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**Section 172(1)
Statement**

For the year ended 31 August 2020



Section 172(1) Statement for the year ended 31 August 2020

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. This S172 statement, which is reported for the first time, explains how Directors of UPP REIT Holdings Limited ('UPP'):

- Have engaged with employees, suppliers, customers, regulators and others; and
- Have had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to UPP and the level of information disclosed is consistent with the size and the complexity of the Business.

General confirmation of Directors' duties

The Board of UPP has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Schedule of Delegation sets out the approval process across the broader business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A)

"The likely consequences of any decision in the long term"

The Directors understand the business and the evolving higher education environment within which the Company operates. Established in 1998, UPP operates a long-term partnership model which involves a high degree of alignment between the success of our university partners and the sector more generally. Directors understand that it is their responsibility to operate residential accommodation in a sustainable manner, not simply to ensure that the asset can revert to the university in good order at the end of each concession, but more widely because it seeks to reduce the impact of

our activities on the natural environment and its resources, as well as the communities within which it operates. The Company operates in one sector only and it is within that context that it seeks to increase long-term value for shareholders, recognising that the long-term success of our business is dependent on our stakeholders and the external impact of our business activities on society.

The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests, however, we seek to actively engage with our stakeholders and articulate the basis of our decision making.

S172(1) (B)

“The interests of the Company’s employees”

The Directors recognise that UPP employees are fundamental and core to our business and the delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment and wider wellbeing, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) (C)

“The need to foster the Company’s business relationships with suppliers, customers and others”

Delivering our strategy requires strong mutually beneficial relationships with our partners, customers, suppliers and Government. Our Business Code of Ethics has at its core our values – namely Partnership, Responsibility, Innovation and Community. Driven from the top of the Business, the behaviours expected of all our teams are underpinned by our policies and working procedures which are, in turn, designed to guide us in how we act with integrity, judgement and good conscience. The Business Code of Ethics is reviewed by the Executive Leadership Team periodically and assessments are made of how and with whom we do business. We engage directly with our university partners through Board meetings of our Special Purpose Vehicles (SPVs) and through Partnership Board meetings. This provides the opportunities to discuss and assess the needs of customers in the context of the wider business strategy.

The Company has engagement plans for all its stakeholders, with each relationship owned by one or more member of the Executive Leadership Team. These are “live” documents allowing the Company to respond as the needs of each stakeholder change over time. Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

More detail on our Business Code of Ethics can be found on the UPP website at www.upp-ltd.com/wp-content/uploads/2018/10/Our-Code-of-Business-Ethics.pdf

S172(1) (D)

“The impact of the Company’s operations on the community and the environment”

Sustainability sits at the heart of the UPP Business Strategy and the Company’s values. Driven by the Executive Leadership Team, sustainability initiatives are a critical part of the operating model, enhancing the resilience of our assets and representing the responsible course of action both for the Company, our Shareholders - who have a long-term investment - and for wider society.

In developing the first university campus Eco-Residence in 2007 with Lancaster University and the first student residential PassivHaus scheme with Leeds Beckett University in 2009, the Company seeks to meet the environmental and social needs of its student communities. The Company also seeks to collaborate with our partner universities to share innovation and help them achieve their objectives, whilst engaging with employees and our supply chain will help facilitate a positive contribution to the communities within which we operate.

As part of the Company’s wider Environmental, Social and Governance (ESG) activities, the impact of our operations is reviewed as an important element of the regular monthly meetings of the Executive Leadership Team and as part of quarterly meetings of the UPP Group Holdings Limited Board.

More detail on the Company’s approach to sustainability www.upp-ltd.com/wp-content/uploads/2020/03/UPP-Sustainability-Policy.pdf

S172(1) (E)

“The desirability of the Company maintaining a reputation for high standards of business conduct”

UPP has a vision to be the leading provider of campus accommodation working as a true partner to universities. Maintaining a reputation for high standards of conduct in a single sector represents a critical element to achieving this. All of the transactions undertaken by the Company are pursued on an open book basis and typically through tenders advertised via the Official Journal of the European Union (OJEU). All transactions are independently assessed on the basis of value for money and contract award notices (Standstill Letters) are open to challenge.

A clear framework of expectations in relation to business contact is in place and this is periodically reviewed and updated where required. These include published policies with respect to Anti-Bribery, Modern Slavery, Gifts and Hospitality and Code of Business.

The Board at UPP is informed and monitors compliance with these policies and relevant governance standards help assure that the decisions that are taken promote high standards of business conduct.

S172(1) (F)

“The need to act fairly as between members of the Company”

The Directors of the Company actively consider which course of action is most effective at delivering the UPP Business strategy, after weighing all the relevant factors and with due consideration of the likely impact on stakeholders. In doing so, our Directors act fairly as between the Company’s members, but are not required to balance the Company’s interest with those of other stakeholders, and this can occasionally mean that the interests of certain stakeholders may not be fully aligned.

Culture

The Board at UPP recognises its critical role in assessing and monitoring that our desired culture - expressed in our values - is reflected in the attitudes and behaviours of our teams. Moreover, it understands its role in demonstrating these, both through the activities we pursue and stakeholder relationships. The Code of Business Ethics, Gifts and Hospitality and Anti-Bribery Policies help everyone at UPP to act in line with these values and comply with relevant laws and regulations.



UPP is committed to the health, safety and wellbeing of our teams and the Company has a broad ESG workstream designed to help protect people and the environment and the communities within which we work. We also strive to maintain a diverse and inclusive culture.

The Board considers the Company's annual Speak Out employee survey to be one of its principal tools to measure employee engagement, motivation, affiliation and commitment to UPP. It provides insights into employee views and has a consistently high response rate. The Board also utilises this engagement to understand how survey outcomes are being leveraged to strengthen the culture and values of UPP.

Stakeholder engagement (including employee engagement)

The Board recognises the important role that UPP has to play in society and the Company is deeply committed to public collaboration and stakeholder engagement. UPP only works in one sector – UK higher education – and in doing so also recognises that its interests align with many of the universities with which it works. UPP has a live stakeholder register which seeks to identify, plan, manage and control engagement as well as map a changing power/interest matrix of stakeholders over time.

We have categorised our key stakeholders into eight groups. Where appropriate, each group is considered to include both current and potential stakeholders:

- a. Employees
- b. Partners (Existing/Potential) and their students
- c. Shareholders
- d. Investors
- e. Government, Regulators, Policy Bodies
- f. Suppliers and Strategic Partners
- g. Press and Media

The Company believes that it is critical that we work with all our stakeholders particularly given the ongoing changes taking place in how UK higher education is funded and delivered. The Board understands the importance of engagement with all of its stakeholders and gives appropriate weighting to the outcome of its decisions for the relevant stakeholder in weighing up how best to promote the success of the Company.

The Board regularly discusses issues concerning employees, university partners and their students, our shareholders, suppliers, sector regulators and the wider community and environment. It takes the needs of these stakeholders into account in its discussions and in its decision-making processes. In addition to this, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly when required. The below summarises the key stakeholders and how we engage with each:

Stakeholders	Engagement
Employees	<p data-bbox="376 353 986 383">Our employees are critical to the success of the Business.</p> <p data-bbox="376 432 1433 566">We aim to be a responsible employer in our approach to remuneration, paying a minimum of the Living Wage. We continue to engage with our teams across the country to ascertain which training and development opportunities should be made available to improve our productivity and to invest in the potential of individual employees.</p> <p data-bbox="376 616 1445 750">The Company has a well-established employee wellbeing programme which focuses not just on behavioural health and safety, but on the physical and emotional wellbeing of our teams. During the year, the Board has engaged directly with our teams on issues of physical and mental health and this programme will continue.</p> <p data-bbox="376 799 1423 864">We actively seek feedback from our teams and annual Performance and Development Reviews are used to ensure that a two-way dialogue on performance and development needs is maintained.</p> <p data-bbox="376 913 1433 1014">A further approach taken is through our annual Speak Out employee survey. This allows the Board to assess the success of our engagement, and employee participation represents a parent company key performance indicator.</p> <p data-bbox="376 1064 1422 1198">Feedback is also sought on the basis of monthly All-Team Video Conference calls with our Chief Executive Officer (CEO) and Executive Leadership Team. This provides an opportunity to share information with employees and a question and answer session enables any employee who wishes to join the call to ask any question to the CEO and the Executive Leadership Team.</p> <p data-bbox="376 1247 1441 1348">We continually invest in employee development – offering company-wide training opportunities. We have also established two ‘Aspire’ training and development programmes to ensure high performing talent is encouraged and supported.</p> <p data-bbox="376 1397 1430 1532">The Company seeks to create and inspire an inclusive culture with our intranet – Campus – which provides a platform for all our teams to share news and information across the Business. Our biannual in-house employee publication ‘SpeakUPP’ is delivered to the homes of all employees and includes information, news and features.</p> <p data-bbox="376 1581 1441 1682">Our WrapUPP weekly all-employee email enables us to share news, announcements and reminders with our employees, all in one place, as well as activities happening across UPP and ways that teams can get involved.</p> <p data-bbox="376 1731 1426 1832">As part of the UPP Foundation – the independent charity majority-funded by the Company – employees are encouraged to support a charity of their choice and the Foundation will match fund chosen fundraising events decided by the UPP Gives employee fundraising committee.</p> <p data-bbox="376 1881 1270 1910">The Company continues to find new ways of encouraging our teams to have a voice.</p>

Stakeholders	Engagement
Partners (Existing/ Potential)	<p>Partnership is the most important of the Company values and sits at the core of everything we do.</p> <p>The UPP model is based exclusively on establishing long-term relationships with UK universities to develop on-campus infrastructure utilising long dated bond debt in the form of publicly listed bonds or private placements.</p> <p>As a direct result of this long-term model, the interests of the Company and our university partners – and indeed the wider sector – are closely aligned.</p> <p>The Company seeks to engage with its partners on multiple levels. Typically, the Company will hold relationships at both senior and operational levels and on a variety of frequencies – day-to-day operational contact, as well as more formal pre-arranged meetings. These include Liaison Committees, Partnership Board Meetings and formal SPV Board meetings depending on the specifics of each Project Agreement. In the case of the latter, these allow for engagement on the key risks facing each company and will have set agenda.</p> <p>In recent years, the Company has established a dedicated function for engaging with our university partners – UPP Management – which employs Partnership Directors and is responsible for the long-term strategic management of the assets and relationships. We discuss all investment decisions with our partners and seek their input on a regular basis.</p> <p>We have implemented a governance framework including our Code of Business Ethics and policies on Anti-Bribery and Gifts and Hospitality.</p>
Shareholders	<p>The Board seeks to behave in a responsible manner towards both of its shareholders. It communicates information relevant to its shareholders on a regular basis and provides opportunities for shareholders to engage with its Executive Leadership Team. Such opportunities include quarterly Board Meetings, Investment Committees and other Committees of the Board (e.g. Remuneration, Risk and Audit).</p>
Investors	<p>The Company seeks to communicate with investors in a transparent manner and on a regular basis. In addition to fulfilling its reporting obligations for its listed entities on an annual and half-yearly basis, the Company seeks to provide investors with regular trading updates and information relating to demand for its assets. In the case of UPP Bond 1 PLC, it also communicates with investors via a Monitoring Advisor who annually reviews the performance of the assets and administers Company requests of investors and any relevant voting matters.</p> <p>The senior management of the Company make themselves available to individual investors where information on a variety of topics is requested.</p>

Stakeholders	Engagement
Government, Regulators, Policy Bodies	<p>The Company works in one sector only, and this means that establishing a good relationship with the sector regulator – the Office for Students (OfS) – is vital.</p> <p>The Company has a well-developed public affairs strategy and engages with Senior Officers of the OfS both on a corporate basis but also through the UPP Foundation, the independent charity established and majority-funded by the Company.</p> <p>We work with Government – most frequently the Department for Education – on matters of accommodation policy and student experience. This is a proactive, transparent and reciprocal relationship to share best practice.</p> <p>It is the intention of the Company to behave responsibly and to ensure that the management team operates the Business in a responsible manner, acting with the high standards and good governance expected by the wider higher education sector and Government.</p> <p>In doing so, we believe we will achieve our long-term business strategy and further develop our reputation in the sector. We have a risk and control framework to ensure that the Company complies with all legal and regulatory requirements relating to the provision of accommodation for students. This includes complying with relevant accredited network codes of practice.</p> <p>In our public affairs work, we also have close relationships with leading sector policy bodies such as Universities UK and the Higher Education Policy Institute. This enables us to understand the longer-term risks and issues to the sector and engage in future policy making.</p>
Suppliers	<p>The Company works with a wide range of suppliers in the UK and elsewhere. We remain committed to being fair and transparent in our dealings with all of our suppliers.</p> <p>The Board has oversight of the appointment and provision of services by suppliers, including initial and ongoing due diligence.</p> <p>The Company has procedures requiring due diligence of suppliers as to their internal governance including, for example, their anti-bribery and corruption practices, data protection policies and modern slavery matters. The Company has systems and processes in place to ensure suppliers are paid in a timely manner</p>
Press and Media	<p>The Company maintains good relations with the press and media. It has a proactive strategy of engagement with the press and, in particular, higher education sector publications. The Company maintains a ‘live’ Crisis Communication Plan as part of its wider Business Continuity Planning and has a designated Company Spokesperson.</p> <p>The Company organises media roundtable events which enable senior leaders to engage with journalists and other industry and sector stakeholders – typically with correspondents in the field of Infrastructure, Education and Higher Education – to increase the breadth of knowledge of the positive impact of the Company’s activities and proactively manage its reputation.</p>

On behalf of the Board



Henry Gervaise-Jones

Director

11 December 2020