

A year in review
2020/21



THE CROWN
ESTATE



WHO WE ARE

The Crown Estate is a unique business with a diverse portfolio that stretches across the country.

As active owners and managers of land and seabed, around England, Wales and Northern Ireland, we seek to leverage our scale and convening power to make a meaningful difference. This mandate is captured through our new purpose, 'to create lasting and shared prosperity for the nation.'

Our purpose is guiding our ambitious new strategy which establishes the broad impact we want to have, ultimately delivering a combination of financial, environmental and social value for our stakeholders.

The Crown Estate Act of 1961 established us as an independent commercial business and over the last 10 years we have generated £3.0 billion for the benefit of the nation's finances.

OUR GROUP

Over the last financial year, the pandemic has continued to test the resilience of our business and accelerated the pace of change. During this period we have worked increasingly closely with our broad range of customers and in particular those most in need of our support. COVID-19 is one of several factors impacting our business, which in turn have informed the strategic review undertaken over the last year. This includes the restructuring of our business from 1 April 2021 into a single Group comprising four Strategic Business Units: London, Regional, Marine and Windsor & Rural alongside a number of Group functions such as Customer, Digital, Innovation and Sustainability. By operating as a Group we can leverage our scale and national footprint to create value beyond the sum of our parts.



LONDON

With a portfolio spanning 10 million sq ft, we are one of the West End's largest property owners. Comprising Regent Street and around half of St James's, our offer extends across the workplace, retail, dining, leisure and residential sectors. Our challenge is to become an urban renewal leader and support the rebuild of London post COVID-19, to ensure it maintains its relevance as a global city.



MARINE

As the manager of the seabed, and half the foreshore, around England, Wales and Northern Ireland, we play a key role in enabling the UK's offshore wind industry, and facilitate the development of sectors such as cables, pipelines, CO₂ storage, and marine aggregates. We work in partnership with our customers and stakeholders to help the country optimise the economic, environmental and social potential of the marine environment, supporting its long-term sustainable development.



REGIONAL*

Our Regional portfolio has a broad range of assets that includes retail and leisure destinations, as well as industrial and business parks. We also have a significant holding of mixed-use and strategic land opportunities. Our focus is on supporting economic development through reshaping and activating our portfolio for the long term.



WINDSOR & RURAL*

The Windsor Estate extends to over 16,000 acres and is a working rural estate including forestry, horticulture, tourism, residential and commercial property activities. We also hold over 125,000 acres of farmland across England, and more than 50,000 acres of upland and Commons interests across Wales and Cumbria. We are reviewing our rural holdings to assess both its potential for broader value and as an opportunity for environmental and ecological best practice.

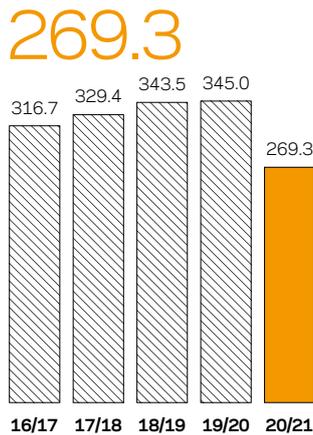
*In this year's Annual Report our rural holdings are reported as part of Regional, reflecting the organisational structure in the year under review.

OUR YEAR IN NUMBERS

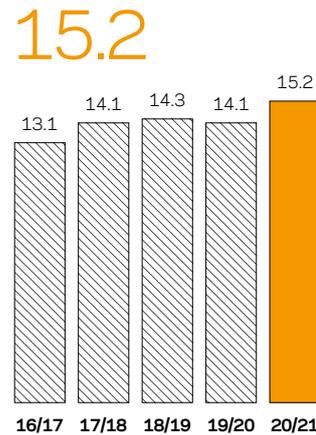
Financial, environmental and social highlights
for the year ended 31 March 2021

FINANCIAL

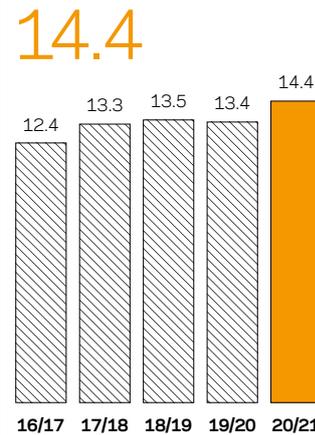
Net revenue profit (£m)



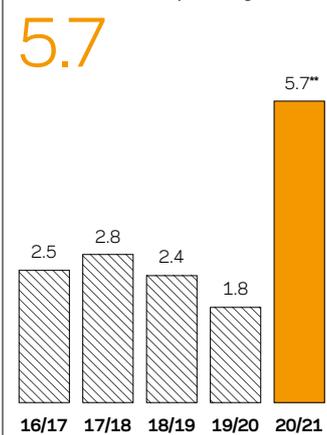
Net assets (£bn)



Total property value (£bn)



Total return* (percentage points) Outperformance of our MSCI benchmark on an annualised three-year rolling basis.



*As previously reported
**Includes impact of Offshore Wind Leasing Round 4

Revenue by portfolio 2020/21

£486.9m

-6.3% (2019/20: £519.4m)

Portfolio	Revenue*	% of whole
London	£228.1m	46.8
Regional	£125.5m	25.8
Marine	£120.8m	24.8
Windsor Estate	£12.5m	2.6
Total	£486.9m	100.0

Property value by portfolio 2020/21

£14.4bn

+7.5% (2019/20: £13.4bn)

Portfolio	Value	% of whole
London	£7.7bn	53.4
Regional	£2.3bn	16.0
Marine	£4.1bn	28.5
Windsor Estate	£0.3bn	2.1
Total	£14.4bn	100.0

ENVIRONMENTAL

Year-on-year reduction in carbon emissions intensity

34%

(2019/20: baseline year)

Cumulative operational offshore wind capacity

9.61GW[△]

(2019/20: 9.31GW)

SOCIAL

Customer satisfaction rating

86%

(2019/20: 83%)

Employee engagement 'Great place to work' score

84%

(2019/20: 86%)

Carbon emissions avoided as a result of offshore wind renewable energy generated

14.1m tCO₂

(2019/20: 13.1m tCO₂)

Operational waste recycled

73%

(2019/20: 55%)

Outperformance of our Health and Safety Incident Severity Score target

19%[△]

(2019/20: -31%)

Number of unemployed people gaining employment through our Recruit Regional programme

88

(2019/20: 154)

*Excludes service charge income of £33.9m (2019/20: £44.1m)

[△] Independent limited assurance (see inside front cover)

Note: All financial figures are presented on a proportionally consolidated basis. Balance sheet-related items are as at 31 March of each year.

CHIEF EXECUTIVE'S REVIEW



Dan Labbad
Chief Executive

A pivotal year

“I hope that when we look back at this time it will be seen as a pivotal moment. One where we took the time and care to understand the needs of the world around us and the unique contribution we could make.”

Dominated by COVID-19, this past year has continued to test our individual and collective resilience. While we hope that we are now beginning to enter a new phase with fewer restrictions, we are deeply aware that there is no ‘return to normal’.

This is a selection of extracts from the Chief Executive’s review in our full 2020/21 Annual Report and Accounts.

Read the full version at:
[thecrownestate.co.uk/
Annual-Report-2021](https://thecrownestate.co.uk/Annual-Report-2021)

Alongside the ongoing challenges of managing the pandemic, COVID-19 has accelerated or thrown into sharper focus longer-term trends, including technological disruption, accelerating consumer demand, innovation, socio-economic inequality and climate change. It is clear that an increased level of uncertainty and instability is here to stay.

The health, safety and wellbeing of people has continued to be at the heart of our COVID-19 response. Alongside this, supporting our customers – especially in retail, leisure and dining – who have experienced severe operational and economic challenges, has been another key focus of the year. As a result, recognising our interdependence, we have worked more closely with our customers than ever before, seeking to help those businesses where we can make the most meaningful difference.

Our purpose and strategy

At the beginning of 2020 we began a deep review of our purpose and strategy to respond to the longer-term trends impacting our business and ensure that we could better adapt to ongoing change. This recognised that the same things that had underpinned our achievements to date would not be the things that ensured our success for the future. In fact, without deep and wide-ranging change, parts of our portfolio would risk obsolescence, high volatility and a muted forecast for growth. We would also risk undermining trust and legitimacy with our customers and stakeholders.

In summary, by working together with our stakeholders we will harness the powerful attributes that are unique to our business, rising to the challenges and opportunities before us to ensure we deliver broader social, environmental and financial value for our customers, stakeholders and the nation, wherever we operate, for many years to come.

This mandate is encapsulated through our new purpose, ‘to create lasting and shared prosperity for the nation’. This will be our ‘north star’ for the years to come and is guiding our ambitious new strategy which will continue to evolve as required and see us drive fundamental change in the way we operate to galvanise our impact around three key areas:

- Being a leader in supporting the UK towards a net zero carbon future
- Helping to create thriving communities and renewing urban centres in London and across the UK
- Taking a leading role in stewarding the UK’s natural environment and biodiversity.

Through a relentless focus on our customers, we will reset the way we work to deliver impactful outcomes for them – particularly based on deep insight, enhancing our digital capabilities and building strong relationships at all levels. This means in addition to getting the basics right, we will empower our people to innovate to deliver new products and services that enhance productivity, meet changing demands and evolve with our customers. This approach will help customers achieve success, at the same time as enabling us to strive for equality of outcomes and opportunities as we create value for the communities in which we operate.

To enable this, we are reshaping how we organise ourselves. Central to this is operating as a single Group business, comprising four Strategic Business Units: London, Regional, Marine and Windsor & Rural. As well as reviewing our systems and processes, we are undertaking a restructure across much of the business to improve our ways of working and bring in new skills and capabilities.

All of this is underpinned by our values, which we have evolved to help bring our purpose to life through our actions and behaviours, setting out what our customers and stakeholders can expect from us.



Read more about our purpose and strategy in our Integrated Annual Report and Accounts 2020/21

Our performance

For the financial year 2020/21, we made a net revenue profit of £269.3 million which, as expected, represents a 21.9% decline on 2019/20. This means our average growth on a three year rolling basis has declined by 6.5%, 10.5 percentage points below our target of 4% growth.

We announced the outcome of the Offshore Wind Leasing Round 4 (Round 4) bidding process earlier this year, (read more on pages 31 and 37 of the full 2020/21 Annual Report), and as a result are now holding £879 million of customers' cash deposits – equivalent to one year's option fee income. We will begin to recognise this income when our customers take up their options, which is predicated on successful Habitats Regulations Assessment approval – a process that is expected to take around one to two years. We have attributed a value to Round 4 for the first time this year, which has caused our capital value to increase at a time when commercial property values have been falling.

The value of our total portfolio has increased from £13.4 billion to £14.4 billion a 7.5% increase. Our 12-month total return is 11.9%, outperforming our annual MSCI bespoke total return of -2.9%. On a three-year rolling basis, it is 6.0% against our MSCI bespoke benchmark of 0.3%. If we exclude the impact of Round 4 our 12-month total return would have been -3.2%, 0.3 percentage points below the annual MSCI bespoke benchmark.

This £1.0 billion increase in assets is driven by two primary events. Our Marine portfolio has increased in value by £2.1 billion primarily as a result of valuing Round 4 for the first time. The relatively modest valuation in relation to the option fee income reflects cautious assumptions around future cash flows, which may manifest through increased volatility in future income and capital values. Offsetting this is a £1.1 billion decrease in capital values, predominantly as a result of the performance of our retail assets across our London and Regional portfolios, as the pandemic has accelerated structural trends in these markets. Uncertainty in the occupational markets going forward may introduce further volatility into both our income statement and capital values, at least in the short term.



Read more about our performance in our Integrated Annual Report and Accounts 2020/21

Our net zero ambition

The pandemic has taught us that stability is precious. And nothing threatens that more than climate change. As a generation, we are fortunate enough to still have the opportunity to mitigate the impacts of climate change on our collective future, and we therefore have to act and lean into this challenge.

In December 2020, we outlined our commitment to become a net zero business by aligning to the 1.5°C goal of the Paris Climate Agreement, with a target to become a net zero carbon business by 2030, and climate positive thereafter.

Alongside decarbonising our property portfolio and looking at how we can better utilise our extensive land interests, we are also seeking solutions to restore the natural world by providing and protecting habitats. This is especially important given our dual role on and offshore.

While this will be far from easy, we are holding ourselves to account to ensure we turn over every stone and relentlessly use our business and influence to give ourselves the best possible chance to achieve this ambitious target. Our strategic review has enabled us to weave this commitment through everything we do. This challenge is a collective one and working with others to find creative solutions will be integral to our response.



Read more about our net zero ambition in our Integrated Annual Report and Accounts 2020/21

Conclusion

I hope that when we look back at this time in the decades to come it will be seen as a pivotal moment for The Crown Estate. One where we took the time and care to understand the needs of the world around us and the unique contribution we could make.

If the last year has taught us anything, it's that challenge and uncertainty are the new normal. As we move forward aligned to our new purpose, we take strength from our deep foundations rooted in a rich history, backed up by a diverse portfolio, strong capital base and wealth of talent across the business along with the wide-ranging community of stakeholders we have the opportunity to work with. The Crown Estate is unique, and it is our long-standing ethos of purpose and service that knits the organisation together across its full breadth of activity. This position of strength is both a privilege and a huge opportunity. It is our duty to seize this and play our part in creating lasting and shared prosperity for our customers, the nation and future generations.

OUR GROUP STRATEGY

An ambitious new strategy that is responsive to the changing market

The case for change

The world around us continues to change rapidly – the impact of technology, digital disruption, economic inequality, changing consumer behaviour, and the dual threats of climate change and biodiversity loss – are all having a profound impact on us, our customers and society. COVID-19 has served to amplify these changes, read more in Our changing markets on pages 10-11 of the full 2020/21 Annual Report.

Creating holistic value

Over the course of the last year, alongside redefining our purpose, to create lasting and shared prosperity for the nation, and values (see pages 4-5 of the full 2020/21 Annual Report), we have undertaken a comprehensive strategic review.

We have set out an ambitious new Group strategy that is responsive to the changing external environment, builds on our unique offer, and establishes the broad financial, environmental and social impact we want to have (read more on pages 7-8 of this document). Its principles are set out below and over the coming year we will define a set of key performance indicators to measure our success in its delivery.

Drawing on what makes us unique

We know we are best placed to create value by building on what makes us unique. We will draw on these attributes to drive opportunities to create broad value across our operations.

As a commercial entity sitting between the Sovereign and the Treasury, we have a unique status which creates valuable differentiators. These are:



Trusted brand
and reputation



Independence
and simplicity
of role



Power to
convene
and catalyse



Our ownership



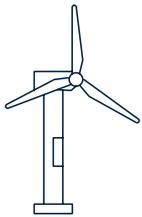
Long-term view

We will focus our strategy on serving national needs where we see a role for us and clear positive momentum

Each of our Strategic Business Units has a new and ambitious role to play in delivering our Group strategy.

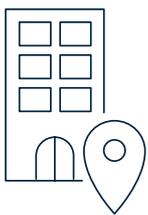


Read more about our Group in our Integrated Annual Report and Accounts 2020/21.



Be a leader in supporting the UK towards a net zero carbon future

- Align our business to a zero carbon trajectory and decarbonise our portfolios
- Support the adoption and scale-up of net zero technologies such as offshore wind and the growth of green supply chains.
- Maximise the UK's opportunity offshore through enhancing our marine resource management role and work with stakeholders to develop a net zero roadmap offshore



Help create thriving communities and renew urban centres in London and across the UK

- Identify potential partnerships to help create urban centres and communities that are diverse, sustainable and inclusive
- Help renew London's iconic centre and support the changing needs of its population and visitors
- Invest in and activate industries and supply chains where we operate
- Provide economic opportunities and promote education, training and skills through our activities.



Take a leading role in stewarding the UK's natural environment and biodiversity

- Create sustainable solutions in areas of potential stress, such as the seabed
- Redefine best practice in biodiversity for urban development and renewal.
- Innovate and educate using our unique holdings and relationships, bringing best practice to our portfolio and beyond

Aligned with our values, across all of our activities, we will strive for equality of outcomes.

OUR BUSINESS MODEL

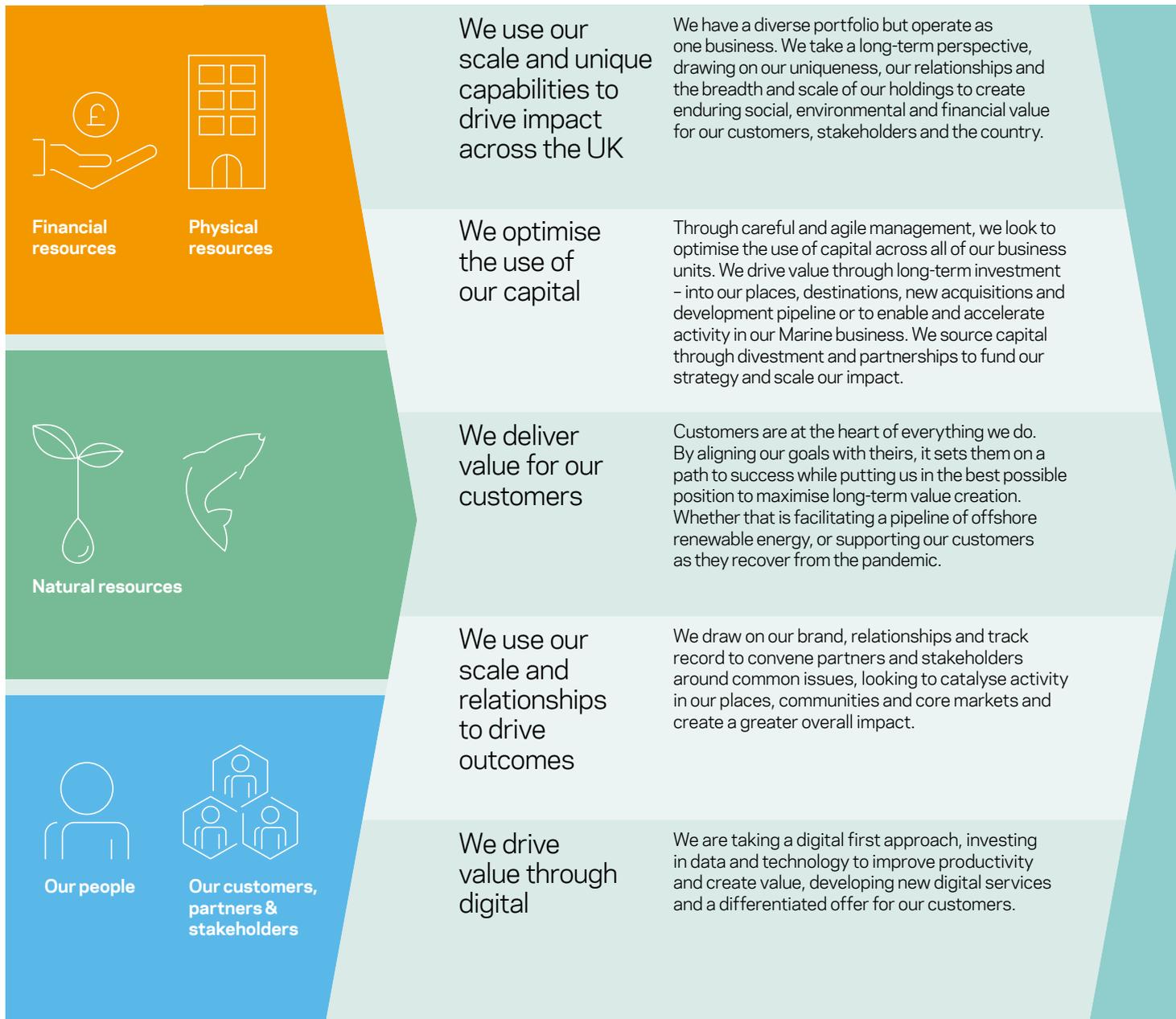
Our business model articulates how we deliver our strategy, setting out what we do to create value

WHAT WE RELY ON

We have identified five different resources and relationships which we draw on to create value. We rely on these as vital inputs into our business model and are constantly transforming them through our activities.

WHAT WE DO

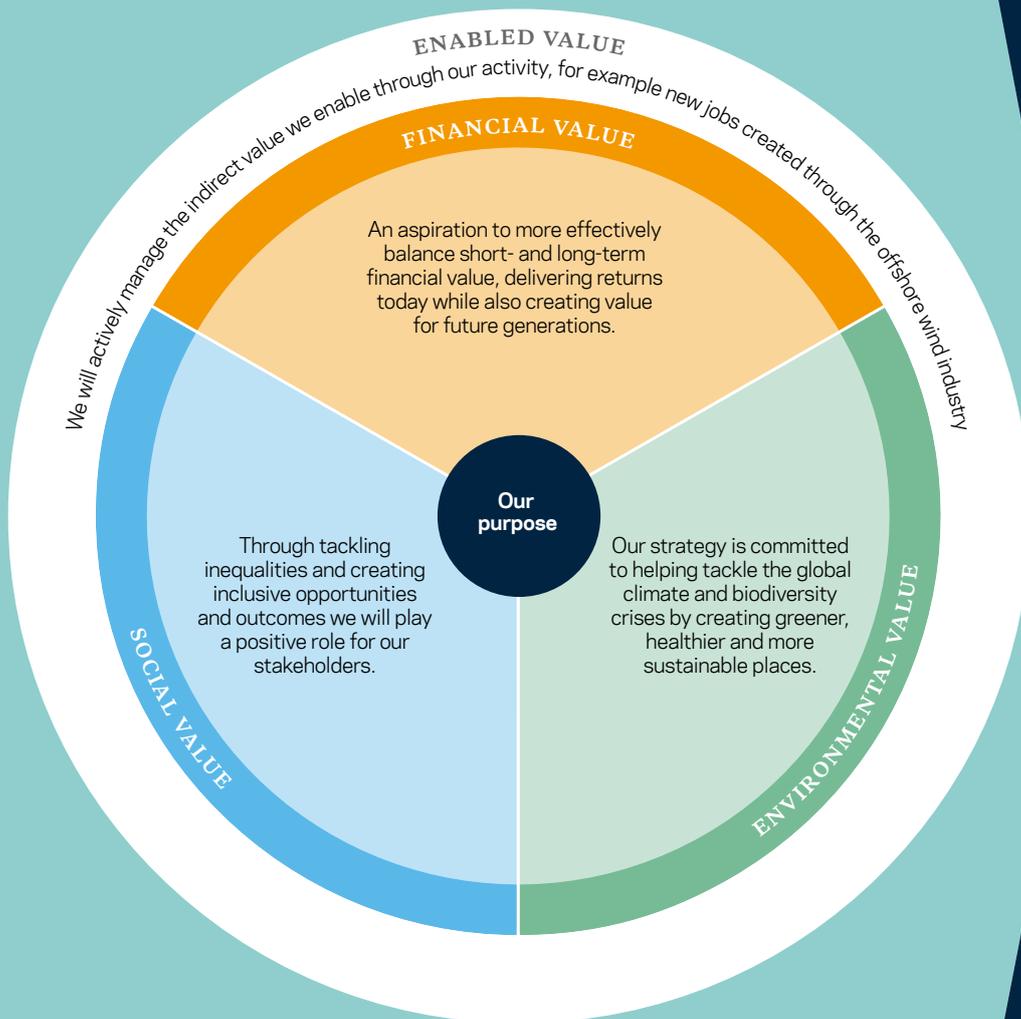
We are active owners and managers of land and seabed around England, Wales and Northern Ireland.



THE VALUE WE CREATE

Over the last year we have begun to develop a new framework which allows us to set out and measure the direct financial, environmental and social value we wish to create, alongside the wider value we can enable, in pursuit of our purpose: our Value Creation Framework.

We will be using emerging ESG (Environmental, Social and Governance) best practice to validate the measures that we will be reporting against.



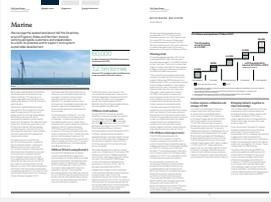
To create lasting and shared prosperity for the nation

Read more in Our purpose on pages 4-5 of our full 2020/21 Annual Report

FIND OUT MORE

This document contains extracts from The Crown Estate's Annual Report 2020/21. You can find the full report at: thecrownestate.co.uk/Annual-Report-2021, with links to some of the key sections below.

BUSINESS REVIEWS

MARINE	LONDON	REGIONAL	WINDSOR & RURAL
			
<p>We manage the seabed and about half the foreshore around England, Wales and Northern Ireland, working alongside customers and stakeholders to unlock its potential and to support its long-term sustainable development.</p>	<p>With 10 million sq ft of office, retail, dining, leisure and residential space in London, we are one of the West End's largest property owners, with a diverse customer base.</p>	<p>Our Regional portfolio comprises 17 retail and leisure destinations, and a significant holding of rural and strategic land across the country, as well as office and industrial assets.</p>	<p>The Windsor Estate is an important part of our business which speaks to the biodiversity and stewardship of our Group.</p>
 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>

KEY SECTIONS

ENVIRONMENTAL REVIEW	SOCIAL REVIEW	FINANCIAL REVIEW	RESPONSE TO COVID-19
			
<p>Faced with the inextricably-linked, twin environmental crises of climate change and diminishing biodiversity, we commit to making every effort to play our part in helping to address these challenges.</p>	<p>Alongside our financial contribution to the nation, doing the right thing for the people we work with and the communities in which we operate, has been a long-held Group objective.</p>	<p>This section sets out our financial performance for the 2020/21 financial year, including the impact of COVID-19 and our Offshore Wind Leasing Round 4.</p>	<p>The 2020/21 financial year has been a year dominated by COVID-19. It has transformed how we live, and where we work and spend our time, both personally and professionally.</p>
 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>	 <p>Find this section in our Integrated Annual Report and Accounts 2020/21</p>

Supplementary reports are also available:

- Wales Highlights - thecrownestate.co.uk/Wales-highlights-2021
- Wales Highlights (Welsh) - thecrownestate.co.uk/Wales-highlights-Welsh-2021
- Northern Ireland Highlights - thecrownestate.co.uk/NI-highlights-2021
- Environmental data supplement - thecrownestate.co.uk/Environmental-Data
- Social data supplement - thecrownestate.co.uk/Social-Data

Social media:

- Twitter: @TheCrownEstate
- LinkedIn: The Crown Estate
- Instagram: @thecrownestate