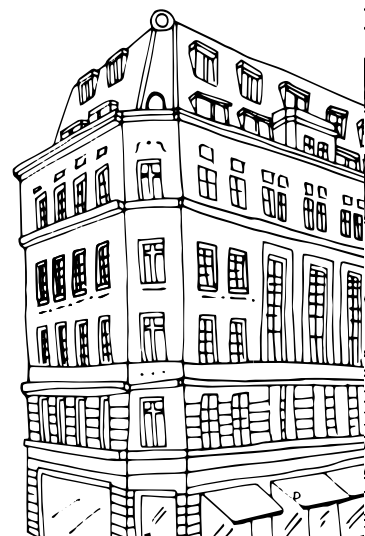


Total Contribution Report 2017

EVERYTHING
is
Connected



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Chief Executive

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Who we are

The Crown Estate is an independent business, created by Act of Parliament. Our role is to make sure that the land and property we invest in and manage is sustainably worked, developed and enjoyed to deliver the best value over the long term.

To achieve that, we buy and sell assets. We plan, construct and refurbish, and manage our assets to increase their value. And we add value for customers, visitors and communities.

At the heart of how we work is an astute, considered, collaborative approach that helps us create success for our business and for those with whom we work. We call this conscious commercialism.

In everything we do, we are guided by our values – commercialism, integrity and stewardship.

Across Regent Street, St James's and our assets throughout the country, our approach helps us to outperform the market, generate healthy returns for HM Treasury and make a greater Total Contribution across all of our capitals (previously known as resources and relationships).



For more information
about our business visit
[thecrownestate.co.uk](https://www.thecrownestate.co.uk)

Welcome

Some words from our Chief Executive

I'm delighted to introduce our second Total Contribution report, which reflects how our thinking has developed since the first report, published in 2013.

The Crown Estate is a commercial business that consistently outperforms the market. Last year we delivered a profit of over £304 million to HM Treasury. I believe sustainable growth is central to our business resilience, underpinning our competitive advantage and outperformance of our benchmark. Total Contribution plays a vital role in this by providing us with a deeper understanding of the impact of our decisions on our capitals. And it ultimately demonstrates the bigger contribution we make beyond our financial return.

Over the last three years we have shared our work on Total Contribution with a broad range of companies and organisations including A4S (Accounting for Sustainability Project), established by HRH The Prince of Wales, and the IIRC (International Integrated Reporting Council). I've been really pleased with the depth of interest shown. It is now time to build on this, working in collaboration with others to develop Total Contribution into a recognised methodology that takes account of the capitals we all use to create value.

We apply Total Contribution across the entire value chain and consider the wider impacts of what we, our partners and customers do (what we call indirect and enabled impacts). But in this report we have focused analysis on the impact of our direct activity as that's where we have the most control.

I hope you find the report useful and inspiring. We've also shared our full methodology online at www.thecrownestate.co.uk/TotalContribution. If you have any questions, observations or suggestions please do get in touch with us.



Alison Nimmo
CEO, The Crown Estate



What is Total Contribution?

Total Contribution is a methodology which demonstrates the value we create by measuring the impact of our activity on the capitals on which we depend.



Financial resources



Physical resources



Natural resources



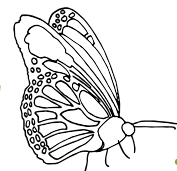
Our people



Our know-how



Our networks



Everything is connected

A butterfly lifts from a flower bed in St James's Park and flutters north. In the past its journey might have been limited to a few tree-lined squares...

Now, we're creating new green pathways so it can spread its wings all the way to Regent's Park. We're growing over a hectare of green space, mainly on rooftops, creating valuable habitats for butterflies, birds, bees and other wildlife.

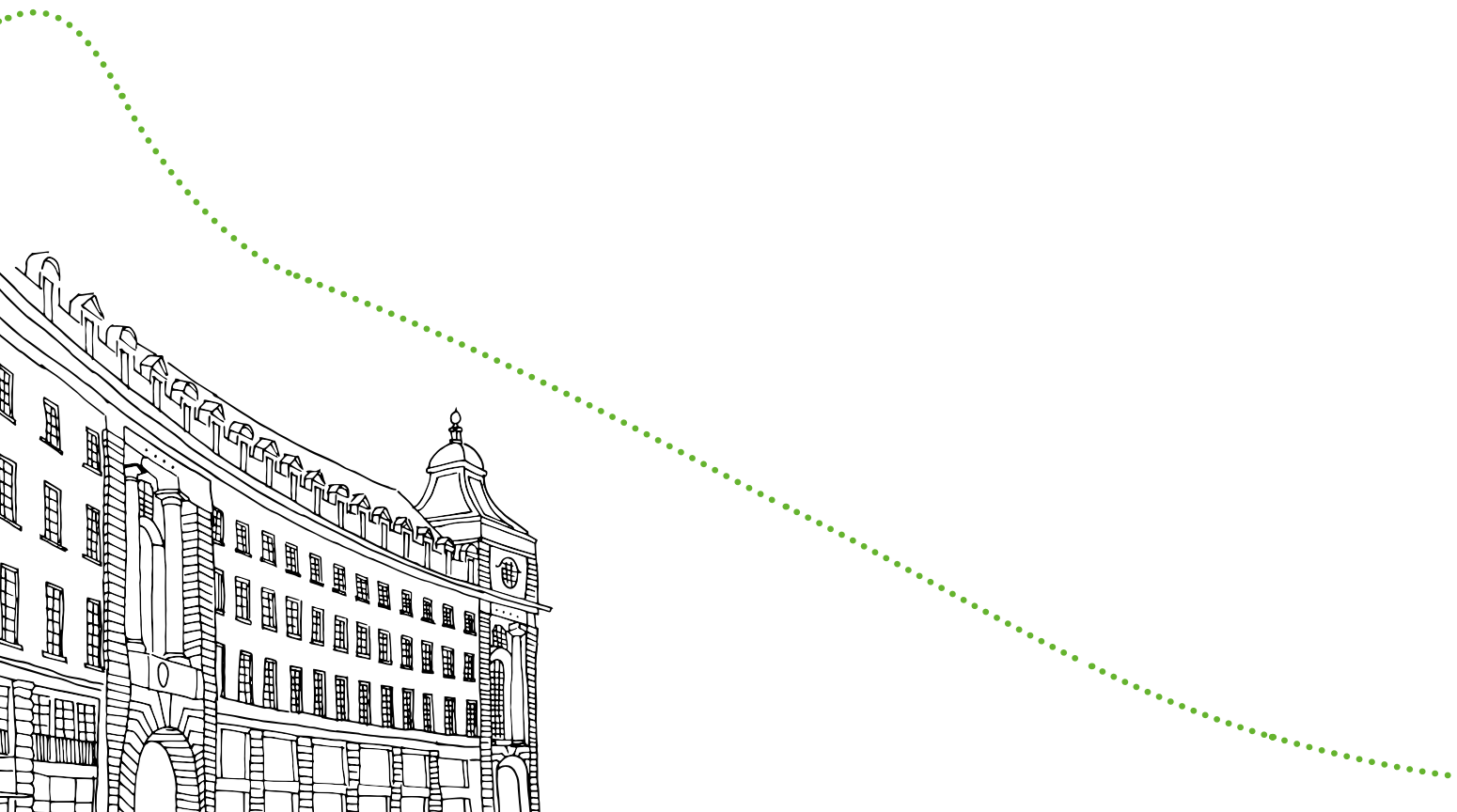
This has come about through Wild West End, a collaboration (initiated by us) between the GLA, charities and local landowners. Our involvement brings potential benefits to all six of the capitals we rely upon to do business (previously described as resources and relationships) – financial, physical and natural resources, our people, our know-how and our networks.

For example, we're enhancing **natural resources** and our own **physical resources** by cultivating green roofs. These not only support flora and fauna, they also improve insulation and cut flood risk by slowing

the flow of rainwater into drains. They help improve air quality and reduce the urban heat island effect too.

There are benefits for the people who live, visit and work in the area – including **our people**. Gardens and trees can foster wellbeing and help boost productivity. Working in partnership with others on the initiative also helps to strengthen the relationships we have across **our networks** and develop **our know-how**.

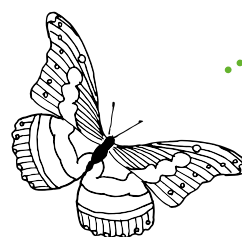
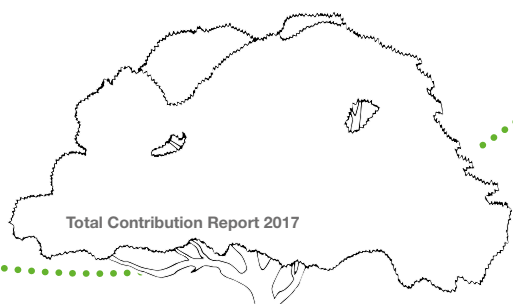
In turn, all this helps make the West End an even more attractive place to spend time. That serves to increase footfall and dwell time, and it enhances the value of our assets. All of which means we are more resilient as a business and we can keep returning a healthy profit to HM Treasury. So there's a positive impact on our **financial resources** too.



Wild West End is just one example of how we're working to create benefits for everyone, including ourselves. From the backbone of the West End to the UK's seabed and from regional retail to rural land, our approach combines smart business thinking with a long-term approach. We call this conscious commercialism.

Our Total Contribution methodology provides us with information and insight on the effect of our actions, enhancing our decision-making and enabling us to report the broader value of what we do. It plays a critical role in helping us to think in a wider, deeper and increasingly integrated way about the impact of our actions.

It demonstrates how everything is connected.



Our journey

When we launched our first Total Contribution report in 2013, we wanted to understand and demonstrate the value we create beyond our financial return.

At that time we reported against a limited number of indicators across the triple bottom line. They each had different units of measurement (e.g. tonnes of CO₂e and m³ of water). We realised that to better understand our value we needed to increase the number of both positive and negative indicators and find a common unit of measurement to provide consistency and a means of comparability.

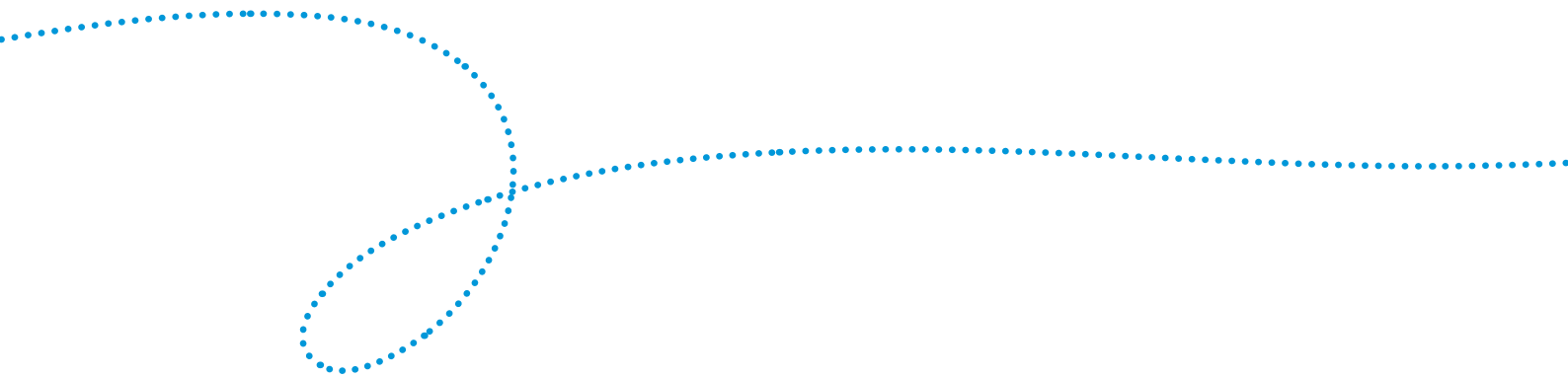
Working with colleagues across our business and in conjunction with advisors at Route2, we developed a framework based on the capitals we draw on and impact. The framework reflects the positive and negative flows of our business activities.

Having evaluated other options, we put economic values on indicators for each capital. By introducing a common unit of measurement we can compare and aggregate performance across different metrics.

We also gain insights into the magnitude and relativity of impacts. Perhaps most importantly, we can integrate all these indicators into standard finance-based management systems, gaining much richer information and tools to influence and evaluate our decisions.

We recognise that putting economic values on non-financial indicators isn't always a perfect solution and that figures aren't absolute. However, it is a starting point and focus for discussion. We hope other organisations will adopt a similar approach, working with us so that the methodology can be refined and comparability of performance improved.

As Total Contribution is a groundbreaking concept, we commissioned PricewaterhouseCoopers (PwC) to provide independent insight on a number of the metrics we use to calculate our Total Contribution. Their insight is structured around assessing the maturity of the



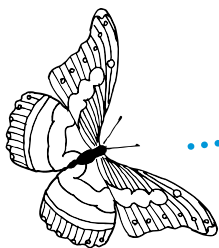
“The Crown Estate Total Contribution methodology has the potential to show the wider benefits of offshore wind energy.”

Filip Engel
Director, DONG Energy

approach, processes and transparency underpinning our metrics and the basis of calculation we use to determine economic value. Their interactive Insight Report is available at www.thecrownestate.co.uk/TotalContribution.

Today Total Contribution aligns to our business model and supports our strategy. We're now starting to unlock its potential to improve decision-making.

Total Contribution will play a vital role as we work towards the long-term aspirations we have set for the business in pursuit of resilience (see below). Our aspirations align to the Sustainable Development Goals and respond to the long-term trends that will have material implications for us. We're also being ambitious about what we can achieve with our partners and setting stretching targets for our business.



Our purpose

Brilliant places through conscious commercialism.

Our strategic objectives

- Actively manage our assets to drive sustainable outperformance against our commercial targets.
- Nurture a high performance culture and a reputation as a great place to work.
- Build ever stronger relationships through high levels of customer and partner satisfaction, loyalty and recommendation.
- Be a leading responsible and resilient business which thinks long term.

Our aspirations

Climate-proof business

To be climate resilient by 2030, with portfolio decarbonisation and effective climate change adaptation in place.

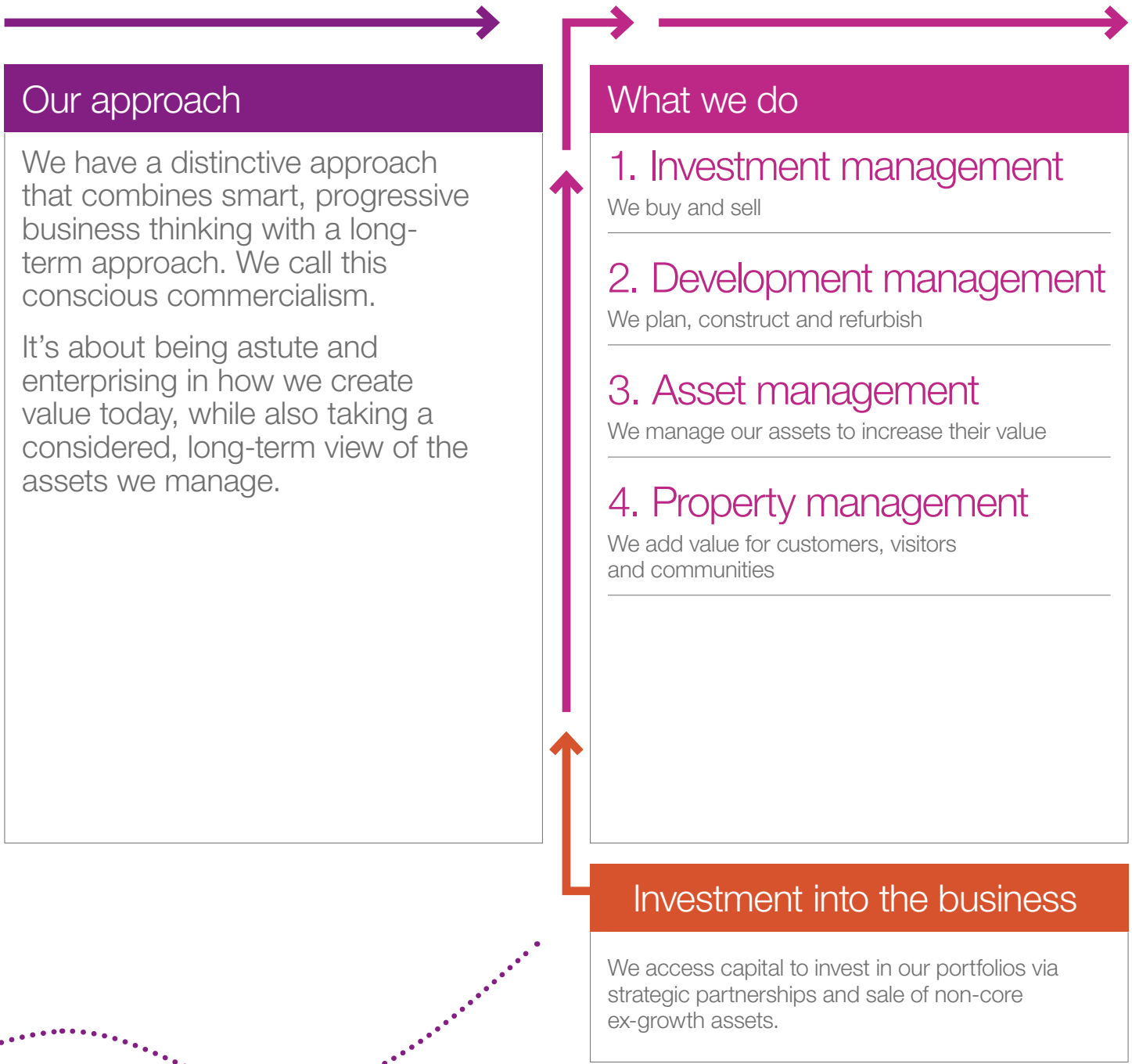
Healthy places and habitats

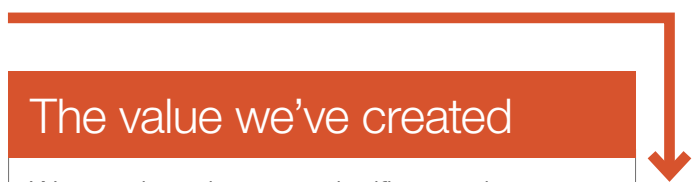
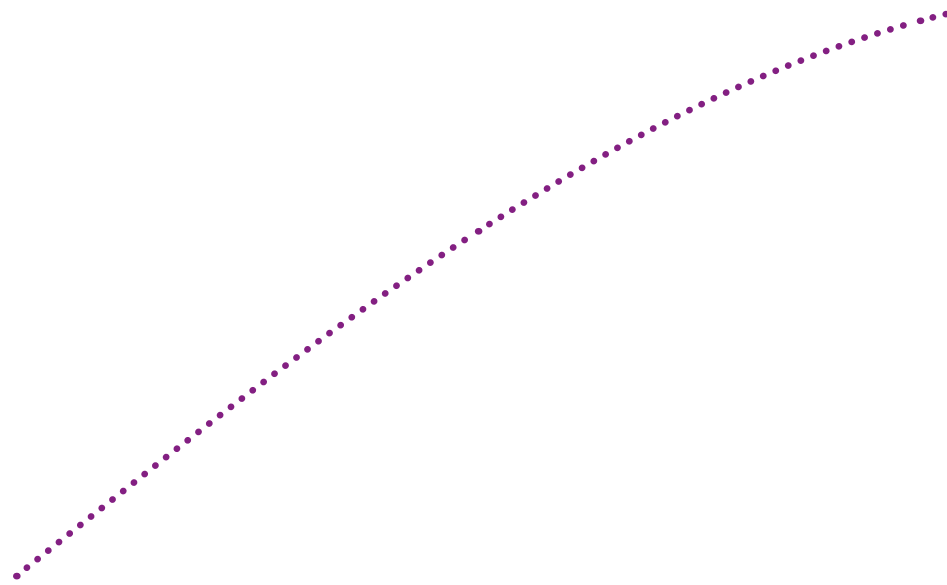
By 2030 to be creating healthy places where our customers, employees, communities and natural habitats can thrive.

Super-efficiency

By 2030 we will have closed the waste loop using circular economy principles.

Our business model





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



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



Our know-how
– our collective expertise and processes



Natural resources
– that we manage and use



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

Our contribution to HM Treasury

Our annual net revenue profit is paid to HM Treasury.

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 enabled contribution see online at www.thecrownestate.co.uk/TotalContribution.

Case studies

These stories capture our Total Contribution methodology in action. They show how our activity can affect the value of our capitals, and how Total Contribution can inform and enhance our decisions. These are early days and we are very much in the testing stage, but we expect to be able to show an even greater impact of this approach on our decision-making in the years to come.

Helping places thrive

We hold almost the entire freehold to London's Regent Street and around half of St James's. We're over halfway through a £1.5 billion investment and redevelopment programme that includes substantial investments in placemaking.

Impact



Financial resources



Physical resources



Natural resources



Our know-how



Our networks

Alongside the development of modern offices, shops and restaurants, we've invested **financial resources** to revitalise public spaces, enhancing our **physical resources**. Here our priorities are to:

- Reduce noise, pollution, congestion and pedestrian confusion.
- Create more space to accommodate growing visitor numbers.
- Improve the visual appeal of the area.
- Make the environment healthier and more sustainable.
- Provide reliable and affordable utilities for local businesses and homes.

One example is the innovative Oxford Circus diagonal crossing we've created in partnership with TfL and Westminster City Council. This has added 60% more space for the 43,000 people who each hour cross this busy junction – without disrupting the flow of traffic. We are currently working with the GLA, TfL, Westminster City Council and others to ensure continued action on air pollution and improved pedestrian and vehicular flow.

We have also expanded our Delivery Consolidation Scheme. This groups store deliveries into single consignments and delivers at prearranged times using an electric truck. The scheme has reduced deliveries to participating stores by 80%, easing congestion and taking up to 20 tonnes of CO₂e out of the air each year. We estimate the total social cost savings related to pollutants alone are £81,000 p.a.

The time shoppers choose to spend in a shopping destination (dwell time) is critical to the amount they spend, so making infrastructure and environmental improvements like this can help boost an area's commercial value. Research shows that for every 1% increase in time spent, financial spend increases by 1.3%. And for every £1 spent, £4.30 in Gross Value Added (GVA) is generated. According to the New West End Company, annual visitor spend in the West End area amounts to £11.8 billion, which equates to the generation of £51 billion in GVA.

Not only do the public realm initiatives deliver environmental benefits, but also increased trade which translates through to enhanced rental growth – **financial resources**. Across the portfolio we have evidence to show that rental growth is higher as a result of investment, in some cases by more than 20%. Our investment in the area is also valued by occupiers, customers, visitors and communities – strengthening **our networks**. Some changes have boosted **natural resources** such as flora and fauna, while cutting emissions. And through this initiative we've also enhanced **our know-how**, developing expertise we can apply in other urban centres and share across our industry.



◀ Oxford Circus crossing.



▲ 'An age, an instant' – public art on Regent Street.



▶ Public realm in New Burlington Place.



◀ Job fair at Fosse Shopping Park, Leicester.



◀ Head of Employment Generation (centre) with Fosse Shopping Park manager and Leicester Councillors at the job fair.



◀ Job fair at Princesshay, Exeter.

Connecting people and jobs

Through our Recruit Regional employment and training scheme we're helping to bring together businesses at our shopping parks with local people looking for job opportunities.

Impact



Financial resources



Our networks

Our initiatives include job fairs and training programmes. We're also introducing Workplace Coordinators who work with employers and referral agencies to match jobseekers with vacancies, and to support candidates. Additionally, they provide workplace mentoring for up to six months. We're piloting this scheme at Fosse Shopping Park, Leicester and Princesshay, Exeter.

This builds on our long-standing Recruit London scheme with Westminster City Council and Cross River Partnership, which has helped more than 1,330 unemployed Londoners find work since 2009. This has generated social value of around £40m through savings on welfare and tax credits, increased tax and national insurance contributions, and boosts to local economies through the spending power of new workers¹. Helping unemployed people into jobs can also have a big impact on their wellbeing.

Our investment in Recruit Regional and Recruit London includes employment of a full-time Head of Employment Generation to manage the schemes. We also provide office space, IT equipment and support for three Workplace Coordinators. This is an example of our commitment to conscious commercialism and strengthens relationships with commercial partners, local communities and local authorities, enhancing **our networks**. It also supports the success of our customers by enabling them to source great talent at no cost, which helps protect our rental income and so enhance our **financial resources**.

“Our ambition should be to get unemployment in our city down to zero and Recruit Princesshay is already making a real difference in helping people in Exeter find work.”

Ben Bradshaw

Member of Parliament for Exeter

¹ Assuming each individual has worked eight hours a day for 261 days and was paid the National Minimum Wage, or National Living Wage from 2015. The calculations for valuing economic contributions are in accordance with the Rowntree report detailed in the Total Contribution methodology found online at www.thecrownestate.co.uk/TotalContribution.

Inspiring our people

Our employees are as varied and valuable as our assets and activities. We aim to nurture a high performance culture and a reputation as a great place to work.

Impact



Financial resources



Our people



Our know-how

Over the past couple of years we have worked hard to encourage a high performance culture and be known as a great place to work, so the best people want to join, stay and thrive. Initiatives fall into the categories of Performance and Reward, Talent and Development, and Culture and Behaviours. They include:

- Updated health and wellbeing programmes, including regular on-site nurse surgeries and tools to better manage work/life balance.
- A voluntary flexible benefits programme.
- Clear links between performance and reward.
- A new recruitment process and focus on attracting top talent.
- A new succession-planning process across the business.
- Focus on core leadership and coaching skills for managers.
- Integration of behavioural objectives into individual scorecards.
- Supporting initiatives that encourage people to value the difference in colleagues' perspective and background.
- The introduction of an annual employee engagement survey.

A key indicator of the success of these changes has been our employee engagement survey results over the past two financial years – we outperformed the UK national benchmark on engagement by 5% (actual score achieved: 83%). Such a strong score enhances our reputation as a 'great place to work', ensuring we attract and retain talent, enhancing our **people** and **know-how**. High engagement reflects a positive impact in many aspects of our people and know-how, including increased productivity and a reduction in sickness absence, which feed back into our **financial resources**. Although it is too early to capture the full impact of our employee initiatives in Total Contribution terms, we have seen a reduction in sickness absence (between 2014/15 and 2015/16) which has proven related savings in administrative, individual, government and social costs.

Our ongoing investment in the health, wellbeing, reward and development of our people, as well as our focus on culture and behaviours, is a priority and we continue to identify opportunities to improve and remain committed to achieving our objective of a high performance culture.



◀ Working on the terrace.



◀ Being inspired at a business event.



▲ Working collaboratively.



▲ Windsor Great Park – the Long Walk.

▲ Cycling at Windsor.

◀ Visitors enjoying the Rose Garden at Savill Garden.

Valuing our ecosystems

Our 15,800 acre Windsor estate has been described by Country Life (March 2016) as ‘a business, an environmental haven, a pleasure ground...’, and it attracts over five million visitors every year.

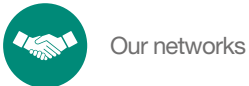
Impact



Financial resources



Natural resources



Our networks

Our Investment of **financial resources** and the **know-how** of 176 employees enable the estate to provide significant value beyond its financial return. Results from our first Ecosystem Services Assessment (2014)¹ show external benefits of our **natural resources** of at least £4.4m per annum. These include:

- Recreation services (such as cycling and angling) equate to £3.4m per annum.
- Amenity services (such as enjoying Savill Garden and the relaxing atmosphere of the Great Park) equate to £0.5m per annum.
- Agricultural production services equal to £0.5m per annum.

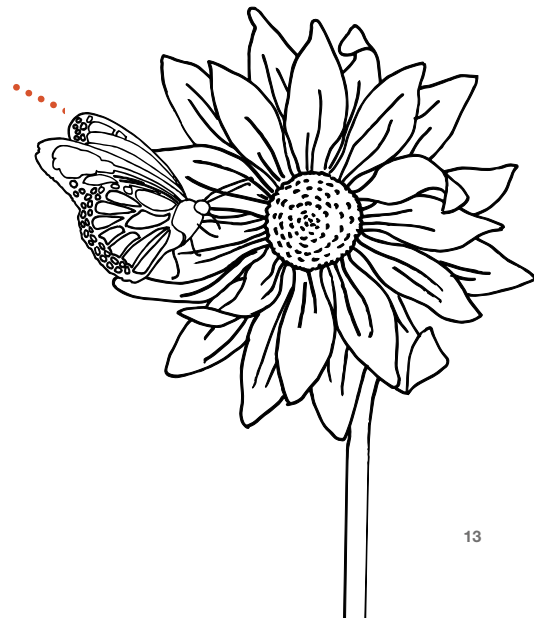
In addition, Windsor’s trees help to purify the air which equates to at least £0.4m per annum in terms of avoided health costs from respiratory diseases related to air pollution.^{2&3}

We applied the same approach across the remaining rural portfolio to reveal an even higher annual value of £10.8m from ecosystem services. In addition, the estimated benefit of coastal protection – particularly the ability of habitats such as sand dunes, sea grass beds, salt marshes and sea kelp to buffer storm surges and climate change related sea level rise – equals at least £15.2m per annum.⁴ In Hampshire, for example, we assisted the Lymington Harbour Commissioners in their project to restore the intertidal salt marsh that helps defend the shoreline. This is part of the Harbour Commissioners’ wider remit to safeguard the future of the harbour, its moorings (which bring us rental income – **financial resources**), its recreational use and its long-term contribution to the local economy – **networks**.

In total, the economic benefit of recreation, amenity, greenhouse gas storage, agricultural production, air purification and coastal protection ecosystem services delivered by our rural and coastal portfolio amounts to at least £31m per annum.

Based on:

- 1 Bateman, Ian J., et al. 2013. “Bringing Ecosystem Services into Economic Decision-Making: Land Use in the United Kingdom.” American Association for the Advancement of Science: (New York, N.Y.) 341 (6141).
- 2 McDonald, A. G. et al. 2007. “Quantifying the Effect of Urban Tree Planting on Concentrations and Depositions of PM 10 in Two UK Conurbations.” Atmospheric Environment 41 (3): 8455–67.
- 3 Department for Environment, Food and Rural Affairs (DEFRA). 2013. “Air Quality Economic Analysis: Damage by Location and Source.” DEFRA, UK Government.
- 4 Route2, 2015, “Risk Reduction Provided by Natural Habitats to Great Britain’s Coastal Assets and People: Application to The Crown Estate’s Coastal Portfolio.” (Internal Report 2015).



Methodology

This section shows how we frame Total Contribution, a number of the indicators used, and how we calculate an economic value for each indicator.



For our full methodology see online at www.thecrownestate.co.uk/TotalContribution

Approach

Our approach is based on the capitals we rely on and the change in their condition as a result of our activity or external influences.

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

Flows

During the course of our business we invest (positive flow) in our capitals to maintain or enhance their condition. In addition, they either appreciate (positive flow) or depreciate (negative flow), due to our activity or external influences. For example, a physical resource such as a building, could appreciate through our placemaking activity (internal activity), or depreciate through damage caused by flooding (external influence).

Also, outputs for which we don't pay, or get paid, can have benefits (positive flow) and costs (negative flow) for wider society and the environment. For instance, benefit outputs might include carbon sequestration from our forestry assets, for which we receive no payment. Cost outputs might include pollution within legal levels, for which we don't recompense society.

A deeper understanding of these flows, and their value, has the potential to better inform our decisions and ensure the resilience of our business.

The interrelationship of the capitals and flows is illustrated, with example indicators, in the framework table shown overleaf.

Transparency

We have three principles of transparency.

1

Credit – we are clear whether the contribution we are stating is direct, indirect or enabled

To help us understand and report on who is responsible for what, we group activities under three headings:

- **Direct activities:** those we carry out ourselves.
- **Indirect activities:** those we commission and are carried out by our supply chain.
- **Enabled activities:** those we enable through the leasing of our land and property, and are carried out by others.

2

Confidence – we are clear about our assumptions and say how confident we are in the data

It's not possible to capture primary data for every indicator so we use recognised methodologies, models and research to estimate results where necessary. We make data sources clear in all cases. Since our first report there have been two developments concerning this principle:

- The introduction of a more systematic internal confidence scoring system.
- An Insight Report produced by PwC on the maturity of the data and the overall approach (see online at www.thecrownestate.co.uk/TotalContribution).

3

Contribution – we include both positive and negative indicators so we can show a net impact

This helps to give a more balanced picture of our impact and to highlight where we need to focus our efforts.

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 embodied within our employees and subsequent information systems, due to an employee turnover rate 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 team training 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.

Capitals	Investment	Depreciation of value – internal	Depreciation of value – external
	Interventions to maintain or enhance the functioning and economic value of capitals	Impairment of functioning and economic value of capitals through day-to-day business activity	Impairment of functioning and economic value of capitals via external influences (natural, social or political)
	⊕ Positive flow	⊖ Negative flow	⊖ Negative flow
Financial resources	The respective flows for financial resources are fully reflected and integrated within financial accounts and business management		
Physical resources	e.g. new development	e.g. building damage via workplace incident	e.g. building damage via flooding (natural)
Natural resources	e.g. additional forestry planting	e.g. mineral resource depletion through extraction	e.g. new policy restricting agricultural activity (political)
Our people	e.g. employee wellbeing programmes	e.g. sickness absence	e.g. seasonal epidemic (social)
Our know-how	e.g. employee training and development programmes	e.g. employee turnover	e.g. obsolescence of existing skill set through innovation
Our networks	e.g. community investment projects	e.g. late payment of suppliers	e.g. economic downturn straining relationships

Appreciation of value – internal	Appreciation of value – external	External benefits	External costs
Enhancement of functioning and economic value of capitals through day-to-day business activities	Enhancement of functioning and economic value of capitals via external influences (natural, social or political)	Capital functions and resulting economic goods and services produced for which no financial compensation is received	Capital functions and resulting economic goods and services produced for which no financial compensation is received
⊕ Positive flow	⊕ Positive flow	⊕ Positive flow	⊖ Negative flow

e.g. profits generated and captured within Gross Value Added.

e.g. additional functionality for existing building	e.g. new policy such as feed in tariff regime increasing the value of renewable energy installations	e.g. free use of space by community groups	e.g. use of public infrastructure without payment
e.g. land management practice generating greater soil fertility	e.g. new policy creating additional functionality of seabed (political)	e.g. greenhouse gas emissions avoided	e.g. greenhouse gases emitted
e.g. greater employee engagement	e.g. improved work/life balance (social)	e.g. employee volunteer schemes in working hours	e.g. under-compensated labour
e.g. learning by doing	e.g. new policy creating additional functionality for skills (political)	e.g. production of public information, i.e. knowledge sharing	e.g. consumption of public information
e.g. placing unemployed into employment	e.g. economic upturn strengthening relationships	e.g. enhanced visitor wellbeing	e.g. reduced visitor wellbeing

£0.15m

Greenhouse gases emitted (Direct)

Attempts to capture the future damage resulting from unrestricted use of the atmosphere's capacity to assimilate greenhouse gas, i.e. climate change. The damage is estimated via application of a unit social cost of carbon dioxide emissions estimate. The UK Treasury's estimate (equal to £23.32/tonne in 2015 (ignoring inflation)) is currently used. This unit cost is conservative relative to more recent publications.

£149m

Greenhouse gas emissions avoided (Enabled)

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 £23.32/tonne in 2015 (ignoring inflation)) is currently used.

£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 utilises the approach developed by the UK's National Ecosystem Assessment (NEA) – a mix of econometric, regression and biophysical process models that arrive at spatially explicit economic values for recreation and other ecosystem services.

Valuation

We know that we contribute more to the UK economy and society than the financial return we deliver. But this is difficult to quantify without a common unit of measurement.

It is also difficult to identify which activities are furthering or hindering our objectives, and to what degree. The Total Contribution approach has gone a long way to addressing these issues.

Commonality

Total Contribution encompasses an array of impacts and metrics. For example, it compares activity as diverse as planting green spaces and helping people to find employment. Working collaboratively with advisors Route2, we've introduced a common unit of measurement – an economic value – to all of our indicators. This enables us to:

- Understand the magnitude and relative impacts of different indicators.
- Integrate indicators with conventional finance-based management systems and apply this to business decision-making.
- Aggregate the values of all indicators, netting off the positive and negative values to develop a Total Contribution trend line year-on-year.

We recognise this is an evolving system, especially with regard to social indicators, but it is a big step in the right direction. We do not claim that the valuations are absolute but they do provide us with a deeper understanding of the effects of our actions, which can influence decision-making and make us a stronger business.

Calculation

We collect data for each direct, indirect and enabled indicator at the end of the financial year. For data presented as a non-financial unit of measurement – for example, tonnes of CO₂e – we research and apply an appropriate unit social cost/benefit value, or we develop and deploy an economic valuation method. This is relatively straightforward for direct impacts, but as primary data is rarely available for indirect and enabled impacts more estimation and assumptions are involved. Detail on how we approach indirect and enabled impact is shared online at www.thecrownestate.co.uk/TotalContribution.

“ Understanding the economic value of all capitals and their change over time is central to establishing business resilience.”

Dr Daniel Lopez Dias
Route2

Aggregation

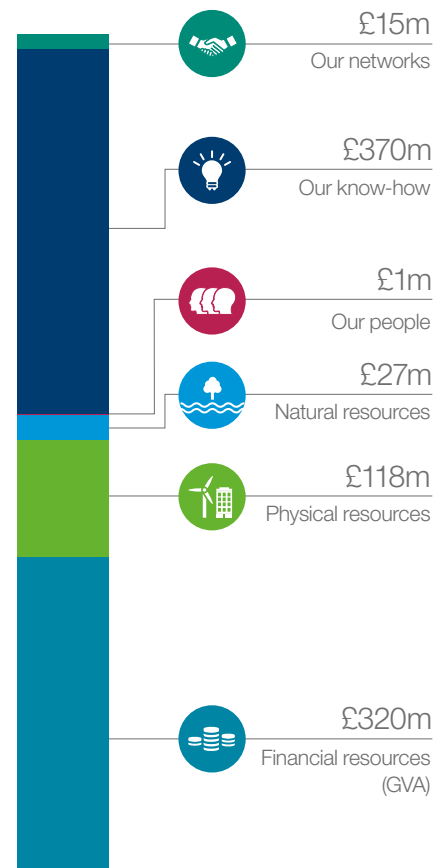
Our aim has always been to aggregate the year-on-year changes in the values of our capitals for the purpose of developing a Total Contribution performance trend line. This is the first time we have published the aggregation in this form and would emphasise that the data is not absolute – the indicators are still in various stages of maturity, but do provide us with valuable information on our impact.

We call our methodology ‘adjusted Gross Value Added’ (aGVA). We have developed this by looking at the conventional economic measure of added value i.e. Gross Value Added (net return minus the costs of goods and services purchased). However, GVA does not provide a full picture of value, just a picture of the money flow. Therefore, Total Contribution is GVA (financial resources), plus or minus the net values of the other capitals.

In summary, we:

- Take the data against each of our indicators and ascribe to them an economic value.
- Net off the positive and negative values for each capital to give an overall net value.
- Add or subtract these to or from our GVA (our financial resources).

The values illustrated opposite, when aggregated, give our Direct aGVA, and represent the baseline point for our three-year rolling average Total Contribution trend line for the future. Use of a rolling average enables us to add and remove indicators, as necessary, to reflect changes in our business activity and impacts. It helps to smooth out the spikes in the trend line. Similar illustrations can be found online for indirect and enabled impacts against relevant capitals.



All figures are rounded.

Performance indicators

We've developed over 60 performance indicators to provide balance across our capitals. These cover our direct, indirect and enabled impacts.

The scope and exact definition of each indicator has been the subject of much discussion internally. The full list includes those for which data is not yet available or where we have only just established a baseline figure. Both positive and negative capital flows are represented.

The table opposite shows the 35 indicators for which we have data and are represented in the illustrations on pages 5 and 19. The coloured indicators show those which PwC have assessed.

Key to colour coding

- PwC has assessed the maturity of these indicators for the year 2015/16.
- 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.

Direct aGVA indicators based on the average of three years' data (2013/14 – 2015/16)

Indicator	Impact +/-	Valuation (£) – 3 year average
Financial resources		
1 Gross value added (in summary, turnover minus the cost of goods and services we procure)	+	319,500,000
Net total	+	319,500,000
Physical resources		
2 New development and retrofitting	+	123,200,000
3 Fixed asset upgrades (property, plant and equipment)	+	1,137,000
4 Damage to property due to workplace activity	-	(3,600,000)
5 Wear and tear of fixed assets	-	(3,000,000)
6 Reduction in value due to external events (natural, social and political)	-	(200,000)
Net total	+	117,537,000
Natural resources		
7 Specific habitat investment	+	235,000
8 Soil recovery strategies	+	245,000
9 Greenhouse gas emissions	-	(149,000)
10 Waste generated	-	(170,000)
11 Water consumed	-	(382,000)
12 Carbon sequestered and stored	+	575,000
13 Greenhouse gas emissions avoided	+	38,000
14 Other ecosystem services	+	26,348,000
Net total	+	26,740,000
Our people		
15 Contribution to private healthcare	+	97,000
16 Contribution to public healthcare	+	1,064,000
17 Investment in other wellbeing programmes	+	131,000
18 Workplace injuries	-	(241,000)
19 Workplace fatalities	-	0
20 Sickness absence days	-	(180,000)
21 Gender equal opportunity	-	(82,000)
22 Employee engagement	+	15,000
23 Employee volunteer programmes	+	59,000
Net total	+	863,000
Our know-how		
24 Employee training and development	+	797,000
25 Research and development	+	1,847,000
26 Knowledge decay	-	(422,000)
27 Suboptimal employee turnover	-	(355,000)
28 Value added	+	367,409,000
29 Consumption of public information	-	(212,000)
30 Production of public information	+	591,000
Net total	+	369,655,000
Our networks		
31 Customer management systems	+	49,000
32 Local and wider communities (e.g. Stewardship Programme)	+	9,120,000
33 Late payment of suppliers	-	(151,000)
34 Employment placements	+	2,659,000
35 Visitor wellbeing (from ecosystem services)	+	3,500,000
Net total	+	15,177,000

Challenges

We've come a long way with Total Contribution but it's not all been plain sailing. We've set out the main challenges here.

Economic valuation

'How can you put an economic valuation on everything?' is a question we hear quite often. We acknowledge that translating non-financial data into financial terms can sometimes be difficult or perhaps inappropriate, particularly for social indicators. However, no metric is intended to be an absolute valuation of impact. Our methodology is designed to produce information and insights that can inform decision-making. The benefit of a common unit of measure – economic value – is that it helps us to make consistent comparisons. It also enables us to use Total Contribution measures alongside conventional financial accounting.

We constantly challenge ourselves about double counting and every effort has been made to avoid it.

Data collection issues

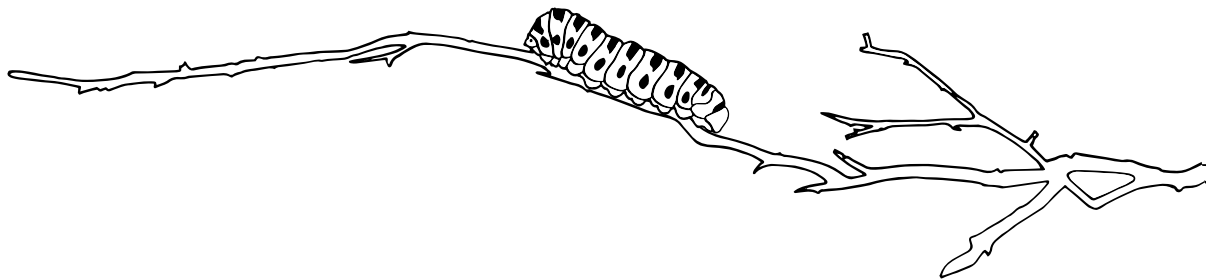
We were surprised at the number of issues we have had with regard to data collection. Total Contribution indicators demand a consistent set of metrics across the whole business. Challenges have been around data availability, granularity and consistent levels of accuracy. We are clear in our online methodology as to how confident we are in data against each indicator.

To address these issues we have been working across the business to improve data collection, to better understand data sources and eliminate duplication. Working in collaboration with the Finance team we will ensure we employ the same rigour to our data as is applied in financial accounting.

We have been supported over the past two years by PwC, who have given insight on our data collection methods – found online at www.thecrownestate.co.uk/TotalContribution.

Internal buy-in

It has been a challenge to keep colleagues informed of Total Contribution's progress, especially given the technical nature of the methodology. As a result, many have perceived the methodology as primarily a reporting tool that is of limited wider use to the business. Improved internal engagement is having a powerful effect. A number of business teams are now working with the Total Contribution methodology to apply the approach and explore its value as a decision-making tool.



Next steps

We believe we have made good progress but we see plenty of opportunities to improve our approach and extend the benefits of what we do.

Inside the business we will:

- Demonstrate the value of Total Contribution to more colleagues, showing its potential in terms of decision-making and enabling the methodology to be used without ongoing external support.
- Complete the transfer of data collection from the sustainability team to the finance team to ensure we are using the most robust data collection and capture methods.
- 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 from board decisions to everyday operational choices.
- Take a leadership role in the business community, publicly sharing our expertise and encouraging other businesses to explore our approach.
- Enable other businesses to work with us to create a standardised approach and learn from each other's experiences.
- Include more Total Contribution metrics and values in our Integrated Annual Report.



Acknowledgements

A large number of colleagues have contributed to the evolution of our methodology. They have collected data, set up new systems to ensure better quality data and, most importantly, challenged the methodology on many levels. My thanks go to them and particularly to members of the steering group who have shaped this work. There is still plenty to be done as the methodology is continually refined and the approach is applied in detail to different parts of the business.

I would also like to acknowledge the expertise and support of Route2 (development of the methodology), Carbon Credentials (data collection and analysis) and PwC (Insight Report) in the delivery of Total Contribution as it stands today.

As we continue to evolve and strengthen the methodology I look forward to working with other companies and organisations to take the approach forward and apply it more broadly.



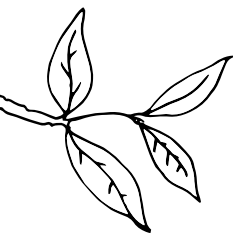
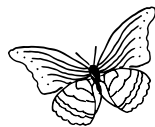
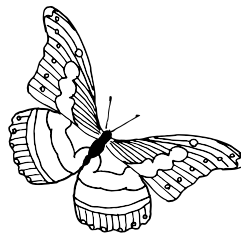
Judith Everett
COO, The Crown Estate

Help us to continue to improve our approach

Please contact Jane Baptist at jane.baptist@thecrownestate.co.uk with any queries or for more information.

Find out more

www.thecrownestate.co.uk/TotalContribution
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