

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

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.

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

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