

The Crown Estate from every perspective 2016/17

# Performance against our capitals



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This report is a companion document to our Integrated Annual Report and Accounts [thecrownestate.co.uk/integrated-annual-report](http://thecrownestate.co.uk/integrated-annual-report). It gives more granularity and transparency on some of the data appearing in that report and adds detail on the impacts we have on our capitals as a result of our business activity. In turn, the data found in this report will be used to help calculate our Total Contribution for 2016/17 – our methodology for measuring the economic value of our impacts.

## Our capitals



**Financial resources**  
Financial capability to run our business



**Our people**  
The skills 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**  
The natural resources that we manage and use



**Our networks**  
Our relationships with stakeholders; including customers, partners and communities



PwC has provided limited assurance against ISAE 3000 and ISAE 3410 standards for selected key data in 2016/17. Where you see this symbol (A) in this report it indicates data has been subject to assurance. For the limited assurance opinion and our reporting criteria, see [www.thecrownestate.co.uk/pwc-statement](http://www.thecrownestate.co.uk/pwc-statement).



## Introduction

The Crown Estate is a real estate business with high-quality assets in great locations. We specialise in commercial property in central London, retail across the country and offshore wind. We also have a substantial rural portfolio and manage the seabed around England, Wales and Northern Ireland.

Established by an Act of Parliament as an independent, commercial business, we return all our profit to HM Treasury. Over 2016/17, we outperformed the market for the ninth consecutive year and delivered a profit of £328.8 million to HM Treasury. Our capital value increased to £13.1 billion and we outperformed our bespoke benchmark by 2.5%.

We believe that sustainable growth is central to our resilience. As a long-term business we are aware that our activity either enhances or diminishes the value of the six capitals on which we depend. In order to achieve our purpose to create 'brilliant places through conscious commercialism' we need to take account of the impact we have on all of these capitals in our decision-making. We recognise that using one capital, in a considered way, can transform others, creating value for ourselves and our wider stakeholders.

Performance against our financial and physical resources is widely demonstrated in our Integrated Annual Report. This report supplements that by giving more detail and 'sustainability' data on our performance against, and the connections between, our natural resources, our people, our know-how and our networks.

## Context

Since embarking on the integrated reporting journey we have become aware of the centrality of our capitals to our business. They are embedded in our business model and are used to demonstrate value created or diminished over the year (see next page).

To build the resilience of our business and in recognition of the long-term trends which are material to our performance, we have developed three ambitious aspirations.

### 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.

These align to a number of the Sustainable Development Goals (SDGs) and are supported by challenging targets [thecrownestate.co.uk/2017-18-targets](http://thecrownestate.co.uk/2017-18-targets) which will be supplemented by others set over the next few years, involving our partners and supply chain. Achievement of these will help us to deliver more value and, we believe, enhance our financial return in the long term.

Given the interdependence of our capitals, reporting of our performance against one capital is rarely limited in relevance to that capital alone. There are numerous and sometimes intricate connections. For example, performance with regard to Wild West End reported in the Natural resources section also has impacts on our physical resources, our people, our networks and ultimately our financial resources.

We have developed a methodology to measure the value of the impact we have on our capitals – Total Contribution [thecrownestate.co.uk/total-contribution](http://thecrownestate.co.uk/total-contribution). This plays a vital role by providing us with a deeper understanding of both our positive and negative impacts throughout the value chain. We are currently exploring how to use this methodology in our decision-making, how we communicate the wider value of our activities and are also working with other organisations to encourage wider adoption of the methodology. Much of the data in this report feeds into the indicators we use in measuring our Total Contribution.

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# We create value over the long term through our resilient business model

## Our approach

At the heart of our approach is our purpose: creating brilliant places through conscious commercialism. It's about taking a long-term view, seeing the bigger picture, identifying opportunities for growth, and creating environments that are relevant, attractive and profitable.

### What sets us apart

- Our expertise and critical mass enables us to achieve competitive advantage and outperformance
- We believe in placemaking; creating environments where people can thrive
- Our best-in-class asset managers work closely with our customers
- Our approach to regeneration is based on enhancing spaces sensitively, carefully and for the long term

## What we do

We actively manage our portfolios through four principal activities.

### Investment management

We buy and sell assets in line with our investment strategy, with a focus on our chosen sectors where we can outperform the market through our expertise and critical mass.

### Development management

We plan, construct, develop and refurbish to create successful places where our customers and communities can thrive.

### Asset management

We actively manage our assets, working closely with our customers to help achieve their business objectives while, at the same time, increasing the value of our portfolio.

### Property management

We enhance our investment, development and asset management activities with effective property management to ensure we address the needs of our customers, partners and communities.

## What we rely on

We draw upon six capitals in the management of our business model.



**Financial resources**  
Financial capability to run our business

→ £328.8m

8.1%  
Year-on-year increase in net revenue profit



**Physical resources**  
Property, plant and equipment we own and use

→ 5.5%  
Year-on-year increase in total property value



**Natural resources**  
The natural resources that we manage and use

→ 100%  
Operational waste diverted from landfill



**Our people**  
The skills and experience of our employees

→ 94%  
Employees 'Proud to work for The Crown Estate'



**Our know-how**  
Our collective expertise and processes

→ 18 hours  
Average training per employee p.a.



**Our networks**  
Our relationships with stakeholders; including customers, partners and communities

→ £2bn  
Funds managed on behalf of our strategic joint venture partners

## The value we create

Beyond meeting our income and total return targets we also consider the wider value we deliver against each capital.

## Reinvestment into the business

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

## Our contribution to Treasury

Our annual net revenue profit is paid to Treasury.  
£2.6bn  
Generated for Treasury in last ten years.



# Physical resources

Property, plant and equipment, and other manufactured goods we own and use.

Our integrated Annual Report gives detail on how we are investing, developing and managing our physical resources to deliver both physical and financial value for our business and stakeholders. This report highlights some of the additional work we are doing to enhance the attraction and performance of our physical resources and have a positive impact on our natural resources and the health and wellbeing of our people, customers, visitors, and the communities in which we work. This, in turn, also supports our financial resources over the long term.

Across our £12.4 billion portfolio we focus on where we have scale and expertise: Central London, Regional Retail, and Offshore Wind. We also have a substantial Rural and Coastal portfolio and manage the seabed around England, Wales and Northern Ireland.



## Placemaking

### Central London

Delivering great buildings is only a part of the challenge. We are aiming to create brilliant places, and in London this means making the West End among the most attractive places to live, work and visit. We work alongside Westminster City Council, the GLA and local community groups and businesses to tackle issues such as congestion, air quality and logistics to create a healthier, more welcoming environment and drive footfall for our retailers.

Improving the public realm has been a key element of our investment strategy for our central London holdings. We have redressed the balance between pedestrians and vehicles by widening footways, creating pedestrian crossings and clearing clutter. All the buildings on Regent Street from All Souls in the north to Waterloo Place in the south have been floodlit. We are now working to improve the public realm in Jermyn Street and St James's Street.

An innovative element of this work is changing the way the public realm is used and operated. We are promoting preferred supplier schemes whereby commercial occupiers use the same suppliers for commodity items (e.g. milk and newspapers), resulting in reduced duplicate deliveries and cost savings. In addition, our Regent Street delivery consolidation scheme combines the deliveries to over 50 retailers into one single warehouse and uses electric vehicles to then deliver to the shops. We estimate that each year this removes 85% of the journeys to participating stores and the equivalent CO<sub>2</sub> emissions of 5,000 journeys around the M25. Within our own buildings we are encouraging workers to pick up personal deliveries from Click & Collect points outside central London. All our new buildings have excellent facilities for cyclists.

Similarly, we are centralising waste collections and increasing recycling. In some locations we are achieving zero waste bags on the street and reducing vehicle movements. We have entered into arrangements with Westminster City Council to manage certain streets.

Apart from the clear sustainability benefits, this public realm programme has helped deliver additional rental growth and helped drive excellent returns on the £25 million we have invested in these initiatives over a number of years.

### Regional Retail portfolio

This portfolio includes 15 retail parks, three shopping centres and one leisure destination, attracting over 100 million shoppers per year. We work hard, alongside our occupiers, to create attractive destinations for shoppers that also contribute positively to the local community; meeting the needs of our customers and which are resilient for the future.

At Fosse in Leicester, a shopping park held in partnership with Gingko Tree Investment Management, we have spent time this year focusing on the physical transformation of the scheme. We have refreshed and updated facades, invested in public realm improvements and installed WiFi across the park to improve the overall customer experience. At Banbury, we have introduced solar powered benches to charge mobile phones and free WiFi; while at Exeter we have produced over 120lbs of honey from bee hives housed on a rooftop garden as part of Princesshay's City Bee Project. All of these initiatives are designed to strengthen the ties between the scheme and the local community, and improve the customer experience.

### Rural portfolio

Our Windsor estate, which includes Windsor Great Park, is among the UK's top visitor attractions with over five million visitors each year. They come to enjoy the unique biodiversity with stunning flora and fauna, the ancient forests, historical monuments, and world-class gardens. The maintenance of the estate requires a great deal of work by our team, who also support and train a number of apprentices. We are always looking to improve the visitor experience. Earlier this year we launched the newly refurbished Savill Building with a new restaurant run by Benugo, all set within striking architecture alongside the beautiful Savill Gardens.



## Natural resources

Natural resources that we own, manage and use to sustain our business.

Managing natural resources in a considered way and for the long term is integral to how we ensure business resilience. We are responsible for a number of natural resources on our land and are reliant on others. We have been looking in particular at environmental and social risk through our construction supply chain.

In the course of our business activity we have both positive and negative impacts upon natural resources. We have had no reportable environmental incidents for many years and no non-reportable environmental incidents for the past two years. This section covers material impacts with regard to climate change, water, waste and ecology.

Net carbon impact	Improvement in carbon emissions intensity	Energy procured for electricity – assured as renewable by PwC
+	7%	62%

### Climate change

Climate change is a material issue for our business as it presents physical, financial and regulatory risk and opportunity. We have an aspiration to be climate resilient by 2030 and to achieve this we have mitigation, adaptation and low carbon economy programmes in place. We are in the process of having our carbon targets (carbon intensity and Scope 3 targets) confirmed as science-based. Our overarching adaptation plan is being finalised and we are developing more detailed plans for different parts of the portfolio.

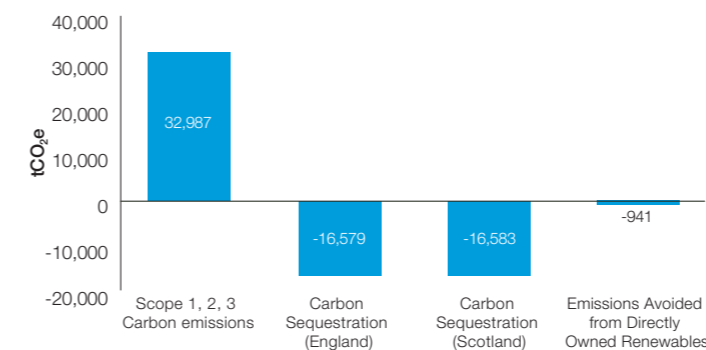
With regard to a low carbon economy, we have played a key role in the facilitation of the offshore wind industry for more than a decade, through helping de-risk the consenting process and attracting inward investment. The sector is now making a meaningful contribution to the UK's energy mix and meeting around 5% of the UK's electricity demand. We continue to facilitate the industry through bringing our customers together to overcome common challenges and support cost reduction.

#### Net carbon impact

As at 31 March 2017, we were carbon net positive (-1,117tCO<sub>2</sub>e). The calculation is based on the following:

- our emissions – Scopes 1, 2 (location-based) and 3 of the GHG Protocol
- carbon sequestered through our directly managed forestry, and
- carbon emissions avoided through direct onshore renewables.

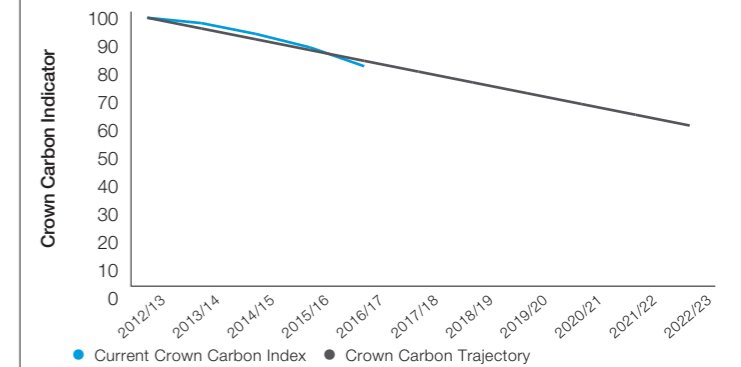
#### Net carbon impact (direct)



- 1 Area of forestry is based on 2015/16 data. 2016/17 data will have been very similar. From 1 April 2017, the Scotland portfolio has been managed by a new organisation reporting to the Scottish Parliament.
- 2 Renewable data is based on electricity generated by renewables owned by The Crown Estate. Most (73%) of this is tenant consumption. Renewable energy from heat pumps is excluded as it is not metered.

**Global Green House Gas (GHG) emissions (Scopes 1, 2 and 3)**  
We report comprehensively on absolute carbon emissions but, as our portfolio is growing, have found that emissions intensity (tCO<sub>2</sub>e per m<sup>2</sup>) is a better measure of our performance than absolute emissions. Our target is to reduce our intensity by 40 indexed points by 2022 from a baseline of 2012/13 (and by a total of 80 indexed points by 2030). We are on track with a current intensity of 82 indexed points.

#### Crown Carbon Index: trajectory vs target



The unit of measurement for the Crown Carbon Index is as follows: CO<sub>2</sub>e/m<sup>2</sup> adjusted to serviced floor area and for occupancy, indexed to 100, with the aggregation weighted by absolute impact on the total portfolio emissions.



**Carbon emissions: Scope 1, Scope 2, and Scope 3 emissions**

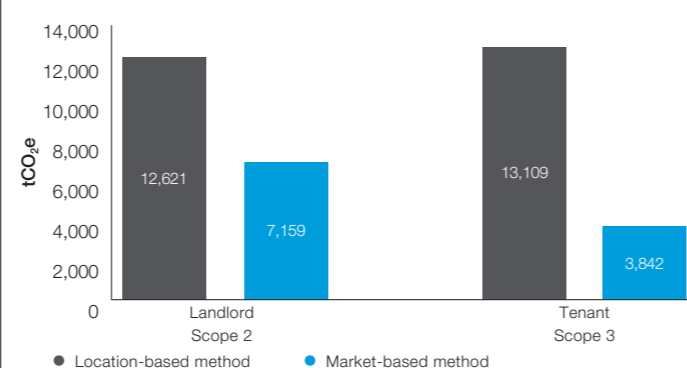
Emission source	Location-based method					Market-based method <sup>1</sup>	
	2012/13	2013/14	2014/15	2015/16	2016/17	2015/16	2016/17
	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub> e	tCO <sub>2</sub>	tCO <sub>2</sub>
<b>Scope 1</b> Direct emissions from fleet and heating of buildings	5,789	6,169	6,443	5,868	5,906 <sup>2</sup>	n/a	n/a
<b>Scope 2</b> Emissions from generated electricity usage	20,054	21,201	13,548	11,221	12,621 <sup>3</sup>	7,342	7,159 <sup>4</sup>
<b>Gross Scope 1 and 2</b>	<b>25,843</b>	<b>27,370</b>	<b>19,991</b>	<b>17,089</b>	<b>18,527</b>	<b>7,342</b>	<b>7,159</b>
Indirect emissions from business travel	361	387	311	265	208	n/a	n/a
<b>Scope 3</b> Indirect emissions from energy used exclusively by our tenants	1,511	1,568	14,499	15,840	13,109	2,773	3,842
Indirect emissions from electricity and transmission distribution losses	1,584	1,813	1,185	927	1,142	n/a	n/a
<b>Total Scope 3</b>	<b>3,456</b>	<b>3,768</b>	<b>15,995</b>	<b>17,032</b>	<b>14,459<sup>3</sup></b>	<b>n/a</b>	<b>n/a</b>
<b>Gross Scope 1, 2 and 3</b>	<b>29,299</b>	<b>31,138</b>	<b>35,986</b>	<b>34,121</b>	<b>32,986<sup>3</sup></b>	<b>10,115</b>	<b>11,001</b>
<b>Emissions intensity (indexed kg CO<sub>2</sub>e)</b>	<b>100</b>	<b>98</b>	<b>94</b>	<b>89</b>	<b>82<sup>4</sup></b>		

- 1 New Scope 2 Guidance requires that we quantify and report Scope 2 emissions from purchased electricity consumption for our own use using two different methodologies: the location-based method and the market-based method. Reporting of our emissions in this way demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from renewable sources.
- 2 Emissions for market-based reporting are reported in tCO<sub>2</sub> rather than tCO<sub>2</sub>-equivalent due to the availability of emission factors.
- 3 The 2015/16 market-based Scope 2 figure has been externally assured by PwC. Assured supplies evidence of the exclusivity and traceability of the green electricity purchased has been provided.
- 4 We have used the GHG Protocol Corporate Accounting and Reporting Standard to calculate our emissions.

Our carbon emissions table (above) shows our performance on direct absolute Scope 2 emissions calculated using the location-based, and market-based methods, in line with the requirements of the GHG Protocol. Under the location-based method we have calculated emissions from electricity using the average grid factor for the UK (Defra). Under the market-based method we use more specific emission factors that relate to the specific electricity tariffs associated with the supplies we procure. The dual reporting of our emissions in this way demonstrates our efforts to reduce our climate impact through the purchase of electricity from renewable sources (for ourselves and our customers'/occupiers' supply).

We believe that 87% of our electricity supply is a green tariff. However, PwC have only been able to confirm the exclusivity and traceability of 62% as green supply. This is because information provided by other green energy suppliers does not yet satisfy the Quality Criteria of the revised GHG Protocol. Therefore, for that 62% we have reported these emissions as zero, and for the remaining 38% we have applied the RE-Diss (AIB) factor for the UK in line with the GHG Protocol Scope 2 data hierarchy (this factor assumes no renewables in the grid and is therefore higher than the generic Defra factor used for location-based emissions). As the table shows, our emissions have consistently been higher under the location-based method in contrast to the market-based one. This demonstrates the location-based method has not been taking into account our initiatives to increase procurement of green energy supply and thus, this method has been over-stating our actual emissions. We have a target to become RE100 (purchases or 100% renewable energy) over the next three years. We will be looking to confirm the exclusivity and traceability of existing green supplies and move the remaining supplies over to 100% renewable tariffs.

**Carbon emissions: absolute emissions (tCO<sub>2</sub>e)**



Our gross Scope 1 and 2 emissions have increased slightly over 2016/17 due to the newly developed 1 New Burlington Place becoming fully operational for the 2016/17 reporting year. We are actively pursuing carbon reductions in both our managed portfolio and in our development programme. Our Development Sustainability Principles [thecrownestate.co.uk/development-sustainability-principles](http://thecrownestate.co.uk/development-sustainability-principles) take account of carbon mitigation and adaptation measures at design stage.

Most of the emissions from our portfolio are created by our customers and are therefore outside of our direct control, but within our sphere of influence. Our customers are encouraged in our fit-out guides to act responsibly [thecrownestate.co.uk/retail-leisure-fit-out-guide](http://thecrownestate.co.uk/retail-leisure-fit-out-guide) and [thecrownestate.co.uk/office-fit-out-guide](http://thecrownestate.co.uk/office-fit-out-guide).

However, we are also measuring the extent of these emissions through our Total Contribution methodology [thecrownestate.co.uk/total-contribution](http://thecrownestate.co.uk/total-contribution).

Further detail on our emissions, energy consumption, savings and expenditure is given in the following tables.

**Carbon emissions: Total direct and indirect GHG emissions by scope, weight and source**

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Scope 1 emissions</b>					
<b>Direct energy consumption</b>					
Gas and heating fuel in buildings (CO <sub>2</sub> e tonnes)	5,595	5,425	5,845	5,370	5,416
Fleet (petrol and diesel) (CO <sub>2</sub> e tonnes)	194	107	197	159	179
Machinery fuels (CO <sub>2</sub> e tonnes)	N/R	637	400	340	311
<b>Total Scope 1 emissions (CO<sub>2</sub>e tonnes)</b>	<b>5,789</b>	<b>6,169</b>	<b>6,443</b>	<b>5,868</b>	<b>5,906</b>
<b>Scope 2 emissions</b>					
<b>Electricity generated – indirect energy consumption</b>					
Consumed in urban buildings in our directly managed portfolio	19,583	20,763	13,040	10,907	12,211
Consumed at Windsor	402	399	476	275	367
Consumed in rural offices and depots	69	39	32	39	44
<b>Total Scope 2 emissions (CO<sub>2</sub>e tonnes)</b>	<b>20,054</b>	<b>21,201</b>	<b>13,548</b>	<b>11,221</b>	<b>12,621</b>
<b>Scope 3 emissions</b>					
<b>Business travel</b>					
Travel – taxi	6	7	5	5	4
Travel – bus	0	0	0	0	0
Travel – rail	41	39	28	24	25
Travel – tube	0	0	0	1	0
Travel – air	266	291	228	187	137
Travel – ferry	0	0	0	0	0
Travel – personal car	44	48	42	47	41
Car hire	4	3	7	2	1
<b>Electricity T&amp;D – indirect energy consumption</b>					
Consumed in urban buildings in our directly managed portfolio	1,547	1,775	1,140	900	1,104
Consumed at Windsor	32	34	42	23	33
Consumed in rural offices and depots	5	3	3	3	4
<b>Tenant emissions – from energy exclusively used by tenants</b>					
Scope 3 emissions from energy exclusively consumed by tenants (CO <sub>2</sub> e tonnes)	1,511	1,568	14,499	15,840	13,109
<b>Total Scope 3 emissions (CO<sub>2</sub>e tonnes)</b>	<b>3,456</b>	<b>3,768</b>	<b>15,995</b>	<b>17,032</b>	<b>14,459</b>
<b>Total emissions (CO<sub>2</sub>e tonnes)</b>	<b>29,299</b>	<b>31,138</b>	<b>35,986</b>	<b>34,121</b>	<b>32,986</b>
Urban estate coverage (by no. of properties)	150	134	142	143	123
Percentage of urban buildings to which data applies	100%	100%	100%	100%	100%
No. of other rural and Windsor properties to which data applies	40	37	18	18	19
Emissions from construction operations energy consumption (CO <sub>2</sub> e tonnes) (These emissions strictly belong in Scope 3 but have not been included above as we are not yet in a position to have them assured)	355	1,732	2,321	668	1,184



**Scope 1 energy consumption by primary energy source (Gj)**

Fuel Type (Gj)	Use	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Non renewables</b>						
Natural gas	Consumed in buildings	98,522	102,004	112,991	104,024	104,932
Fuel oil	Consumed in buildings	7,056	2,935	598	467	770
Petrol (gasoline)	Company fleet and machinery	60	44	334	322	230
Diesel	Company fleet and machinery	219	8,318	5,758	4,271	4,200
Diesel	Consumed at premises	417	672	13	42	-
<b>Renewables</b>	Consumed at premises	N/R	78	334	1,927	4,882
<b>Total</b>		<b>106,274</b>	<b>114,050</b>	<b>120,028</b>	<b>111,053</b>	<b>115,014</b>

Lubricants have not been included in the direct energy consumption figures as it is not one of the fuels listed by the GRI performance indicator EN3 guidelines. Gas consumption that is burnt exclusively by the tenant has not been included as direct energy consumption since 2012/13 as under GHG Protocol rules it should be classed as indirect consumption.

**Expenditure on utilities (£)**

	2012/13	2013/14	2014/15	2015/16	2016/17
Electricity	4,980,595	5,122,156	5,877,915	6,118,184	7,267,986
Gas	829,594	1,126,245	927,612	1,020,602	595,430
Oil	111,661	18,696	14,187	7,156	12,647
Diesel	-	-	-	-	-
<b>Total</b>	<b>5,921,850</b>	<b>6,267,097</b>	<b>6,819,714</b>	<b>7,145,942</b>	<b>7,876,063</b>

This measure covers the expenditure on energy for the majority of buildings for which The Crown Estate purchases energy, therefore the figures do not relate exactly to those used to calculate The Crown Estate's carbon emissions. Expenditure on energy sources for business travel, fleet, equipment and non-directly managed buildings are not included in these figures.

**Energy Savings**

We have a number of energy efficiency measures, mostly on our Central London portfolio, which are either being implemented or in the planning stage. Measures include various improvements of systems analytics, lighting upgrades, chiller pump control improvements, and upgrading of Air Handling Units. Investment over the past year amounts to circa £180,000 and is expected to result in annual energy savings of 330 Gigajoules and annual emissions reduction of 320 tCO<sub>2</sub>e.

**Renewable energy**

**Onshore**

Renewable energy technology has been installed at a number of properties. At Windsor, we have biomass burner, using wood chips from the Estate, which serves many of the properties there. The table below shows the MWh generated from renewables and the corresponding tCO<sub>2</sub>e emissions avoided. We are aware that many renewable technologies do use non-renewables in their operation and we have taken account of these emissions as far as we can in the data found in the tCO<sub>2</sub>e columns. We are more explicit about this in the data notes accompanying the table.

Renewable Generation Source	2015/16 (MWh renewables generated) (tCO <sub>2</sub> e avoided)	2016/17 (MWh renewables generated) (tCO <sub>2</sub> e avoided)	2015/16 (MWh renewables generated) (tCO <sub>2</sub> e avoided)	2016/17 (MWh renewables generated) (tCO <sub>2</sub> e avoided)
Solar	683	338	653	269
Fuel cell	1,353	669	983	405
Biomass	434	215	497	101
CHP	1,674	828	402	166
<b>Total</b>	<b>4,144</b>	<b>2,050</b>	<b>2,535</b>	<b>941</b>

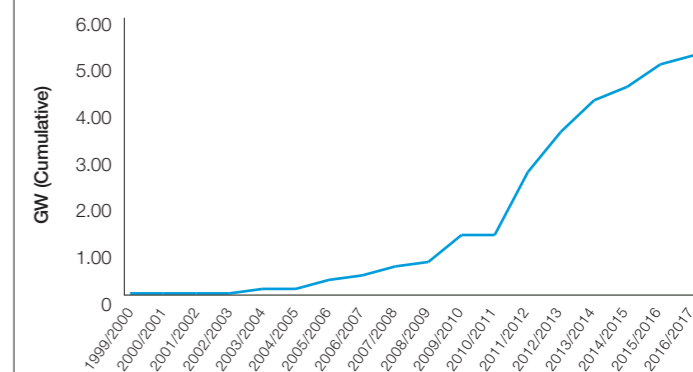
- Fuel cell and CHP emissions have fallen considerably due to both being offline at 20 Air Street for some time during the year.
- In accordance with the Defra Environmental Reporting Guidelines we have reported an emissions reduction in our reported net CO<sub>2</sub>e figure for renewable electricity that we have generated. The emission reduction from solar, fuel cells and CHP are calculated using the grid average electricity emission factor and for biomass we have used the on-site heat emission factor.
- With regard to the CHP, the emissions associated with the gas input into the system have already been accounted for within Scope 1.
- With regard to the heat from the biomass boiler, the Scope 1 CO<sub>2</sub>e emissions are reported as a net '0' since an equal amount of CO<sub>2</sub> is absorbed in the growth of the wood to that released. We have therefore calculated the avoided emissions from this source, using the on-site heat emission factor, as stated above. However, the direct Scope 1 nitrous oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>) emissions for wood chips remains unknown at this time and therefore the global warming potential of these emissions remain unaccounted for.



**Offshore**

As manager of the seabed around England, Wales and Northern Ireland we play an active role in the UK's world-leading offshore wind sector. We grant rights to our customers and foster an environment that encourages them to invest and develop offshore. This year, for the first time ever, offshore wind power generated more electricity for the UK than coal over the course of an entire month. In addition, wind power now regularly meets over 5% of the UK's total electricity demand. Total installed and operational capacity now amounts to 5.3GW (NB. figure slightly differs from what's in our Integrated Annual Report due to definition, but reflects definition on which our target, and data in the chart below, are based). A further 5.2GW of capacity is under construction.

**Cumulative GW value of Offshore Renewable Energy Installed**



Data Note: Data for 2013/14, and all previous years, included turbines installed but not yet operating. From 2013/14, the data includes only turbines installed, operating and generating.

Our target is to effectively realise value from the natural resources of the UK seabed, including facilitation of 8-10GW of operational offshore wind capacity (by 31 March 2020).

The Cost Reduction Monitoring Framework, published in early 2017, showed that offshore wind costs have reduced by 32% over the last three years. This puts the sector on course to be cost-competitive with other forms of low carbon generation.



## Waste

This section deals with waste on two levels:

- Operational waste (generated as a result of our direct activities, or those of our customers but treatment of which is under our management)
- Construction waste (generated by construction partners on our behalf and includes demolition and excavation waste)



### Operational waste

Over 2016/17, we achieved 100% diversion of waste from landfill – 7,532 tonnes – saving £654,000 in landfill costs for us and our tenants.

**Operational waste diverted from landfill**

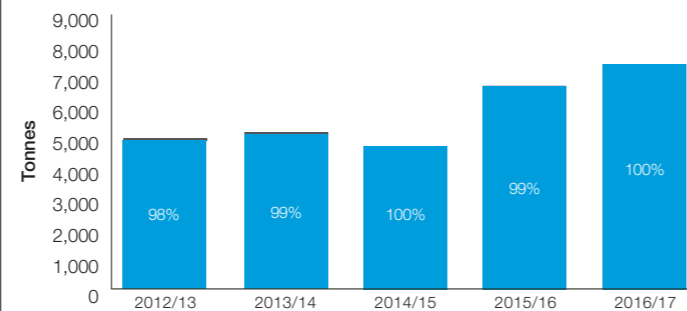
**100%**

**Operational waste reused or recycled**

**52%**

Waste generated over the year has increased as a result of completion of our St James's Market development, which was already two-thirds let at the end of the financial year. Whilst waste generated will very likely increase over the next year as it is fully occupied we are committed to delivering on our aspiration of zero waste. To this end, we have joined the Ellen MacArthur Foundation and a number of our employees, across the portfolios, are undertaking the Foundation's circular economy training later this year.

### Operational waste generated (tonnes) and percentage diverted from landfill



- Operational non-hazardous waste diverted from landfill (tonnes and % diverted)
- Operational waste sent to landfill

### Operational waste (tonnes)

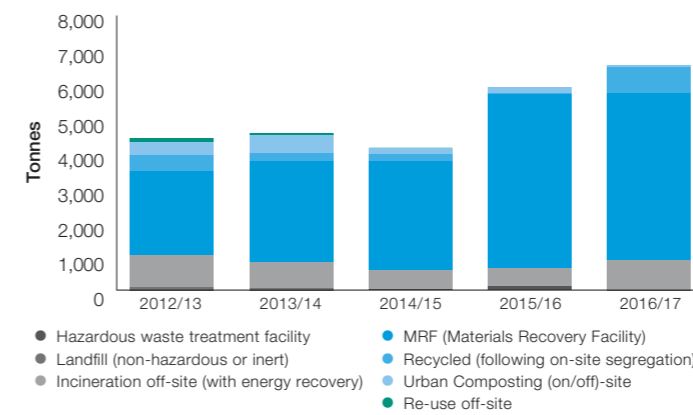
Operational waste (tonnes) and percentage diverted from landfill	2012/13	2013/14	2014/15	2015/16	2016/17
Waste generated from buildings under our control (tonnes)	5,067	5,246	4,782	6,792	7,523
<b>No. urban properties to which this data applies</b>	<b>34</b>	<b>39</b>	<b>26</b>	<b>28</b>	<b>31</b>
<b>No. of other properties to which this data applies</b>	<b>6</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>2</b>
Non-hazardous waste sent to landfill (tonnes)	96	68	0	0	0
Waste diverted from landfill (tonnes)	4,965	5,168	4,782	6,792	7,523
Hazardous waste (tonnes)	6	10	26	87	0.60
<b>Percentage of non-hazardous waste diverted from landfill</b>	<b>98%</b>	<b>99%</b>	<b>100%</b>	<b>99%</b>	<b>100%</b>
Avoided landfill costs (£)	317,773	372,109	382,529	561,016	634,941
Landfill tax costs paid (£)	6,534	5,611	0	41	0
Total waste costs (£)	519,830	772,296	616,348	741,329	874,891

Waste costs for the St James's portfolio have been available for the first time in 2016/17 following the completion of the St James's Market development. The inclusion has led to a year-on-year increase in operational waste. Avoided waste costs for 2016/17 are based on landfill tax of £84.40 per tonne.

### Operational waste: Total weight of waste by disposal method (tonnes)

	2012/13	2013/14	2014/15	2015/16	2016/17
Hazardous waste treatment facility	6	10	26	126	0.60
Landfill (non-hazardous or inert)	96	68	0	0	0
Incineration off-site (with energy recovery)	1,062	844	662	609	1,002
MRF (Materials Recovery Facility)	2,816	3,401	3,636	5,813	5,584
Recycled (following on-site segregation)	532	266	216	45	874
Urban Composting (on/off) -site	449	596	227	199	62
Re-use off-site	107	62	0	0	0
<b>Total</b>	<b>5,067</b>	<b>5,246</b>	<b>4,766</b>	<b>6,792</b>	<b>7,523</b>

### Total weight of waste by disposal method (tonnes)





Construction waste

Over 2016/17, we achieved 95% diversion of waste from landfill – 2,350 tonnes – saving us £188,000 in landfill costs. Ten construction projects were involved – St James’s Market, 33 Bury Street, 29-30 St James’s Street, Kingsbury House, Quadrant 4, 7 New Burlington Street, 106 Jermyn Street, Block W5, Cleveland Row & Russell Court, and Q2 Air Street.

Construction waste diverted from landfill

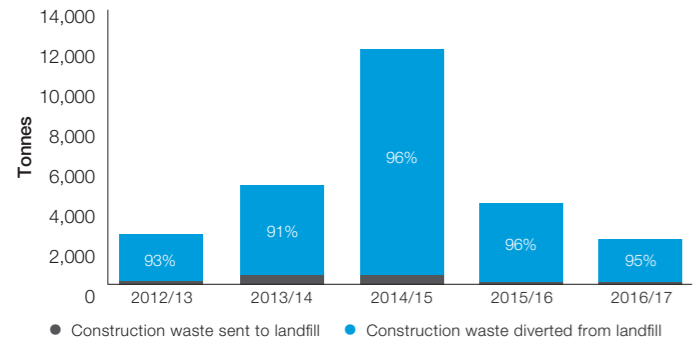
95%

Construction waste (tonnes)

	2012/13	2013/14	2014/15	2015/16	2016/17
Construction waste generated	2,628	5,160	12,199	4,247	2,350
Number of projects	5	6	9	8	10
Construction waste sent to landfill	183	475	497	149	125
Construction waste diverted from landfill	2,445	4,685	11,701	4,098	2,225
% diverted from landfill	93%	91%	96%	96%	95%
Avoided landfill costs (£)	156,469	337,296	936,100	338,528	187,791
Landfill tax costs paid (£)	11,702	34,223	39,780	12,270	10,508

Waste costs for 2016/17 are based on a landfill tax of £84.40 per tonne.

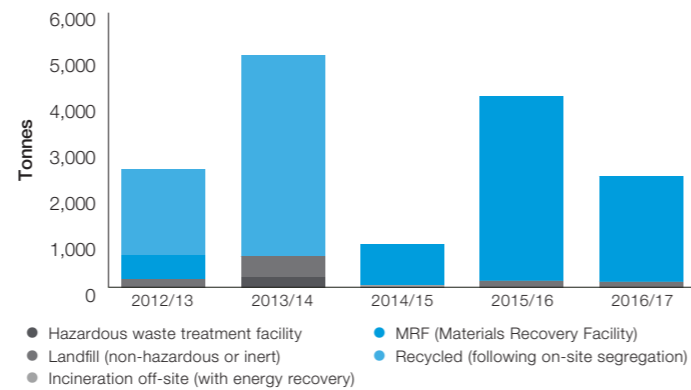
Construction waste generated (tonnes) and percentage diverted from landfill



Construction waste: Total weight of waste by disposal method (tonnes)

	2012/13	2013/14	2014/15	2015/16	2016/17
Hazardous waste treatment facility	0	225	0	0	0
Landfill (non-hazardous or inert)	183	475	12	149	125
Incineration off-site (with energy recovery)	6	0	37	0	0
MRF (Materials Recovery Facility)	516	0	907	4,098	2,350
Recycled (following on-site segregation)	1,922	4,460	0	0	0
<b>Total</b>	<b>2,628</b>	<b>5,160</b>	<b>956</b>	<b>4,247</b>	<b>2,350</b>
% Diversion from landfill	93%	91%	99%	97%	95%

Proportion of construction waste by disposal method (tonnes)

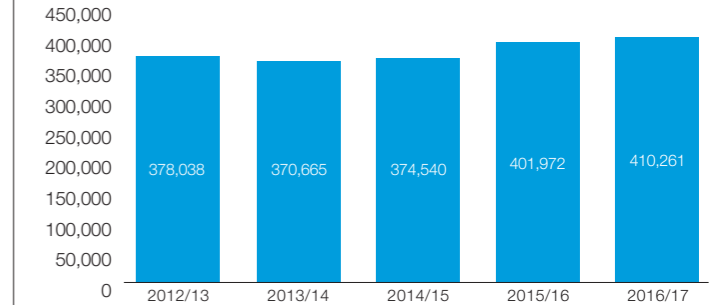


Water

The following data relates to our direct water consumption. Our Fit Out Guides for office and retail/leisure space encourage our customers to minimise water demand and to take opportunities for re-use on-site. They are also encouraged to set targets for water use and to specify water efficient sanitary equipment and fittings.



Absolute water consumption (m³)



As shown in the data above, water consumption increased by 3% in 2016/17. The variable accounting for most of the change across the portfolio is tenancy – higher water consumers taking space e.g. a gym and occupation of recently redeveloped property. Water audits have been undertaken at seven of our largest water consuming properties on the Regent Street portfolio. Recommendations on water saving opportunities and to ensure optimal water flow rate will be implemented in 2017/18.

In addition to the 410,261m³ of water consumed another 3,551m³ was harvested and consumed. Rainwater harvesting systems are in place at Tennyson House (Cambridge Business Park), Crowngate Shopping Centre (Worcester), 16 New Burlington Place (Regent St, London), 20 Air Street (Regent St, London) and One Vine Street (Regent St, London).

Absolute water consumption (m³)

	2012/13	2013/14	2014/15	2015/16	2016/17
Windsor	174,898	138,832	144,436	173,171	138,753
Central London and Regional portfolios	203,140	231,833	230,104	228,801	271,508
Percentage of properties with water supply to which data applies	100%	100%	100%	100%	100%
Number of Central London and Regional properties included in analysis	90	84	75	75	72
<b>Total water consumption</b>	<b>378,038</b>	<b>370,665</b>	<b>374,540</b>	<b>401,972</b>	<b>410,261</b>

## Ecology

We have been working in partnership with a number of stakeholders and other third parties to enhance ecology across our portfolio. Partners include The Wildlife Trusts, Natural England and landowners adjacent to our Central London portfolio. We realise that, particularly in urban areas, there is an increasing loss of biodiversity. Over Christmas, we hosted a popular series of fun-filled, wildlife awareness events, held in partnership with The Wildlife Trusts, across five retail and shopping parks. We are finalising guidelines for our managing agents to encourage planting of certain species of flora across our Regional Retail portfolio and through the Wild West End partnership in Central London. At Windsor Great Park, already home to significant numbers of species of flora and fauna, we have undertaken a study to see how we can preserve our ancient woodland and identify and increase the habitat of the rare violet click beetle. Windsor is one of only three sites where this elusive beetle is found in the UK.

Working with others, we have an opportunity to create ecological value that we could not achieve by ourselves and which not only enhances our natural resources but has many benefits for our own people, our customers and wider stakeholders.

Additional green space since 2012/13 baseline

2,634m<sup>2</sup>

### Wild West End

This is the ecological corridor we are creating in partnership with the London Wildlife Trust and others, along Regent Street (West End of London), linking St James's Park to Regent's Park. Working with adjacent landowners we are hoping to create a network of new greenspaces. The introduction of these amongst our historic buildings will enliven the area, enhance habitats, air quality and reduce the urban heat island effect. It will also increase flood attenuation and add to the health and wellbeing of our people, customers and visitors. All of these also ultimately bring benefits to our business.

A great example of how a little bit of investment and collaboration can increase the value of all of our capitals.

Our London Ecology Masterplan sets a long-term objective to achieve 10,000m<sup>2</sup> of valuable green space by 2030. This is to be achieved on new developments, existing buildings and through our public realm strategy. Works implemented, and being maintained, include the creation of over 90 pocket habitats and community gardens, involving the planting of sedum, herbs, olive trees, bee friendly plants, and the installation of bee hives (producing award winning honey), bird and bat boxes. Priority species being targeted are the black redstart, sparrow, peregrine falcon, stag beetle, buttoned snout moth and mistletoe. We have already seen a black redstart, a pied wagtail and goldfinch, and an additional species of bat.

All of our Regent Street occupiers are invited to join the Allotment Gardening Club. We have a gardener who visits throughout the season to help with gardening advice and we share weekly electronic gardening tips with members. The gardening club is currently growing tomatoes, salads, lavender, tarragon, sorrel, basil, lemon verbena, strawberries, carrots, beetroot, spring onions and radishes.



### Soil

Soil is an important natural resource, vital to protection of the long-term productive value of agricultural land. With the help of Business in the Community (BITC), we brought together representatives from our whole value chain (consumers, retailers, farmers, land-owners, water companies, Defra and the Environment Agency) to understand how we can help our customers farm more sustainably and improve soil quality. Through our stewardship programme we also joined forces with Innovation for Agriculture to host a series of free workshops for farmers on our Rural portfolio to explore how they can improve soil quality and to debate the pros and cons of different techniques. In support of this work we continue to insist that all new tenants have soil management policies in place and are encouraging existing tenants to do the same.

### Sites of Special Scientific Interest

We have worked hard over the years to improve and maintain the condition of SSSIs on our land and have been working to the Government target of achieving 50% in favourable condition and 95% in favourable or recovering condition, by 2020. However, the majority of SSSIs on our land are tenanted (sometimes multi-tenanted) and therefore we do not have direct control. In addition, sales and purchases of land with SSSIs in various conditions make it difficult to establish our status with regard to the target and to be effective over time. On that basis we have decided to apply the target to only those SSSIs where we have control, mainly at Windsor and at two or three other sites.

Our newest site is at Rushden Lakes, upper Nene Valley. In collaboration with Natural England and the Wildlife Trusts we have worked to change an area plagued by fly tipping, vandalism and only used for quad biking and anti-social behaviour into a great retail park with waterside restaurants, a new visitor centre for the Wildlife Trust and a canoeing facility.

Percentage of all SSSIs on our land in 'favourable' condition

38%

Percentage of all SSSIs on our land in 'favourable or recovering' condition

94%





## Our people and know-how

The individual skills, competencies and expertise of our people which collectively create value and provide us with competitive advantage.

**One of our four strategic objectives:**  
Nurture a high-performance culture and reputation as a great place to work.



Our people and their collective know-how are at the heart of how we deliver 'brilliant places through conscious commercialism'. As these two capitals are so inextricably linked they are reported upon together. The effectiveness of our expertise is demonstrated through our continued outperformance of the market and our bespoke benchmark. Our ability to know when, and where, to invest and disinvest; our proactive management style; strategic use of external expertise; and collaborative and customer-focused approach all combine to help us succeed.

Know-how is also linked to the way we work with our stakeholders over time which generates trust and reputation. In turn this enables us to attract and keep great partners and customers. Additionally, it is reflected in improved internal systems and processes, and typically measured by employee training and turnover KPIs. However, these have impacts on, and are impacted by, employee motivation, health and wellbeing, team spirit and sense of pride in the business they work in. The connections between our people and our know-how as capitals are many and complex.

### Context

With a staff of 444 (of which 168 are based at Windsor) we are a small team compared to the scale of our assets. We draw on our talented, professional and experienced people to turn our strategy into results and continue to deliver a strong performance. Our shared purpose, behaviours and core values play a great role in the way we do business.

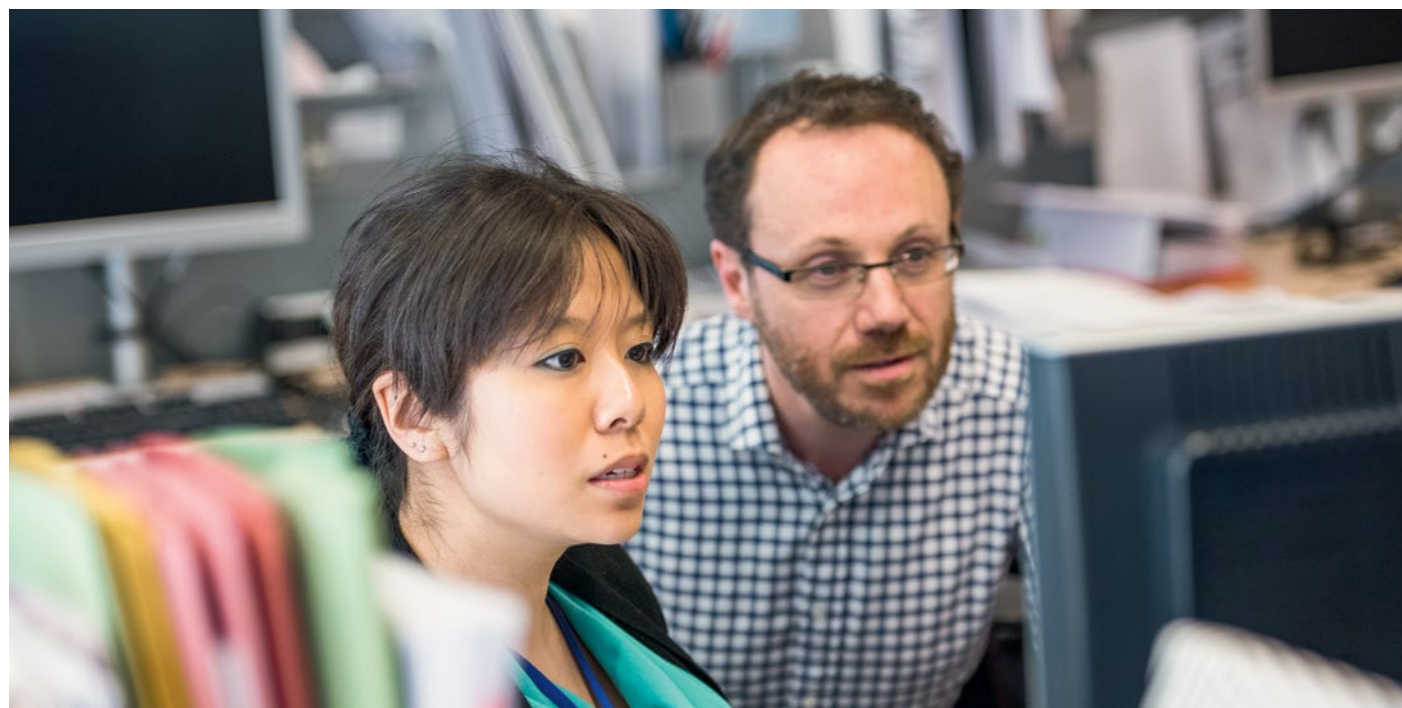
We're further strengthening the connections across our business through our move to a single floor at St James's Market. Adopting agile working we have lots of different types of modern working space, suitable for different types of task being performed and leading to productive discussion and collaboration.

The adjacent table gives an overview of our employee composition and operational base.

### Total workforce by employment type, employment contract and region

	2012/13	2013/14	2014/15	2015/16	2016/17
Total employees	456	458	458	457	444
Employment contract					
Full-time employees	420	425	425	416	409
As a proportion of total employees	92%	93%	93%	91%	92%
Part-time	36	33	33	41	35
As a proportion of total employees	8%	7%	7%	9%	8%
<b>Gender</b>					
Female employees	144	147	148	155	158
Number of females working full-time	122	126	127	132	134
Proportion working full-time	85%	86%	86%	85%	85%
Number of females working part-time	22	21	21	23	24
Proportion working part-time	15%	14%	14%	15%	15%
Male employees	312	311	310	302	286
Number of males working full-time	298	299	298	284	275
Proportion working full-time	1	1	1	1	1
Number of males working part-time	14	12	12	18	11
Proportion working part-time	4%	4%	4%	6%	4%
<b>Business area</b>					
Energy, Minerals and Infrastructure	74	78	70	61	54
Rural & Coastal	42	34	29	26	23
Central London and Regional	36	39	41	49	52
Windsor	193	191	187	176	168
Corporate functions	111	116	131	145	147
<b>Demographics</b>					
London	222	227	233	238	244
Windsor	193	191	187	180	168
Other offices in England	3	3	2	2	0
Scotland	38	37	36	37	32

Data is based on the average number of employees throughout the year.



Our behaviours

**We deliver.**  
We are enterprising in how we create value, as well as agile and considered in how we do business.

**We do the right thing.**  
We respect and are open and honest with each other and the people we work with.

**We take ownership.**  
We do what we say and tackle our work with spirit and commitment, empowering ourselves and others.

**We work together.**  
We work collaboratively with colleagues and partners, connecting people, ideas and opportunities.

Employees 'Proud to work for The Crown Estate'

94%

Nurturing a high-performing culture

We aim to nurture a high-performance culture, recognising that the individual skills, competencies and experience of our people create value and deliver our business objectives. Our purpose and values play a key role in our performance, particularly in the way they encourage innovation, creativity and growth. We look to our people to embody our values of commercialism, integrity and stewardship to create 'brilliant places through conscious commercialism'. In return, we offer a commitment to creating a workplace environment that enables our people to flourish and rewards high performance.

The results of our annual staff survey demonstrate how our employees feel about working for The Crown Estate. This year, 84% rated us a 'Great place to work' compared to the UK National benchmark of 79%. We use the feedback from the comprehensive survey to inform action plans for improvement during the year. Recognising the importance of the way we work with each other and external stakeholders, we include an objective for all employees within our performance management approach that requires consistent demonstration of The Crown Estate behaviours.

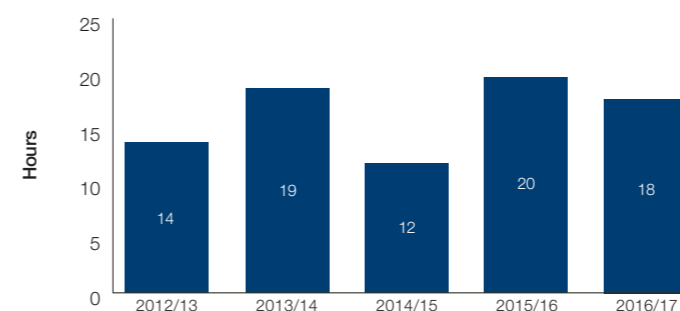
Learning and development

We recruit for talent, but also seek to develop our employees during their time with us. This year a key focus has been on developing our senior leaders through the 'Connected Leaders' programme which aims to build a more agile and customer-driven business. We will roll this approach out more widely within the business this year, with a greater focus on learning and development for all employees following identification of established development needs. Focus has also been on succession planning. Seventeen posts were filled by internal candidates over the year which helps to keep knowledge within the business and provides challenge, reward and motivation for those involved.

Employee training

	2012/13	2013/14	2014/15	2015/16	2016/17
Average hours of training per year per employee	14	19	12	20	18
Total hours of training	6,216	8,733	5,356	9,348	7,824
Total number of different training events	223	113	67	159	187

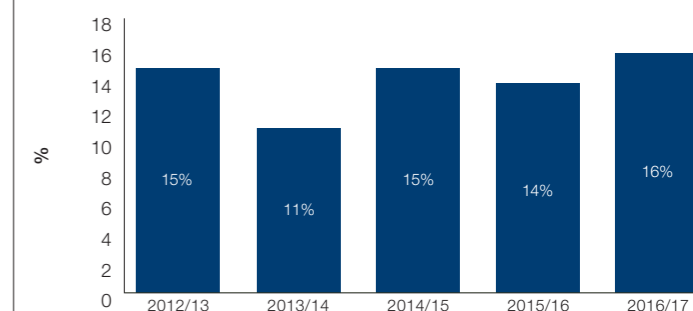
Average hours of training per year per employee



Employee turnover

Availability of skills and talent is something we consider carefully. It is important to have healthy turnover to bring in fresh talent and highlight training requirements of existing employees, to keep knowledge current. We monitor employee turnover year-on-year as it can be an indicator of trends and issues within the business. Too high a turnover can lead to a loss of continuity, experience and expertise, and can be an indicator of management issues which need to be addressed as a business.

Employee turnover (% of total employees)



Employee turnover

Total number and rate of employee by gender, age group, and region	2012/13	2013/14	2014/15	2015/16	2016/17
Total number of employees leaving during reporting period	68	50	71	65	70
Turnover rate (% of total employees) based on number of employees on the 31st March 2015	15%	11%	15%	14%	16%
<b>Gender</b>					
Female (number)	32	25	33	24	25
Male (number)	36	24	38	41	45
Female turnover rate (% of female employees)	22%	17%	22%	15%	16%
Male turnover rate (% of male employees)	12%	8%	12%	14%	16%
<b>Age</b>					
16-24	5	4	3	6	4
25-35	14	14	17	8	19
36-45	19	10	21	13	18
46-55	16	10	14	10	12
Over 56	14	11	16	23	17
Date of Birth Unknown	0	1	0	5	0
<b>Region</b>					
London	35	27	47	29	34
Scotland	0	7	3	7	27
Windsor	32	12	18	25	9
Other offices in England	1	3	3	4	0

Reward

We offer competitive reward packages, aligned to performance and benchmarked against comparable organisations in the relevant sectors. Our range of employee benefits include pensions, private medical insurance, enhanced maternity, paternity and parental leave, sick pay, cycle to work and season ticket travel loans, in addition to our flexible benefits platform which offers other voluntary benefits to support employee wellbeing and lifestyle.

We are proud to be the first UK-wide property company accredited as a Living Wage employer by the Living Wage Foundation. This commitment ensures that everyone directly employed by The Crown Estate, regardless of whether they are permanent employees or contractors, will receive a minimum hourly wage of £9.75 in London and £8.45 outside London, significantly above the new National Living Wage of £7.50 per hour.

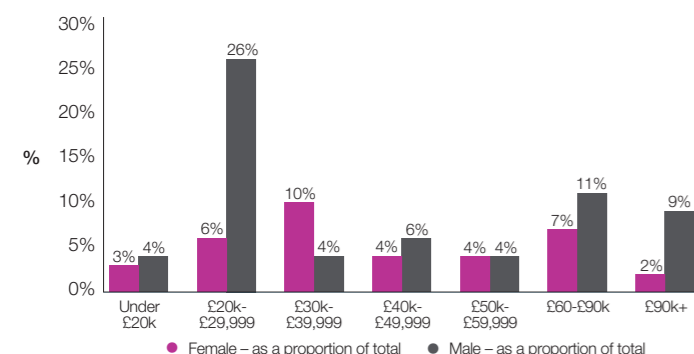
## Inclusion and diversity

We are committed to promoting greater diversity and inclusion across our business. We know this is fundamental to helping us attract talent, encouraging a more diverse representation of ideas, and supporting a healthier workplace environment which enhances the productivity of our people. This includes offering a range of family-friendly policies, including emergency care support, and undertaking awareness-raising around unconscious bias. Last year, we reviewed our equal pay approach and are satisfied with the results. In line with the new regulations we have undertaken Gender Pay Reporting as of 5 April 2017, and will be publishing our results online later this year.

### Total workforce by gender and salary

	Under £20k	£20-£29,999	£30-£39,999	£40-£49,999	£50-£59,999	£60-90k	£90k+	Total
Total	32	140	62	45	35	81	49	444
Female	15	25	43	18	17	29	11	158
Male	17	115	19	27	18	52	38	286
Female – as a proportion of total	3%	6%	10%	4%	4%	7%	2%	36%
Male – as a proportion of total	4%	26%	4%	6%	4%	11%	9%	64%
Female – as a proportion of salary band	47%	18%	69%	40%	49%	36%	22%	

### Employee salary ratios by gender 2016/17 (64% Male, 36% Female)Ⓞ



We continue to work collaboratively with industry groups and other organisations to share best practice regarding inclusion and diversity. This includes:

- A commitment to the RICS Inclusive Employer Standard
- Hosting mentoring and careers events to promote opportunities for individuals from less privileged backgrounds. For example, the Taylor Bennett Foundation, Reading Real Estate 'Pathways to Property' and the 'Into University' programme
- Supporting LGBT+ networking events including participation in the Stonewall Leadership and Role Models development programmes, in addition to the Stonewall Workplace Conference
- Support for organisations including Real Estate Balance and The Mentoring Foundation to promote development and progression of senior women in the sector
- Working with other companies in the real estate sector to develop recruitment standards to promote diversity.

### Female representation (as at 31 March 2017)

	2012/13	2013/14	2014/15	2015/16	2016/17
Female employees as proportion of total employees (%)	33%	32%	32%	34%	36%
Proportion of Board (Non-Executives, including CEO) who are female (%)	33%	25%	14%	20%	33%
Proportion of Executive Committee (employee executives, including CEO) who are female (%)	33%	43%	43%	29%	75%
Female employees paid more than £60k as a proportion of total female employees (%)	12%	13%	18%	22%	25%

## Wellbeing

We want our employees to lead a healthy life to increase their wellbeing. We believe that, in turn, this helps them to contribute sustained levels of high-performance in their job, enhancing our success. This offer includes health and wellbeing information events; access to health screenings; and medical consultations. Our health insurance cover, which is also available to purchase for family members, enables employees to access a 24/7 medical helpline for advice and support, and discounted online health and wellbeing offers. We have also introduced a mobile app to help our employees focus on mindfulness, nutrition, relaxation and fitness, and monitor their personal wellbeing goals. At both our London and Windsor offices we provide monthly, on-site, nurse walk-in clinics. Each of these initiatives is having a positive impact on sickness levels and performance.



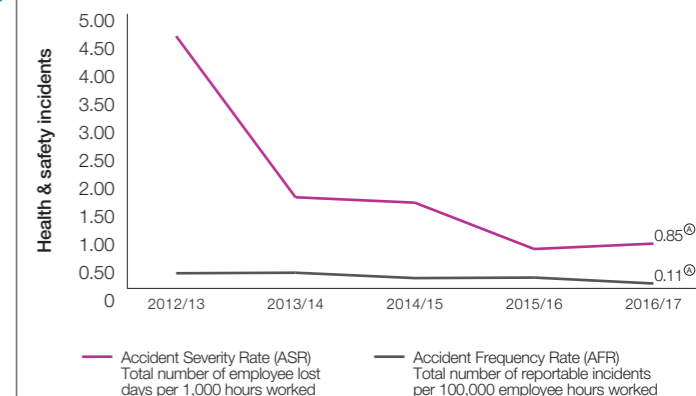
## Health and safety

### Outperformance of incident severity target

22%

Management of health and safety is an integral part of our business activities. We are committed to providing a high standard for our employees and those who enjoy the use of our assets. We demonstrate this through a combination of exceeding targets, including incident performance, and by targeting behavioural changes to drive continuous improvement. The overall performance for all of our portfolios has been very good, and PwC has provided assurance over selected indicators. We are accredited to OHSAS 18001 and this further demonstrates our commitment to maintain and continually improve standards. Given the unique range of risks we manage, it is difficult to identify an industry rate on which to base our improvement target. As a result, we have developed an incident severity score and the results are collated quarterly and annually. The target for 2016/17 was to achieve an incident severity score of less than 171.9. Our final score was 134, which is 22%Ⓞ better than the set target. Our accident frequency rate (AFR) was 0.11Ⓞ. The number of serious incidents that were reportable under RIDDOR was seven during 2016/17.

## Health and safety incidents



We have continued to emphasise the importance of culture and behaviours across the business and our supply chain. This includes a bespoke behavioural safety programme at Windsor Great Park and specialist forums with our consultants, contractors and managing agents. We are also a Client Partner of the Considerate Constructors Scheme which aims to promote best practice and raise standards across our construction sites. Employees are surveyed annually and we continue to see an improving trend in relation to health and safety behaviour, culture and attitudes.

## Volunteering

This year, volunteering numbers rose again as 217 people volunteered for a total of 1,554 hours, a 95% increase on 2015/16 hours, largely driven by the Windsor 'Great Estate Tidy'. We have actively promoted volunteering and intend to offer more 'employer-supported' opportunities with stronger connections to what we do. Apart from the Windsor activity the most popular opportunities remain those serving lunch at The Connection, St Martin-in-the-Fields, to the homeless (60 of us gave 280 hours to serve 5,000 lunches) and beach cleaning (over 60kg waste collected).

### Employee volunteering

	2012/13	2013/14	2014/15	2015/16	2016/17
Number of staff volunteering	82	52	63	95	217
Total no. staff	456	458	458	457	444
Proportion of staff volunteering	18%	11%	15%	21%	49%
Number of volunteering hours	658	391	433	797	1,554



## Our networks

The relationships we have with our customers, partners, government and the communities in which we operate are central to creating brilliant places. We have a large and diverse group that makes up our networks; and it is by listening and building strong relationships that we enhance customer service and earn goodwill and trust.

**One of our four strategic objectives:**  
Build ever stronger relationships through high levels of customer and partner satisfaction, loyalty and recommendation.

## Customer experience

Our strategic objective on customer and partner satisfaction has been refocused with a much sharper emphasis on improving customer engagement and loyalty. We have a dedicated Head of Customer Experience, who has set out a top-line strategy, which includes annual surveys, enabling us to benchmark our performance. We have achieved a customer satisfaction rating of 79% (on almost 700 surveys), ahead of the Institute of Customer Service (77.8%) and in the top quartile for the real estate sector. There has been a significant cultural shift internally, with each portfolio developing a customer service action plan, including an improved approach to handling complaints. We still have much more to do to ensure the highest levels of customer experience, including closer alignment with our managing agents. This has already begun through sharing our approach to customer experience and increasing their dedicated resource. Next year, we will be launching our customer service promises externally and rolling out additional training for our people. We want to be a company that builds deep and long relationships with our customers – delivering high quality space in world-class locations in an informed, responsive and flexible way.

### Working in partnership with, and alongside, our customers

We work with our customers to understand their business needs and provide flexibility in our relationships, which are quite different across our diverse portfolio. Crucial to our Central London retail strategy is working with customers to provide what they need to run a successful business, sometimes bigger space or space with allows an experience for their customers. Our enhancement of the area with public realm improvements (see page 5) and the closing of Regent Street to traffic for our Summer Streets programme helps to attract shoppers for our customers and increase time spent in the area.



### Office occupiers

Demand continues for our high quality office space and we want to continue to optimise the provision of space to customers. We are working to ensure that the handover from the construction stage to operation and occupation becomes smoother and results in a better service for the customer at that early critical stage. This involves both the development and facilities management teams being involved from design through to occupation of the building. The benefits of adopting this approach will be measured and realised through customer and occupant satisfaction, and should result in the reduction of energy and water consumption.

Also, joining forces with the Architect's Journal, we launched a competition where entrants were asked to consider the workplace of the future. For us this means embracing innovative architectural design and a better understanding of our customers' needs. With this in mind we have been working with Arup on a detailed piece of research into the effect of building performance on user wellbeing, health and perceived productivity in the workplace, with one of our customers. The study has produced recommended actions for both us and our customer and the findings have been fed into the UK Green Building Council (UK-GBC) 'Wellbeing Lab' initiative.

### Customer satisfaction rating across the whole portfolio

79%

### Offshore

We know that it is vitally important that we clearly articulate our role offshore and that our customers understand how we can add value and overcome common challenges in this industry. We have been doing this for a number of years, through investing in the development of Round 3 to initiatives like SPARTA (System Performance, Availability and Reliability Trend Analysis), which helps industry benchmark data to boost performance. The time we have spent investing in relationships with our customers has proven to be fruitful as this year 84% of our customers rated their overall satisfaction as good to excellent, which represents a 15% increase on the previous year.

### Rural

Across our Rural portfolio, our focus is on understanding our tenants' business interests so that we can invest in programmes of mutual business benefit. We benefit from moving our farm tenants on to more commercial terms, and recognise that the best way to do this is by helping ensure that they have sustainable and profitable businesses. We have deployed capital into research and training programmes, focusing on issues such as soil management. The health and quality of our soil is critical to long-term performance. We have delivered workshops with our tenants and introduced new lease terms to help ensure best practice in soil husbandry. Alongside the great customer experience we work to give at Windsor in terms of its natural beauty, our visitor wardens offer a service, often beyond the call of duty, in meeting the need of those requiring first aid or other help when faced with an accident or incident.





## Wider stakeholder engagement

It is important that we have strong relationships with key politicians at a national, devolved and local level, and that they understand what we do and our commitment to doing business in a way that reflects our values. Due to the breadth and geographic spread of our portfolio, we engage with a great number of political stakeholders across the UK. These include some 160 constituency MPs who represent the seats where we hold and manage assets, as well as MPs with policy interests in our sectors. In our Central London portfolio, we have also seen a change in leadership at both the GLA and Westminster City Council which has driven further engagement to build new relationships.

We are also continuing to build a better understanding of stakeholder views on our role and our work. Our second detailed survey of more than 100 of these stakeholders across national, devolved and local government, revealed a favourability score of 64%. This was weighted to reflect the proportional values of our portfolios publication for the first time, and will inform our decision-making, material issues and future engagement.

We put a premium on community consultation throughout our asset management and development activity, enabling local residents to inform and help shape our proposals as they progress through the planning process. For example, at Hemel East we have established a regular community forum as part of the consultation process for a strategic land scheme.

This year, we have held a number of events to complement our consumer-focused activity across our Regional Retail portfolio to engage local people and partners. These have included: working with a local school near Banbury Gateway Shopping Park to create a new public art attraction; holding a launch event for Silverlink Point, North Tyneside; hosting jobs fairs in Fosse Park, Leicester; and unveiling a new landscaped walkway with local flora and fauna to reconnect CrownGate Shopping Centre with Worcester's historic centre.

Summer Streets is a range of initiatives, in partnership with Transport for London, aimed at improving the overall customer experience. On every Sunday in July, Regent Street is traffic-free, and customers are able to enjoy a range of games, pop-ups, live music and food and drink offers from the Street's restaurants and bars. Elsewhere, we are creating more permanent space for pedestrians, and have worked with Westminster City Council this year to widen pavements on Regent Street.

## Stewardship programme initiatives

The Stewardship programme is an innovation platform which allows us to test and de-risk ideas that add value to the business and generate wider positive environmental and social impact in the communities where we operate. We work in partnership, strengthening our relationships across our core sectors.

Over the past year we invested over £1.1 million in projects (including £72k of employee management time). As a result of that investment, the programme delivered 35 projects with 89 delivery partners, assisted 114 people into employment, engaged with 14,810 people in communities where we work, trained 817 people and created 2,889m<sup>2</sup> of green space.

A number of stewardship programme projects have been referred to throughout this report. Examples of those relating specifically to our networks include:

- **Beach Cleans:** supporting annual national autumn beach cleans assists us in managing our foreshore for the benefit of the public, contributes to the reduction of marine litter and provides good statistical data for the 2020 EU Water Framework Directive 'good environmental status'. 18 tonnes of marine litter was removed from the UK coastline by 8,123 volunteers in 2016.
- **ReStart:** this project offers intensive support to unemployed Westminster residents who are homeless or at risk of homelessness to find jobs and provides job-ready candidates to our customers whilst also helping to reduce homelessness on our Central London assets. This project assists local charities in tackling homelessness and enhances our Recruit London programme.
- **Unlocking Property:** this popular project aims to widen diversity within the professions we rely on as a business by putting property careers on the agenda for young people who otherwise would never consider the industry as a possibility. Over two work experience weeks, an outreach event and mentoring, our colleagues spend time with students from diverse ethnic groups. They inspire them with their own success stories in the range of different professions they operate within.

The true value of the programme is reflected in what we achieve, through project outputs and, over the longer term, impact. Although still in its infancy, we have developed a reporting impact platform which, over time and as more evidence and data is collected, will reveal the long-term impacts of our stewardship programme.

Further information on these projects and many more can be found at [thecrownestate.co.uk/stewardship-programme](http://thecrownestate.co.uk/stewardship-programme).



## Supplier payments

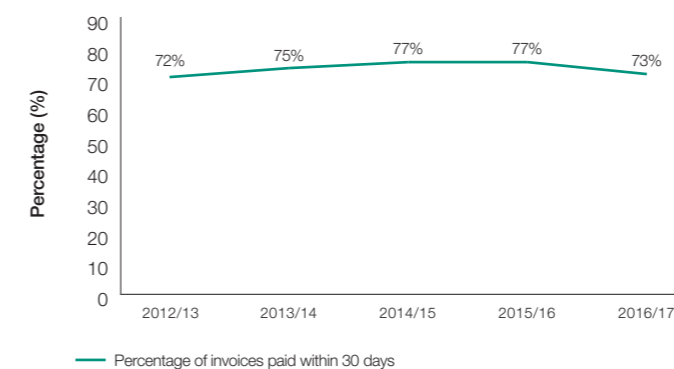
Alongside the positive points we make with regard to our various stakeholders, we are aware that there are things that we do not always do so well. One KPI we monitor is our supplier payment rate. We aim to pay our suppliers within 30 days of receipt of a correctly documented invoice, or on completion of a service where a fee is recoverable from a third party, or in a shorter period according to contract. We observe the principles of the Better Payment Practice Code. Over the past financial year, we paid 73% of suppliers within the target period. On average, suppliers are paid within 32 days of receipt of an invoice.

### Supplier invoice payment

	2012/13	2013/14	2014/15	2015/16	2016/17
Total invoices paid	37,749	43,002	42,060	39,741	34,343
Percentage of invoices paid within 30 days	72%	75%	77%	77%	73%
Average time taken to pay suppliers (days)	34	30	29	26	32

The figures include invoices under dispute and amounts recoverable from third parties. On average invoices are paid within 30 days of receipt.

### Supplier invoice payment



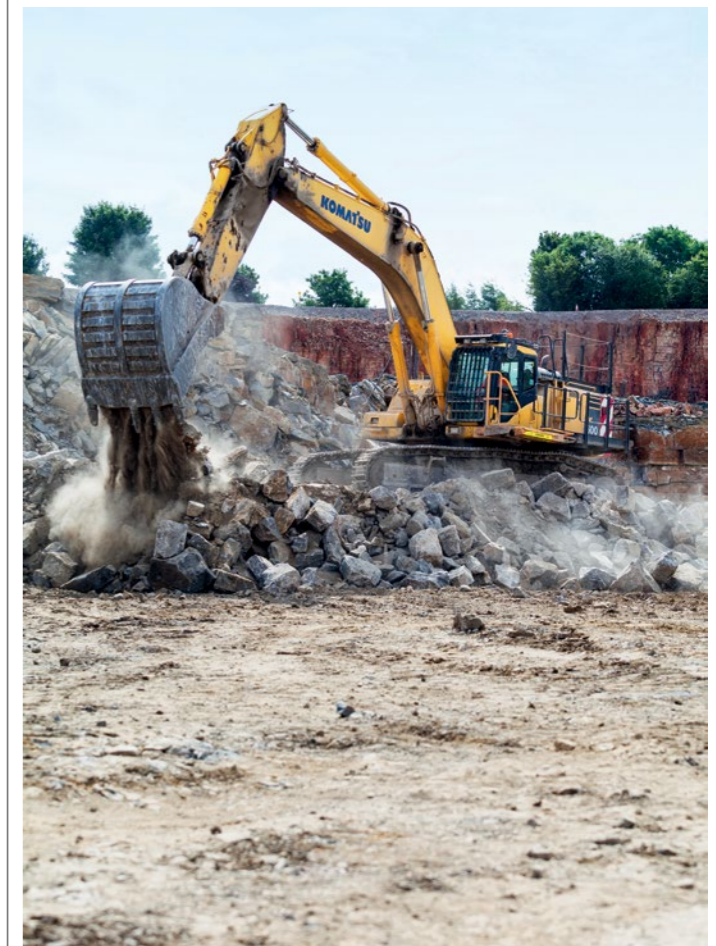
## Modern Slavery Act

Following the enactment of the Modern Slavery Act 2015, we have a legal obligation to outline how we prevent slavery and human trafficking occurring within our business or the organisations we do business with. We take this obligation extremely seriously and have put in place processes to ensure we can demonstrate to our stakeholders that slavery and human trafficking do not occur within our workplace and supply chain. For further details on how we are complying with the Modern Slavery Act, please see: [www.thecrownestate.co.uk/modern-slavery-act](http://www.thecrownestate.co.uk/modern-slavery-act).

We adhere to all applicable laws in the UK, including those relating to human rights and employment. For our supply chain, which stretches beyond the UK, we are committed through our contractors and business partners to operate in accordance with the Universal Declaration of Human Rights (UDHR), the International Labour Organization (ILO) Core Conventions, and the Guiding Principles on Business and Human Rights endorsed by the United Nations Human Rights Council. We are not aware of any breaches during the year.

## Charitable donations

Under the terms of the Crown Estate Act 1961 we are restricted in our ability to make charitable donations. As permitted by section 4(2) of the Act we made donations during the year of £5,540 (2015/16: £5,600).



For queries or  
more information

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**Contact:**

Jane Baptist  
Deputy Head of Sustainability  
[jane.baptist@thecrownestate.co.uk](mailto:jane.baptist@thecrownestate.co.uk)

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**London**

The Crown Estate  
1 St James's Market  
London  
SW1Y 4AH  
T 020 7851 5000

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**Windsor**

The Crown Estate  
The Great Park  
Windsor, Berkshire  
SL4 2HT  
T 01753 860 222

[thecrownestate.co.uk](http://thecrownestate.co.uk)

@TheCrownEstate