Sustaining a resilient business
Who we are

The Crown Estate is an independent commercial business created by Act of Parliament.

Net profit in 2015/16
£304.1 million

Our capital value is
£12.9 billion

Conscious commercialism defines our approach to business.
The core sectors we focus on where we can outperform the market through our expertise and critical mass:

- Central London
- Offshore wind and marine aggregates
- Regional retail and leisure
- Rural and strategic land
Trends, opportunities, challenges, material issues

- Consumer trends
- Demographic changes
- Urban challenges
- Transport
- Natural resources
- Energy needs
Reputation and trust

Maintaining the trust of our customers, business partners, suppliers, political stakeholders and local communities enables us to operate successfully and demonstrate our core values of commercialism, integrity and stewardship.

London’s place in the world

Whilst London’s status as a world city, and significance as a global economic hub, creates huge opportunities for The Crown Estate, London’s ever increasing population also places a large burden on the city’s existing infrastructure which may have an impact on its attractiveness as a place in which to live and work.

Customer aspirations

Responding to the aspirations of our customers through how we invest in and develop our buildings, as well as the provision of excellent customer service, is essential in the maintenance of our position as landlord of choice which, in turn, has a direct impact on our financial performance.
Material issues

Climate change
Maintaining the trust of our customers, business partners, suppliers, political stakeholders and local communities enables us to operate successfully and demonstrate our core values of commercialism, integrity and stewardship.

Health of the economy
Sustainable and profitable long-term growth in response to market cycles enables us to meet our business targets while maintaining the resilience of our business. Our commercial targets are to increase our net revenue surplus at an agreed rate with the Treasury and outperform our Total Return IPD benchmark on a three-year rolling basis.
Our business model

Our approach

We have a distinctive approach that combines smart, progressive business thinking with a long-term approach. We call this conscious commercialism.
It’s about being astute and enterprising in how we create value today, while also taking a considered, long-term view of the assets we manage.

What we do

1. Investment management
   We buy and sell

2. Development management
   We plan, construct and refurbish

3. Asset management
   We manage our assets to increase their value

4. Property management
   We add value for customers, visitors and communities

What we rely on

We draw upon our capitals as inputs to our business model and are constantly transforming them through our activities.

- Financial resources
  - Available to us to run and grow our business
- Our people
  - The skills, competencies and experience of our employees
- Our networks
  - Our relationships with all of our stakeholders including customers, communities and business partners
- Our know-how
  - Our collective expertise and processes
- Physical resources
  - Property, plant and equipment we own and use
- Natural resources
  - That we manage and use

Investment into the business

We access capital to invest in our portfolios via strategic partnerships and sale of non-core ex-growth assets.

The value we’ve created

We consistently create significant value for the UK taxpayer, and tangible, long-term value for all of our stakeholders. We measure this for each of our capitals.

See below for the net economic values (direct) generated for our capitals once Total Contribution methodology has been applied - based on the average of three years’ data (2013/14 – 2015/16).

- £320m Financial resources
- £118m Physical resources
- £27m Natural resources
- £1m Our people
- £370m Our know how
- £15m Our networks

All figures are rounded. More detail on pages 18-21.
For information on indirect and embedded contribution see online at www.thecrownestate.co.uk/TotalContribution.
Capitals

Financial resources - available to us to run and grow our business

Physical resources - property, plant and equipment we own and use

Natural resources - that we manage and use

Our people - the skills, competencies and experience of our employees

Our know-how - our collective expertise and processes

Our networks - our relationships with all of our stakeholders including customers, communities and business partners

£15m Our networks

£370m Our know-how

£1m Our people

£27m Natural resources

£118m Physical resources

£320m Financial resources (SVA)

All figures are rounded.
## Direct sgVA indicators based on the average of three years' data (2013/14 – 2015/16)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Impact +/-</th>
<th>Valuation (£) – 3 year average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Gross value added (in summary, turnover minus the cost of goods and services we procure)</td>
<td>-</td>
<td>319,500,000</td>
</tr>
<tr>
<td>Net total</td>
<td>+</td>
<td>319,500,000</td>
</tr>
<tr>
<td><strong>Physical resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. New development and retrofitting</td>
<td>+</td>
<td>123,200,000</td>
</tr>
<tr>
<td>3. Fixed asset upgrades (property, plant and equipment)</td>
<td>+</td>
<td>1,127,000</td>
</tr>
<tr>
<td>4. Damage to property due to workplace activity</td>
<td>-</td>
<td>(3,500,000)</td>
</tr>
<tr>
<td>5. Wear and tear of fixed assets</td>
<td>-</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>6. Reduction in value due to external events (natural, social and political)</td>
<td>-</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Net total</td>
<td>+</td>
<td>117,527,000</td>
</tr>
<tr>
<td><strong>Natural resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Specific habitat investment</td>
<td>+</td>
<td>235,000</td>
</tr>
<tr>
<td>8. Soil recovery strategies</td>
<td>+</td>
<td>245,000</td>
</tr>
<tr>
<td>9. Greenhouse gas emissions</td>
<td>-</td>
<td>(149,000)</td>
</tr>
<tr>
<td>10. Waste generated</td>
<td>-</td>
<td>(170,000)</td>
</tr>
<tr>
<td>11. Water consumed</td>
<td>-</td>
<td>(352,000)</td>
</tr>
<tr>
<td>12. Carbon sequestered and stored</td>
<td>+</td>
<td>575,000</td>
</tr>
<tr>
<td>13. Greenhouse gas emissions avoided</td>
<td>+</td>
<td>36,000</td>
</tr>
<tr>
<td>14. Other ecosystem services</td>
<td>+</td>
<td>26,546,000</td>
</tr>
<tr>
<td>Net total</td>
<td>+</td>
<td>26,740,000</td>
</tr>
<tr>
<td><strong>Our people</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Contribution to private healthcare</td>
<td>-</td>
<td>57,000</td>
</tr>
<tr>
<td>16. Contribution to public healthcare</td>
<td>-</td>
<td>1,004,000</td>
</tr>
<tr>
<td>17. Investment in other wellbeing programmes</td>
<td>+</td>
<td>121,000</td>
</tr>
<tr>
<td>18. Workplace injuries</td>
<td>-</td>
<td>(241,000)</td>
</tr>
<tr>
<td>19. Workplace fatalities</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>20. Sickness absence days</td>
<td>-</td>
<td>(100,000)</td>
</tr>
<tr>
<td>21. Gender equal opportunity</td>
<td>-</td>
<td>(92,000)</td>
</tr>
<tr>
<td>22. Employee engagement</td>
<td>+</td>
<td>15,000</td>
</tr>
<tr>
<td>23. Employee volunteer programmes</td>
<td>+</td>
<td>59,000</td>
</tr>
<tr>
<td>Net total</td>
<td>+</td>
<td>863,000</td>
</tr>
</tbody>
</table>

### Our know-how

24. Employee training and development                                       + 792,000
25. Research and development                                                 + 1,847,000
26. Knowledge decay                                                          - 422,000
27. Suboptimal employee turnover                                            - 555,000
28. Value added                                                               + 347,400,000
29. Consumption of public information                                       - 212,000
30. Production of public information                                         + 921,000
Net total                                                                   + 356,658,000

### Our networks

31. Customer management systems                                              + 4,000
32. Local and wider communities (e.g. Stewardship Programme)                 + 6,120,000
33. Late payment of suppliers                                                - (151,000)
34. Employment placements                                                   + 2,059,000
35. Visitor wellbeing (from ecosystem services)                             + 5,500,000
Net total                                                                  + 15,177,000

*Key to colour coding*

- III: PwC has assessed the maturity of these indicators for the year 2016/16.
- ■: In addition, for these indicators, PwC has assessed the maturity of the economic valuation methodology used for the year 2015/16.
- NB: PwC has not assured the valuation numbers presented in the table.

Total Contribution Report 2017
adjusted Gross Value Added’ (aGVA)
Framework

This shows positive and negative flows for capitals, with example indicators. In some cases we have shown the Total Contribution value associated with the indicator, based on the average of three years' data (2013/14 – 2015/16).

### £123.2m

**New development spend (Direct)**

Over the past five years The Crown Estate has created more than one million square feet of new real estate (across all portfolios and sectors), enriching the existing stock of built capital through considered design and the primacy of "place-making". On average, over the past three years, £123.2m per annum has been invested in new developments.

### £0.36m

**Employee turnover (Direct)**

Attempts to capture the net reduction of know-how embedded within our employees and subsequent information systems, due to an employee turnover ratio that is either too low or too high (suboptimal) relative to industry averages. Economic valuation follows a linear lost productivity approach (in conjunction with conventional HR replacement cost estimates). For every percentage point above or below the optimal range, a lost productivity cost (based on wage rates) is incurred.

### £0.8m

**Employee training and development programmes (Direct)**

Attempts to capture the benefits of investing in and enhancing our combined know-how through individual and wider learning programmes. Economic valuation involves application of a theme-specific (e.g. leadership) programme. Return On Investment multiplier to the direct and indirect (employee time) costs of a programme.

### £149m

**Greenhouse gases emitted (Estimated)**

Attempts to capture the external benefit of avoiding the release of greenhouse gas emissions, resulting from generation of electrical power from renewable technologies, largely offshore wind (i.e. the benefit of averting climate change). On average, over the past three years, 6.4 million tonnes of greenhouse gas emissions have been avoided per year. The benefit is estimated (in terms of avoided cost) via application of a unit social cost of carbon dioxide emissions estimate. Application of the UK Treasury’s estimate equal to £23.30/tCO2 in 2015 (ignoring inflation) is currently used. This unit cost is conservative relative to more recent publications.

### £3.5m

**Visitor wellbeing (Direct)**

Attempts to capture the external benefit of increasing individual/visitor wellbeing, resulting from recreational pursuits encouraged and hosted by the natural ecosystems of Windsor Great Park. Economic valuation utilizes the approach developed by the UK’s National Ecosystem Assessment (NEA) – a mix of economic, regression and biophysical process models that arrive at spatially explicit economic values for recreation and other ecosystem services.
Inside the business we will:

Demonstrate the value of Total Contribution to more colleagues, for decision-making.

Complete the transfer of data collection from the sustainability team to the finance team.

Include more Total Contribution metrics and values in regular management reporting.

Outside the business we will:

Share our Total Contribution expertise with like-minded organisations, showing how it can be used to enhance business activity.

Enable other businesses to work with us to create a standardised approach and learn from each other’s experiences.