to a level of 'Reasonable Assurance' against the requirements of ISO14064-3:2006 by SGS UK Ltd.

'Per bed' emissions and energy consumption have been calculated using 'carbon contributing bed numbers', which are a pro rata share of each site's total bed numbers based on the number of months it was in scope during the reporting period. E.g. a 100 bed site that was only in scope for six months due to disposal would be taken to have only 50 carbon contributing beds during the reporting period.

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), Category 3 (Fuel and energy-related activities including T&D and WTT emissions), Category 6 (Business travel – including direct and indirect (WTT and T&D) emissions from flights (including RF), and rail travel), 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 in accordance with the requirements of ISO 14064-3:2006.

Emissions factors used are the 2020 'UK Government emission conversion factors for greenhouse gas company reporting'. Location Based Scope 2 emissions are calculated using the UK national average grid emissions factor as per the above guidance, whilst Market Based Scope 2 emissions are calculated using the supplier's contractual emissions factor which is zero for 96.5% of electricity. This amount is fully backed by REGOs. This portion is from renewable sources and fully backed by REGOs.

More detailed breakdown of emissions, including by asset and category, are reported via schemes including the CDP Climate Change Disclosure and GRESB Real Estate Assessment, and at www.unite-group.co.uk

Managing climate-related risks

Climate change represents a material risk to our business, which is why we have committed to fully implement the recommendations of the **Task Force on Climate-Related Financial Disclosure (TCFD)**. As we work to become net zero carbon by 2030, we will increase our focus on the management and disclosure of climate-related risks and opportunities. We plan to share more details later this year including a detailed net zero carbon pathway *showing how we intend to achieve our target*. An overview against the four core elements of the TCFD guidelines are set out below.

1. Governance

Our new Sustainability Committee will meet regularly to ensure 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. 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. The Board also undertakes a twice-yearly formal risk review (see page 64). Our new Sustainability Steering Group, chaired by the Chief Financial Officer, coordinates the implementation of our new Sustainability Strategy across the business, drives continual improvement, and is responsible for the assessment, management, and reporting of climate-related risks and opportunities.

2. Strategy

We will undertake annual assessments of climate-related physical, transition and social risks under different climate scenarios over a short, medium and longer term, which will inform business planning and operational decisions. We already track climate change as a principal risk (see page 79), but will disclose more detail later in 2021. Areas for focus are likely to include:

- Acute climate impacts: Increased frequency and severity of extreme weather (storms, flooding) resulting in damage to assets and disruption to operations and value chain.
- Chronic climate impacts: More frequent heatwaves and increased risk of overheating, potentially leading to customer dissatisfaction, risks to health, safety and wellbeing, reduced summer business, and capital expenditure to mitigate.

- Asset stranding: Capital investment required to ensure all assets follow a 1.5°C decarbonisation trajectory and remain compliant with evolving minimum energy standards to avoid asset stranding and negative impacts on asset values.
- Energy/carbon costs: Ongoing increases and volatility in energy costs and potential new carbon charges resulting in increased operating costs.
- Changing customer behaviours: driven by shifting social norms, direct climate impacts, or increased costs resulting from the transition to a low carbon economy.

More detailed assessment of climate-related risks under different potential climate scenarios will be completed this year and inform ongoing business strategy and planning to ensure effective management and mitigation. This will be published during 2021.

3. Risk Management

We are creating individual Asset Transition Plans charting each property's journey to net zero carbon, and a Net Zero Carbon Pathway setting out our overall approach to becoming net zero carbon by 2030. These, along with our annual assessment of climate-related risks undertaken by our Sustainability Steering Group, will inform asset management and business planning decisions and so help build resilience and deliver the decarbonisation needed to limit warming to 1.5°C or lower.

4. Metrics and Targets

As we strengthen our climate-related risk management, we will publish more detailed targets for this area. These are likely to include absolute and intensity metrics based on scope 1, 2 (market and location based) and 3 GHG emissions (see pages 61 and 62), utilities consumption and costs, EPC rating, flood risk and metrological data.

RISK MANAGEMENT

A resilient and agile risk management approach is helping us navigate Covid-19.

“Our risk management framework is designed 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 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 as we navigated the huge challenges of Covid-19 whilst overseeing the successful integration of the Liberty Living business.

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 Operations and Property Boards). 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.

1 Board leads risk review

Assessing our risk profile and our principal risks and the impact of Covid-19 on these risks.

2 Top-down review

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

3 Bottom-up review

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

4 Board searches externally for best practice

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

Output – five risk categories

Market risks (supply and demand)

[Read more
on pages 72 to 74](#)

Operational risks

[Read more
on pages 75 and 76](#)

Property/development risks

[Read more
on pages 77 and 78](#)

ESG risks

[Read more
on page 79](#)

Financial risks

[Read more
on page 80](#)

Whilst the Board considered there were no fundamental changes to our principal risks due to Covid-19, most of our risks were elevated directly as a result of the pandemic and the challenging economic environment, the safety and wellbeing of our customers and employees and the impact of lockdowns on how students study and how we operate our business.

Our values are the foundation for our risk management framework and ultimately combine in our purpose to provide a Home for Success. We recognise that risk cannot be entirely eliminated, but rather use our decision making process to ensure an appropriate balance between risk and opportunity. We are conscious to be risk-aware, defining our risk appetite as we face challenges and embrace new opportunities.

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 took a proactive and pre-emptive approach to managing the business in response to the dynamic and widespread nature of the 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 this first. This safety risk was especially elevated when the first lockdown happened (with Universities closing) and then into the 2020/2021 academic year (with Covid-19 prevalent in student accommodation and the wider community). As the pandemic spread further in 2020 and now in early 2021, alongside physical health, the risk to mental health and wellbeing of our student customers and our people has significantly increased. The Board oversees a comprehensive safety risk management plan which included Unite becoming the first student accommodation provider to achieve Covid Secure status accredited by the British Safety Council.

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, with Unite waiving rent for students who choose to return home during the third term of 2019/20 academic year, as well as offering rent discounts to those not using their accommodation during the third national lockdown in early 2021. We also ensured a safe working environment for our employees (as detailed on page 53).

To manage the income risk which flowed from doing the right thing by waiving / offering discounted rents, the Board took decisive action to protect our cash and financial position. These actions included: deferring development and non-essential operational capex and delivering cost savings, a 30% reduction to salaries and pension contributions for Executive Directors, 10-20% for senior management and a 30% reduction in fees payable to Non-Executive Directors (effective for a four-month period from 1 April), cancelling our 2019 final dividend and suspending our 2020 interim dividend, realising additional cost synergies from the Liberty Living acquisition, in-sourcing work for summer 2020 turnaround and cleaning as well as savings to utility and broadband costs with a halt to discretionary overhead spending and non-essential recruitment.

To manage our Financing risks, the Board increased the monitoring of our 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.

The table on pages 66 and 67 set out in more detail the impact of Covid-19 on our principal risks and what the Board did to address this.

RISK MANAGEMENT CONTINUED

Covid-19 impact on our principal risks in 2020

OPERATIONAL RISK – SAFETY

Covid-19 impact – what happened

Covid-19 and its widespread impact on the safety and wellbeing of our customers, our employees and the communities we operate in.

Our Covid-19 risk response – what we did

Managed our Covid-19 safety risk through a comprehensive risk management plan as well as seeking expert Covid-19 third party assurance. We were the first accommodation provider to achieve Covid Secure status accredited by the British Safety Council. To protect our reputation, our Covid-19 plans included clear dialogue and engagement with Public Health England, local authorities, our various stakeholders as well as direct Government engagement.

Read more about our Covid-19 risk response on page 65 and in the Health and Safety Committee report on page 115.

During Covid-19 it has been especially important to fully engage with all employees in light of the rapidly evolving situation and the changing University calendar.

We have:

- increased two-way channels to listen to our employees and give them direct and frequent access to senior leaders so we can respond to situations
- held regular Unite Live forums enabling all employees in the business to speak to and ask questions of the leadership team and through regular Covid updates
- conducted regular pulse surveys with our teams to understand their needs during this difficult time
- supported all office-based employees to work from home, supported by a health and safety assessment of their workplace
- increased our Special Leave to support teams with balancing work life and home life.

[Read more about Covid-19 safety response on pages 2 and 3](#)

DEVELOPMENT RISK

Our Covid-19 risk response – what we did

Covid-19 impact on development, including programme risk in delivering schemes on time and to budget.

Our Covid-19 risk response – what we did

Covid-19 created unique challenges to securing new sites as well as delivering schemes on time and to budget (temporary site closures and reduced levels of operatives on site as a result of social distancing measures). Notwithstanding this, we delivered 2,257 beds across three development schemes for the 2020/21 academic year. This includes White Rose View in Leeds with a

559-bed 30-year nomination agreement with the University of Leeds (completed on time and budget for student arrivals in September 2020) plus Arch View House, London and Artisan Heights, Manchester delivered in Q4 2020.

In response to Covid-19, deferred delivery of two schemes (Middlesex Street, London and Old BRI, Bristol) to 2022.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RISK

Covid-19 impact – what happened

Key stakeholders' focus on ESG risk has increased and is likely to continue because of Covid-19.

Our Covid-19 risk response – what we did

Through 2020 we developed our new Sustainability Strategy following extensive engagement with investors and other stakeholders. This strategy will play an important role in the longer-term sustainability of the business.

[Read more about our Sustainability Strategy on pages 46 to 63](#)

MARKET RISK

Covid-19 impact – what happened

Increasing risk of macro events reducing demand for UK HE and student accommodation (such as the Covid-19 pandemic, Government policy around HE or immigration and uncertainty related to Brexit).

Our Covid-19 risk response – what we did

This demand risk was amplified by the sudden and unprecedented nature of the global pandemic with Covid-19 impacting us directly and materially in the 2019/20 and 2020/21 academic years leading to a material loss of income. Risk mitigated primarily through suspending dividends, conserving cash, drawing bank facilities and reducing costs wherever possible whilst ensuring safety remained paramount.

Worked directly with the Government and public health authorities on Covid-19 as well as with Universities on their

dynamic operating plans for the 2020/21 and 2021/22 academic years.

High and medium- tariff Universities have demonstrated the most resilience through Covid-19 and this supports our strategy to align with these Universities through our acquisitions, disposals and development activity.

Read more in the **Market overview on pages 27 to 31**

Covid-19 impact – what happened

Customer expectations of value-for-money and affordability – Covid-19 impacting student experience.

Our Covid-19 risk response – what we did

Demonstrated value-for-money and affordability through Unite's focus on doing the right thing for all stakeholders, especially students, during the uniquely challenging period.

Decisive action to enhance our reputation with students, parents and Universities building on our strong University partnerships, including:

- first in the sector to refund students the cost of the third term's accommodation fees for the 2019/20 Academic Year if they left accommodation early because of the pandemic as well as first in the sector to offer discounted rents early in 2021 and a complimentary four weeks to extend their stay into summer 2021

- provided rent-free homes for those students who did not want or were unable to return home in summer 2020, ensuring the continuity of a safe and secure living environment during an otherwise uncertain time in their lives
- worked closely with Universities to share best practice Covid-19 operating procedures
- offered flexible booking particularly at the start of the new academic year given regional lockdowns.

Read more about **Operations review on page 17**

FINANCIAL RISK

Covid-19 impact – what happened

Covid-19 increasing level of uncertainty around income. This impacts balance sheet liquidity and compliance with debt covenants.

Our Covid-19 risk response – what we did

Our debt covenants, like for many other borrowers, were fundamentally tested by the sudden, unexpected and wide ranging nature of Covid-19. This especially so for ICR covenants, not historically a risk and not designed to absorb a change such as this. To manage this risk, the Board took rapid action to ensure that the Group had sufficient liquidity through deferral of development activity, cancellation and suspension of dividends, cost saving activity and drawing bank facilities.

This provided the Group with meaningful liquidity headroom to be able to withstand severe downside scenarios. In addition, we have engaged more proactively with our lenders and increased our covenant monitoring across a range of scenarios. This ensured that as risks emerged, we were ready to identify further action and share regular updates with lenders. Also, external audit review of covenant compliance through the Going Concern process.

PRINCIPAL RISKS AND UNCERTAINTIES

Our risk appetite and Covid-19

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 principal financial aim of delivering attractive total returns through recurring income and capital growth, while maintaining a strong capital structure.

During the year, the Board regularly reviewed and assessed our risk appetite with frequent Covid-19 calls in addition to the scheduled Board meetings. This risk appetite was assessed against the context of the especially dynamic and volatile 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, although the Board ensured a more 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 2020, this scenario planning closely monitored Government and public health authorities guidance on Covid-19 as well as the ongoing and dynamic operating plans of Universities for 2020/21 and 2021/22 academic years. 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.

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:

- During 2020 and into 2021, regular Covid-19 Board calls in addition to the scheduled Board meetings. This supports an appropriate balance between a Covid-19 response and other key business areas (such as overseeing ongoing fire safety and a successful Liberty Living integration).
- 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 dynamic nature of Covid-19.
- Risk Committee reviews the principal and emerging risks that the Group is facing or should consider.
- Specific risk management in dedicated Board sub-Committees allowing focus on specific risk areas (for example, the Audit Committee and Health and Safety Committee).
- Risk Committee scrutiny and challenge of 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 (e.g. British Safety Council providing specialist independent health and safety assurance).

ESG Risks and our Sustainability Strategy

As a responsible and trusted business, our wider stakeholders demand we proactively address environmental, social and governance risks. This is consistent with one of our values 'doing what's right'. The pace of change in this area has only intensified with Covid-19 with an increasing focus on longer term sustainability. Our overarching ambition is for Unite to clearly lead the student housing sector on sustainability

issues and be in the leading pack of real estate companies in the wider sector. This is what our customers and employees expect of us and is critical to Unite being their Home for Success. If we do not do this fast and / or successfully enough, we risk losing the support of our investors and wider stakeholders. In addition, we risk regulatory non-compliance and the resulting increased cost of trying to keep up with fast-paced regulatory change.

To mitigate this risk, during 2020 we conducted extensive stakeholder engagement and a materiality assessment to develop our detailed sustainability objectives and targets. The Board needed to better understand our stakeholder expectations; otherwise we risk not meeting them.

In addition, we assessed our ongoing ESG regulatory and reporting compliance. The Board used this engagement to develop our new Sustainability Strategy. This provides a clear structure with objectives, flagship targets and governance to help ensure its successful delivery. We are especially conscious we risk non-delivery of our Sustainability Strategy if we do not engage and ensure the business owns and leads change through business as usual activity. This a core aspect of the implementation of this strategy and a key focus for 2021.

 Read more about our **Sustainability Strategy** on pages 46 to 63

Our new Sustainability Strategy sets out five key objectives designed to address our most material ESG risks:

Environmental

- 1. Becoming net zero carbon in our operations and developments by 2030** – reducing the carbon emissions from new and existing buildings in line with climate science, ahead of the timescale set out in the Paris Climate Agreement to avoid the worst impacts of climate change.
- 2. Creating resilient, resource efficient assets and operations** – reducing the environmental impact of our new and existing buildings through investment in energy and water efficiency, moving away from the use of fossil fuels, and working with students to encourage sustainable living habits.

Social

- 3. Enhancing the health and wellbeing of our employees and students** – engaging and listening to improve mental and physical health and wellbeing.
- 4. Providing opportunities for all** – including students, employees and in the communities where we work, where all can succeed, whatever their background, gender or ethnicity.

Governance

- 5. Leading the student housing sector** – raising standards and delivering value to our customers and investors and providing a great place to work for our employees will ensure we further build on our reputation. This will ensure we support UK Universities to build on their reputation nationally and internationally.

Climate change risks

In 2020, we formally signed up as a supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) and will be aligning with their requirements for managing and reporting climate-related risks (see page 63 for more information).

Our Chief Executive has overall responsibility for our climate-related risks and opportunities with ongoing oversight of climate-related issues provided by our newly established Sustainability Committee, a sub-Committee of the Board. Risks are tracked, managed and mitigated by our Sustainability Steering Group and the relevant business functions.

Addressing climate-related risks to our business is a fundamental part of our new Sustainability Strategy and specifically our objectives of: (1) becoming net zero carbon in our operations and developments by end of 2030 and (2)

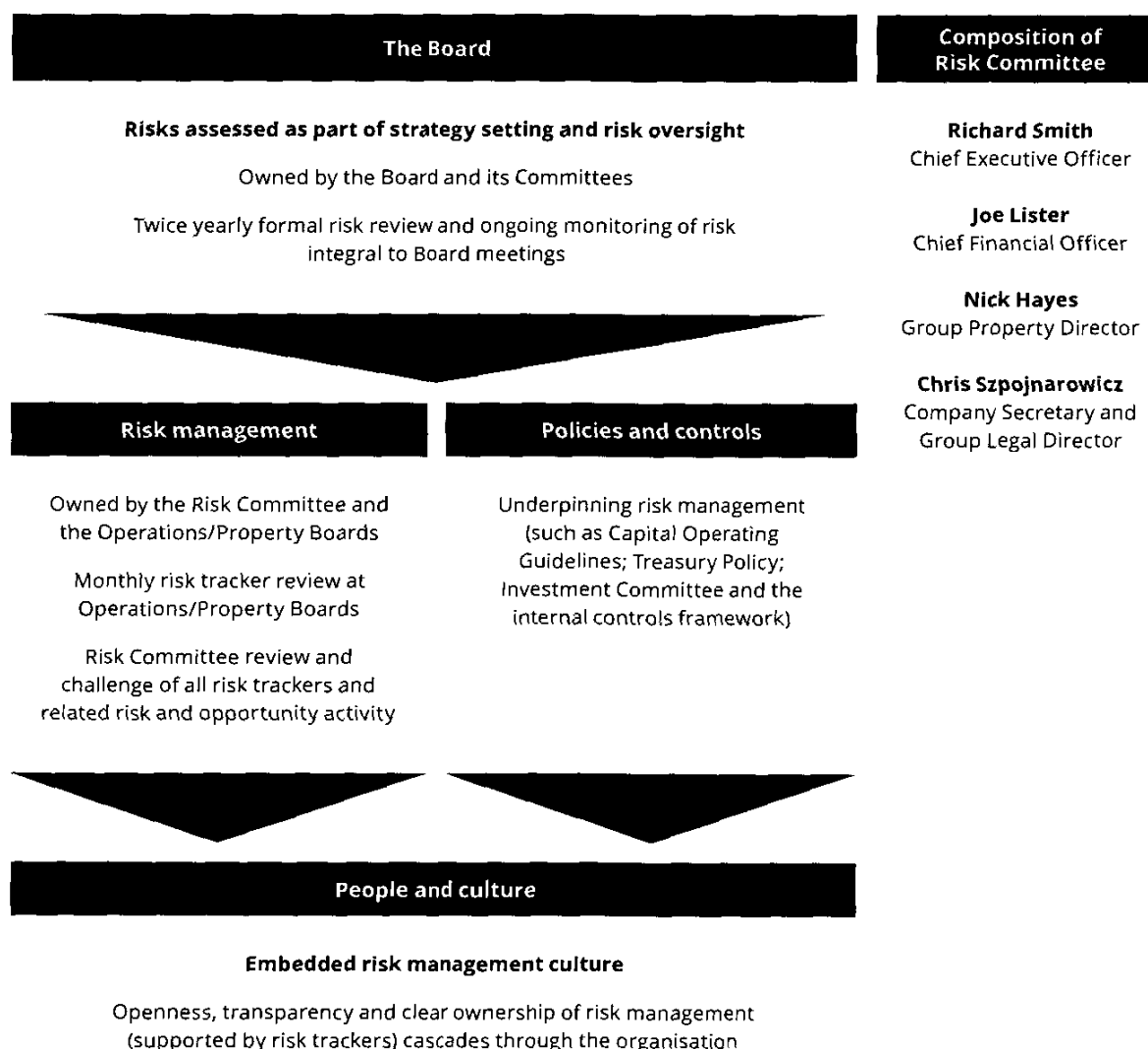
creating resilient, resource efficient assets and operations. Reducing the environmental impact of our buildings and operations, including energy and water consumption, carbon emissions, and waste and resource use, helps ensure our business is resilient and can withstand the impacts of climate change and the transition to a low carbon economy over the coming years.

We will continue to focus on climate-related risks as we move to align fully with the TCFD's recommendations throughout 2021 and will be publishing more details of potential impacts and our approach to managing and mitigating them later in the year.

The Board has identified the following climate-related risks: Regulatory; Physical; Transition and Stakeholder risks. For more detail see Principal risk 8 – Climate-related risks: challenge to our longer term sustainability caused by climate change, page 79.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Our risk management framework



Our Key Risk Indicators (KRIs)

Quality service platform	Quality properties	Quality University partnerships
Safety	Gross Asset Value	Safety
Customer satisfaction	Asset age	Higher Education trust
Employee engagement	Occupancy	Customer satisfaction
	Rental Growth	% Noms v. Direct-let

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 72 to 80.

Viability statement

The Directors have assessed the viability of the Group over a three year period to December 2023, 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 2023.

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 expects an improvement in financial performance from the 2021/22 academic year reflecting progress around vaccinations for Covid-19 and the Government's plans to remove lockdown restrictions over the coming months. 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 relaxation of international travel restrictions allows increased numbers of International students to study in the UK compared

to the 2020/21 academic year. 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

As outlined in the Going Concern disclosure, the Group expects ICR covenants to improve rapidly from March 2021 as the impact of the initial lockdown and Term 3 2020 rent forbearance is excluded from 12 month historic tests. Debt covenants are therefore not expected to impact the Group's viability.

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 [page 42](#)

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

MARKET RISK

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



Possible Events

- Covid-19 pandemic
- 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

Impact

- Covid-19 impacted Unite directly in 2019/20 and 2020/21 academic years leading to a loss of income compared to plans
- Potential reduction in demand and hence profitability and asset values
- Departure from EU impacting EU research grants and EU students coming to the UK

Strategic objective

Read Our business model on page 32

- Offering great 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 2020

Read more about Market review on page 27

- Covid-19 pandemic: direct impact for Unite alongside wider and indirect global impact
- Student applications: The number of applicants and the number of students accepted onto courses in 2020 was 729,000 and 570,000 respectively (2019: 706,000 and 541,000). A 5.4% year on year increase in acceptances was driven by a record participation rate among UK 18-year-olds and a 17% increase in acceptances from non-EU students
- Brexit alongside wider political uncertainty continued through 2020
- UK continued as second most popular international destination for students after the US
- The UK Government's international education strategy is targeting an increase in the number of international students to at least 600,000 by 2030. In September 2019, the Government announced a new two-year post-study work visa for international students (three years for postgraduates), starting from the 2020/21 academic year
- UK leaves EU Erasmus scheme and launches the UK's own Turing 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 2020

- Mitigated the Covid-19 reduced income primarily by suspending our dividends, conserving cash, drawing bank facilities and reducing costs where possible whilst always protecting safety and the longer term health of the business
- Closely monitored Covid-19 guidance from the Government and public health authorities as well as extensive dialogue with our HE partners on their dynamic operating plans for both 2020/21 and 2021/22 academic years. 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 reviewing our portfolio – especially conscious it has grown through the Liberty Living acquisition – to ensure we have the highest quality portfolio, appropriately sized and in the right locations
- Continued to deliver Home for Success, our core purpose to provide homes that help students achieve more during their time at University which was especially challenging for them through 2020

Focus for 2021

- Mitigating impact of reduced income / occupancy from the ongoing pandemic through dividend / cash / third party cost management and our related stress testing / scenario planning
- Continuing to work with our HE partners on their dynamic operating plans
- Ongoing monitoring of Government HE funding and immigration policy
- Continued focus on portfolio management, using disposals to reduce exposure in higher risk markets

MARKET RISK

2 Demand reduction: value-for-money/affordability



Possible Events

- Increasing focus on the cost of a University education – affordability and value-for-money – especially challenged in 2020 due to Covid-19
- 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
- Emerging risk of Further Education being promoted over HE

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

Strategic objective

Read more about **Our business model** on page 32

- 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). Our PRISM operating platform helps us deliver the best customer service efficiently
- Offering a wider range of product enables students to have more choice

What happened in 2020

Read more about **Operations review** on pages 17 to 21

- Covid-19 materially increased media attention on the cost of University education (both tuition fees and accommodation). This largely centred on complaints that the costs remained the same despite students studying on-line through the pandemic and were not able to physically attend University and enjoy the wider University experience
- Increasing proportion of second and third years choosing PBSA. Over two thirds of Unite's direct-lets are returning students
- Continued our Student Ambassador programme and University-adopted Welcome programme
- Integrated the Liberty Living beds, providing us with a wider range of product and price points and more affordable product

Risk mitigation in 2020

- Waived 2020 summer rents for students returning home due to Covid-19 during the first national lockdown. Unite was the first PBSA operator to do so. Likewise, early in 2021, 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 2020
- Allowed international students to move to a January 2021 start date, forgoing September – December 2020 rent
- Option to check-in early, at no-extra cost, where students needed to quarantine having arrived from a Covid-restricted area
- Connected students via the MyUnite digital app before they moved in so they could get to know each other in advance
- Helped foster a sense of community by introducing a Home Charter creating a healthy and supportive living environment
- 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 Unite's teams without having to leave their rooms
 - 24/7 support through Unite's 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 2021

- Working with our HE partners on their dynamic operating plans during the 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, including leading the market forgoing rents/ offering discounts and complimentary extensions through summer 2021
- Ongoing monitoring of Government HE funding
- Ongoing review of our services, product proposition and specification
- Greater segmentation of product for customers

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

Impact

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

Strategic objective

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

What happened in 2020

Read more about our [Operations review on page 17](#) and [Property review on page 22](#)

- The outlook for levels of new supply started to moderate. This was largely due to Covid-19 uncertainty, companies conserving cash and challenges proceeding with plans prior to the pandemic
- New supply is also slowing due to 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
- Unite delivered three new properties in 2020 alongside active property recycling, resulting in a higher-quality Unite portfolio

Risk mitigation in 2020

- Disciplined investment approach to markets with supply/demand imbalance
- June 2020 share placing raising £300 million for Unite's continued investment in its best-in-class portfolio. Deploying these placing proceeds by exchanging contracts for a 300-bed development site in central Edinburgh, an 800-bed development in Paddington, London and exploring other sites

- 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 2021

- Our portfolio: delivering our development pipeline underpinned with strong University partnerships
- Our people and our operating platform PRISM. 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

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

Impact

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

Strategic objective

Read more about **Our business model** on page 32

- Ensuring the safety of our customers, contractors and employees is fundamental to us offering quality service

What happened in 2020

Read more about **Operations review** on pages 17 to 21

- Covid-19 has impacted our safety risk in unprecedented ways, whilst our other risks (such as fire and contractor safety) continue and in some cases are even increasing (e.g., increasing since more students are cooking in their student accommodation so there is an increased risk of kitchen fires and 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
- 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 2020

Read more about **Health and Safety Committee report** on pages 115 to 119

- 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 Operations and Property Boards, 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 PHE, local authorities, our various stakeholders as well as direct Government engagement on Covid-19
- Comprehensive Covid-19 risk management program, 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
- Appointed Faithful & Gould for assurance on Development safety risk (this includes specific Covid-19 audits on sites as well as a Wellbeing focus)
- Refreshed our Values, including a focus on 'Keeping us safe' and ensuring people know they are able to speak out and help us create a Safety culture
- 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
- Implemented the British Safety Council recommendations from our 2019 BSC safety audits (namely, an Occupational Health and Safety audit spanning 39 operating properties and our Bristol head office – achieved BSC 5-star audit rating; a dedicated fire safety audit; and a construction audit)

Focus for 2021

- Monitoring the dynamic Covid-19 situation and proactively revising our operating practices
- Continued focus on the safety and wellbeing of our customers, employees and contractors
- Removal of HPL cladding, with activity prioritised according to our risk assessments, starting with those over 18 metres in height
- Monitoring and preparing for the anticipated more stringent fire safety regulations

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

Impact

- Results in reputational damage, financial damage and / or increased scrutiny including sanctions and fines

Strategic objective

Read more about **Our business model** on pages 32 and 33

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

What happened in 2020

- External Cyber Maturity Assessment completed in Q4 2020 acknowledged good progress in our Information Security approach and controls as well as provided key priorities for further improvement
- Technical security controls aligned to industry standard security controls 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
- Ongoing programme of training and awareness to promote everyone's responsibility to protect information, especially personal data
- Significant increase in customer and employee data processed due to the acquisition of Liberty Living
- Captured customers' self-isolation status data to support with Covid-19 response activity

Risk mitigation in 2020

- Responded to increasing risk 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
- Data protection risks increasing due to the processing of Covid-19 health related data and mitigated through cross-functional collaboration, strict access and data retention controls and new procedural controls
- Responded to increasing threat of Ransomware
- 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
- Conducted a review and gap assessment of the Data Protection activities to define an improved framework approach
- Renewed Cyber Insurance policy

Focus for 2021

- To continue alignment with the ISO27001 Information Security standard, which provides a framework for a risk-based approach to identifying, implementing and improving security controls
- Strengthening the Information Security Committee (ISC) and ISC Working Group enabling business level engagement with Information owners
- Expand the perpetual security monitoring and testing activities
- Monitor the processing of and controls in place for Covid-19 health related data

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

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 results in a deteriorating net debt position and negatively impacts our ability to commit to all of 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

Strategic objective

- Quality properties
- High-quality service for students and Universities
- Reduce our negative environmental impacts

Read more about our [Sustainability Strategy on page 46](#)

What happened in 2020

- Covid-19 led to the deferral of some development activity through 2020 to conserve cash (Middlesex Street, London and Old BRI, Bristol)
- Delivered 2,257 beds across three development schemes for the 2020/21 academic year. White Rose View in Leeds (559-bed 30-year nomination agreement with the University of Leeds) completed on time and budget for student arrivals in September. Following temporary site closures and reduced levels of operatives on site as a result of social distancing measures, Arch View House, London and Artisan Heights, Manchester delivered in Q4 2020

Read more about our [Property review on pages 22 to 26](#)

- £300 million placing in June 2020 enabling continued investment in our best-in-class platform (exchanged contracts for a 300-bed development site in central Edinburgh and a new 800-bed development site in Paddington on a subject to contract basis)
- Completed a new University Partnership with the University of Bristol, covering around 3,000 beds in Bristol. This will include a large proportion of our existing operational assets in the city following targeted investments as well as the 431-bed Old BRI development and the 596-bed Temple Quay development in close proximity to the University's new Temple Quarter campus

Risk mitigation in 2020

Read more about [Development pipeline and University partnerships pipeline on page 25](#)

- 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 2021

- Ensuring delivery of our two deferred schemes for delivery in 2022
- Deployment of remaining June 2020 share placing proceeds into new schemes at attractive returns

Read more about [Secured development and partnerships pipeline on page 25](#)

- Securing more sites to build the pipeline for 2023 and beyond
- Reducing the impact of our operational carbon emissions as well as embodied carbon from our development and refurbishment activity

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

Impact

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

Strategic objective

Read more about **Our business model** on pages 32 and 33

- Quality properties – 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
- Greater focus on delivering attractive total returns through recurring income and capital growth, while maintaining a strong capital structure

What happened in 2020

Read more about **Property portfolio** on page 22 and **Disposals** on page 26

- 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 (due to practical problems with buyers accessing sites as well as wider economic considerations) but later in the year a portfolio of provincial assets sold to an international buyer at pricing broadly in line with pre-Covid-19 levels. Given greater uncertainty over occupancy for the 2020/21 academic year, pricing is likely to be stronger where sellers are willing to provide a one-year income guarantee to buyers
- The average net initial yield across the portfolio is 5.0% (December 2019: 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 2020

- Group Board and Property Board 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 2021

- Ongoing 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
- Continued focus on Home for Success and our partnerships with stronger Universities

ESG RISK

8 Climate-related risks: challenges to our longer-term sustainability caused by climate change



Possible Events

Climate change risks include:

- 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 rising stakeholder expectations on performance and disclosure, reducing embodied carbon, asset stranding, and energy supply challenges and rising non-commodity costs
- Stakeholders risks: not being prepared and / or able to meet increasing expectations around reducing our contribution to climate change from our investors, Higher Education partners and our student customers

Impact

- Reputational and financial impacts arising from lack of clarity and 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

Strategic objective

Read more about **Our Sustainability Strategy** on page 46

- Develop and communicate a clear Sustainability Strategy
- Develop Science Based Carbon Targets, which also include our enlarged portfolio following the Liberty Living acquisition
- Deliver energy and carbon performance improvements required to follow UK decarbonisation targets

What happened in 2020

- Government consultations in England and Wales on more stringent EPC minimum standards
- Continued increased 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
- Flooding including several cities in which the business operates (no direct impacts on our properties)
- Integration of Liberty Living portfolio brings new climate related risks and opportunities
- MSCI ESG rating: AA and CDP Climate Change rating: B
- GRESB score and rating: 81 (Four-star)
- Unite signed up as TCFD Supporter
- Unite

Risk mitigation in 2020

- Developed a new Sustainability Strategy in 2020 following extensive wider stakeholder engagement
- Ongoing development and implementation of building energy performance strategy to manage EPC risk exposure and deliver performance improvements across the enlarged portfolio as well as closer integration with asset management and development activity
- Stakeholder dialogue to determine preferred climate change (and wider ESG) disclosures
- 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
- Submitted responses to EPC consultations via the British Property Federation (BPF)
- Continued investment in energy efficiency initiatives to deliver real world energy and carbon savings
- Disclosed in line with EPRA sBPR, achieving Silver rating

Focus for 2021

- Publication of a net zero carbon pathway, as we look to provide greater transparency and accountability around our Sustainability Strategy
- Update our 'Up to us' Sustainability Strategy with stretching new targets including reduction in carbon emissions. Our new Sustainability Report will also address the recommendations of the TCFD
- Develop an energy performance strategy across whole portfolio including Liberty Living properties to better manage exposure to climate related risks such as future EPC minimum standards, and identify energy and carbon reduction opportunities

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

FINANCING RISK

9 Balance sheet liquidity risk / compliance with debt covenants



Possible Events

- Unite breaches a debt covenant
- Inability to replace debt on expiry
- Interest rate increase
- Unite unable to meet future financial commitments

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)

Strategic objective

Read more about **Our business model** on page 32

- Deliver attractive total returns through recurring income and capital growth, while maintaining a strong capital structure
- Quality properties – 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 2020

- 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 34% at 31 December 2020 (31 December 2019: 37%)
- 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 reduced to 3.1% (31 December 2019: 3.3%) and 75% of see-through investment debt is subject to a fixed interest rate (31 December 2019: 93%) for an average term of 4.2 years (31 December 2019: 5.4 years)
- Successful June 2020 share placing raising £300 million
- Repaid £207 million of Group secured debt at a blended coupon of 4.8%

Risk mitigation in 2020

Read more about **Financial review** on page 42

- Mitigated the Covid-19 reduced income by (among other things) suspending our dividends, conserving cash, increasing bank facilities and reducing costs where possible
- Cash headroom and liquidity: as at 31 December 2020, the Group had £379 million of unrestricted cash reserves, having fully drawn its revolving credit facilities during the period and received £294 million in net proceeds from the June 2020 share placing. Unite was confirmed as an eligible issuer under the HM Treasury and Bank of England Covid Corporate Financing Facility (CCFF) although no current plans to drawdown under the CCFF. In addition, received credit approval for a £100 million extension to our unsecured Group debt facility
- Due to Covid-19 and specifically ICR covenants, increased our 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
- Control of future cash commitments in line with progress of disposals.
- 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 2021

- Ongoing monitoring of cash headroom, liquidity and covenant headroom / compliance in light of the fluid Covid-19 situation
- Following repayment of secured debt in 2020, Treasury focus now moves to earliest debt maturity of November 2022
- Raise further debt through 2021 to extend the maturity profile of our debt and diversify our funding sources
- Funding future development acquisitions beyond 2023

The Strategic Report on pages 4 to 80 was approved on 16 March 2021 by the Board and is signed on its behalf by:

Richard Smith
Chief Executive

GOVERNANCE

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CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Board's governance is focused on delivering a long term sustainable and resilient strategy for the Group.

"Ensuring we have the right governance and resources in place has been more critical than ever due to the dynamic nature of Covid-19."

Phil White Chairman

2020 brought unprecedented challenges to the business with the significant disruption caused by Covid-19. The Board responded by quickly assessing the key impact of the pandemic to the business and ensuring the right governance and resources were in place to oversee the rapidly evolving situation.

The Board took immediate steps to ensure the Group was both resilient and agile so the business could perform as well as possible through the pandemic whilst also being in as good a place as possible once we emerge from it.

Safety, one of our key risks, was especially challenged by the pandemic. To ensure the safety and wellbeing of our 76,000 customers and our employees, the Board sought third party assurance, obtaining British Safety Council Covid Secure accreditation. The business took a number of other key steps to ensure the safety and wellbeing of our customers, employees and visitors to our sites. These are detailed in the Health and Safety Committee report on page 115.

The Board focused on ensuring the business's financial safety by taking decisive action to conserve cash and reduce costs. These actions included deferring development and non-essential operational capex, a reduction in Board and senior management salaries, cancelling our 2019 final dividend and suspending our 2020 interim dividend and realising further cost savings.

The challenges of Covid-19 have weighed heavily on our key stakeholders. In particular, to protect the interests of students and with a focus on doing what's right for students whose lives and studies have been significantly impacted by Covid-19, the Board took the decision to waive 2020 summer term rents for students returning home due to Covid-19 during the initial lockdown and then offered further rental discounts for the 2020/21 academic year in early 2021. In parallel to our Covid-19 response, the Board also ensured there were dedicated resources to focus on integrating the Liberty Living business, as well other key priorities such as fire safety and cladding. Continuing to keep our properties open through Covid-19 alongside integrating Liberty Living is only possible due to the talent and hard work of our teams across the business. On behalf of the Board, I would like to thank them for their dedication and hard work in uniquely challenging times.

During 2020, the Board approved a new Sustainability Strategy recognising the need for the business to do more. This Sustainability Strategy includes targets for net zero carbon operations and development by 2030, equality of opportunity for our employees and a commitment to raise standards across the student housing sector. Governance of our Sustainability Strategy is provided by our newly established Board Sustainability Committee.

During 2020, I was delighted to welcome Professor Sir Steve Smith to the Board who brings a wealth of experience in the Higher Education sector. Steve was also appointed Chair of our Health & Safety Committee. His extensive experience in Universities and campus life has proved especially helpful as this Committee navigates the volatile and unprecedented challenges of Covid-19.

As previously announced, I will retire as Chairman and step down from the Board with effect from 31 March 2021. I will be succeeded as Chairman by Richard Huntingford. My tenure as Chairman was extended to oversee the integration of the Liberty Living acquisition, which completed on schedule in 2020. It has been a privilege to Chair the Board of Unite and play a small role in its success over the past decade.

Engagement with our wider stakeholders continues as key to our growth, along with robust and effective governance especially as the HE sector and the wider market faces the uncertainties ahead from Covid-19 and the wider economic impacts. Our governance framework has been designed to ensure our resilience through these uncertainties whilst ensuring our agility to seize opportunities ahead of us.

The following pages explain how our governance and stakeholder engagement have supported us through 2020 and how it will continue to support our growth and longer-term sustainability.

Phil White
Chairman

16 March 2021

BOARD OF DIRECTORS

Phil White
Chairman



Richard Huntingford
Non-Executive Director
and Chairman Designate



Richard Smith
Chief Executive Officer



Relevant skills, experience and contribution

Phil has served as Chairman since May 2009 and it was announced earlier (November 2019) that Phil will be retiring from the Board on 31 March 2021. He was Chief Executive of National Express Group plc from 1997 to 2006 and led the business through growth in the UK and overseas. He gained extensive executive experience in the public transport sector during the period of deregulation and privatisation. He is Chair of Lookers plc as well as a Non-Executive Director of VP plc.

Phil brings his wealth of experience as a Chair of FTSE and other companies to Unite, ensuring best practice in board effectiveness and corporate governance. Within the Board, he helps ensure clarity, critical thinking, constructive debate and challenge and the running of an effective Board. Externally, he ensures there is effective engagement with our investors over our strategy, long-term sustainability and corporate governance. The Board would like to thank Phil for his service. During his Chairmanship, the Group has, among other things, grown within the FTSE 250 and become a leading European REIT and, more recently, completed the successful acquisition and integration of Liberty Living and maintained the Group's market leadership. This is all testament to Phil's governance leadership. This leadership has been especially critical as the Board navigated Covid-19 through 2020 and into 2021. Phil has ensured the business is ready and resilient to embrace the risks and opportunities ahead.

Richard joined the Board as Non-Executive Director and Chairman Designate on 1 December 2020 and will assume the role of Chairman on 1 April 2021. He is a chartered accountant, and has over 30 years of plc board experience including as Chief Executive of Chrysalis Group plc between 2000 and 2007 and as a Non-Executive Director of Virgin Mobile Holdings (UK) plc. His Chair roles have included Wireless Group plc (formerly UTV Media plc), Creston plc and Crown Place VCT plc. In addition to chairing Future plc (since February 2018), Richard is a Non-Executive Director of JP Morgan Mid Cap Investment Trust plc and The Bankers Investment Trust plc.

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

Richard was appointed Chief Executive in June 2016. Prior to this, he was Unite's Managing Director of Operations from 2011, a role that involved Richard leading the service provided to our customers, and managing maintenance and facilities management across the Group's portfolio.

Richard joined Unite as Deputy Chief Financial Officer in 2010. Prior to this, he spent 19 years in the transport industry, working in the UK, Europe, Australia and North America. Richard spent 14 years at National Express Group where he held a range of senior finance, strategy and operations roles, including Group Development Director and Chief Financial Officer, North America. Richard is a Non-Executive Director at Stenprop Limited.

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

- (N)** Nomination Committee Member
(A) Audit Committee Member
(R) Remuneration Committee Member

- (H)** Health & Safety Committee Member
(S) Sustainability Committee Member
(C) Committee Chairman

Joe Lister
Chief Financial Officer

(N) (A) (R) (H) (S)

Joe joined Unite in 2002 having qualified as a chartered accountant with PricewaterhouseCoopers. He was appointed as Chief Financial Officer in January 2008 having previously held a variety of roles including Investment Director and Corporate Finance Director. Joe is a Non-Executive Director at Helical PLC.

Joe has continued to lead the design and delivery of the Group's sustainable growth and financial performance, which was especially tested during 2020 by Covid-19. Joe's deep experience of our business and especially our funding arrangements has been critical through this difficult time. Together with Richard, Joe ensures the development and communication of the Group's ongoing performance and strategy with our investors. In addition, Joe has an expanded remit over Property and a critical role in developing and strengthening the Group's University relationships and the Group's Sustainability Strategy.

Elizabeth McMeikan
Senior Independent Director

(N) (A) (R) (H) (S)

Elizabeth was appointed a Non-Executive Director in February 2014. She has significant experience in customer-focused businesses Tesco and Colgate Palmolive, where she was successful in driving growth through an understanding of customer needs and an innovative marketing approach.

Elizabeth is a Non-Executive Director at Dalata Hotel Group Plc, McBride plc, Fresca Group Ltd, an import/export fruit and vegetable company, and a director of Second Growth Community Investment Company. Previously she was a Non-Executive Director of JD Wetherspoon plc, the chair of Moat Homes Ltd, a leading housing association in the South East, and CH & Co Ltd, a privately owned catering company.

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

Ross Paterson
Non-Executive Director

(N) (A) (R) (H) (S)

Ross was appointed as a Non-Executive Director in September 2017. He is Finance Director of Stagecoach Group plc, and as a member of Stagecoach's Board is responsible for finance, business development and legal. In addition, he is a Non-Executive Director and the Audit Committee Chair of Virgin Rail Group Holdings Limited, and a member of the Business Policy Committee of the Institute of Chartered Accountants of Scotland.

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

BOARD OF DIRECTORS CONTINUED

Richard Akers
Non-Executive Director



Ilaria del Beato
Non-Executive Director



Dame Shirley Pearce
Non-Executive Director



Relevant skills, experience and contribution

Richard was appointed a Non-Executive Director in September 2018. From 1995 to 2014 Richard worked at Land Securities plc, where he had various positions including as an Executive Director on the main board and Managing Director of Retail. Richard has over 30 years' experience in the real estate industry, with a focus on retail. He is currently Senior Independent Director and Chair of the Health & Safety and Remuneration Committees at Barratt Developments Plc and a Non-Executive Director at Shaftesbury Plc. Previously Richard was a Non-Executive Director at Emaar Malls PJSC.

Richard brings a wealth of real estate experience as both an executive and Non-Executive Director on the boards of FTSE companies. This experience will be critical to help the Group manage the change and uncertainty in the wider real estate sector as well as the broader economy.

Ilaria was appointed a Non-Executive Director in December 2018. She is CEO of Frasers Property UK, part of Frasers Property, a global real estate group. Ilaria was formerly CEO of GE Capital UK, a regulated Bank and corporate lender and led GE Capital Real Estate UK, a commercial real estate investor, developer and lender.

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

Dame Shirley joined the Board in November 2019 as a Non-Executive Director and Chairs our newly established Sustainability Committee. She has held chair, senior executive and non-executive roles at board level in Higher Education, health and policing with experience of both the public and private sectors. She is currently an independent member of the Committee on Standards in Public Life, a member of the Higher Education Quality Assurance Panel for the Ministry of Education in Singapore, a Trustee for the Royal Anniversary Trust, a member of the advisory board of HCA and the Hon President of the Association of University Administrators AUA. Shirley was Vice Chancellor of Loughborough University from 2006-2012 and was board member at the Higher Education Funding Council for England, the UCEA, and the Healthcare commission, as well as being a Non-Executive Director of Health Education England, and the Norfolk, Suffolk and Cambridgeshire Strategic Health Authority. She has held senior governance roles at the LSE, and was appointed an independent reviewer of the TEF. She was appointed CBE in 2005 for services to education in the NHS and in 2014 appointed DBE for services to Higher Education.

Dame Shirley brings her wide ranging and hands on experience in the HE sector to the Board. This is especially critical at a time of ongoing change in the sector, where her insight and knowledge of HE and broader policy initiatives will help inform the Board on our strategic direction.

- (N) Nomination Committee Member
 (A) Audit Committee Member
 (R) Remuneration Committee Member

- (H) Health & Safety Committee Member
 (S) Sustainability Committee Member
 (C) Committee Chairman

Thomas Jackson
Non-Executive Director

(N) (A) (R) (H) (S)

Thomas joined as a Non-Executive Director in November 2019. He has been the head of CPP Investments' UK real estate business since 2015 and is responsible for CPP Investments' entry into a number of new real estate sectors, including student housing, life sciences and the build-to-rent sector. In addition to sitting on the Board of The Unite Group PLC, Thomas also sits on a number of CPP Investments' office, retail and logistics Joint Venture boards. Beyond the UK, Thomas is also responsible for CPP Investments' real estate investment activity in Germany and the CEE regions. Thomas originally joined CPP Investments in 2011 and was instrumental in its transaction activity in Spain, the Nordics and India.

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

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

Professor Sir Steve Smith
Non-Executive Director

(N) (A) (R) (H) (S)

Sir Steve joined the Board on 1 April 2020. He brings with him a wealth of experience in the HE sector. He was the Vice-Chancellor and Chief Executive of the University of Exeter from 2002 to August 2020. Sir Steve was the president of Universities UK (2009–2011), Chair of UCAS (2012–2019), served on the Boards of UUK and the Russell Group, and was Chair of the UUK International Policy Network (2014–2020). He is currently the UK Government International Education Champion, and the Prime Minister's Special Representative to Saudi Arabia on Education.

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

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

Chris Szpojnarowicz
Company Secretary

(N) (A) (R) (H) (S)

Chris was appointed Company Secretary and Group Legal Director in 2013, following General Counsel roles at GE, MTV Networks and other multinationals. He was previously an M&A/corporate and commercial lawyer at Clifford Chance and Baker McKenzie. Chris uses his general counsel and corporate/commercial legal experience to fuse our corporate and risk governance with our business activity. Chris links his Company Secretary and risk/governance leadership role with his legal and commercial experience which has been especially critical as the Group navigated the challenges of the pandemic.

Chris is a Board Trustee of The West of England Friends Housing Society, a residential care home which also provides supported housing and independent flats as part of an integrated care community.

BOARD STATEMENTS

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

Requirement	Board statement	More information
Compliance with the Code		
<p>The Unite Group PLC is listed on the London Stock Exchange and is subject to the requirements of the UK Corporate Governance Code. The Board is required to comply with the provisions of the Code and to apply the principles of the Code and where it does not, explain the reasons for non-compliance.</p> <p>The code is available at www.frc.org.uk</p>	<p>The Board considers that the Company has, throughout the year ended 31 December 2020, applied the principles and complied with the provisions set out in the Code except in relation to (a) Chair tenure (see explanation on page 96, Chair tenure and successor appointment) and (b) alignment of Executive Director pension contributions with the workforce (see explanation on page 122 of the Directors' Remuneration report).</p>	<p>Details on how the Company has applied the principles and complied with the Code can be found throughout this Corporate Governance section of the Annual Report.</p> <p>The table below on page 89 details where disclosure against the principles of the Code can be found in this Corporate Governance report.</p>
Going Concern		
<p>The Board is required to confirm that the Group has adequate resources to continue in operation for the foreseeable future.</p>	<p>After making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.</p>	<p>More details on the Going Concern statement can be found on pages 172 and 173.</p>
Viability Statement		
<p>The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties set out on pages 66 to 80.</p>	<p>The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to December 2023.</p>	<p>More details on the Viability statement can be found on page 71.</p>
Principal and emerging risks facing the Group		
<p>The Board is required to confirm that it has carried out a robust assessment of the principal and emerging risks facing the Company and include a description of these principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.</p>	<p>A robust assessment of the principal and emerging risks facing the Company was undertaken during the year, including those arising from the Covid-19 pandemic and those that would threaten its business model, future performance, solvency or liquidity, together with an assessment of the procedures to identify emerging risks.</p>	<p>Information around key risks and risk management processes and how they are being managed or mitigated can be found on pages 64 to 80, and on page 113 of the Audit Committee report.</p>

Requirement	Board statement	More information
Risk management and internal control		
The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness.	The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system of internal control which accords with the 'Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.'	Details on the systems of risk management and internal control can be found on pages 64 to 80 and 113.
Fair, balanced and understandable		
The Board should confirm that it considers the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	The Directors consider, to the best of each person's knowledge and belief, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	See the Audit Committee report on pages 109 to 114.
Compliance with the Code		
The Company's disclosures on its application of the principles of the Code can be found on the following pages:		
Board leadership and Company purpose		
A. Long-term sustainable success and contribution		Pages 36, 46 to 63
B. Purpose, values and culture		Pages 90 and 91
C. Resources and control framework		Pages 64 to 70, 92
D. Engagement with shareholders and stakeholders		Pages 36 to 39, 95
E. Workforce policies and practices		Pages 38, 53 to 58, 60 and 94 and 95
Division of responsibilities		
F. Board leadership		Page 97
G. Board composition and responsibilities		Pages 96 and 97
H. Role and commitment of Non-Executive Directors		Page 97
I. Board effectiveness		Page 98
Composition, succession and evaluation		
J. Board appointments, succession plans and diversity		Pages 106 to 108
K. Board experience, skills and knowledge		Pages 84 to 87, 97
L. Board evaluation		Page 104
Audit, risk and internal control		
M. Internal and external audit – independence and effectiveness		Pages 113 and 114
N. Fair, balanced and understandable		Pages 109 to 114
O. Risk management and internal controls		Pages 64 to 70, 113
Remuneration		
P. Remuneration policies and practices – long-term strategy and success		Pages 120 to 148
Q. Development of policy on remuneration		Pages 125 and 126, 135
R. Judgment and discretion		Pages 122, 125, 128 and 129

BOARD LEADERSHIP AND PURPOSE

Governance leadership and corporate culture.

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

Our Purpose – Home for Success

The Board has set our purpose to provide a Home for Success for our students, University partners, our people and our wider stakeholders. Our purpose describes our shared commitment and motivation and helps us articulate our business model, develop strategy, operating practices, approach to risk and how we engage with our stakeholders.

Home for Success is about providing the right home environment for all the tens of thousands of students that come to live with us each year from across the globe, to enable them to achieve whatever goals and ambitions they aspire to. We focus on delivering an excellent service, as well as keeping our students safe and secure. We aim to make each Unite property a home. During 2020, our purpose of Home for Success directly led to the Board's decision to waive rents for students who left our properties early in term three of the academic year 2019/20 due to Covid-19 and then later the Board offering rent discounts to students in early 2021 due to Covid-19.

Home for Success is also about facilitating the right platform for our University partners by understanding their long-term aspirations, accommodation requirements and service expectations. This means our offer is built around the priorities of students and Universities alike. Our purpose of Home for Success for our University partners led the Board's decision making in the way it worked with Universities on their dynamic operating plans due to the challenges of Covid-19.

With our people being at the heart of our business, Home for Success is about creating an environment enabling them to grow, develop and succeed. Again, through 2020, this led to the Board's decision making in how we responded to keep our people safe, whether they continued to work in our properties or were working from home.

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

Our Values and Culture

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

Through 2020, the Board led the development of our new Sustainability Strategy which provides a framework across our operations, making sure our decision making process has responsibility and sustainability at its heart and helping support a safe future for the planet. See more on our Sustainability Strategy on page 46. As we continue to align ourselves with the Sustainable Development Goals set by the United Nations, we hope to achieve a better and more sustainable future for everyone.

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

Creating room for everyone

Being authentic and striving for a truly diverse and inclusive environment

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

Keeping us safe

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

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

Doing what's right

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

Being a responsible business is part of our DNA. The Board always looks to do the right thing in the right way, creating trust for our people, our students, our University partners and the communities we operate in. This drives the Board's actions and decisions as demonstrated by the Board's leadership in the decision to waive rent for students who chose to return home for the remainder of the 2019/20 academic year as well as the rent discounts offered to students in early 2021. The Board challenges the status quo when needed and takes accountability for its actions.

Raising the bar together

Continuously focused on improving the way things are done

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

Our culture defines what makes Unite a great place to work and a great company to do business with and forms the fundamental basis for our governance. This is driven by our core purpose of providing a Home for Success to our people as well as our customers. The Board monitors corporate culture through interaction and dialogue with our people and also through regular employee engagement surveys. Whilst more challenging through 2020 due to the absence of physical Board meetings and City visits, this opened up the opportunity for more informal interaction through video conference calls. This Board interaction takes place right through the organisation, helping ensure our values and culture are well understood and giving our people the opportunity for frank and open feedback and the sharing of different views. Our employee surveys help measure engagement through their participation rates as well as the feedback received across the broad range of topics surveyed. For example, during Covid-19 the Board responded to feedback relating to additional wellbeing measures and provided support for greater flexible working. We are moving towards evolving a more inclusive and listening culture through various platforms such as Unite Live (see following), 'Ask Richard' emails (a dedicated email address for the Chief Executive which provides employees an opportunity to contact him directly with questions they have) and a refreshed Employee Panel. We also operate an 'open chair' at our Operations Board, which provide further opportunities for our people to engage with our leadership teams.

Unite Live

We launched 'Unite Live' during 2020. This provides employees with an opportunity to engage with our Chief Executive and senior leadership directly through an online forum. Any question can be tabled about working in Unite with regular questions relating to safety, wellbeing and diversity. We update our people on business developments through weekly updates from our Communications team and via a range of platforms including the employee intranet, the Hub.

Daily Updates – key messages

Daily updates are communicated via email round ups. These are circulated at all levels of the business with content from across the business, which in 2020 was especially focused on Covid-19 developments, updates on safety and wellbeing.

The Board assess and monitors culture to ensure its alignment with our purpose of Home for Success and our values in the constant changing environment. In addition, the Board monitors and measures our corporate culture through the interaction with other key stakeholders, such as our customers and our University partners. See Stakeholder engagement on pages 38 to 39 which provides more details on how we engage, and measure and monitor our performance, with our customers and University partners and other key stakeholders.

Strategy

The Board agrees, and has collective responsibility for, the strategy of the Company, which is outlined in the Strategic Report. Execution of the strategy and day-to-day management of the Company's business is delegated to the Operations and Property Boards, with the Group Board retaining responsibility for overseeing, guiding and holding management to account.

In 2020 the Board approved our new Sustainability Strategy following extensive engagement with investors and other stakeholders. As a responsible and trusted business, our wider stakeholders demand we proactively address environmental, social and governance risks. This is consistent with one of our values, 'doing what's right'. The pace of change has only intensified with Covid-19 with an increasing focus on longer term sustainability. Our overarching ambition is for Unite to clearly lead the student housing sector on sustainability issues and be in the leading pack of real estate companies in the wider sector. See our Sustainability Strategy on pages 46 to 63 for more detail. In 2020, we formally signed up as a supporter of the Task Force on Climate-Related Financial Disclosure (TCFD) and will be aligning with their requirements for managing and reporting climate-related risks.

BOARD LEADERSHIP AND PURPOSE CONTINUED

Board oversight

The Board discharges some of its responsibilities directly and others through Committees and senior management. Terms of Reference for the Committees are available in our Governance Framework, published on www.unite-group.co.uk/about-us/corporate-governance. To discharge their broader responsibility effectively, the Group operates in an open, harmonious and transparent manner, ensuring open communication between the Board and the business and its stakeholders. This communication has been more challenging during 2020 due to Covid-19 and the inability to meet and spend time together in person at our properties and in the cities in which we operate. Nevertheless, the Board ensured there was ample opportunity to listen and hear directly from the leadership team, the wider business and our stakeholders. During 2020, this included comprehensive engagement with our employees, customers and Universities on the impact of Covid-19 and updates on business performance more generally from the Chief Customer Officer, Group Property Director, Deputy Chief Financial Officer, Group Investment Director,

Property Services Director, Head of Health & Safety, Group Communications Director, Director of Strategy & Investor Relations, Group Energy & Environment Manager, Higher Education Engagement Director and Group Legal Director & Company Secretary (among others).

The Board is also responsible for:

- Assessing, monitoring and promoting the Company's culture, and ensuring that this closely aligns with its purpose, values and strategy (see page 90, Our Values and Culture).
- Ensuring the necessary resources are in place for the business to meet its strategic objectives. During 2020, this required the Board to ensure there was an appropriate balance between dedicated resources to focus on Covid-19 whilst ensuring other teams could focus on other strategic priorities such as the Liberty Living integration and Fire Safety.
- Establishing workplace policies and business practices that align with the Company's culture and values and support its strategy (see page 94).

Board structure

Board Committees

The Board has delegated certain responsibilities to its Committees, as detailed on the following pages. The terms of reference for each Committee are reviewed annually. The current membership of each Committee of the Board is set out in the chart below:

Audit Committee	Remuneration Committee	Nomination Committee
<p>© Ross Paterson</p> <p>Richard Akers</p> <p>Ilaria del Beato</p> <p>Steve Smith</p>	<p>© Elizabeth McMeikan</p> <p>Phil White</p> <p>Ross Paterson</p> <p>Richard Akers</p> <p>Shirley Pearce</p>	<p>© Phil White</p> <p>Richard Huntingford</p> <p>Elizabeth McMeikan</p> <p>Ross Paterson</p> <p>Richard Akers</p> <p>Ilaria del Beato</p> <p>Steve Smith</p> <p>Shirley Pearce</p> <p>Thomas Jackson</p>
Health & Safety Committee	Sustainability Committee	
<p>© Steve Smith</p> <p>Elizabeth McMeikan</p> <p>Ilaria del Beato</p> <p>Shirley Pearce</p> <p>Richard Smith</p>	<p>© Shirley Pearce</p> <p>Richard Smith</p> <p>Ross Paterson</p> <p>Richard Akers</p> <p>Ilaria del Beato</p> <p>Thomas Jackson</p>	

© Committee Chair

- Overseeing the implementation of a robust controls framework to allow effective management of risk, with this oversight delegated to the Audit Committee (see pages 113).
- Effective succession planning for key senior personnel, much of which is delegated to the Nomination Committee (see page 106 to 108).

The Board has ultimate responsibility to Unite's shareholders for all the Group's activities as well as a broader responsibility to consider the views of other key stakeholders including our customers, Universities, employees and the communities we operate in as well as considering environmental and social issues when making decisions. All of the Board's significant decisions are considered having regard to Section 172 and specifically the likely consequences of these decisions in the long term and their impact on our stakeholders. Pages 36 to 39 of

the Strategic Report highlight how the Board has sought to effectively consider and engage with our shareholders and wider stakeholders.

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

Board operating rhythm

Covid-19

During 2020, the Board had regular video conference calls in addition to its scheduled Board meeting calendar. These allowed the Board to focus on managing the business through the pandemic whilst also allowing the Board to step back and view the bigger picture and prepare for longer term sustainable growth.

The table on pages 66 and 67 sets out what the Board did in response to the impact of Covid-19 on our principal risks.

Regular updates from the Board Committees on their activities and recommendations

Ensure that the detailed work performed in the Board Committees is considered by the Board as a whole.

Board composition and management succession

Review the composition of the Board to ensure appropriate combination of skills, experience and knowledge and effective succession planning for key senior personnel.

Strategy and five-year plan

Discuss, review and approve our strategy and five-year plan, and track how we are performing against our current strategy and five-year plan.

Operational, property and financial updates

Provide the Board with the necessary information to track the Group's performance and challenge any problems with performance.

Review of Group policies

Review key Group policies to ensure they are appropriate and implemented effectively.

Market and Higher Education sector updates

Ensure the Board has the latest market and sector knowledge.

Risk

Review and discuss our principal and emerging risks at a Group level and also review operational level risks (the Board's operational risk review is to verify that risks have been properly identified and that appropriate risk-mitigation plans are being correctly managed with clear actions and ownership).

New development schemes

Review and challenge new development schemes being recommended by management and, due to the significant capital expenditure involved and key strategic decisions required, approve these new development schemes.

Disposals

Review and challenge disposals being recommended by management and ensuring appropriate value in recycling our portfolio.

Training

Review the Board's training needs and ensure that the Board is up to date on key legal and regulatory changes.

BOARD LEADERSHIP AND PURPOSE CONTINUED

How the Board operates and stakeholder engagement

The Board has an annual operating rhythm with an agenda of items for the forthcoming year built around our strategic objectives. In 2020, this operating rhythm was directly impacted by Covid-19 and the intense focus on managing the business through the pandemic. In parallel to this, the Board still maintained its usual business rhythm to help ensure the Group can emerge from the pandemic in a sustainable way and ready for growth. The Board's meetings are split between strategy (considered in light of principal and emerging risks, opportunities and the approval of specific investments above certain thresholds as well as ESG and longer term sustainability) and routine operational, property and financial updates (providing context for the strategic discussions as well as governance oversight of in-year activity). During 2020 and into 2021, regular Covid-19 Board calls are held in addition to the scheduled Board meetings to ensure sufficient time allocation and appropriate balance between a Covid-19 response and our wider strategic and business priorities.

Normally meetings take place throughout the UK, often at Universities or in our operating cities, so the Board can meet Vice-Chancellors and learn about their experiences with Unite, their accommodation requirements more generally and broader developments in the Higher Education sector. This year these meetings took place virtually due to the pandemic.

Senior leaders are regularly invited to attend meetings and present to the Board. During 2020 these took place through video conferencing. These meetings provide the Board, and in particular the Non-Executive Directors, with direct and open access to leaders throughout the Group and helps build a culture of openness and directness. In addition, external experts are also invited to present to the Board (such as University Vice-Chancellors and property valuers) to give the Directors a broader and independent perspective.

Stakeholder engagement on pages 36 to 39 explains how the Board engages and measures the views of our key stakeholders and the outcomes from this engagement.

Workforce engagement

The Board has designated one of its Non-Executive Directors (Elizabeth McMeikan, the Senior Independent Director and Chair of the Remuneration Committee) to help ensure the views and concerns of the workforce are brought to the Board and taken into account.

By attending the Employee Panel Forum meetings, engaging with people across the organisation and with the benefit of the regular employment engagement surveys, Elizabeth McMeikan is able to:

- understand the concerns of the workforce and explain these at Board meetings;
- ensure the Board, and in particular the Executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact; and
- ensure plans are fed back to the workforce.

Workforce engagement has led to shaping the Board's decision making. Through 2020, these decisions were primarily focused on the challenges of Covid-19 for our people and an increased focus on their safety and wellbeing. This applied to both those employees who continued to work in our properties and to those employees working from home. This resulted in the following:

- a revised Flexible Working Policy and Working from Home Guidelines supporting employees with how to balance work and home life, as well as ensuring they were equipped to work remotely from home and stay connected.
- sharing a platform with our people to raise and discuss health and wellbeing concerns as well as promoting existing resources and suggesting improvements.
- launched 'Unite Live' to provide employees with an opportunity to engage with our Chief Executive and senior leaders directly through an online forum where questions are submitted digitally and can be anonymous. See more on Unite Live on page 91.
- providing additional special leave to those employees with caring responsibilities.
- extending our cycle to work scheme to be available all year round, which was especially helpful for those employees who continued to work in our properties through the year.
- rolling out healthcare cash plan, Mediacash for all employees which also gives access to virtual GP, particularly helpful in the current climate. This included free cover for our employees' children.
- delivering training focused on the wellbeing of our employees, partnering with The Healthy Work Company.
- rolling out a specific 'home working' DSE Assessment and e-Learning in line with Covid-19 safe guidelines.
- rolling out PPE, reception Perspex screens, social distancing floor marking and the use of temperature checks and anti-viral fogging machines to ensure we continue to provide a safe environment for our employees.
- providing professional counselling support for any team members as part of our Employee Assistance Programme.

The Board, through the detailed work of the Remuneration Committee, also monitors pay and practices across the wider workforce with the Group People Director attending these meetings to update on workforce initiatives and offer an employee perspective to the Committee's deliberations.

The Board also considers diversity, inclusivity and belonging across the workforce, by considering (among other things) our gender and ethnic diversity throughout the Group as well as our gender pay gap.

Investment in workforce

The Company invests in our people, conscious that we can only deliver a home for our students, and ultimately our purpose of Home for Success, through our people. Our people are a key stakeholder and how we engage with them and measure this is set out on pages 38 to 39. The Company is a fully accredited Living Wage employer and provides recognition through pay awards, annual bonuses for all employees and our annual employee scheme, Stars Awards, recognising individuals and teams. Senior managers are eligible to participate in the Long Term Incentive Plans. All employees are eligible to participate in the Company's SAYE scheme. As a responsible and sustainable business, creating diverse and engaged teams is critical to our on going success. Our approach to investing in and rewarding our workforce, is set out on pages 53 and 123.

Whistleblowing programme

The Board annually reviews our Whistleblowing programme. Our Whistleblowing policy and a clear explanation as to how to raise a concern in confidence is readily available and published on our intranet. Following the Liberty Living acquisition, we integrated both whistleblowing programmes.

Our employees are able to raise concerns via various channels, which includes via an independent third-party if they feel this is necessary. Matters raised are then investigated by the Company Secretary and escalated as appropriate.

Section 172 of the Companies Act 2006 (Section 172)

Section 172 requires the Directors to take into consideration the interests of stakeholders in their decision making. In particular, Section 172(1) states that regard should be had to the long-term consequences of decisions, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the impact of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. Page 36 explains how this was considered during 2020. Further, pages 100 to 103 explain Board activity and decision making during the year which flowed from our stakeholder engagement and how this is aligned to our strategic objectives.

How we engage with our investors

The Board values effective communication with shareholders and other providers of capital to the business and welcomes their views on the Group's approach to corporate governance. This year this has been especially critical as we navigated the pandemic and maintained extensive dialogue and engagement with our shareholders regarding the ongoing performance of the business, the suspension of dividends as well as engagement with our lenders on our Financing covenants compliance and our financing commitments more generally.

The Board is made aware of the views of major shareholders concerning the Company through, among other means, regular analyst and broker briefings and surveys of shareholder opinion. These will continue throughout 2021.

The Company maintains a corporate website containing extensive information of interest to both institutional and private investors. The Company has frequent discussions with shareholders on a range of issues affecting its performance, both following the Company's announcements and in response to specific requests. The Company regularly seeks feedback on the perception of the Company among its shareholders, the investor community more broadly and its stakeholders.

Save in exceptional circumstances (which was the case for our May 2020 Annual General Meeting due to Covid-19 restrictions on physical meetings), all members of the Board attend the Company's Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors prior to, and after, the formal proceedings. At the meeting, the Chairman reviews the Group's current trading. The results of the votes at the Annual General Meeting, together with details of the level of proxy votes lodged for each resolution are made available on a regulatory information service and on the Company's website at www.unite-group.co.uk. There were no resolutions with less than 80% voting in favour and therefore Code Provision 4 did not apply.

During the upcoming Annual General Meeting, the Board is proposing that shareholders of the Company approve an amendment of the Company's Articles of Association to allow hybrid general meetings. This will facilitate shareholders to attend, participate and vote in general meetings electronically using technology in addition to their current ability to attend the meeting physically. For more details, please refer to the Notice of Annual General Meeting which is issued separately.

DIVISION OF RESPONSIBILITIES

Composition of the Board

The composition of the Board is set out in the table on page 99.

The Board currently consists of the Chairman, two Executive Directors and eight Non-Executive Directors (one of whom is Chairman Designate).

Apart from Phil White who is stepping down from the Board on 31 March 2021, each of the other Directors offers themselves for election or re-election at the Annual General Meeting, to be convened this year on 13 May 2021, in accordance with the requirements of the Code. Brief biographies of all the Directors and their skills, experience and contribution, are set out on pages 84 to 87. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election, it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role and add value and relevant experience to the Board.

Independence

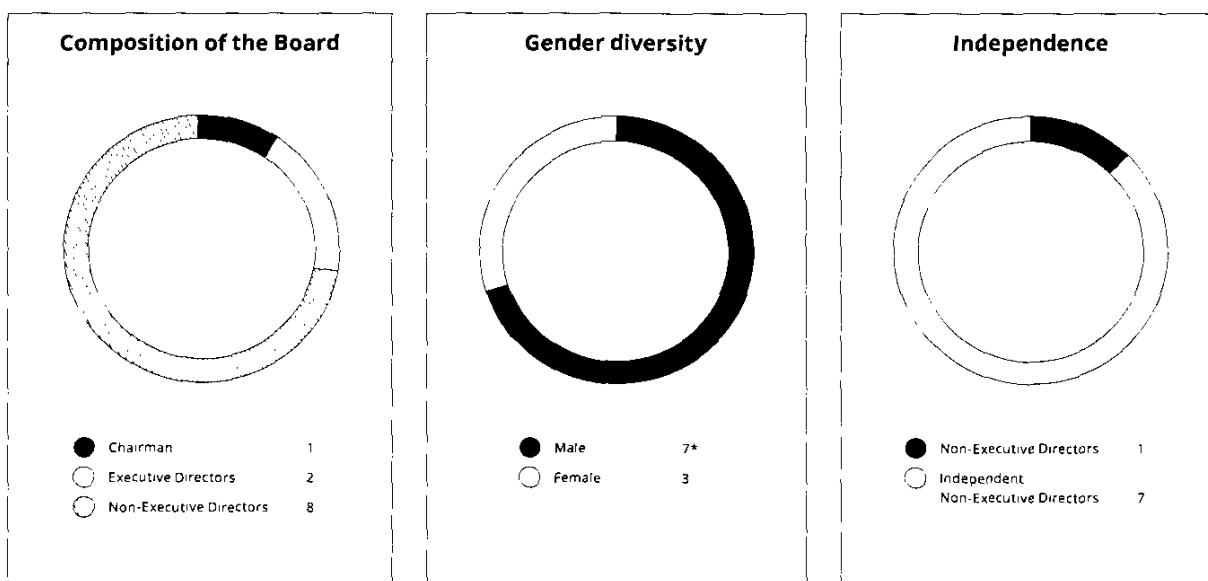
The Board considers seven of its eight Non-Executive Directors to be independent. Thomas Jackson is not considered to be independent, having been nominated as a Director of the Company by its largest shareholder Canada Pension Plan Investment Board (CPPIB) pursuant to a Relationship Agreement signed as part of the Liberty Living acquisition. Accordingly, the Company meets the requirement of the Code that at least half of the Board (excluding the Chairman) is made-up of independent Non-Executive Directors. In addition, Phil White (Chairman of the Board) was considered independent on his appointment to that role.

Chair tenure and successor appointment

The Board is acutely aware that Phil White has been Chair of the Board for more than ten years. Phil White considered not offering himself for re-election as a Director at the previous Annual General Meeting, but at this time he – along with the rest of the Board – were conscious that the Group was working intensively on the potential acquisition of Liberty Living. It was felt, on balance, stability and continuity of the Chair position at that time was preferable in the longer-term interests of the Group and so Phil White continued as Chair during this critical stage of the acquisition process. Following completion of the acquisition, and conscious that the Chair had written to shareholders on behalf of the Board recommending the acquisition, it was felt on balance preferable that Phil White continues as Chair to oversee delivery of the Liberty Living integration and synergies. As such, it was agreed that Phil White would continue as Chair through 2020 and then step down as Chair by not offering himself for re-election at the upcoming Annual General Meeting. This continuity through 2020 was even more helpful as the Board had to focus on the immediate demands of Covid-19.

During 2020, the Nomination Committee (through a subcommittee chaired by Elizabeth McMeikan, the Senior Independent Director) conducted a thorough process for the search, recruitment and on-boarding of the Chair's role and recruited Richard Huntingford as a Non-Executive Director and Chairman Designate. Phil White was not a member of this subcommittee. Richard Huntingford was appointed as a Director on 1 December 2020 and will assume the role of Chairman on 1 April 2021.

Heidrick & Struggles was engaged as the external search consultancy for this role. The firm has no other connection with the Company or any of the individual Directors.



Roles

The Chairman and the Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The roles of the Chairman and CEO are clearly separated. Summaries of the responsibilities of the Chairman, CEO and Senior Independent Director are set out in the table below.

Role: Chairman

Phil White's¹ principal responsibilities are:

- to establish, in conjunction with the Chief Executive, the strategic objectives of the Group for approval by the Board
- to organise the business of the Board
- to enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders generally

Role: Chief Executive

Richard Smith has responsibility for:

- establishing, in conjunction with the Chairman, the strategic objectives of the Group, for approval by the Board
- implementing the Group's business plan and annual budget
- the overall operational and financial performance of the Group

Role: Senior Independent Director

As Senior Independent Director, Elizabeth McMeikan's principal responsibilities are to:

- act as Chairman of the Board if the Chairman is conflicted
- act as a conduit to the Board for the communication of shareholder concerns if other channels of communication are inappropriate
- ensure that the Chairman is provided with effective feedback on his performance

1. These will be taken over by Richard Huntingford from 1 April 2021.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Time commitment

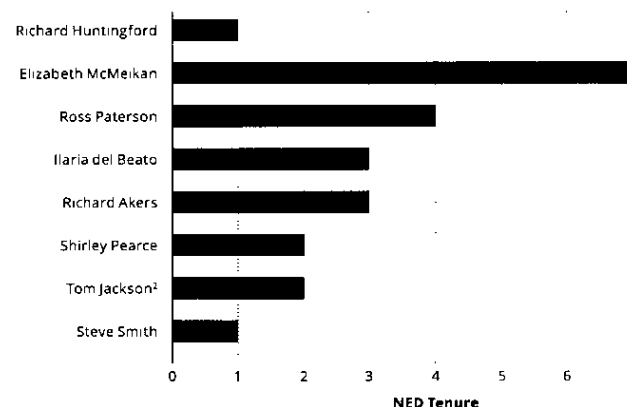
Directors are expected to commit approximately 20 days per annum to the business of the Group. We have reviewed the responsibilities of all Directors and are satisfied that they can fully fulfil this commitment. During 2020 and into 2021 additional time commitment is needed as a result of Covid-19 and the Directors attended regular Covid-19 Board calls in addition to the scheduled Board meetings to ensure an appropriate balance between a focused Covid-19 response and an ongoing focus on other key business areas.

It's the Board's policy to allow Executive Directors to accept directorships of other unconnected companies so long as the time commitments do not have any detrimental impact on the ability of the Director to fulfil his duties. It is considered this will broaden and enrich the business skills of Directors. Any such directorships must be formally approved by the Board.

On 4 November 2020, Richard Smith became a Non-Executive Director of Stenprop Limited. No potential conflict has been identified in relation to Richard's appointment. Richard's total time commitment with Stenprop Limited is anticipated to be c.22 days per year. There are no timing issues identified with Unites' Board dates and Stenprop Limited. Stenprop Limited has a March financial year-end.

The Board approved this appointment in advance and agreed that it would not impact Richard's commitment as an Executive Director of Unite.

Board tenure¹



1. Phil White steps down on 31 March 2021.

2. Not independent.

DIVISION OF RESPONSIBILITIES CONTINUED

Each of the Executive Directors has a rolling contract of employment with a 12-month notice period, while Non-Executive Directors are, subject to re-election by shareholders, appointed to the Board for a term of approximately three years. The chart on the preceding page shows the current tenure of the Non-Executive Directors (rounded up to the nearest year).

Professional advice and training

Directors are given access to independent professional advice at the Company's expense when the Directors deem it necessary in order for them to carry out their responsibilities. The Directors also have regular dialogue with, and direct access to, the advice and services of the Company Secretary, who ensures that Board processes and corporate governance practices are followed.

The Board considers it important that the Committee Chairs continue to receive sector and relevant functional training (such as on accounting, corporate governance and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars. The Board as a whole receives ongoing training on corporate governance and other relevant developments.

Board induction

On appointment to the Board, each Director takes part in a comprehensive and personalised induction programme. This induction is also supplemented with ongoing training throughout the year to ensure the Board is kept up to date with key legal, regulatory and industry updates. Richard Huntingford and Sir Steve Smith, who joined the Board in 2020, underwent an induction programme following this framework:

- The business and operations of the Group and the Higher Education sector; the role of the Board and matters reserved for its decisions; the terms of reference and membership of Board Committees; and powers delegated to those Committees
- The Group's corporate governance practices and procedures and the latest financial information about the Group. The legal and regulatory responsibilities as a Director and, specifically, as a Director and Chair of a listed company.

As part of the induction programme, they virtually met with key senior executives, so from the outset they have access to people throughout the organisation to help them form their own independent views on the Group, its performance and the sector we operate in. In addition, they meet with representatives of the Company's key advisers. Arrangements will be made when possible (post pandemic) for each Director to visit key locations to see our business operations and properties first-hand and the Higher Education institutions with which we partner.

Richard Huntingford – Chair Induction

Richard Huntingford joined the Board on 1 December 2020 as Non-Executive Director and Chairman Designate. Despite the challenges of Covid-19, Richard received a comprehensive induction to the organisation and the sector, spread across 10 days with over 25 induction meetings with different leaders across the business and also externally. The primary objectives of the induction were to:

- Gain a thorough understanding of our strategy and business.
- Start to build relationships with the Board, wider leadership team and key external people.
- Understand our organisational design and structure.
- Understand how we are tackling the current challenges around Covid-19, ensuring our resilience whilst seizing any opportunities.

Board activities in 2020

Directors' attendance at meetings

Current Directors	Status	Date of appointment to the Board	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
Phil White ¹	Chairman	21 January 2009	11/11	–	4/4	3/3	–
Richard Huntingford ²	Independent	1 December 2020	1/1	–	–	0/0	–
Elizabeth McMeikan	Independent	01 February 2014	11/11	–	4/4	3/3	3/3
Joe Lister	Executive	02 January 2008	11/11	–	–	–	–
Richard Smith	Executive	01 January 2012	11/11	–	–	–	3/3
Ross Paterson	Independent	21 September 2017	11/11	4/4	4/4	3/3	–
Richard Akers	Independent	01 September 2018	11/11	4/4	4/4	3/3	–
Ilaria del Beato	Independent	01 December 2018	11/11	4/4	–	3/3	3/3
Dame Shirley Pearce	Independent	01 November 2019	11/11	–	4/4	3/3	3/3
Thomas Jackson	Non-independent	29 November 2019	11/11	–	–	3/3	–
Sir Steve Smith ³	Independent	1 April 2020	8/8	3/3	–	3/3	2/2

1. Resigning effective 31 March 2021.

2. Appointed on 1 December 2020 and will assume the role of Chairman on 1 April 2021.

3. Appointed on 1 April 2020.

In addition to the scheduled Board meetings mentioned in the table above, this year there were regular Board video conference calls allowing focus on the very dynamic situation caused by Covid-19, the safety of our customers and people and our business/financial performance, as well as the wider impact on the Higher Education sector and the economy more generally.

BOARD ACTIVITIES

Board activity and annual programme

In addition to regular updates on Covid-19 being considered at each Board meeting, the Board also considered:

	Governance	Strategy	Financial and risk management	People	Operational and commercial
February	Approve Annual Report	Higher Education sector engagement	Preliminary results	Liberty Living people integration	Property – development approval
March	IR review	Leadership through Covid-19	Group cashflow review	Response to Covid-19.	Post-completion review – review of 2019 property completions
May	Chair Succession Assess auditors	Strategy refresh, focusing on economic recovery and student numbers forecast post Covid-19 Developing our Sustainability Strategy	Review internal controls (including Cyber Security)	Liberty Living integration review	Covid-19 operational review
June	Equity placing	Equity Placing Higher Education Update	Funding options Principal and emerging risks review	Group Board Safety Day focusing on: Covid-19, our Safe and Secure promise, ensuring safe Development and Fire Safety	Operating safely through Covid-19
July	Refreshing our OKR's (Objectives and Key Results in light of Covid-19) Internal Audit Cyber Security review	HE sector and Covid-19	Interim results	Plans for our 2020 external Board evaluation	Covid-19 operational review
September	Chair Succession	Refreshing our Sustainability Strategy	Interims feedback	Student welfare and mental health	Development approval
October	External Board & Committee Evaluation	Debt strategy	Return of students for academic year 2020/2021 and the Covid-19 impact	Executive succession planning	Property Investment Market Update
November		Sustainability Strategy review and approval	2021 budget scenario planning	Organisational people design to deliver our Strategy	Recommence deferred development schemes
December	Higher Education engagement Internal Audit and Assurance	Annual Tax strategy review and approval	Principal and emerging risks review Information Security 2021 budget approval Prospective year-end out-turn	Employee and student wellbeing Whistleblowing review	Disposals Operational incidents safety review and organisational learning

Board's decision making during 2020

Board's governance role	Link to principal risk	What the Board did in 2020 and its decision making
Strategic objective: Safe and Secure Safety, Health and Wellbeing Governance to ensure the health, safety, wellbeing and security of our 76,000 customers and 1,900 employees is paramount. Covid-19 impacted us (like so many businesses) in unprecedented and unforeseen ways, whilst our other safety risks (such as fire and contractor safety) continue.	Operational risk – Major health and safety incident in a property or a development site on page 75	<p>The Board reviews the safety of our students, visitors and employees, as well as contractors at our development sites, at each Board meeting.</p> <p>In addition, during 2020, the Board had regular Covid-19 calls to discuss our Covid-19 measures and the rapidly evolving situation to ensure the safety and wellbeing of our customers and people.</p> <p>The Health & Safety Committee, a sub-Committee of the Board, focuses on:</p> <ul style="list-style-type: none"> • Covid-19, oversight and deep dives into our Covid-19 risk management • fire, our main safety risk, and our work with the Avon Fire Authority, our Primary Fire Authority lead as well as our comprehensive cladding review and remedial plan • external safety assurance through The British Safety Council, our external safety auditor • physical security review of our properties by WSP Parsons Brinckerhoff. <p>Read more about the Health & Safety Committee report on page 115</p>
Strategic objective: Quality service platform Ensuring our product is affordable and provides good value-for-money for our customers.	Market risks – supply and demand on pages 72 to 74	<p>Board governance leadership of the decision to waive rent for students who chose to return home for the remainder of the 2019/20 academic year as well as the 50% rent discount offered to students in early 2021.</p> <p>Board analysis of the Higher Education accommodation sector and ensuring we continue to offer an affordable and value-for-money product.</p> <p>Read more about Operations review on pages 17 to 21</p>
Governance to ensure our market-leading service platform meets our customers' and University partners' needs and expectations as well as ensuring it is robust, reliable and scalable for the increasing number of customers following the Liberty Living acquisition.	Market risks – supply and demand on pages 72 to 74	<p>Through our direct engagement with VCs and other levels of management within Universities, the Board is able to take into account the views of these stakeholders as well as monitoring and measuring our performance.</p> <p>Board oversight that PRISM, our service platform and our customer facing operational apps (such as the MyUnite app) deliver:</p> <ul style="list-style-type: none"> • a robust booking system • an improved and scalable platform for revenue management and customer engagement • enhanced service levels for both Universities and students • market differentiation. <p>Read more about the Operations review on page 17</p> <p>Read more about our Stakeholder engagement on pages 36 to 39</p>

BOARD ACTIVITIES CONTINUED

Board's decision making during 2020 continued

Board's governance role	Link to principal risk	What the Board did in 2020 and its decision making
Strategic objective: Quality service platform continued		
Ensuring our 'safe and secure' brand promise extends to keeping our customers' and employees' personal data safe and secure.	Operations risk – Information Security and Cyber threat on page 76	Ongoing review of our information security and its governance, in particular having regard to the General Data Protection Regulation (GDPR). Achieved CyberEssentials+ in 2020 providing us with assurance of our information security.
Leadership development and succession planning/talent pipeline. Diversity and Inclusion	Market risk – supply and demand on pages 72 to 74	During 2020, the Nomination Committee focused not only on Chair succession, appointing Richard Huntingford as the Non-Executive Director and Chairman Designate, but also our broader talent pipeline and leadership development. The Board considers the output from our employee engagement surveys when making decisions on wider employee issues.
Strategic objective: Quality properties		
Liberty Living integration Ensuring the integration is delivered to plan and timetable and oversight of the delivery of the integration benefits.	Property market cycle risk on page 78	The Board reviewed management actions on various elements of the integration and assessed these against the competing demands of the pandemic. Read more about Liberty Living integration on page 12
Development pipeline Board scrutiny of city and site selection for new developments against a backdrop of increasing competition for the best sites. Governance of developments/ acquisitions to ensure they run to budget and schedule and are earnings accretive whilst – during 2020 – balancing development exposure against the demands of Covid-19.	Property/Development risk on page 77	Deployment of the June 2020 share placing proceeds. Exchanged contracts on: <ul style="list-style-type: none"> • a 300-bed development site in central Edinburgh • an 800-bed development site in Paddington, central London. The Board takes into account its engagement with Universities about these developments when making a decision whether to proceed or not with these development schemes. Deciding to defer development at two sites (Middlesex Street, London and Old BRI, Bristol) to conserve cash due to Covid-19 uncertainty. Read more about Development and partnership activity on page 26
Disposals Board governance of our portfolio recycling as we increase our exposure to the UK's best Universities, while generating capital to invest in further development activity.	Property/Development risk on page 78	Completed the disposal of one property for £10 million in 2020 (Unite share £10 million) in line with book value. Read more about Disposals on page 26
Strategic objective: Quality University partnerships		
Board scrutiny of our developments and portfolio recycling to ensure we partner with the right Universities and enhance our long standing relationships. Building University relationships through ongoing engagement and dialogue with Universities.	Market risk – supply and demand and Property/Development risk on pages 72 to 74 and 77 and 78	Portfolio activity focused on increasing our alignment to high and mid-ranked Universities and being in the best locations. For the 2020/21 academic year, 87% of our income is generated by students attending such Universities (2019/20: 88%), increasing to 88% on delivery of our secured development pipeline and contracted disposals. Read more about Development and University partnership activity on pages 24 and 25

Board's governance role	Link to principal risk	What the Board did in 2020 and its decision making
Strategic objective: A responsible and resilient business		
HE Government Policy and Brexit Continued focus on potential HE Government policy changes as well as our Brexit disruption planning.	Market Risk – supply and demand on page 72	Ongoing Board monitoring of HE Government policy and its impact for PBSA and more widely as well as continued monitoring of our Brexit Disruption Plan in which we prepare for the operational disruption following the end of the Brexit transition period.
High-quality income for the 2020/21 academic year Oversight of Nominations and operational performance and University partnership transactions.	Market risk and Property/Development risks on pages 72 to 74 and 77 and 78	88% let across our portfolio for the 2020/21 academic year of which 60% is underpinned by nomination agreements. Read more about Operations review on page 17
Covenants compliance Group Board leadership for our Covenants compliance.	Financing risk on page 80	Board leadership over our Financing Covenants compliance tested by the sudden, unexpected and wide ranging impact of Covid-19. This year, there has been a specific focus on ICR covenants. The Board monitors Covenants compliance across a range of income / stress scenarios to ensure that if any risks emerge, the Board is ready to identify further action and work with lenders well in advance. Covenant compliance also has oversight in the Audit Committee and by the external audit review of our Covenant compliance through the Going Concern process. Read more about Financial review on page 42
Capital structure Group Board focus on a strong and flexible capital structure, which can adapt to market conditions, and reducing and diversifying the cost of funding.	Financing risk on page 80	Board oversight on our capital structure, including the June 2020 share placing, and the decision/timing to proceed and the deployment of the placing proceeds. Read more about Financial review on page 42
Strategic objective: A responsible and resilient business		
As a listed plc and responsible / trusted business, our wider stakeholders demand we proactively manage environmental, social and governance risks. The Board develops and oversees the implementation of our Sustainability Strategy which has the overarching ambition for Unite to clearly lead the student housing sector on sustainability issues and be in the leading pack of real estate companies in the wider sector.	Climate-related change risk on page 79	During 2020, the Board led the development of our new Sustainability Strategy. The Board developed this following extensive stakeholder engagement and materiality assessments. This was needed to better understand our stakeholder expectations otherwise the Board risked not meeting them. This new Sustainability Strategy provides a clear structure with objectives, flagship targets and governance to ensure its successful delivery. In addition to developing the new Sustainability Strategy, the Board also interrogated our ongoing ESG regulatory and reporting compliance. The Board also considered the Board's specific climate change risks, identifying them across: Regulatory risk; Physical risk; Transition risk; and Stakeholder risk. The Board considered the impact of these risks and oversees the assurance of the corresponding risk management.

BOARD ACTIVITIES CONTINUED

2020 performance evaluation

Each year a review of the performance of the Board, its Committees and Directors is undertaken. During 2020, the evaluation was conducted by Belinda Hudson Limited in line with the Company's policy to conduct an externally facilitated evaluation every third year.

The evaluation – building on prior years – explored all aspects of performance including Board composition, diversity and dynamics, Board processes and the extent to which the Board fulfils its role and responsibilities. It also covered the effectiveness of the Committees and the Chairman. To conduct the evaluation in a Covid-19 safe environment, a questionnaire-based approach was adopted using Thinking Board, provided by Independent Audit Limited. Belinda Hudson tailored the questionnaires to the specific circumstances of Unite, analysed the output and prepared a report which set out the findings and recommendations. The report was presented to and discussed with the Board.

The feedback was that the Board and its Committees have continued to operate effectively and to fulfil their oversight and governance responsibilities taking into account the interests of all stakeholders. In particular, there is clarity as to the Board's role in shaping, embedding and overseeing Home for Success and our values.

Suggested areas for potential development included:

1. Consider setting up a Sustainability Committee, reporting to the Board, to have oversight of the development, integration and communication of the Sustainability Strategy and review how climate-related change and environmental concerns are integrated into the strategy.
2. Create space in the Board agenda for more unstructured strategic discussion, blue-sky thinking and Non-Executive Director only discussion.
3. Continue to develop the Board's oversight of the Company's culture and approach to employee engagement.
4. Create more opportunities for the Board members to spend more informal time together when circumstances permit.

The Board and each of its Committees have reviewed the suggestions and outcomes of the Board evaluation and developed an implementation plan. Good progress is being made.

The Board considered its and the Committees' current composition. None of them required any change currently but the Nomination Committee will continue to review the Board's structure, size and composition to ensure the Board has the right balance of skills, diversity and experience.

Belinda Hudson Limited and Independent Audit Limited has no other connection with the Company or individual Directors.

2021 governance priorities

Continued delivery of high-quality income and earnings with oversight and assurance of:

Safe and secure	Macro/Market dynamics	Development	Financing	Our people
<p>Covid-19: ensuring we continue to provide a safe and secure operating environment and workplace. An increased focus on wellbeing.</p> <p>Fire safety: ensuring our Properties continue to be safe and oversight of the ongoing emerging risk around the dynamic fire and building regulations environment.</p>	<p>The impact of Covid-19 on the Group's income / occupancy, Government HE policy, UK plc and the UK economy and global economy more generally.</p>	<p>Continuing to look for development with the right sites in the best locations. Security of high quality income through high-quality properties with quality long-term University partnerships.</p>	<p>Ongoing Board oversight of the Group's Covenants compliance, monitoring across a range of income / stress scenarios to ensure the Board can manage the Covenants proactively and pre-emptively.</p>	<p>Governance to ensure the Group embraces the opportunities a truly diverse and inclusive workforce brings across all levels of our business, creating a sense of belonging and ensuring our people can bring their true selves to work.</p> <p>Developing our talent pipeline and future leaders to help ensure a sustainable future.</p>

As part of our executive and wider succession planning, the Committee also continued its focus on our diversity and inclusion.

Nomination Committee Chair's overview

Succession planning for the Chairman through a dedicated sub-committee of the Nomination Committee, led by Elizabeth McMeikan our Senior Independent Director, has been a key focus during 2020. This led to the successful appointment of Richard Huntingford as Non-Executive Director and Chairman Designate on 1 December 2020. Richard will take over as Chair when I step down on 31 March 2021.

The Committee has also continued its focus on executive succession planning and our talent development. This year this has especially focused on building a resilient and agile leadership team as we manage the competing priorities of Covid-19 and future growth.

As part of this executive and wider succession planning, the Committee also continued its focus on our diversity, and inclusivity, conscious a diverse leadership team needs to reflect our wider stakeholders and is key to the Group's long-term sustainable success.

NOMINATION COMMITTEE CONTINUED

Nomination Committee Members

Phil White

Chair of the Nomination Committee

Richard Huntingford

Non-Executive Director and Chairman Designate

Elizabeth McMeikan

Senior Independent Director

Ross Paterson

Non-Executive Director

Richard Akers

Non-Executive Director

Ilaria del Beato

Non-Executive Director

Dame Shirley Pearce

Non-Executive Director

Thomas Jackson

Non-Executive Director

Professor Sir Steve Smith

Non-Executive Director

Number of Meetings

3

Attendance

100%

Composition

The Committee consists entirely of Non-Executive Directors. At the invitation of the Committee, any other Director or other person may be invited to attend meetings of the Committee if considered desirable in assisting the Committee in fulfilling its role.

Role

The role of the Committee is to:

- Ensure that appropriate procedures are adopted and followed in the nomination, selection, training, evaluation and re-election of Directors and for succession planning, with due regard in all cases to the benefits of diversity on the Board, including gender
- Regularly review the structure, size, composition, skills and experience of the Board and to make recommendations with regard to any adjustments considered necessary
- When it is agreed that an appointment to the Board should be made, lead a selection process that is formal, rigorous and transparent
- Be responsible for identifying, reviewing and recommending candidates for appointment to the Board

Nomination Committee meetings

The Nomination Committee met three times during the year with 100% attendance at these meetings.

Activities in 2020

Review of Board composition and succession planning

Succession planning for the Chairman through a dedicated sub-committee of the Nomination Committee, led by Elizabeth McMeikan our Senior Independent Director, was a key focus during 2020. This led to the successful appointment of Richard Huntingford as Non-Executive Director and Chairman Designate on 1 December 2020. Richard will take over as Chair when Phil White steps down on 31 March 2021.

Heidrick & Struggles, an external search consultancy, led the search for the new Chairman. Heidrick & Struggles has no other connection with the Company or individual Directors.

The Committee also reviewed the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. The Committee noted the Board had recently been strengthened by the appointment of two Non-Executive Directors with strong HE experience (Dame Shirley Pearce and Professor Sir Steve Smith), which has proved especially helpful for HE insight as the Board navigated the wider impact of the pandemic on the sector. The Committee believes the Board has the correct balance of skills, experience, independence and knowledge but continues to monitor this.

As per prior years, the Committee also reviewed the Board's succession planning for executive roles, to ensure we have a deep, diverse and inclusive talent pipeline for future Board appointments. As an integral part of our executive succession planning, the Committee oversees the talent mapping to ensure we are growing and nurturing our talent and developing our high-performers' potential. Our diversity and inclusivity initiatives (outlined below) are aligned with this succession planning.

Diversity and inclusion

The Board recognises that diversity and inclusion is fundamental to the culture of the Group, our purpose of Home for Success and ultimately our long term sustainability. Following the Black Lives Matter movement, we formed an employee Culture Matters Network in 2020 giving employees a platform to share their experiences and explore how we can develop our diversity and inclusivity initiatives with a renewed vigour. The Board's focus has been on creating a workplace where people feel they belong and can bring their whole and true selves into the workplace. Our refreshed value, Creating Room for Everyone, launched following the completion of the Liberty Living acquisition, gives focus to this. To help our teams and particularly our leadership understand their role in making Unite a more diverse and inclusive employer, during 2020 we started working with an external culture specialist, René Carayol. As part of our evolving diversity and inclusivity strategy, the Board has set new Diversity Targets (see further below).

To support the embedding of our new value, Creating Room for Everyone, and our ongoing focus on diversity and inclusion, the Board led the following key initiatives:

- signed the Business in the Community Race at Work Charter, with a commitment to capture ethnicity data and publicise progress; a zero-tolerance approach on harassment and bullying and action to support ethnic minority career progression. The Board believes signing this Charter is a significant moment for our business
- established a Culture Matters Network in response to Black Lives Matter

- new D&I training sessions commenced
- engagement with a leadership and diversity and inclusions specialist, who is providing fresh thinking and stimulus to our leadership team
- committed to new diversity targets as part of our renewed Talent Development Programme, which is focused on promotion, recruitment and talent and reaching beyond our existing gender targets. Our new Talent Development Programme for 2021 will include creating opportunities for minority groups

Diversity targets

Through this process, the Board set the following diversity and inclusivity targets for the business:

- A 50/50 gender split in the Unite Students leadership team by the end of 2023
- Fill 60% of managerial roles internally by the end of 2023
- Minority groups fairly represented in employees and management by the end of 2024

These targets underline the Board's belief that as a service-based business, our people are as important as our customers. We are driven by our values and culture and a passion and commitment to develop a diverse and inclusive organisation, providing interesting career pathways within our organisation to ensure opportunities for progression are available for all and – critically – with greater representation of women and ethnicity in senior positions and a diverse workforce across our organisation, where everybody feels valued, engaged and they belong.

Board Diversity Policy

The Board and Nomination Committee drive the agenda for diversity across the business. We are making progress, but recognise we need to do more. As a result, the Board set the diversity targets and launched the key initiatives listed above.

The Board's diversity policy is that Board appointments (a) are made on merit and relevant experience, while taking into account the broadest definition of diversity and (b) ensure Unite has, on an ongoing basis, the most effective Board and leadership team to operate the business for the benefit of all its stakeholders. The Committee ensures that when making Board appointments the retained search firm places an emphasis on putting forward candidates who would enhance the overall diversity of the Board. On an ongoing basis, the Committee keeps under review the tenure and experience of the Executive and Non-Executive Directors to ensure the Board has an appropriate and diverse mix of skills, experience, knowledge and diversity.

NOMINATION COMMITTEE CONTINUED

Board and senior leadership diversity

The Board embraces the Code's underlying principles with regard to Board balance and diversity, including in respect of ethnicity, gender and age. The Board is also mindful of the aims of the Hampton-Alexander Review, an independent review body which aims to improve women's representation at board level and in leadership roles.

For the major part of the year, the Board comprised three women and seven men representing female gender diversity of 30%. As a consequence of the orderly Chair succession handover process, following Richard Huntingford's appointment to the Board on 1 December 2020 the gender diversity temporarily reduced to 27.3% until Phil White's retirement on 31 March 2021 when it returns to 30%.

The Nomination Committee continues to consider Board balance and diversity and intends to align the composition of the Board with the recommendations of the Hampton-Alexander Review, as it was in 2019 and at the start of 2020, with our Board comprising one-third women by our 2022 Annual General Meeting.

As of 31 December 2020, the number of women in the Executive Committee and their direct reports (including the Company Secretary as required by the Code) is 15 (out of a total of 44) representing 34% of this Group. Our diversity targets listed above will help us grow this percentage of women in leadership positions.

Our diversity targets focus on the wider business, but the Nomination Committee is also conscious of the Parker Review and in particular one of its key recommendations that each FTSE 250 Board should have at least one director of colour by 2024. Building on our diversity targets and initiatives and having regard to this recommendation, the Nomination Committee will build a pipeline of candidates working towards the goal of making a Board appointment no later than 2024.

In addition to this Board target, the Committee will continue to focus on setting and achieving diversity targets for the wider business to help the Company develop a deep and diverse succession plan at more senior levels within the organisation.

Phil White

Chair – Nomination Committee

16 March 2021

The Audit Committee continued its key oversight role for the Board in respect of the Group's financial management and reporting.

Audit Committee Chair's overview

During the year, the Audit Committee continued its key oversight role for the Board with its specific duties as set out in its terms of reference to reassure shareholders that their interests are properly protected in respect of the Group's financial management and reporting.

The Audit Committee works to a structured programme of activities, with agenda items focused to coincide with key events in the annual financial reporting cycle. The Audit Committee reports regularly to the Board on its work.

During the year, the Audit Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems in line with the requirements under the Corporate Governance Code.

AUDIT COMMITTEE CONTINUED

Audit Committee Members

Ross Paterson
Chair of the Audit Committee

Richard Akers
Non-Executive Director

Ilaria del Beato
Non-Executive Director

Professor Steve Smith
Non-Executive Director

Number of Meetings

4

Attendance

100%

The Audit Committee determined the focus of the Group's internal audit activity, reviewed findings, and verified that management was appropriately implementing recommendations. The Audit Committee also looked at how to operate effectively in light of the Covid-19 pandemic, in particular, how the external audit could be delivered in the current environment whilst maintaining the expected high level of rigour. The Audit Committee also challenged the approach to assessing the Group's ability to continue as a going concern and its likely loan covenant compliance, by reviewing various scenarios for future performance.

The Audit Committee undertook a review of its effectiveness in September 2020. The review found that the Audit Committee is working effectively. The review identified areas in which we can strengthen our performance and these are reflected in the Committee's priorities for 2021.

During 2020, the Audit Committee undertook the fifth full evaluation exercise of the Deloitte audit approach to ascertain the effectiveness of the external audit function. Further to the completion of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach and have recommended to the Board that Deloitte be re-appointed as auditor in 2021.

We also reviewed the effectiveness of the internal auditors, PricewaterhouseCoopers ('PwC'), during 2020. We were satisfied with both the independence and effectiveness of the internal auditors. Nevertheless, in light of the major acquisition of Liberty Living in November 2019, we are reviewing the overall risk assurance arrangements, including internal audit, to ensure they are appropriate and effective for the enlarged Group.

As noted in this Corporate Governance Statement, the Board delegates certain of its duties, responsibilities and powers to the Audit Committee, so that these can receive suitably focused attention. However, the Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors as a whole.

Role of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee take into account the requirements of the Code and are available for inspection at the registered office, at the Annual General Meeting and on the Group website at <http://www.unite-group.co.uk/about-us/corporate-governance>.

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review significant financial reporting judgements
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems
- To monitor the effectiveness of the Group's internal audit function and review its material findings
- To oversee the relationship with the external auditor, including making recommendations to the Board in relation to the appointment of the external auditor and monitoring the external auditor's objectivity and independence.

Composition of the Audit Committee

The members of the Audit Committee are set out on page 92 of this Corporate Governance Statement. The Audit Committee members are all independent Non-Executives and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Audit Committee's duties. The Board considers that as a chartered accountant and serving Finance Director of a UK-listed company, I have recent and relevant financial experience.

Audit Committee meetings

The Audit Committee met four times during the year and attendance at those meetings is shown on page 99 of this Corporate Governance Statement. Meetings are scheduled to coincide with key dates in the financial reporting cycle and a forward agenda is agreed by the Committee and reviewed on an ongoing basis.

Meetings are attended, by invitation, by the Chief Financial Officer, the Deputy Chief Financial Officer and the Group Financial Controller.

I also invite our external auditor, Deloitte, to each meeting. The Audit Committee regularly meets separately with Deloitte without others being present. As appropriate, I also invite our internal auditor, PwC, to attend the meetings. Deloitte and PwC meet *independently of management to ensure alignment*, to update on respective findings and consider the impact on the relative approaches of their work.

Main activities of the Audit Committee during the year

Meetings of the Audit Committee generally take place just prior to a Group Board meeting and I report to the Board, as part of a separate agenda item, on the activity of the Audit Committee and matters of particular relevance to the Board in the conduct of its work. At its four meetings during the year, the Audit Committee focused on the following activities.

The Audit Committee reviewed the half-year and annual financial statements and the significant financial reporting judgements. As part of this review, the Audit Committee supported the Board by reviewing the financial viability and the basis for preparing the accounts on a going concern basis. This included challenging forecast cash headroom and reviewing scenarios, which were determined by management, to stress test the impact of a range of performance outcomes upon the viability of the business, in particular with regard to loan covenants. The Audit Committee also reviewed and challenged the external auditor's report on these financial statements.

As discussed above, the effectiveness of the external audit function was considered during 2020. During the evaluation process the Audit Committee considered: the independence and objectivity of the external auditor; the make-up and quality of the audit team; the proposed audit approach and the scope of the audit; the execution of the audit and the quality of the audit report to the shareholders; as well as ultimately the fee structure.

The Audit Committee discussed reports from PwC as the Group's internal auditor on their audit and assessment of the control environment. The Committee reviewed and *proposed areas of focus for the internal audit programme* of review including the approach to ensure that the internal audit activity continues to be aligned to the principal Group risks.

Financial reporting

The primary focus of the Audit Committee, in relation to financial reporting in respect of the year ended 31 December 2020 was to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on:

- The quality and acceptability of accounting policies and practices
- The integration of Liberty Living on to Unite systems, processes and controls
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- The clarity and appropriateness of the disclosures in respect of the impact of Covid-19
- Material areas in which significant judgements have been applied or where there has been discussion with the external auditor
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and *provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy*

The Audit Committee's assessment of the Annual Report to ensure that it is fair, balanced and understandable took into account the following considerations:

- A review of what fair, balanced and understandable means for Unite
- The high level of input from the Chief Executive Officer and Chief Financial Officer with early opportunities for the Board to review and comment on the Annual Report
- Ensuring consistency in the reporting of the Group's performance and management information (as described on pages 40 and 41), risk reviews (as described on pages 64 to 80), business model and strategy (as described on pages 32 to 35)

AUDIT COMMITTEE CONTINUED

- A cross-check between Board Minutes and the Annual Report is undertaken to ensure that reporting is balanced
- Whether information is presented in a clear and concise manner, illustrated by appropriate KPIs to facilitate shareholders' access to relevant information

To aid our review, the Audit Committee considers reports from the Group Financial Controller and reports from the external auditor on the outcomes of their half-year review and annual audit. As an Audit Committee, we support Deloitte in displaying the necessary professional scepticism its role requires.

Significant issues considered by the Audit Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risk of misstatement of the Group's 2020 financial statements related to:

- Property valuations
- Joint venture accounting
- Going concern

Property valuations

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in USAF or LSAV. The investment properties are carried at fair value based on an appraisal by the Group's external valuers who carry out the valuations in accordance with the RICS Red Book valuation guide, taking into account transactional evidence during the year. The valuation of property assets involves significant judgement and changes in the core assumptions could have a significant impact on the carrying value of these assets. The Audit Committee identified that the uncertainty caused by the Covid-19 pandemic could cause an increased level of judgement on property valuations as at 31 December 2020.

Management discusses the underlying performance of each asset with the external valuers and provides detailed performance data to them including rents, University lease agreements, occupancy, property costs and costs to complete (for development properties). Management receives detailed reports from the valuers and performed a detailed review of the valuations to ensure that management considers the valuations to be appropriate. The valuation report is reviewed by the Chief Financial Officer and the Group Property Director prior to sign-off.

During the year, the Audit Committee and/or the Board met with members of the Group's valuer panel and challenged them on the basis of their valuations and their core assumptions, including the yield for each property, rental growth and forecast costs.

The Audit Committee questioned the external valuers on market trends and transactional evidence that supports the valuations. The Audit Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The Audit Committee was satisfied that an appropriate valuation process had taken place, the core assumptions used were reasonable and hence the carrying value of investment and development properties in the financial statements was appropriate.

The external auditor explained the audit procedures to test the valuation of investment and development properties and the associated disclosures. On the basis of the audit work, the external auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and detail on asset valuations is set out on page 22.

Joint venture accounting

Two of Unite's significant assets are its investments in USAF and LSAV which the Group has historically accounted for as joint ventures.

The Group reports under IFRS 10-12 which provides guidance on how an investor should account for its interests in other entities, including a definition of control and guidance on how to classify and account for jointly controlled arrangements. During the year, management undertook a detailed review of its classification for both USAF and LSAV, and following that analysis concluded that both USAF and LSAV should continue to be treated as joint ventures.

The Audit Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as joint ventures under IFRS 11, with Unite recording its 22.0% share of the results and net assets of USAF as a joint venture using equity accounting and likewise 50% for LSAV.

Going Concern

The Audit Committee reviewed and challenged management's range of scenarios for future performance with a focus on forecast liquidity and ICR covenant performance. This review focussed on the assumptions made regarding the impact of the Covid-19 pandemic, specifically UK Universities' ability to remain open and provide a blend of online and face-to-face teaching, demand for University accommodation in the UK and travel restrictions limiting the ability of International students to travel to the UK. The Audit Committee concluded that the scenarios had been carried out on an appropriate basis and agreed to recommend to the Board that the Financial Statements be prepared on a going concern basis.

Further detail on going concern is set out on page 172.

Other issues considered by the Committee

LSAV performance fee

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2022. The Audit Committee discussed the recognition of the LSAV performance fee in 2020 and challenged the assessment of 'highly probable' used to determine the amount to recognise. This included discussion of the estimates used, being future rental income and the discount rate (yield).

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee.

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee. The Risk Committee is responsible for the delivery of the Group's Risk Management Framework, which the Audit Committee has approved, and the Group's assessment of its principal risks and uncertainties, as set out on pages 68 to 80.

The Board also formally reviewed the Group's principal risks at two meetings during the year. Through these reviews, the Audit Committee considered the risk management procedures within the business and was satisfied that the key Group risks were being appropriately managed.

The risk assessment flags the importance of the internal control framework to manage risk and this forms a separate area of review for the Audit Committee.

Internal controls

Led by the Group's risk assessment process, we reviewed the process by which the Group evaluated its control environment. Management is responsible for establishing and maintaining adequate internal controls. Internal controls are designed to provide reasonable assurance regarding (among other things) the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. A comprehensive strategic planning, budgeting and forecasting process is in place. Monthly financial information and performance insight is reported to the Board.

The Audit Committee's work to review the effectiveness of the internal controls was driven by the Deputy Chief Financial Officer's report on internal controls, supported by the work of the internal auditor and their reports to the Audit Committee. The feedback from the Group's internal auditor on specific areas of control is tested on a periodic basis and our external auditor is requested to provide specific feedback and assessment of the Group's financial controls and highlight any areas of weakness. No significant weaknesses were identified through the course of the Audit Committee's reviews, despite the impact of Covid-19.

Internal audit

The Group engages PwC to perform internal audit activity, with this internal audit function reporting directly to the Audit Committee.

Due to the Covid-19 pandemic, the 2020 internal audit plan was adapted to a more flexible approach allowing us to focus on key issues. This approach resulted in PwC completing internal audit work on cyber security in 2020. Overall, PwC concluded that there were no significant issues and controls were well designed, but noted there were some areas of improvement to be made to maximise controls and operational efficiency, which management is in the process of implementing.

External audit

The effectiveness of the external audit process is facilitated by appropriate audit risk identification at the start of the audit cycle which we receive from Deloitte in a detailed audit plan, identifying their assessment of these key risks.

For the 2020 financial year, the significant risks identified were in relation to valuation of properties, classification of joint ventures, going concern, revenue recognition and management override of controls. These focus areas were discussed at the Audit Committee and it was agreed that they should be the principal areas of focus as they represent the areas with the greatest level of judgement and materially impact the overall performance of the Group. These risks are tracked through the year and we challenged the work done by the auditor to test management's assumptions and estimates around these areas.

We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte at both the half-year and year-end and also reports from management on how these risks are being addressed.

AUDIT COMMITTEE CONTINUED

For the 2020 financial year, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. We hold private meetings with the external auditor at each Audit Committee meeting to provide additional opportunity for open dialogue and feedback from the Audit Committee and the auditor without management being present. Matters typically discussed include:

- The auditor's assessment of business and financial statement risks and management activity thereof
- The transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit
- How they have exercised professional scepticism

I also meet with the external lead audit partner outside the formal Audit Committee process.

Independence and external audit tender

The Audit Committee considers the re-appointment of the external auditor, including the rotation of the audit partner which is required every five years, each year and also assesses their independence on an ongoing basis. 2020 is the sixth year during which Deloitte has been the Group's external auditor. In accordance with the requirements to rotate the audit partner at least every five years, 2020 saw Stephen Craig take over responsibility for the audit from Judith Tacon.

The Audit Committee reviewed Deloitte's audit work and determined that appropriate plans are in place to carry out an effective and high quality audit. Deloitte confirmed to the Audit Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Audit Committee's assessment of the ongoing independence of the auditor, the Audit Committee receives details of any relationships between the Group and Deloitte that may have a bearing on their independence and receives confirmation that they are independent of the Group.

As discussed above, an assessment of Deloitte's effectiveness, its processes, audit quality and performance was undertaken in May 2020 following completion of the 2019 audit.

The Committee confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities Order 2014) Order 2014.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte from providing certain services, such as valuation work or the provision of accounting services.

For certain specific permitted services (such as reporting accountant activities and compliance work), the Audit Committee has pre-approved that Deloitte can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chairman, or in my absence, another member, can pre-approve permitted services.

During the year, Deloitte was appointed to undertake non-audit services. Fees for non-audit work performed by Deloitte for the year ended 31 December 2020 were £0.1 million (2019: £2.0 million). The non-audit fees related to the work undertaken by Deloitte LLP in its role as external auditor to the Group for the review of the half year report. Further disclosure of the non-audit fees incurred during the year ended 31 December 2020 can be found in note 2.6 to the consolidated financial statements on page 187. Accordingly, the Audit Committee was satisfied that both the work performed by Deloitte LLP, and the level of non-audit fees paid to it, were appropriate and did not raise any concerns in terms of Deloitte LLP's independence as auditor to the Group.

The Audit Committee approved the fees for audit services for 2020 after a review of the level and nature of work to be performed, including the impact of the acquisition of Liberty Living, additional audit procedures required as a result of Covid-19 and changes in the regulatory environment, and after being satisfied by Deloitte that the fees were appropriate for the scope of the work required.

Audit Committee evaluation

The Audit Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process can be found under 'Performance evaluation'.

Ross Paterson

Chair – Audit Committee

16 March 2021

Operating safely is fundamental to being a responsible business and Covid-19 has underlined the importance of our safe and secure promise.

Unite is home to 76,000 students. For many, this is their first time living away from home. This year our brand promise of being 'Safe and Secure' has been more important than ever as students, our people and the communities we operate in faced the unique challenge of living and working in the Covid-19 pandemic.

Covid-19 health and safety has been a key priority in 2020 with a focus not only on social distancing and other measures to prevent and control the spread of the virus but also on student and employee wellbeing. Reflecting the measures we had taken, Unite was recognised as the first student accommodation provider to have its Covid secure status accredited by the British Safety Council (BSC). We could not have achieved this without the resilience and agility of our teams whilst working in the very challenging Covid-19 environment. Further information on our Covid-19 response is detailed in this Committee report.

HEALTH & SAFETY COMMITTEE CONTINUED

Health & Safety Committee Members

Professor Sir Steve Smith
Chair of the Health & Safety Committee

Richard Smith
Chief Executive Officer

Dame Shirley Pearce
Non-Executive Director

Elizabeth McMeikan
Senior Independent Director

Ilaria del Beato
Non-Executive Director

Number of Meetings

3

Attendance

100%

Our focus on safety is not limited to Covid-19. Building on our BSC 5-star rating achieved in 2019, Unite was honoured to receive the BSC Sword of Honour in 2020 for excellence in the management of occupational health and safety.

Fire safety remains a key safety priority and through 2020 we continued to engage with our primary authority, the Avon Fire and Rescue Service, and local fire services, especially conscious that students' lives were changing as they lived with us through the pandemic. All of our properties have been confirmed as safe to operate by independent fire safety experts, reflecting a wide range of fire safety measures across our portfolio as well as the special measures put in place at the affected buildings, including increased building patrols by staff, additional alarm measures and sprinklers. Cladding also remains a priority and we continue to work closely with the Ministry of Housing, Communities and Local Government (MHCLG) to ensure our properties comply with emerging guidelines.

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 19 properties with HPL across our estate, all but three of which are greater than 18 metres in height. Having removed Aluminium Composite Materials (ACM) cladding from our building, we will continue to follow our values of doing what's right and will now remove HPL cladding where it fails to meet regulations. We are currently carrying out replacement of properties with HPL cladding, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. The cost of replacing the HPL cladding is expected to be £79.9 million (Unite share: £33.8 million), which will be incurred over the next 12 to 36 months.

During 2020, we continued to expand and regionalise our Health and Safety team, allowing closer and more 'on the ground' support for our Operations teams helping them deliver our Safe and Secure brand promise. This also allowed our strengthened regional teams to better support the successful integration with Liberty Living, underlining the safety of our teams and customers as our key priority.

Our focus for 2021 remains on providing absolute confidence to our customers, employees, visitors and parents/guardians on the safety of our properties and our workplace. This includes working closely with the Ministry of Housing, Communities and Local Government to ensure our properties comply with emerging guidelines. We will also concentrate on providing clear information and education to our customers on how they can keep themselves safe and secure in their homes.

Health and Safety Committee meetings

The Health and Safety Committee met three times during the year and attendance at those meetings is shown on page 99.

Covid-19 – 2020/2021

- Covid-19 Secure Workplace – Unite was the first student accommodation provider to be recognised with the British Safety Council 'Covid Secure Workplace' assurance. We have implemented subsequent controls which are being reviewed and updated regularly to ensure adherence to ongoing Government guidance.
- Adapting to Covid-19 – we adapted and created new policies and operating practices such as a new Clean+ Property Standard outlining our cleaning, quality and safety standards, and a business-wide Covid-19 Risk Assessment. We have also produced a Covid Secure Contractor Guidance Document for our contractors and third parties. This additional guidance has allowed us to continue with key activities including construction work, essential maintenance, and upgrades.
- Working From Home – to ensure those working from home have appropriate measures and equipment in place to safely carry out their day-to-day activities, we created an online DSE Assessment and e-Learning in line with Covid-19 guidance. Office equipment has been provided to those employees identified as requiring additional equipment.
- Getting ready for academic year 2020/21 – our teams worked tirelessly through the Covid-19 pandemic to clean rooms, common areas and kitchens over the summer of 2020 to get our properties ready for the academic year 2020/2021 intake. Our MyUnite app and operating platform PRISM has helped facilitate digital interactions between our teams and students with bookings, maintenance requests, support for self-isolating students, managing arrivals and check-ins.
- Student welfare – we have worked closely with our University partners to increase provision and access to wellbeing and mental health support during the pandemic, including online welfare checks, a pilot peer to peer scheme as well as support for those shielding and self-isolating.
- Investment in equipment – we made key investments in equipment to help us control Covid-19, these include: temperature ray guns, Purifog (chemical fogging) machines, PPE, screens, floor markings etc.

Highlights and achievements from 2020

The Covid-19 pandemic meant readjusting our H&S focus for the year, making sure we remain Covid secure whilst still ensuring the safety of our teams at work and customers living with us. In addition, we rolled out the following initiatives:

- Safe & Secure Brand Proposition – we have created and rolled out a Safe & Secure Brand Proposition which explains how we keep our customers and teams safe. This has been especially important for our teams as it has given them the information and tools to have conversations with students, parents, guardians and University partners about the safety and security measures that we have in place to ensure a safe place to live.
- Health and Safety training – we have delivered 40 training courses to over 1,300 employees on Health, Safety, Security, Fire and Wellbeing. Alongside this, we continued our mandatory e-learning modules for all employees. We also received Senior Leadership Health and Safety training from the British Safety Council.
- Health and Safety Software – we have procured a new H&S Software System which we will roll out to the business in Q2 2021. The software is a market-leading SAS (Software as a Service) system and reduces the need for multiple, complex systems for reporting on safety incident, inspections and audits. This will bring us greater insight into our safety information and data and help us be better, reflecting one of our values Raising the Bar Together.
- Working at Height Review – we completed our full review of Working at Height, one of our 'Top 5 Safety Risks'. Following this review, we now work in partnership with Faithful and Gould for all safety related information before any high-risk working at height.

HEALTH & SAFETY COMMITTEE CONTINUED

British Safety Council (BSC) audits

Following our 5-star audit achievement last year, the BSC has now awarded us the prestigious 'Sword of Honour'. The Sword of Honour is reserved for elite organisations that have clearly demonstrated excellence in the management of occupational health, safety and environmental risk. Unite is one of only 61 organisations globally who have achieved this accolade.

Top-five safety focus areas will continue into 2020/2021

Following the completion of our Working at Height safety review, we have revised our Top 5 Safety Risks by replacing Working at Height with violence and assault against our team members in the workplace. Covid-19 has unfortunately exacerbated the prevalence of violence against our team members and we are increasing our focus on measures to protect our frontline teams.



Fire safety



Electrical safety



Contractor safety



Driving for work



Violence and assault against our team members in the workplace

Incidents

There were 12 RIDDOR reportable accidents in 2020. Five of these were Covid-19 incidents reported under the category 'Disease' in properties in Manchester and Liverpool during October 2020. They occurred whilst Public Health England supported both cities through initial unprecedented outbreaks of Covid-19 in student accommodation in these cities. Three of the RIDDOR accidents related to slip and trip, one related to manual handling, one related to contact with machinery, one related to being caught/carried away in something and one related to being struck against something. All incidents have been comprehensively investigated, with preventative measures put in place to prevent a recurrence and lessons learned communicated.

The introduction of our new H&S Software system and its data analytics will help provide us clearer insight which will assist in the trending and monitoring of safety incidents data going forward with a focus on near miss reporting as a leading indicator of potential areas of risk.

Safety in our Development Sites

In our development activity, there were three RIDDOR reportable injuries and 50 minor incidents in 2020. This represents good safety performance against the industry norm which is especially pleasing with the pressures of the Covid-19 pandemic. This performance is within our Unite internal benchmarks – as follows:

Property	Total Hours Worked	Non-reportable Incidents	Reportable Incidents
Artisan Heights	325,472	16	0
White Rose View Leeds	762,759	14	2
White Rose View House	545,590	15	1
Middlesex Street	53,182	3	0
BRI Bristol	30,520	2	0
Total	1,717,523	50	3

Incidents	KPI ¹	Benchmark
3 RIDDOR	0.17	0.30
50 Minor	0.29	5.00

¹ KPI calculated as: No of incidents worked x 100,000 hours / hours worked

Mental health and wellbeing

We launched our employee wellbeing strategy and training in September 2020 starting with 'Train the Trainer' sessions for our nominated Wellbeing champions across the business.

'The Healthy Work Company' was appointed our new external specialist partner for this important initiative and they have rolled out training to the operational leadership team. We are also providing professional counselling support for any team members who require it following a Covid-19 outbreak at our properties as it is recognised that the current 'post-incident' service currently on offer from our Employee Assistance Programme would be beneficial in these circumstances.

We have released our updated Flexible Working Policy, Working from Home Guidelines and home working DSE, all of which have been updated in line with the latest Government restrictions. The use of our head offices in Bristol (South Quay House) and London (Swan House) will continue to be on a strictly prioritised basis and in line with Government restrictions, where team members have highlighted a welfare need or do not have an adequate DSE set-up/space at home.

Property development

Despite the Covid-19 disruption and lockdown restrictions, we made progress in our development pipeline during 2020 and delivered three buildings for the 2020/21 academic year. Throughout the pandemic, we worked closely with our contractors to ensure our sites were safe to operate and introduced various measures such as reducing the number of operatives on site to help social distancing. We have also worked closely with our supply chain to mitigate delays in product and material delivery to our development sites. With testing becoming more available, we now provide all construction operatives and management twice weekly onsite tests.

In addition to our Covid-19 safety focus and delivering schemes in a uniquely challenging environment, we also focused on:

- Wellbeing – started an operative wellbeing programme through external specialists to promote the support of British Safety Council audit recommendations implemented across developments and supply chain improving the way we deliver our developments
- Reporting – overhaul of our management KPIs and reporting, tracking trends, instigating target audits and using monthly improvement drives
- Appointment of a new H&S CDM / Clients Rep – Faithful+Gould Limited appointed to drive consistency and improvement across all development and estates projects
- Integration of project delivery – bringing a unified approach to the delivery of all construction across Estates, refurbishment, development and asset management
- Review and completion of BSC Construction audit actions – one of the key actions from the audit was on management of wellbeing on development sites. We have engaged with an external specialist to help develop a strategy and provide mental health and counselling support to contractors and their sub-contractors.
- Continuing to deliver year-on-year improvement in our H&S KPIs across all our development sites

Professor Steve Smith

Chair – Health and Safety Committee

16 March 2021

REMUNERATION COMMITTEE

Like many companies,
our 2020 financial
year was disrupted
by Covid-19.

Remuneration Committee Chair's overview

On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2020. As in previous years, this report is split into three sections: this Annual Statement, the Policy Report and the Annual Report on Remuneration. Our remuneration policy was last submitted to shareholders at the 2019 AGM, receiving 96.85% votes in favour. No changes are proposed to the policy this year, but we have reproduced the policy report in full over pages 126 to 134 for both ease of reference and in order to provide context to the decisions taken by the Committee during the year.

Remuneration Committee Members

Elizabeth McMeikan
Chair of the Remuneration Committee

Phil White
Chairman

Ross Paterson
Non-Executive Director

Richard Akers
Non-Executive Director

Dame Shirley Pearce
Non-Executive Director

Number of Meetings

4

Attendance

100%

2020 performance and reward

The Board and management agreed early on that the safety and wellbeing of the students who live with us and our employees should remain our top priority in any response to the pandemic. With the impact on face-to-face teaching becoming apparent, Unite acted quickly and decisively to offer to forgo rent for the final semester for any student choosing to return home for the remainder of the 2019/20 academic year – the first UK Student Accommodation provider to do so. At the same time, we recognised that for many students our accommodation is their home, and the importance, therefore, of continuing to keep all of our buildings open and our services and support available. For those students unable to return home at the end of their tenancies, we pledged to continue to provide free accommodation over the summer months, with a welfare support scheme established to respond to reports of downward trends in student wellbeing and increased loneliness as a result of the pandemic.

Our response for the 2020/21 academic year has been about flexibility in a time of continued uncertainty: providing flexible booking dates and the ability to move bookings to a different city where required, conducting

digital check-ins to reduce physical contact and providing free early check-ins to allow those arriving from Covid-restricted areas to quarantine in time for the start of the academic year. Working closely with University partners, the Company will continue to adapt and evolve its approach as the pandemic progresses, with a recent example being the 50% discount offered to students who do not take up residence announced in early 2021. The Board strongly believes that our response to-date will serve to enhance our long-term brand reputation among the student and Higher Education communities.

None of this would have been possible without the dedication and hard work of our exceptional colleagues, and I would like to thank all Unite employees – including the 381 new joiners from the Liberty Living acquisition – for their unerring commitment to our customers during this difficult time. In recognition of our operations having continued at full capacity this year, with no employees furloughed and no Government support utilised, the management team implemented a number of additional initiatives to assist our colleagues during this period. Examples include providing additional special leave to those employees with caring responsibilities, flexible working practices, supporting working from home wherever possible with the purchase of necessary equipment and appropriate health and safety assessments, and extending our cycle to work scheme to be available all year round.

Performance this year has understandably been impacted by the pandemic, with most financial KPIs showing a year-on-year decline. A short-term cash shortfall resulting from our commitment to students to forgo rent during the final semester of 2019/20 was mitigated by the deferral of development and non-essential operational capital expenditure, as well as a number of additional cost savings. The Board also took the difficult decision to cancel the final dividend for 2019 and the interim dividend for 2020 to preserve cash within the business. Despite the significant disruption caused by Covid-19, the business has delivered strong performance heading into the 2020/21 academic year and we remain optimistic about the prospects for future growth.

While Covid-19 particularly impacted our 2020 financial results, there were a number of highlights for Unite from an operations perspective, including the successful integration of Liberty Living, the continued investment in the safety and wellbeing of our people and assets through implementation of learnings from our 2019 BSC 5-star audit, and most recently, the development of an ambitious new Sustainability Strategy with objectives linked to areas including the environment, health and wellbeing, and diversity and inclusion. The successful Placing undertaken in June 2020 will support continued investment in Unite's market-leading platform to drive future growth, and demonstrates the confidence of investors in our approach.

REMUNERATION COMMITTEE CONTINUED

With regards to remuneration for the year, the Board agreed to a 30% reduction to salaries and pension contributions for Executive Directors and a 30% reduction in fees payable to Non-Executive Directors for a four-month period from 1 April 2020. Similar salary reductions of between 10% and 20% were volunteered by senior management over the same period.

The Chief Executive and Chief Financial Officer also felt it would be inappropriate to participate in the annual bonus scheme for 2020. Accordingly, as announced on 22 April 2020, this scheme was suspended for Richard Smith and Joe Lister. With the agreement of the Board, the Executive Directors proposed that a discretionary bonus scheme should continue to operate, with payouts directed towards front line employees and functional support teams to reflect their hard work and commitment to customer service during this most difficult of years. A total of c.£1.6 million (2019: c.£5.7 million – all employee bonus excluding the Executive Directors) has been paid to eligible employees as part of this arrangement.

LTIP awards made in April 2018 were tested for performance at 31 December 2020. These awards were based equally on EPS, TAR and TSR outperformance of the FTSE350 Real Estate Supersector Index. Over the three-year performance period Unite's relative TSR outperformed the comparator Index, whilst TAR and EPS performance were below threshold. Overall vesting of the 2018 awards was therefore one-third of maximum. In approving this outcome, the Committee was satisfied that the vesting level reflects the underlying performance of the Company and the progress made over the last three years. The Committee was also satisfied that the modest vesting represented a fair outcome considering the Covid-19 context and the overall experience of stakeholders this year. Awards vesting will be subject to a two-year holding period following formal vesting in April 2021, and will only be released to Executive Directors in April 2023. Further details are included on page 138.

Taken as a whole, the Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2020 are appropriate and accordingly we have not applied any discretion to this year's incentive out-turns. A significant proportion of Executive Director pay is dependent on delivery against stretching short and long-term targets aligned with Company strategy. The Committee fully supported the decision to suspend the annual bonus scheme for Executive Directors and focus available funds on the broader workforce instead, whilst modest vesting under the LTIP reflects, in our view, an appropriate outcome for having continued to outperform sector peers over the last three years.

Finally, Executive Directors were each granted an award under the LTIP in April 2020 which will vest based on performance over the three financial years to 31 December 2022 measured against challenging EPS, relative TAR and

relative TSR targets. Any award vesting is required to be held for an additional two-year period, in line with our remuneration policy. The Committee carefully considered the appropriateness of making these awards in light of the pandemic, concluding that as a share-based incentive with no immediate cash cost, and with vesting dependent on stretching three-year targets, the granting of these awards remained appropriate and would help to incentivise participants to drive Company performance at a time when such focus was needed most. In making this decision, the Committee agreed that there would be no change to the performance conditions or targets originally intended to apply to the awards (as disclosed in the 2019 Directors' Remuneration Report), and that, therefore, any vesting in 2023 would require truly exceptional performance over the remainder of the performance period. The Committee also noted its overarching discretion under the Remuneration Policy and committed to review any payout from these awards to ensure that it does not reward windfall gains, and reflects the performance of the Company and the experience of stakeholders over the period. Further details are included on pages 142 and 143.

Implementation of Policy for 2021

The Committee believes that the remuneration policy continues to effectively support Unite's short and long-term strategic objectives and promote shareholder alignment.

There will be no companywide pay increase for 2021 and accordingly Executive Director salaries will remain at £472,313 for the Chief Executive and £384,441 for the Chief Financial Officer. Reflecting our commitment to being an accredited Real Living Wage employer, entry level salaries will increase in line with the rates set by the Living Wage Foundation (c.1% in London and c.2% in the rest of the UK).

Following a review of Unite's employee pension offering in 2018, we revisited the contribution rates of Executive Directors last year and committed that, consistent with best practice, these would be aligned with the workforce over a reasonable period. Accordingly, effective 1 January 2021, Richard Smith and Joe Lister will receive a maximum pension contribution of 17% of salary, with two further reductions scheduled: to a maximum of 14% of salary effective 1 January 2022 and to a maximum of 11% of salary effective January 2023.

Executive Directors will be eligible to participate in the annual bonus plan in 2021, with a maximum opportunity of 140% of salary and with performance assessed against a range of key financial and non-financial measures. There will be two principal changes to the operation of the scheme this year: Loan to Value (LTV) will replace net debt to EBITDA in respect of 20% of the potential annual bonus and the 10% weighting on personal / team objectives will be reallocated to a new metric, Unite's Global Real Estate Sustainability Benchmark (GRESB) rating. Use of our GRESB rating is intended as a first step in introducing ESG metrics into

Unite's incentives and reflects the recent announcement of the Group's ambitious new Sustainability Strategy. The Committee will, in approving outcomes under this element of the annual bonus, also take into account performance against a range of indicators linked to Diversity & Inclusion, another key element of the Sustainability Strategy. The operation of the LTIP will be unchanged, with awards of 200% of salary vesting based on three-year EPS, relative TAR and relative TSR targets and a mandatory two-year holding period applying. Reflecting continued uncertainty, the Committee has taken the decision to delay target setting for the Adjusted EPS element of the award and to instead disclose details via a market announcement once these targets have been determined. Further details, including the approach we will take in assessing windfall gains on LTIP outcomes, are included on page 144.

Following a review by the Chairman and Executive Directors, Non-Executive Director fee levels will remain unchanged for the 2021 financial year, save for one amendment. The fee for the Chair of the Health and Safety Committee will be increased from £7,285 to £10,300 per annum to align with the fees for other Board Committee chairs and to reflect the importance of this role and Committee to Unite's business. The new Chairman of the Board's fee has been set at £225,000 per annum by the Remuneration Committee with effect from 1 April 2021 to reflect his experience, a review of the time commitment required of the role at Unite, and the increase in size and complexity of the Group in recent years. The Chair of our newly established Sustainability Committee will also receive a Committee Chair fee of £10,300 per annum, consistent with other Committee Chair fees. Full details are included on page 145.

Workforce remuneration considerations

The Committee continues to monitor pay and practices across the wider workforce when considering the remuneration of Executive Directors. The Group People Director is invited to attend Committee meetings on a regular basis to provide updates on workforce initiatives and offer an employee perspective to the Committee's deliberations. This year the Committee's work included reviewing actions taken for employees as a result of the pandemic and approving the proposal to operate a discretionary bonus scheme to reward staff for their hard work during the year.

For the second time, we have reported ratios of CEO pay to the wider population, as disclosed on page 140. The headline ratios have fallen substantially this year, driven predominantly by reduced vesting under the long-term incentive plan and the cancellation of the bonus scheme for Executive Directors. We have continued to also disclose ratios of fixed pay and pay excluding long-term incentives which we consider to be more comparable with employees across the Group. During the year, the Committee assessed the 2019 ratios against reported market data and noted that our figures are higher than many other FTSE250 companies.

Although we recognise that this is very much a function of differing staff models, it will nevertheless continue to inform our decision-making around Executive Director remuneration going forward.

Details of our gender diversity across the Group are provided on page 53 and page 107 and the Committee is pleased to note further progress in Unite's mean gender pay gap for 2019/20 as a result of a meaningful increase in female representation in the upper quartile of pay. Reflecting a step change in the focus on inclusion and diversity, Unite has recently signed up to the Race at Work Charter to help drive a sense of belonging for all our employees across the organisation irrespective of race and gender. In addition, from 1 January 2021, we will include for the first time, gender and ethnicity in all senior leaders' bonus KPIs. The Committee remains supportive of Unite's commitment to building a diverse, inclusive and gender-balanced workforce and are encouraged by further progress made in this area during 2020.

Board changes

As noted in last year's report, the Board added further Higher Education sector experience this year with the appointment of Professor Sir Steve Smith as a Non-Executive Director and Chair of the Health and Safety Committee in April 2020.

After extending his tenure following the Liberty Living acquisition, we announced in October 2020 that Phil White, Chairman, would step down from the Board on 31 March 2021. Phil will be succeeded as Chairman by Richard Huntingford, who joined the Board as Chairman Designate on 1 December 2020.

Fees paid to Steve and Richard are in line with the fees paid to the other Non-Executive Directors, as disclosed on page 145.

Looking ahead

Having been approved by shareholders in 2019, the 2022 AGM will mark the third anniversary of the adoption of the current Directors' Remuneration Policy. In accordance with UK reporting regulations, we will be required to submit a new Policy to shareholders for approval at this time. The Committee is therefore planning to conduct a full review of the existing remuneration arrangements during 2021 and will look to engage major shareholders to seek their input in due course. We will continue to monitor market developments throughout the 2021 AGM season and will consider the appropriateness of any emerging trends for Unite. I hope that you find this report a clear account of the Committee's decisions for the year and would be happy to answer any questions you may have at the upcoming AGM.

Elizabeth McMeikan

Chair of Remuneration Committee

16 March 2021

DIRECTORS' REMUNERATION REPORT

Overview of Unite remuneration policy and implementation

Remuneration in respect of 2020	Overview of policy	Implementation of policy in 2021
Base salary		
<ul style="list-style-type: none"> Salaries increased by 3.0% in line with the broader employee population effective 1 January 2020, as follows: <ul style="list-style-type: none"> CEO, Richard Smith = £472,313 CFO, Joe Lister = £384,441 Salaries voluntarily reduced by 30% for a four-month period from 1 April 2020. 	<ul style="list-style-type: none"> Reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance; and to the experience of each Executive. 	<ul style="list-style-type: none"> Salaries unchanged, as follows: <ul style="list-style-type: none"> CEO, Richard Smith = £472,313 CFO, Joe Lister = £384,441
See page 136	See page 127	See page 143
Pension, benefits		
<ul style="list-style-type: none"> Pension contributions (or equivalent cash allowance) of up to: <ul style="list-style-type: none"> CEO, Richard Smith = £91,710 CFO, Joe Lister = £74,650 Pensions voluntarily reduced by 30% for a four-month period from 1 April 2020. Benefits in line with policy. 	<ul style="list-style-type: none"> For existing Executive Directors: commitment to phase down contributions (or equivalent cash allowance) to the workforce rate by 1 January 2023. For new Executive Director appointees: company pension contributions aligned with the broader workforce (11% of salary). Benefits typically consist of the provision of a company car or a car allowance, and private health care insurance. 	<ul style="list-style-type: none"> Pension contributions (or equivalent cash allowance) reduced to a maximum of 17% of salary for CEO and CFO. No change to benefits for 2021.
See page 136	See page 127	See page 143
Annual bonus		
<ul style="list-style-type: none"> Annual bonus scheme cancelled for Executive Directors in April 2020. 	<ul style="list-style-type: none"> Maximum annual bonus opportunity for all Executive Directors of 140% of salary. Performance measures typically include both financial and non-financial metrics, as well as the achievement of individual objectives. Where an individual has met their shareholding guidelines, any bonus over 100% of salary is deferred in shares for two years; where an individual has not met their shareholding guidelines, up to 50% of bonus earned is deferred in shares for three years. Malus and clawback provisions apply. 	<ul style="list-style-type: none"> Maximum annual bonus opportunities of 140% of salary. 2021 bonuses to be based: <ul style="list-style-type: none"> 25% on adjusted EPS 25% on TAR per share 20% on Loan to Value 10% on customer satisfaction 10% on University reputation 10% on GRESB rating
See page 137	See page 128	See page 143
LTIP		
<ul style="list-style-type: none"> 2018 LTIP vested at 33.33% based on: <ul style="list-style-type: none"> Relative TSR outperformance of the FTSE350 Real Estate Index of 13.0% p.a. vs. a stretch target of 9.0% p.a; Total Accounting Return over the period 2018-20 below the threshold target; and 2020 adjusted EPS below the threshold target. 	<ul style="list-style-type: none"> Maximum award size for all Executive Directors of 200% of salary in normal circumstances (up to 300% of salary in exceptional circumstances). Awards vest subject to performance over a three-year period. Vested shares are typically subject to an additional two-year holding period. Malus and clawback provisions apply. 	<ul style="list-style-type: none"> Awards of 200% of salary to be made to each Executive Director in April 2021. Performance to be measured over the period 1 January 2021 to 31 December 2023 against EPS, relative TAR and relative TSR targets, each weighted one-third. Two-year holding period will apply to all vested shares.
See page 138	See page 129	See page 144

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the Single total figure of remuneration for Directors and accompanying notes (pages 136 to 138), Scheme interests awarded during the financial year (page 142), Payments to past Directors (page 143), Payments for loss of office (page 143) and the statement of Directors' shareholdings and share interests (pages 145 and 146). The remaining sections of the report are not subject to audit.

The 2018 UK Corporate Governance Code sets out principles against which the Committee should determine the Policy for executives. A summary of the principles and how the Unite's Remuneration Policy reflects these is set out below:

Principle	Approach
Clarity – Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee operates a consistent remuneration approach that is well-understood internally and externally. The Committee regularly engages with major shareholders on executive remuneration and undertook a detailed consultation during the design of the current Policy.
Simplicity – Remuneration structures should avoid complexity, and their rationale and operation should be easy to understand.	The Group operates a market-standard remuneration structure consisting of fixed pay, an annual bonus and a single long-term incentive. The annual bonus scheme was simplified as part of the last Policy review through the removal of the personal performance multiplier and four-point performance schedule.
Risk – Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Each year, incentive targets will be set which the Committee believes are stretching and achievable within the risk-appetite set by the Board. The Committee retains full discretion to override formulaic incentive outcomes under both the annual bonus and long-term incentive in the event that this would produce a result inconsistent with the Company's remuneration principles. All variable incentives incorporate recovery provisions (malus and clawback) that allow the Committee to reduce the outcomes, potentially down to zero, in specified cases. The Committee believes that these triggers are appropriately wide-ranging and enforceable.
Alignment to culture – Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	All permanent employees participate in the annual bonus, and share the same corporate performance metrics to ensure cultural alignment across the Group. We believe that aligning remuneration across the business is a key element of aligning our culture, fulfilling our values and being a strong driver of business performance.
Predictability – The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains clear caps on incentive opportunities and will use its available discretion if necessary.
Proportionality – The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Committee ensures performance metrics are clearly aligned with the Group's strategy each year, maintaining an appropriate balance between fixed pay, short- and long-term incentive opportunities. Targets are set to be stretching but achievable, within the Board's risk appetite. Details of our approach to measure selection and target setting is included as a note to the Policy Table.

Unite's remuneration policy was approved by shareholders at the 2019 AGM on 9 May 2019. The report below, save for a number of minor changes, is as disclosed in the 2018 Directors' Remuneration Report, which is available to download from the Company's website at www.unite-group.co.uk/investors. The following changes have been made this year:

- References to financial years have been updated where appropriate;
- Pay-for-performance scenario charts have been updated to reflect 2021 salaries and pension contributions; and
- New Non-Executive Director service contract dates have been added.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' Remuneration Policy

The Group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

In addition to the above, the remuneration policy for the Executive Directors and other senior executives is based on the following key principles:

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plans, taking care to consider the needs of all stakeholders.
- There should be a focus on sustained long-term performance, with performance measured over clearly specified timescales, encouraging executives to take action in line with the Group's strategic plan, using good business management principles and taking well considered risks.
- Individuals should be rewarded for success, but steps should be taken, within contractual obligations, to prevent rewards for failure – whether financial or operational.
- Above all, Executive Remuneration should support the values and culture of the Group. Pay should be simple and easy to understand, with all aspects clear and openly communicated to stakeholders and with alignment with pay philosophies across the Group.

This section of the report sets out the policy which the Company asked shareholders to approve at the 2019 AGM and which came into effect from that date.

Policy table

Function	Operation	Opportunity	Performance metrics
Base salary To recognise the individual's skills and experience and to provide a competitive base reward.	Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance; and to the experience of each Executive.	<p>Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group.</p> <p>In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive.</p>	None
Pension To provide an opportunity for executives to build up income upon retirement.	<p>All Executives are either members of The UNITE Group Personal Pension scheme or receive a cash pension allowance.</p> <p>Salary is the only element of remuneration that is pensionable.</p>	<p>Existing Executive Directors receive a company pension contribution or an equivalent cash allowance which is capped in monetary terms at 20% of the salary effective at 1 March 2019, as follows:</p> <ul style="list-style-type: none"> • Richard Smith: £91,710 • Joe Lister: £74,650 <p>Company contribution levels will be reduced from 1 January 2021, 2022 and 2023 to an equivalent of up to 17%, 14% and 11% of salary respectively.</p> <p>For future Executive Director appointees, the maximum Company pension contribution will be aligned to that offered to a majority of employees across the Group in percentage of salary terms (currently 11% of salary).</p>	None
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed.	<p>Executives receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although can include any such benefits that the Committee deems appropriate.</p>	<p>Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically.</p> <p>The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).</p>	None
SAYE To encourage the ownership of shares in Unite.	<p>An HMRC approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at up to a 20% discount.</p>	<p>Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.</p>	None

DIRECTORS' REMUNERATION REPORT CONTINUED

Function	Operation	Opportunity	Performance metrics
<p>Performance Related Annual Bonus</p> <p>To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.</p>	<p>Performance measures, targets and weightings are set at the start of the year.</p> <p>At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved.</p> <p>The delivery of bonus payments is dependent on whether an individual has achieved their shareholding guideline at the end of the relevant financial year, as follows:</p> <ul style="list-style-type: none"> • Shareholding guideline achieved: any annual bonus earned over 100% of salary will be deferred for two years; and • Shareholding guideline not achieved: up to 50% of the annual bonus payable will be deferred for three years. <p>In both cases, deferral is satisfied by an allocation of shares in the Company, which are held in the Employee Share Ownership Trust.</p> <p>Awards under the Performance Related Annual Bonus are subject to malus and clawback provisions, further details of which are included as a note to the policy table.</p>	<p>For Executive Directors, the maximum annual bonus opportunity is 140% of base salary.</p> <p>Up to 30% of maximum will be paid for Threshold performance under each measure and up to 50% of maximum will be paid for on-target performance.</p> <p>A payment equal to the value of dividends which would have accrued on vested deferred bonus shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares.</p>	<p>Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year.</p> <p>Financial measures will make up at least 70% of the total annual bonus opportunity in any given year. The remainder will be split between non-financial metrics and personal / team objectives according to business priorities, with the weighting on the latter being no more than 20% of the total annual bonus opportunity.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g., in the event of one of the targets under the bonus being significantly missed or unforeseen circumstances outside management control. The Committee also considers measures outside the bonus framework (e.g. H&S) to ensure there is no reward for failure.</p> <p>For 2021, financial metrics and non-financial metrics will make up 70% and 30% of the total annual bonus opportunity respectively. Further details of the measures, weightings and targets applicable are provided on page 143.</p>

Function	Operation	Opportunity	Performance metrics
LTIP To drive sustained long-term performance that supports the creation of shareholder value.	<p>The LTIP comprises a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS).</p> <p>The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner, and is subject to the same performance conditions as awards made under the PSP.</p> <p>Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle.</p> <p>Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.</p>	<p>The LTIP provides for an award up to a normal aggregate limit of 200% of salary for Executive Directors, with an overall limit of 300% of salary in exceptional circumstances. The current intention is to grant each Executive Director awards equivalent to 200% of salary.</p> <p>Awards may include a grant of HMRC approved options not exceeding £6k per annum, valued on a fair value exchange (currently 50-60% of a PSP award).</p> <p>A payment equal to the value of dividends which would have accrued on vested shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares.</p>	<p>Vesting of LTIP awards is subject to continued employment and performance against relevant metrics measured over a period of at least three years. The Committee will select performance measures ahead of each cycle to ensure that they continue to be linked to the delivery of the Company strategy.</p> <p>Under each measure, threshold performance will result in up to 25% of maximum vesting for that element, rising on a straight-line to full vesting.</p> <p>If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the Committee, be subject to a holding period following the end of a three-year vesting period. The Committee's current intention is that all awards will be required to be held for an additional two-year period post-vesting.</p> <p>As under the Performance Related Annual Bonus, the Committee has discretion to adjust the formulaic LTIP outcomes to ensure alignment of pay with performance, ie to ensure the outcome is a true reflection of the performance of the Company.</p> <p>Details of the measures and targets to be used for 2021 LTIP awards are included in the Annual Report on Remuneration on page 144.</p>

Notes to the policy table

The Committee is satisfied that the above remuneration policy is in the best interests of shareholders and does not promote excessive risk-taking.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards).

Performance measure selection and approach to target setting

Measures used under the Performance Related Annual Bonus and LTIP are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

The Committee considers that EPS (currently used in both the short- and long-term incentive) is an objective and well-accepted measure of the Company's performance which reinforces the strategic objective of achieving profitable growth, whilst a focus on Total Accounting Return (also currently used in both the short- and long-term incentive) is consistent with one of our stated objectives and a key indicator of Company performance in the real estate sector. The use of relative TSR is strongly aligned with shareholders and ensures that executives are rewarded only if they exceed the returns which an investor could achieve elsewhere in our sector.

DIRECTORS' REMUNERATION REPORT CONTINUED

Targets applying to the Performance Related Annual Bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year. Under the bonus, target performance typically requires meaningful improvement on the previous year's outturn, and, for financial measures, targets are typically in line with the upper end of market consensus.

Remuneration policy for other employees

Unite's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. The Company is now a fully accredited Living Wage employer.

In terms of variable incentives, all employees are eligible to participate in an annual bonus scheme with business area-specific metrics incorporated where appropriate. Senior managers are eligible to participate in the LTIP with annual awards currently up to 100% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

All employees are eligible to participate in the Company's SAYE scheme on the same terms.

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares that remain subject to performance conditions) equivalent to 250% of base salary for the Chief Executive and 200% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired, up to 50% of the annual bonus payable to the relevant Director will be subject to deferral into shares. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration.

In order to provide further long-term alignment with shareholders and ensure a focus on successful succession planning, Executive Directors will normally be expected to maintain a holding of Unite shares for a period after their employment as a Director of the Group. This shareholding guideline will be equal to the lower of a Director's actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, with such shares to be held for a period of at least two years from the date of ceasing to be a Director. The specific application of this shareholding guideline will be at the Committee's discretion.

Malus and clawback

Awards under the Performance Related Annual Bonus and the LTIP are subject to malus and, from 2016, clawback provisions which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years post-vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder, error in calculating the award vesting outcome and, from 2019 awards onwards, corporate failure as determined by the Remuneration Committee.

Non-Executive Director remuneration

NED	Date of service contract
P White	10 January 2009
E McMeikan	13 November 2013
R Paterson	21 September 2017
R Akers	20 July 2018
I Beato	20 July 2018
S Pearce	14 October 2019
T Jackson	29 November 2019
S Smith	14 October 2019
R Huntingford	26 October 2020

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. The appointment, re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

The Non-Executive Directors are not eligible to participate in the Company's performance-related bonus plan, long-term incentive plans or pension arrangements.

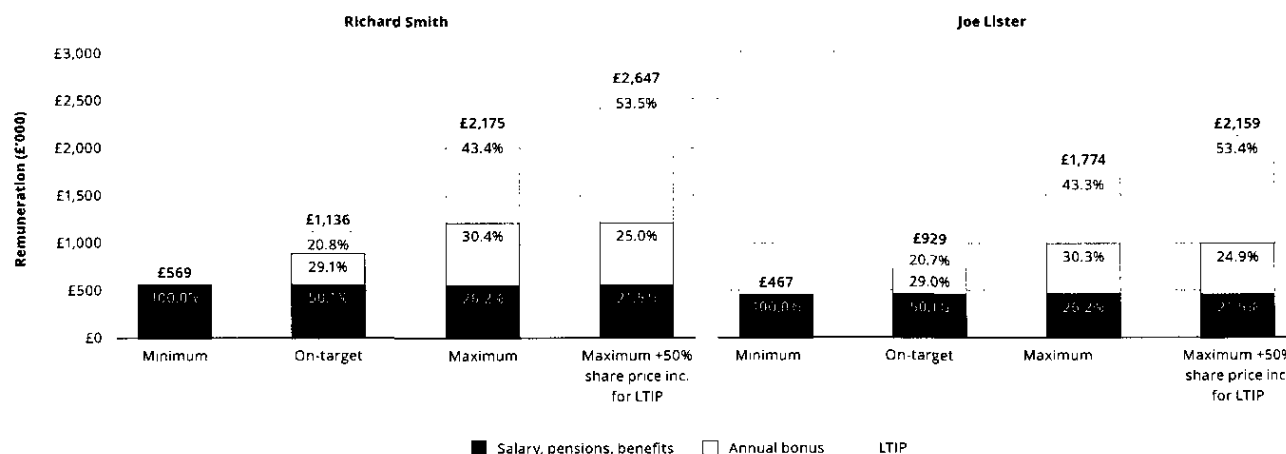
Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance metrics
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	<p>Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review.</p> <p>The fees paid to the Chairman are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination, Health & Safety and, from 2021, Sustainability).</p> <p>Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.</p> <p>Expenses incurred by the Chairman and the Non-Executive Directors in the performance of their duties (including taxable travel and accommodation benefits) may be reimbursed or paid for directly by the Company, as appropriate.</p>	<p>Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2021 are set out in the Annual Report on Remuneration.</p> <p>Fee levels will be next reviewed during 2021, with any increase effective 1 January 2022.</p> <p>It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.</p>	None.

Pay for performance scenarios

The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum including the impact of a 50% share price appreciation on LTIP awards'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 January 2021. Pension contributions reflect the agreed reduction to a maximum of 17% of salary effective 1 January 2021. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy, being 140% of salary under the annual bonus and a 2021 LTIP grant of 200% of salary. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (ie the scenarios exclude the impact of any share price movement over the period). The exception to this is the last scenario which, in line with the requirements of the UK Corporate Governance Code, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.



DIRECTORS' REMUNERATION REPORT CONTINUED

The 'minimum' scenario reflects base salary, pension and benefits (ie fixed remuneration) which are the only elements of the Executive's remuneration packages not linked to performance.

The 'on-target' scenario reflects fixed remuneration as above, plus bonus payout of 70% of salary and LTIP threshold vesting at 25% of maximum award.

The 'maximum' scenario is shown on two bases: excluding and including the impact of share price appreciation on the value of LTIP outcomes. In both cases, the scenario includes fixed remuneration and full payout of all incentives (140% of salary under the annual bonus and 200% of salary under the LTIP), with the final scenario also including the impact of a 50% increase in Unite's share price on the value of the LTIP (in effect valuing this element of pay at 300% of salary).

Approach to recruitment remuneration**External appointment to the Board**

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role.	
Pension	New appointees will receive Company pension contributions or an equivalent cash supplement aligned to that offered to a majority of employees across the Group at the time of appointment (currently 11% of salary).	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses. New appointees will also be eligible to participate in all-employee share schemes.	
SAYE		
Performance Related Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive.	140% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal aggregate limit of 200% of salary will apply, save in exceptional circumstances where up to 300% of salary may be awarded.	300% of salary

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Unite and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, which may be awarded in addition to the remuneration structure outlined in the table above. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. With regards to pension contributions, as above, this would be aligned to that offered to a majority of employees across the Group at the time of promotion to the Board. The Remuneration Policy for other employees is set out on page 130. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary to provide better line-of-sight.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 131. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and /or as Chairman of the Board's Committees.

Service contracts and treatment for leavers and change of control

Executive	Date of service contract
J Lister	28 March 2002
R Smith	28 September 2011

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary, benefits and any other statutory payments only. Where a payment is made in equal monthly instalments, the Committee will expect the Director to mitigate his/her losses by undertaking to seek and take up, as soon as reasonably practicable, any suitable/similar opportunity to earn alternative income over the period in which the instalments are to be made. The instalment payments will be reduced (including to zero) by the amount of such income that the employee earns and/or is entitled to earn over the applicable period. Executive Director service contracts are available to view at the Company's registered office.

The Remuneration Committee will exercise discretion in making appropriate payments in the context of outplacement, settling legal claims or potential legal claims by a departing Executive Director, including any other amounts reasonably due to the Executive Director, for example to meet the legal fees incurred by them in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion.

DIRECTORS' REMUNERATION REPORT CONTINUED

Calculation of vesting / payment	
Annual bonus	
Cash element	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and will only be paid to the extent that financial and individual objectives set at the beginning of the plan year have been met. Otherwise, Executive Directors must be employed at the date of payment to receive a bonus.
Deferred element	Deferred bonus shares will normally be retained and will be released in full following completion of the applicable two- or three-year deferral period.
LTIP	
Leavers before the end of the performance period	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, the Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. This determination will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Committee may agree (within 12 months in the event of death). In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. If participants leave for any other reason before the end of the performance period, their award will normally lapse.
Leavers after the end of the performance period	Any awards in a holding period will normally vest following completion of the holding period.

External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Joe Lister was appointed as a Non-Executive Director on the Board of Helical Plc effective 1 September 2018 and received a fee of c.£57k in respect of his service for 2020. Richard Smith was appointed as a Non-Executive Director on the Board of Stenprop Limited effective 4 November 2020 and received a fee of c.£6k in respect of his service for 2020.

Consideration of conditions elsewhere in the Company

When making decisions on Executive Director remuneration, the Committee considers pay and conditions across Unite. Prior to the annual salary review, the Group People Director provides the Committee with a summary of the proposed level of increase for overall employee pay. Currently the Remuneration Committee does not formally consult with employees on the executive remuneration policy and framework.

Consideration of shareholder views

During 2018, the Remuneration Committee consulted with investors representing around two-thirds of Unite's issued share capital and with proxy advisors (Glass Lewis, the Investment Association and ISS) to seek their views on the proposed changes to the Remuneration Policy, as well as remuneration at Unite more broadly. The Committee was grateful for investors taking the time to participate in the consultation and we welcomed the positive and constructive feedback received. The Committee used the direct feedback, along with updates to investor body principles published around the time of the review, to refine and further develop the final proposals. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate. The Committee is planning to conduct a full review of the existing remuneration arrangements during 2021, ahead of the triennial policy shareholder vote, and will look to engage major shareholders as appropriate to seek their input in due course.

The following section provides details of how Unite's remuneration policy was implemented during the financial year ended 31 December 2020 and how it will be implemented in 2021.

Remuneration Committee membership in 2020

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for the Executive Directors and other senior executives
- Approve the remuneration packages for the Executive Directors and ensure that pay outcomes reflect the performance of the Company
- Determine the balance between base pay and performance-related elements of the package so as to align Directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website. As of 31 December 2020, the Remuneration Committee comprised five independent Non-Executive Directors.

- Elizabeth McMeikan (Committee Chair)
- Phil White
- Ross Paterson
- Richard Akers
- Dame Shirley Pearce

Certain Executives, including Richard Smith (Chief Executive) and Ruth George (Group People Director), are invited to attend meetings of the Committee, and the Company Secretary, Christopher Szpojnarowicz, acts as secretary to the Committee. Thomas Jackson is also invited to attend meetings and Richard Huntingford was invited to attend the December meeting following his appointment as Chairman Designate. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee convened four times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 99.

Key activities of the Remuneration Committee in 2020 included:

- Reviewed and approved the Executive Directors' performance against 2019 annual objectives and 2017 LTIP targets; determined bonuses payable, and approved LTIP vesting;
- Approved the Directors' Remuneration Report for 2019;
- Reviewed and approved salary increases for the Executive Directors and senior management for 2020;
- Determined the Executive Directors' bonus and LTIP performance targets for 2020 in line with the strategic plan and approved grant of awards under the LTIP in April 2020;
- Discussed and approved remuneration actions in respect of Covid-19, including temporary reductions to salaries and pensions for Executive Directors, and temporary reductions to fees for the Chairman and Non-Executive Directors;
- Considered remuneration market trends and corporate governance developments;
- Reviewed and approved the new Chairman's fee with effect from 1 April 2021;
- Reviewed the CEO pay ratio and gender pay data and disclosures; and
- Commenced preparation of the 2021 Directors' Remuneration Report.

Advisors

Mercer | Kepler ('Mercer') was appointed as the Committee's independent advisor following a competitive tender process in 2014, and was retained during the 2020 financial year. The Committee undertakes due diligence periodically to ensure that Mercer remains independent and that the advice provided is impartial and objective. During 2020, Mercer provided independent advice including support on the review of executive remuneration arrangements for 2020, updates on the external remuneration environment, performance testing for long-term incentive plans and Directors' Remuneration Report drafting support. Mercer reports directly to the Chair of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services to the Committee in 2020 were £36,788 (2019: £60,830) on the basis of time and materials.

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Following the lead adviser moving to Ellason LLP, Ellason LLP was appointed as the independent remuneration advisor to the Committee effective 1 January 2021. Both Mercer and Ellason are members and signatories of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. None of the individual Directors have a personal connection with either Mercer or Ellason.

Summary of shareholder voting at AGMs

The following table shows the results of the advisory vote on the 2019 Annual Report on Remuneration at the 2020 AGM, and the binding vote on the 2019 Directors' Remuneration Policy at the 2019 AGM:

	2019 Annual Report on Remuneration		Directors' Remuneration Policy	
For (including discretionary)	297,901,750	93.04%	213,670,741	96.85%
Against	22,290,928	6.96%	6,938,947	3.15%
Total votes cast (excluding withheld votes)	320,192,678		220,609,688	
Votes withheld	3,961,254		0	
Total votes cast (including withheld votes)	324,153,932		220,609,688	

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2019 and 2020 by each Executive Director who served in the year ended 31 December 2020:

Executives		Salary Note 1	Taxable benefits Note 2	Pension Note 3	Annual Bonus Note 4	LTIP Note 5	Other Note 6	Total Single Figure	Total Fixed	Total Variable
R Smith	2020	425,082	16,202	73,738	0	377,339	0	892,361	515,022	377,339
	2019	456,692	16,195	80,957	519,361	1,258,704	4,499	2,336,408	553,844	1,782,564
J Lister	2020	345,997	17,498	59,626	0	307,166	2,248	732,535	423,120	309,415
	2019	371,726	16,928	66,084	422,736	1,024,722	0	1,902,196	454,738	1,447,458

1. 2020 figure reflects the 30% reduction to salaries for Executive Directors which applied for a four-month period from 1 April 2020.

2. Taxable benefits for 2020 consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £15,000 for Messrs. Smith and Lister.

3. Pension figures include contributions to the UNITE Group Personal Pension Scheme and cash allowances, where applicable. The 2020 figure reflects the 30% reduction to pension contributions for Executive Directors which applied for a four-month period from 1 April 2020.

4. As announced on 22 April 2020, the 2020 annual bonus scheme was suspended for the Chief Executive and Chief Financial Officer.

5. 2019 figures: The 2017 awards are valued based on the market price on the date of vesting (10 April 2020) of 874.0p. These amounts have been revised downwards from last year's report to reflect the actual share price on the date of vesting.

2020 figures: For the 2018 awards, the market price on the date of vesting is currently unknown and so the value shown is estimated using the average market value over the last quarter of 2020 of 971.0p. See following sections for further details. The value of the vested 2018 awards shown reflects the impact of a c.20% increase in the vesting share price compared to the share price at grant. Overall, the impact of the share price increase on the awards represents c.16% of the LTIP value, equivalent to c.£59k for Richard Smith and c.£48k for Joe Lister. For both 2019 and 2020, LTIP figures include the value of dividends for vested awards, in both cases paid as additional shares. Awards in the form of HMRC-approved options are valued based on the embedded gain at vesting (ie subtracting the applicable exercise price) and attract no dividends.

6. 'Other' includes the embedded value of SAYE options at grant.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2019 and 2020 by each Non-Executive Director who served in the year ended 31 December 2020:

Non-Executives Note 1		Base fee Note 2	Committee Chair / SID fees Note 2	Taxable benefits Note 3	Total Single Figure
P White	2020	179,302	–	252	179,555
	2019	193,420	–	1,630	195,050
E McMeikan	2020	44,496	14,508	133	59,137
	2019	48,000	15,650	334	63,984
R Paterson	2020	44,496	9,270	9	53,775
	2019	48,000	10,000	–	58,000
R Akers	2020	44,496	–	9	44,505
	2019	48,000	–	499	48,499
I Beato	2020	44,496	–	–	44,496
	2019	48,000	–	255	48,255
S Pearce ⁽ⁱ⁾	2020	44,496	–	9	44,505
	2019	8,000	–	–	8,000
T Jackson ⁽ⁱⁱ⁾	2020	–	–	–	–
	2019	–	–	–	–
S Smith ⁽ⁱⁱⁱ⁾	2020	32,136	4,735	–	36,871
	2019	–	–	–	–
R Huntingford ^(iv)	2020	4,120	–	–	4,120
	2019	–	–	–	–

1. Changes in Non-Executive Directors and responsibilities as follows:

- Dame Shirley Pearce joined the Board on 1 November 2019.
- Thomas Jackson joined the Board on completion of the acquisition of Liberty Living Group plc on 29 November 2019. Reflecting the Relationship Agreement with CPPIB Holdco, Thomas will not receive any fees in respect of his Non-Executive Director position with Unite.
- Professor Sir Steve Smith joined the Board on 1 April 2020 and became Chair of the Health and Safety Committee from this date.
- Richard Huntingford joined the Board as Chairman Designate on 1 December 2020.

2. 2020 figures reflect the 30% reduction to base fees and additional fees for Non-Executive Directors which applied for a four-month period from 1 April 2020.

3. Taxable benefits relate primarily to certain travel expenses and accommodation.

Incentive outcomes for the year ended 31 December 2020 (audited)

Annual Bonus in respect of 2020 performance

The maximum bonus opportunity for each Executive Director in 2020 would have been 140% of base salary. However, reflecting the Covid-19 context and the decision to suspend dividends, Richard and Joe felt it would be inappropriate to participate in the annual bonus scheme for 2020. Accordingly, as announced on 22 April 2020, this scheme was suspended for the Chief Executive and Chief Financial Officer.

A total of c.£1.6 million (2019: c.£5.7 million – all employee bonus excluding the Executive Directors) has been paid to below-Board employees as part of a discretionary bonus arrangement proposed by management and approved by the Committee, with payouts directed towards front line employees and functional support teams to reflect their hard work and commitment to customer service during the year.

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2018 LTIP vesting (vested on performance to 31 December 2020)

Awards in 2018 were made under the LTIP, consisting of the Unite Group Performance Share Plan and the Unite Group Approved Employee Share Option Scheme. Vesting of the awards was dependent on three equally-weighted measures over a three-year performance period: TAR per share, EPS and TSR outperformance of the FTSE 350 Real Estate Supersector Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics, are provided in the table below:

Measure	Weight	Targets	Outcome	Vest %
2020 Adjusted EPS	1/3	0% vesting below 42.1 pence 25% vesting for 42.1 pence 100% vesting for 49.2 pence or more; Straight-line vesting between these points	25.5 pence	0.0%
TAR per share (2018–2020)	1/3	0% vesting below 22.5% (7% p.a.) 25% vesting for 22.5% (7% p.a.) 100% vesting for 44.3% (13% p.a.) or more; Straight-line vesting between these points	21.9% (6.8% p.a.)	0.0%
TSR outperformance of the FTSE350 Real Estate Supersector Index	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming Index by 9% p.a.; Straight-line vesting between these points	Index +13.0% p.a. (41.6% return)	100.0%

Note: As disclosed in last year's report, the EPS target range was increased to reflect the Liberty Living acquisition plan around earnings accretion and the positive benefit of the IFRS 16 accounting standard change. The original target range was 40–46 pence.

Total LTIP vesting (sum product of weighting and vest %)	33.33%
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The performance period for each of the elements ended on 31 December 2020. The awards will vest on the third anniversary of the date of grant and will be subject to an additional two-year holding period. In approving an overall outcome of 33.33% of maximum, the Committee satisfied itself that the vesting level reflects the underlying performance of the Company and the progress made over the last three years. Although 2020 EPRA EPS and TAR have been negatively impacted by the Covid-19 pandemic resulting in no vesting under these elements, Unite has continued to materially outperform sector peers in generating returns for shareholders over the longer-term. The Committee also took into account the broader pandemic context and the overall experience of stakeholders this year, as outlined in the Chair's Statement.

Executive	Interests held Note 1	Vesting %	Interests vesting	Date vesting	Assumed market price	Estimated value... Note 2	... of which, value due to share price growth
Richard Smith	110,997		36,999	10 April 2021		£377,339	£59,187
		33.33%			971.0p		(16% of total)
Joe Lister	90,471		30,157	10 April 2021		£307,166	£48,242
							(16% of total)

1. In each case, interests held includes 739 HMRC-approved options under the ESOS.

2. Estimated value of HMRC-approved options is based on embedded gain (ie after subtracting 811.0p exercise price). Value includes the accumulated dividends on vested shares.

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 136 captures the full number of interests vesting (ie excluding the two-year holding period). As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2020 of 971.0p. The actual value at vesting will be trued-up in the 2021 Annual Report on Remuneration. The estimated values include the impact of a c.20% increase in the assumed market price compared to the share price at grant (811.0p). Executives also became entitled to additional shares representing the dividends payable on vested LTIP shares over the three-year performance period. The value of these additional shares is included in the row entitled 'LTIP' in the single total figure of remuneration table on page 136, and equate to £20,086 and £16,346 for Messrs. Smith and Lister respectively.

Percentage change in remuneration of Directors and employees

The Committee has previously disclosed year-on-year changes in salary, benefits and annual bonus for the Chief Executive Officer compared with that of all employees. In accordance with the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (applying to financial years commencing on or after 10 June 2019), this analysis has now been expanded to cover each Executive Director and Non-Executive Director. This table will be built up over time to display a five-year history.

Executive Director remuneration includes base salary, taxable benefits and annual bonus (where eligible). Non-Executive Director remuneration includes base fee and any additional fees paid, and taxable benefits. The pay for all employees is calculated using the increase in the earnings of full-time employees for tax years 2019 and 2020. The analysis excludes part-time employees and is based on a consistent set of employees, ie the same individuals appear in the 2019 and 2020 populations.

Director	Basic salary/total fee	Taxable benefits	Annual bonus
Note 1	Note 2	Note 3	Note 4
R Smith	(6.9)%	0.0%	(100.0)%
J Lister	(6.9)%	3.4%	(100.0)%
P White	(7.3)%	(84.5)%	n/a
E McMeikan	(7.3)%	(60.2)%	n/a
R Paterson	(7.3)%	100.0%	n/a
R Akers	(7.3)%	(98.2)%	n/a
I Beato	(7.3)%	(100.0)%	n/a
S Pearce	(7.3)%	100.0%	n/a
T Jackson	n/a	n/a	n/a
S Smith	n/a	n/a	n/a
R Huntingford	n/a	n/a	n/a
All employees	4.4%	2.3%	(67.8)%

1. Changes in Directors and responsibilities during the 2019 and 2020 financial years as follows:

- Dame Shirley Pearce joined the Board on 1 November 2019.
- Thomas Jackson joined the Board on completion of the acquisition of Liberty Living Group plc on 29 November 2019. Reflecting the Relationship Agreement with CPPIB Holdco, Thomas will not receive any fees in respect of his Non-Executive Director position with Unite.
- Professor Sir Steve Smith joined the Board on 1 April 2020 and became Chair of the Health and Safety Committee from this date.
- Richard Huntingford joined the Board as Chairman Designate on 1 December 2020.

2. The basic salary/total fee figures shown are based on full-time equivalent comparisons. All Directors agreed a temporary 30% reduction to their salary/fees for the period of four months ended 31 July 2020 which is reflected in the year-on-year comparison. Similar salary reductions of between 10% and 20% were agreed by senior management over the same period.
3. For Executive Directors, taxable benefits consist primarily of company car or car allowance and private health care insurance. For Non-Executive Directors, taxable benefits relate primarily to certain travel expenses and accommodation which, given the relatively small numbers involved, can produce sizeable % changes from year to year.
4. The figures shown are reflective of any bonus earned during the respective financial year. Non-Executive Directors are not eligible to participate in the annual bonus scheme.

Relative importance of spend on pay

The table below shows shareholder distributions (ie dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2019 and 31 December 2020, along with the percentage change in both.

	2020 £m	2019 £m	% change 2019-20
Total employee pay expenditure	64.7	51.6	25.4%
Distributions to shareholders	0	70.7	(100)%

Distributions to shareholders reflects actual payments made during the relevant financial year. Employee remuneration excludes social security costs. A significant proportion of the % change in total employee expenditure between 2019 and 2020 reflects the Liberty Living acquisition and increased headcount.

ANNUAL REPORT ON REMUNERATION CONTINUED

Relationship between the remuneration of the CEO and all employees

The Company's approach to remuneration is consistent for all employees.

As determined last year, given the significant undertaking required to calculate the single figure of remuneration for all UK employees, the Committee opted to use data already available from the gender pay reporting as the basis for identifying employees at P25, P50 and P75 ('Option B'). We believe this provides a reasonable estimate for employees' pay at these levels within the organisation. Further details on the specific steps used in calculating the above ratios are as follows:

- We used the most recent gender pay gap data from 5 April 2020 to rank the hourly rates of all UK employees. From this initial ranking we identified those individuals positioned at P25, P50 and P75, as well as the immediate employees either side of P25, P50 and P75.
- Employees selected as P25, P50 and P75 were checked to confirm that they were employed for the whole of the 2020 financial year.
- Total FTE remuneration for each of these individuals was then calculated to 31 December 2020 on the same basis as used in the single figure table for our CEO. All figures are total amounts paid to full-time employees covering the whole 2020 financial year. Overtime pay, where received during the year, has been excluded so that the figures are comparable with the Chief Executive.
- In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

CEO pay ratio	2020	2019
	Note 1	
Methodology used	B	B
Average number of employees	1,756	1,450
Ratio of CEO single figure total remuneration:		
– To employee at the 25th percentile	42:1	113:1
– To employee at the 50th percentile	36:1	96:1
– To employee at the 75th percentile	28:1	70:1
Ratio of CEO base salary plus annual bonus figure:		
– To employee at the 25th percentile	21:1	49:1
– To employee at the 50th percentile	18:1	41:1
– To employee at the 75th percentile	14:1	30:1
Ratio of CEO base salary figure:		
– To employee at the 25th percentile	22:1	25:1
– To employee at the 50th percentile	19:1	21:1
– To employee at the 75th percentile	14:1	15:1
Additional details		
CEO total single figure (£'000)	892	2,336
CEO base salary (£'000)	425	457
Employees total pay and benefits (£'000)		
– at the 25th percentile	21.2	20.6
– at the 50th percentile	24.6	24.4
– at the 75th percentile	32.0	33.5
Employees base salary (£'000)		
– at the 25th percentile	19.6	18.1
– at the 50th percentile	22.6	21.7
– at the 75th percentile	29.4	29.6

1. 2019 CEO single figure of remuneration has been trued-up from last year's report to reflect the actual market price on the date of vesting for 2017 LTIP awards, with ratios updated accordingly.

The Committee notes that the statutory CEO pay ratios have fallen significantly in 2020 as compared to 2019, with the ratio of CEO total remuneration to the median employee, for example, dropping from 96:1 to 36:1. This change reflects a number of factors, most notably the suspension of the annual bonus scheme for Executive Directors and lower overall vesting under the long-term incentive scheme as compared to last year.

Along with the ratios comparing total remuneration, the Committee has committed to keep under review the ratios for salary and salary plus annual bonus, and additionally track how these change over time. A significant proportion of the CEO's remuneration is linked to Group performance and share price movements over the longer-term and as a result, it is expected that changes in the headline ratios may be volatile. Participation in the Group's long-term incentives is currently limited to c.60 senior leaders, with none of the individuals identified as P25, P50 and P75 in this group. On the other hand, the significant majority of our employees are eligible to participate in annual bonus arrangements – and so the Committee considers this ratio, as well as the ratio comparing just salaries, to provide helpful additional context.

Having reviewed these additional data points, the Committee is satisfied that the fluctuation in the headline ratios this year reflects appropriate differences in the structure of remuneration at different levels of seniority. Small reductions in the salary ratios at P25 and P50 reflect the salary reductions taken by Executive Directors between April and July this year, whilst the ratios comparing salary plus annual bonus have improved at all levels as a result of payment of discretionary annual bonuses to employees below senior management level.

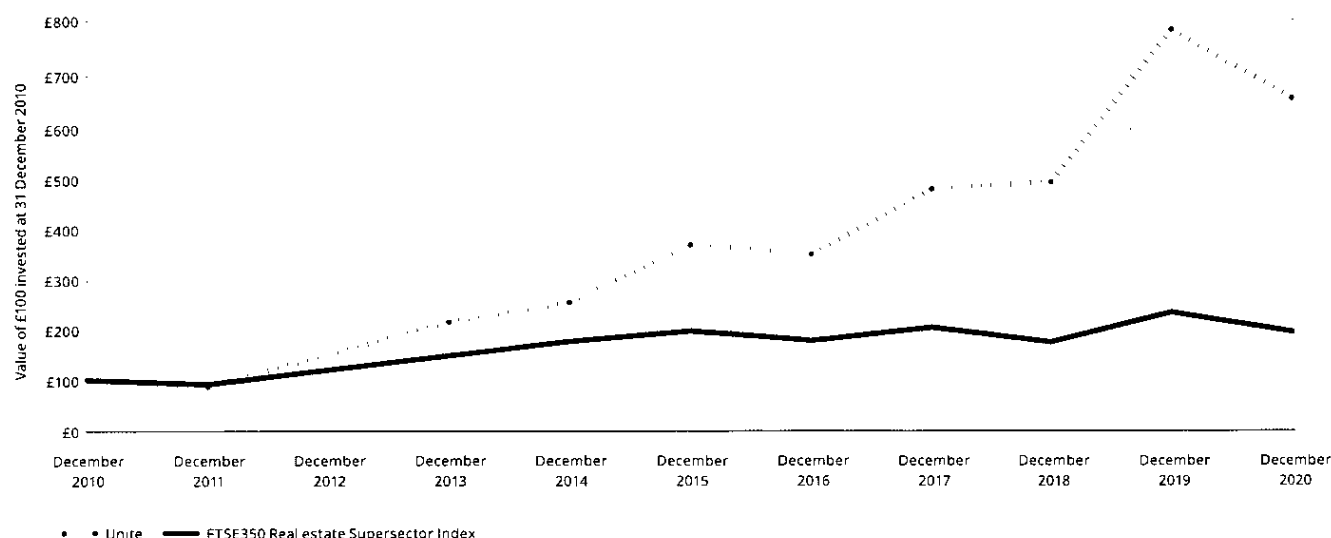
Finally, the Committee has reviewed Unite's 2019 pay ratios against those reported by other UK-listed companies during the year. On this measure, it is recognised that Unite's 2019 total pay ratios were high relative to the broader FTSE250; however, the Committee believes that these differences are driven primarily by the Group's staffing model and the proportion of the workforce employed in our frontline teams, rather than excessive pay outcomes at a senior level. It is anticipated that the 2020 figures will be more market-aligned.

Review of past performance

The following graph charts the TSR of the Company and the FTSE350 Real Estate Supersector Index over the ten-year period from 1 January 2011 to 31 December 2020. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE350 Real Estate Supersector Index (the constituent members of which are all property holding and / or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company. The table on page 142 details the Chief Executive's single figure remuneration over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2020



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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	M Allan	M Allan	M Allan	M Allan	M Allan	M Allan R Smith	R Smith	R Smith	R Smith	R Smith
									Note 1	Note 2
CEO single figure of remuneration (£000)	£1,476	£994	£1,944	£2,987	£2,382	£223 £1,239	£1,456	£2,131	£2,336	£892
Annual bonus award rates against maximum opportunity	75.8%	63.4%	84.0%	89.4%	88.2%	n/a 43.4%	63.6%	74.3%	80.9%	n/a
LTIP award rates against maximum opportunity	82.4%	26.3%	83.1%	95.2%	100.0%	n/a 100.0%	96.1%	81.9%	97.1%	33.33%

1. 2019 CEO single figure of remuneration has been trued-up from last year's report to reflect the market price on the date of vesting for 2017 LTIP awards.

2. 2020 annual bonus scheme was cancelled for Executive Directors in April 2020.

Scheme interests awarded in 2020 (audited)

LTIP

In April 2020, Executive Directors were granted awards under the LTIP with a face value of 200% of their respective salaries. The three-year performance period over which performance will be measured began on 1 January 2020 and will end on 31 December 2022. Any awards vesting for performance will be subject to an additional two-year holding period.

Executive	Date of grant	Shares over which awards granted Note 1	Market price at date of award	Face value
Richard Smith	23 April 2020	118,129	803.5p	£949,167
Joe Lister		96,256		£773,417

1. Combination of HMRC-approved options under the ESOS (746) and nil cost options under the PSP calculated using a share price of 803.5p, being the closing mid-market price on the day the awards were calculated.

As noted in the Chairman's Statement, the Committee carefully considered the appropriateness of making these awards in light of the pandemic, concluding that as a share-based incentive with no immediate cash cost, and with vesting dependent on stretching three-year targets, the granting of these awards remained appropriate and would help to incentivise participants to drive Company performance at a time when such focus was needed most.

Vesting of the awards is dependent on three equally-weighted measures over a three-year performance period: Adjusted EPS, relative TAR and relative TSR (in both cases measured against the constituents of the FTSE 350 Real Estate Supersector Index). Targets for each performance measure are consistent with those disclosed prospectively in the 2019 Directors' Remuneration Report, with the Committee satisfied that any vesting in 2023 will require exceptional performance over the remainder of the performance period. Details of the vesting schedules are provided below:

Measure	Weight	Targets
2022 Adjusted EPS	1/3	0% vesting below 51.1 pence; 25% vesting for 51.1 pence; 100% vesting for 58.7 pence or more; Straight-line vesting between these points.
TAR per share ranking vs. the FTSE350 Real Estate Supersector Index (2020-2022)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.
TSR ranking vs. the FTSE350 Real Estate Supersector Index (2020-2022)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.

The Committee retains overarching discretion under the Remuneration Policy to approve the vesting of these awards. Any payout will be scrutinised by the Committee to ensure that it does not reward windfall gains, and reflects the performance of the Company and the experience of stakeholders over the period. Factors which the Committee may consider in making this assessment include (but are not limited to): the overall single figure of remuneration for each Executive Director in the year of vesting, the proportion of LTIP value accounted for by share price appreciation, the shape of the market recovery following Covid-19, absolute TSR levels as compared to historical FTSE and sector norms, financial and non-financial indicators, and how our shareholders, employees, customers and other stakeholders have fared over the period.

Deferred annual bonus

In accordance with the Remuneration Policy, and having already achieved their respective share ownership guidelines, Messrs. Smith and Lister received £60,805 and £49,492 of their annual bonuses earned in respect of the 2019 financial year in the form of Unite shares which are deferred for a period of two years, as follows:

Executive	Date of grant	Shares over which awards granted	Market price at date of award	Date of vest
Richard Smith	27 February 2020	5,067	1,200p	27 February 2022
Joe Lister	27 February 2020	4,124	1,200p	27 February 2022

SAYE

During 2020, Joe Lister entered into a new savings contract under the SAYE plan. Details of all outstanding awards under this plan are included in the table on page 148.

Exit payments made in the year (audited)

There have been no exit payments during the year ended 31 December 2020.

Payments to past Directors (audited)

There have been no payments (2019: £Nil) in excess of the de minimis threshold to former Directors during the year ended 31 December 2020 in respect of their former roles as Directors. The Company has set a de minimis threshold of £5,000 under which it would not report such payments.

Implementation of Executive Director remuneration policy for 2021

Base salary

There will be no change to Executive Director salaries with effect from 1 January 2021:

Executive	Base salary from 1 January 2020	Base salary from 1 January 2021	Percentage increase
Richard Smith	£472,313	£472,313	0%
Joe Lister	£384,441	£384,441	0%

Reflecting our commitment to being an accredited Real Living Wage employer, entry level salaries will increase in line with the rates set by the Living Wage Foundation (c.1% in London and c.2% in the rest of the UK).

Pension

Executive Directors will continue to receive a pension scheme contribution, a cash allowance of equivalent cost to the company or a combination of both. With effect from 1 January 2021, total employer pension contributions will be reduced to an equivalent of up to 17% of salary for both Executive Directors. Further reductions over the next two years will align both Executive Directors with the wider workforce.

Performance Related Annual Bonus

Corporate measures		Wgt.
Financial (70%)	Adjusted EPS	25%
	TAR per share	25%
	Loan to Value (LTV)	20%
Non-financial (30%)	Customer satisfaction	10%
	University reputation	10%
	GRESB rating	10%

ANNUAL REPORT ON REMUNERATION CONTINUED

For 2021, the maximum bonus opportunity for each executive will be 140% of salary, with threshold and target performance paying 30% and 50% of maximum respectively under each performance measure.

The financial element of the bonus will be based on a combination of EPS, Total Accounting Return and Loan to Value (LTV), with the latter replacing net debt to EBITDA ratio. The decision to revert to LTV (which had been used as an annual bonus measure until 2014) reflects the Board's view that this measure is better understood by internal participants, more widely used by the investment community to measure Unite's performance, and better reflects our focus on business resilience and balance sheet strength following Covid-19.

The non-financial measures will be split equally between customer satisfaction, University reputation and a metric based on Unite's Global Real Estate Sustainability Benchmark (GRESB) rating, with the latter replacing individual / team objectives. The use of the GRESB metric represents a first step in introducing ESG metrics into Unite's incentives and reflects the recent announcement of the Group's ambitious new Sustainability Strategy which was approved by the Board in 2020. GRESB is an externally-assessed benchmark of the ESG performance of real estate assets which the Committee believes will lend itself to an objective and robust performance target for the year. Reflecting another of the Group's sustainability objectives linked to 'providing opportunities for all', the Committee will, in approving outcomes under this element of the annual bonus, also take into account performance against a range of indicators linked to Diversity & Inclusion. Further work around a suite of sustainability KPIs targets and timescales is due to be completed during 2021 and may inform changes to the way we target ESG performance in 2022 and beyond.

For both the financial and non-financial elements, proposed target levels have been set to be challenging relative to business plan, although the specific targets are deemed to be commercially sensitive at this time. It is the Committee's current intention to disclose these targets retrospectively in the 2021 Directors' Remuneration Report.

If a participant has met their shareholding guidelines at the time the 2021 bonus is due to be paid, any amounts due in excess of 100% of salary will be deferred in Unite shares for a period of two years, with the remainder paid in cash. If a participant has not met their shareholding guidelines, up to 50% of the amount payable will continue to be satisfied by an allocation of shares in the Company deferred for three years. Clawback and malus provisions apply to all awards.

LTIP

For 2021, the LTIP will continue to operate on the same basis as in recent years. Executive Directors will each receive an award equivalent to a maximum of 200% of salary delivered through a combination of the PSP and ESOS, with the final level of vesting dependent on the achievement of three-year performance targets relating to EPS, TAR and TSR.

In line with the approach taken in 2020, the Committee will retain overarching discretion to approve the vesting of these awards and will carefully scrutinise overall outcomes to ensure that they reflect the performance of the Company and the experience of stakeholders over the period, and do not reward windfall gains. Factors which the Committee may consider in making this assessment include (but are not limited to): the overall single figure of remuneration for each Executive Director in the year of vesting, the proportion of LTIP value accounted for by share price appreciation, the shape of the market recovery following Covid-19, absolute TSR levels as compared to historical FTSE and sector norms, financial and non-financial indicators, and how our shareholders, employees, customers and other stakeholders have fared over the period.

Measure	Weight	Targets
2023 Adjusted EPS	1/3	To be determined and disclosed within six months of grant.
TAR per share ranking vs. the FTSE350 Real Estate Supersector Index (2021–2023)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.
TSR ranking vs. the FTSE350 Real Estate Supersector Index (2021–2023)	1/3	0% vesting for performance below median; 25% vesting for performance in line with median; 100% vesting for performance at upper quartile or above; Straight-line vesting between these points.

Due to continued uncertainty and the implications this has for being able to set credible and appropriately stretching targets, the Committee has taken the decision to delay target setting for the Adjusted EPS element of the award. The Committee expects that it will be in a position to set and disclose targets for this one-third of the award within six months of grant, and will provide details of the agreed targets via market announcement once determined.

TSR and TAR targets are based on Unite's relative performance, with threshold and maximum vesting requiring performance in line with the median and upper quartile ranked constituent respectively, in line with market best practice.

Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will also apply. Further details of the grant date and number of interests awarded will be disclosed in next year's report.

Implementation of Non-Executive Director remuneration policy for 2021

Chairman and Non-Executive Director Fees

There will be no change to Non-Executive Director fees with effect from 1 January 2021, save for an increase to the additional fee for the Chair of the Health and Safety Committee, which will be aligned with the fees for other Board Committee Chairs to reflect the importance of this role and Committee to Unite's operations. We're establishing a Sustainability Committee and there will be a (new) Chair fee of £10,300 pa – same as other Committee Chair fees.

Richard Huntingford will succeed Phil White as Chairman of the Board with effect from 1 April 2021. His fee as Chairman of the Board has been set at £225,000 per annum reflecting his experience, a review of the time commitment required of the Chairman role at Unite, and the increase in size and complexity of the Group in recent years.

Position		2020 fees	2021 fees
Base fees			
			£199,220
Chairman	Note 1	£199,220	£225,000
Non-Executive Director		£49,440	£49,440
Additional fees			
Senior Independent Director		£5,820	£5,820
Audit Committee Chair		£10,300	£10,300
Remuneration Committee Chair		£10,300	£10,300
Nomination Committee Chair	Note 2	n/a	n/a
Health and Safety Committee Chair		£7,285	£10,300
Sustainability Committee Chair			£10,300

1. Richard Huntingford will succeed Phil White as Chairman of the Board with effect from 1 April 2021. His fee as Chairman of the Board has been set at £225,000 per annum.

2. Role is undertaken by the Chairman of the Board, with no any additional fee payable in respect of chairing this Committee.

Directors' interests (audited)

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2020 is set out below. None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2020, there have been no changes in the Directors' interests in shares.

	Ordinary shares of 25p each at 31 December 2020	Ordinary shares of 25p each at 31 December 2019
R Smith	232,361	226,614
J Lister	464,875	459,128
P White	15,290	13,566
E McMeikan	7,721	6,572
R Paterson	8,312	7,163
R Akers	11,724	2,000
I Beato	1,724	0
S Pearce	1,149	0
T Jackson	0	0
S Smith	0	n/a
R Huntingford	10,000	n/a

Details of Executive Directors' interests in share-based incentives are set out in the tables below.

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Share price information

As at 31 December 2020 the middle market price for ordinary shares in the Company was 1,045p per share. During the course of the year, the market price of the Company's shares ranged from 634.5p to 1,339p per ordinary share.

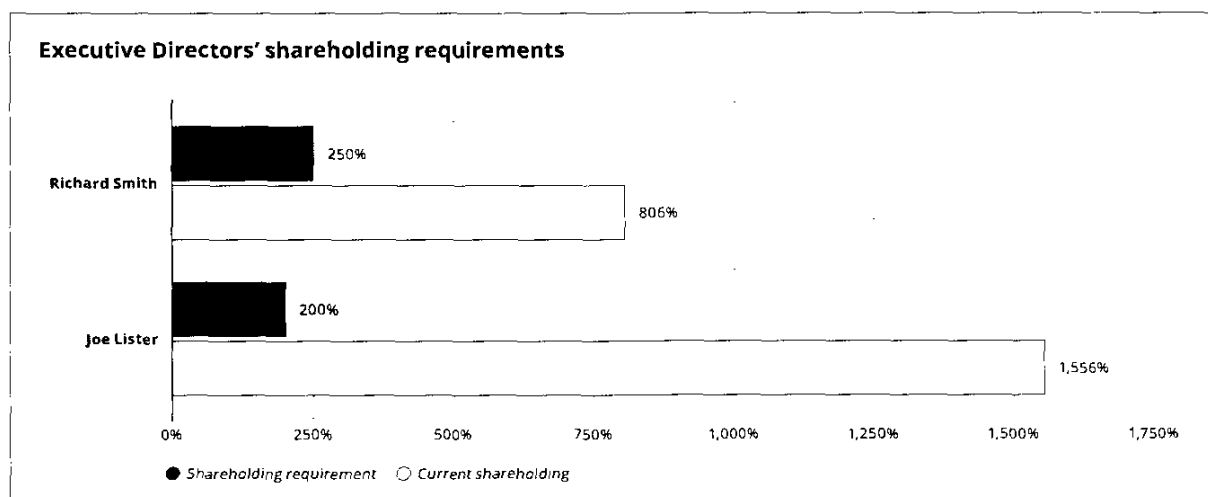
Executive Directors' shareholding requirements (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2020:

	Interests					Shareholding requirement % of salary / base fee	Current shareholding % of salary / base fee	Requirement met?
	Owned outright	Subject to deferral / holding period		Unvested and / or subject to perf. conditions				
		Shares / nil- cost options	Options / HMRC options	Shares / nil- cost options	Options / HMRC options			
		Note 1					Note 2	
R Smith	232,361	247,316	1,671	312,831	2,042	250%	806%	Yes
J Lister	464,875	201,266	1,671	254,575	2,042	200%	1,556%	Yes
P White	15,290						80%	
E McMeikan	7,721						163%	
R Paterson	8,312						176%	
R Akers	11,724						248%	
I Beato	1,724						36%	
S Pearce	1,149						24%	
T Jackson	0						0%	
S Smith	0						0%	
R Huntingford	10,000						211%	

1. Includes shares subject to a holding period under the LTIP and deferred bonus shares, where applicable.

2. Based on share price as at 31 December 2020 of 1,045.0p. Shares subject to deferral / holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation.



Directors' interests in shares and options under Unite incentives (audited)

Deferred bonus

Executive	Interests held at 1 January 2020	Granted during the year	Lapsed during the year	Vested during the year	Interests held at 31 December 2020	End of deferral period
Joe Lister	-	4,124	-	-	4,124	27.02.22
Richard Smith	-	5,067	-	-	5,067	27.02.22

LTIP awards

Executive	Plan	Interests held at 1 January 2020	Interests awarded during the year	ESOS exercise price	Interests vested during the year ¹	Interests lapsed during the year	Interests outstanding at 31 December 2020	Period of qualifying conditions
Joe Lister	PSP	111,099	-	-	107,877	3,222	-	10.04.17
	ESOS	934	-	642.0p	906	28	-	- 10.04.20
	PSP	89,732	-	-	-	-	89,732	10.04.18
	ESOS	739	-	811.0p	-	-	739	- 10.04.21
	PSP	69,333	-	-	-	-	69,333	24.07.19
	ESOS	557	-	1076.0p	-	-	557	- 24.07.22
	PSP	-	95,510	-	-	-	95,510	23.04.20
	ESOS	-	746	803.5p	-	-	746	- 23.04.23
		272,394	96,256		108,783	3,250	256,617	
Richard Smith	PSP	136,520	-	-	132,560	3,960	-	10.04.17
	ESOS	934	-	642.0p	906	28	-	- 10.04.20
	PSP	110,258	-	-	-	-	110,258	10.04.18
	ESOS	739	-	811.0p	-	-	739	- 10.04.21
	PSP	85,190	-	-	-	-	85,190	24.07.19
	ESOS	557	-	1076.0p	-	-	557	- 24.07.22
	PSP	-	117,383	-	-	-	117,383	23.04.20
	ESOS	-	746	803.5p	-	-	746	- 23.04.23
		334,198	118,129		133,466	3,988	314,873	

1. All awards vesting for performance during the year are subject to an additional two-year holding period.

ANNUAL REPORT ON REMUNERATION CONTINUED

SAYE

Executive	Options held at 1 January 2020	Granted during the year	Exercised during the year	Option price per share	Options held at 31 December 2020 Note 1	Maturity date
	1,617	–	–	556.4p	1,617	01.12.20
Joe Lister	1,266	–	–	710.8p	1,266	01.12.21
	–	1,182	–	760.8p	1,182	01.12.23
Richard Smith	2,122	–	–	848.0p	2,122	01.12.22

1. As at year-end, Joe Lister held 1,617 options under the 2017 scheme which had matured but not yet been exercised.

The highest, lowest and closing share prices for 2020 are shown on page 146.

Details of the qualifying performance conditions in relation to the above referred-to awards made in prior years are set out on previous pages or in earlier reports.

Awards made in prior years took the form of a combination of nil cost options under the PSP and HMRC-approved options under the ESOS. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors' share options and LTIP awards recognised in the Income Statement is as follows:

Executive	2020 £	2019 £
Joe Lister	278,839	301,708
Richard Smith	342,046	369,182

The Directors' Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Elizabeth McMeikan

Chair, Remuneration Committee

16 March 2021

DIRECTORS' REPORT

As at 31 December 2020, the Company had received notifications from the following companies and institutions of themselves and their clients in 3% or more of the issued share capital of the Company. There have been no significant changes since that date through to 16 March 2021.

Shareholder	Percentage of share capital
Canada Pension Plan Investment Board	18.23
BlackRock Inc	7.56
APG Asset Management NV	6.67
Standard Life Aberdeen	5.31
The Vanguard Group Inc	4.01
Royal London Asset Management Ltd	3.36
MFS Investment Management	3.15

Share capital

At the date of this report, there are 398,208,608 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year and through to the date of this report, the following numbers of ordinary shares of 25p each were allotted and issued as follows:

- 34,502,872 – June 2020 share placing;
- 83,634 – pursuant to the exercise of options under The Unite Group PLC Savings – Related Share Option Scheme; and
- 30,220 – pursuant to the exercise of options under the Approved Scheme.

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association.

There are no restrictions on the transfer or voting rights of ordinary shares in the capital of the Company (other than those which may be imposed by law from time to time or as set out in the Company's Articles of Association).

The Directors have no authority to buy-back the Company's shares.

In accordance with the Market Abuse Regulations, certain employees are required to seek approval to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary, the Company's Articles of Association may be amended by special resolution of the shareholders.

Prior consultation with shareholders before the June 2020 share placing

Prior to launch of the June 2020 share placing (the Placing), the Company consulted with a significant number of its shareholders to gauge their feedback on the terms of the Placing. Feedback from this consultation was supportive and as a result the Board chose to proceed with the Placing. The Placing was structured as an accelerated bookbuild to minimise execution and market risk. The Board applied the principles of pre-emption when allocating the Placing Shares to those investors that participated in the Placing. The Placing Shares were issued pursuant to the allotment and disapplication of pre-emption authorities that shareholders granted to the Company at the Annual General Meeting on 7 May 2020.

The net proceeds of £300 million were raised through the Placing. To date, we have secured two development schemes since the Placing (see page 43). We are also targeting a further pipeline of developments and University partnerships to deploy the remaining proceeds. The Placing Price of 870.0 pence per placing share represented a discount of 3.1 per cent to the middle market closing price of 897.5 pence on 24 June 2020. The Placing resulted in an increase of 20.86% in issued share capital over the three-year period preceding the issue. Prior to all placings over this three year period, the Company consulted with a significant number of its shareholders and then raised and utilised the placing proceeds for specific reasons explained in the placing terms of these respective placings.

Authority to issue shares

The Directors may only issue shares if authorised to do so by the Articles of Association or the shareholders in general meeting. At the Company's Annual General Meeting held on 7 May 2020, shareholders granted an authority to the Directors to allot ordinary shares up to an aggregate nominal amount of £30,299,637 (which represented one-third of the nominal value of the issued share capital of the Company as at 31 March 2020). In accordance with guidelines issued by the Investment Association, this resolution also granted the Directors authority to allot further equity securities up to the aggregate amount of £30,299,637 (representing one-third of the nominal value of the issued share capital of the Company as at 31 March 2020). This additional authority was only permitted for fully pre-emptive rights issues. As at 31 December 2020, the shares that had been allotted were to satisfy awards under the Company's share schemes and the June 2020 placing. As this authority is due to expire on 13 May 2021, shareholders will be asked to renew and extend the authority, given to the Directors at the last Annual General Meeting, to allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company for the purposes of Section 551 of the Companies Act 2006. Further details on the resolution will be provided in the Notice of this year's Annual General Meeting and its explanatory notes.

DIRECTORS' REPORT CONTINUED

Disapplication of pre-emption rights

If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. At the forthcoming Annual General Meeting, shareholders will be asked to pass two special resolutions to grant the Directors powers to disapply shareholders' pre-emption rights under certain circumstances. Further details on the resolutions will be provided in the Notice of this year's Annual General Meeting.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding rewards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Other than certain of the Group's banking facilities, there are no other significant agreements to which the Company is a party that affect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Going Concern and viability statement

The going concern statement and viability statement are set out on pages 172 & 173 and page 71 respectively and are incorporated into this Directors' Report by reference.

Disclosure of information to auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. A Director must notify the Chairman (and the Chairman notifies the Chief Executive) if he/she becomes aware that he/she, or any of his/her connected parties, may have an interest in an existing or proposed transaction with the Company or the Group. Directors have a continuing duty to update any changes to these conflicts.

Political donations

No political donations, contributions or expenditure were made during the year ending 2020.

Indemnities

There are no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions for the benefit of any of the Directors.

Research and development

The Company is not currently carrying on any activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside of the UK.

Appointment and replacement of Directors

The Company's Articles of Association provide that Directors may be appointed by the existing Directors or by the shareholders in a general meeting. Any person appointed by the Directors will hold office only until the next general meeting, notice of which is first given after their appointment and will then be eligible for re-election by the shareholders. A Director may be removed by the Company as provided for by applicable law and shall vacate office in certain circumstances as set out in the Articles of Association. In addition the Company may, by ordinary resolution, remove a Director before the expiration of his/her period of office and, subject to the Articles of Association, may by ordinary resolution appoint another person to be a Director instead. There is no requirement for a Director to retire on reaching any age.

Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

Information required under LR 9.8.4R	Reference
(1) Amount of interest capitalised and tax relief	Note 3.1, page 187
(2) Publication of unaudited financial information	n/a
(4) Details of long term incentive schemes	Pages 138 and 144 & 145
(5) Waiver of emoluments by a Director	Pages 122
(6) Waiver of future emoluments by a Director	n/a
(7) Non pre-emptive issues of equity for cash	Pages 12 and 149
(8) Item (7) in relation to major subsidiary undertakings	n/a
(9) Parent participation in a placing by a listed subsidiary	n/a
(10) Contracts of significance	n/a
(11) Provision of services by a controller shareholder	n/a
(12) Shareholder waiver of dividends	n/a
(13) Shareholder waiver of future dividends	n/a
(14) Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' Report.

Other information incorporated by reference

The following information in the Strategic Report is incorporated into this Directors' Report by reference:

- Results and Dividend on page 1
- Greenhouse Gas Emissions and Energy Consumption Disclosures on page 61
- Financial instruments and financial risk management on page 64 and Section 4 of the notes to the financial statements on page 199
- Future developments on page 25
- Employment of disabled persons/Employee involvement on page 57
- Workforce engagement on page 94
- Engagement with customers, partners and others on page 36

The Corporate Governance report on pages 82 to 151, the Statement of Directors' responsibilities on page 152 and details of post balance sheet events on page 216 are incorporated into this Directors' Report by reference.

Management Report

This Directors' Report together with the Strategic Report and other sections from the Annual Report forms the Management report for the purposes of DTR 4.1.8 R.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office at South Quay, Temple Back, Bristol, BS1 6FL at 9.30am on 13 May 2021. Formal notice of the meeting is given separately and is available on the Company's website at <https://www.unite-group.co.uk/investors>.

This report was approved by the Board on 16 March 2021 and signed on its behalf by

Christopher Szpojnarowicz

Company Secretary

16 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, the names of whom are set out on pages 84 to 87, confirms that to the best of his or her knowledge:

- The Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

R S Smith

Director

16 March 2021

J J Lister

Director

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the members of the Unite Group PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Unite Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated and Parent Company statements of cash flows; and
- the related sections 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.




2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in section 2.6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Going concern; • Investment property and development property valuation; and • Accounting for Joint Ventures. <p>Within this report, key audit matters are identified as follows:</p> <p>  Newly identified  Increased level of risk  Similar level of risk </p>
Materiality	The materiality that we used for the Group financial statements was £32.5m which was determined on the basis of net assets. However, we use a lower materiality threshold of £4.6m for balances which impact EPRA earnings.
Scoping	Our Group audit scope comprises the audit of The Unite Group PLC as well as Group's joint ventures: The Unite UK Student Accommodation Fund ('USAF') and The London Student Accommodation Vehicle ('LSAV'). All audit work was completed by the group audit team.
Significant changes in our approach	We no longer consider Liberty Living plc ('Liberty Living') to be a separate component following the completion of its full integration into the Group's systems, process and controls; we have not therefore audited Liberty Living as a separate component. Changes to our key audit matters are set in section 5 below.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of the Unite Group PLC

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group has a number of borrowing facilities which contain covenants that require the Group to maintain specific financial ratios. As a result of Covid-19 the outlook remains uncertain, and there are a range of potential outcomes which are wide-ranging and unknown and therefore judgements about future potential financial impacts are inherently uncertain. On this basis, in the year we have identified going concern as a new key audit matter.

In the prior year our report included key matters relating to REIT compliance and acquisition accounting in respect of Liberty Living. REIT compliance is no longer identified as a key audit matter as we have not historically identified any issues with the Group's compliance with the REIT regime and it has now been a number years following the Group's conversion to a REIT. The acquisition accounting of Liberty Living was specific to the prior year.

5.1. Going concern ⓘ

Key audit matter description	<p>In assessing whether the financial statements should be prepared on the going concern basis, the Directors are required to consider all available information about the future for a period of at least 12 months from the date of approval of the financial statements. In conducting their assessment, the Directors have concluded that there are no material uncertainties which may cast significant doubt over the Group's or Parent Company's ability to continue as a going concern over this 12 month period.</p> <p>At 31 December 2020 the Group had c.£1,689m of borrowings drawn down across different facilities, as well as available undrawn facilities of £50.0m and a further overdraft facility of £10.0m available. There is liquidity headroom within the Group's forecast across the period of assessment for going concern. The borrowing facilities contain covenants that require the Group to maintain specific financial ratios and the focus of our work has been on forecast covenant compliance. In addition, at 31 December 2020 the Group held net cash and cash equivalents of £338.3m.</p> <p>The impact of the Covid-19 pandemic is described on pages 10 to 12. The Group's properties have remained open and operational throughout the pandemic. However, following the introductions of local and national lockdowns most UK Universities during 2020 and also in early 2021 suspended face-to-face teaching; this has adversely impacted the occupation of the Group's properties. Furthermore, the Group released students from their tenancies in the summer term of 2020 and has offered students further tenancy concessions in early 2021. Together, these factors have adversely affected the trading performance of the Group.</p> <p>The Directors have updated their forecasts to take into account, to the extent possible given the current uncertain environment, the impact of Covid-19 on current and future trading performance, net debt and liquidity. As at the date of this report, the outlook as a result of Covid-19 remains uncertain, and there are a range of potential outcomes which are wide-ranging and unknown and therefore judgements about future potential financial impacts are inherently uncertain; as a result, this is an area where potential fraud could occur. In particular, there is significant judgement in the Directors' assessment of the length of time over which the impact on performance and cash inflows might be felt, particularly with regards to occupation of its properties. Occupation of its properties is affected by the actions of both the UK government and Universities which is outside of the Group's control.</p> <p>As outlined in their statement on going concern on pages 172 and 173, the Directors have considered different scenarios in assessing the impact of Covid-19 including a base case and a reasonable worse case. In addition, the Directors have modelled a reverse stress test to assess what would need to occur for the Group to breach its most sensitive financial covenant. This covenant is for the Interest Cover Ratio ('ICR') which should not be below a range of 1.5 to 2.0 depending on the borrowing facility. The assumptions in the reverse stress test model reduced income from the base case to such a level that the Directors determine that the probability of them occurring is remote. As set out on page 173 the Group is required to collect less than 10% of rents due or outstanding for the balance of the 2020/21 academic year to maintain covenant compliance.</p> <p>This is below of that modelled in the reasonable worse case scenario. Should the impact of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors under its reasonable worse case, the Group would need to implement additional operational or financial measures.</p> <p>As a result of the current and potential future impact of Covid-19 on the Group and the uncertainties regarding covenant compliance forecasting, we identified a key audit matter related to going concern due to the significant judgement required to conclude that there is not a material uncertainty which may cast significant doubt over the Group's or Parent Company's ability to continue as a going concern.</p> <p>Further details of the judgements considered and the conclusions are included in Section 1 of the financial statements and as part of the Audit Committee disclosure of significant items on page 112.</p>
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How the scope of our audit responded to the key audit matter	<p>We performed the following audit procedures which consider the impact of the uncertainty of the Covid-19 pandemic on the going concern assessment:</p> <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls over the going concern process; • Challenged the revenue assumptions, for the outturn of the 2020/21 academic year and the assumptions for the 2021/22 academic year, which included the following: <ul style="list-style-type: none"> – Assessed the Group's forward sales bookings for next academic year; – Assessed UCAS application data for the next academic year; – Agreed a sample of nomination contracts (NOMs) where a University is contracted to take an agreed number of beds in a property, for the current and next academic years to supporting documentation; – Assessed the contract enforceability of the NOMs agreements; – Assessed Universities' financial positions, including vouching any debtor positions; and – Held discussions with internal Deloitte Higher Education sector specialists to assess the reasonableness of the assumptions used against the Higher Education sector data. • Challenged the cost assumptions within the forecasts, including consideration of previous incurred costs and the effectiveness of any cost savings; • Challenged the reasonableness of the scenario analysis performed and reverse stress test with reference to the income and cost assumptions; • Determined the Group's liquidity and headroom positions with reference to borrowing facility agreements; • Tested the arithmetical accuracy of the models used to prepare the Group's forecast and related scenarios; • Assessed the reasonableness of key mitigations available; and • Assessed the sufficiency of the Group's disclosure concerning the going concern basis and uncertainties arising.
Key observations	<p>We are satisfied that the directors' base case forecasts, reasonable worse case and reverse stress test scenarios indicate that the Group has sufficient financial resources over the going concern period and that they are not forecast to breach their key financial covenants over the period of assessment.</p> <p>We are satisfied that the Directors' conclusion that there are no material uncertainties over the Group and Parent Company's ability to continue as a going concern is appropriate. The associated disclosures set out on pages 172 and 173 are in accordance with the accounting standards and we consider them to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of the Unite Group PLC

5. Key audit matters continued

5.2. Investment property and development property valuation

Key audit matter description	<p>The Group's principal assets are investment properties (2020: £3,716.5m; 2019: £3,517.3m) and investment properties under development (2020: £187.2; 2019: £411.8m). The Group also holds investments in its joint ventures, USAF and LSAV, with their principal assets also being investment properties. The investment properties are carried at fair value based on an appraisal by the Group's independent external valuers. Valuations are carried out at six-monthly intervals for the Group in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards (the 'Red Book'), taking into account transactional evidence during the year.</p> <p>The valuation is underpinned by a number of estimates and assumptions as it requires the estimation of property yields, rental growth, occupancy and property management costs. Due to the impact of Covid-19 there is more uncertainty in these assumptions compared with the prior year. A small change in these assumptions could have a significant impact on the valuation of properties and there is an associated fraud risk due to the risk of management override of controls relating to the valuation process. With regards to the valuation of the USAF and LSAV properties, small changes could also have a significant impact on a key input to the calculation of a performance fee which could be recognised for the year ended 31 December 2020 if the hurdle rate is achieved as this is based on the net asset values of the funds.</p> <p>With regards to the investment properties under development, additional estimate is required to forecast discounted cash flows with a deduction for construction costs to complete.</p> <p>Refer to page 112 (Audit Committee Statement) and section 3.1: Wholly owned property assets and section 3.4 Investments in joint ventures. Significant accounting judgements and estimation uncertainty disclosures relating to Investment property and development property valuation are set out in Section 1.</p>
How the scope of our audit responded to the key audit matter	<p>We performed testing on the property valuations and assessed the estimates that had been made. This work included:</p> <ul style="list-style-type: none"> • Obtained an understanding and tested the relevant controls over the investment property and development property valuation process; • Understood and challenged the assumptions used in relation to key drivers such as rental income and growth, occupancy, yields and property management costs with reference to the trends at the end of the year and the following year's budget. Our assessment as to the appropriateness of the assumptions included consideration of the impact of the Covid-19 pandemic upon forecast occupancy and rental income; • Challenged the accuracy, completeness and consistency of the information provided to the external valuers which included testing a sample of income and tenancy data back to Group held information; • Met with the Group's external valuers to understand the assumptions being taken and consistency of the estimates with prior year. We also assessed the competency and capability of the Group's valuers; • Involved our valuation specialists within our Deloitte Real Estate team to benchmark the assumptions used against market data, including relevant transactions; • Reconciled the external valuation reports to underlying financial records; • Assessed the appropriateness of the external valuers approach with respect to replacement cladding and the impact on valuations and Unite's valuation related disclosures; • Assessed the Group's development appraisal process through meeting with the development team and assessing the forecast cost to complete against budget and substantive testing of costs incurred to date. We challenged the appropriateness of cost to complete information and reconciled the valuation reports to underlying financial records; and • Assessed the sufficiency of the Group's valuation disclosures, including the related sensitivities.
Key observations	<p>We are satisfied with the approach and methodology adopted in valuing the property portfolio and consider the investment property and development property valuations to be suitable for inclusion in the financial statements at 31 December 2020.</p>

5.3. Accounting for joint ventures

Key audit matter description	<p>A significant proportion of the Group's assets is held within USAF and LSAV, jointly owned entities that are accounted for under the equity method as joint ventures (2020: £849.0m; 2019: £875.2m), on the basis that Unite does not control the entities. At 31 December 2020 Unite had a 22% (2019: 22%) ownership of USAF and 50.0% (2019: 50.0%) ownership of LSAV, and acts as manager of both joint venture vehicles.</p> <p>Due to the complexity of the contractual arrangements, and the Group's role as manager of the joint venture vehicles, the assessment of control involves judgements around a number of significant factors, particularly with regard to USAF. USAF is a multi-investor fund with an Advisory Committee and the Group's ownership stake is subject to change. In accordance with the requirements of IFRS 10 Consolidated Financial Statements, there is a need to assess control with regards to the ability to direct relevant activities, to have exposure to variable returns and the ability to use power to affect returns at each reporting period. Management have assessed (in line with the prior year) that the Group does not have control over USAF and LSAV, but has joint control. Consequently Management has accounted for the joint ventures under the equity method rather than consolidating them within the Group's financial statements.</p> <p>Refer to page 112 (Audit Committee Statement) and section 3.4: Investments in joint ventures. Significant accounting judgements disclosure relating to accounting for joint ventures are set out in Section 1.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit procedures on this area focused on assessing the activities of the businesses, understanding the contractual agreements in place and identifying the methodology applied by Management in reaching their business decisions in order to consider the appropriateness of the classification of these arrangements as joint ventures in accordance with the requirements of IFRS.</p> <p>With regards to both USAF and LSAV, we have:</p> <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls over the accounting for joint ventures process; • Assessed the key activities and how they impact the returns to the Group from the funds and challenged Management's own consideration of these factors in their application of IFRS, including whether there was evidence of contradictory evidence; • Assessed the Group's monitoring of its role and the three key factors relating to control in accordance with the judgement required under IFRS 10. This included whether control had been exercised; and • Reviewed the fund agreement in the year to confirm that there have been no changes. <p>Given the particular focus on USAF, we have:</p> <ul style="list-style-type: none"> • Assessed the role of the USAF Advisory Committee and whether the Group has the sole power to direct the activities that are likely to most significantly affect the returns of USAF in the future, and therefore whether Unite does have control of USAF; and • Evaluated the impact of the percentage ownership on a regular basis.
Key observations	<p>We are satisfied with Management's conclusion that there has been no changes to the structure and the role played by the Group as investor and asset / development manager or to the fund agreements in the year.</p> <p>We are satisfied with Management's conclusion that the Group does not have control of the Joint Ventures. Therefore, treatment as joint ventures is considered to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of the Unite Group PLC

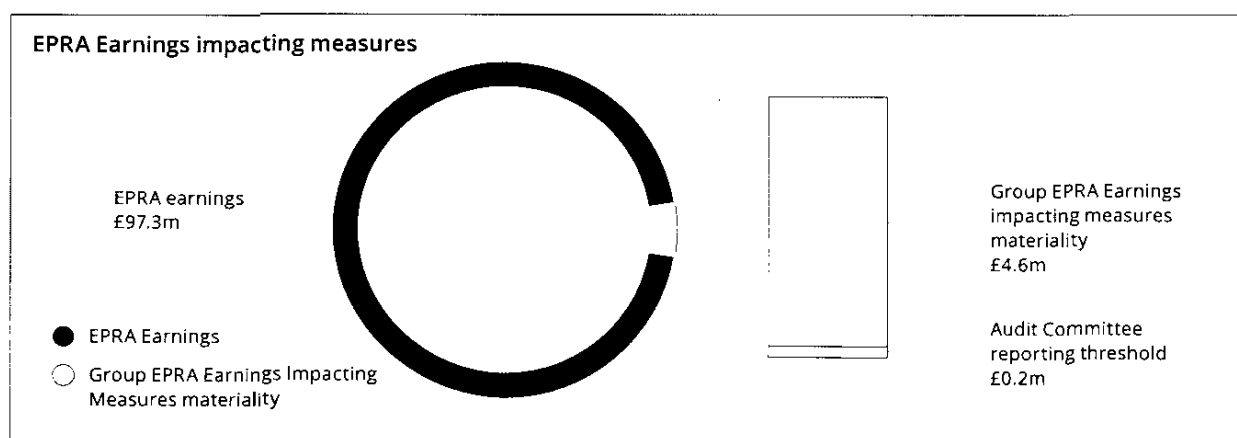
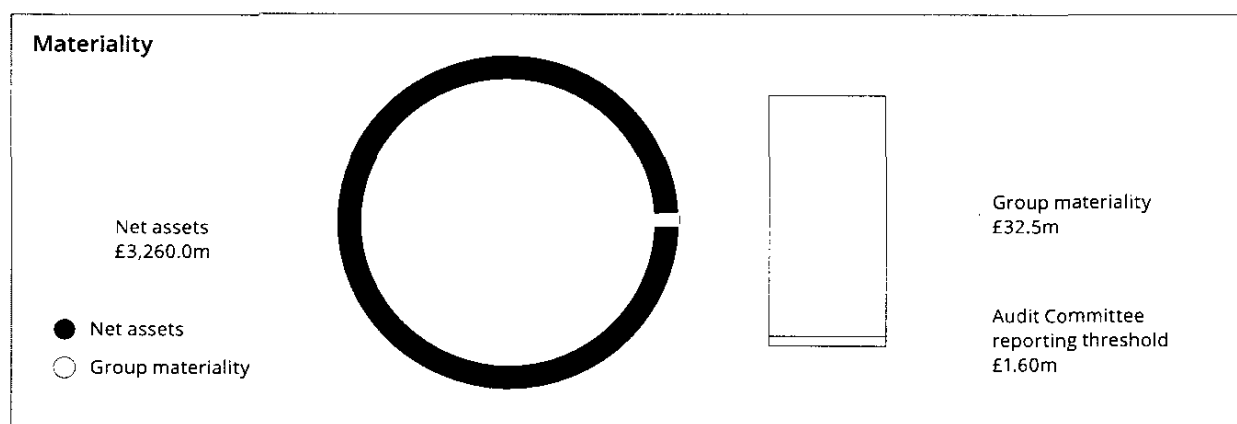
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£32.5m (2019: £31.0m) EPRA Earnings impacting measures: £4.6m (2019: £5.5m)	£31.2m (2019: £29.5m)
Basis for determining materiality	Materiality: 1% (2019: 1%) of net assets EPRA Earnings impacting measures: 5% (2019: 5%) of EPRA Earnings	1% (2019: 1%) of Net Assets
Rationale for the benchmark applied	We determined materiality for the Group based on 1% of net assets as the balance sheet is considered to be a key driver of a property group. In addition to net assets, we consider the EPRA earnings measure to be a critical financial performance measure for the Group and we have applied a lower threshold based on 5% of EPRA earnings for testing of those items impacting EPRA earnings.	As the parent holding company the principal activity is to hold the investments in subsidiaries. Therefore, the net assets balance is considered to be the key driver of the company's performance and the most relevant benchmark for materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Group and Parent Company performance materiality was set at 70% (2019: 70%) of Group and Parent Company materiality. In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment, including the impact of Covid-19, and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.6m (2019: £1.5m) and for EPRA impacting measures we would report differences in excess of £231,000 (2019: £275,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit has been performed remotely due to the impact of Covid-19 measures. We have continued to engage with staff at the Group's Bristol head office, as the books and records for each entity within the Group are maintained at this location. The Group only operates within the United Kingdom – this includes The Unite Group PLC and its related subsidiaries, as well as the two joint ventures, USAF and LSAV.

We audit all of the results of the Group together with USAF and LSAV, for the purposes of our group audit. We have also tested the consolidation process to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2. Our consideration of the control environment

From our understanding of the relevant controls we took a controls reliance approach in the following business cycles:

- Investment property; and
- Revenue.

Reliance on general IT controls was taken for the Group, excluding the legacy Living Liberty systems which were retired in July 2020 following Liberty Living's full integration into Unite's systems.

The Group uses the following application systems for the recording and reporting of its financial statements:

- Oracle EBS – general ledger and room booking system;
- Portal Agent Desktop (PAD) – room booking portal used by students and implemented on top of Oracle EBS and therefore where revenue transactions are initiated; and
- HFM – used to prepare the Group consolidation at the Group's Head Office.

We involved IT specialists to assess the relevant controls over the three systems set out above. Working with IT specialists we identified and assessed relevant risks arising from each relevant IT system and the supporting infrastructure technologies based on the role of application in the Group's flow of transactions. We obtained an understanding of the IT environment as part of these risk assessment procedures. Relevant controls were identified and tested to address those IT risks and involving our IT specialists we performed the following procedures:

- Determined whether each general IT control, individually or in combination with other controls, was appropriately designed to address the risk;
- Obtained sufficient evidence to assess the operating effectiveness of the controls across the full audit period; and
- Performed additional procedures where required if there were exceptions to the operation of those controls.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of the Unite Group PLC

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of Management, internal audit, the Group's internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;

- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: going concern, owing to significant judgements within the forecast period of assessment; investment property and development property valuation owing to the risk of management override of controls relating to the valuation process; and revenue recognition owing to the risk of management override of controls relating specifically to the Covid-19 discounts and refunds offered to students which were processed outside of the Group's automated revenue system. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with health and safety matters, including fire safety and fire cladding.

11.2. Audit response to risks identified

As a result of performing the above, we identified going concern and investment property and development property valuation as key audit matters related to the potential risks of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- made enquiries of management, the Audit Committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- read minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the identified revenue fraud risk relating to the Covid-19 discounts and refunds offered to students: understood the relevant controls over the processing and approval of the discounts and refunds; reconciled the manual revenue adjustments to supporting schedules; and vouched a sample of refunds to tenancy agreement and cash refunds; and
- in addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of the Unite Group PLC

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 88;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 71;
- the directors' statement on fair, balanced and understandable set out on page 89;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 88;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 89; and
- the section describing the work of the Audit Committee set out on pages 109 to 114.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board 10 June 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ended 31 December 2015 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Craig (Senior statutory auditor)

For and Behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

16 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Rental income	2.4	196.1	134.1
Other income	2.4	19.5	22.1
Total revenue		215.6	156.2
Cost of sales		(53.3)	(32.1)
Expected credit losses		(8.6)	(0.9)
Operating expenses		(34.7)	(26.6)
Results from operating activities		119.0	96.6
Loss on disposal of property		(1.9)	(7.3)
Net valuation (losses)/gains on property (owned and under development)	3.1	(124.2)	154.8
Net valuation losses on property (leased)	3.1	(11.2)	(8.1)
Impairment of goodwill and intangible asset		-	(384.1)
Integration/acquisition costs		(9.2)	(22.8)
Loss before net financing costs and share of joint venture (loss)/profit		(27.5)	(170.9)
Loan interest and similar charges	4.3	(41.9)	(23.8)
Interest on lease liability	4.3	(8.8)	(9.2)
Mark to market changes on interest rate swaps	4.3	(5.8)	(2.7)
Swap cancellation and loan break costs	4.3	(30.1)	(2.7)
Finance costs		(86.6)	(38.4)
Finance income	4.3	5.6	5.5
Net financing costs		(81.0)	(32.9)
Share of joint venture (loss)/profit	3.4b	(11.6)	102.6
Loss before tax		(120.1)	(101.2)
Current tax	2.5a	(1.2)	(0.1)
Deferred tax	2.5a	(0.9)	13.7
Loss for the year		(122.2)	(87.6)
Loss for the year attributable to			
Owners of the parent company		(121.0)	(89.2)
Minority interest		(1.2)	1.6
		(122.2)	(87.6)
Loss per share			
Basic	2.2c	(31.8p)	(31.5p)
Diluted	2.2c	(31.8p)	(31.4p)

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Loss for the year		(122.2)	(87.6)
Mark to market movements on hedged instruments	4.5a	(12.8)	(4.8)
Hedges reclassified to profit or loss		2.5	-
Share of joint venture mark to market movements on hedged instruments	3.4b	(0.1)	(0.5)
Other comprehensive loss for the year		(10.4)	(5.3)
Total comprehensive loss for the year		(132.6)	(92.9)
Attributable to			
Owners of the parent company		(131.4)	(94.5)
Minority interest		(1.2)	1.6
		(132.6)	(92.9)

All other comprehensive income may be classified as profit and loss in the future.
There are no tax effects on items of other comprehensive income.

CONSOLIDATED BALANCE SHEET

At 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Investment property (owned)	3.1	3,614.7	3,406.9
Investment property (leased)	3.1	101.8	110.4
Investment property (under development)	3.1	187.2	411.8
Investment in joint ventures	3.4b	849.0	875.2
Other non-current assets	3.3b	21.9	26.0
Right of use assets	3.3a	4.3	5.5
Deferred tax asset	2.5d	1.9	2.9
Total non-current assets		4,780.8	4,838.7
Inventories	3.2	8.8	4.0
Trade and other receivables	5.2	104.0	87.1
Cash and cash equivalents	5.1	338.3	86.9
Total current assets		451.1	178.0
Total assets		5,231.9	5,016.7
Liabilities			
Borrowings	4.1	-	(1.4)
Interest rate swaps	4.2	(5.8)	-
Lease liabilities	4.6a	(4.4)	(3.9)
Trade and other payables	5.4	(141.3)	(234.4)
Current tax liability		(0.3)	(4.0)
Provisions	5.5	(15.7)	(0.3)
Total current liabilities		(167.5)	(244.0)
Borrowings	4.1	(1,689.9)	(1,566.2)
Lease liabilities	4.6a	(96.7)	(100.9)
Interest rate swaps	4.2	(17.8)	(7.6)
Total non-current liabilities		(1,804.4)	(1,674.7)
Total liabilities		(1,971.9)	(1,918.7)
Net assets		3,260.0	3,098.0
Equity			
Issued share capital	4.8	99.5	90.9
Share premium	4.8	2,160.3	1,874.9
Merger reserve		40.2	40.2
Retained earnings		949.0	1,069.0
Hedging reserve		(14.1)	(3.5)
Equity attributable to the owners of the parent company		3,234.9	3,071.5
Minority interest		25.1	26.5
Total equity		3,260.0	3,098.0

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 16 March 2021 and were signed on its behalf by:

R S Smith **J J Lister**
Director Director

COMPANY BALANCE SHEET

At 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Investments in subsidiaries	3.5	1,826.7	2,213.7
Total non-current assets		1,826.7	2,213.7
Trade and other receivables	5.2	2,386.1	1,208.1
Cash and cash equivalents		2.0	9.4
Total current assets		2,388.1	1,217.5
Total assets		4,214.8	3,431.2
Current liabilities			
Borrowings	4.1	–	–
Interest rate swaps	4.2	(5.8)	–
Amounts due to Group undertakings	5.4	(0.6)	(19.1)
Other payables	5.4	(3.8)	(7.0)
Total current liabilities		(10.2)	(26.1)
Borrowings	4.1	(1,066.6)	(442.2)
Interest rate swaps	4.2	(17.8)	(7.6)
Total non-current liabilities		(1,084.4)	(449.8)
Total liabilities		(1,094.6)	(475.9)
Net assets		3,120.2	2,955.3
Equity			
Issued share capital	4.8	99.5	90.9
Share premium	4.8	2,160.3	1,874.9
Merger reserve		40.2	40.2
Hedging reserve		(13.3)	(3.0)
Retained earnings		833.5	952.3
Total equity		3,120.2	2,955.3

Total equity is wholly attributable to equity holders of The Unite Group PLC. The loss (2019: loss) of The Unite Group PLC in 2020 was £118.8 million (2019: £139.3 million).

The financial statements of The Unite Group PLC, registered number 03199160, were approved and authorised for issue by the Board of Directors on 16 March 2021 and were signed on its behalf by:

R S Smith	J J Lister
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2020		90.9	1,874.9	40.2	1,069.0	(3.5)	3,071.5	26.5	3,098.0
Loss for the year		-	-	-	(121.0)	-	(121.0)	(1.2)	(122.2)
Other comprehensive loss for the year:									
Mark to market movements on hedged instruments		-	-	-	-	(12.8)	(12.8)	-	(12.8)
Hedges reclassified to profit or loss		-	-	-	-	2.5	2.5	-	2.5
Share of joint venture mark to market movements on hedged instruments	3.4b	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Total comprehensive loss for the year		-	-	-	(121.0)	(10.4)	(131.4)	(1.2)	(132.6)
Shares issued	4.8	8.6	285.4	-	-	-	294.0	-	294.0
Deferred tax on share-based payments		-	-	-	0.1	-	0.1	-	0.1
Fair value of share-based payments		-	-	-	1.6	-	1.6	-	1.6
Own shares acquired		-	-	-	(0.7)	-	(0.7)	-	(0.7)
Unwind of realised swap gain		-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends paid to owners of the parent company	4.9	-	-	-	-	-	-	-	-
Dividends to minority interest		-	-	-	-	-	-	(0.2)	(0.2)
At 31 December 2020		99.5	2,160.3	40.2	949.0	(14.1)	3,234.9	25.1	3,260.0

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2019		65.9	740.5	40.2	1,227.6	2.0	2,076.2	25.8	2,102.0
(Loss)/profit for the year		-	-	-	(89.2)	-	(89.2)	1.6	(87.6)
Other comprehensive loss for the year:									
Mark to market movements on hedged instruments		-	-	-	-	(4.8)	(4.8)	-	(4.8)
Share of joint venture mark to market movements on hedged instruments	3.4b	-	-	-	-	(0.5)	(0.5)	-	(0.5)
Total comprehensive (loss)/profit for the year		-	-	-	(89.2)	(5.3)	(94.5)	1.6	(92.9)
Shares issued	4.8	25.0	1,134.4	-	-	-	1,159.4	-	1,159.4
Deferred tax on share-based payments		-	-	-	0.2	-	0.2	-	0.2
Fair value of share-based payments		-	-	-	1.9	-	1.9	-	1.9
Own shares acquired		-	-	-	(0.8)	-	(0.8)	-	(0.8)
Unwind of realised swap gain		-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends paid to owners of the parent company	4.9	-	-	-	(70.7)	-	(70.7)	-	(70.7)
Dividends to minority interest		-	-	-	-	-	-	(0.9)	(0.9)
At 31 December 2019		90.9	1,874.9	40.2	1,069.0	(3.5)	3,071.5	26.5	3,098.0

The notes on pages 172 to 222 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2020		90.9	1,874.9	40.2	(3.0)	952.3	2,955.3
Loss and total comprehensive loss for the year		-	-	-	(12.6)	(118.8)	(131.4)
Hedges reclassified to profit or loss		-	-	-	2.5	-	2.5
Shares issued	4.8	8.6	285.4	-	-	-	294.0
Unwind of realised swap gain		-	-	-	(0.2)	-	(0.2)
Dividends to shareholders	4.9	-	-	-	-	-	-
At 31 December 2020		99.5	2,160.3	40.2	(13.3)	833.5	3,120.2

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2019		65.9	740.5	40.2	2.2	1,162.3	2,011.1
Loss and total comprehensive loss for the year		-	-	-	(5.0)	(139.3)	(144.3)
Shares issued	4.8	25.0	1,134.4	-	-	-	1,159.4
Unwind of realised swap gain		-	-	-	(0.2)	-	(0.2)
Dividends to shareholders	4.9	-	-	-	-	(70.7)	(70.7)
At 31 December 2019		90.9	1,874.9	40.2	(3.0)	952.3	2,955.3

The notes on pages 172 to 222 form part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Note	Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
Net cash flows from operating activities	5.1	73.3	78.5	(0.7)	(2.5)
Investing activities					
Cash consideration for acquisition Liberty Living		-	(492.0)	-	(492.0)
Cash acquired on acquisition of Liberty Living		-	22.4	-	-
Acquisition costs		-	(17.5)	-	-
Investment in joint ventures		(7.5)	-	-	-
Capital expenditure on properties		(148.5)	(179.9)	-	-
Acquisition of intangible assets		(2.7)	(4.6)	-	-
Acquisition of plant and equipment		(0.7)	(0.4)	-	-
Proceeds from sale of investment property		-	295.4	-	-
Interest received		0.1	0.9	-	-
Dividends received		10.2	32.8	-	-
Payments to/on behalf of subsidiaries		-	-	(539.1)	(301.5)
Payments from subsidiaries		-	-	35.8	553.5
Net cash flows from investing activities		(149.1)	(342.9)	(503.3)	(240.0)
Financing activities					
Proceeds from the issue of share capital		294.0	254.7	294.0	254.7
Payments to acquire own shares		(0.7)	(0.8)	-	-
Interest paid in respect of financing activities		(54.2)	(32.0)	(17.5)	(17.4)
Swap cancellation and debt exit costs		(30.1)	(2.7)	(1.5)	-
Proceeds from non-current borrowings		355.1	175.0	225.0	175.0
Repayment of borrowings		(233.3)	(96.0)	-	(90.3)
Dividends paid to the owners of the parent company		-	(68.5)	-	(68.5)
Withholding tax paid on distributions		(3.4)	(1.1)	(3.4)	(1.1)
Dividends paid to minority interest		(0.2)	(0.9)	-	-
Net cash flows from financing activities		327.2	227.7	496.6	252.4
Net increase/(decrease) in cash and cash equivalents		251.4	(36.7)	(7.4)	9.9
Cash and cash equivalents at start of year		86.9	123.6	9.4	(0.5)
Cash and cash equivalents at end of year		338.3	86.9	2.0	9.4

NOTES TO THE FINANCIAL STATEMENTS

Section 1: Basis of preparation



This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates and has been clearly identified in a box.

Basis of consolidation

The financial statements consolidate those of The Unite Group PLC (the Company) and its subsidiaries (together referred to as the Group) and include the Group's interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not as a group.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an existing right that gives it the current ability to direct the relevant activities of the subsidiary, has exposure or right to variable returns from its involvement in the subsidiary and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, such as property disposals and management fees, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in the value of non-current assets.

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and approved by the Directors. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The Company is a public company limited by shares and is registered in England, United Kingdom, where it is also domiciled.

Measurement convention

The financial statements are prepared on the historical cost basis except for investment property (owned), investment property (leased), investment property (under development), investments in subsidiaries and interest rate swaps all of which are stated at their fair value.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. At 31 December 2020 The Group had £338 million of cash and expects to maintain significant liquidity headroom, both now and through the medium term. The Group is continuing to collect cash from students in line with previous years and has the ability to withstand severe downside scenarios from a cash headroom perspective. Our response to Covid-19 is described on pages 2-3 and in the Operations Review.

In response to Covid-19, the Directors have considered a range of scenarios for future performance, with a focus on forecast liquidity and ICR covenant performance. The Directors' Base Case scenario is informed by their reasoned opinion that UK Universities will remain open, providing a blend of online and face-to-face teaching for the remainder of the 2020/21 academic year consistent with the government roadmap announced on 22 February. Universities are expected to open for the 2021/22 academic year and, accordingly, there will be demand for student accommodation from both UK and international students. The greater level of uncertainty around international students' behaviour and their ability to travel to the UK could lead to a reduction in demand from this customer group. The Directors have considered a Reasonable Worst Case scenario involving a decline in income compared to the Base Case as follows:

- Significant disruption to the remainder of the 2020/21 academic year, with around half of students not returning to their accommodation in the third term
- Significantly reduced income for the 2021/22 academic year as a result of travel restrictions, limiting the ability of international students to travel to the UK

Under each of these scenarios, the Directors are satisfied that the Group has sufficient liquidity and will maintain covenant compliance over the next 12 months. To further support the Directors' going concern assessment, a 'Reverse Stress Test' was performed to determine the level of performance at which adopting the going concern basis of preparation may not be appropriate. This involved assessing the minimum amount of income required to ensure financial covenants would not be breached. Our tightest ICR covenant requires us to collect 70% of contracted rent for the 2020/21 academic year which compares to 66% collected to date. This requires us to collect less than 10% of rents due or outstanding for the balance of 2020/21 to maintain covenant compliance.

The Directors are satisfied that the possibility of such an outcome is sufficiently remote that adopting the going concern basis of preparation is appropriate.

As at the date of this report, the global outlook as a result of Covid-19 continues to be uncertain and the range of potential outcomes is wide ranging and unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors or considered under the Reasonable Worst Case referenced above, namely if there is a further sustained national lockdown that results in Universities not opening physically and students either not arriving at University or returning home, the Group's going concern status would be dependent on its ability to seek interest cover covenant waivers from its lenders. The Directors consider this eventuality to be remote.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.

Impact of accounting standards and interpretations in issue but not yet effective

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not yet effective. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Other standards

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 3 (amendments) 'Definition of a business'
- IFRS 10 and IAS 28 (amendments) 'Sale or contribution of assets between an investor and its associate or joint venture'
- IFRS 17 'Insurance contracts'
- IAS 1 and IAS 8 (amendments) 'Definition of material'
- IAS 1 (amendments) 'Classification of liabilities as current or non-current'
- IFRS 9, IAS 39 and IFRS 7 (amendments) 'Interest rate benchmark reform'
- IFRS 16 (amendments) 'Covid-19 related rent concessions'
- IFRS Standards (amendments) 'References to Conceptual Framework in IFRS Standards'
- IFRS Standards (annual improvements)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 1: Basis of preparation continued

Critical accounting estimates and judgements

The Group's significant accounting policies are stated in the relevant notes to the Group financial statements.

The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

Significant accounting judgements

The areas which involve a high degree of judgement or complexity in applying the accounting policies of the Group are explained in more detail in the accounting policy descriptions in the related notes to the financial statements.

The areas where accounting judgements have the most significant impact on the financial statements of the Group are as follows:

- valuation of investment property and investment property under development (note 3.1)
- classification of joint venture vehicles (note 3.4)

Estimation uncertainty

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis with revisions recognised in the period in which the estimates are revised and in any future periods affected. In 2020 these revisions include the impact of Covid-19.

The area involving the most sensitive estimates and assumptions that are significant to the financial statements is set out below and in more detail in the related note:

- valuation of investment property and investment property under development (note 3.1)

Section 2: Results for the year



This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net asset value per share. In October 2019, EPRA issued updated best practice recommendations, including new definitions of NAV measures, which became effective for the Group on 1 January 2020. The revision includes the introduction of EPRA Net Tangible Assets (NTA) which is the most relevant new NAV measure for the Group, and this will be our primary NAV measure going forward. EPRA NTA adjusts EPRA NAV, our existing key NAV measure, by excluding intangible assets. EPRA also introduced EPRA Net Reinstatement Value (NRV) and EPRA Net Disposal Value (NDV) metrics as set out in note 2.3c. The Group uses EPRA earnings and NAV and NTA movement as key comparable indicators across other real estate companies in Europe.

IFRS performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
Loss after tax	2.2c	(121.0)	(89.2)	(31.8p)	(31.5p)
Net assets	2.3d	3,234.9	£3,071.5	809p	845p

EPRA performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
EPRA earnings	2.2c	97.3	110.6	25.5p	39.1p
EPRA NAV	2.3d	3,285.2	3,109.7	823p	853p
EPRA NTA	2.3d	3,266.2	3,087.0	818p	847p

2.1 Segmental information

The Board of Directors monitors the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2020 and 31 December 2019 are Operations and Property.

The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.

Detailed analysis of the performance of each of these reportable segments is provided in the following sections 2.2 to 2.3.

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one geographical segment.

2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. In 2020, in consideration of EPRA's focus on presenting clear comparability in results from recurring operational activities, EPRA earnings excludes integration costs. The reconciliation between profit/loss attributable to owners of the parent company and EPRA earnings is available in note 2.2b.

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out in the Operations review on pages 17 to 21. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.2a) EPRA earnings

2020

	Unite £m	Share of joint ventures		Group on EPRA basis Total £m
		USAF £m	LSAV £m	
Rental income	196.1	34.2	32.9	263.2
Property operating expenses	(61.9)	(12.8)	(8.2)	(82.9)
Net operating income	134.2	21.4	24.7	180.3
Management fees	20.1	(2.8)	(3.3)	14.0
Operating expenses	(30.1)	(0.3)	(0.5)	(30.9)
Interest on lease liabilities	(8.8)	–	–	(8.8)
Net financing costs	(40.6)	(6.6)	(8.9)	(56.1)
Operations segment result	74.8	11.7	12.0	98.5
Property segment result	(2.2)	–	–	(2.2)
Unallocated to segments	7.1	(0.3)	(5.8)	1.0
EPRA earnings	79.7	11.4	6.2	97.3

Included in the above is rental income of £14.6 million and property operating expenses of £7.3 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£1.7 million), contributions to the Unite Foundation of (£1.0 million), LSAV performance fee of £5.7 million, deferred tax charge of (£0.8 million) and current tax charge of (£1.2 million).

EPRA earnings excludes integrations costs associated with the acquisition of Liberty Living, which total £9.2 million in the year.

2019

	Unite £m	Share of joint ventures		Group on EPRA basis Total £m
		USAF £m	LSAV £m	
Rental income	134.1	41.5	38.3	213.9
Property operating expenses	(33.0)	(12.2)	(7.9)	(53.1)
Net operating income	101.1	29.3	30.4	160.8
Management fees	21.0	(3.4)	(3.2)	14.4
Operating expenses	(21.1)	(0.3)	(0.4)	(21.8)
Interest on lease liabilities	(9.2)	–	–	(9.2)
Net financing costs	(18.7)	(6.7)	(9.3)	(34.7)
Operations segment result	73.1	18.9	17.5	109.5
Property segment result	(1.5)	–	–	(1.5)
Unallocated to segments	8.7	(0.2)	(5.9)	2.6
EPRA earnings	80.3	18.7	11.6	110.6

Included in the above is rental income of £17.3 million and property operating expenses of £7.0 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£2.2 million), contributions to the Unite Foundation of (£1.0 million), fees received from USAF relating to acquisitions of £2.2 million, LSAV performance fee of £5.7 million, deferred tax charge of (£0.5 million) and current tax charge of (£0.4 million).

2.2b) IFRS reconciliation to EPRA earnings

EPRA earnings excludes movements relating to changes in values of investment properties (owned, leased and under development), profits/losses from the disposal of properties, swap/debt break costs, impairment of goodwill and acquisition/integration costs, which are included in the loss/profit reported under IFRS. EPRA earnings reconcile to the loss attributable to owners of the parent company as follows:

	Note	2020 £m	2019 £m
Loss attributable to owners of the parent company		(121.0)	(89.2)
Net valuation losses/(gains) on investment property (owned)	3.1	124.2	(154.8)
Property disposals (owned)		1.9	6.2
Net valuation losses on investment property (leased)	3.1	11.2	8.1
Property disposals (leased)		-	1.1
Impairment of goodwill and acquired intangible asset		-	384.1
Integration/acquisition costs		9.2	22.8
Amortisation of fair value of debt recognised on acquisition		(4.3)	(0.4)
Share of joint venture losses/(gains) on investment property	3.4b	41.5	(58.3)
Share of joint venture property disposals	3.4b	-	(0.4)
Swap cancellation and loan break costs	4.3	30.1	2.7
Mark to market changes on interest rate swaps	4.3	5.8	2.7
Current tax relating to impairment of goodwill		-	(0.5)
Deferred tax	2.5d	0.1	(14.3)
Minority interest share of reconciling items*		(1.4)	0.8
EPRA earnings	2.2a	97.3	110.6

* The minority interest share, or non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Limited. More detail is provided in note 3.4.

2.2c) Earnings per share

The Basic EPS calculation is based on the earnings/loss attributable to the equity shareholders of The Unite Group PLC and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed on a day-to-day basis.

The calculations of basic and EPRA EPS for the year ended 31 December 2020 and 2019 are as follows:

	Note	2020 £m	2019 £m	2020 pps	2019 pps
(Loss)/earnings					
Basic		(121.0)	(89.2)	(31.8p)	(31.5p)
Diluted		(121.0)	(89.2)	(31.8p)	(31.4p)
EPRA	2.2a	97.3	110.6	25.5p	39.1p

	2020	2019
Weighted average number of shares (thousands)		
Basic	381,379	282,802
Dilutive potential ordinary shares (share options)	872	1,156
Diluted	382,251	283,958

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes and the equity raise.

In 2020, there were 11,278 (2019: 15,545) options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.3 Net assets

2.3a) EPRA NAV and NTA

EPRA NTA makes adjustments to IFRS measures by removing the fair value of financial instruments and the carrying value of intangibles. The reconciliation between IFRS NAV and EPRA NTA is available in note 2.3c.

The Group's Property business undertakes the acquisition and development of properties. The way in which the Property segment adds value to the business is set out in the Property review on pages 22 to 25.

2020

	Unite £m	Share of JVs		Group on EPRA basis £m
		USAF £m	LSAV £m	
Investment property (owned)	3,614.7	616.7	661.8	4,893.2
Investment property (leased)	101.8	–	–	101.8
Investment property (under development)	187.2	–	–	187.2
Total property portfolio	3,903.7	616.7	661.8	5,182.2
Debt on properties	(1,663.5)	(201.1)	(268.2)	(2,132.8)
Lease liabilities	(96.3)	–	–	(96.3)
Cash	338.3	15.4	37.3	391.0
Net debt	(1,421.5)	(185.7)	(230.9)	(1,838.1)
Other assets and (liabilities)	(21.3)	(13.2)	(24.4)	(58.9)
EPRA NAV	2,460.9	417.8	406.5	3,285.2
Intangibles per IFRS balance sheet	(19.0)	–	–	(19.0)
EPRA NTA	2,441.9	417.8	406.5	3,266.2
Loan to value*	35%	30%	35%	34%
Loan to value post IFRS 16	36%	30%	35%	35%

* LTV calculated excluding investment properties (leased) and the corresponding lease liabilities.

2019

	Unite £m	Share of JVs		Group on EPRA basis £m
		USAF £m	LSAV £m	
Investment property (owned)	3,406.9	628.0	667.5	4,702.4
Investment property (leased)	110.4	–	–	110.4
Investment property (under development)	411.8	–	–	411.8
Total property portfolio	3,929.1	628.0	667.5	5,224.6
Debt on properties	(1,537.2)	(194.4)	(267.6)	(1,999.2)
Lease liabilities	(98.9)	–	–	(98.9)
Cash	86.9	5.2	22.8	114.9
Net debt	(1,549.2)	(189.2)	(244.8)	(1,983.2)
Other assets and (liabilities)	(119.3)	(1.5)	(10.9)	(131.7)
EPRA NAV	2,260.6	437.3	411.8	3,109.7
Intangibles per IFRS balance sheet	(22.7)	–	–	(22.7)
EPRA NTA	2,237.9	437.3	411.8	3,087.0
Loan to value*	39%	30%	37%	37%
Loan to value post IFRS 16	40%	30%	37%	38%

* LTV calculated excluding investment properties (leased) and the corresponding lease liabilities.

2.3b) Movement in EPRA NTA during the year

Contributions to EPRA NTA by each segment during the year is as follows:

2020

			Share of joint ventures		Group on
	Note	Unite	USAF	LSAV	EPRA basis
		£m	£m	£m	Total
					£m
Operations					
Operations segment result	2.2a	74.8	11.7	12.0	98.5
Add back amortisation of intangibles	3.3b	6.4	-	-	6.4
Total Operations		81.2	11.7	12.0	104.9
Property					
Rental growth		(102.4)	(24.0)	(15.0)	(141.4)
Yield movement		(17.6)	(1.1)	0.1	(18.6)
Disposal losses (owned)		(1.9)	-	-	(1.9)
Investment property losses (owned)		(121.9)	(25.1)	(14.9)	(161.9)
Investment property losses (leased)	3.1a	(11.2)	-	-	(11.2)
Investment property losses (under development)	3.1a	(4.2)	-	-	(4.2)
Pre-contract/other development costs	2.2a	(2.2)	-	-	(2.2)
Total Property		(139.5)	(25.1)	(14.9)	(179.5)
Unallocated					
Shares issued		294.0	-	-	294.0
Investment in joint ventures		2.3	(5.7)	3.4	-
Dividends paid		-	-	-	-
Joint venture property acquisition fee		-	-	-	-
LSAV performance fee		11.4	-	(5.7)	5.7
Swap cancellation and debt break costs	4.3	(30.1)	-	-	(30.1)
Purchase of intangibles	3.3b	(2.7)	-	-	(2.7)
Integration costs		(9.2)	-	-	(9.2)
Other		(3.4)	(0.4)	(0.1)	(3.9)
Total Unallocated		262.3	(6.1)	(2.4)	253.8
Total EPRA NTA movement in the year		204.0	(19.5)	(5.3)	179.2
Total EPRA NTA brought forward		2,237.9	437.3	411.8	3,087.0
Total EPRA NTA carried forward		2,441.9	417.8	406.5	3,266.2

EPRA NAV brought forward at 1 January 2020 was £3,109.7 million, and closing EPRA NAV at 31 December 2020 was £3,285.2 million. The movement of (£175.5 million) is shown in the table above by excluding the amortisation of intangibles (£6.4 million) and the purchase of intangibles £2.7 million.

The £3.9 million other balance within the unallocated segment includes a tax charge of £2.1 million, the purchase of own shares of £0.7 million and £1.0 million for contributions to the Unite Foundation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.3 Net assets continued

2.3b) Movement in EPRA NTA during the year continued
2019

		Share of joint ventures			Group on EPRA basis Total £m
	Note	Unite £m	USAF £m	LSAV £m	
Operations					
Operations segment result	2.2a	73.1	18.9	17.5	109.5
Add back amortisation of intangibles	3.3b	5.6	-	-	5.6
Total Operations		78.7	18.9	17.5	115.1
Property					
Rental growth		54.2	11.7	24.6	90.5
Yield movement		20.4	2.3	18.3	41.0
Disposal (losses)/gains (owned)		(5.5)	0.2	-	(5.3)
Investment property gains (owned)		69.1	14.2	42.9	126.2
Investment property gains (leased)	3.1a	(8.1)	-	-	(8.1)
Disposal losses investment property (leased)		(1.1)	-	-	(1.1)
Investment property gains (under development)	3.1a	80.2	-	-	80.2
Pre-contract/other development costs	2.2a	(1.5)	-	-	(1.5)
Total Property		138.6	14.2	42.9	195.7
Unallocated					
Shares issued		254.3	-	-	254.3
Investment in joint ventures		31.7	(18.2)	(13.5)	-
Acquisition of Liberty Living		531.0	-	-	531.0
Dividends paid		(70.7)	-	-	(70.7)
LSAV performance fee		11.4	-	(5.7)	5.7
Joint venture property acquisition fee		2.8	(0.6)	-	2.2
Swap cancellation and debt break costs	4.3	(2.7)	-	-	(2.7)
Purchase of intangibles	3.3b	(5.5)	-	-	(5.5)
Other		(3.6)	(0.2)	(0.1)	(3.9)
Total Unallocated		748.7	(19.0)	(19.3)	710.4
Total EPRA NTA movement in the year		966.0	14.1	41.1	1,021.2
Total EPRA NTA brought forward		1,271.9	423.2	370.7	2,065.8
Total EPRA NTA carried forward		2,237.9	437.3	411.8	3,087.0

EPRA NAV brought forward at 1 January 2019 was £2,088.6 million and closing EPRA NAV at 31 December 2019 was £3,109.7 million. The movement of £1,021.1 million is shown in the table above by excluding the amortisation of intangibles (£5.6 million) and the purchase of intangibles £5.5 million.

The £3.9 million other balance within the unallocated segment includes a tax charge of £0.7 million, fair value of share-based payments charge of £2.2 million and £1.0 million for contributions to the Unite Foundation.

2.3c) Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude the fair value of financial instruments and associated tax.

To determine EPRA NTA, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and the carrying value of intangibles.

To determine EPRA NRV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, associated tax and real estate transfer tax.

To determine EPRA NDV, net assets reported under IFRS are amended to exclude the fair value of financial instruments, but include the fair value of fixed interest rate debt and the carrying value of intangibles.

The net assets reported under IFRS reconcile to EPRA NAV, NTA, NRV and NDV (previously NNNAV) as follows:

2020

	NAV £m	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	3,234.9	3,234.9	3,234.9	3,234.9
Mark to market interest rate swaps	24.4	24.4	24.4	-
Unamortised swap gain	(1.8)	(1.8)	(1.8)	(1.8)
Mark to market of fixed rate debt	-	-	-	(85.2)
Unamortised fair value of debt recognised on acquisition	28.1	28.1	28.1	28.1
Current tax	(0.4)	(0.4)	(0.4)	-
Intangibles per IFRS balance sheet	-	(19.0)	-	-
Real estate transfer tax	-	-	312.0	-
EPRA reporting measure	3,285.2	3,266.2	3,597.2	3,176.0

2019

	NAV £m	NTA £m	NRV £m	NDV £m
Net assets reported under IFRS	3,071.5	3,071.5	3,071.5	3,071.5
Mark to market interest rate swaps	8.3	8.3	8.3	-
Unamortised swap gain	(2.1)	(2.1)	(2.1)	(2.1)
Mark to market of fixed rate debt	-	-	-	(93.5)
Unamortised fair value of debt recognised on acquisition	32.4	32.4	32.4	32.4
Current tax	(0.4)	(0.4)	(0.4)	-
Intangibles per IFRS balance sheet	-	(22.7)	-	-
Real estate transfer tax	-	-	280.5	-
EPRA reporting measure	3,109.7	3,087.0	3,390.2	3,008.3

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.3 Net assets continued

2.3c) Reconciliation to IFRS continued

The previous EPRA NAV metric reconciles to the new EPRA NAV, NTA, NRV and NDV (previously NNNAV) metrics as follows:

2020

	NTA £m	NRV £m	NDV £m	NTA pps	NRV pps	NDV pps
EPRA NAV	3,285.2	3,285.2	3,285.2	823p	823p	823p
Intangibles per IFRS balance sheet	(19.0)	-	-	(5p)	-	-
Real estate transfer tax	-	312.0	-	-	78p	-
Mark to market of fixed rate debt	-	-	(85.2)	-	-	(21p)
Mark to market interest swaps	-	-	(24.4)	-	-	(6p)
Current tax	-	-	0.4	-	-	-
EPRA reporting measure	3,266.2	3,597.2	3,176.0	818p	901p	796p

2019

	NTA £m	NRV £m	NRV £m	NTA pps	NRV pps	NRV pps
EPRA NAV (as previously reported)	3,109.7	3,109.7	3,109.7	853p	853p	853p
Intangibles per IFRS balance sheet	(22.7)	-	-	(6p)	-	-
Real estate transfer tax	-	280.5	-	-	77p	-
Mark to market of fixed rate debt	-	-	(93.5)	-	-	(25p)
Mark to market interest swaps	-	-	(8.3)	-	-	(2p)
Current tax	-	-	0.4	-	-	-
EPRA reporting measure	3,087.0	3,390.2	3,008.3	847p	930p	826p

2.3d) NAV, NTA, NRV and NDV per share

Basic NAV is based on the net assets attributable to the equity shareholders of The Unite Group PLC and the number of shares in issue at the end of the year. The Board uses EPRA NAV and NTA to monitor the performance of the Property segment on a day-to-day basis.

	Note	2020 £m	2019 £m	2020 pps	2019 pps
Net assets					
Basic NAV		3,234.9	3,071.5	809p	845p
EPRA NAV	2.3a	3,285.2	3,109.7	825p	855p
EPRA NAV (diluted)		3,290.0	3,114.0	823p	853p
EPRA NTA	2.3a	3,266.2	3,087.0	820p	849p
EPRA NTA (diluted)		3,271.0	3,091.4	818p	847p
EPRA NRV	2.3c	3,597.2	3,390.2	903p	932p
EPRA NRV (diluted)		3,601.9	3,394.5	901p	930p
EPRA NDV		3,176.0	3,008.3	798p	827p
EPRA NDV (diluted)		3,180.7	3,012.6	796p	826p
Number of shares (thousands)					
Basic				398,226	363,618
Outstanding share options				1,484	1,309
Diluted				399,710	364,927

2.4 Revenue and costs

Accounting policies

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance fees
- Acquisition fees

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of its service to a customer.

Rental income

Rental income comprises direct-lets to students and leases to Universities and commercial tenants. This revenue is recognised in the income statement over the length of the tenancy period as the Group provides the services to its customers. Included in the rental contract is the use of broadband facilities and room cleaning services. The Group does not offer these services as stand-alone products. Under IFRS 15 the Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract. The transaction prices for rental income are explicitly stated in each contract. A contract liability can result from payments received in advance, until the date at which control is transferred to the customer and at that point the revenue begins to be recognised over the tenancy period. Lease incentives are sometimes recognised on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

Management and performance fees

The Group acts as asset and property manager for USAF and LSAV and receives management fees in relation to these services. Revenue from these fees is recognised over time as the joint ventures simultaneously receive and consume benefits as the Group performs its management obligations. Detailed calculations in order to determine the transaction prices for these revenue streams are held within the joint venture agreements.

The Group is entitled to a USAF performance fee if the joint venture outperforms certain benchmarks. The Group recognises a USAF performance fee at a point in time in the year to which the fee relates. The Group initially assesses the probability of a fee being earned and its transaction price at half year and adjusts for any potential risks to receiving this income at year-end, when the achieved outturn is known. The USAF performance fee is settled within 12 months of the year to which the fee relates and the Group receives an enhanced equity interest in USAF as consideration for the performance fee.

The Group is entitled to a LSAV performance fee if the joint venture outperforms certain benchmarks over its life ending in 2022. The Group recognises a LSAV performance fee at an amount which is considered 'highly probable' to become due based upon estimates of the future performance of the joint venture; such estimates include future rental income and the discount rate (yield). Prior to the maturity of the joint venture, the Group pro-rates the total LSAV performance fee for the remaining life of the joint venture; at 31 December 2020, this was 80% based upon eight years of the joint venture's life. The amount which is considered 'highly probable' to become due is reassessed annually with reference to the latest performance of the joint venture and forecasts. The LSAV performance fee is settled at the end of the life of the joint venture in cash.

As per IFRS 15, the estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. As the performance fee is variable and dependent on meeting specific performance targets it is not reasonably possible to determine the future contractual income relating to this revenue.

Acquisition fees

The Group receives acquisition fees from its joint venture partners. This revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.4 Revenue and costs continued

The Group earns revenue from the following activities:

		Note	2020 £m	2019 £m
Rental income*	Operations segment	2.2a	196.1	134.1
Management fees	Operations segment	2.2a	14.0	14.4
LSAV performance fee	Unallocated		5.7	5.7
USAF acquisition fee	Unallocated		–	2.2
			215.8	156.4
Impact of minority interest on management fees			(0.2)	(0.2)
Total revenue			215.6	156.2

* EPRA earnings includes £263.2 million (2019: £213.9 million) of rental income, which is comprised of £196.1 million (2019: £134.1 million) recognised on wholly owned assets and a further £67.1 million (2019: £79.8 million) from joint ventures, which is included in share of joint venture (loss)/profit in the consolidated income statement.

The cost of sales included in the consolidated income statement includes property operating expenses of £53.3 million (2019: £32.1 million).

2.5 Tax

As a REIT, rental profits and gains on disposal of investment properties are exempt from corporation tax. The Group pays UK corporation tax on the profits from its residual business, including profits arising on construction operations and management fees received from joint ventures, together with UK income tax on rental income that arises from investments held by offshore subsidiaries in which the Group holds a minority interest.

Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year-end.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. The applicable deferred tax rate increased from 17% to 19% due to the enactment during the period of the Finance Act 2020, which cancelled the planned reduction in corporation tax to 17% from 1 April 2020. This rate change increased the deferred tax assets recognised at the year-end by £0.1 million.

As a REIT, rental profits and gains on disposal of investment properties and property rich investments are exempt from corporation tax. As a result, no deferred tax provision has been recognised at the balance sheet date in respect of property assets or units in USAF and LSAV.

2.5a) Tax – income statement

The total taxation charge/(credit) in the income statement is analysed as follows:

	2020 £m	2019 £m
Corporation tax on residual business income arising in UK companies	1.2	2.1
Income tax on UK rental income arising in non-UK companies	0.3	0.4
Adjustments in respect of prior periods	(0.3)	(2.4)
Current tax charge	1.2	0.1
Origination and reversal of temporary differences	0.9	(13.9)
Effect of change in tax rate	(0.1)	-
Adjustments in respect of prior periods	0.1	0.2
Deferred tax charge/(credit)	0.9	(13.7)
Total tax charge/(credit) in income statement	2.1	(13.6)

The movement in deferred tax provided is shown in more detail in note 2.5d.

In the income statement, a tax charge of £2.1 million arises on a loss before tax of £120.1 million. The taxation credit that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2020 £m	2019 £m
Loss before tax	(120.1)	(101.2)
Income tax using the UK corporation tax rate of 19% (2019: 19%)	(22.8)	(19.2)
Property rental business profits exempt from tax in the REIT Group	(7.4)	(15.2)
Release of deferred tax liability due to legislative change	0.1	(13.6)
Non-taxable items relating to the acquisition of Liberty Living	(0.8)	76.7
Property revaluations not subject to tax	31.2	(40.5)
Mark to market changes in interest rate swaps not subject to tax	1.1	-
Effect of indexation on investments	0.7	-
Effect of statutory tax reliefs	0.1	0.1
Effect of tax deduction transferred to equity on share schemes	-	0.2
Rate difference on deferred tax	-	0.1
Prior year adjustments	(0.1)	(2.2)
Total tax charge/(credit) in income statement	2.1	(13.6)

As a UK REIT, the Group is exempt from UK corporation tax on the profits from its property rental business. Accordingly, the element of the Group's profit before tax relating to its property rental business has been separately identified in the reconciliation above.

Although the Group does not pay UK corporation tax on the profits from its property rental business, it is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution (PID). PIDs are charged to tax in the same way as property income in the hands of the recipient. For the year ended 31 December 2020 the required PID is expected to be fully paid by the end of 2021.

2.5b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2019: £nil) has been recognised representing deferred tax.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.5 Tax continued

2.5c) Tax – statement of changes in equity

Within the statement of changes in equity a tax charge totalling £0.1 million (2019: £1.1 million credit) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

2.5d) Tax – balance sheet

The table below outlines the deferred tax (assets)/liabilities that are recognised in the balance sheet, together with their movements in the year:

2020

	At 31 December 2019 £m	Charged/(credited) in income £m	Charged/(credited) in equity £m	At 31 December 2020 £m
Investments	–	–	–	–
Property, plant and machinery and provisions	(0.9)	0.3	–	(0.6)
Share schemes	(1.3)	(0.2)	0.2	(1.3)
Tax value of carried forward losses recognised	(0.7)	0.8	(0.1)	–
Net tax (assets)/liabilities	(2.9)	0.9*	0.1	(1.9)

* The £0.9 million balance above includes tax movements totalling £0.8 million in respect of Property, plant and machinery, share schemes and losses which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2b. Removing them results in the £0.1 million movement shown in note 2.2b.

2019

	At 31 December 2018 £m	Charged/(credited) in income £m	Charged/(credited) in equity £m	At 31 December 2019 £m
Investments	24.4	(24.4)	–	–
Property, plant and machinery and provisions	(0.7)	0.1	(0.3)	(0.9)
Share schemes	(0.6)	(0.1)	(0.6)	(1.3)
Tax value of carried forward losses recognised	(11.2)	10.7	(0.2)	(0.7)
Net tax liabilities/(assets)	11.9	(13.7)*	(1.1)	(2.9)

* The (£13.7 million) balance above includes tax movements which are included in EPRA earnings and therefore not shown as a reconciling item in the IFRS reconciliation in note 2.2 b. Removing them results in the £14.3 million movement shown in note 2.2b.

Company

Deferred tax has not been recognised on temporary differences of £4.3 million (2019: £126.3 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

The decrease in the unprovided deferred tax amount is primarily driven by the enactment of provisions contained in Finance Act 2019 that exempt gains arising in accounting periods beginning on or after 6 April 2019 on the disposal by a REIT of shares and other similar interests in entities that derive at least 75% of their value from land situated in the UK. These provisions exempt the majority of the Company's investments in subsidiaries from the charge to corporation tax.

2.6 Audit fees

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2020 £m	2019 £m
Fees payable to the Group's auditors for the audit of the parent company and consolidated financial statements	0.5	0.4
Fees payable to the Group's auditors for other services to the Group:		
– Audit of the financial statements of subsidiaries	0.1	0.1
Total audit fees payable to the Group's auditors	0.6	0.5
Audit-related assurance services	0.1	0.1
Corporate finance services	–	1.9
Other services	–	–
Total non-audit fees	0.1	2.0

Non-audit fees in 2020 relate entirely to services provided in respect of the 2020 half year review. Non-audit fees in 2019 almost entirely related to Reporting Accountant services provided in respect of the acquisition of Liberty Living.

Details on the Company's policy on the use of the auditor for non-audit services is also set out in the Audit Committee Report on pages 109 to 114.

No services were provided pursuant to contingent fee arrangements.

Section 3: Asset management



The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio, whether wholly owned or in joint ventures, is the key factor that drives net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in three groups on the balance sheet at the carrying values detailed below.

In the Group's EPRA NTA and NAV, all these groups are shown at market value.

i) Investment property (owned)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Investment property (leased)

These are assets the Group sold to institutional investors and simultaneously leased back. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

iii) Investment property (under development)

These are assets which are currently in the course of construction and which will be transferred to Investment property on completion. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Accounting policies

Investment property (owned) and investment property (under development)

Investment property (owned) and investment property (under development) are held at fair value.

The external valuation of property assets involves significant judgement and changes to the core assumptions: market conditions, rental income, occupancy and property management costs, could have a significant impact on the carrying value of these assets. Further details of the valuation process are included below.

Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 2.8% (2019: 5.8%).

The recognition of acquisitions of investment property and land occurs on unconditional exchange of contracts, as this is the date when control passes to Unite. The recognition of disposals of investment property occurs on legal completion. In accordance with IFRS 15, revenue from the disposal of investment and other property is recognised at a point in time.

Investment property (leased)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

Valuation process

The valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank LLP, Chartered Surveyors were the valuers in the years ended 31 December 2020 and 2019.

The valuations are based on:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of the fair value movements over the year.

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2020 are shown in the table below.

2020

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2020	3,406.9	110.4	411.8	3,929.1
Cost capitalised	25.0	2.6	87.6	115.2
Interest capitalised	-	-	4.6	4.6
Transfer from investment property under development	312.6	-	(312.6)	-
Transfer from work in progress	-	-	-	-
Disposals	(9.8)	-	-	(9.8)
Valuation gains	56.5	-	6.4	62.9
Valuation losses	(176.5)	(11.2)	(10.6)	(198.3)
Net valuation losses	(120.0)	(11.2)	(4.2)	(135.4)
Carrying and market value at 31 December 2020	3,614.7	101.8	187.2	3,903.7

The fair value of the Group's wholly owned properties and the movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2019 are shown in the table below.

2019

	Investment property (owned) £m	Investment property (leased) £m	Investment property (under development) £m	Total £m
At 1 January 2019	1,497.1	128.0	278.9	1,904.0
Acquired through business combination	1,933.7	-	18.4	1,952.1
Cost capitalised	6.5	6.3	208.2	221.0
Interest capitalised	-	-	9.1	9.1
Transfer from investment property under development	189.8	-	(189.8)	-
Transfer from work in progress	-	-	6.8	6.8
Disposals	(294.8)	(15.8)	-	(310.6)
Valuation gains	88.1	-	86.1	174.2
Valuation losses	(13.5)	(8.1)	(5.9)	(27.5)
Net valuation gains	74.6	(8.1)	80.2	146.7
Carrying and market value at 31 December 2019	3,406.9	110.4	411.8	3,929.1

Included within investment properties at 31 December 2020 are £29.7 million (2019: £31.3 million) of assets held under a long leasehold and £0.1 million (2019: £0.1 million) of assets held under short leasehold.

Total interest capitalised in investment properties (owned) and investment properties under development at 31 December 2020 was £52.2 million (2019: £47.6 million) on a cumulative basis. Total internal costs capitalised in investment properties (owned) and investment properties under development was £66.8 million at 31 December 2020 (2019: £63.4 million) on a cumulative basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Recurring fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy.

Class of asset	2020 £m	2019 £m
London – rental properties	1,137.0	1,015.0
Prime provincial – rental properties	949.3	876.5
Major provincial – rental properties	1,255.8	1,198.1
Other provincial – rental properties	272.6	317.3
London – development properties	158.8	245.1
Prime provincial – development properties	25.6	76.1
Major provincial – development properties	2.8	90.6
Investment property (owned)	3,801.9	3,818.7
Investment property (leased)	101.8	110.4
Market value	3,903.7	3,929.1

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, estimated future costs, occupancy and property management costs.

Where the asset is leased to a University, the valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's creditworthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method) less estimated costs to completion.

Fair value using unobservable inputs (Level 3)

	2020 £m	2019 £m
Opening fair value	3,929.1	1,904.0
Acquired through business combination	–	1,952.1
(Losses) and gains recognised in income statement	(135.4)	146.7
Capital expenditure	119.8	236.9
Disposals	(9.8)	(310.6)
Closing fair value	3,903.7	3,929.1

Quantitative information about fair value measurements using unobservable inputs (Level 3)
2020

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	1,137.0	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£164–£370 2%–3% 3.9%–5.0%	£267 3% 4.0%
Prime provincial – rental properties	949.3	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£140–£229 2%–3% 4.0%–6.2%	£169 3% 4.8%
Major provincial – rental properties	1,255.8	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£82–£167 1%–3% 4.7%–7.0%	£132 2% 5.7%
Other provincial – rental properties	272.6	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£87–£188 1%–3% 5.0%–13.8%	£136 2% 6.8%
London – development properties	158.8	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£84.9m–£147.9m 3% 4.0%	£114.9m 3% 4.0%
Prime provincial – development properties	25.6	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£19.1m–£65.3m 3% 4.3%	£40.8m 3% 4.3%
Major provincial – development properties	2.8	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent increase (%) Discount rate (yield) (%)	£45.5m 3% –	£45.5m 3% –
	3,801.9				
Investment property (leased)	101.8	Discounted cash flows	Net rental income (£ per week) Estimated future rent increase (%) Discount rate (yield) (%)	£129–£185 3% 6.8%	£147 3% 6.8%
Fair value at 31 December 2020	3,903.7				

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Quantitative information about fair value measurements using unobservable inputs (Level 3) continued
2019

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	1,015.0	Discounted cash flows	Net rental income (£ per week)	£192–£367	£277
			Estimated future rent increase (%)	3%–5%	4%
			Discount rate (yield) (%)	3.9%–5.0%	4.0%
Prime provincial – rental properties	876.5	Discounted cash flows	Net rental income (£ per week)	£137–£212	£163
			Estimated future rent increase (%)	2%–5%	3%
			Discount rate (yield) (%)	4.5%–6.0%	5.0%
Major provincial – rental properties	1,198.1	Discounted cash flows	Net rental income (£ per week)	£74–£157	£129
			Estimated future rent increase (%)	2%–5%	3%
			Discount rate (yield) (%)	4.8%–6.1%	5.7%
Other provincial – rental properties	317.3	Discounted cash flows	Net rental income (£ per week)	£107–£181	£138
			Estimated future rent increase (%)	1%–4%	3%
			Discount rate (yield) (%)	5.0%–15.5%	6.6%
London – development properties	245.1	Discounted cash flows	Estimated cost to complete (£m)	£30.8m–£91.4m	£65.6m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial – development properties	76.1	Discounted cash flows	Estimated cost to complete (£m)	£16.8m–£76.4m	£43.2m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.8%–5.0%	4.9%
Major provincial – development properties	90.6	Discounted cash flows	Estimated cost to complete (£m)	£35.1m–£46.8m	£39.6m
			Estimated future rent increase (%)	3%	3%
			Discount rate (yield) (%)	4.5%	4.5%
	3,818.7				
Investment property (leased)	110.4	Discounted cash flows	Net rental income (£ per week)	£121–£167	
			Estimated future rent increase (%)	3%	
			Discount rate (yield) (%)	6.8%	
Fair value at 31 December 2019	3,929.1				

Fair value sensitivity analysis

A decrease in net rental income or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) will result in an increase in fair value. There are inter-relationships between these rates as they are partially determined by market rate conditions.

Class of assets	Fair value at 31 December 2020 £m	+5% change in estimated net rental income £m	-5% change in estimated net rental income £m	+25 bps change in nominal equivalent yield £m	-25 bps change in nominal equivalent yield £m
Rental properties					
London	1,137.0	1,213.8	1,100.5	1,090.1	1,233.2
Prime provincial	949.3	1,019.3	923.7	923.8	1,024.5
Major provincial	1,255.8	1,350.3	1,222.6	1,232.5	1,345.4
Other provincial	272.6	294.8	266.8	270.4	292.1
Development properties					
London	158.8	169.7	147.9	142.6	168.0
Prime provincial	25.6	30.4	20.9	18.5	34.2
Major provincial	2.8	2.8	2.8	4.7	1.1
Market value	3,801.9	4,081.1	3,685.2	3,682.6	4,098.5

3.2 Inventories

Accounting policies

Inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

	2020 £m	2019 £m
Interests in land	6.7	1.5
Other stocks	2.1	2.5
Inventories	8.8	4.0

At 31 December 2020, the Group had interests in four pieces of land (2019: two pieces of land).

3.3 Right of use assets and other non-current assets

Accounting policies

Leased assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability (see note 4.6a) with respect to all lease arrangements in which it is the lessee. Right of use assets have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments. They are subsequently measured at this initial value less accumulated depreciation and impairment losses.

Property, plant and equipment

Other than land and buildings, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Land and buildings are stated at fair value on the same basis as investment properties. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware and software at these sites.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

- Right of use assets Shorter of lease and economic life
- Property, plant and equipment 4–7 years

Intangible assets

Intangible assets predominantly comprise computer software which allows customers to book online and processes transactions within the sales cycle. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. The assets are amortised on a straight-line basis over four to seven years, being the estimated useful lives of the intangible assets, from the date they are available for use. Amortisation is charged to the income statement within operating expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.3a) Right of use assets

	2020			2019		
	Buildings £m	Other £m	Total £m	Buildings £m	Other £m	Total £m
Cost						
At 1 January	5.8	0.8	6.6	3.7	0.6	4.3
Additions	-	0.6	0.6	1.4	0.2	1.6
Acquired through business combination	-	-	-	0.7	-	0.7
At 31 December	5.8	1.4	7.2	5.8	0.8	6.6
Amortisation						
At 1 January	(0.8)	(0.3)	(1.1)	-	-	-
Amortisation charge for the year	(1.4)	(0.4)	(1.8)	(0.8)	(0.3)	(1.1)
At 31 December	(2.2)	(0.7)	(2.9)	(0.8)	(0.3)	(1.1)
Carrying value at 1 January	5.0	0.5	5.5	3.7	0.6	4.3
Carrying value at 31 December	3.6	0.7	4.3	5.0	0.5	5.5

The Group leases several assets including office equipment and vehicles. The average lease term is three years.

Approximately 42% of the leases expired in the current financial year (2019: 10%). The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right of use assets of £0.6 million in 2020 (2019: £0.2 million).

The maturity analysis of lease liabilities is presented in note 4.6a.

3.3b) Other non-current assets

The Group's other non-current assets can be analysed as follows:

	2020			2019		
	Property, plant and equipment £m	Intangible assets £m	Total £m	Property, plant and equipment £m	Intangible assets £m	Total £m
Cost						
At 1 January	11.4	59.1	70.5	10.7	53.6	64.3
Additions	0.7	2.7	3.4	0.4	5.1	5.5
Acquired through business combination	-	-	-	0.3	0.4	0.7
At 31 December	12.1	61.8	73.9	11.4	59.1	70.5
Depreciation and amortisation						
At 1 January	(8.1)	(36.4)	(44.5)	(7.2)	(30.8)	(38.0)
Depreciation/amortisation charge for the year	(1.1)	(6.4)	(7.5)	(0.9)	(5.6)	(6.5)
At 31 December	(9.2)	(42.8)	(52.0)	(8.1)	(36.4)	(44.5)
Carrying value at 1 January	3.3	22.7	26.0	10.2	22.8	33.0
Carrying amount at 31 December	2.9	19.0	21.9	3.3	22.7	26.0

Intangible assets include £1.1 million (2019: £3.5 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £0.1 million (2019: £0.8 million) of assets not being depreciated as they are not ready for use. At 31 December 2020 the Group had capital commitments of £0.1 million (2019: £0.5 million) relating to intangible assets and £0.3 million (2019: £nil) relating to Property, plant and equipment.

3.4 Investments in joint ventures (Group)

Accounting policies

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently, increased or decreased by the Group's share of total gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value – the difference between the nominal amount and fair value being treated as an investment in the joint venture. The implied discount is amortised over the contracted life of the investment loan.

The Directors consider that the agreements integral to its joint ventures result in the Group having joint control over the key matters required to operate the joint ventures. A significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS 10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unitholders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities: in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint control in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for LSAV is more straightforward because the Group and GIC each own 50% of the joint venture and there is therefore much clearer evidence that control over the key activities is shared by the two parties.

The Group has two joint ventures:

Joint venture	Group's share of assets/ results 2020 (2019)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	23.4%* (23.4%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE UK Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	Operate student accommodation in London and Birmingham	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Limited, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The Unite Group PLC are beneficially interested in 22.0% (2019: 22.0%) of USAF.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4a) Net assets and results of the joint ventures

The summarised balance sheets and results for the year, and the Group's share of these joint ventures are as follows:

2020

	USAF £m			LSAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,798.3	38.3	616.7	1,323.6	661.8	4,121.9	1,316.8
Cash	69.7	1.0	15.4	74.6	37.3	144.3	53.7
Debt	(912.7)	(12.5)	(201.1)	(536.4)	(268.2)	(1,449.1)	(481.8)
Swap liabilities	-	-	-	(1.2)	(0.6)	(1.2)	(0.6)
Other current assets	1.0	-	0.2	0.4	0.2	1.4	0.4
Other current liabilities	(61.0)	(1.5)	(13.4)	(49.2)	(24.6)	(110.2)	(39.5)
Net assets	1,895.3	25.3	417.8	811.8	405.9	2,707.1	849.0
Minority interest	-	(25.3)	-	-	-	-	(25.3)
Swap liabilities	-	-	-	1.2	0.6	1.2	0.6
EPRA NTA	1,895.3	-	417.8	813.0	406.5	2,708.3	824.3
(Loss)/profit for the year	(42.6)	(0.8)	(11.1)	0.6	0.3	(42.0)	(11.6)

2019

	USAF £m			LSAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,849.9	39.0	628.0	1,335.0	667.5	4,184.9	1,334.5
Cash	23.7	0.3	5.2	45.6	22.8	69.3	28.3
Debt	(882.1)	(12.1)	(194.4)	(535.2)	(267.6)	(1,417.3)	(474.1)
Swap liabilities	-	-	-	(1.2)	(0.6)	(1.2)	(0.6)
Other current assets	151.8	2.1	33.4	2.7	1.3	154.5	36.8
Other current liabilities	(160.6)	(2.6)	(34.9)	(24.4)	(12.2)	(185.0)	(49.7)
Net assets	1,982.7	26.7	437.3	822.5	411.2	2,805.2	875.2
Minority interest	-	(26.7)	-	-	-	-	(26.7)
Swap liabilities	-	-	-	1.2	0.6	1.2	0.6
EPRA NTA	1,982.7	-	437.3	823.7	411.8	2,806.4	849.1
Profit for the year	144.0	2.1	37.1	126.9	63.4	270.9	102.6

Net assets and (loss)/profit for the year above include the minority interest, whereas EPRA NTA excludes the minority interest.

3.4b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures decreased by £26.2 million during the year ended 31 December 2020 (2019: £55.5 million increase), resulting in an overall carrying value of £849.0 million (2019: £875.2 million).

The following table shows how the decrease has arisen.

	2020 £m	2019 £m
Recognised in the income statement:		
Operations segment result	23.7	36.4
Minority interest share of Operations segment result	0.6	1.1
Management fee adjustment related to trading with joint venture	6.3	6.8
Net valuation (losses)/gains on investment property	(41.5)	58.3
Property disposals	-	0.4
Other	(0.7)	(0.4)
	(11.6)	102.6
Recognised in equity:		
Movement in effective hedges	(0.1)	(0.5)
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	(6.3)	(8.1)
Additional capital invested in LSAV	7.5	-
LSAV performance fee	(5.7)	(5.7)
Distributions received	(10.0)	(32.8)
(Decrease)/increase in carrying value	(26.2)	55.5
Carrying value at 1 January	875.2	819.7
Carrying value at 31 December	849.0	875.2

3.4c) Transactions with joint ventures

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services.

In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives either cash or an enhanced equity interest in the joint ventures as consideration for the performance fee. The Group has recognised the following gross fees in its results for the year.

	2020 £m	2019 £m
USAF	13.5	14.6
LSAV	6.6	6.4
Asset and property management fees	20.1	21.0
LSAV performance fee	11.4	11.4
USAF acquisition fee	-	2.8
Investment management fees	11.4	14.2
Total fees	31.5	35.2

On an EPRA basis, fees from joint ventures are shown net of the Group's share of the cost to the joint ventures.

The Group's share of the cost to the joint ventures is £6.1 million (2019: £6.6 million), which results in management fees from joint ventures of £14.0 million being shown in the Operating segment result in note 2.2a (2019: £14.4 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

3.4c) Transactions with joint ventures continued

Investment management fees are included within the unallocated to segments section in note 2.2a.

The Group did not sell any properties to USAF or LSAV in 2020. During 2019, the Group sold five properties to USAF for gross proceeds of £202.3 million. All five properties had been held on balance sheet as investment property within non-current assets. The proceeds and carrying value of the property are therefore recognised in profit on disposal of property and the cash flows in investing activities. The profits relating to the sales, associated disposal costs and related cash flows are set out below:

	Profit and loss	
	2020	2019
	£m	USAF £m
Included in profit on disposal of property (net of joint venture trading adjustment)	-	1.8
Profit on disposal of property	-	1.8

	Cash flow	
	2020	2019
	£m	USAF £m
Gross proceeds	-	202.3
Net cash flows included in cash flows from investing activities	-	202.3

3.5 Investments in subsidiaries (Company)

Accounting policies

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in Other comprehensive income and presented in the revaluation reserve in equity.

Carrying value of investment in subsidiaries

The movements in the Company's interest in unlisted subsidiaries and joint ventures during the year are as follows:

	Investment in subsidiaries	
	2020	2019
	£m	£m
At 1 January	2,213.7	1,189.4
Additions	-	1,397.1
Revaluation	(387.0)	(372.8)
At 31 December	1,826.7	2,213.7

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans. This includes investment property, investment property under development and swaps at a fair value calculated by a third party expert. All investment properties and investment properties under development are classified as Level 3 in the IFRS 13 fair value hierarchy and have been discussed on page 190. The fixed rate loans range between Level 1 and Level 2 in the IFRS 13 fair value hierarchy and have been discussed further on page 200.

A full list of the Company's subsidiaries and joint ventures can be found in note 9.

Section 4: Funding



The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing. Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements. The following pages provide disclosures about the Group's funding position, including borrowings, gearing and hedging instruments; its exposure to market risks; and its capital management policies. The Merger reserve arose on the acquisition of the Unilodge portfolio in June 2001.

Accounting policies

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, less any attributable transaction costs, and subsequently at amortised cost.

No financial assets or liabilities have been classified as either fair value through profit or loss or fair value through other comprehensive income.

The accounting policies applicable to specific financial assets and liabilities, and financing costs, are set out in the relevant notes.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables.

The accounting policy is set out in full in note 5.2.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk. Further details of derivative financial instruments, including the relevant accounting policies, are disclosed in notes 4.2 and 4.5.

4.1 Borrowings

Accounting policies

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The table below analyses the Group's borrowings which comprise bank and other loans by when they fall due for payment:

	Group - Carrying value		Company - Carrying value	
	2020 £m	2019 £m	2020 £m	2019 £m
Current				
In one year or less, or on demand	-	1.4	-	-
Non-current				
In more than one year but not more than two years	795.9	1.5	795.9	-
In more than two years but not more than five years	297.3	964.7	-	172.2
In more than five years	568.6	567.6	270.7	270.0
	1,661.8	1,533.8	1,066.6	442.2
Unamortised fair value of debt recognised on acquisition	28.1	32.4	-	-
Total borrowings	1,689.9	1,567.6	1,066.6	442.2

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £50.0 million (2019: £305.0 million). A further overdraft facility of £10.0 million (2019: £10.0 million) is also available.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.1 Borrowings continued

Properties with a carrying value of £nil (2019: £604.7 million) have been pledged as security against the Group's drawn down borrowings. During the year the Group repaid all of its secured borrowings, retaining only unsecured borrowing at 31 December 2020.

The carrying value and fair value of the Group's borrowings is analysed below:

	2020		2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	903.1	932.2	907.4	930.9
Level 2 IFRS fair value hierarchy	-	-	231.9	244.6
Other loans and unamortised arrangement fees	786.8	786.8	428.3	428.3
Total borrowings	1,689.9	1,719.0	1,567.6	1,603.8

The fair value of loans classified as Level 1 in the IFRS fair value hierarchy is determined using quoted prices in active markets for identical liabilities.

The fair value of loans classified as Level 2 in the IFRS fair value hierarchy has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectation of future interest rates. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reported date to the contracted expiry date. Loans are valued using the mid-point of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date nor a credit valuation adjustment.

The following table shows the changes in liabilities arising from financing activities:

2020

	at 1 January 2020	Financing cash flows	Fair Value adjustments	Other changes	at 31 December 2020
Borrowings	1,567.6	121.7	(4.3)	4.9	1,689.9
Lease liabilities	104.8	(4.3)	-	0.6	101.1
Interest rate swaps	7.6	-	16.0	-	23.6
Total liabilities from financing activities	1,680.0	117.4	11.7	5.5	1,814.6

2019

	at 31 December 2018	Financing cash flows	Acquired through business combination (note 6)	Fair Value adjustments	Other changes	at 31 December 2019
Borrowings	592.6	79.0	861.7	32.4	1.9	1,567.6
Lease liabilities	109.5	(5.6)	0.9	-	-	104.8
Interest rate swaps	0.1	-	-	7.5	-	7.6
Total liabilities from financing activities	702.2	73.4	862.6	39.9	1.9	1,680.0

4.2 Interest rate swaps

The Group uses interest rate swaps to manage the Group's exposure to interest rate fluctuations. In accordance with the Group's treasury policy, the Group does not hold or issue interest rate swaps for trading purposes and only holds swaps which are considered to be commercially effective.

Accounting policies

Interest rate swaps are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement unless cash flow hedge accounting is applied.

The Group designates certain interest rate derivatives as hedging instruments. The interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. At inception the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of changes in fair value of the interest rate swap is recognised in Other comprehensive income and presented under the heading of Hedging reserve in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in Other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve is reclassified immediately to profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The following table shows the fair value of interest rate swaps:

	2020 £m	2019 £m
Current	5.8	–
Non-current	17.8	7.6
Fair value of interest rate swaps	23.6	7.6

The fair value of interest rate swaps (a credit balance in 2020 and 2019) have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.3 Net financing costs

Accounting policies

Net financing costs comprise interest payable on borrowings and interest on lease liabilities, less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement.

Recognised in the income statement:	2020 £m	2019 £m
Interest income	(5.6)	(5.5)
Finance income	(5.6)	(5.5)
Gross interest expense on loans	50.8	32.9
Interest capitalised	(4.6)	(9.1)
Amortisation of fair value of debt recognised on acquisition	(4.3)	-
Loan interest and similar charges	41.9	23.8
Interest on lease liabilities	8.8	9.2
Mark to market changes on interest rate swaps	5.8	2.7
Swap cancellation and loan break costs	30.1	2.7
Finance costs	86.6	38.4
Net financing costs	81.0	32.9

The average cost of the Group's wholly owned investment debt for the year ended 31 December 2020 is 3.2% (2019: 3.3%). The overall average cost of investment debt on an EPRA basis is 3.2% (2019: 3.3%).

4.4 Gearing

LTV is a key indicator that the Group uses to manage its indebtedness. The Group also monitors gearing, which is calculated using EPRA net asset value (NAV) and adjusted net debt. Adjusted net debt excludes IFRS 16 lease liabilities, the unamortised fair value of debt recognised on acquisition and mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

	Note	2020 £m	2019 £m
Cash and cash equivalents	5.1	338.3	86.9
Current borrowings	4.1	-	(1.4)
Non-current borrowings	4.1	(1,689.9)	(1,566.2)
Lease liabilities	4.6a	(101.1)	(104.8)
Interest rate swaps	4.2	(23.6)	(7.6)
Net debt per balance sheet		(1,476.3)	(1,593.1)
Lease liabilities	4.6a	101.1	104.8
Unamortised fair value of debt recognised on acquisition	2.3c	28.1	32.4
Adjusted net debt		(1,347.1)	(1,448.3)
Reported net asset value	2.3c	3,234.9	3,071.5
EPRA net asset value	2.3c	3,285.2	3,109.7
Gearing			
Basic (net debt/reported net asset value)		46%	52%
Adjusted gearing (adjusted net debt/EPRA net asset value)		41%	47%
Loan to value	2.3a	34%	37%

4.5 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (primarily interest rate risk), credit risk and liquidity risk. The Group's treasury policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on credit risk can be found in note 5.3.

4.5a) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group holds its debt finance under both floating and fixed rate arrangements. The majority of floating debt is hedged through the use of interest rate swap agreements. The Group's policy guideline has been to hedge 75%–95% of the Group's exposure for terms of approximately two to ten years.

At 31 December 2020, after taking account of interest rate swaps, 70% (2019: 93%) of the Group's borrowing was held at fixed rates. Excluding the £250.0 million (2019: £342.3 million) of swaps and caps the fixed investment borrowing is at an average rate of 3.2% (2019: 3.5%) for an average period of 6.8 years (2019: 6.9 years), including all debt with current or forward starting swaps the average rate is 3.2% (2019: 3.2%).

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates upon the issuance of forecast fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

As the critical terms of the hedge contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the hedge contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The Group holds interest rate swaps and caps at 31 December 2020 against £250.0 million (2019: £342.3 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are shown below, in line with disclosure under IFRS 7:24B(b). The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Hedging instruments

	Applicable interest rates		Nominal amount hedged		Carrying amount of hedge		Change in fair value	
	2020 %	2019 %	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Within one year	1.6	–	–	–	(5.8)	–	(5.8)	–
Between one and two years	0.1	–	250.0	–	(4.2)	–	(4.2)	–
Between two and five years	–	0.9	–	342.3	–	(2.5)	2.5	(2.4)
More than five years	1.6	1.6	50.0	100.0	(13.6)	(5.1)	(8.5)	(5.1)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.5 Financial risk factors continued

4.5a) Interest rate risk continued

Hedged items

	Nominal amount		Change in value		Hedging reserve – continuing		Hedging reserve – discontinued*	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Variable rate borrowings	800.0	445.0	-	-	(15.8)	(5.5)	1.8	2.0

* Balance in cash flow hedging reserve representing the unamortised value of the realised swap gain from hedging relationship for which hedge accounting is no longer applied.

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to profit or loss:

	Losses in OCI		Hedge ineffectiveness		Line item in P&L	Reclassified to P&L – discontinued		Reclassified to P&L – continuing		Line item in P&L
	2020 £m	2019 £m	2020 £m	2019 £m		2020 £m	2019 £m	2020 £m	2019 £m	
Variable rate borrowings	(12.8)	(4.8)	(3.3)	(2.7)	Other gains and losses	2.3	0.2	-	-	Mark to market movements on interest rate swaps

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one-month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments as at 31 December 2020. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant the Group's loss for the year ended 31 December 2020 would increase by £8.0 million (2019: £nil). This is mainly attributable to the Group's reduced proportion of hedging. The Group's sensitivity to interest rates has increased during the year mainly due to the lower proportion of debt hedged.

Phase 1 IBOR reform

At 31 December 2020 the Group had £800 million of floating rate debt that fixes on the basis of LIBOR together with related derivative hedges fixing on the same basis with a notional value of £300 million. The Group has entered discussions with the lenders to manage the transition of the debt and hedges to alternative benchmark rates during 2021, although exact timing is uncertain. The debt will transition to the risk free rate coterminously with the related hedge instruments, and management do not anticipate any significant impact on the existing hedging arrangements reported at year-end as a result of the transition.

4.5b) Credit risk on financial instruments

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and investments in these instruments, where the counterparties have minimum A- credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information including CDS price and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties in line with Board policy.

Before accepting any new customer, the finance team uses external credit ratings to assess the potential customer's credit quality and defines credit limits by customer. Monitoring procedures are also in place to ensure that follow-up action is taken when ratings deteriorate. The Group does not hold any credit enhancements to cover its credit risks associated with its financial assets.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable;

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account collateral held by the Group).

Details of the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are set out on note 5.3.

4.5c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

For development activities, the Group has a policy of raising substantially the full amount of equity required for each development before drawing debt against the development. The funding requirements of developments are therefore secured at the outset of works.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

2020

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months - 1 year £m	1-5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	1.7	-	-	-	800.0	-	800.0	800.0
Fixed interest rate instruments	3.2	-	-	-	300.0	575.0	875.0	875.0
Lease liabilities	4.2	0.4	0.7	3.3	23.0	73.7	101.1	101.1
Trade and other payables	n/a	-	141.3	-	-	-	141.3	141.3
Total		0.4	142.0	3.3	1,123.0	648.7	1,917.4	1,917.4

2019

	Weighted average effective interest rate %	Less than 1 month £m	1-3 months £m	3 months - 1 year £m	1-5 years £m	5+ years £m	Total £m	Carrying amount £m
Variable interest rate instruments	2.3	-	-	-	445.0	-	445.0	445.0
Fixed interest rate instruments	3.5	-	-	-	231.9	875.0	1,106.9	1,106.9
Lease liabilities	4.2	0.3	0.6	3.0	20.4	80.5	104.8	104.8
Trade and other payables	n/a	-	234.7	-	-	-	234.7	234.7
Total		0.3	235.3	3.0	697.3	955.5	1,891.4	1,891.4

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued

4.5 Financial risk factors continued

4.5c) Liquidity risk continued

The Group has access to financing facilities as described below, of which £60.0 million were unused at the reporting date (2019: £315.0 million). The Group expects to meet its other obligations from operating cash flows.

	2020 £m	2019 £m
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– amount used	–	–
– amount unused	10.0	10.0
	10.0	10.0
Unsecured committed bank loan facilities which may be extended by mutual agreement:		
– amount used	500.0	195.0
– amount unused	50.0	305.0
	550.0	500.0

4.5d) Covenant compliance

The Group monitors its covenant position and the forecast headroom available on a monthly basis. At 31 December 2020, the Group was in full compliance with all of its borrowing covenants.

The Group's unsecured borrowings carry several covenants. The covenant regime is IFRS based and gives the Group substantial operational flexibility, allowing property acquisitions, disposals and developments to occur with relative freedom.

	2020		2019	
	Covenant	Actual	Covenant	Actual
Gearing	< 1.50	0.42	< 1.50	0.50
Unencumbered assets ratio	> 1.70	2.81	> 1.70	2.52
Secured gearing	< 0.25	0.0	< 0.25	0.05
Development assets ratio	< 30%	4%	< 30%	9%
Joint venture ratio	< 55%	18%	< 55%	19%
Interest cover	> 2.00	3.9	> 2.00	7.6

The Group also has bonds which carry several covenants which the Group was also in full compliance with as set out below.

	2020		2019	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Net gearing	< 60%	35%	< 60%	40%
Secured gearing	< 25%	0%	< 25%	0%
Unsecured gearing	> 1.67	2.87	> 1.67	2.50
Interest cover	> 1.75	2.67	> 1.75	3.87

The Group's two secured loan facilities were repaid in full in 2020. The covenant headroom position on the secured loans in 2019 is outlined below and assumes that the Group is able to use available cash within net debt.

	2020		2019	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan to value	n/a	n/a	75%	36%
Interest cover	n/a	n/a	1.5	2.6

4.6 Leases

4.6a) Lease liabilities

Accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right of use asset (see note 3.1a) and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the period presented.

Lease liabilities	2020 £m	2019 £m
Analysed as:		
Non-current	96.7	100.9
Current	4.4	3.9
Total lease liability	101.1	104.8
Lease liability maturity analysis		
Year 1	4.4	3.9
Year 2	4.8	4.4
Year 3	5.4	4.6
Year 4	6.2	5.3
Year 5	6.6	6.1
Onwards	73.7	80.5
Total	101.1	104.8

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 4: Funding continued**4.6 Leases continued****4.6b) Lease receivables**

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases.

Operating lease contracts with Universities contain RPI uplifts and market review clauses.

The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease receivables

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2020 £m	2019 £m
Less than one year	169.8	196.3
Between one and five years	296.7	241.3
More than five years	363.0	359.3
Total	829.5	796.9

4.7 Capital management

The capital structure of the Group consists of shareholders' equity and adjusted net debt, including cash held on deposit. The Group's equity is analysed into its various components in the Statement of Changes in Equity. The components and calculation of adjusted net debt is set out in note 4.4. Capital is managed so as to continue as a going concern and to promote the long-term success of the business and to maintain sustainable returns for shareholders and joint venture partners.

The Group uses a number of key metrics to manage its capital structure:

- adjusted net debt (note 4.4)
- adjusted gearing (note 4.4) LTV (note 2.3a)
- weighted average cost of investment debt (note 4.5a)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £9.8 million of property assets were sold in 2020 and we plan to sell £150–£200 million of property during 2021. The Group targets a yield on cost of approximately 7% from investments in its development and University partnerships pipeline. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. Based on the assumption that no shareholders take up the scrip dividend, the full year dividend will be covered by operating cash flows. The full year dividend is expected to be £50.8 million compared to operating cash flow of £57.3 million.

4.8 Equity

Accounting policies

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

The Company's issued share capital has increased during the year as follows:

Called up, allotted and fully paid ordinary shares of £0.25p each	2020			2019		
	No. of shares	Ordinary shares £m	Share Premium £m	No. of shares	Ordinary shares £m	Share Premium £m
At 1 January	363,591,882	90.9	1,874.9	263,515,151	65.9	740.5
Shares issued (placing)	34,502,872	8.6	285.1	26,353,664	6.6	247.6
Shares issued (scrip dividend)	-	-	-	1,017,472	0.3	(0.3)
Shares issued (consideration for Liberty Living)	-	-	-	72,582,286	18.1	887.0
Shares issued (options exercised)	75,678	-	0.3	123,309	-	0.1
At 31 December	398,170,432	99.5	2,160.3	363,591,882	90.9	1,874.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

4.9 Dividends

Accounting policies

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

During the year, the Company cancelled the proposed final 2019 dividend and did not pay an interim 2020 dividend (2019: £23.3 million interim dividend – 10.25p per share and £47.5 million final dividend – 19.5p per share relating to the year ended 31 December 2018).

After the year-end, the Directors proposed a final dividend per share of 12.75p (2019: 22.95p which was subsequently cancelled), bringing the total dividend per share for the year to 12.75p (2019: 10.25p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for 2020 and 2021 and the PID requirement in respect of the year ended 31 December 2020 is expected to be satisfied by the end of 2021.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital



This section focuses on how the Group generates its operating cash flows. Careful management of working capital is vital to ensure that the Group can meet its trading and financing obligations within its ordinary operating cycle.

On the following pages you will find disclosures around the Group's cash position and how cash is generated from the Group's trading activities, and disclosures around trade receivables and payables.

Accounting policies

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.1 Cash and cash equivalents

The Group's cash position at 31 December 2020 was £338.3 million (2019: £86.9 million).

The Group's cash balances include £1.2 million (2019: £2.6 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs.

The Group generates cash from its operating activities as follows:

	Note £m	Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
Loss for the year		(122.2)	(87.6)	(118.8)	(139.9)
Adjustments for:					
Depreciation and amortisation		9.2	7.6	-	-
Impairment of goodwill and acquired intangible asset		-	384.1	-	-
Acquisition costs		-	22.8	-	-
Fair value of share-based payments	6.1	1.7	2.2	-	-
Dividends received		-	-	(300.0)	(276.0)
Change in value of investment property (owned and under development)	3.1	124.2	(154.8)	-	-
Change in value of investment property (leased)	3.1	11.2	8.1	-	-
Change in value of investments	3.5	-	-	387.0	372.9
Net finance costs excluding interest on lease liabilities	4.3	45.1	18.3	26.7	13.9
Mark to market changes in interest rate swaps	4.3	5.8	2.7	-	-
Swap break and debt exit costs	4.3	30.1	2.7	1.5	-
Loss on disposal of investment property (owned)		1.9	6.2	-	-
Loss on disposal of investment property (leased)		-	1.1	-	-
Share of joint venture loss/(profit)	3.4b	11.6	(102.6)	-	-
Trading with joint venture adjustment		12.0	8.1	-	-
Tax charge/(credit)	2.5a	2.1	(13.6)	-	-
Cash flows from operating activities before changes in working capital		132.7	105.3	(3.6)	(28.5)
(Increase)/decrease in trade and other receivables		(0.3)	(1.6)	(0.1)	0.1
(Increase) in inventories		(4.5)	(1.7)	-	-
(Decrease)/increase in trade and other payables		(53.3)	(21.3)	3.0	25.9
Cash flows from operating activities		74.6	80.7	(0.7)	(2.5)
Tax paid		(1.3)	(2.2)	-	-
Net cash flows from operating activities		73.3	78.5	(0.7)	(2.5)

Cash flows consist of the following segmental cash inflows/(outflows): operations £57.3 million (2019: £85.4 million), property (£78.2 million) (2019: £191.8 million) and unallocated £272.3 million (2019: £314.5 million).

The unallocated amount includes a net cash outflow of £nil in respect of the acquisition of Liberty Living (2019: £487.1 million), amounts received from shares issued £294.0 million (2019: £254.7 million), dividends paid £nil (2019: (£69.6 million)), tax paid (£1.3 million) (2019: (£2.2 million)) and investment in joint ventures (£7.5 million) (2019: £nil).

During the year the Company novated £400 million of debt (2019: nil) from subsidiary undertakings and this forms the significant proportion of non-cash movement in inter-company balances.

5.2 Trade and other receivables

Accounting policies

On the basis that trade receivables meet the business model and cash flow characteristics tests, they are initially recognised at transaction price and then subsequently measured at amortised cost.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to whether the tenant is a commercial organisation (including Universities) or an individual student.

The expected loss rates are based on the payment profile for sales by academic year as well as the corresponding historical credit losses during the period. The historical rate are adjusted to reflect any current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding, however given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (ie derecognised) when there is no reasonable expectation of recovery. Failure to make payments within a reasonable period from the invoice date and failure to engage with the Group on alternative payment arrangements, amongst others are considered indicators of no reasonable expectation of recovery.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other receivables can be analysed as follows; all trade and other receivables are current.

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	16.4	30.5	-	-
Amounts due from Group undertakings (note 5.6)	-	-	2,385.9	1,208.0
Amounts due from joint ventures	25.2	18.7	-	-
LSAV performance fee	22.8	11.4	-	-
Prepayments and accrued income	24.5	20.0	-	-
Other receivables	15.1	6.5	0.2	0.1
Trade and other receivables	104.0	87.1	2,386.1	1,208.1

The Group offers tenancy contracts to commercial (Universities and retail unit tenants) and individual tenants based on the academic year. The Group monitors and manages the recoverability of its receivables based on the academic year to which the amounts relate. Rental income is payable immediately, therefore all receivables relating to tenants are past the payment due date.

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures as these remain highly profitable.

Details of amounts due from Group undertakings to the Company are disclosed in note 5.6.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital continued

5.2 Trade and other receivables continued

2020

	Ageing by academic year			
	Total £m	2020/21 £m	2019/20 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	1.4	1.0	0.3	0.1
Individual tenants (past due and impaired)	27.2	19.4	5.0	2.8
Expected credit loss carried	(12.2)	(4.6)	(5.3)	(2.3)
Trade receivables	16.4	15.8	-	0.6

2019

	Ageing by academic year			
	Total £m	2019/20 £m	2018/19 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	0.4	0.3	0.1	-
Individual tenants (past due and impaired)	34.0	29.6	1.8	2.6
Expected credit loss carried	(3.9)	-	(1.6)	(2.3)
Trade receivables	30.5	29.9	0.3	0.3

Movements in the Group's expected credit losses of trade receivables can be shown as follows:

	2020 £m	2019 £m
At 1 January	3.9	2.1
Acquired on acquisition	-	1.4
Expected credit loss charged to income statement in year	8.6	0.9
Receivables written off during the year (utilisation of expected credit loss)	(0.3)	(0.5)
At 31 December	12.2	3.9

The loss allowance for trade receivables is estimated as an amount equal to the lifetime expected credit loss (ECL). This loss has been estimated using the Group's history of loss for similar assets and takes into account current and forecast conditions.

The impact of credit losses is not considered significant in respect of the financial statements.

5.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's cash balances, the Group's receivables from customers and joint ventures and loans provided to the Group's joint ventures.

At the year-end, the Group's maximum exposure to credit risk was as follows:

	Note	2020 £m	2019 £m
Cash	5.1	338.3	86.9
Trade receivables	5.2	16.4	30.5
Amounts due from joint ventures	5.2	48.0	30.1
		402.7	147.5

5.3a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates. Deposits were placed with financial institutions with A- or better credit ratings.

5.3b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including Universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds customer deposits of £0.8 million (2019: £1.0 million) as collateral against individual customers.

5.3c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans. The Group has strong working relationships with its joint venture partners and therefore views this as a low credit risk balance.

5.4 Trade and other payables

Accounting policies

Trade payables are initially recognised at the value of the invoice received from a supplier (fair value) and subsequently at amortised cost. The carrying value of trade payables is considered approximate to fair value.

Trade and other payables due within one year can be analysed as follows:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	16.8	15.7	–	–
Retentions on construction contracts for properties	5.8	5.8	–	–
Amounts due to Group undertakings	–	–	0.6	19.1
Amounts due to joint venture	–	12.0	–	–
Other payables and accrued expenses	68.4	110.2	3.8	7.0
Deferred income	50.3	90.7	–	–
Trade and other payables	141.3	234.4	4.4	26.1

Other payable and accrued expenses include £0.8 million (2019: £1.0 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Included within accrued expenses is £nil of capital commitments, relating to investment properties under development (2019: £50.5 million).

5.5 Provisions

Accounting policies

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation and are discounted to present value where the effect is material.

During 2020, and in accordance with the Government's Building Safety Advice of 20 January 2020, we undertook a thorough review of the use of High-Pressure Laminate (HPL) cladding on our properties. We have identified 19 properties with HPL that needs replacing across our estate, four of which are wholly owned. We are currently carrying out replacement works for properties with HPL cladding, with activity prioritised according to our risk assessments, starting with those over 18 metres in height. The overall cost of replacing the HPL cladding is expected to be £79.9 million (Unite Share: £33.8 million), of which £15.7 million is in respect of wholly owned properties. Whilst the overall timetable for these works is uncertain, we anticipate this will be incurred over the next 3 years. The regulations continue to evolve in this area and we will ensure that our buildings are safe for occupation and compliant with laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 5: Working capital continued

5.5 Provisions continued

The Group has recognised provisions for the cost of these cladding works as follows:

	Gross £m				Unite Share £m			
	Wholly owned	USAF	LSAV	Total	Wholly owned	USAF	LSAV	Total
At 31 December 2018	1.5	4.8	1.2	7.5	1.5	1.1	0.6	3.2
Additions	1.4	0.4	–	1.8	1.4	0.1	–	1.5
Utilisation	(2.6)	(3.8)	(1.2)	(7.6)	(2.6)	(0.8)	(0.6)	(4.0)
At 31 December 2019	0.3	1.4	–	1.7	0.3	0.4	–	0.7
Additions	15.7	50.6	14.4	80.7	15.7	11.0	7.2	33.9
Utilisation	(0.3)	(2.0)	(0.2)	(2.5)	(0.3)	(0.4)	(0.1)	(0.8)
At 31 December 2020	15.7	50.0	14.2	79.9	15.7	11.0	7.1	33.8

5.6 Transactions with other Group companies

During the year, the Company entered into various interest-free, repayable on demand loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £3.1 million (2019: £3.2 million). As a result of these intercompany transactions, the following amounts were due from/to the Company's subsidiaries at the year end.

	2020 £m	2019 £m
Unite Holdings Limited	141.5	141.5
LDC (Holdings) Limited	1,532.0	1,066.5
Liberty Living Group plc	712.4	–
Amounts due from Group undertakings	2,385.9	1,208.0
Unite Integrated Solutions plc	0.6	19.1
Amounts due to Group undertakings	0.6	19.1

The Company has had a number of transactions with its joint ventures, which are disclosed in note 3.4c.

Section 6: Key management and employee benefits



The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that Unite's people make to the performance of the Group.

On the following pages you will find disclosures around wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

Accounting policies

The Group operates a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

6.1 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year (calculated on a monthly basis), analysed by category, was as follows:

	Number of employees	
	2020	2019
Managerial and administrative	532	426
Site operatives	1,207	937
	1,739	1,363

The aggregate payroll costs of these persons were as follows:

	2020 £m	2019 £m
Wages and salaries	62.0	49.7
Social security costs	5.8	5.1
Pension costs	2.7	1.9
Fair value of share-based payments	1.7	2.2
	72.2	58.9

The wages and salaries costs include redundancy costs of £6.1 million (2019: £1.3 million).

The total number of persons employed by the Group (including Directors) as at 31 December 2020 was 508 managerial and administrative and 1,396 site operatives. There are no employees employed directly by the Company.

6.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Directors' Remuneration Report on pages 120 to 148, which covers the requirements of schedule 5 of the relevant legislation.

6.3 Share-based compensation

A transaction is classified as a share-based transaction where the Group receives services from employees and pays for these in shares or similar equity instruments. The Group operates a number of share-based compensation schemes allowing employees to acquire shares in the Company.

a) Share schemes

The Group operates the following schemes:

Long-Term Incentive Plan (LTIP), comprising the:

- Performance Share Plan (PSP); and
- HMRC Approved Employee Share Option Scheme (ESOS)



Details can be found in the Directors' Remuneration Report

Save As You Earn Scheme (SAYE)

Open to employees, vesting periods of three years, service condition

b) Outstanding share options

The table below summarises the movements in the number of share options outstanding for the Group and their average exercise price:

	Weighted average exercise price 2020	Number of options (thousands) 2020	Weighted average exercise price 2019	Number of options (thousands) 2019
Outstanding at 1 January	£1.45	1,929	£2.06	1,751
Forfeited during the year	£3.47	(159)	£3.64	(179)
Exercised during the year	£2.38	(255)	£2.53	(259)
Granted during the year	£0.50	1,157	£0.81	616
Outstanding at 31 December	£0.83	2,672	£1.45	1,929
Exercisable at 31 December	£3.46	59	£2.44	43

For those options exercised in the year, the average share price during 2020 was £9.75 (2019: £10.78).

For those options still outstanding, the range of exercise prices at the year-end was 0p to 1076p (2019: 0p to 1076p) and the weighted average remaining contractual life of these options was 2.5 years (2019: 2.2 years).

The Group funds the purchase of its own shares by the 'Employee Share Ownership Trust' to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as 'Own shares acquired' in retained earnings. As at 31 December 2020, the number of shares held by the ESOT was 342,342 (2019: 428,017).

The accounting is in accordance with the relevant standards. No further information is given as the amounts for share-based payments are immaterial.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 7: Post balance sheet events

On 12 March 2021, and in the normal course of business, the Group exchanged contracts for the disposal of a portfolio of 8 properties within Investment Property and Investment Property held within its Investment in joint ventures for a combined consideration of £132.5 million.

Section 8: Alternative performance measures

The Group uses alternative performance measures ('APMs'), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board, and provide comparable information across the Group. The APMs below have been calculated on a see through/Unite share basis, as referenced to the notes to the financial statements. Reconciliations to equivalent IFRS measures are included in notes 2.2b and 2.2c. Definitions can also be found in the glossary.

	Note	2020 £m	2019 £m
EBIT			
Net operating income (NOI)	2.2a	180.3	160.8
Management fees	2.2a	14.0	14.4
Operating expenses	2.2a	(30.9)	(21.8)
		163.4	153.4
EBIT margin %			
Rental income	2.2a	263.2	213.9
EBIT	8	163.4	153.4
		62.1%	71.7%
EBITDA			
Net operating income (NOI)	2.2a	180.3	160.8
Management fees	2.2a	14.0	14.4
Operating expenses	2.2a	(30.9)	(21.8)
Depreciation and amortisation		8.4	7.6
		171.8	161.0
Net debt			
Cash	2.3a	391.0	114.9
Debt	2.3a	(2,132.8)	(1,999.2)
		(1,741.8)	(1,884.3)
Net debt (adjusted)			
Cash	2.3a	391.0	114.9
Debt (adjusted)*		(2,132.8)	(1,209.3)
		(1,741.8)	(1,094.4)
* Calculated as Unite debt of £1,137.5 million and Liberty Living debt of £71.8 million (£861.7 million pro-rated for 33 days of ownership in 2019).			
EBITDA : Net debt (adjusted)			
EBITDA	8	171.8	161.0
Net debt (adjusted)	8	(1,741.8)	(1,094.4)
Ratio		10.1	6.8
Interest cover (Unite share)			
EBIT	8	163.4	153.4
Net financing costs	2.2a	(56.1)	(34.7)
Interest on lease liability/operating lease rentals	2.2a	(8.8)	(9.2)
Total interest		(64.9)	(43.9)
Ratio		2.5	3.5

Reconciliation: IFRS loss before tax to EPRA earnings

	Note	2020 £m	2019 £m
IFRS loss before tax		(120.1)	(101.2)
Net valuation losses/(gains) on investment property (owned)	2.2b	165.7	(213.1)
Property disposals (owned)	2.2b	1.9	5.8
Net valuation losses on investment property (leased)	2.2b	11.2	8.1
Property disposals (leased)	2.2b	–	1.1
Impairment of goodwill	2.2b	–	384.1
Integration/acquisition costs	2.2b	9.2	22.8
Amortisation of fair value of debt recognised on acquisition	2.2b	(4.3)	(0.4)
Changes in valuation of interest rate swaps	2.2b	5.8	2.7
Swap cancellation and loan break costs	2.2b	30.1	2.7
Minority interest and tax		(2.2)	(2.0)
EPRA earnings		97.3	110.6

EPRA Performance Measures

Summary of EPRA performance measures

	Note	2020 £m	2019 £m	2020 pps	2019 pps
EPRA Earnings		97.3	110.6	25.5p	39.1p
EPRA NTA		3,271.0	3,091.4	818p	847p
EPRA NRV		3,601.9	3,394.5	901p	930p
EPRA NDV		3,180.7	3,012.6	796p	826p
EPRA Net initial yield				3.8%	4.9%
EPRA Vacancy rate				13.0%	1.4%
EPRA Cost ratio (including vacancy costs)				40.0%	31.1%
EPRA Cost ratio (excluding vacancy costs)				36.2%	30.6%

EPRA like-for-like rental income

£m	Properties owned throughout the period	Development property	Acquisitions and disposals	Total EPRA Earnings
2020				
Rental income	144.9	12.4	105.9	263.2
Property operating expenses	(43.6)	(3.9)	(35.4)	(82.9)
Net rental income	101.3	8.5	70.5	180.3
2019				
Rental income	166.4	20.5	27.0	213.9
Property operating expenses	(42.5)	(4.5)	(6.1)	(53.1)
Net rental income	123.9	16.0	20.9	160.8
Like-for-like gross rental income	(12.9%)			
Like-for-like net rental income	(18.2%)			

EPRA Vacancy Rate

	2020 £m	2019 £m
Estimated rental value of vacant space	31.5	3.5
Estimated rental value of the whole portfolio	241.8	247.1
EPRA Vacancy Rate	13.0%	1.4%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 8: Alternative performance measures continued

EPRA Net Initial Yield

	2020	2019
Net operating income (£m)*	197.7	242.7
Property market value (£m)	4,893.2	4,702.4
Notional acquisition costs (£m)	256.0	237.7
	5,149.2	4,940.1
Net initial yield (%)	3.8%	4.9%

* Net operating income calculated by annualising rental income for December.

EPRA Cost ratio

	2020 £m	2019 £m
Property operating expenses	61.9	33.0
Operating expenses	30.1	21.1
Development/pre contract costs	2.2	1.5
Unallocated expenses*	3.2	4.4
	97.4	60.0
Share of JV property operating expenses	21.0	20.1
Share of JV operating expenses	0.8	0.7
Share of JV unallocated expenses*	0.4	-
	119.6	80.8
Less: Joint venture management fees	(14.0)	(14.4)
Total costs (A)	105.6	66.4
Group vacant property costs**	(7.4)	(0.7)
Share of JV vacant property costs**	(2.5)	(0.4)
Total costs excluding vacant property costs (B)	95.7	65.3
Rental income	196.1	134.1
Share of JV rental income	67.1	79.8
Total gross rental income (C)	263.2	213.9
Total EPRA cost ratio (including vacant property costs) (A)/(C)	40%	31%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)	36%	31%

* Excludes amounts in respect of the LSAV performance fee.

** Vacant property costs reflect the per bed share of operating expenses allocated to vacant beds.

Unite's EBIT margin excludes non operational expenses which are included within the EPRA cost ratio above.

EPRA Valuation movement (Unite share)

	Valuation £m	Change £m	%
Wholly owned	3,288.7	(130.9)	(3.9%)
USAF	616.7	(25.1)	(4.0%)
LSAV	661.8	(14.9)	(2.2%)
Rental properties	4,567.2	(170.9)	(3.6%)
Leased properties	101.8		
2020/21 development completions	326.0		
Properties under development	187.2		
Properties held throughout the year	5,182.2		
Total property portfolio	5,182.2		

EPRA Yield movement

	NOI yield	Yield movement (bps)		FY
	%	H1	H2	
Wholly owned	5.0%	-	(4)	(4)
USAF	5.3%	-	-	-
LSAV	4.4%	-	(1)	(1)
Rental properties (Unite share)	5.0%	-	(3)	(3)

Property related capital expenditure

	2020			2019		
	Wholly owned	Share of JVs	Group share	Wholly owned	Share of JVs	Group share
Acquisitions	-	-	-	-	51.0	51.0
Developments	87.6	-	87.6	208.2	6.5	214.7
Rental properties	25.0	22.9	47.9	6.5	8.7	15.2
Other	4.6	-	4.6	9.1	-	9.1
Total property related capex	117.2	22.9	140.1	223.8	66.2	290.0

Section 9: Company subsidiaries and joint ventures

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2020 is disclosed below. Unless otherwise stated, the Group's ownership interest represents 100% of the ordinary shares, units or partnership capital held indirectly by Unite Group PLC. No subsidiary undertakings have been excluded from the consolidation. The Unite Foundation has a year-end of 30 September to facilitate academic year reporting. All other subsidiaries have a year-end of 31 December.

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (AIB Warehouse) Limited (04872419)**	LDC (Portfolio Five) Limited (06079581)**
LDC (Alscot Road) Limited (06176428)**	LDC (Portfolio Four) Limited (04985603)**
LDC (Brunel House) Limited (09760628)**	LDC (Portfolio One) Limited (03005262)**
LDC (Camden Court Leasehold) Limited (05140620)**	LDC (Portfolio) Limited (08419375)**
LDC (Camden Court) Limited (05082671)	LDC (Project 110) Limited (05083580)**
LDC (Causewayend) Limited (08895966)**	LDC (Project 111) Limited (05791650)**
LDC (Chantry Court Leasehold) Limited (05140258)**	LDC (Radmarsh Road) Limited (05435290)**
LDC (Chaucer House) Limited (09898020)**	LDC (Skelthorne) Limited (09898132)**
LDC (Constitution Street) Limited (09210998)**	LDC (Smithfield) Limited (03373096)**
LDC (Construction Two) Limited (04847268)	LDC (St Leonards) Limited (08895830)**
LDC (Euro Loan) Limited (06623603)**	LDC (St Pancras Way) GP1 Limited (07359501)
LDC (Ferry Lane 2) GP3 Limited (07503842)**	LDC (St Pancras Way) GP2 Limited (07359428)
LDC (Ferry Lane 2) GP4 Limited (07503913)**	LDC (St Pancras Way) GP3 Limited (07503268)
LDC (Ferry Lane 2) Holdings Limited (07504099)	LDC (St Pancras Way) GP4 Limited (07503251)
LDC (Finance) Limited (09760806)**	LDC (St Pancras Way) Holdings Limited (07360734)
LDC (Greetham Street) Limited (08895825)**	LDC (St Pancras Way) Limited Partnership**
LDC (Gt Suffolk St) GP1 Limited (07274156)	LDC (St Pancras Way) Management Limited Partnership**
LDC (Gt Suffolk St) GP2 Limited (07274000)	LDC (St Vincent's) Limited (10218310)**
LDC (Gt Suffolk St) Holdings Limited (07353946)	LDC (Swindon NHS) Limited (04207502)**
LDC (Gt Suffolk St) Limited Partnership**	LDC (Tara House) Limited (09214177)**
LDC (Gt Suffolk St) Management GP1 Limited (07354719)	LDC (Thurso Street) GP1 Limited (07199022)
LDC (Gt Suffolk St) Management GP2 Limited (07354728)	LDC (Thurso Street) GP2 Limited (07198979)
LDC (Gt Suffolk St) Management Limited Partnership**	LDC (Thurso Street) GP3 Limited (07434001)
LDC (Hampton Street) Limited (06415998)	LDC (Thurso Street) GP4 Limited (07434133)
LDC (Hillhead) Limited (06176554)	LDC (Thurso Street) Limited Partnership**
LDC (Holdings) Limited (02625007)*	LDC (Thurso Street) Management Limited Partnership**
LDC (Imperial Wharf) Limited (04541678)**	LDC (Ventura) Limited (04444628)
LDC (International House) Limited (10131352)**	LDC (Vernon Square) Limited (06444132)

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LDC (Kelham Island) Limited (05152229)	LDC (William Morris II) Limited (05999281)**
LDC (Leasehold A) Limited (04066933)**	Liberty Atlantic Point (Liverpool) Limited (03885187)**
LDC (Leasehold B) Limited (05978242)**	Liberty Heights (Manchester) Limited (07399622)**
LDC (Loughborough) Limited (04207522)**	Liberty Living (HE) Holdings Limited (10977869)**
LDC (Magnet Court Leasehold) Limited (05140255)**	Liberty Living (LH Manchester) Limited (07120141)**
LDC (Millennium View) Limited (09890375)**	Liberty Living (Liberty AP) Limited (03633307)**
LDC (MTF Portfolio) Limited (05530557)**	Liberty Living (Liberty PP) Limited (03991475)**
LDC (Nairn Street) GP3 Limited (07808933)	Liberty Living (LP Bristol) Limited (07242607)**
LDC (Nairn Street) GP4 Limited (07808919)	Liberty Living (LP Coventry) Limited (04330729)**
LDC (Nairn Street) Holdings Limited (07579402)**	Liberty Living (LP Manchester) Limited (04314013)**
LDC (New Wakefield Street) Limited (10436455)**	Liberty Living (LQ Newcastle) Limited (04302869)**
LDC (Newgate) Limited (08895869)**	Liberty Living (LQ2 Newcastle) Limited (07298853)**
LDC (Old Hospital) Limited (09702143)**	Liberty Living Finance plc (10979349)**
LDC (Oxford Road Bournemouth) Limited (04407309)**	Liberty Living Group Plc (BR020813)**/*
LDC (Portfolio 100) Limited (07989369)**	Liberty Living Investments 1 Limited Partnership**
LDC (Portfolio 20) Limited (08803996)**	Liberty Living Investments 2 Limited Partnership**
Liberty Living Investments 3 Limited Partnership**	Unite Finance One (Accommodation Services) Limited (04332937)**
Liberty Living Investments GP1 Limited (09375866)**	Unite Finance One (Holdings) Limited (04316207)**
Liberty Living Investments GP2 Limited (09375868)**	Unite Finance One (Property) Limited (04303331)**
Liberty Living Investments GP3 Limited (10518849)**	Unite FM Limited (06807562)**
Liberty Living Investments II Holdco 2 Limited (09574059)**	Unite For Success Limited (05157263)
Liberty Living Investments II Holdco Limited (08929431)**	Unite Holdings Limited (03148468)**/*
Liberty Living Investments II Limited (09680931)**	Unite Homes Limited (05140262)
Liberty Living Investments Limited (09375870)**	Unite Integrated Solutions plc (02402714)
Liberty Living Investments Nominee 1 Limited (09375846)**	Unite Modular Solutions Limited (05140259)
Liberty Living Investments Nominee 2 Limited (09375849)**	Unite Rent Collection Limited (05982935)**
Liberty Living Investments Nominee 3 Limited (10519085)**	Unite Student Living Limited (06204135)
Liberty Living Limited (04055891)**	USAF GP No 11 Management Limited (07351883)
Liberty Living SpareCo Limited (04616115)**	USAF LP Limited (05860874)**
Liberty Living UK Limited (06064187)**	USAF Management Limited (05862721)
Liberty Park (Bristol) Limited (07615601)**	USAF Management 6 Limited (06225945)
Liberty Park (US Bristol) Limited (07615619)**	USAF Management 8 Limited (06387597)
Liberty Plaza (London) Limited (07745097)**	USAF Management 10 Limited (06714695)
Liberty Point (Coventry) Limited (04992358)**	USAF Management 11 Limited (07082782)
Liberty Point (Manchester) Limited (04828083)**	USAF Management 12 Limited (07365681)
Liberty Point Southampton (Block A) Limited (10314954)**	USAF Management 14 Limited (09232206)
Liberty Prospect Point (Liverpool) Limited (04637570)**	USAF Management 18 Limited (10219775)
Liberty Quay (Newcastle) Limited (05234174)**	USAF Management GP No.14 Limited (09130985)**
Liberty Quay 2 (Newcastle) Limited (07376627)**	USAF Management GP No.15 Limited (09749946)**
Liberty Severn Point (Cardiff) Limited (04313995)**	USAF Management GP No.16 Limited (09750068)**
Liberty Village (Edinburgh) Limited (10323566)**	USAF Management GP No.17 Limited (09750061)**
LL Midco 2 Limited (08998308)**	USAF Management No.18 Limited Partnership
LSAV (Angel Lane) GP3 Limited (08646359)**	LDC (Capital Cities Nominee No.1) Limited (05347228) (50.0%)
LSAV (Angel Lane) GP4 Limited (08646929)**	LDC (Capital Cities Nominee No.2) Limited (05359457) (50.0%)
LSAV (Aston Student Village) GP3 Limited (10498217)**	LDC (Capital Cities Nominee No.3) Limited (08792780) (50.0%)
LSAV (Aston Student Village) GP4 Limited (10498484)**	LDC (Capital Cities Nominee No.4) Limited (08792688) (50.0%)

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2020.

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL

LSAV (Stapleton) GP3 Limited (08646819)**	LDC (Capital Cities) Limited (05347220) (50.0%)
LSAV (Stapleton) GP4 Limited (08647019)**	LDC (Ferry Lane 2) GP1 Limited (07359448) (50.0%)
LSAV (Stratford) GP3 Limited (08751654)**	LDC (Ferry Lane 2) GP2 Limited (07359481) (50.0%)
LSAV (Stratford) GP4 Limited (08751629)**	LDC (Ferry Lane 2) Limited Partnership (50.0%)
LSAV (Wembley) GP3 Limited (08725127)**	LDC (Ferry Lane 2) Management Limited Partnership (50.0%)
LSAV (Wembley) GP4 Limited (08725235)**	LDC (Stratford) GP1 Limited (07547911) (50.0%)
LSAV Rent Collection Limited (08496230)**	LDC (Stratford) GP2 Limited (07547994) (50.0%)
Stardesert Limited (U443/102)	LDC (Stratford) Limited Partnership (50.0%)
The Unite Foundation	LDC Capital Cities Two (GP) Limited (08790742) (50.0%)
Unite Accommodation Management Limited (06190905)**	LSAV (Angel Lane) GP1 Limited (08593689) (50.0%)
Unite Accommodation Management 2 Limited (05193166)**	LSAV (Angel Lane) GP2 Limited (08593692) (50.0%)
Unite Accommodation Management 6 Limited (05077346)**	LSAV (Angel Lane) Limited Partnership (50.0%)
Unite Accommodation Management 9 Limited (06190863)**	LSAV (Angel Lane) Management Limited Partnership (50.0%)
Unite Accommodation Management 16 Limited (07061314)**	LSAV (Aston Student Village) GP1 Limited (10498478) (50.0%)
Unite Accommodation Management 18 Limited (08328484)**	LSAV (Aston Student Village) GP2 Limited (10498481) (50.0%)
Unite Accommodation Management 19 Limited (08790504)	LSAV (Aston Student Village) Limited Partnership (50.0%)
Unite Accommodation Management 20 Limited (08790642)	LSAV (Aston Student Village) Management Limited Partnership (50.0%)
Unite Accommodation Management One Hundred Limited (07989080)**	LSAV (Stapleton) GP1 Limited (08593695) (50.0%)
Unite Construction (Angel Lane) Limited (08792704)**	LSAV (Stapleton) GP2 Limited (08593699) (50.0%)
Unite Construction (Stapleton) Limited (09023406)	LSAV (Stapleton) Limited Partnership (50.0%)
Unite Construction (Wembley) Limited (09023474)	LSAV (Stapleton) Management Limited Partnership (50.0%)
Unite Finance Limited (04353305)**	LSAV (Stratford) Management Limited Partnership (50.0%)
LSAV (Wembley) GP1 Limited (08635735) (50.0%)	USAF GP No 6 Limited (05897755) (13.3%)
LSAV (Wembley) GP2 Limited (08636051) (50.0%)	USAF GP No 8 Limited (06381914) (13.3%)
LSAV (Wembley) Limited Partnership (50.0%)	USAF GP No 10 Limited (06714734) (13.3%)
LSAV (Wembley) Management Limited Partnership (50.0%)	USAF GP No 11 Limited (07075210) (13.3%)
UNITE Capital Cities Holdings Limited (08801242) (50.0%)	USAF GP No 12 Limited (07368735) (13.3%)
Unite Capital Cities Limited Partnership (50.0%)	USAF GP No 14 Limited (09089977) (13.3%)
Unite Capital Cities Two Limited Partnership (50.0%)	USAF GP No 15 Limited (09585201) (13.3%)
USAF Management 16 Limited (07735741) (22.2%)**	USAF GP No.15A Limited (12644211) (22.0%)
USAF Management 17 Limited (05591986) (22.2%)**	USAF GP No.16A Limited (12644210) (22.0%)
USAF Management No. 14 Limited Partnership (22.0%)	USAF GP No.17A Limited (12644208) (22.0%)
USAF Management No. 15 Limited Partnership (22.2%)	USAF GP No 18 Limited (10219336) (13.3%)
USAF Management No. 16 Limited Partnership (22.2%)	USAF Holdings B Limited (06324325) (13.3%)
USAF Management No. 17 Limited Partnership (22.2%)	USAF Holdings C Limited (06381882) (13.3%)
USAF No.1 Limited Partnership (22.0%)	USAF Holdings H Limited (09089805) (13.3%)
USAF No.6 Limited Partnership (22.0%)	USAF Holdings I Limited (09581882) (13.3%)
USAF No.8 Limited Partnership (22.0%)	USAF Holdings J Limited (10215997) (13.3%)
USAF No.10 Limited Partnership (22.0%)	USAF Holdings Limited (05870107) (13.3%)
USAF No.11 Limited Partnership (22.0%)	USAF Nominee No.1 Limited (05855598) (13.3%)
USAF No.12 Limited Partnership (22.0%)	USAF Nominee No.1A Limited (05835512) (13.3%)
USAF No.14 Limited Partnership (22.0%)	USAF Nominee No.6 Limited (05855599) (13.3%)
USAF No.15 Limited Partnership (22.2%)	USAF Nominee No.6A Limited (05885802) (13.3%)
USAF No.15A Limited Partnership (22.0%)	USAF Nominee No.8 Limited (06381861) (13.3%)

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 9: Company subsidiaries and joint ventures continued

Registered office and principal place of business: South Quay House, Temple Back, Bristol, United Kingdom, BS1 6FL	
USAF No.16A Limited Partnership (22.0%)	USAF Nominee No.8A Limited (06381869) (13.3%)
USAF No.17A Limited Partnership (22.0%)	USAF Nominee No.10 Limited (06714690) (13.3%)
USAF No.18 Limited Partnership (22.0%)	USAF Nominee No.10A Limited (06714615) (13.3%)
USAF No.11 Management Limited Partnership (22.0%)	USAF Nominee No.11 Limited (07075251) (13.3%)
Filbert Village Student Accommodation Limited Partnership (22.0%)	USAF Nominee No.11A Limited (07075213) (13.3%)
LDC (Nairn Street) Limited Partnership (22.0%)	USAF Nominee No.12 Limited (07368733) (13.3%)
LDC (Nairn Street) Management Limited Partnership (22.0%)	USAF Nominee No.12A Limited (07368755) (13.3%)
Filbert Village GP Limited (06016554) (13.3%)	USAF Nominee No.14 Limited (09231609) (13.3%)
LDC (Nairn Street) GP1 Limited (07580262) (13.3%)	USAF Nominee No.14A Limited (09231604) (13.3%)
LDC (Nairn Street) GP2 Limited (07580257) (13.3%)	USAF Nominee No.18 Limited (10218595) (13.3%)
USAF Finance II Limited (08526474) (13.3%)	USAF Nominee No.18A Limited (10219339) (13.3%)
USAF GP No 1 Limited (05897875) (13.3%)	USAF RCC Limited (05983554) (13.3%)
Registered office and principal place of business: 13 Castle Street, St Helier, Jersey, JE4 5UT	
LDC (Gt Suffolk St) Unit Trust	LSAV (Aston Student Village) Unit Trust (50.0%)
LDC (St Pancras Way) Unit Trust	LSAV (Holdings) Limited (50.0%)
LDC (Thurso Street) Unit Trust	LSAV (Trustee) Limited (50.0%)
LSAV (Jersey Manager) Limited	LSAV Unit Trust (50.0%)
Unite (Capital Cities) Jersey Limited	Unite Capital Cities Unit Trust (50.0%)
USAF Jersey Investments Limited	USAF Portfolio 18 Unit Trust (22.2%)
USAF Jersey Manager Limited	LDC (Nairn Street) Unit Trust (21.9%)
LDC (Ferry Lane 2) Unit Trust (50.0%)	Unite UK Student Accommodation Fund (13.3%)
LDC (Stratford) Unit Trust (50.0%)	
Registered office and principal place of business: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG	
USAF Feeder Guernsey Limited (45.2%)	USAF Portfolio 17 Unit Trust (22.2%)
USAF Portfolio 15 Unit Trust (22.2%)	USAF 15 NRL Limited (22.2%)
USAF Portfolio 16 Unit Trust (22.2%)	
Registered office and principal place of business: Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2 EN	
LSAV (GP) Limited (SC431844) (50.0%)	LSAV (Property Holdings) Limited Partnership (50.0%)
Registered office and principal place of business: Trident Chambers, Wickhams Cay, P.O. Box 146, Road Town, Tortola, British Virgin Islands	
Liberty Park (Bedford) Limited	Liberty Plaza (Newcastle) Limited
Registered office and principal place of business: Third Floor, Barclays House, Victoria Street, Douglas, Isle of Man, IM1 2LE	
Filbert Street Student Accommodation Unit Trust (21.9%)	
Registered office and principal place of business: Room 507, Floor 5, Block 1, Building No. 10, Jintong Road West, Chaoyang District, Beijing, People's Republic of China	
Unite Students Accommodation (Beijing) Business Service Company Limited	

* Held directly by the Company.

** Company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2020.

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FINANCIAL RECORD

	2020	2019	2018	2017	2016
EPRA earnings (£m)	97	111	88	71	61
EPRA earnings per share (pence)	26	39	34	30	28
IFRS (loss)/profit before tax (£m)	(120)	(101)	246	229	201
IFRS (loss)/profit per share (pence)	(32)	(32)	91	95	101
EPRA net tangible assets (NTA)/net assets (NAV) (£m)	3,266	3,087	2,085	1,740	1,557
EPRA NTA/NAV per share (pence) ¹	818	847	790	720	646
IFRS net assets (£m)	3,235	3,072	2,073	1,729	1,452
IFRS NAV per share (pence)	809	845	787	717	653
LTV (%)	34%	37%	29%	31%	34%
Managed portfolio value (£m)	7,838	7,702	4,994	4,612	4,327

1. EPRA NTA for 2020 and 2019. EPRA NAV for 2018 and prior.

GLOSSARY

Adjusted net debt	The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.
Basis points (BPS)	A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%.
Direct-let	Properties where short-hold tenancy agreements are made directly between Unite and the student.
EBIT	The Group's NOI plus management fees and less operating expenses.
EBITDA	The Group's EPRA earnings before charging interest, tax, depreciation and amortisation. The profit number is used to calculate the ratio to net debt.
EBIT margin	The Group's EBIT expressed as a percentage of rental income.
EPRA	The European Public Real Estate Association, who produce best practice recommendations for financial reporting.
EPRA earnings	EPRA earnings exclude movements relating to changes in values of investment properties and interest rate swaps and the related tax effects. In 2020, in consideration of EPRA's focus on recurring income, EPRA earnings excludes integration costs.
EPRA earnings per share	The earnings per share based on EPRA earnings.
EPRA NAV	EPRA NAV includes all property at market value but excludes the mark to market of financial instruments and deferred tax. EPRA NAV provides a consistent measure of NAV on a going concern basis.
EPRA net asset value per share	The diluted NAV per share figure based on EPRA NAV.
EPRA Net Tangible Assets (NTA)	EPRA NTA includes all property at market value but excludes the mark to market of financial instruments, deferred tax and intangible assets. EPRA NTA provides a consistent measure of tangible NAV on a going concern basis.
EPRA Net Tangible Assets per share	The diluted NTA per share figure based on EPRA NTA.
EPRA Net Reinstatement Value (NRV)	EPRA NRV includes all property at market value but excludes the mark to market of financial instruments, deferred tax and real estate transfer tax. EPRA NRV assumes that entities never sell assets and represents the value required to rebuild the entity.
EPRA Net Disposal Value (NDV)	EPRA NDV includes all property at market value, excludes the mark to market of financial instruments, but includes the fair value of fixed interest rate debt and the carrying value of intangible assets. EPRA NDV represents the shareholders' value in a disposal scenario.
EPRA Net Initial Yield (NIY)	The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs.
EPRA Vacancy Rate	The ratio of the estimated market rental value of vacant spaces against the estimated market rental value of the entire property portfolio (including vacant spaces).
EPRA Cost Ratio	The ratio of net overheads and operating expenses against gross rental income.
ESG	Environmental, Social and Governance.
GRESB	GRESB is a benchmark of the Environmental, Social and Governance (ESG) performance of real assets.
Gross asset value (GAV)	Rental properties, plus leased properties and development properties. GAV is reported on a fair value basis.
Gross financing costs	All interest paid by the Group, including those capitalised into developments and operating lease rentals. It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS.
The Group	Wholly owned balances plus Unite's interests relating to USAF and LSAV.
Group debt	Wholly owned borrowings plus Unite's share of borrowings attributable to USAF and LSAV.

GLOSSARY CONTINUED

Interest cover ratio (ICR)	Calculated as EBIT divided by the sum of net financing costs and IFRS 16 lease liability interest costs.
Lease	Properties which are leased to Universities for a number of years.
Like-for-like rental growth	Like-for-like rental growth is the growth in gross rental income on properties owned throughout the current and previous years under review.
Loan to value (LTV)	Net debt as a proportion of the carrying value of the total property portfolio, excluding balances recognised in respect of leased properties under IFRS 16.
LSAV	The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, in which both hold a 50% stake. LSAV has a maturity date of September 2022 and ASV has a maturity date of January 2027.
Major Provincial	Properties located in Aberdeen, Birmingham, Cardiff, Durham, Glasgow, Leeds, Leicester, Liverpool, Newcastle, Nottingham, Sheffield and Southampton.
Net debt	Group debt, net of cash and unamortised debt issue costs, excluding IFRS 16 investment property (leased) and associated lease liabilities.
Net debt: EBITDA	Net debt as a proportion of EBITDA.
Net financing costs (EPRA)	Gross financing costs net of interest capitalised into developments and interest received on deposits.
Net operating income (NOI)	The Group's rental income from rental properties (owned and leased) less those operating costs directly related to the property, therefore excluding central overheads.
NOI margin	The Group's NOI expressed as a percentage of rental income.
Nomination agreements	Agreements at properties where Universities have entered into a contract to reserve rooms for their students, usually guaranteeing occupancy. The Universities usually either nominate students to live in the building and Unite enters into short-hold tenancies with the students or the University enters into a contract with Unite and makes payment directly to Unite.
Other provincial	Properties located in Bedford, Bournemouth, Coventry, Exeter, Loughborough, Medway, Portsmouth, Reading and Wolverhampton.
Prime provincial	Properties located in Bristol, Bath, Edinburgh, Manchester and Oxford.
Rental properties	Investment properties whose construction has been completed and are used by the Operations segment to generate NOI.
Rental properties (leased)/ Sale and leaseback	Properties that have been sold to a third party investor then leased back to the Group. Unite is also responsible for the management of these assets on behalf of the owner.
See-through (also Unite share)	Wholly owned balances plus Unite's share of balances relating to USAF and LSAV.
TCFD	The Task force on Climate-related Financial Disclosures develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.
Total accounting return	Growth in EPRA NTA per share (previously NAV per share) plus dividends paid, expressed as a percentage of EPRA NTA per share (previously EPRA NAV per share) at the beginning of the period.
Total shareholder return	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional shares.
USAF/the fund	<p>The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund focused purely on income-producing student accommodation investment assets.</p> <p>The fund is an open-ended infinite life vehicle with unique access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.</p>
WAULT	Weighted average unexpired lease term to expiry.
Wholly owned	Balances relating to properties that are 100% owned by The Unite Group PLC or its 100% subsidiaries.

COMPANY INFORMATION

The Unite Group PLC

Executive Team

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Chief Executive Officer

Joe Lister

Chief Financial Officer

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Registered Number in England

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Christopher Szpojnarowicz

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