

UNITE
STUDENTS

SUSTAINABLE FINANCE FRAMEWORK



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1 INTRODUCTION

1.1 Introduction to Unite Students



76,000

students living with us each year



180

properties in England, Scotland and Wales



60+

universities choose to partner with us

Unite Students is the UK's largest owner, manager and developer of purpose-built student accommodation (PBSA) serving the country's world-leading higher education sector, providing a home for 76,000 students across 180 properties in 27 leading university towns and cities. We partner with over 60 universities across the UK.

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. 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, increasing to 88% on delivery of our secured development pipeline and contracted disposals.

Our scale and best-in-class operating platform, PRISM, enables us to continue to drive service enhancements for students alongside operational efficiencies. In 2020, the business successfully integrated the £1.4 billion acquisition of Liberty

Living's 24,000 bed portfolio, delivering £18 million of annual cost synergies.

Our reputation with partner Universities is a key strategic advantage, which provides significant income visibility through the 39,000 beds sold under nomination agreements with Universities for an average remaining life of six years. Unite is already viewed as a strategic partner by Universities and the decisive actions taken by the business in response to Covid-19 have enhanced our reputation with Universities.

Development and University partnership activity continues to be a significant driver of growth in future earnings and NAV and is aligned to our 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 in both London and the regions and expect to add to our pipeline during 2021 and maintain a run-rate of c.2,000 new beds per annum.

1.2 Introduction to sustainability at Unite

A commitment to “doing what’s right” is part of who we are at Unite Students. In late 2019, we set out to develop a new, ambitious, and comprehensive sustainability strategy, building on what we had achieved already 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 social justice, and these sustainability issues are of increasing interest to investors, partners, customers and other stakeholders.

Having listened to our stakeholders, we have developed five overarching sustainability objectives, defining our new levels of ambition, and showing how we’ll 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 help avoid the worst impacts of climate change. We will do this following the net zero carbon hierarchy – with a strong focus on reducing operational energy consumption through improving our buildings, and reducing the embodied carbon of new developments – 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 engage and encourage our student customers 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.

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.

1.3 Climate change and resilience

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 are developing a pathway to achieve net zero carbon operations and deliver net zero carbon new developments in accordance with the carbon hierarchy, and will be releasing further details of our targets and approach to this in 2021 including a detailed net zero carbon pathway.

We have committed to fully implement the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and, 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.

In the last six years we have invested over £30m in energy efficiency projects, achieving a 10% reduction in our energy intensity (total energy use per student bedroom per year). In particular, we have invested in energy efficient LED lighting and controls, solar PV, air source heat pump installations, and smart networked heating controls. We have also bought 100% renewable electricity since 2017, and in 2020 signed a corporate power purchase agreement meaning that around 20% of our total electricity consumed will come from a specific wind farm in Scotland.

However, we know we must do much more. Therefore in 2021 we will be announcing further 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 sustainability of our buildings.

1.4 Unite's social impact

Unite has a strong track record in social impact and we are well regarded by stakeholders across the student accommodation sector, especially for the lead we took in response to the Covid-19 pandemic in 2020 to support both students and employees.

Our response to Covid-19

Since the start of the pandemic, the wellbeing, safety, and security of students has been our priority. 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 pandemic in March 2020, 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 2021/22 academic year, reflecting the challenges and disruption students face during the latest national lockdown. In total, we have provided over £100m of financial support to our students during the Covid-19 pandemic.

We were the first student accommodation provider to have its Covid Secure status accredited 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.

The Unite Foundation

Moving to University, progressing in your academic studies, and then eventually graduating, are huge milestones in anyone's life. These challenges are even harder if you do not have the support of a family. The Unite Foundation charity was

founded in 2012 by Unite Students to work with students who do not have family support to help them through this process, offering care leavers and estranged students wrap-around support as part of an accommodation scholarship with Unite. The Unite Foundation works in partnership with 27 Universities as part of their work to widen participation in higher education.

Each year, the Unite Foundation awards 80-100 new scholarships, meaning we are currently supporting 247 students through the scholarship programme. Since the programme started eight years ago, we have provided support to over 500 students at a total cost of £11m.

1.5 Strategy and rationale for framework

Our business has an important role to play in the transition towards a more sustainable, resilient and equitable society.

The establishment of this Sustainable Finance Framework allows Unite to align its financing strategy with our wider sustainability objectives, including the transition to net zero carbon operations and development by 2030. We see a clear opportunity to fund our sustainability journey through debt instruments that are environmentally and socially impactful, allowing investors to more directly link the benefits of their funding to our sustainability objectives.

We will seek to attract investors who are supportive of these goals as we look to enlarge our sustainable finance investor base. These stakeholders will be valuable partners in supporting Unite's sustainability strategy.

The framework provides us with the flexibility to issue financial instruments to support our commitment to achieve a broad range of sustainability outcomes.

2 STRUCTURE OF THE SUSTAINABLE FINANCE FRAMEWORK

2.1 Background

This Sustainable Finance Framework (the “Framework”) sets out how Unite intends to enter into Sustainable Financing Transactions (“SFT”) to finance projects that have a positive environmental and/or social impact while supporting its business strategy.

SFTs may include bonds, loans, and other financing products where proceeds are applied to eligible green and/or social projects (“Eligible Projects”) as defined in this

Framework. Bonds issued under the Framework will be aligned to the ICMA Green Bond Principles 2018 (“GBP”) / ICMA Social Bond Principles 2020 (“SBP”) / ICMA Sustainability Bond Guidelines 2018 (“SBG”) or as they may be subsequently amended. Loans issued under the Framework will be aligned to the LMA Green Loan Principles 2020 (“GLP”) and the LMA Social Loan Principles (“SLP”) or as they may be subsequently amended.

2.1.1 Framework components

Other forms of financing may conform to other well-established green or sustainable finance principles as may have been established at the time. The Framework has four core components:

- 1 Use of Proceeds;**
- 2 Project evaluation and selection;**
- 3 Management of proceeds; and**
- 4 Reporting.**











This Framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.

Unite may further update or expand this Sustainable Finance Framework to align with emerging market standards and best-practices, such as the introduction of the EU Green Bond Standard (“EU GBS”) or other relevant standards and guidelines.

2.2 Use of proceeds

The net proceeds from any SFT will be used to finance or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following categories of eligibility as recognised in the relevant market standards. Disbursements to be financed include both operating expenditures (Opex) and capital expenditures (Capex), as well as expenditures for acquisitions of Eligible Projects.

Refinancing of Eligible Projects will have a look-back period of no longer than 36 months from the time of issuance. Unite will strive to fully allocate the net proceeds of each SFT within 24 months of issuance. Eligible Projects are required to meet the eligibility criteria included in the table below. The Eligible Projects are also mapped to the UN Sustainable Development Goals (SDGs).

Label: Green/Social	Eligible Project categories	Eligibility criteria & examples	Reference financial line item	UN SDG mapping
Green	Green buildings	<ul style="list-style-type: none"> Projects aimed at financing the construction of BREEAM Very Good or above or EPC B or above development: Development of direct-let and university partnered purpose-built student accommodation properties. Re-financing of operational assets of BREEAM Very Good or above or EPC B or above. 	Capex Asset value	
Green	Energy efficiency	<ul style="list-style-type: none"> Financing or re-financing of projects aimed at improving the energy efficiency of our buildings: <ul style="list-style-type: none"> - At least a 30% improvement in energy efficiency; or - Two notch improvement in EPC rating. 	Capex Asset value	  
Green	Renewable energy	<ul style="list-style-type: none"> Projects aimed at integrating renewables into the energy system for buildings: Installation of on-site low and zero carbon technology such as solar PV panels and retrofit of low carbon heating solutions e.g. heat pumps to replace existing direct electric hot water heating.¹ Sourcing of renewable energy, including corporate PPA contracts: long term contractual arrangement to purchase renewable electricity.² 	Capex Opex	 
Social	Affordable housing	<ul style="list-style-type: none"> Projects aimed at financing the construction of affordable student accommodation: Bedrooms provided at a rental cost that is equal to or below a fixed percentage of the maintenance loan for a full-time student living away from home. Projects aimed at supporting students through the COVID-19 pandemic: Preferential financial arrangements made for students returning home during the academic year and/ or those that could not arrive at or return to university. Accommodation scholarships for young people attending university from the most challenging circumstances, most often from a background of care or family estrangement, delivered through the Unite Foundation, a registered charity in England and Wales.³ 	Capex Subsidies and lost revenues	 
Social	Socio-economic advancement & empowerment	<ul style="list-style-type: none"> Projects aimed at widening participation in post-18 education: Including initiatives focused on the transition from school to higher or further education. Community support schemes: Initiatives that benefit the local community & improve engagement and relations with students living in our buildings.⁴ 	Opex	 

¹All renewable energy installations will be designed, specified and installed in line with all relevant UK legislation, such as but not limited to that covering waste management, waste electrical and electronic equipment, hazardous substances, health & safety, and the construction design and management regulations.

²From 100% renewable sources potentially including solar, wind, hydropower and biomass. REGO backed.³ See <https://thisisusatuni.org/> for further details of the Unite Foundation. ⁴ Such as the provision of support, facilities, and knowledge

2.3 Process for evaluation and selection

The Eligible Projects defined in this Framework provide clear environmental benefits and/or social impact. Hence, all potential Eligible Projects first and foremost comply with the applicable environmental and social laws and regulations as well as the internal policies and standards of Unite, which aim to manage and mitigate ethical, environmental and governance risks.

In order to select the most suitable Eligible Projects, Unite has put together a Sustainable Finance Committee which is a cross divisional group including senior representatives from Finance, Strategy, Investor Relations and the Energy and Environment team. The Sustainable Finance Committee will work closely with Unite's Sustainability Steering Group which is responsible for coordinating sustainability more broadly across Unite.

The terms of reference for the Sustainable Finance Committee are:

1. To oversee the establishment of the Sustainable Finance Framework and review the content, updating it to reflect changes in market standards (such as relevant ICMA and LMA principles) and the organisation's strategy on a best-efforts basis.
2. To approve the addition of Eligible Projects/expenditures.
3. To oversee the Eligible Project portfolio, confirming its continued compliance with Unite's Sustainable Finance Framework.
4. To exclude projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best-efforts basis.
5. To oversee the introduction and operation of arrangements to

generate the information required to produce periodic Impact Reports, in accordance with the Framework and the Principles.

All sustainability related risks including any associated with the projects in scope of this framework are identified, tracked, and managed by the Unite Sustainability Steering Group, and overseen by the Unite Group Board Sustainability Committee.⁵

⁵ Details of the most material ESG risks can be found in the Risk Management section of the latest Unite Student Annual Report and Accounts, along with a disclosure in line with the guidelines from the Task Force for Climate Related Financial Disclosure (TCFD). Further details of ESG and specifically climate-related risks are set out in Unite Students CDP Disclosure available from <https://www.cdp.net/en/>

2.4 Management of proceeds

The Unite Sustainable Finance Committee will manage the net proceeds of SFT on a portfolio basis. As long as the SFT under this Framework are outstanding, Unite aims to allocate an amount equivalent to the net proceeds of these instruments towards a portfolio of Eligible Projects.

If a specific project is divested, discontinued, or does no longer meet the definition of Eligible Projects as included in paragraph 2.2, it will be removed from the portfolio of Eligible Projects. In such a scenario, Unite will strive to replace the project with other Eligible Projects as soon as reasonably practicable. Unite aims to ensure that the total volume of issued SFT will not exceed the value of portfolio of Eligible Projects.

Pending the allocation of the net proceeds from each SFT to the portfolio of Eligible Projects, or in case insufficient Eligible Projects are available, Unite will temporarily hold the unallocated proceeds in money market instruments. These unallocated proceeds may be deployed at the company's discretion in cash or cash equivalent instruments, in accordance with Unite's investments and treasury policy.

The allocation of the net proceeds from each SFT to Eligible Projects will be reviewed and approved by the Unite Sustainable Finance Committee on at least an annual basis, until full allocation of the net proceeds of each SFT.

2.5 Reporting

2.5.1 Allocation of proceeds reporting

Unite will provide information on the allocation of the net proceeds from each SFT in the Group's Annual Report, Sustainability Report or corporate website. Such information will be provided on an annual basis until substantially all the net proceeds have been allocated and in the event of any material changes until the relevant maturity date.

The allocation of the net proceeds will be reviewed by an independent third party verifier and the information disclosed will contain the following details:

- **Details of each SFT that is outstanding**
- **Aggregate amount of proceeds from each SFT that has been allocated to Eligible Projects**
- **Balance of unallocated proceeds from each SFT**
- **A list of Eligible Projects to which proceeds from each SFT have been allocated, summary information on such projects, including information necessary to determine alignment with the Eligibility Criteria such as building certifications and energy performance data**

2.5.2 Impact reporting

On an annual basis Unite will report on all its sustainability initiatives through its sustainability reporting included in the annual report which is made

publicly available via the investor section on the Unite corporate website, which may include the following:

Eligible Project categories	Potential KPI and reporting metrics
Green project categories Energy efficiency Renewable energy Green buildings	CO ₂ emissions saved in tCO ₂ e Energy intensity against industry benchmarks (kWh/m ²) # renewable energy installations CO ₂ emissions saved in tCO ₂ e GAV rated BREEAM Very Good or above in portfolio GAV rated EPC 'B' or above in portfolio Carbon emission intensity to previous baseline (tCO ₂ e/m ²)
Social project categories Affordable housing	# of students able to extend their stay at no extra cost # of students not charged rent for returning home early £ value of rental concessions Donations made to the Unite Foundation

2.6 External review

2.6.1 Second party opinion

Prior to the inaugural issuance under this Framework, Unite has commissioned ISS to provide a Second Party Opinion for its Sustainability Finance Framework. ISS has reviewed the Unite Students Sustainable Finance Framework and issued a Second Party Opinion which concluded that ISS is

of the opinion that the Unite Students Sustainable Finance Framework aligns with the four core components of the relevant market standards.

The Second Party Opinion is available on the investor relations section of the Unite corporate website.

2.6.2 Annual audit/limited assurance

External verification of the tracking of the bond proceeds will be provided by Unite's external auditor, Deloitte LLP, throughout the tenor of financing and during the fund allocation process.

The review will be included in Unite's mainstream financial reporting or the group Sustainability Report.

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UNITE STUDENTS

The Unite Group plc

South Quay House

Temple Back

Bristol BS1 6FL

www.unite-group.co.uk

