

Creating lasting and
shared prosperity
for the nation

Welcome to our Integrated Annual Report and Accounts 2021/22

The Crown Estate is an independent commercial business, set up by an Act of Parliament, to manage land and the seabed around England, Wales and Northern Ireland.

Our portfolio is noted for its heritage, scale and diversity – which, taken together, means we have built a unique combination of assets, capabilities and experience. Along with our ambition and strong sense of purpose, we know we can make a real difference to some of the economic, societal and environmental pressures of today and derive real value for the nation.

Responsible business is about balancing both a short and sustainable long-term view. This is also how we view ‘value’ – delivering profit back to Her Majesty’s Treasury, investing to protect and enhance the environment, and ensuring that the needs of different communities are met. Over the last 10 years we have generated more than £3 billion for the public purse and seen the value of our portfolio increase by more than £8 billion. We have also helped facilitate the development of a strong pipeline in support of the UK’s broader ambitions of up to 50GW of clean, offshore energy by 2030.

We are a significant national landowner, with a diverse portfolio that takes in prime urban destinations, regional centres, widespread rural holdings and the seabed around England, Wales and Northern Ireland. Our role is to increase the value of this land for our nation, serving the UK’s environmental, social and financial needs, in both the short and long term.

We are evolving our business and growing our skills. Through our work on renewable energy, climate resilience and biodiversity, we are helping to address some of the most pressing challenges that the country is facing. And with our partners, we are finding innovative ways to build national capability in new sectors.

Our evolution will be ongoing so that we can continue to live and breathe our purpose: ‘to create lasting and shared prosperity for the nation’.

About this report


An integrated report is aligned with the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013. In the opinion of the Board, The Crown Estate’s 2021/22 Integrated Annual Report is in alignment with the Value Reporting Foundation Integrated Reporting Framework.

The Crown Estate Integrated Annual Report and Accounts 2021/22 presented to Parliament pursuant to sections 2(1) and 2(5) of the Crown Estate Act 1961. Ordered by the House of Commons to be printed 15 June 2022. HC 192

To The Queen’s Most Excellent Majesty

May it please Your Majesty, The Crown Estate Commissioners take leave to submit this, their sixty-sixth Report and Accounts, in obedience to sections 2(1) and 2(5) of the Crown Estate Act 1961.

Assurance

KPMG LLP has provided independent limited assurance over selected non-financial data highlighted in this report with this symbol , using the assurance standard ISAE (UK) 3000 and, for selected greenhouse gas data, ISAE 3410. KPMG has issued an unqualified opinion over the selected data.

KPMG’s full assurance statement is available on our website which, together with our Reporting Criteria, should be read in conjunction with the assured data in this report: thecrownestate.co.uk/assurance-reporting

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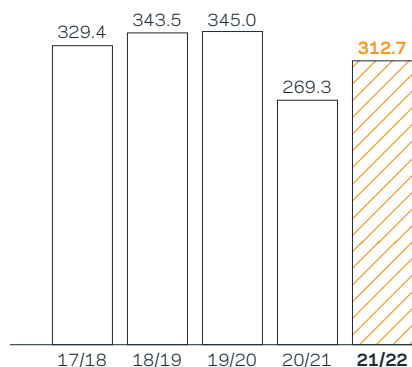
Our year in numbers

Financial, environmental and social highlights for the year ended 31 March 2022

Financial

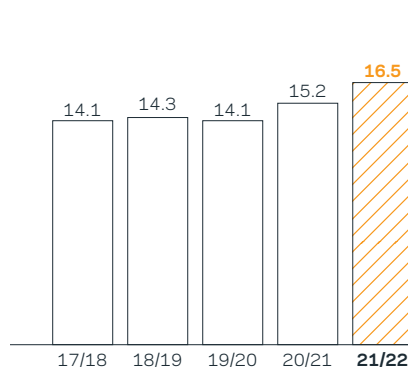
Net revenue profit

£312.7m



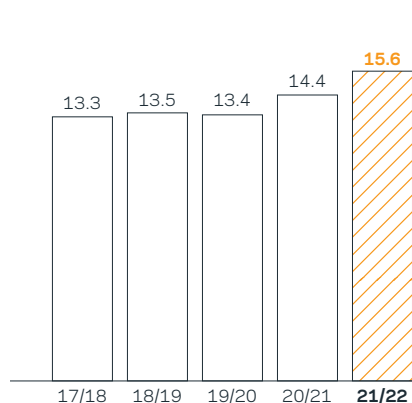
Net assets

£16.5bn



Total property value

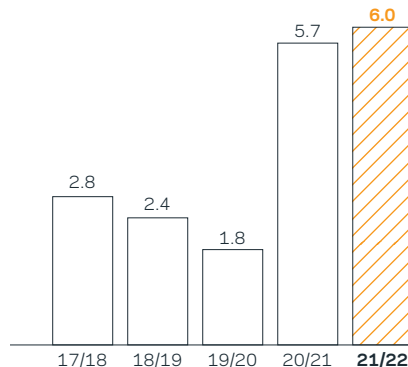
£15.6bn



Total return

Outperformance of our MSCI benchmark on an annualised three-year rolling basis

6.0 percentage points

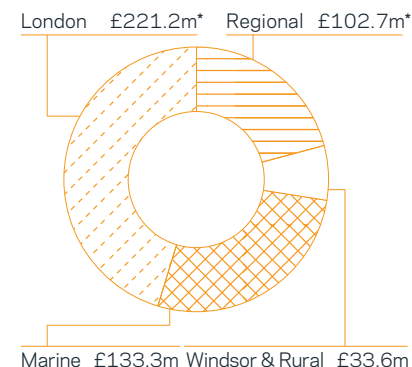


2020/21 and 2021/22 performances include the impact of Offshore Wind Leasing Round 4.

Revenue by portfolio 2021/22

£490.8m

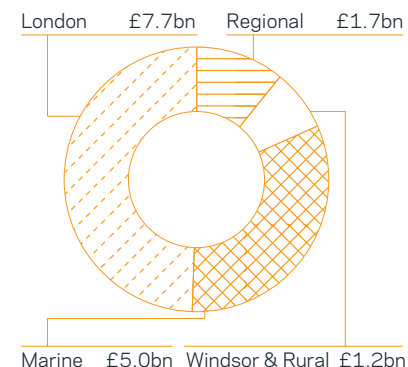
(2020/21: £486.9m)



Property value by portfolio 2021/22

£15.6bn

(2020/21: £14.4bn)



* Excludes service charge income of £35.6m (2020/21: £33.9m).

All financial figures are prepared on a proportionally consolidated basis. Balance sheet-related items are as at 31 March of each year. The Rural portfolio moved from the Regional portfolio to the Windsor portfolio on 1 April 2021. The financial statements for the year to 31 March 2021 have been restated to reflect the new Windsor & Rural Strategic Business Unit.

△ Independent limited assurance (see inside front cover)

Environmental

Year-on-year reduction in absolute Scope 1 and 2 greenhouse gas emissions

13%

(2020/21: 21%)

Cumulative operational offshore wind capacity

10.78GW[△]

(2020/21: 9.61GW)

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

13.3m tCO₂

(2020/21: 14.1m tCO₂)

Operational waste recycled

57%

(2020/21: 73%)

Social

Customer satisfaction score

81%

(2020/21: 86%)

Employee engagement: 'Great place to work' score

78%

(2020/21: 84%)

Health and safety: Lost Time Injury Frequency Rate

0.61[△]

(2020/21: n/a)

Number of unemployed people gaining employment through our Recruit Regional programme

332

(2020/21: 88)

Our business at a glance

Who we are

The Crown Estate is a unique business which has served the nation for more than 260 years. We are responsible for a diverse portfolio which encompasses some of the most remarkable places and spaces across England, Wales and Northern Ireland.

Established by the Crown Estate Act of 1961 as an independent commercial business, over the past ten years we have generated more than £3 billion for the benefit of the nation's finances and seen the value of our portfolio increase by more than £8 billion over the same period. We believe we have a remarkable opportunity to do even more moving forward to serve the nation, taking a greater holistic view on how we add value.



Our purpose

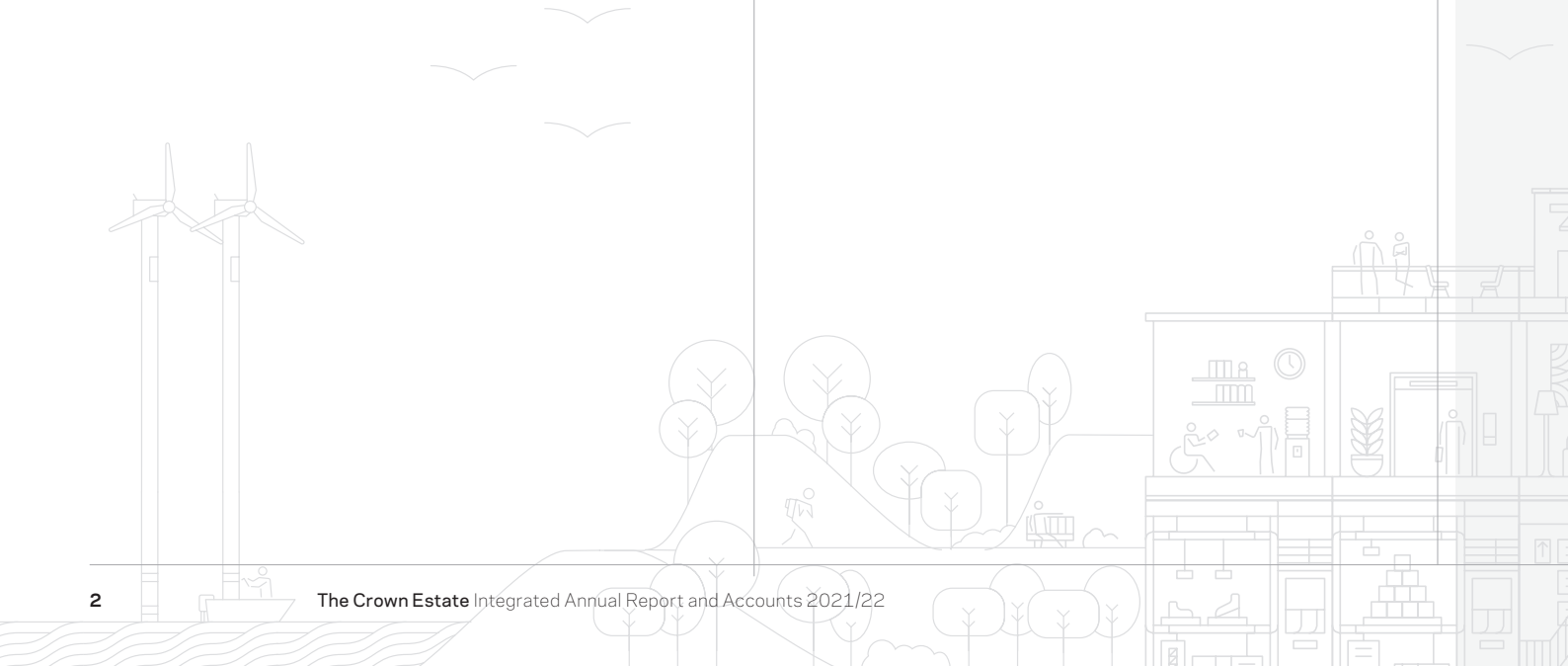
Creating lasting and shared prosperity for the nation drives everything we do and unites us as one business. Our purpose is our 'north star', defining our role, the outcomes we want to create and who we want to benefit.

It empowers us to make an impact in today's changing and uncertain world and enables us to focus on creating meaningful and lasting value for today and the future.

How we work

At the heart of our success is our dedicated and expert team of people who demonstrate passion and commitment every day. We work hard to nurture enduring relationships with our customers, partners and the communities in which we operate.

Together we deliver our strategy which is focused on serving national needs where we have a clear role to play, ultimately delivering financial, environmental and social value for the nation. Our scale, diversity and convening power enable us to bring people together to develop and deliver innovative and entrepreneurial solutions to national challenges. By creating something better for future generations, we believe that we can deliver shared, sustainable value.





Our culture and values

Our values are the guiding principles that define our culture in order to bring our purpose to life. As well as guiding our actions and behaviours internally, they shape our engagement with stakeholders externally as to how we do business and what can be expected from us.



Caring

We are committed to looking after the world around us and each other. That's why we are stewards: we seek to take care of people, reflect on our actions and carefully consider long-term impacts. To leave a positive legacy for generations to come, we treat people, places and the environment with the care and respect they need to thrive.



Creative

We believe that creativity enables us to unlock new ideas and solve problems. That's why we strive for an inclusive culture where diverse perspectives and approaches are encouraged. To be a true catalyst for change, we embrace original thinking and the best ideas.



Together

We work together and with others to deliver on our purpose. That's why we focus on building strong collaborative relationships with our customers, stakeholders and communities. To build trust, we focus on understanding the real needs of those around us.



Impactful

We believe that positive impact and financial performance must go hand in hand. That's why we challenge ourselves to deliver the key social, environmental and financial factors that underpin prosperity. In always striving to add value, we ask ourselves how our actions align with our purpose and make a meaningful difference.

Our purpose guides our **Group strategy**, which is informed by **major trends** impacting our business.



Read about our strategy on **page 18**

Read about our major trends on **pages 12-13**

Our strategy is enabled by our **business model**, delivered through our **activities** and tracked by our **performance measures...**



Read about our business model on **pages 14-15**

Read about our performance measures on **page 19**

Read about our strategy in action on **pages 40-54**

...creating broad financial, environmental and social **value...**



Read our Financial review on **pages 34-39**

Read our Environmental review on **pages 21-27**

Read our Social review on **pages 28-33**

...and underpinned by strong **governance** and leadership...



Read about our governance on **pages 62-91**

...which manages **risk** and uncertainty.



Read about our risks on **pages 55-61**



Our business at a glance continued

By operating as a Group we leverage our scale and national footprint to create value beyond the sum of our parts. We comprise four Strategic Business Units (SBUs): Marine, London, Regional and Windsor & Rural, supported by Group Partners. Each SBU has a defined role to play in delivering our strategy, ultimately creating financial, environmental and social value by enhancing both the value of our portfolio and the return obtained from it.



Marine

We're driving the sustainable development of the seabed around England, Wales and Northern Ireland for the benefit of the nation – and we do that for customers across a range of different technologies and uses. Working with others to balance the competing needs for seabed space sits at the heart of what we do. Our role is central to supporting the delivery of the UK's net zero agenda, including growing offshore wind (OSW), supporting the development of carbon capture and hydrogen markets, alongside facilitating the development of other sectors including cables, pipelines and marine aggregates.

8.6m

Homes provided with green electricity (OSW) from across our seabed holdings

38,500km

Length of cables within the footprint of our UK Continental Shelf responsibility - nearly enough to circle the globe

 Read more on
pages 40-44



Windsor & Rural

Our Windsor & Rural portfolio extends across more than 191,000 acres of land, including the Windsor Estate and a number of rural estates predominantly used for primary agricultural production. The Windsor Estate aims to become recognised as a centre of excellence for environmental and ecological best practice. Our rural estates have a critical role in helping drive the UK's sustainable transformation of land use and we strive to demonstrate leadership in terms of diversified, regenerative agricultural and environmental best practice.

47%

The Windsor Estate classified under special environmental designations

733km

Public access routes across our rural estates

 Read more on
pages 52-54



Regional

Our diverse Regional business includes prominent retail and leisure destinations across England, as well as a strategic land portfolio with significant mixed-use development and regeneration potential. We also own business parks, logistics and warehousing. Our aim is to shape successful destinations which meet the evolving needs of our customers, and play our part in creating thriving and climate resilient communities across the country.

100m

Estimated visits to our Regional destinations

20k

Potential number of new homes which could be accommodated across our strategic land portfolio



Read more on
pages 49-51



London

As one of the West End's largest property owners, we own and manage some amazing spaces in the heart of London, primarily around Regent Street and St James's. We have a leading role to play in helping London retain its global city status, by fostering vibrant, diverse environments. We are investing to achieve net zero and responding to disruption in sectors such as office and retail, and the way people live, shop and work.

10m sq ft

Our mixed-use central London property portfolio

4k sq m

Green space added as part of our Wild West End partnership



Explore our assets online at
thecrownestate.co.uk/asset-map



Read more on
pages 45-48

Our year at a glance

This year we have undertaken a number of exciting initiatives as we put our new strategy into practice. This selection from the last 12 months gives a flavour of what we've been up to, with further examples throughout the report.

Career starting opportunities

Our Coast Explorer Internship programme offers people interested in a career in the marine environment a chance to gain skills, knowledge and experience relating to this exciting sector, as part of our Marine team and with partner organisations in the South East.

"It allowed me to explore, learn and upskill myself, build stakeholder relationships, and network extensively throughout Kent. As a result of the internship, I was employed by Kent Wildlife Trust, where I now work as a Marine Conservation Officer."

Sherece Thompson, 2021 intern



Industry first for green travel

Rushden Lakes in Northamptonshire is the first retail and leisure destination to receive accreditation from Modeshift STARS for a sustainable travel plan. Aiming to make active and sustainable travel a feasible choice for as many customers and visitors as possible, initiatives include free bike repairs and maintenance sessions.



2021

Welcoming elite athletes to the Long Walk

Windsor Great Park was honoured to host some of the world's elite wheelchair athletes in preparation for the London Marathon.

Over a number of days, the Windsor team facilitated the training, with the Long Walk providing an iconic backdrop and unique venue for the world-class athletes.



Removing barriers to opportunity

In a first of its kind partnership for us, we have collaborated with BAFTA to support the exciting redevelopment of 195 Piccadilly. The building will be a creative centre for the film, games and television industries, and house the charity's first-ever dedicated space for its year-round learning and talent development programmes. The partnership underpins our shared ambition to remove barriers to opportunity for all. This unique initiative builds on the work we do to support culture in our destinations and promote employability skills to young people.

Starting conversations on mental health

We are proud to have supported a new art trail at Crowngate Shopping Centre, to open conversations about mental health and the support that's available.

The aim of the art trail is to spread positivity by sharing stories of resilience from local people who have experienced grief, illness or postnatal depression and how they managed their mental health. The series has been commissioned by Herefordshire and Worcestershire Health and Care NHS Trust and charity, Onside Advocacy.



An immersive green journey

Guided by a virtual Sir David Attenborough, more than 10,000 visitors enjoyed an immersive augmented reality journey into the secret kingdom of plants and travelled through six digitally enhanced worlds at 55 Regent Street, created by Factory 42 with BBC Studios, and powered by EE 5G.

Working in partnership with The Green Planet AR Experience, as venue partner we provided space for this exciting experience, as part of a number of sustainability focused pop-ups on Regent Street. It was a unique opportunity to bring the natural world to life in the heart of the West End.

2022



Delivering a retail advantage

It's vital we understand our customers' changing needs. To facilitate a deeper understanding, we have launched a new digital product, Retail Advantage.

The platform, initially rolled out across our Regional portfolio, is helping to improve the quality and quantity of data from our customers, giving us a better understanding of their performance and performance drivers, so that we can tailor our service proposition to help them grow and remain relevant in the rapidly evolving marketplace.

Investing for healthy, productive and biologically diverse seas

In January 2022, partnering with Natural England, Scottish Government (Marine Scotland) and the Royal Society for the Protection of Birds (RSPB), our Offshore Wind Evidence and Change programme committed over £12 million to three significant research projects that will help to enable the coexistence of offshore wind farms with a thriving marine environment.

This is part of a wider investment which has seen 23 projects awarded over £22 million of investment and support from our £25 million 'kick-starter' fund since its launch last year.



Chief Executive's review

Creating better outcomes for our stakeholders



“We’re aiming to create a company for the country, with the capability, culture and partnerships to continue the good work we have inherited for years to come.”

Dan Labbad
Chief Executive

The relevance of The Crown Estate has never been clearer. Whether it's the increasing global focus on restoring and protecting our environment for future generations, or the national need to renew and regenerate many of our built environments as we emerge from the pandemic, our assets give us a privileged position from which to contribute meaningfully to these profound challenges and opportunities.

While our performance this year has been against a backdrop of change and disruption, good business is about balancing both a short and sustainable long-term view. This is also how we view 'value' – delivering profit back to the public purse and, in doing so, investing to protect and enhance the environment, as well as seeking to meet the needs of different communities. Over the last ten years we have generated more than £3 billion for public spending, drawing on a portfolio that has more than doubled in value in that time to £15.6 billion, and supported the development of a strong pipeline of 43GW of offshore energy already in operation, construction or planning, in support of the UK's national ambition of up to 50GW of clean, offshore energy by 2030.

The reality is that the accelerated pace of change we've seen in recent years is here to stay. Behind much of this lies the disruptive power of technology, and the way it continues to transform how we live our lives, from work to leisure, health, services and beyond. Alongside this we face increasing urgency of the dual environmental crises of climate change and biodiversity loss. In this, the role of business is evolving, as governments increasingly look to partner with industry and the private sector for solutions, and business itself takes a more progressive approach to the contribution it wants to make to the world. This is a daunting yet energising challenge, for which we have been transforming ourselves so as to be well placed to play our unique role.

Her Majesty The Queen's Platinum Jubilee

On behalf of all of us at The Crown Estate, I would like to take this opportunity to congratulate Her Majesty The Queen on Her Platinum Jubilee, which is not only a remarkable milestone in itself but an achievement from which we can all take inspiration. Her reign continues to be a unique reflection of what it means to serve, and the standard through which we hope to reflect our own service and legacy.

Our strategy and the world around us

We explore the trends impacting our business in more detail on pages 12-13. Our strategy, which we recast last year, is about making the most of our diverse national portfolio to create broad financial, environmental and social value for our stakeholders, our customers and ultimately the whole nation. This represents a pivot for The Crown Estate: a deliberate broadening of the role we can play in the UK, and a real drive to identify and realise the potential of both our combined assets and experience to contribute to national goals.

Our strategy is also enabling us to respond more flexibly to unforeseen events. For instance, the increased focus on energy security as a result of the devastating invasion of Ukraine has seen us accelerate our activity and boost our skills and capability within the business to play a full part in the rapid growth of offshore renewables over the coming years. This will be an important contribution to the new offshore wind ambitions set out in the recent British Energy Security Strategy.

At its heart, The Crown Estate is a landowner. Our role is to make that land work as hard as possible for the benefit of the country, both today and into the future. How we do this may vary across our diverse portfolio – but in all cases this means taking a sustainable approach, partnering with those around us and determining how best value can be derived, ensuring that any short-term financial returns both complement and provide a pathway to longer-term financial, environmental and social goals.

This diversity brings us strength and resilience; it gives us the breadth to apply learning from one area of our business to another. We are looking at how we can use our portfolio in an even more active way, and bring innovation and new skills in to complement the approach we've taken to this point. The solutions we adopt – whether digital or approaches to data, energy and sustainability – can be applied right across our portfolio, putting us in a position to have an impact on a broad range of national opportunities for many years to come.

For example, our London estate needs a focus on decarbonisation, digital empowerment and adapting to societal trends, while also retaining its prestigious status among visitors in the face of the major disruption caused by the pandemic and its consequences. The sustainable development planning we do in our Regional portfolio and our strong biodiversity focus in Windsor both inform our approach to modernising the London portfolio.

Across the country, we will be assessing the potential of mixed-use developments to improve regional economic growth and prosperity while supporting communities with purposeful environments. Our rural landholdings serve a vital national agricultural need, but are now under increasing pressure to adapt and serve an environmental need – with rewilding, carbon sequestration and enhanced soil management among the new areas we need to curate. While our Marine portfolio is critical to both the UK's energy security and net zero ambitions, we face a careful and complex balancing act to support the growth of new technologies in a crowded space and a delicate marine environment. These are just some of the changes that we are embedding into our operations, aligned with our purpose and strategy.

Our performance

While the year was punctuated by changing restrictions, with the Omicron variant in particular impacting retail activity during the important Christmas period, the economy recovered faster than we expected. Our proactive approach to working with customers resulted in significantly lower concessions and bad debt costs than last year.

For the financial year 2021/22, we made a net revenue profit of £312.7 million, which is £43.4 million higher than last year. This is ahead of our agreed target of £269.0 million, but still below pre-pandemic levels.

As we look forward we see a dichotomy, with our Marine business continuing to play a key role in enabling the UK's ambitious journey to net zero, while our London and Regional portfolios face stress and uncertainty from economic headwinds. Inflation is rising to a rate not seen for many years, impacted further by the war in Ukraine, leaving household budgets under ever increasing pressure. This is at a time when some of our customers' businesses are continuing to adjust to structural changes in their markets and their balance sheets are stretched following the pandemic. While we are a resilient business established to thrive over the long term, these dynamics will continue to be felt by our customers, creating uncertainty in the short to medium term.

Last year we announced the outcome of the Offshore Wind Leasing Round 4 (Round 4) bidding process, which could provide up to 8GW of green electricity subject to approval following the Plan-Level Habitats Regulations Assessment process. In April 2022 we announced the conclusion of this process, assured by the Audit Committee, and gave notice to the UK

and Welsh governments of our intent to proceed with the Round 4 plan on the basis of a derogation.

The Welsh government has not lodged any objections to the notice, and we await further direction from the UK government.

This means that we are not yet in a position to be able to record any Round 4 income in our financial statements.

The value of our total portfolio has increased by 8.3% from £14.4 billion to £15.6 billion. Our one-year total return is 12.0%, outperforming our annual MSCI bespoke total return of 9.9%. On a three-year rolling basis, it is 8.3% against our annual MSCI bespoke benchmark of 2.3%. Excluding the impact of Round 4, on a three-year rolling basis, our performance is just 0.3 percentage points ahead of the bespoke benchmark.

The value of our Marine portfolio increased by 22.0% to £5.0 billion, driven largely by offshore wind, in particular the Round 4 valuation. The relatively modest capital value ascribed to Round 4 is due to ongoing caution over future Round 4 cash flows, and a high discount rate applied as a result. We would expect the value of Round 4 to continue to grow as this uncertainty recedes. Read about our Marine portfolio on pages 40-44.

The value of our London portfolio has remained flat at £7.7 billion, which reflects improved trading conditions compared with last year, balanced with a mixed outlook. Our office values have increased slightly due partly to an ongoing shortage of prime stock, although this was offset by a modest reduction in the value of our retail properties. Voids (including properties under development) across our London portfolio at 31 March 2022 are broadly similar to that at 31 March 2021. However, void rates will increase in the financial year 2022/23 as we invest in our spaces when leases naturally expire and as we prepare to re-start our development pipeline. We have been pleased to welcome a number of new customers to our portfolio, which are included in our more detailed London review on pages 45-48.

Our Regional portfolio has increased in value by £0.2 billion to £1.7 billion, reflecting improved investor sentiment, and higher footfall with resilient trading at our out-of-town retail parks, with activity across the rest of the sector relatively subdued. Our average void rate for the year was 6.8%, which, although high compared with the three-year average of 5.4%, proved resilient compared with the MSCI benchmark of

Chief Executive's review continued

6.2%. More broadly, we are repositioning our Regional strategy to support the need for inclusive regeneration and economic development. Read more on pages 49-51.

Our Windsor & Rural portfolio takes in nearly 200,000 acres of land, including the Windsor Estate. Income from this portfolio is primarily derived from farm and residential rents, alongside visitor, filming and events and forestry income from Windsor. Last year's profits increased to £18.0 million, as the visitor operation at Windsor rebounded strongly from the pandemic. Read more on pages 52-54.

Health and safety

In last year's report, we confirmed a full review of our approach to health and safety had been commissioned. Since then, we have established a new, five-year 'Safety First' Group-wide strategy that aims to fundamentally enhance how we operate and places safety at the forefront of our decision-making. This strategy focuses on building greater resilience in risk management through our systems and processes, delivering a change in mindset to one that puts safety first, and developing our internal and supply chain capability. Ultimately, we want to become industry leaders, supporting more to do the same. We recognise the under-performance against our health and safety targets and the need to focus further on injury prevention. While the new strategy and cultural shift will take several years to deliver, it will be a key catalyst for broader operational change. Read more on page 29.

The sustainability challenge

Last year saw a number of important global milestones in the race to tackle the climate emergency, with world leaders meeting in Glasgow for COP26 and the Intergovernmental Panel on Climate Change publishing its stark assessment of the challenge. It is clear that time is not on our side, and even with current global commitments, a dangerous level of warming of over 2°C seems likely.

It is therefore no surprise that two of our Group strategic objectives relate to our role in helping address the dual environmental crises of climate change and biodiversity loss. The last year has seen us take steps to put ourselves in the best possible position to rise to the challenge. We continue to recruit new expertise across the Group and have put in place new structures to drive accountability and support delivery. These include a strengthened central Sustainability team overseen by the new role of Executive Director, Purpose, Sustainability & Stakeholder alongside a Board-level Sustainability Committee.

We have aligned our business to the 1.5°C goal of the Paris Climate Agreement and have set a target to become a net zero carbon business by 2030, and climate positive thereafter. This is alongside our central role in enabling the UK's growth of offshore renewables and increasing the carbon sequestration potential of land and sea, while also protecting and restoring biodiversity. This is set out in more detail on pages 21-27.

This won't be easy and we can't do it alone, but it is the shared challenge of our generation and we will do all we can, working in partnership with others, to make a lasting and positive difference.

The role of data

The pace of digital transformation means that the property industry is likely to change more in the next ten years than it has in the last hundred. Just as electricity networks were once 'retrofitted' into cities, at The Crown Estate we're on the journey of retrofitting digital capability into our own portfolio, to ensure that we can continue to provide the services our customers need. We are changing the way we operate, and have set out a pathway to becoming a truly digital organisation. In addition, because we recognise the growing importance and power of data, we are investing significantly in some foundational projects that champion data. For example, the Marine Data Exchange – a publicly accessible free data archive comprising all offshore data collected by our customers – will prove immensely valuable to developing the UK's offshore renewables sector. We are in the middle of a revolutionary shift that is far from over and there is much more we can and must do.

Our people and networks

I'm incredibly proud of the people I work with; I love the passion and commitment I see every day, drawing energy and inspiration from our network of stakeholders, customers, the communities we serve and our supply chain partners. Our national footprint puts us in a unique position to make a real difference and be a force for good for the whole nation, but we can't do this on our own. We aim to make the most of our ability to convene and bring people together, in order to develop progressive, innovative and collaborative solutions to the challenges of today and the future.

Building a truly inclusive team and incorporating diversity into everything we do is not just about ensuring our people can thrive, but is central to creating a stronger business. We want our workforce to represent the country that we serve, and we know that there is more we can do. Culture flows from the top of an organisation, and so in the past year we have had a particular focus on hiring more women at a senior level, and

improving our diversity balance across all areas of our business. As a result, 45% of our newly formed Group Leadership Team and 57% of our Board are women, marking an increase from 30% and 50% respectively. Through schemes such as reverse mentoring, we are also seeking to create a greater understanding of the lived experiences of colleagues so that everybody is recognised for their strengths and feels that they belong.

We've welcomed a number of new colleagues to The Crown Estate over the last year, as we've built new teams and grown our capabilities. Engaging our people has been particularly important during this period, and we were pleased to see that the vast majority (89%) of colleagues said they were proud to work for The Crown Estate in our most recent people survey. While 78% felt it's a great place to work, we recognise this is an underperformance against the UK benchmark. It has given us some clear indications of areas in which we need to do more and we've developed a new People strategy (see page 30) to help our people reach their full potential.

Although the pandemic has continued to impact our ways of working, it has also helped us adopt a more flexible and dynamic approach to how we work. At the same time, it has been excellent to welcome colleagues back to our offices and spaces in greater numbers, with all the vibrancy, collaboration and energy that this brings.

Looking to the future

We've set out a pathway to change the organisation so as to be able to play our part in tackling broader challenges and use our unique combination of assets, capabilities and experience to the clear benefit of the country. We won't get everything right at the first attempt, but we will do our best to learn from our experiences, listen to our stakeholders and make a genuine effort to do the right thing – recognising that we live in a world with divergent views on what good looks like. That's what will keep us on our toes, continuing to build an organisation that is constantly striving to live its purpose and have a positive impact. We don't just believe this is a nice to do, but essential to our long-term success. We're aiming to create a company for the country, for the future, with the capability, culture and partnerships to continue the good work we have inherited for years to come.

Dan Labbad
Chief Executive

9 June 2022

The Queen's Platinum Jubilee

This year the nation celebrates a unique milestone as Her Majesty Queen Elizabeth II marks Her Platinum Jubilee. We are joining in the national celebration with a number of events across our portfolio.



We are very proud of our heritage and our ongoing relationship with Her Majesty The Queen.

The Queen's association with The Crown Estate dates from Her coronation, when Her procession passed along Regent Street and through St James's.

During Her reign, we have been fortunate to welcome Her Majesty and other members of the Royal Family to our offices, and Windsor Great Park has hosted many Royal celebrations over the years. Her Majesty's close connection with Windsor is well known and His Royal Highness The Duke of Edinburgh acted as Ranger of the Great Park for almost 70 years.

To commemorate Her Majesty's Platinum Jubilee we have planted two new avenues of 70 trees each in the Great Park and will also be creating a number of Jubilee woods across our wider Rural portfolio.

The Platinum Jubilee is not only a remarkable milestone in itself, but an achievement of lifelong service and commitment from which we can all take inspiration. Her Majesty's reign continues to be a unique reflection of what it means to serve, and something which everyone at The Crown Estate will continue to aspire to in our own role to serve the country.

Our changing markets

MAJOR TRENDS

These are the major trends that are impacting our business and how we are responding to them through our strategy.

A broad government agenda

The government's agenda is broad – managing significant priorities at home and abroad.

What this means

After facing the deepest recession in 100 years, 2021 saw most of the UK's regional economies return to pre-pandemic levels, though the financial burden of the pandemic continues to have a real impact. A broad government programme, focused around the net zero transition, domestic energy security and levelling up, is set against the challenges of rising inflation, a domestic cost of living crisis and the impact of war in Ukraine. Government and business are best placed to navigate these challenges together and in doing so unlocking opportunities for a fairer, greener and more prosperous economy.

Our response

Our national footprint and position between public and private puts us in a unique position to be a positive force that supports these long-term national needs. In our Marine business, we contribute towards the UK's net zero and energy security agendas by unlocking sustainable development on the seabed and enabling the growth of new industries. In London and the Regions, we are bringing together capital and capabilities to sensitively renew our cities and towns, invest in new homes and infrastructure and create economic opportunities across the country. Finally, by investing heavily in decarbonisation, digital and technology, we are developing new skills and capabilities, supporting industry development, future proofing our business and positively contributing towards issues of national significance.

A natural world in crisis

Time is running out to reverse the trajectory of climate change and biodiversity collapse.

What this means

Sustainability is more talked about than ever, but progress remains slow. Planetary science demands an urgent and radical change in the way we live – and societies globally are rallying behind the call for a different and more sustainable paradigm. Biodiversity and circularity will be the foundations of this future, with incentives for transforming models for land use that balance sustainable and regenerative agriculture with other land uses and nature recovery. Energy systems and markets are undergoing radical change as renewable energy technologies continue to scale as part of our transition to net zero. Significant capital will be critical to achieve 2050 targets, and collaboration between public and private players will be essential to removing remaining barriers to investment.

Our response

Through delivering our strategy across our portfolio we have the opportunity to convene to amplify our collective impact. We will continue to protect Windsor's ecological uniqueness; seek to balance the seabed's potential to contribute to energy transformation with its protection and restoration; and explore how our rural land can deliver diversified and sustainable best practice. Across our real estate portfolios, we will tackle associated emissions in line with our SBTs, and explore how regenerative principles can shape these urban spaces.

SECTOR TRENDS

Workplace

Investors and occupiers are increasingly upbeat about the future of the workplace with little evidence to show that occupiers are yet scaling back, but there is a risk demand will weaken as hybrid working becomes the norm. We expect occupiers to continue to pivot towards better quality, modern, well-located, amenity-rich buildings that are aligned to their sustainability aspirations.

Energy

The UK government has policy ambitions to deliver up to 50GW of offshore wind capacity by 2030 alongside ambitions in emergent technologies including floating wind and carbon capture. The ambitions will need to be balanced with protection of the marine environment and face delivery challenges from planning and consenting processes among others. To help mitigate these challenges significant policy reforms are underway including the establishment of the Offshore Transmission Network Review and the announcement of a Future System Operator.

Retail

Demand remains for the best spaces but the type, volume and make-up must evolve. For retailers, uncertainties around footfall and spend are the two key challenges, with higher input costs, labour shortages and the incursion of online spend all relevant. For consumers, long-term thinking and conscious consumption will inform new shopping behaviours, within a context of the rising cost of living.

Society is under pressure

Social and economic inequality is more marked post-COVID-19, while a sense of community has become more important.

What this means

The financial impact of the pandemic has been compounded by recent inflationary pressures. Forecasts suggest growth will slow across the UK's regions this year, with declines in average weekly earnings widening the inequality gap and putting even greater pressure on household spending. In addition, an undersupply of good quality housing, weak employment growth and underinvested regional infrastructure are also long-term issues that – allied to post-pandemic trends towards localism and a greater emphasis on community – support the systemic need for levelling up.

Our response

We have a role to play in response to the UK's need for inclusive regeneration – both in the UK's regions and in London. By using our convening power, overseeing and investing into broad and long-term opportunities for urban renewal, we can support economic development and the creation of prosperity across the country. For our Marine business, a key aspect of scaling existing and new technologies will be ensuring that local and national markets emerge to support their development; investing into these supply chains, including skills, will be a critical part of our ongoing role.

Changes to how we live, work, shop and socialise

The pandemic has had a profound impact on how we work and spend our free time – untethering work from locations and compounding innovation in consumer markets.

What this means

Convenience and experience will continue to shape the nature and role of physical places and spaces. For consumers, the convenience and immediacy of digital channels is forcing retailers to innovate and develop even more personalised, immersive and interactive experiences, underpinned by a focus on speed and ease. For employees, this trend has accelerated the wish to work from anywhere and driven a desire to reskill in alternative industries. The pandemic has caused widespread re-evaluation and spurred a collective reckoning around values, lifestyles and goals. Wanting to live with more purpose and meaning, people are aligning their values to action and increasingly seek more flexible, sustainable and rewarding ways of living, with a renewed appreciation for community.

Our response

To meet the post-pandemic needs of our customers we need to work much more closely with them in partnership, being flexible and agile and looking to share in mutual successes and failures. This will mean embracing and trialling new products and services, store formats and business models. We will also look to reposition parts of our portfolio to meet these needs, either through a greater mix of uses or an increased focus on consumer experiences. Our purpose and values ensure that how we operate is aligned with what our customers expect of us.

Digital disruption to continue in all sectors

New technologies are bringing together digital and physical worlds to create new ways of living.

What this means

During the year, society has continued to move further online, offering a glimpse into what a digitally connected future may look like. We are moving to an era of fluid hyper-connectivity with virtual living becoming a reality for many. Reliance on tech and data is growing exponentially. Investment into automation, 5G and the upcoming 6G will enable new thriving markets. As the physical and virtual converge and more time is spent online, lifestyles are being transplanted into the digital world. Competing with physical and online space, the gaming industry has become a playground for brands and consumers. Technology is driving the emergence of digital clones of real-world objects or systems which are starting to transform how cities are designed and managed. Virtual reality is the future of immersive business.

Our response

Our strategy commits us to being a digital-first business. This will see us invest significantly in technology, not just to optimise our operations, but also to enhance customer experiences and create new opportunities for value capture. Building an ecosystem of digital and technology partners will be crucial to this. Immediate opportunities include investment into data and infrastructure to provide the transparency required over the environmental performance of our buildings, exploring new digital retail business models or the potential of the metaverse.

Agriculture

Government policy supports a green agriculture transition in the UK together with growing markets focused on nature-based solutions to meet net zero and biodiversity objectives. The Environment Act 2021 introduced several new measures including conservation covenants and a stipulation that developers must deliver at least a +10% increase in biodiversity as a condition of planning permission.

Minerals






The UK has the largest marine aggregates industry in the world, meeting close to 25% of the sand and gravel demand of England and Wales. The market has remained resilient, reflecting the continued strength of the construction sector through 2021. Supplies of marine aggregate are expected to become increasingly important, due to the growing scarcity of land-won reserves, and the crucial role that the product can play in supporting climate change resilience.

Infrastructure

As the world continues to become increasingly connected demand for digital and data services continues to grow. In February 2020, 96% of households in Great Britain had internet access, up from 57% in 2006 (ONS), demonstrating growth in digital energy consumption and the need for appropriate infrastructure. Technology companies continue to directly invest in telecommunications infrastructure and resilience of networks worldwide continues to play a critical role in the planning and operation of systems.

Our business model

Our business model describes how we deliver our strategy and create value.

DRIVEN BY A CLEAR PURPOSE	OUR RESOURCES AND RELATIONSHIPS	WHAT WE DO
<p>To create lasting and shared prosperity for the nation.</p> <p>Our purpose sets out our primary reason for existence and guides the evolution of our strategy at the intersection between what society needs and where we can specifically and uniquely contribute.</p> <p>It empowers us to make the most of today's changing and uncertain world and drives us to unlock our potential and be resilient into the long term.</p> <p>It gives us our 'north star', setting out our ambition for the future and the kind of positive impact we want to have. Our purpose flows through everything we do and unites us as one business.</p>	<p>We have identified five 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.</p> <div data-bbox="564 801 737 981">  </div> <p>Financial resources</p> <div data-bbox="564 1034 737 1214">  </div> <p>Physical resources</p> <div data-bbox="564 1267 737 1447">  </div> <p>Natural resources</p> <div data-bbox="564 1500 737 1680">  </div> <p>Our people</p> <div data-bbox="564 1733 737 1912">  </div> <p>Our customers, partners and stakeholders</p>	<p>We own and manage land in, and the seabed around, England, Wales and Northern Ireland, and take a national perspective on offshore renewables.</p> <p>We optimise the use of our land and capital By careful management, we look to optimise the use of our land and capital across all our portfolio. Through long-term investment in and active management of our land, activities, places, developments and infrastructure we create value. We source capital through recycling and partnering, allowing us to fund our strategy and scale our impact.</p> <p>We leverage our scale and diversity We maintain a large, diverse portfolio, but operate as one business. We take a long-term perspective, drawing on our unique strengths to create enduring financial, environmental and social value for our customers, stakeholders and the nation.</p> <p>We align with our customers' goals We offer our customers rights of access, places to operate and business opportunities. By aligning our goals with those of our customers, we set them on a path to success while helping maximise our long-term value creation.</p> <p>We draw on our relationships and unique status We draw on our brand, reputation, longstanding relationships, and people and know-how to convene partners and stakeholders around common issues, looking to catalyse activity in our places, communities and markets to create a greater overall impact.</p> <p>We invest in data and technology We take a digital-first approach, investing in data, technology and new digital services to improve productivity, efficiency and informed decision-making for our customers.</p>

OUR UNIQUE STRENGTHS

As a commercial entity sitting between the Sovereign and the Treasury, we have a unique status which creates valuable differentiation.

Trusted brand and reputation

We are known for quality and integrity, delivered over generations. We act in the public interest and invest for the long term.

Independence and simplicity of role

We have clear targets and operate independently. We are required to have regard to 'good management', which enables us to be flexible in the long term.

Power to convene and catalyse

We can bring to bear our networks of public and private partners, stakeholders and customers to tackle challenges and issues of common interest that cannot be solved alone.

Our broad ownership

We have a diverse footprint across England, Wales and Northern Ireland.

Long-term view

We have an obligation to create value over the long term, maintaining and enhancing our holdings in a sustainable way.

THE VALUE WE CREATE

Our Value Creation Framework allows us to set out and measure the direct financial, environmental and social value we create, alongside the wider value we can enable, in pursuit of our purpose. Read more on page 90.

Financial

We aim to balance short-term and long-term financial value, achieving returns today while also creating value for future generations.

Environmental

Our strategy is committed to help tackle the global climate and biodiversity crises by creating greener, healthier and more sustainable places.

Social

Through tackling inequalities, putting health and safety first and foremost in our decision-making, and creating inclusive opportunities and outcomes, we will play a positive role for our stakeholders.

Enabled value

We actively manage the indirect value we enable through our activity, for example new jobs created through the offshore wind industry.

WHO WE CREATE VALUE FOR

We serve the nation, whether it's returning our profits to the Treasury for public spending, or enhancing the value of our estate to contribute to a flourishing society and a healthy natural environment.

Our stakeholders



The Sovereign



The Treasury



Our customers



Our communities



Our partners



Our people



Governments and regulators

 Read more on **pages 16-17**

Stakeholder engagement

Our values guide the way we do business including our engagement with stakeholders. Engaging with our network of partners in a meaningful way is fundamental to delivering our strategy.

We aim to make the most of our ability to convene and bring people together, building strong collaborative relationships in order to develop progressive and innovative solutions to solve our shared challenges. In doing this we can deliver prosperity for all our stakeholders and the nation as a whole.

Our scale and diversity mean our network of relationships and stakeholders is varied and broad. The way these interactions are managed will depend on where in the business the primary responsibility for these relationships lies. Our stakeholders range from the Sovereign, the Treasury, governments and regulators through to our people, customers, partners and communities. At a Group level our engagements primarily focus on policy, brand enhancement, strategic customer partnerships and our people, while our individual business units manage many of our day-to-day relationships with our customers, communities and partners.

There is naturally crossover between these groups, but in all cases we take time to understand their current challenges and future needs, and the feedback and outcomes from this engagement are vital in shaping our business and activities.

For more information on how our Board aligns with the stakeholder requirements of section 172 of the Companies Act 2006, see page 68.

The Sovereign and the Treasury



Our customers

Who they are

Leaseholders, marine operators and amenity members, as well as people who regularly use our spaces.

Why they are important

- Customers sit at the heart of everything we do and we work in partnership to realise our shared ambitions

How we engage

- We foster strong partnerships with a range of customers, both directly and working with our managing agents, to drive customer satisfaction through regular and proactive engagement
- We measure outcomes through customer satisfaction surveys

Example outcomes of engagement

- We aim for our customers to achieve their goals and engage with our shared purpose
- We seek to convene our strategic customer partnerships to leverage broader value creation
- Joint working to meet the climate emergency through actions that bring benefits to our communities and businesses



Our communities

Who they are

Interest groups, trade associations, industry groups, environmental groups, marine interest groups, heritage groups, businesses and local residents.

Why they are important

- The breadth of our business means our community stakeholders are diverse and face a wide range of issues and challenges
- We engage with community stakeholders to understand the issues that matter to them and how we can shape our approach to deliver better outcomes for everyone

How we engage

- Through regular meetings, consultations and convening forums
- We are often uniquely placed to convene a wide range of stakeholders to understand and take collective steps to address issues facing specific sectors such as offshore wind deployment or enabling net zero

Example outcomes of engagement

- Establishing a locally led engagement approach across our major regeneration and development projects
- Working with disabled visitors, reviewing the accessibility of our destinations at Windsor and London
- Piloting a schools engagement programme with Skills Builder across strategic locations to nurture social mobility



Our partners

Who they are

Strategic joint venture and supply chain partners.

Why they are important

- We are committed to collaborating with our partners, learning from and with them to enable us to deliver on our purpose and strategy

How we engage

- We have formal governance and reporting processes in place to ensure a shared vision and ambition where we work together
- We are setting standards with the launch of a supply chain charter that ensures our partners are more closely aligned with our purpose

Example outcomes of engagement

- Evolving shared visions with joint venture partners
- Deploying a 'Safety First' health and safety strategy
- Sharing best practice and practical solutions to meet our net zero commitments



Our people

Who they are

Our people who work for The Crown Estate.

Why they are important

- Our people are our greatest asset and are central to the delivery of our strategy
- This has been a significant year of change for the business and effective engagement is more important than ever

How we engage

- From regular Group sessions with the Chief Executive and wider leadership team, to local team meetings, to discuss updates such as new structures, ways of working and the new strategy
- Supplemented by regular updates via email and local conversations, for example in support of a more formalised move to hybrid working

Example outcomes of engagement

- 89% of colleagues are proud to work for us, and 78% felt it is a great place to work according to our most recent engagement survey
- We recognise further engagement is needed to address concerns around talent and opportunity, culture and leadership (see page 30)



Governments and regulators

Who they are

National, devolved and local governments, regulators and statutory bodies including the Marine Management Organisation.

Why they are important

- Public policy and regulation define the environment in which we operate. Working together enables us to create value for the nation

How we engage

- We foster open, transparent and collaborative relationships
- We do this through a mixture of operational and strategic engagement as well as convening cross-governments and industry groups

Example outcomes of engagement

- Working in partnership with our diverse stakeholders to support the long-term sustainable development of the seabed
- Partnering with local authorities to help communities and businesses to navigate the pandemic recovery, for example with a skills and employment hub in Northamptonshire

Our strategy and performance against targets

In last year's Annual Report we set out our ambitious new strategy.

Guided by our purpose and informed by the major trends impacting our business, our strategy seeks to leverage our unique strengths and diverse portfolio to create holistic and long-term financial, environmental and social value for our stakeholders, customers and the nation.

Our strategy is anchored around serving three key national needs where we see a role for us to play. These are set out

below. Overarching this, our ambition is to promote economic growth and support improved productivity through all our activities.

The past year has been one of transition as we put in place the foundations from which to deliver our new strategy. We've built new teams, grown our capabilities and established new ways of working. As a result, while we undertook this

transformation, we have kept similar performance measures in place, against which we report opposite, for 2021/22.

For 2022/23 a series of new targets and key performance indicators will be set aligning to our new strategy.

OUR STRATEGY

Our ambition is to promote economic growth and support improved productivity through all our activities.



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



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



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

HOW WE DELIVER OUR STRATEGY

Each of our Strategic Business Units has a defined role to play in delivering our strategy, ultimately creating financial, environmental and social value by enhancing both the value of our portfolio and the return obtained from it.

STRIVING FOR EQUALITY OF OUTCOMES

Our strategy delivers an ambitious set of long-term outcomes that can support the national policy agenda, drive economic growth across the UK and maximise returns to the Treasury.



Financial impact



Environmental impact



Social impact

Our performance this year

FINANCIAL

Read more on
pages 34 - 39

Our
2021/22
targets

Growth in net revenue profit

Achieve a net revenue profit of £269.0 million.

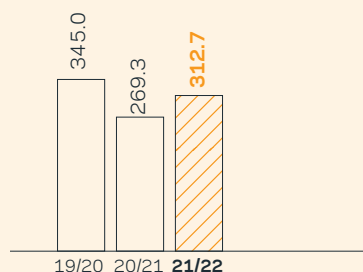
Total return

Outperform our MSCI bespoke total return benchmark on an annualised three-year rolling basis.

How we
performed
this year

£312.7m **A**

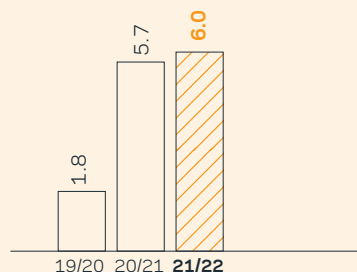
our net revenue profit



Target
2019/20: £356.2m
2020/21: £370.5m
2021/22: £269.0m

6.0 percentage points **A**

outperformance of our benchmark



Without the impact of Offshore Wind Leasing Round 4, our outperformance would have been 0.3 (2020/21: 0.7).

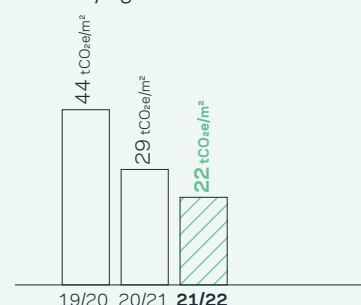
ENVIRONMENTAL

Greenhouse gas emissions (GHG) intensity

Reduce our Scope 1 and 2 (location-based) emissions intensity against our 2019/20 baseline.

50% **O**

reduction in absolute GHG emissions intensity against the baseline



Read more on
pages 21 - 27

SOCIAL

Read more on
pages 28 - 33

Our
2021/22
targets

Customer satisfaction

Outperform the Institute of Customer Service benchmark of 78% (January 2022).

Employee engagement

Outperform the UK national benchmark* for employee engagement of 80% (2021/22).

* Provided by Willis Towers Watson.

Health and safety

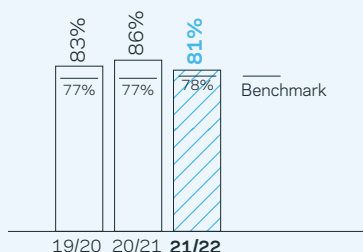
Outperform a benchmark* of 0.50. Our Lost Time Injury Frequency Rate (LTIFR) enables us to better assess any accident which has a material impact on our people and our supply chain employees.

* Informal peer group benchmark established this year.

How we
performed
this year

81% **A**

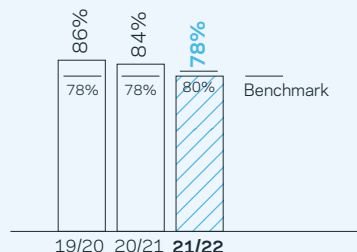
of our customers are 'satisfied' or 'very satisfied'



In each year London and Regional customers were surveyed.

78% **M**

of employees think The Crown Estate is a great place to work



0.61 [△] **M**

our LTIFR, representing an underperformance against the benchmark

The value we create

The Crown Estate exists to create lasting and shared prosperity for the nation. Our role as custodians of this extraordinary business is to take a broad view of how that value is defined.



“Our role as custodians of this remarkable organisation is to take a broad view of how we define value, ensuring environmental and social outcomes are intertwined with financial targets.”

Judith Everett

Executive Director, Purpose, Sustainability & Stakeholder

Last year we set out a new way of articulating how we consider our ability to address the environmental and societal challenges of today alongside the financial and, in so doing, ensure that the value we generate for the public purse each year takes account of our impact in all three areas and is sustainable for the long term. This was our new purpose – to create lasting and shared prosperity for the nation. It is our ‘north star’ and guides every decision we make, ensuring environmental and social outcomes are intertwined with financial targets.

We can’t do this on our own, and our network of partners, suppliers, customers and stakeholders, along with our talented and dedicated colleagues, are central to our ability to make a difference.

Our Group strategy was recast last year to support us in this ambition. Over the following pages, we set out in detail how we aim to deliver value in the broadest sense, while focusing on the work of our four Strategic Business Units to deliver against our new purpose.

The new role of Executive Director, Purpose, Sustainability & Stakeholder, reporting to the Chief Executive, oversees Sustainability, is responsible for brand, communications and engagement, and is a member of the Value Creation Committee that reviews all capital approvals.

Strategy in review

This section sets out our Group strategy’s ambitions and long-term goals, demonstrating how we aim to deliver lasting financial, environmental and social value.

In this section



Read our Environmental review
on **pages 21-27**

Read our Social review
on **pages 28-33**

Read our Financial review
on **pages 34-39**

Strategy in action

This section sets out how our four Strategic Business Units are delivering their individual strategies in support of the wider Group ambition, aligned to our purpose.

In this section



Read our Marine review
on **pages 40-44**

Read our London review
on **pages 45-48**

Read our Regional review
on **pages 49-51**

Read our Windsor & Rural review
on **pages 52-54**

Strategy in review

Environmental review



KEY HIGHLIGHTS

Year-on-year reduction in absolute Scope 1 and 2 greenhouse gas emissions

13%

(2020/21: 21%)

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

13.3m tCO₂

(2020/21: 14.1m tCO₂)

Cumulative operational offshore wind capacity

10.78GW[△]

(2020/21: 9.61GW)

Operational waste recycled

57%

(2020/21: 73%)

These are the UN Sustainable Development Goals on which we have an impact and have an opportunity to make a difference



Read more about the supply of clean energy on **page 23**



Read more in our case study on **page 27**



Read more about waste and water on **page 26**



Read more about net zero on **page 22**



Read more about habitat creation on **pages 26-27**



Read more about habitat creation on **pages 26-27**

A healthy and thriving natural environment is critical for us all and as a business we are deeply aware of our responsibility to have a positive impact through our immediate and longer-term activities.

Our Group strategic objectives (see page 18) include being a leader in supporting the UK towards a net zero carbon future and taking a leading role in stewarding the UK's natural environment and biodiversity.

These are ambitious goals and over the past year we have been restructuring our business, recruiting expertise to deliver progress against our strategy and putting in place a new governance structure for sustainability, which puts the responsibility for its implementation with our four Strategic Business Units (SBUs), guided and supported by our strengthened Sustainability team. Additionally, ongoing work to improve our data quality and availability has been supported by securing additional energy and carbon expertise within the Group team. The new role of Executive Director, Purpose, Sustainability & Stakeholder, oversees the Sustainability team and is a member of the Value Creation Committee that reviews all capital approvals. At Board level, the formation of a Sustainability Committee further strengthens our leadership and governance in this important area.

Furthermore, to ensure integration of sustainability within all business activity we have established a working group for biodiversity and incorporated net zero into the cross-business group tasked with driving transformation. We will incorporate the Task Force on Climate-related Financial Disclosures (TCFD) framework within cross-business working, driven by the Finance function. This integrated approach facilitates the sharing of knowledge and a joined-up approach in our response to these issues, with the aim of developing scalable solutions to deliver maximum benefit.

The last year has been a landmark one in terms of the science of climate change. The Intergovernmental Panel on Climate Change published its Sixth Assessment

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

Environmental review continued

Report. The message is clear: the window for action is closing. To keep global temperatures from rising more than 1.5°C beyond the pre-industrial average, we need to cut all greenhouse gases roughly in half in the next ten years. We welcomed the orientation of the third part of the report to solutions, and are particularly focused on the contribution we can play in the areas of energy, land use, cities, buildings and carbon capture and storage. At COP26 in Glasgow, climate action took centre stage, and the UN backed the Race to Zero to rally a broad coalition from across sectors including companies, cities and local authorities. However, even with current commitments, the world is heading towards a dangerous level of warming of over 2°C.

In parallel, efforts are intensifying to agree a global deal to curb biodiversity loss, akin to the Paris agreement on climate change. A draft Global Diversity Framework has been developed for discussion at COP15 (the fifteenth meeting of the UN Convention on Biological Diversity) which has been postponed several times due to the pandemic. The Taskforce on Nature-related Financial Disclosures (TNFD) has also issued the first beta version of its risk management and disclosure framework. This is an important step in getting the market to recognise and tackle the risk of nature loss. We will be working progressively to align to its recommendations as well as to those of the TCFD.

Below we report progress over the past year against our two strategic objectives listed above and more supporting data to this Environmental review can be found online in our Environmental and Social data supplement at: thecrownestate.co.uk/environmental-social-data

Towards a net zero carbon future

We are committed to playing our part in addressing the climate crisis, and have aligned our business to the 1.5°C goal of the Paris Climate Agreement. We have set a target to become a net zero carbon business by 2030, and climate positive thereafter. We have set ambitious targets to enable the growth of renewables offshore, and we are committed to increasing the carbon sequestration potential of land and sea, while also protecting and restoring biodiversity. Read more on our response and approach online at: thecrownestate.co.uk/net-zero. Our 1.5°C Science Based Targets (SBTs) are awaiting validation by the Science Based Targets initiative (SBTi).

Real estate decarbonisation

One to three-year real estate net zero targets have been set with our London, Regional and Windsor businesses

covering carbon reduction in line with our SBTs as well as for energy intensity and data quality. We have also set targets with our Rural and Marine businesses, recognising their specific contribution around carbon sequestration, clean energy and reducing whole-life carbon. This is in line with our Value Creation Framework, measuring and being accountable for environmental as well as financial and social value.

The challenge of achieving net zero carbon and SBTs forces every business not only to look at reducing direct energy use but also to influence its stakeholders up and down its value chains. This presents further challenges regarding data availability and accuracy. Additional internal resource appointed in the year is enabling us to carry out a thorough review of our energy and carbon data.

We are developing and maintaining key partnerships within our wide-ranging stakeholders across all sectors in which we operate. This gives us the opportunity

to facilitate projects, and collaborate with industry-wide organisations, governmental organisations and non-governmental organisations (NGOs), along with our customers and suppliers, to provide and harness thought leadership, best practice and energy reduction projects at scale. Read more on a key output of this engagement in the case study on page 27.

Net zero progress

In last year's Annual Report we set out the action we had begun to take on our net zero journey along with next steps. The progress against these next steps is shown below, along with some priorities for the year ahead.

Alongside this, we continued to focus our efforts on increasing the supply of renewable energy, reducing whole-life carbon and increasingly working with others to gain impetus and to achieve scale of impact.

Our 2021/22 goals	Our 2021/22 progress	Our 2022/23 priorities
Test and validate a roadmap to achieve our net zero ambition	Developed a high level roadmap which has been approved by the Board	Embed a net zero transformation programme into our business for effective delivery of our commitments
Approve our 1.5°C SBTs	Submitted our SBTs to the SBTi and are awaiting their validation	Ensure the business decarbonises in line with our SBT commitment
Update our Development Sustainability Principles (DSPs)	Developed an appendix to the DSPs providing guidance on embodied carbon, with targets, for developers	Further enhance our DSPs to reflect our enhanced environmental and social commitments
Complete a decarbonisation trajectory for our real estate assets	Developed a trajectory which is being used as a tool to inform decision-making	Work with SBUs to ensure the effective use of the trajectory to implement the right interventions to reduce our energy and carbon intensity
Develop asset level net zero plans setting out medium to long-term actions and investments required to achieve net zero	Developed further net zero pilot plans including for 30 Warwick Street, London	Commission at least 15 additional net zero asset plans across our SBUs and identify key actions
Implement ongoing energy efficiency and carbon reduction measures on our real estate	Introduced energy saving measures such as installation of automatic meter readers and LED lighting replacements	Set targets for London, Regional and Windsor real estate for carbon reduction, energy intensity and data quality
Work closely with developers to grant seabed rights for the first UK carbon storage facilities	Continued to work with the North Sea Transition Authority (NSTA, the carbon storage regulator) and government to conclude leasing rights for the first two Track-1 industrial cluster projects	Work with the NSTA to identify how we best respond to market interest for further carbon storage projects, to enable the achievement of government targets while balancing other seabed uses

Increase the supply of clean renewable energy

Clean renewable energy is critical to the achievement of global net zero carbon emissions. Our biggest opportunity and contribution to the UK's net zero goal is through our role as the enabler of offshore wind energy generation around England, Wales and Northern Ireland. During 2021/22, across our seabed holdings, cumulative operational capacity in the offshore wind sector increased from 9.61GW to 10.78GW[△] (an increase of 1.17GW)[△]. Together with operational capacity in Scotland, this positions the UK as the second biggest offshore wind energy generator in the world, behind China.

The actual generation of 34.0TWh of energy during 2021/22 equates to avoided carbon emissions of 13.3 million tCO₂.

The UK offshore wind pipeline at 31 March 2022 stands at 43.0GW. Capacity emerging from Round 4, proposed Celtic Sea floating wind leasing and the Crown Estate Scotland's ongoing ScotWind leasing process could take the total pipeline to 80.1GW.

Floating wind is a growing opportunity to increase the supply of clean renewable offshore wind energy in deeper seas. In close consultation with stakeholders, we have been seeking input into plans to unlock at least 4GW of floating wind in the Celtic Sea, delivering new capacity to provide clean power for almost four million homes. You can read more on our offshore wind story and its contribution to the transition to a low carbon economy on pages 40-44.

Across our real estate portfolio, and as part of our SBT commitment, we are targeting the purchase of 100% verified renewable electricity by 2030. Additionally, and where it can be accommodated, we generate a small amount of renewables on site, predominantly solar power on rooftops. Over the last year 99%[△] of our purchased electricity (where we are responsible for procuring the energy) was from renewable sources (2020/21: 71%). The purchase of renewable electricity is shown in the market-based carbon emissions data in the tables on page 24. For more information on our methodology see [thecrownestate.co.uk/assurance-reporting](https://www.thecrownestate.co.uk/assurance-reporting)

Recognising there will be increasing demand for the supply of renewable energy, across our Rural portfolio we have been exploring the potential of sites for renewable energy development. We are engaging with development partners, customers and local stakeholders on the feasibility of a small number of sites, to supplement our existing small-scale renewable energy installations.

Task Force on Climate-related Financial Disclosures (TCFD)

We have been using the TCFD framework as a tool to inform our strategy, to drive our assessment of transition risk and necessary adaptation measures. As part of our voluntary compliance with disclosure recommendations we report as follows:

Governance. Board oversight of climate-related issues has been significantly increased by the establishment of a Board-level Sustainability Committee. Our Board's activity on climate-related issues is detailed on page 88-89.

Strategy. Our strategy works towards the mitigation of climate change: to be a leader in supporting the UK towards a net zero carbon future; and to take a leading role in stewarding the UK's natural environment and biodiversity. Examples of our progress against these objectives are set out in this Environmental review.

Risk. Climate change is acknowledged as a key risk to our business. It is incorporated into our internal risk management system and appropriate control measures have been identified to mitigate the risk and further work will be undertaken in line with the TCFD framework. Further details and the process by which we identify and manage risks is set out on pages 55-61.

Metrics. For a number of years we have been reporting absolute energy consumption and energy intensity, as well as carbon dioxide emissions and intensity from our assets where we are responsible for procuring the energy. We have now started to report additional Scope 3 metrics as part of our commitment to 1.5°C SBTs. This data is shown on pages 24-25. We also report the percentage of renewable energy purchased.

Reduction of whole-life carbon in our operations and construction

Reduction of whole-life carbon is critical to any net zero ambition. For us this means reductions in our operations and construction projects, and engaging with our customers to help them to also work to reduce their emissions.

Operational emissions

Our SBUs have net zero business plans which set out their specific contribution to the Group net zero agenda over the coming year and longer-term milestones up to 2030. These plans support our Group-wide commitments including SBTs. Our next step is working through the cross-business group to fully embed our net zero transformation agenda and integrate it into the development pipeline through net zero plans at asset level.

Over the past year we have developed a decarbonisation trajectory: a tool to aid decision-making which maps out the decarbonisation potential of our real estate, the action required and associated costs. This will be developed further and updated with accurate data from our net zero plans, enabling improved decision-making on the interventions required to reduce energy and carbon intensity.

Examples of interventions underway include installation and maintenance of Automatic Meter Readers for those assets where we purchase the energy; maximising rooftop solar panel installation and other on-site renewables;

installation of light-emitting diodes, review of Building Management System settings and the redesign of heating, ventilation and air conditioning systems.

A programme of solar panel installation at Windsor has supplied approximately 30% of the energy used at Virginia Water over the past year. We now have smart building capability at the Savill Building which gives a breakdown of energy use for different categories of use. Modulation of the biomass district heating system has resulted in a 40% reduction in energy use. All of these measures give much greater understanding and control of energy use on the Windsor Estate, with online capability and live dashboards.

Ensuring that our portfolio remains Minimum Energy Efficiency Standard (MEES) compliant is crucial to ensuring our continued ability to lease our spaces. Currently our MEES eligible portfolio is regularly assessed for compliance and when appropriate energy saving measures are implemented to maintain compliance. As part of commissioning the next set of net zero asset plans, we will be comparing them with our MEES assessments to ensure the key recommendations of the asset plans will deliver an improvement to the Energy Performance Certificate rating as well as ensure we maintain compliance.

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

Environmental review continued

Our energy use, energy savings and associated carbon emission data for 2021/22 are detailed in the following tables with explanatory narrative, as required in the Greenhouse Gas (GHG) Protocol and Streamlined Energy and Carbon Reporting (SECR) legislation.

ENERGY USE - ABSOLUTE^{1,2}

	Absolute (MWh)				Like-for-like (MWh)		
	2019/20	2020/21	2021/22	Year-on-year % change	2020/21	2021/22	Year-on-year % change
Electricity	68,073	52,262	60,134	+15	48,396	57,839	+20
Fuel	38,293	28,408	24,270	-15	24,292	23,205	-4
Total	106,366	80,670	84,404[△]	+5	72,688	81,044	+11
Number of assets	158	145	136	-6	120	120	
Energy intensity (kWh/m ²) ³	191	136	109	-20			

1. All data relates to those assets where The Crown Estate is responsible for procuring the energy.

2. Absolute figures for 2021/22 relate to 88% of our London and Regional portfolios and the Windsor Estate and for energy intensity 73% of floor area.

3. Data reported is Group-level intensity – see the breakdown between office/mixed-use, retail shopping centres and retail parks in the Environmental and Social data supplement online: thecrownestate.co.uk/environmental-social-data

Absolute energy use across our directly managed portfolio has increased by 5% this year. On a like-for-like basis (properties with data for the last two consecutive years) there has been an 11% increase. This increase was mainly due to increased occupancy levels after the pandemic, with more people choosing to work in the office rather than at home. More detail of energy by source can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/environmental-social-data

GREENHOUSE GAS EMISSIONS - ABSOLUTE (SCOPES 1 AND 2¹)

		2019/20 (tCO ₂ e)	2020/21 (tCO ₂ e)	2021/22 (tCO ₂ e)
Scope 1	Direct emissions from fleet and heating of buildings	7,457	5,546	3,495
Scope 1	Refrigerants ⁴	n/a	n/a	285
Scope 1	Owned vehicles and machinery ⁴	n/a	n/a	225
	Total Scope 1	7,457	5,546	4,005[△]
Scope 2 (location-based)	Emissions from generated electricity usage	9,247	7,681	7,514 [△]
	Gross Scope 1 and 2 (location-based)	16,704	13,227	11,519
	Year-on-year percentage decrease	9%	21%	13%
Scope 2 (market-based)	Emissions from generated electricity usage	1,760	4,253	125 [△]
Emissions intensity (kgCO₂e/m²)	Relates to Scopes 1 and 2 only	2019/20 (baseline)	2020/21	2021/22
Total	kgCO₂e/m²	44	29	22
	Cumulative percentage decrease against 2019/20 baseline		34%	50%

1. All data relates to those assets where The Crown Estate is responsible for procuring the energy.

2. Absolute figures for 2021/22 relate to 69% of floor areas (m²) of our London and Regional portfolios and the Windsor Estate.

3. Carbon intensity data represents 73% of floor area. Assets contributing to the intensity data account for 86% of the absolute energy consumed at properties where The Crown Estate is responsible for procuring the energy. See also data note 3 accompanying the Energy table above.

4. For prior years owned vehicles and machinery emissions were included within direct emissions from fleet and heating of buildings. A more granular approach has been adopted in 2021/22 enabling us to disclose the emissions for this category. No data was collected for refrigerants in 2019/20 or 2020/21.

There has been a 13% reduction in absolute emissions from our directly managed portfolio over 2021/22. This reduction was driven by a reduction in natural gas consumption and the decarbonisation of the UK national grid, partly offset by increased occupancy rates after the COVID-19 lockdown. We have updated our methodology to significantly increase the percentage of floor area for which we disclose the absolute and intensity of energy and emissions where estimations are required in the absence of raw data.

Estimations and uncertainty

We are always seeking to improve the quality of our data and to use the latest and most accurate industry models. Despite this, environmental reporting in particular is an evolving area and our reporting necessarily involves certain estimates and assumptions.

Methodology and definitions

Summary methodology for quantification and reporting of energy and carbon data

We quantify and report our organisational greenhouse gas (GHG) emissions according to the GHG Protocol, using the operational control approach. Energy use data has been collated and converted into carbon dioxide equivalent (CO₂e) using the UK government 2020 Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data.

Definitions

Location-based emissions: emissions from electricity usage calculated in accordance with the spread of energy sources in the National Grid over the year in question (e.g. fossil fuels and renewables).

Market-based emissions: emissions from electricity usage calculated taking into account the sources of the energy purchased (e.g. validated renewable sources) and the corresponding emissions actually released into the atmosphere (i.e. as a result of the purchase of non-renewable sources).

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

Carbon dioxide emissions – absolute (indirect – Scope 3)

Our Scope 3, indirect, emissions are those we produce as a result of our activity and include those produced as a result of work we commission through our supply chain and those we enable through our leasing and licensing activity. They occur from sources not owned or controlled by us.

INDIRECT EMISSIONS (SCOPE 3)

	GHG Protocol category	2019/20 (tCO ₂ e)	2020/21 (tCO ₂ e)	2021/22 (tCO ₂ e)
Scope 3	Category 3: Emissions from electricity and transmission distribution losses	1,477	1,048	1,130
Scope 3	Category 6: Emissions from business travel	181	52	20
Scope 3	Category 8: Leased vehicles/machinery/tools (see note 4 above)	n/a	n/a	134
Scope 3 (location-based)	Category 13: Emissions: evidenced customer-purchased energy	8,232	4,549	6,205
	Gross Scope 3 emissions	9,890	5,649	7,489[△]
	Year-on-year percentage (increase)/decrease	(0.1)%	(42.9)%	32.6%
Scope 3 (market-based)	Category 13: Emissions: evidenced customer-purchased energy	15	1,030	-

ADDITIONAL SCOPE 3 CATEGORIES TO BE REPORTED AGAINST AS PART OF OUR SBTs

Scope 3	Category 1: Purchased goods and services	n/a	99,455	45,523
Scope 3	Category 2: Capital goods	n/a	49,054	27,315
Scope 3	Category 5: Waste generated in operations	n/a	169	108
Scope 3	Category 7: Employee commuting	n/a	358	101
Scope 3	Category 13: Downstream leased assets	n/a	42,051	41,311
	Total gross Scope 3 emissions		196,736	121,847
	Year on year percentage (decrease)	n/a	n/a	(38)%

Understanding the extent of our Scope 3 emissions and influencing their reduction is a challenge which has to be overcome.

As with other organisations, we know that our Scope 3 emissions dwarf our direct emissions. As part of our recent SBT submission, we have assessed the relevance and materiality of all 15 Scope 3 categories. This year, we are reporting five new emissions categories: purchased goods and services; capital goods; waste generated in operations; employee commuting; and leased vehicles/machinery/tools. We will continue to increase the accuracy of our Scope 3 emissions calculations in order to reduce uncertainty, as well as to guide and track the progress of our net zero commitment.

Our Scope 3 footprint has reduced from 196,736 to 121,847 tCO₂e this year. This decrease was driven by a fall in our spend on purchased goods and services, particularly in higher intensity spend categories, causing a reduction in emissions.

A further breakdown of our Scope 1, 2 and 3 emissions, as reported above, can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/environmental-social-data

Engagement with customers and other stakeholders

In order to measure success in decarbonisation, and to understand more

of our emissions down the value chain (Scope 3), customer engagement is critical.

It is our ambition to work more closely with stakeholders in order to support our net zero carbon aspiration. To this effect, during the year we have agreed to include ESG wording as part of several headlease re-gears. This included the requirement to procure renewable energy, undertake annual energy audits, share data and implement carbon reduction measures. As we look to further roll this out, it is our intention to flex the terms as required for different asset and lease types. The additional data will help us measure our progress towards our SBTs and net zero more accurately.

We are partners of the UK Green Building Council (UKGBC) and Better Buildings Partnership and are working collaboratively across the real estate industry to achieve net zero and the decarbonisation of our portfolio.

Working with our customers, sustainable travel has been a big focus across the Regional portfolio, and is one way in which we can decarbonise our customer and visitor emissions. Bespoke travel plans have been developed for all Regional destinations. At Fosse Park (Leicestershire), Princesshay (Exeter) and Rushden Lakes (Northamptonshire), there were various programmes and events on active travel commuting during the year, with contributions from the local police, bike mechanics, volunteers

and relevant businesses. The engagement has resulted in customer pledges and greater public awareness of non-car travel alternatives.

The next steps at our Regional destinations are to improve the physical infrastructure to encourage travel by non-car modes and to reduce single-occupancy car use. A strategy to increase the provision of electric car charging points will also be developed.

Construction emissions

Our development pipeline is being reassessed in light of our net zero carbon ambition. All new developments will now have to show how they are contributing to broader environmental and social value. The DSPs are being updated accordingly, a first step being an appendix providing guidance on embodied carbon, with targets for developers.

A Resilience Framework will also be developed for master planning and strategic land sites, which addresses our response to climate change and key principles and priorities. The DSPs will sit under this and, through their requirements, direct delivery of the intended outputs in development and the creation of sustainable communities both from an environmental and a social perspective.

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

Environmental review continued

Stewarding the UK's natural environment and biodiversity

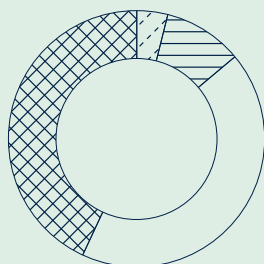
This strategic objective is closely linked to the achievement of a net zero future and we will actively look to use nature-based solutions as part of our decarbonisation programme. We have a diverse portfolio covering the seabed, urban and rural assets, and are in a unique position to facilitate collaborative projects. We have the potential to be part of long-term, effective programmes to enhance biodiversity which, as well as increasing carbon sequestration, can deliver a multitude of other ecosystem services which have social as well as environmental benefits, such as flood mitigation and increased health and wellbeing.

Efficient and considered use of all natural resources is critical to their continued availability. In line with circular economy principles we aim to sustainably source and use natural resources, designing out waste and maximising reuse and recycling across our real estate portfolio. We are increasingly engaging with our customers on this. Also, our DSPs are being further enhanced to reflect the growing environmental (and social) best practice requirements of our construction partners.

Over the coming year we will be working across the business and with external stakeholders to further shape our ambition and approach in the area of biodiversity.

We welcome Defra's review of biodiversity policy and recently took the opportunity to respond to its consultation on biodiversity net gain (BNG). We are keen to engage with Defra to help shape a BNG market that delivers highly positive outcomes for nature and communities.

Operational waste – end disposal breakdown 2021/22



	Composting	4%
	Anaerobic digestion	10%
	Recycled (following on-site segregation)	43%
Total Recycled		57%
	Incineration off-site (with energy recovery)	43%

Below we report on waste and water, clean air, habitat creation and conservation. This includes detail on how we are achieving more through our work with industry and value chain connections.

Waste and water

Over the past year, our generation of operational waste increased to 5,476 tonnes in 2021/22 (2020/21: 2,263 tonnes) (see chart below) reflecting the return to more normal activity levels as footfall and activity increased.

We are analysing the composition of waste from our Regional portfolio and identifying site action plans to increase recycling. Also, many of our Regional customers have signed up with Too Good To Go, an initiative aimed at reducing food waste and the contamination of other waste streams by selling food which hasn't sold in time at a reduced price.

On our London portfolio, in collaboration with our managing agents and contractors, we have continued to engage with restaurateurs on food waste to achieve a reduction of waste generated and increased recycling by our customers.

There is a growing focus on circular economy principles in the offshore wind industry. Our Marine team is engaging with developers on what this means, along with whole-life carbon emissions. Our Managing Director of Marine spoke on the importance of moving to a circular economy, at a supplier conference described as the industry's first major event in the journey towards energy that is not just renewable, but also zero waste in its production.

Additionally, we are participating in the SusWIND project, which aims to accelerate the development of materials and processes that address the recyclability of wind turbine blades. The project is led by the National Composites Centre and the Centre for Process Innovation, in partnership with Offshore Renewable Energy Catapult.

While we recognise our responsibility to conserve water as a critical resource across the Group, water consumption is not as significant to our London and Regional businesses as other environmental impacts.

An ongoing challenge is our accessibility to water data, and the ability to understand the split of use between our own and customer use, particularly on the Windsor Estate with its historical metering infrastructure. However, the appointment of a sustainability analyst for Windsor will ensure the more accurate and regular measurement of water use and abstraction.

Water use decreased across our real estate portfolio by 15% in 2021/22 with 405,873m³ used (2020/21: 476,568m³).

External air quality

Improving air quality is a particular challenge for London and our portfolio. We are working as members of the London Air Quality Network initiative (led by Imperial College London), to monitor nitrogen dioxide (NO₂) and particulate matter (PM2.5 and PM10) near Heddon Street and at Waterloo Place. It is important that we measure air quality in order to understand the effects of innovation and where our efforts should be focused – pooling valuable insights and data with our partners. Over the course of the year our readings showed air quality to be averaging just within the current UK targets.

Working with our partners, we are considering how we continue to deliver better air quality for all users of Regent Street. We are still learning from the temporary scheme brought in at Regent Street as part of COVID-19 measures, which included wider pedestrian areas and a reduction in road space. As part of this, we have installed cameras to monitor vehicle numbers, types and journey times – this will help us to correlate the air quality data with the type and volume of vehicles using Regent Street at any one time, which will guide decision-making on the sustainable allocation of public space between pedestrians, cyclists and vehicles in the future.

Habitat creation and conservation

As a founding member of the Wild West End (WWE) partnership we now have a significant number of green roofs, green walls and street planters installed in the Regent Street and St James's area which provide habitats for a wide range of flora and fauna. Following the recent biennial survey of all WWE sites, ours were confirmed as providing a diverse range of feeding sources for invertebrates, birds and bats. The 2021 surveys confirmed the presence of nesting black redstart, one of the UK's rarest breeding birds, within a nestbox on a green roof in the St James's portfolio.

Delivering a cleaner Westminster

In support of the Climate Emergency Action Plan published by Westminster City Council (WCC), we have played a pivotal role in setting up the Zero Emissions Group.



We are working alongside ten other Westminster landowners who are ready to push the boundaries on reducing emissions. Seeing the potential for a much broader impact across Westminster, the Zero Emissions Group and WCC subsequently linked up with the Westminster Property Association resulting in a joint pledge to work together to create a Sustainable City Charter to be launched in 2022.

Partnering with Volta Trucks and Clipper Logistics, we are piloting a new fully electric HGV from summer 2022 for our retail freight consolidation scheme. It will decarbonise and consolidate deliveries for our customers, helping to improve air quality and congestion in the West End. This is an example of the sort of project expected to be advocated in the Sustainable City Charter.

The Windsor Estate supports a wealth of species of flora and fauna and our operations are managed to protect them, to enhance their habitats and create habitats for new species. An unintended consequence of encouraging the public to visit and take advantage of the Great Park is that wildlife and habitats can be disturbed or destroyed inadvertently. Our new Biodiversity and Conservation Manager is evaluating the impacts of visitors on the most important habitats and species in order to formulate an action plan.

The Windsor Estate supports a number of rare birds, moths, fungi, beetles and dragonflies. We have one of the most diverse sites in the UK for dragonfly species and are active in managing that habitat and in creating new ponds and wetlands. We manage our forestry and filming operations to maximise the breeding success of some of the rarer ground-nesting birds such as the woodlark, nightjar and Dartford warbler, and have restored areas of lowland, heathland habitat within the working forests.

There are a number of Sites of Special Scientific Interest (SSSI) at Windsor, covering 2,980 hectares. All are confirmed as in 'favourable condition' by Natural England. Maintaining the status takes considerable effort and is a continual process.

Our ten-year landscape restoration and replanting programme also continues at Windsor. Read more in our case study on page 54.

Our extensive ownership of rural land, extending to 175,000 acres across England and Wales, provides opportunity to work with adjacent, and like-minded, landowners to develop some exciting nature-based projects and natural infrastructure which will also contribute to our net zero commitment. Read more on our Rural strategy on pages 53-54.

Within our Marine portfolio we are proactively working with local authorities, NGOs and universities on habitat creation, conservation and pilot restoration projects, as well as environmental research projects. We also have a role in granting seabed leases to enable such projects to proceed.

Seagrass, sea kelp and salt marsh habitat creation and restoration projects are in progress or planned in various places off the south coast of England and in Wales. These habitats provide a wealth of benefits including: food and shelter for fish and other small animals; improvement of water quality by trapping sediment and absorbing nutrients; reduction of wave turbulence; and sequestration of carbon dioxide.

One example is the ReMEDIES Solent Seagrass Restoration Project, which aims to create four hectares of seagrass west of the Beaulieu River. Following a recent seabed lease, the project planted 20,000 bags of seagrass seeds in March 2022 with further planting planned in 2023.

The Offshore Wind Evidence and Change programme is helping to ensure that the expansion of offshore wind can be done in a way that best protects and enhances the environment. Read more on the programme on page 42. An example of a programme study currently underway is the 'remote tracking of seabirds at sea' project which is being led by the Royal Society for the Protection of Birds. This pioneering project is trialling tracking techniques to reveal more about seabird movements and survival in the North Sea. If successful, it will be an international first, allowing the project team to collect ground-breaking data on currently unmeasurable parameters.

Strategy in review

Social review



KEY HIGHLIGHTS

Number of unemployed people gaining employment through our Recruit Regional programme

332

(2020/21: 88)

Lost Time Injury Frequency Rate

0.61^A

(2020/21: n/a)

Employee engagement 'Great place to work' score

78%

(2020/21: 84%)

Customer satisfaction score

81%

(2020/21: 86%)

These are the UN Sustainable Development Goals on which we have an impact and have the opportunity to make a difference



Read more on **pages 31-32**



Read more about wellbeing and mental health on **page 30**



Read more on **pages 30-31**



Read more on **page 29**



Read more on **pages 30-31**



Read more in our London and Regional reviews on **pages 45-51**

The purpose of The Crown Estate is to create lasting and shared prosperity for the nation, so we exist to serve society.

We recognise the very challenging social environment in the UK at present. As society emerges from an incredibly difficult period as a result of the pandemic, inequality is being exacerbated by inflation, resulting in a cost of living crisis. We strive to continuously understand the positive impact we can have through our work in the communities within which we operate. Whether it's making our places healthier, safer and welcoming to all, putting social inclusion at the centre of our thinking, or creating local employment opportunities now or in the future, we have a significant role to play both directly and as an enabler.

We have a chance to build on our approach to date, leveraging our unique position and diverse portfolio to deliver holistic, long-term social value for communities across the nation.

While we've previously taken a localised view of how we deliver value in the communities we operate in, over the last year we've stepped back and started to consider how we approach this more systemically, enabled by our new strategy.

This thinking is still in development but some principles are emerging that will guide our work in this space. These include increasing the voice of communities in our planning and decision-making; bringing our social and environmental agendas more closely together to understand and take action on how the UK's net zero journey impacts people in communities; and putting an integral focus on impact and inclusion through all our operational activities.

To underpin the raising of our ambition we have grown our Sustainability team, overseen by a new Head of Sustainability, and created the new role of Executive Director, Purpose, Sustainability & Stakeholder. We have additionally formed a Board-level Sustainability Committee.

This review looks back on what we've achieved over the last 12 months and touches on some of the foundations laid for our future work (see case study on

page 31). Framed around our people, as well as looking outside of our business into our social contribution to wider society, this year we report on our progress internally to support colleagues, as well as our work with our customers and the supply chain. The discussion below on our new approach to health and safety spans our work both internally and externally.

More supporting data to this Social review can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/environmental-social-data

Supporting employment in local communities

One longstanding initiative we are involved with to support our ambition is our Recruit Regional programme. Now in its fifth year, the scheme has been running at four of our regional destinations – at Rushden Lakes and Fosse Park, in partnership with the Department for Work and Pensions, and at The Gate and Silverlink Shopping Park, in partnership with North Tyneside Council. Across the four sites the programme collectively placed 332 (2020/21: 88) unemployed people into local employment. We also hosted three regional job fairs during the year which saw 325 people exploring opportunities at our destinations. In January 2022, our two-year partnership with North Tyneside Council came to a close, and our customers are now supported by related services in the local area.

This summer we will be organising our first London job fair, specifically designed for the hospitality sector in response to the well-documented challenges around recruitment. We will be looking to inspire people to join the sector and create excitement around working in the West End, supporting our customers with their requirements, while working with our partners to ensure the event is accessible and inclusive to all as we look to reach a diverse pool of candidates.

Health and safety

During the year our Group Leadership Team (GLT) and Board have endorsed our new approach to health and safety, articulated through a new 'Safety First' Group-wide health and safety strategy, and overseen by the newly created role of Executive Director, Operations. It aims to fundamentally shift the way we see health and safety by putting it first and foremost in our decision-making. By considering how we protect and care for people in everything we do, we can ensure that we are not only a successful business but also have a positive and lasting impact on our supply chain and the industries we are connected to.

Through our new five-year strategy, we want to become a leader in health and safety, adopting a three-fold approach. First, we want to create the right building blocks for success to ensure we have strong foundations to manage ongoing risk; second, we want to inspire exemplary safety leadership by supporting our people to develop higher levels of health and safety awareness and competency; and third, we want to support the industries we work in by being a leader in driving innovation in safety. We aim to create significant and immediate improvement, while we invest in more strategic change for the long term.

Last year we reported we were changing how we measure our health and safety performance and we have moved from a focus on reactive measures that reflect where we are today, to targeting proactive measures also. This balance between leading and lagging indicators, includes a new measure that tracks Positive Leadership Activity, which captures business-wide health and safety leadership engagement. Our leaders have significantly increased their time and focus on safety and we now have a mechanism for capturing and celebrating this. Our GLT was given a target of achieving 19 points, earned through an accumulation of dedicated time spent on health and safety. They exceeded this target, achieving 23 points collectively. By the end of the financial year 2022/23, we aim to have expanded the target to include every business leader across our Group.

During the year, our Chief Executive co-hosted two workshops with leaders from JLL and Savills, our London and Regional managing agents. Attended by colleagues from our business alongside our managing agents, the discussion covered how we work together to embed and strengthen a culture of safety in everything we do for our customers.

Our approach to health and safety management was independently audited by Internal Audit in October 2021 and achieved 'Reasonable Assurance'. The key findings reconfirmed areas we knew needed to be strengthened, including gaining greater assurance in the quality of our asset data, and the need for a finalised health and safety strategy supported by a clear roadmap, which is now in place. We also re-certified to ISO 14001 and ISO 45001 through external independent audit.

Additionally, we were externally benchmarked against a well-recognised cultural maturity model – the Hudson Culture Ladder. This model plots the development of an organisation's safety culture with each level distinct, enabling

an organisation to see the areas they need to focus on to progress their cultural maturity. This highlighted that while we have some good systems in place, health and safety is not yet established consistently as a core value across the business, again something our new strategy is starting to address.

We have continued to grow our health and safety team, and restructured to embed dedicated safety resource into each Strategic Business Unit (SBU). We have also strengthened our specialist areas such as fire safety and wellbeing. Fire safety is a critical area which has been recognised as one many industries need to strengthen. We are committed to staying close to learning and adopting best practice in fire safety as it emerges and now have internal resource in place to lead this through a dedicated Fire and Fabric Manager. This resource will also enable us to capture and take action on our own internal learning more effectively along with responding to the new fire safety legislation as it emerges.

In 2021/22 our staff Accident Frequency Rate (AFR) was 0.58[△] (2020/21: 0.21) and our staff Accident Severity Rate (ASR) was 0.06 (2020/21: 0.02). This year, for the first time we are capturing our Lost Time Injury Frequency Rate (LTIFR) so that we can better assess and work to prevent any injury that has a negative impact on our people. The LTIFR captures any injury that impacted the injured person's ability to go to work the next day and thereafter following the injury. For 2021/22 the rate was 0.61[△], underperforming our newly established peer group benchmark of 0.50. As we roll out our new 'Safety First' strategy we expect to see an improvement in this measure.

We have had six (2020/21: two) employee reportable incidents (RIDDOR) to the Health and Safety Executive (HSE) on directly managed assets, and seven (2020/21: three) reportable injuries to members of the public on assets managed directly and by third parties. On our construction projects we also review our contractor accident statistics and our Construction AFR was zero[△] (2020/21: 0.24).

The increase in some measures relative to last year, including RIDDORs, is not reflective of an increased failure in procedure, but often an injured person's situational awareness. We recognise the need to focus further on injury prevention in every sense. Health and safety reporting criteria can be found online at: thecrownestate.co.uk/assurance-reporting

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

Social review continued

Details of our reportable incidents and environmental incidents can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/environmental-social-data

Wellbeing and mental health

We have a responsibility to positively protect and enhance mental health and wellbeing, and are committed to creating environments in which everyone can thrive by removing barriers that prevent people from realising their full potential.

To accelerate and progress this ambition we have appointed a dedicated Wellbeing Manager to lead our Wellbeing Delivery Group and work closely with our diversity, equity and inclusion networks to ensure our initiatives in this important area make an impact.

As reported more widely in this report it has been a year of transformation on many levels and as we moved out of the pandemic lockdown and completed our restructure, our wellbeing activity focused on welcoming colleagues back to the office and reconnecting. In support of our ambition to build a culture at work where everyone feels they can be themselves, we ran a series of internal events called 'My Whole Self' where colleagues shared their life experiences on subjects ranging from post-traumatic stress disorder to autism.

As well as 24/7 access to our employee assistance programme, Lifeworks, our wellbeing portal, continues to grow and offers daily exercise classes as well as quarterly wellbeing talks.

Participation in external events and discussions is an extremely valuable way to learn what more we could be doing. We continue our support for Estates Gazette's Mental Health Programme through colleagues' participation in podcasts, and became members of a new external wellbeing forum, 'Let's Improve Workplace Wellbeing'. Alongside this we are members of the Health in Construction Leadership Group which helps unify an approach to worker health protection and the promotion, adoption and implementation of best practice processes and initiatives.

We have 51 mental health first aiders in the Group, equating to 9.4% of our people. Each mental health first aider undertakes year-round training to ensure continuous learning and regular opportunity to meet and learn from fellow first aiders. Training workshops covered topics from self-care to anxiety and autism.

We have a low sickness absence rate for the business of 2.03% (2020/21: 1.66%)

of working time compared with a national average of 2.5% (2020/21: 2.9%).

Our People strategy

We have appointed an Executive Director, People & Culture and developed a new People strategy to empower our people to realise their full potential and enable the transformative growth needed to deliver our ambitious Group strategy.

Focused on three priority areas – culture, talent and performance – its overarching objective is to ensure our people have a sense of belonging, can bring their whole selves to work and can be their best and thrive.

We want an inclusive culture where the customer and innovation are central to the way we operate; we want to attract and develop new and diverse capabilities; and we want to build a workplace where our people are empowered, diverse thinking is encouraged and people are recognised for their contribution.

As part of our new People strategy we have redefined our Employee Value Proposition (EVP). It sets out what we stand for: being a force for good united by our purpose and what is unique about us: our role as a catalyst for lasting and sustainable change. Our EVP will drive our people's experience with us through the employee life-cycle.

Employee engagement

Our people are our greatest asset. Effective engagement is essential to ensuring our organisation, and everyone in it, is aligned to our purpose, feels motivated, and understands the part they can play in contributing to our success.

In what has been a transformational year for the business, with significant change across the organisation, effective and frequent communication, with the opportunity to feed back at every stage, has been more important than ever.

Communication has ranged from Group-wide town halls led by the Chief Executive and wider GLT, to individual team meetings to help colleagues understand new structures, ways of working and the new strategy. This has been supplemented by regular emails and conversations, particularly in support of the move to hybrid working.

In the autumn we carried out our annual Group-wide employee engagement survey, One Voice. This is a deep dive into employee engagement across all areas. It showed that the vast majority (89%) of colleagues are proud to work for The Crown Estate (2020/21: 93%), and that 78% of respondents felt it is a

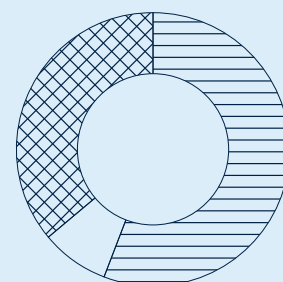
'Great place to work' (2020/21: 84%). At 78%, we acknowledge this is both below the UK national benchmark and where we would like it to be. While it may in part be driven by the restructure, it has given us some clear indications of areas where we need to do more – at Group level as a direct result of the feedback, and locally to ensure everyone feels confident and empowered to identify further improvements and make changes where they see an opportunity.

Areas where there is an opportunity for us to improve include Leadership; Talent & Opportunity; and Culture. In Leadership, we are widening our leadership community to extend further into the organisation and improve connections and cohesion within this group. In Talent & Opportunity, as explained earlier, we have created a new People strategy to ensure our people reach their full potential. This includes reviewing our approach to talent and resourcing and introducing new practices to support career progression. Alongside this we have been designing our new approach to performance management. Finally, in the area of Culture, we have focused on internal engagement to embed our purpose, values and strategy, recognising that this is key to moving forward and building the organisational strength to deliver our new strategy. Alongside Group-wide activity we have been holding team-level workshops to set out 'Our Story', articulating our Group ambition and the role we all have in achieving this.

Diversity, equity and inclusion (DE&I)

Our ambition is to be an inclusive organisation that represents our society where all feel welcome, able to be themselves and belong. While we know we still have a way to go, we have recently built a good foundation and are beginning to see the impact of the changes we are making.

Colleague diversity at 31 March 2022



White	56%
Black, Asian and Minority Ethnic	8%
Not stated	36%

Learning from lived experience

We want our places to be for everyone and we're committed to reducing and removing barriers from our spaces to make them as inclusive as possible.



Throughout 2021/22 we've been trialling ways to actively seek out, listen to and learn from people with lived experience in and around our places. We have established an informal panel of 'critical friends' from communities local to our locations and with different disabilities and different perspectives to share.

Initially we worked with Tim and Lisa, inviting them to share their experiences as visitors to the Savill Garden and Windsor Great Park. Their feedback proved so insightful that we've since replicated the exercise in central London. Our London panel included Lydia, who is autistic, Callum, who is vision impaired, and Tanvi, an electric wheelchair user. Their varied experiences and perspectives enabled us to get a clear understanding of the different considerations we should be taking account of across all our destinations.

We recognise that culture flows from the top of an organisation, and so in the past year we have had a particular focus on hiring more women at a senior level, and improving our diversity balance across all areas of our business. This focus has resulted in us recruiting more women than men over the last year – 45% of the GLT are now women (2020/21: 30%), while 57% of our Board (including Board Counsellors) are women (2020/21: 50%). Overall 43% of our employees are women (2020/21: 41%).

We have a DE&I group that focuses on four key areas, each with its own network – accessibility and inclusivity; gender; LGBT+; and race, ethnicity and culture. Around 8% of our people participate in our four DE&I networks, including a dedicated GLT sponsor to support activity and drive change. Each of our networks raises awareness and host events to support our ambitions to be an inclusive organisation.

Last summer, we appointed a dedicated D&I Manager to build on the work of our DE&I networks, and help us to develop a DE&I strategy and inclusive employee experience for everyone. We also launched a reverse mentoring programme which our GLT participates in. The objective of the programme is to share knowledge and lived experiences, and to create a greater understanding of difference. We have also put in place a number of processes to support unbiased hiring decisions and ensure diversity of candidates, including diverse shortlists and interview panels.

To make progress on social mobility, we have completed our first social mobility index to seek a baseline to work from, and we will be setting targets which we will report against in future years.

Data on colleague diversity can be seen on page 30 and in our Environmental and Social data supplement online at: thecrownestate.co.uk/environmental-social-data

Accessibility and inclusivity

The aim of our accessibility and inclusivity network is to create accessible and inclusive places that present positive opportunities and experience for all regardless of physical or mental disability or social background.

During the year, our work with AccessAble continued and we have completed accessibility audits and guides for all our destinations. Through these we are seeking to continuously improve their effectiveness, including monitoring engagement and piloting direct outreach to communities to raise awareness and share information. The resulting feedback is reviewed according to priority level and adjustments are built into our SBU business plans.

We also convened customers, stakeholders and partners, including landlords and retailers, for an accessibility-focused event marking Purple Tuesday. Together we examined how, as key players in central London, we can make it a more accessible city for everyone. This initial conversation led to

us establishing an industry collaboration group to identify and deliver opportunities for collective action.

Gender pay gap

As set out, we have a number of processes in place to create greater equity and support a workforce that is more reflective of society.

Our latest figures, which report our gender pay gap data for the fifth year and as at April 2021, show that the work we have been doing to bring our pay gap closer to balance has made a difference, but we know we still have more to do across all parts of our business.

Our mean base pay gap now stands at 5.8% \diamond , slightly reduced from 5.9% in 2020. Our median base pay gap has been brought closer to zero, at 1.9% \diamond , up from -6.3% last year. This has been impacted by a number of factors, including increasing headcount across our business, creating new roles at a more senior level and individuals being promoted.

We will continue to challenge ourselves to tackle some of the systemic challenges that underpin imbalance, and we will focus our actions where we can make the biggest difference, as we strive to build an ever stronger and more diverse organisation, where everyone has an equal chance to succeed.

\diamond This data has been reproduced from our website disclosure and has been independently assured by KPMG LLP under ISAE(UK)3000. KPMG's unqualified Limited Assurance Opinion can be viewed online at: thecrownestate.co.uk/assurance-reporting

Social review continued

We are proud to be a Living Wage employer, accredited by the Living Wage Foundation since April 2015. During the 2021/22 financial year all our people were paid the Real Living Wage as a minimum.

More information on the gender pay gap, our methodology and the full report can be found online at: thecrownestate.co.uk/gender-pay

Learning & Development (L&D)

In a year of transformation for the business, a lot of support and attention was given to line managers, guiding them through the processes around implementing new team structures and ways of working, and how best to support their teams. This training was provided through a combination of group workshops and 1:1 conversations.

L&D for new joiners was also a key focus of the year. We welcomed a significant number of new colleagues and launched a digital induction hub, to create a consistent induction experience across the business.

Alongside this, we launched our Digital Academy, an online learning platform, an early first step towards upskilling our people in the area of digital, as part of our wider digital transformation. Using LinkedIn Learning, the platform offers interactive learning courses to develop digital learning paths to build knowledge and understanding of all things digital.

The average number of training hours per person decreased in the year to 8 hours (2020/21: 10). This was in part as a result of the pandemic continuing, and also due to a focus on business transformation and the associated internal changes that took place. In the year ahead our L&D activity will focus on enabling our people to develop their

capabilities in line with our new strategy, develop their understanding of their own purpose and support teams to achieve success through diverse thinking, collaboration and positive challenge.

Welcoming the next generation

During the past year we started to launch our Next Generation programme, with a view to rolling it out more formally in the coming months. Through a combination of apprenticeships, internships, work placements, school leaver programmes, secondments and a graduate development scheme we want to welcome people into the business to develop their early careers with us, alongside those of our more experienced colleagues.

The programme will enable us to bring fresh perspectives and diverse thinking into the Group. It will also align our selection and recruitment processes with our DE&I goals, changing the way we recruit, moving away from traditional methods to ensure we remove barriers and reach a more diverse pool of talent, ultimately creating a more representative workforce.

Once fully established, it will put in place the infrastructure needed to improve our offering to young people and those starting new careers, aligning to our purpose to enable more impact from the opportunities we create. Read about the experience of one of our new colleagues, Habtom Okube, opposite.

During the year a number of colleagues joined the business through the Next Generation programme and in 2022/23 we will be looking to build on this, including through offering a number of opportunities for apprenticeships at the Windsor Estate.

Also as part of the programme, we are pleased to be participating in The Sustainable50, a campaign aimed at creating a cohort of 50 CRS apprentices within 12 months, to create supply and demand from young people and employers alike around the CRS profession. As part of the scheme we recently welcomed Sumaya Ahmed Siddique as Corporate Responsibility & Sustainability Apprentice; read more about Sumaya's experience opposite.

Alongside permanent roles, we realise the importance of also offering opportunities for young people to gain valuable work experience. Last summer, as part of an ongoing relationship, we hosted three interns from the Reading Real Estate Foundation – a charity that provides pathways into the property sector for disadvantaged students – for a one-month paid internship with us. We also offered a bespoke 300-hour

placement within our Finance team to a student from Kingston University who was studying Accounting and Finance. Another referral from our partnership with the Drive Forward Foundation, the placement allowed the student to acquire the working hours needed to equate to a full university module.

The Marine team hosted an intern for its Marine Research Internship Programme, while in partnership with others it welcomed three interns as part of the Marine Futures North West and Coast Explorer Internship programmes. All interns have subsequently secured roles within the marine sector.

Looking ahead to our plans for the rollout of our Next Generation programme this summer, we are excited to be launching a graduate development scheme, and participating in #10000BlackInterns – a scheme seeking to offer 2,000 internships each year for five consecutive years. Under the initiative, we look forward to welcoming five interns to our business.

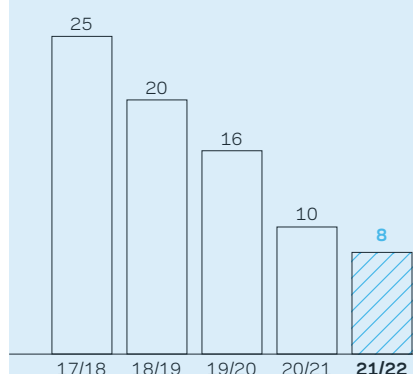
Volunteering

Volunteering is mutually beneficial for the individuals and organisations being supported, as well as for the volunteers themselves. For this reason we actively encourage our colleagues to participate and everyone is eligible for two days' volunteering per year. We recognise that in addition to this, many of our colleagues generously donate their time to causes out of business hours. In the past year these activities have ranged from volunteering as Treasurer for the local girlguiding unit, through to volunteering as school governors and with the police and St John Ambulance. We hope to inspire more people to volunteer through a range of opportunities that build skills as part of their personal development. These additional volunteering hours are not captured in the data reported below.

Average hours of training per year per person

8 hours

a reduction of 20% on 2020/21



"I applied for a role at The Crown Estate as I recognised a shared goal to champion sustainability in its widest sense. It is early days, but I am enjoying the opportunity I have been given to work on projects across our environmental and social agenda and contribute to making a difference in the communities where we operate."

Sumaya Ahmed Siddique
Corporate Responsibility & Sustainability Apprentice



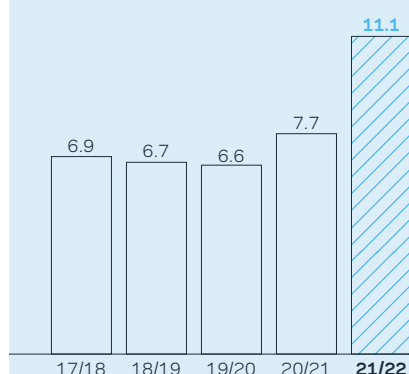
We are delighted Habtom Okube joined our Marine team. Referred to us through our partnership with the Drive Forward Foundation, a charity that supports young care leavers and unaccompanied asylum seekers into employment, Habtom initially completed a three-month paid internship delivering an overview of the techno-economics of green hydrogen production from offshore wind. Having impressed during his time with us, Habtom has since accepted the permanent role of CCUS Programme Coordinator.

During the year we relaunched our volunteering programme through a Volunteer Expo with partner organisations 'pitching' their opportunities at an event for colleagues.

We continued to work with our existing partners including the Drive Forward Foundation, where our colleagues volunteered their time as mentors and formed new partnerships including with Under One Sky – a charity helping the homeless community by providing them with snacks and clothing.

Staff voluntary turnover rate
% of total staff based on average number of staff for each financial year

11.1%



We also launched a new pilot partnership with Skills Builder, an organisation that works with over 750 schools to help teach essential skills to students. As part of this pilot we arranged four 'Imaginative Inventors' virtual trips where students came up with ideas to make the workplace more sustainable. Each of these events had four of our volunteers who listened to the ideas and gave the students feedback on how they had used their essential skills.

In total 276 hours were volunteered by 8% of our people during business hours. This is a decline on the prior year, primarily as a result of disruption from the pandemic and the Group restructure. Through the relaunch of our volunteering programme and sharing news internally around colleagues' personal volunteering experiences we hope to increase volunteering hours over the next 12 months.

Performance management

In the financial year 2022/23 we are introducing a new approach to performance management called Connected Conversations. This approach allows our people and managers to build their relationship through regular conversations, focused on realising an individual's potential. The aim of this regular communication is to build a performance plan which better connects a person to their role, their development, their wellbeing and their manager and team, as well as the wider Group's strategy, purpose and values. Through establishing better connections, including between the Group's business objectives and what everyone does on a day-to-day basis, we will empower our people to deliver in their role, aligning to a clear set of personal objectives and a structured path for personal development.

Staff turnover

This is our fifth year of reporting voluntary turnover figures. We believe this metric is more meaningful than total turnover as it relates to staff choosing to leave the business. Although it is higher than the prior year figure of 7.7%, it remains relatively low at 11.1%, with the national voluntary average rate at 12.4%.

Customers

This year we surveyed customers of our London and Regional portfolios. Customer satisfaction remains high at 81%; however, this is a decline on the prior year (2020/21: 86%). This figure reflects the proportion of our customers who are either satisfied or highly satisfied, and outperforms the Institute of Customer Service benchmark of 78.0% as at January 2022.

We also measure our Net Promoter Score (NPS), which tracks to what extent our customers would recommend us. Our overall score is now 29.0, a decline from 41.6 last year for our London and Regional portfolios; however, we remain ahead of the Institute of Customer Service UK benchmark, which has an average NPS of 27.5 as at January 2022.

Our strong overall satisfaction score reflected customers' views of both our active management through the pandemic and the good connection they have with us. Recognising that this is an area for constant improvement and acknowledging the decline in our NPS (a survey undertaken in April/May 2021, a year into the pandemic), we are currently reviewing our operating model in relation to how we engage with our customers, and defining a clear value proposition with more active listening and engagement to better understand their current and future needs.

Working with our supply chain

We work closely with our managing agents and supply chain and carry out regular training and stress testing with our managing agents, supported by our business continuity plans, crisis management and operational procedures at an asset level.

In order to better leverage our supply chain and form more effective relationships with key suppliers, we will launch our new supply chain charter which sets out what our supply chain should expect from us, as well as the minimum standards we expect from our suppliers in critical risk areas. To support this we have implemented a category management procurement model with dedicated procurement resource.

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, the International Labour Organization Core Conventions, and Human Rights endorsed by the United Nations.

We take our obligation to demonstrate to our stakeholders that slavery and human trafficking does not occur within our workplace or supply chain extremely seriously, and have put the necessary processes in place to ensure this is the case. For more information see: thecrownestate.co.uk/modern-slavery-act

Strategy in review

Financial review



“After my first full year with the Group I am excited about the opportunity we have before us to make a positive financial, environmental and social impact at a national level.”

Robert Allen
Chief Financial Officer

KEY HIGHLIGHTS

Revenue

£490.8m

(2020/21: £486.9m)

Property value

£15.6bn

(2020/21: £14.4bn)

Net revenue profit

£312.7m

(2020/21: £269.3m)

Net assets

£16.5bn

(2020/21: £15.2bn)

Our results reflect the resilience of our portfolio as our business began its recovery from the pandemic. Looking forward, we face a contrast between the continued stress and uncertainty in some of our customers' businesses, and the positive impact of our Marine business, in particular Round 4.

Persistent economic shocks serve to dampen expectations for a sustained economic recovery, impacting our London and Regional businesses. In our Marine portfolio, offshore wind generation continues to grow and, in April 2022, we announced the conclusion of the Plan-Level Habitats Regulations Assessment (HRA), assured by the Audit Committee, and gave notice to the UK and Welsh governments of our intent to proceed with the Round 4 plan on the basis of a derogation. This could pave the way to start to recognise Round 4 income in the financial year 2022/23. Read more on page 35.

For 2021/22, our net revenue profit of £312.7 million is £43.4 million higher than last year – ahead of our agreed target of £269.0 million, although this remains below pre-pandemic levels.

Despite starting the financial year in lockdown and uncertainty created by the Omicron variant during the important Christmas trading period, the economy recovered faster than we had expected, reflected in our improved performance. Numbering just six, CVAs and administrations abated and none of our Regional customers entered into CVA or administration, bucking the trend of recent years and demonstrating the effectiveness of the government support packages. However, we continue to receive premia as our customers seek to right-size their real estate portfolios and while the one-off income flatters current year profit, it adds to our void rates at a time when properties are taking longer to let, and in an environment where prevailing market rates are uncertain.

Looking forward, we will continue to work in partnership with our customers as many are still facing the challenge of getting back to business as usual. This is against the uncertain backdrop of government support measures having now ended, a squeeze in consumer income and sharply rising costs exacerbated by the war in Ukraine. This is especially acute in the retail market, where the pandemic has served to accelerate structural changes. We expect these economic headwinds to persist in the short to medium term. Our gross rental arrears balance has reduced by one third in the year, but remains £40 million higher than pre-pandemic levels. As a result, there remains uncertainty over the recoverability of arrears and around the trading conditions for the financial year 2022/23, both of which will continue to be areas of focus.

Declines in the value of our retail assets abated and strong footfall in our out-of-town retail parks, combined with good trading and positive investor sentiment, has resulted in a valuation increase of £285.5 million in our Regional portfolio. Following a strategic review of our business and assets, and aligning to our long-term ambitions, we took the decision post year end to initiate the disposal of four of our Regional assets, which are currently being marketed, as we look to generate capital for investment in support of our strategy.

Offshore Wind Leasing Round 4

As mentioned earlier, completion of the HRA is required before we can enter into the option agreements with our customers for the six proposed Round 4 offshore wind projects. In April 2022, we concluded this process, assured by the Audit Committee, and gave notice to the UK and Welsh governments of our intent to proceed with the Round 4 plan on the basis of a derogation. The Welsh government has not lodged any objections to the notice, and we await further direction from the UK government.

There remains the possibility that not all of the sites that comprise the Round 4 plan will progress to be operational windfarms, which is reflected by high discount rates included in the valuation. The Round 4 valuation has increased by £456.3 million primarily as a result of being a year closer to potentially realising income. Assuming the option agreements are signed in the financial year 2022/23, the risk associated with the early cash flows will reduce significantly, which would result in a further uplift in the valuation.

REVENUE ACCOUNT

	2021/22 £m	2020/21 £m	Change £m	Change %
Revenue (excluding service charge income)	490.8	486.9	3.9	0.8
Direct costs (including net service charge expense)	(76.3)	(130.2)	53.9	(41.4)
Gross profit	414.5	356.7	57.8	16.2
Gross profit margin	84.5%	73.3%		11.2
Administrative expenses	(56.7)	(38.5)	(18.2)	47.3
Operating profit	357.8	318.2	(39.6)	12.4
Net investment revenue and other income	2.6	(3.8)	6.4	(168.4)
Treasury agreements and statutory transfers	(47.7)	(45.1)	(2.6)	5.8
Net revenue account profit	312.7	269.3	(43.4)	16.1

As was the case last year, we have not recorded any Round 4 income in our revenue account income statement. We will start to recognise the Round 4 option fee income when the Agreements for Lease have been signed. This could result in up to an additional £73 million per month of income being recorded in the revenue account income statement.

Payments to Treasury

Given the continuing impact of the pandemic on our business, we agreed interim targets for the 2021/22 financial year. Our financial target was to outperform our net revenue profit of 2020/21. We are currently in discussion with the Treasury about our future targets that will both endure for the long term, reflecting the changing nature of our business, and are closely aligned to our purpose, strategy and Value Creation Framework.

At the date of preparing this report, we have settled the entire 2020/21 net revenue profit liability to the Treasury, which we had agreed to pay in instalments, given we cannot draw on our capital account to cover operating expenses.

We will continue to make staged payments of our 2021/22 net revenue profit as revenue cash balances allow, although we are in discussion about adjusting the mechanism once we start to recognise the Round 4 income. All of the 2021/22 net revenue profit remains as a liability on our balance sheet to be settled across the next 12 months as revenue cash balances allow.

Revenue account income statement

Revenue has increased year-on-year primarily as a result of three factors: an increase in offshore wind operational capacity and the impact of higher electricity prices from offshore wind farms; one-off income from customers seeking to exit leases early; and increased mineral extraction. This is partially offset by lower revenue from our commercial property assets as a result of customer concessions, increased void rates and lower rents.

We have continued to work with customers who are in arrears to reach a fair and balanced agreement to settle outstanding amounts. We have successfully recovered more arrears than we had forecast, resulting in a write-back of £11 million during the year. This is partially offset by both higher repair costs as we take a safety-first approach to our assets and the adverse impact of increased voids.

Lower direct costs have resulted in our gross profit margin increasing 11.2 percentage points from 73.3% to 84.5%. After adjusting for the over recovery against expectations of £11 million, our gross profit margin has increased 6.7 percentage points from 75.5% to 82.2%, and is now just short of our pre-pandemic gross profit margin of 84.6%.

Administrative expenses have increased as a result of accounting adjustments totalling £10.7 million, which include a one-off charge resulting from an IFRS interpretation relating to software that had previously been treated as a fixed asset and the absence of a one-off gain recorded last year. Our digital costs have increased by £2.9 million as we invest to change the way we operate and become a digital-first organisation. The balance is staff and recruitment costs as we normalise after the pandemic and start to invest in new capabilities to deliver our strategy.

Financial review continued

Net investment revenue has increased as higher interest rates have combined with increased cash deposits, dividends from property investments have returned to normal levels, and depreciation is lower as a result of the IFRS software adjustment.

We have retained more income as capital this year in line with our Treasury agreements and statutory transfers. Read more on pages 115-116.

In total, our net revenue profit has recovered from last year's low of recent years, increasing 16.1%, although it remains below pre-pandemic levels.

Gross profit

The bridge chart on the right sets out the principal components of the change in gross profit.

Our active approach to working with our customers combined with improved trading conditions resulted in significantly lower concessions and bad debt costs of £69.1 million compared with last year.

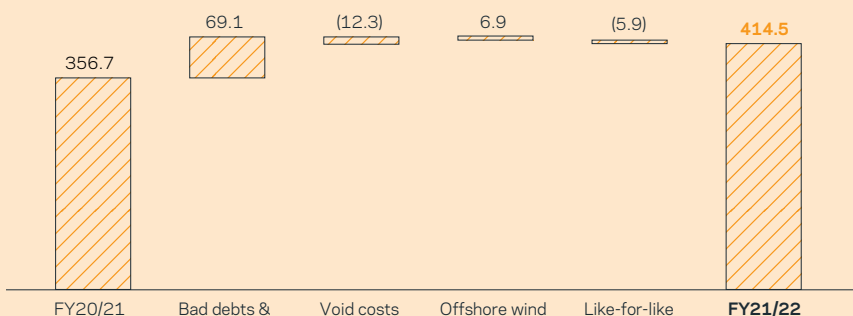
Higher than average void rates in the year have resulted in increased costs of £12.3 million year-on-year.

Offshore wind revenue grew by £6.9 million (25.1%) principally as a result of increased operational capacity; the effect of a full year's income from wind farms that became operational last year and the impact of higher electricity prices. This is partially offset by lower than average wind speeds during the spring and summer of 2021.

Our like-for-like income decreased by £5.9 million as the challenges facing our retail customers manifest through higher void rates and downward pressure on income, partially offset by £5.0 million of increased minerals extraction revenue.

Gross profit bridge

£414.5m



BALANCE SHEET

	Mar-22 £bn	Mar-21 £bn	Change £bn	%
Total property at valuation	15.6	14.4	1.2	8.3
Cash	2.2	2.2	-	-
Other net liabilities	(1.3)	(1.4)	0.1	(7.1)
Net assets	16.5	15.2	1.3	8.6

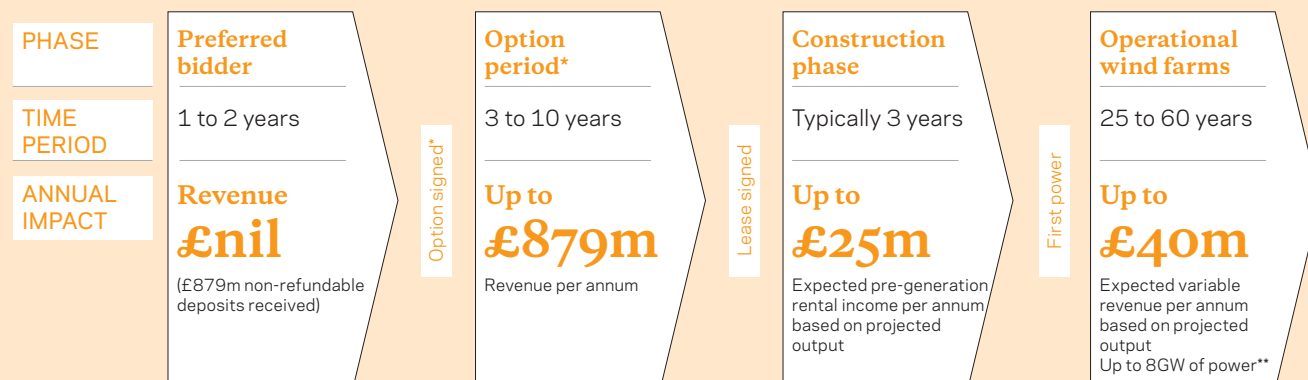
Balance sheet

Net assets have increased by 8.6% to £16.5 billion, driven mainly by a net capital gain on our investment properties of £1.2 billion, which is analysed on page 37.

The principal components of our balance sheet are investment properties and cash. Cash and other net liabilities include £879.0 million of customer deposits for Round 4. We will begin to recognise the income when the option fee agreements are signed. Other net liabilities have reduced this year as the VAT element of the option fee deposits

was paid to HMRC. In addition to the customer deposits, other net liabilities also comprise the net revenue profit to the extent it has not been paid to the Treasury.

Round 4 - key phases



Revenue estimates are subject to indexation.

* Predicated on HRA approval and the successful conclusion of the Agreement for Lease option process.

** 12.5m tonnes of CO₂ emissions avoided, equivalent to 19% of the nation's annual household emissions.

Investment property

The table on the right shows the fair value of all properties as shown in the balance sheet, following an independent open market valuation of the entire portfolio as at 31 March 2022. There have been no changes to the valuation appointments in the year.

The total value of properties increased 8.3% to £15.6 billion. Like-for-like capital values have increased by £1.2 billion.

The property values as at 31 March 2021 have been restated as noted on page 38.

The investment property valuation bridge on the right illustrates the changes in capital value.

We have kept the development pipeline paused for much of the year as we worked through the implications of our new strategy on our future development pipeline, reshaped our development team and carefully reviewed proposed developments. We spent £67.4 million in the year as we started refurbishments at 10 Spring Gardens and 2 Bessborough Street, developed the adventure playground at Windsor Great Park and continued to invest in key capital generative schemes such as Round 4 and potential developments at East Hemel and Rushden Lakes.

Property sales (including long-lease extensions), capital receipts from offshore wind projects and sales of rural land together provided £106.9 million of capital for future investment in the business. The majority of property sales took place above book value, generating a capital gain of £62.4 million.

The value of our portfolio has increased by 8.3% from £14.4 billion to £15.6 billion. Our one-year total return is 12.0%, outperforming our annual MSCI bespoke total return benchmark of 9.9%. On a three-year rolling basis, it is 8.3% against our annual MSCI bespoke benchmark of 2.3%. Excluding the impact of Round 4, on a three-year rolling basis, our performance is just 0.3 percentage points ahead of the bespoke benchmark.

The value of our Marine portfolio increased 22.0% to £5.0 billion. This growth is primarily within offshore wind, specifically the Round 4 valuation. The level of uncertainty in the Round 4 future cash flows is reflected in the high discount rate applied to the potential cash flows. This results in a relatively modest capital value ascribed to Round 4 when compared with the potential option fee revenue and a significant increase in value as the discount is unwound by a

INVESTMENT PROPERTIES

	Mar-22 £m	Mar-21 £m
Properties at valuation		
Investment properties	14,695.1	13,562.0
Investment properties in joint ventures	708.6	657.6
Owner occupied properties	130.0	134.2
Other property investments	46.5	54.7
Total property at valuation	15,580.2	14,408.5

VALUATION MOVEMENT BY PORTFOLIO

	Value		Capital revaluation surplus	
	Mar-22 £bn	Mar-21 £bn (restated)	£bn	%
London	7.7	7.7	-	-
Regional	1.7	1.5	0.3	20.0
Marine	5.0	4.1	0.8	19.5
Windsor & Rural	1.2	1.1	-	-
Total investment property	15.6	14.4	1.1	7.6
Capital gain on disposal			0.1	
Capital gain			1.2	8.3

Investment property valuation bridge

£15.6bn



year. We would expect the financial value of Round 4 to continue to grow in the short term as this uncertainty recedes. Given recent volatility in energy prices, in order to reduce variability in the valuation, the independent valuers have changed the cash flow assumptions to use forward forecast energy prices, as opposed to historical ones, which together have served to further increase the offshore wind farm valuations by 3.8%.

The London portfolio was flat compared to last year at £7.7 billion, reflecting the balance between improved trading conditions and the mixed outlook. Our office values have increased slightly with a continued shortage of prime stock and the defensive nature of our long lease portfolio continuing to prove resilient, although this was offset by a reduction in our retail properties. Voids (including properties under development) across

our London portfolio at 31 March 2022 are broadly similar to those at 31 March 2021. However, void rates are expected to increase in the financial year 2022/23 as we invest in our spaces when leases naturally expire and as we prepare to re-start our development pipeline.

Driven by strengthened investor sentiment and higher footfall with resilient trading at our out-of-town retail parks, our Regional portfolio has seen a net revaluation gain of £0.3 billion to £1.7 billion. Activity in the rest of the sector remains relatively subdued. Our void rate at 7.1% compares with a rate of 6.0% at March 2021. The Lendlease Retail Partnership, in which we hold a 4.9% stake, sold both its assets in the year at around book value. The partnership is now in the process of being wound up.

Financial review continued

CASH FLOW

	2021/22 £m	2020/21 £m
Net cash inflow from operating activities	281.7	1,339.3
Net cash (outflow)/inflow from investing activities	(22.0)	52.0
Payment to Consolidated Fund	(299.9)	(247.0)
Other items	5.7	(7.2)
Net cash (outflow)/inflow	(34.5)	1,137.1
Opening cash	2,195.7	1,058.6
Closing cash	2,161.2	2,195.7

Cash flow

Our net cash inflow from operating activities has declined as last year's balance includes the receipt of the Round 4 deposits. It is significantly lower than our net revenue profit as the VAT associated with the Round 4 receipts was remitted to HMRC during the year. The net investment in our portfolios described on page 37 contributed to an overall net cash outflow from investing activities of £22.0 million.

The Crown Estate is prohibited from borrowing and founded on trust principles, which in practice requires capital, revenue and third party cash deposits to be accounted for separately. In order to ensure resilience of revenue cash reserves, and with the agreement from the Treasury, we implemented a structured process for the deferred payment of our net revenue profits for a period of four years, which was available to us from 31 March 2020. In the year to 31 March 2022, £98.0 million of the 2019/20 and £201.9 million of the 2020/21 net revenue profit was settled. The remaining £67.4 million of the 2020/21 net revenue profit was settled in April 2022. The payment of the entire 2020/21 net revenue profit of £312.7 million is outstanding and is expected to be remitted in the next 12 months.

Strategic partners

We manage £2.0 billion (2020/21: £2.0 billion) of assets on behalf of our strategic joint venture and joint operating partners. The marginal increase of £28.2 million reflects valuation movements in the underlying assets as described above. Our partners have invested an additional £8.5 million across our portfolio primarily in the developments in Regent Street as well as early stage investment in future schemes such as the second phase of St James's Market.

The Crown Estate Pension Scheme

The pension arrangements are described in detail in the Remuneration Committee report on pages 82-87 and note 8 to the financial statements. The Crown Estate Pension scheme (CEPS) comprises three sections, of which two (the Opal and Quartz Core sections) are accounted for as defined benefit schemes. Certain of our staff also contribute to the Principal Civil Service Pension Scheme, a multi-employer scheme. Participation rates across all our pension schemes are high with 534 of our 563 people (including seasonal members of our team at Windsor) actively contributing to one of our pension schemes at 31 March 2022.

Contribution rates were 41.5% for the Opal section and 17.1% for the Quartz Core sections of the scheme. We believe the scheme is well funded given the nature of the scheme and the demographics of the scheme members.

2020/21 restatement

Following a strategic review of our business, the Rural portfolio moved from the Regional portfolio into the Windsor portfolio from 1 April 2021. The segmental disclosures for the year to 31 March 2021 have been restated to reflect the new Windsor & Rural Strategic Business Unit, alongside the existing London, Marine and Regional Strategic Business Units.

Presentation of financial information

Our portfolio includes investments managed directly by The Crown Estate, including assets where strategic partners share an interest through a lease arrangement; those which are managed through separate joint venture entities; and those where we hold a minority interest or are managed by third parties on our behalf. This report has been presented on a proportionally consolidated basis. This reflects The Crown Estate's proportionate interest of the underlying assets and liabilities, the basis on which we view the business, as it reflects our underlying economic interest better than the legal form of the investment. The proportionally consolidated results are considered 'alternative performance measures', as they are not defined under IFRS. A reconciliation between the reported results and these alternative performance measures can be found on pages 132-133.

Income statements

Our consolidated statement of comprehensive income is presented in two constituent parts: the revenue account and the capital account.

The revenue we generate from managing the portfolio of assets net of associated costs and specified transfers to the capital account (statutory transfers and by Treasury agreement) constitutes our revenue account. All of the net profit generated in our revenue account (net revenue profit) is paid to the Treasury for the benefit of the nation's finances.

Our capital account primarily comprises net revaluation movements, gains or losses on the disposal of assets and recoveries from the revenue account income statement. The main volatility in the capital income statement arises from net revaluation movements and gains on the disposal of investments, which are explained in note 11 on page 115. A more detailed explanation of the revenue and capital accounts can be found in note 1.

The Group's taxation position

As all our net revenue profit is due to be paid to the Treasury, The Crown Estate is not subject to corporation tax or capital gains tax. The Crown Estate is subject to VAT and SDLT and we aim to be transparent in our dealings with HMRC. The Crown Estate does not enter into any form of tax mitigation which could credibly be seen to be unethical.

Going concern and viability

The Board's assessments of going concern and viability were carried out in the context of the Crown Estate Act 1961 (the Act), which both constitutes The Crown Estate and places certain restrictions on us as outlined on page 69. The Board has assumed the Act will continue in place indefinitely.

The structured payment process for our net revenue profit, as described on page 35, is available to us for another two years. The Board expects that a longer-term arrangement will be agreed during that period.

The Board's process for assessment for both going concern and viability included consideration of: our principal risks (which are detailed on pages 55-61; our risk appetite; our strategy; the strength of our balance sheet; the breadth of our customer base; the range of sectors in which we operate; and our financial forecasts.

The going concern assessment was completed over the period to 30 September 2023, where we hold sufficient cash to meet our liabilities for the period under review without any further income.

A five-year period was considered when assessing our viability after considering the corporate strategy timeframe, development life-cycles and our approach to capital forecasting. The viability statement assumes ongoing downward pressure on rents; lower occupancy levels; contracted and planned spend on major developments; as well as assumptions arising from our Group strategy.

Stress testing was performed by flexing a number of assumptions in the revenue and capital requirement forecasts through a range of severe but plausible scenarios. Under all realistic scenarios The Crown Estate is able to continue to satisfy all revenue and capital account obligations over both the going concern and viability periods.

The Board confirms it has a reasonable expectation that The Crown Estate has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. In accordance with the 2018 UK Corporate Governance Code, the Board confirms that it has a reasonable expectation that The Crown Estate will continue in operation and to meet its liabilities as they fall due, over the five years to 31 March 2027.

Supplier payments

We aim to pay our suppliers within 30 days of the invoice date unless our contractual terms specify a shorter period. We do not seek to extend payment terms with our suppliers. Over the past financial year, we paid 73% of invoices within the target period (2020/21: 73%). This includes disputed invoices, amounts recoverable from third parties and invoices that were received late.

On average, suppliers are paid within 36 days (2020/21: 37 days) of invoice date. 13% (2020/21: 12%) of invoices were paid between 31 and 60 days and 14% (2020/21: 15%) of invoices were paid after more than 61 days.

There has been continued focus on paying suppliers more promptly as we have sought to support our supply chain, and payment days in the first nine months of the year averaged 34. Payment days extended in the final quarter of the year, but are expected to improve through the financial year 2022/23. We have been working with our managing agents to consolidate the number of utility suppliers with the aim of improving the speed with which we settle utility invoices, a key drag on our payment performance.

We do not offer our suppliers e-invoicing or supply chain finance. We do not make deductions from supplier invoices. We observe the principles of the Better Payment Practice Code.

We continue to focus on building closer relationships with our supply chain in order to create a competitive advantage for our business and better manage costs. We anticipate issuing a supplier charter in the next financial year that will guide our buying practice and work with our suppliers to ensure minimum legal compliance, as well as helping to generate environmental and social value.

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 £10,000 (2020/21: £10,000).

Strategy in action

Marine



“Our role is to accelerate the responsible development of the seabed, while helping the country optimise the economic, social and environmental potential of the marine environment.”

Huub den Rooijen
Managing Director, Marine

Q. What does the Marine business do?

A. We're driving the sustainable development of the seabed around England, Wales and Northern Ireland – and we do that for customers across a range of different technologies and uses. As the need to achieve net zero and ensure the UK's long-term energy security becomes ever more urgent, the demands on the seabed are greater than ever before, be it for windfarms, new cables or underground CO₂ storage, or indeed for environmental protection, to name a few. However, space on the seabed is increasingly constrained, and part of what we do is to draw on our scale and relationships, working with governments and others, to make the most of a nationally important but finite resource.

Across all of our activity we seek to optimise the potential financial, environmental and social value of the seabed on behalf of the nation. We work to ensure that marine habitats and biodiversity can be protected and sensitively co-exist with the development of new technologies. Working with others to balance the competing needs for seabed space sits at the heart of what we do.

Our core role is to make seabed leasing rights available to support the accelerated rollout of offshore technologies. To complement that, we invest to de-risk their development, for example through enabling actions such as marine surveys and research. We are also looking at how we can put additional capital to work, for example through investment into enabling infrastructure or into environmental or conservation opportunities. We want to remove as many barriers to development as we can, making the seabed more investible and accessible for the market and supporting the development of domestic supply chains and new, green jobs.

Q. What were your highlights of the year?

A. In April 2022 we completed our work, assured by the Audit Committee, on the Plan-Level Habitats Regulations Assessment (HRA) for Offshore Wind Leasing Round 4 – which has the potential to deliver up to 8GW of vital new offshore wind capacity, enough to deliver green electricity for up to 7 million more homes (read more on page 41). We also saw the Dogger Bank C and Sofia windfarms entering their leases ready to begin construction. We are looking to the future with our plans for floating wind in the Celtic Sea, which could ultimately attract several billion pounds of investment to Wales and the South West. In January 2022 we committed over £12 million to three significant research projects as part of our Offshore Wind Evidence and Change programme, a collaborative effort between 27 member organisations to ensure the long-term sustainable development of offshore wind. This is on top of the busiest year for seabed telecoms cables since the turn of the millennium, two new option agreements for electricity interconnectors with the Republic of Ireland and Germany, and starting our first geophysical survey of sand and gravel reserves in the North Sea.

Q. What's next for Marine?

A. These are exciting times. To make the most of the seabed's enormous resources and potential we continue to think about how to make the best of this national asset – but ensure we deliver at pace and with agility, responding to feedback from the market and the needs of our customers. Our immediate focus is on making rights available for floating wind in the Celtic Sea, CO₂ storage, and the challenge to integrate nature-based solutions in our future offshore wind programmes, to enable the UK government's energy security ambitions. We will continue to invest in capabilities, resources and partnerships to unlock the seabed's potential.

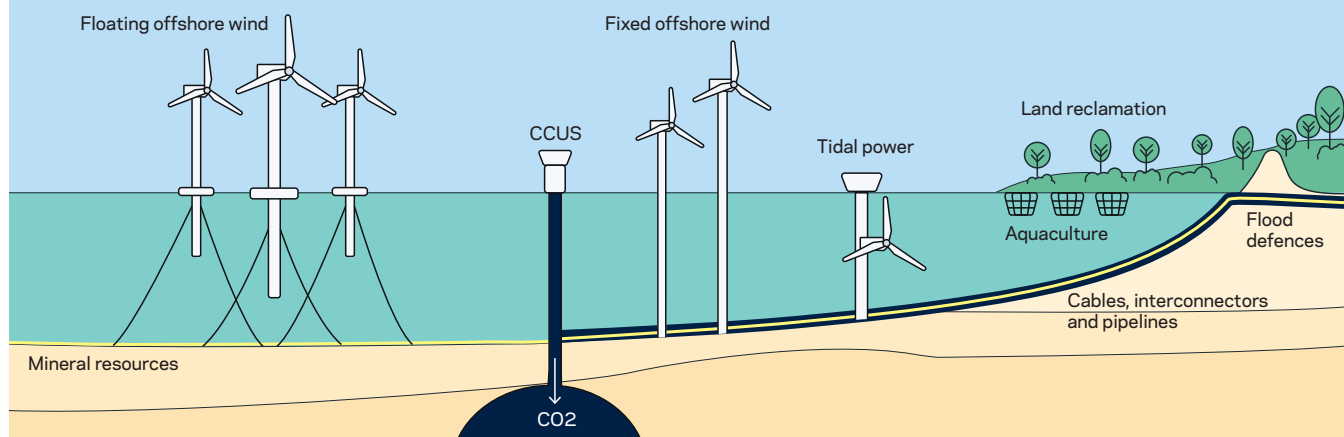
The marine environment is vital for the UK's prosperity, and we work hard to ensure it delivers the best value for the nation. It supports an increasing range of nationally important sectors, including energy, fishing, shipping, leisure and tourism, and digital infrastructure. Offshore wind is a rapidly changing global growth market in which the UK is one of the leaders. The UK government has bold intentions to deliver enough wind capacity to power every home in Britain, and has recently increased its ambition for 50GW of offshore wind by 2030. Climate Change Committee scenarios indicate a potential need to more than double that by 2050.

Our strategy

The demand for marine space is growing at an unprecedented rate due to the real need to strengthen our domestic energy supplies and to hasten our low carbon energy transition. Our role is to accelerate the responsible development of the seabed, while helping the country optimise the economic, social and environmental potential (on and offshore) of the marine environment. This includes enabling the growth of domestic supply chains and skills. To do this we aim to:

- make seabed leasing rights available in an integrated way to support the accelerated rollout of offshore technologies
- invest to de-risk the development of those technologies through pre-consenting works and enabling actions
- look at ways to invest in enabling infrastructure or other opportunities to use our capital to unlock barriers to development
- use our convening power to work with the government and private sector to drive progress, drawing on our 'whole seabed view'

Our activity on and around the seabed



This illustration shows the elements of the seabed and marine environment that we are involved in. There are many others (e.g. fishing, shipping and Marine Protected Areas etc) to be considered as part of the holistic marine environment.

Achieving this will require a new approach, including:

- improving and refining how we lease the seabed to meet the demands of tomorrow. We're building on our experience that has so far helped the UK build a world-leading offshore wind sector in the space of 20 years. Demand for CO₂ storage and other innovative technologies are also vitally important to meeting our national net zero objectives. So a collaborative approach with national and devolved governments and a wide range of other stakeholders is critical. Our aim is to open up more regular leasing opportunities and undertake key processes like HRA strategically and upfront to maximise deployment scale and ensure environmental considerations are at the heart of our approach
- investing in world-class data and evidence. We are building and sharing vital research and data to inform decision-making, de-risk investment and protect the marine environment
- identifying and attracting the wider investment needed for growth by using the levers at our disposal to encourage investment in the UK supply chain and supporting infrastructure, laying the foundations for a sustainable future for the sector and achieving additional benefits for the nation

Offshore wind

In 2021 we selected six proposed new offshore wind projects in the waters around England and Wales through Offshore Wind Leasing Round 4. As with all relevant plans or projects (either on or offshore), there is a requirement to undertake an HRA – an assessment of the potential impacts on the most valuable environmental habitats in the UK. For offshore wind developments, this is an important step in helping to conserve the UK's marine and coastal

environment. In April 2022, having completed our work on the HRA, assured by the Audit Committee (as noted in the Audit Committee report on pages 78-81), we gave notice to the UK and Welsh governments of our intent to progress all six projects to the next stage of the leasing process – the award of an Agreement for Lease – on the basis of a derogation.

Derogation is a process which enables plans or projects to progress if certain tests are met, while ensuring any environmental impacts are fully offset through environmental compensatory measures. This can include a range of actions including creating or restoring the same or similar habitat, or measures to reduce other environmental pressures on the affected habitats.

The Welsh government has not lodged any objections to the notice, and we await further direction from the UK government. Further information on Round 4 can be found online at: thecrownestate.co.uk/round-4

Offshore wind updates

Offshore wind generation across our seabed holdings is now estimated to power 8.6 million homes, equivalent to delivering the annual electricity needs for around 31% of all UK homes and 12% of the UK's total electricity needs.

During 2021/22, across our seabed holdings, cumulative operational capacity in the offshore wind sector increased from 9.61GW to 10.78GW[△] (an increase of 1.17GW[△]). Together with operational capacity in Scotland, this positions the UK as the second biggest offshore wind energy generator in the world, behind China. Read more in-depth insight into the progress of the UK's offshore wind sector in our Offshore Wind Operational Report online at:

thecrownestate.co.uk/2021-offshore-wind-report.pdf

Triton Knoll achieved commissioning for all of its turbines – marking the last Round 2 project to reach that milestone. At about 900MW, this is currently one of the biggest single offshore windfarms in the world.

Hornsea 2 achieved first power; however, during the summer of 2022 it will reach works completion, and at that point become the biggest offshore windfarm in the world and with a capacity of over 1.3GW will be capable of providing more than 1.3 million UK homes with green electricity.

The Dogger Bank C and Sofia projects achieved final investment decisions and entered their leases ready to commence construction. Once completed, these projects could potentially generate enough green electricity for approximately 3.2 million homes.

In the southern North Sea, Norfolk Boreas secured its Development Consent Order (DCO) in December 2021, and Norfolk Vanguard secured its DCO in February 2022. This represents a further 3.6GW of capacity ready to move towards financing and construction.

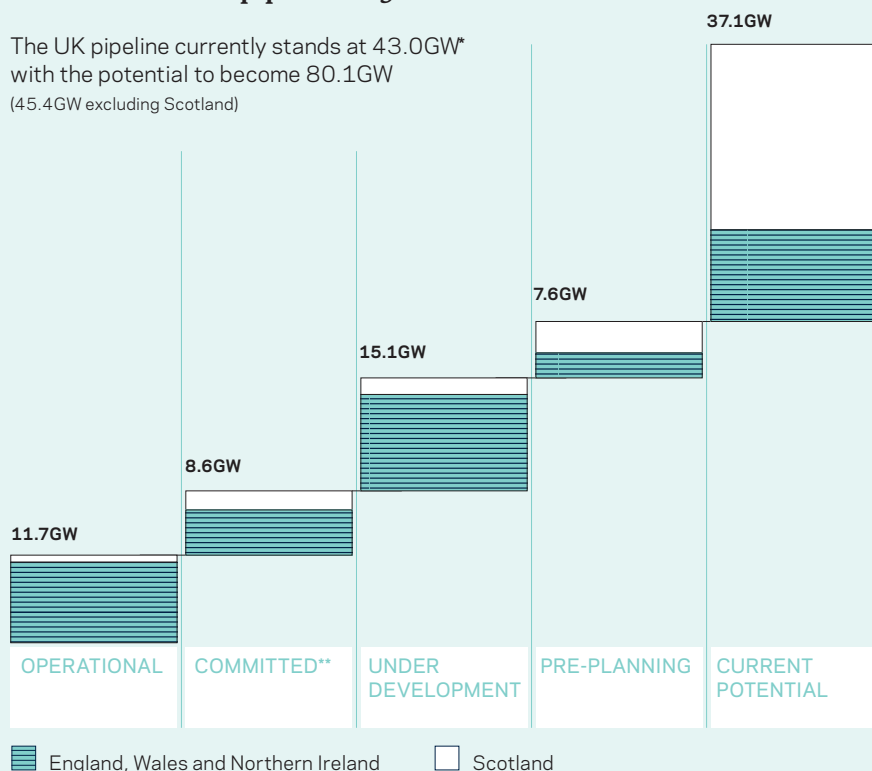
In March 2022, both East Anglia ONE North (with a proposed capacity of up to 950MW) and East Anglia TWO (with a proposed capacity of up to 980MW) also received their DCOs.

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

Marine continued

UK offshore wind pipeline at 31 March 2022

The UK pipeline currently stands at 43.0GW* with the potential to become 80.1GW (45.4GW excluding Scotland)



* 43GW comprises those projects operational, committed, under development and in pre-planning.
 ** Committed: Capacity under construction or projects that have government support on offer.

The UK offshore wind pipeline at 31 March 2022 stands at 43.0GW. Capacity emerging from Round 4, proposed Celtic Sea floating wind leasing and Crown Estate Scotland's ongoing ScotWind leasing process could take the total pipeline to 80.1GW. This provides a robust footing for the UK government's 50GW deployment ambition for 2030 set out in its British Energy Security Strategy.

Floating wind in the Celtic Sea

Floating wind is a new technology, at an early stage of its development, which enables wind farms to be constructed in waters that are too deep for fixed foundations. In close consultation with the market and stakeholders, we have been seeking input into plans to unlock at least 4GW of floating wind in the Celtic Sea, and have agreed a revised approach to design and HRA. This will see us conduct an integrated spatial design and HRA ahead of market tender, to identify key environmental and other issues at the earliest opportunity, helping to de-risk investment and streamline the overall programme. Our revised approach to the HRA could lead to the award of rights up to 12 months faster. We are also investing in offshore survey campaigns to help accelerate the planning process. As well as delivering new capacity to provide clean power for almost four million homes, this new leasing process will help establish a new

industrial sector for the region and the UK as a whole.

In February 2022, we hosted a workshop attended by over 70 stakeholders with an interest in the Celtic Sea, including representatives from government and environmental, fishing, marine and ports organisations. These discussions are an essential part of ensuring our leasing approach protects and, where possible, enhances coastal and marine environmental habitats. They also confirmed the appetite for both early commercial-scale projects of about 350MW and full-scale projects of up to 1GW to help enable greater regional supply chain participation. Together with the potential for five new test and demonstration-scale projects totalling 440MW, which could be in operation by 2030, the scene is set for the Celtic Sea to become a global hotbed for floating wind innovation and deployment. Read more on floating wind in the Celtic Sea, and our plans to enable the government's ambition for up to 5GW of floating wind capacity by 2030, in our case study on page 44.

Carbon capture, usage and storage (CCUS)

To enable heavy industry to reduce its carbon emissions, CO₂ is captured at source and, if it can't be used in other ways, transported to locations where it can be stored safely underground.

The development of such geological CO₂ storage capacity is critical in order to achieve the UK's net zero target.

We are working with the North Sea Transition Authority (NSTA, the regulator, until recently known as the Oil & Gas Authority) and government to conclude leasing rights for the first two industrial cluster projects (known as Track-1) – HyNet Merseyside and the East Coast Cluster (Teesside & Humberside) announced by BEIS in November 2021.

NSTA, The Crown Estate and Crown Estate Scotland recently reiterated their continued commitment to work in close collaboration to help meet the UK government's ambitious carbon storage targets to reach over 50mtCO₂/year by 2035. A co-ordinated approach is critical to enable the UK to unlock the full potential of CCUS, and work is already underway by the three organisations, government and others to identify suitable seabed areas and subsurface geology for carbon storage, while being mindful of impacts on the marine environment.

Both offshore wind and CCUS have significant roles to play in meeting the UK's net zero ambitions, and there will be a number of areas that require infrastructure in the same location. To address the issues that this might cause we launched a co-location forum with industry stakeholders in July 2021. The forum is aimed at tackling barriers to the co-existence of the two technologies.

There is significant interest in the market from developers for further projects beyond the Track-1 projects. These include both brownfield sites (reuse of depleted oil and gas reservoirs) and greenfield sites (unexplored geological formations). We are working with the NSTA to identify how we best respond to this market interest, to enable the achievement of government targets while strategically balancing many other competing demands for seabed space.

Sharing knowledge

We actively share and seek knowledge to deliver practical solutions to major deployment barriers. Examples include helping de-risk projects through marine surveys and taking feedback from our customers to both help inform future policy making and shape the design of our leasing activities.

This collaborative approach is critical, as no single organisation in this complex environment can succeed on its own. Therefore we participate in many associations, forums and working groups to increase our understanding of current research and build our knowledge base.

The Offshore Wind Evidence and Change programme launched in December 2020 with a mission to facilitate the sustainable and co-ordinated expansion of offshore wind whilst supporting clean, healthy, productive and biologically diverse seas. It is a pioneering programme, led by us, in partnership with the UK government and 27 member organisations in total. Over a five-year period, the strategic research and data projects will provide essential insights to help the sector and governments better understand and address environmental considerations and interactions with other industries and activities, both around the coast and offshore. Since the programme's launch, we have committed £22 million of investment and support for 23 projects from our £25 million 'kick-starter' fund. Through convening this partnership programme together, we hope it will enable a more co-ordinated and strategic approach to the acceleration of offshore wind deployment, ensuring the sector can deliver at pace while protecting the natural environment and balancing other seabed uses.

The programme is part of our wider investment in marine spatial data and evidence to improve productivity, drive value and help develop a holistic understanding of our seabed. Our Marine Data Exchange, which relaunched this year, is one of the world's largest databases of offshore renewables survey data, allowing anyone with an interest in the marine environment free access. Currently holding over 2,600 surveys, and more than 215 terabytes of data from offshore projects across the UK, in the longer term we see it becoming a central hub and gateway to all UK marine data. The database can be accessed online at: thecrownestate.co.uk/MDE

In June 2021, funded through the Offshore Wind Evidence and Change programme, we launched the Offshore Wind Environmental Evidence Register, which can be viewed online at: thecrownestate.co.uk/offshore-wind-eeregister. It is the first-ever publicly accessible UK-wide register of evidence gaps and relevant research projects across four key areas – the seabed, marine mammals, seabirds and fish – to support the knowledge base for offshore wind. Hosted on the Marine Data Exchange, and developed by the government's Joint Nature Conservation Committee, in collaboration with Defra, the register assists in targeting research towards the most important priorities, ultimately achieving greater efficiency in the consenting process.

We have also committed £1.2 million into Welsh tidal stream energy innovation in the Morlais project off Anglesey, in a joint

project with Welsh government. Our investment supports the environmental monitoring and mitigation programme, an essential step in safeguarding the marine environment and enabling the project to progress.

Mineral resources

The marine aggregates market has remained resilient during the past year, reflecting the continued strength of the construction sector through 2021. Investment in new dredgers and wharf infrastructure has continued, which will support the long-term viability of the sector. Volumes dredged during the period were 11% ahead of the previous year.

We closed a tender round for the exploration and subsequent extraction of aggregates in English and Welsh waters in January. We will shortly be making recommendations on which applications can go forward to the HRA phase of the tender process.

We have commissioned dedicated geophysical survey work to enhance knowledge of the quality and distribution of marine sand and gravel resources. This will help preserve the best mineral resources to meet future market demand and help minimise likely environmental impacts, whilst releasing other seabed for alternative uses.

This year we launched an upgraded version of our Electronic Monitoring System that tracks and logs all dredging activity. Originally we introduced this to be permanently fitted to all ships regularly dredging for aggregate. The new version can be easily deployed on ships visiting the UK to carry out temporary, one-off projects, such as beach-replenishment contracts.

Major coastal projects during the year using marine aggregate included beach replenishments at Bournemouth and Lincshore, and the reclamation of Bramley Moore Dock as part of the construction of the new Everton FC stadium.

Cornish Lithium Ltd was granted four separate licences in December 2020 to explore for lithium in geothermal waters around the coast of Cornwall. Over the past year Cornish Lithium has commenced preliminary geological assessment of the licence areas and any potential constraints.

Cables, pipelines and interconnectors

We entered into agreements for ten new nationally significant subsea telecommunication cables in 2021/22. This represents a level of activity that hasn't been seen in the last 25 years.

This sharp growth is driven by increasing demand from the likes of Meta (the parent company of Facebook and WhatsApp) and Alphabet (the parent company of Google) – helping to drive the global push for net zero through enhanced digital infrastructure and flexible cloud computing.

Electricity interconnectors play a critical role in the energy system by balancing power supply and demand between countries, enabling power trading and greater connections of renewable capacity. We signed option agreements for two new interconnectors during the year. Neuconnect is a 1400MW interconnector, the first direct power link between Germany and Great Britain; and Greenlink is a 500MW interconnector linking South Wales to the Republic of Ireland, an EU project of common interest.

The 1400MW North Sea Link interconnector between Norway and Great Britain is undergoing operational testing, while construction is continuing on the 1400MW Viking Link between the British and Danish transmission systems.

Coastal

The last 12 months have seen demand bounce back across a diversity of leisure, commercial and industrial activities. Our role in providing rights for many of these activities in coastal areas around England, Wales and Northern Ireland has been equally intensive, with hundreds of transactions concluded. These have covered rights for local communities and aquaculturists, through to nationally important port and utilities infrastructure. As coastal operators continue to innovate, we have also enabled progress on sustainable coastal management practices, including pilot activity for the use of eco-moorings in Studland Bay to protect precious seagrass beds and the valuable ecosystems that they support.

Stakeholder engagement

Convening and working collaboratively with our stakeholders is critical to being able to realise the UK's net zero ambitions. It is only by working together that we can overcome the challenges ahead and make a real difference in areas such as accelerating the deployment of offshore wind.

We engage with a wide range of customers and stakeholders from across the markets that we serve, and adjacent sectors such as shipping and the fishing industry, statutory bodies and non-governmental organisations, for example The Wildlife Trusts and RSPB. Their perspectives and input are instrumental in shaping our thinking and our programmes.

Marine continued

These include membership organisations that represent our customers' sectors such as the British Marine Aggregate Producers Association, the European Subsea Cables Association and Renewable UK, as well as cross-government and industry working groups such as the Offshore Wind Industry Council, the Offshore Wind Acceleration Task Force and the Offshore Transmission Network Review (OTNR).

Through the OTNR, government is considering wholesale reform to the way electricity networks are planned and delivered, seeking to deliver co-ordinated solutions that both reduce infrastructure needs and seek to minimise coastal community impacts. In support of this new approach, we have entered into a Statement of Intent with the National Grid Electricity System Operator to facilitate effective collaboration between our organisations in a range of areas to accelerate the delivery of offshore wind transmission infrastructure.

We develop our future leasing programmes in collaboration with a wide range of stakeholders from central government and devolved administrations, to statutory and non-governmental organisations and potential developers. We are working closely with the Welsh government including through its Renewable Energy Deep Dive inquiry, sharing our knowledge on the enabling activity needed to support floating offshore wind.

We also work with the Department of Agriculture, Environment and Rural Affairs, and the Department for the Economy of the Northern Ireland Executive, which published its vision for energy decarbonisation. It included an ambition to facilitate offshore wind pre-commercial test and demonstration sites during the 2020s – with a path to commercialisation by the early 2030s. We will continue to work with the Executive to support this.

Internationally, working in support of the government's Global Britain ambitions, we have been sharing our experience and insights of delivering offshore wind leasing in the UK, and maintaining dialogue with existing and emerging markets. With the efficient use of seabed emerging as a central theme around the development of offshore wind globally, we have been engaging with a range of countries including the Netherlands, Australia, Denmark, South Korea, France, the US and Taiwan.

A buoyant opportunity in the Celtic Sea



Floating wind foundation types (l to r): Spar, Semisubmersible, Tension leg platform.

Floating wind is a new technology used in deep sea where a floating platform, carrying a wind-power turbine, is tethered by chains to anchors on the seabed.

Currently there is as little installed and operating worldwide as 200MW. While turbine technology needed for floating wind is already generating wind energy for the UK from fixed turbines, the rest of the floating wind infrastructure and costs remain untested.

Last year, we developed our proposals for early and full commercial-scale floating wind leasing in the Celtic Sea, off Wales and the South West, where there is a huge wind resource. Our ambition is to open up the potential of at least 4GW of new clean-energy capacity in England and Wales, helping establish a new industrial sector for the UK.

In autumn 2020 we awarded rights for the Erebus 100MW Test and Demonstration (T&D) project, developed by Blue Gem Wind, 45km south west of Pembroke. The project is well advanced with planning and engineering design. In July 2021, another 300MW of new T&D-scale projects satisfied our initial application criteria.

“This cluster of T&D projects will be one of the most significant in the world and crucial to advancing the government’s ambition of 5GW of power from floating wind by 2030.”

Tim Stiven
Senior Development Manager, Marine

They will also play an important role in supporting the development and momentum of the regional supply chain and ultimately have the potential to drive significant socio-economic benefit both locally and for the nation.

Our market engagements have reaffirmed the strong appetite for a ‘stepping stone’ approach that would enable projects in two categories: early commercial-scale projects of around 300-350MW moving through to full commercial-scale projects of up to 1GW.

Our ongoing stakeholder engagement is an important part of ensuring we get things right, balancing our need for energy security and decarbonisation with protecting the natural environment and the interests of other users of the sea. We are working with many interested parties, including representatives from environmental, fishing, marine and ports organisations, as well as government, to understand all the various parameters.

Strategy in action

London



“We are working on a strategic vision for what we think London’s future could look like and we want to lead by example, creating a healthy environment in the West End for everyone to enjoy.”

Simon Harding-Roots
Managing Director, London

Q. What does the London business do?

A. We own and manage an amazing place in the heart of the West End – a 10 million sq ft mixed-use central London property portfolio, primarily around Regent Street and St James’s, with a total asset value of just under £8 billion. It’s an evolving mix of destinations where people live, work, shop and visit. While workplace accounts for approximately half of our income, our retail assets, as the ground-floor activation of our spaces, have the highest profile, and include many household and international brands.

Q. What were your highlights of the year?

A. In another difficult year for everybody, it’s been a period of stabilisation. We’ve reorganised ourselves around the needs of our customers and have established a shared platform of services with our Regional business across operations, development and customer partnerships to ensure a consistent approach and more customer-focused way of operating. This closer way of working, both with our customers and within our own team, is leading to better insights, which will help us, working with our partners, shape more-engaging and diverse destinations that more people want to visit. It’s also worth noting that, while international visitor numbers are yet to recover, post lockdown, alongside the return of Londoners, we have welcomed more UK visitors from outside of London than in the past, so we’ll be looking to re-attract or retain all of these groups.

Q. What’s next for London?

A. London is a great city, but like many others it is facing big challenges. We’re excited about the role we could play in its renewal, helping to ensure not only its ongoing relevance, but its standing as a global city. We are keen to work with others to collaboratively evolve the city and enable change together. We are working on a strategic vision for what we think London’s future could look like and the roles our destinations could play in creating a green, inclusive, technology-enabled city. The pandemic has forced us to look around, and see what’s working where, but also decide how we can lead by example to create a healthy environment in the West End for all to enjoy. Some parts of the portfolio will require investment in regeneration, and our contiguous ownership means we can take a broader strategic approach. With the benefit of our locations, we will look to draw together districts for distinct communities and uses that foster vibrant, diverse environments, rather than focusing simply on the development of individual blocks.

As one of the West End’s largest property owners, we have a leading role to play in its post-pandemic renewal. COVID-19 brought significant changes to how we live and work, and it’s altered many people’s relationship with the city. As we emerge, it’s time to respond – to re-set our thinking and our vision.

Through our developing strategy, and using our convening power, we want to play our part in creating a new chapter in London’s history, guiding its regeneration into a sustainable and smart city, to retain its global status. We want London to be an accessible and opportunity-rich place for its residents, workers and visitors. To achieve this it will mean investing in the decarbonisation of our portfolio and putting a greater focus on increasing biodiversity, creating an attractive and diverse mix of offers and services to ensure London is an appealing, welcoming place for everyone. It will also involve collaborating with partners across London to invest in public spaces, surroundings and experiences.

We want to reposition our customer and consumer base by managing the mix, targeting growing industries and working with sustainable businesses to create new and exciting destinations, and districts with real personality. At the same time we’re responding to the deep impact technology has had on the workplace and retail sectors by evolving our buildings to reflect customers’ changing needs. By successfully reinvigorating our current holdings and optimising the performance of our assets in the West End, we will, over time, look to invest in value-adding opportunities. Our aim will be to expand our influence and increase our ability to create value for our customers, stakeholders and the nation.

London continued

Performance

While it remained a challenging year for our occupiers the success of the vaccination programme and sustained reopening of the economy contributed to Regent Street footfall rising 129% on the prior year – albeit still 38% down compared with the last full pre-pandemic period in 2019. Recently, we have seen footfall reaching pre-pandemic levels at weekends, with UK-based visitors making up for fewer tourists.

There was an encouraging recovery in rent collection, with 90% (2020/21: 85%) of rent billed collected for the year, including concessions granted, however this is still below pre-pandemic levels. While trading conditions are improving, rental growth forecasts and weak demand for retail space still suggest a challenging medium term, and general uncertainty remains in light of the cost of living crisis, economic headwinds and structural changes in some of our markets.

The capital value of our London portfolio has remained unchanged at £7.7 billion. Office values have increased slightly reflecting a continued shortage of quality office space and the defensive nature of our long lease portfolio has proved resilient. However, capital growth was below that of its benchmark, partly due to lower investment activity, alongside a greater weighting to retail compared with the benchmark where assets have experienced valuation declines, largely driven by the negative outlook for rental value growth and a slight outward movement in valuation yields.

The portfolio underperformed its MSCI West End benchmark during the year at 3.5% compared with the benchmark's 5.7%. On a three-year basis our performance is slightly behind the benchmark.

In spite of the challenging trading and changing market dynamics, we welcomed 66 new customers across all sectors, leasing 190,000 sq ft of space, 93% up on the previous year. The new lettings are encouraging, and we have seen a lower amount of customer default than anticipated, aided by the extension of the rent and rates moratorium by nine months to March 2022. In total, five entered into liquidation and one entered into a CVA. The void rate for the portfolio (including properties in development) is broadly flat at 31 March 2022, when compared to the position a year earlier and the benchmark, and remains elevated compared to the long-term average. We expect void rates to increase next year as we take opportunities to refurbish properties as leases naturally expire and in anticipation of re-starting our development pipeline.

It was a relatively quiet year in the capital markets, with no major acquisitions or disposals. We have completed a number of lease re-gears and variations. This included a re-gear of 8-12 York Gate and The Athenaeum in St James's, both for a premium. Overall, development and capital expenditure totalled £31.8 million.

Retail, dining and leisure

We are reviewing and repositioning our retail and leisure offer to reflect what our customers and visitors want, namely a more diverse and sustainable product. It's an evolution, which includes mixing flagship stores with smaller format spaces and pop-ups offering an experiential atmosphere, focused on the consumer journey from start to end.

Visitors want to see brands with purpose, and we are beginning to attract and proactively manage a more diverse mix, from Ikea's smaller format on Oxford Circus, to Casa do Frango on Heddon Street, to Gymshark's first-ever bricks-and-mortar store globally.

One way we are doing so is through offering more-contemporary flexible leases, including those based entirely on turnover, or short leases for pop-ups, such as the British restaurant Fallow, which successfully piloted its offer before committing to a longer lease in a permanent space at 52 Haymarket in St James's.

Further examples of the broadening of our mix and appeal include being the venue partner for The Green Planet AR Experience at 55 Regent Street in February 2022. Featuring a 3D hologram of Sir David Attenborough, and taking more than 10,000 visitors through an immersive journey, the initiative transformed a vacant space to educate and raise awareness of the importance of the natural world.

At 195 Piccadilly, we have formed a partnership with BAFTA to support the site's redevelopment which will be a creative centre for the film, games and television industries and house the charity's first-ever dedicated space for its year-round learning and talent development programmes. The partnership underpins our shared ambition to remove barriers to opportunity for all, regardless of background or circumstances.

We are increasingly looking to select customers to join our estate on the basis of their strong sustainability credentials, sense of purpose and a shared commitment to creating social and environmental value. Read more on the evolution of our retail and leisure offer in our case study on page 48.

Workplace

Central London offices remain a valuable and important asset to a business, with our prime West End location offering an attractive and dynamic environment. The resilience of our portfolio has shown in the bounce back after lockdowns, as people have returned to the office and customers have retained leases, and in some cases grown organically with us. The breadth of our evolving workplace products allows customers to flex their requirements, according to where they are in their growth cycle, while remaining within our portfolio.

52 customers renewed terms with us, at an average close to ERV suggesting they are placing added value on staying in our spaces. Take-up overall is recovering: we completed 129 office deals across 133,000 sq ft; 77% of this by area was leasing to new customers.

It is apparent that increased hybrid working has re-focused customers' priorities when looking for a new office. Flexibility, in terms of offer and contractual commitment, which was already growing in importance pre-pandemic, is now a key consideration for many customers and we're seeing a flight to quality for premium space offering additional hospitality.

Whether through offering bookable meeting spaces, or alternative workplace formats, it is apparent that the greater variety of amenities or hospitality our workplaces provide, the greater the appeal.

Our first flexible serviced offering at One Heddon Street, which was 96% occupied at year end, is a great example of the popularity of this amenity-led workplace offer, where we have seen businesses trialling on a flexible basis, before moving on to take a permanent lease on the estate. Following the success of One Heddon Street, we have now opened a new facility at 6 Babmaes Street, designed specifically in response to the changing demands in the market. It complements our customers' existing office facilities with a mix of spaces for networking, hosting events and meetings, co-working and socialising, and acts as a hub for our local office customers.

Within the portfolio we have grown our offering of 'managed' workplaces – that is, spaces already fitted out for customers, which are also proving popular. For example in just six months, we completed five transactions for SMEs at 12 Little Portland Street.

Residential

Our Morley House redevelopment of an office building on the corner of Regent Street completed in early 2021, and we marketed the 44 apartments in June 2021, all going under offer within six weeks. For the first time we ran the sales process directly, using a digital platform, enabling us to develop closer relationships with customers.

Our shared spaces

We are committed to investing in our public spaces to ensure that they are inclusive to everyone. We want to create the best environment to welcome users and visitors back to the West End in the short term, while futureproofing to ensure they truly serve the local community, and set the standard for leading global destinations.

Last year, we delivered temporary public realm enhancements to Regent Street in response to the need for social distancing and to support recovery in the West End through a safe return. While the scheme is in place we are seeking to learn from the street and its users. Monitoring equipment has been installed to provide vital insights (including traffic and air quality data), as we work with our stakeholders and partners, such as AccessAble, to obtain detailed feedback to inform the future of Regent Street. These learnings, together with meaningful community engagement, will help guide the future of our places for years to come.

Sustainability

Our approach to sustainability in London is around ensuring its long-term health in the broadest sense. This means playing a role in tackling climate change – reducing emissions and improving the energy efficiency of our buildings; investing in social inclusion and better engagement with our communities; and enhancing the natural environment around our places. Lockdown reminded us how important nature and green space are, and biodiversity is increasingly recognised as key to a city's health. Read more on page 26.

This year we submitted data and evidence to the Global Real Estate Sustainability Benchmark for our Regional, Regent Street and St James's portfolios. All three portfolios improved against last year's assessment. Regent Street achieved Global Sector Leader in the Development Benchmark which measures efforts to address ESG issues during the design, construction and renovation of buildings. The Crown Estate also ranked first in Europe of the 780 portfolios submitted for the management section – this relates to policies and governance processes for ESG.

In summer 2022, aligning to our ongoing commitment to reducing emissions, we are launching a trial of a purpose-built electric commercial truck, the Volta Zero, to decarbonise and consolidate deliveries for our customers. Furthermore, as part of creating an improved, greener and healthier built environment, we have been working in a number of ways with Westminster City Council and neighbouring landowners (read more in our case study on page 27).

Broadening and diversifying our retail and leisure mix

In Regent Street and St James's we have two standout retail and leisure destinations in the heart of the West End. Our role is to curate an interesting and diverse offer.

To do this, we are carefully considering the make-up of our retail and leisure offer, taking the opportunity wherever possible to evolve the mix to reflect what our customers and visitors want and expect of a modern capital city.

As one of the world's most renowned retail districts, Regent Street will continue to deliver world-class experiences, but as we evolve our offer, our vision sees iconic brands housed alongside relevant smaller pop-up stores and start-up businesses showcasing new offers, products and services.

Last year, we started this evolution through the temporary public realm enhancements to Regent Street, delivering a safer, greener, more accessible and inviting destination for visitors. Regent Street and the surrounding area is now a place to explore, experience and enjoy, rather than just to shop.

And this is just the start. We want to diversify both our mix and appeal. One way we are reaching new customers is through offering different lease products to suit their individual circumstances – this can range from a short-term pop-up lease to one based on turnover – giving independents the chance to trial a concept and location.

“We also want to target new sectors, work with more sustainable businesses, and attract brands with purpose that fit with our vision for a green and inclusive city.”

Leanne Catterall
Customer Partnership Director,
London and Regional

In the autumn, to coincide with London Fashion Week and the New West End Company's sustainable fashion month, we launched a pop-up store at 88 Regent Street, creating the unique opportunity for six independent sustainability-focused fashion brands, founded in the local area, to promote the authenticity of their products and the story behind them.

Ensuring we keep pace with shifts in consumer trends, such as the popularity of athleisure brands and appeal to a younger audience, is vital to ensuring the portfolio's ongoing relevance. To this end we have welcomed to our portfolio during the year: Onitsuka Tiger's largest flagship store; British-born brand Gymshark's debut into physical retailing; and US-based brand Fabletics.

Looking to the bigger picture, we are keen to start building more vibrant and diverse local districts within our portfolio – such as Heddon Street, just off Regent Street, which is fast becoming renowned as a leading alfresco dining and leisure neighbourhood in the capital. Now home to over ten much loved hospitality names, Casa do Frango and bar The Starman are the most recent to have joined the local offer here, which spans from Michelin starred cuisine to up and coming pop-ups.



Read more online at
[thecrownestate.co.uk/
diversifying-retail-leisure-2022](https://thecrownestate.co.uk/diversifying-retail-leisure-2022)

Strategy in action

Regional



“Through our strategy we’re looking at how we can take a more active part in creating thriving and climate resilient communities across the UK.”

Hannah Milne
Managing Director, Regional

Q. What does the Regional business do?

A. Our diverse Regional business includes prominent retail and leisure destinations across England, as well as a strategic land portfolio with significant mixed-use development and regeneration opportunities. We also own business parks, logistics and warehousing. Across all our assets, we aim to shape successful destinations which will meet the evolving needs of our customers and communities. It’s our duty to realise maximum value from our places, in terms of their financial, social and environmental contribution. As we begin to implement our strategy we’re focusing on how we reposition our role regionally, to take a more active part in creating thriving and climate resilient communities across the UK.

Q. What were your highlights of the year?

A. Our retail and leisure assets performed robustly this year, particularly our retail parks. Having worked with our customers through the pandemic, recognised in great customer feedback, we are now working together to ensure our places continue to meet the new ways people shop and spend their leisure time. It’s been a year of significant change and we’ve reshaped the team, ensuring we have the right skills and capabilities in the business to achieve our ambitions. Alongside the Asset

Management team, we have this year begun to enhance our capability to oversee mixed-use regeneration to support the delivery of our strategy. We have also established a platform of shared services for our London and Regional portfolios across operations, development and customer partnership – operating as one team to draw on synergies and experience, and ensure a consistent approach and the best outcomes for customers.

Q. What’s next for Regional?

A. The world is changing rapidly, and through our strategy we are striving to respond. This change in our markets is far reaching from our customers’ evolving expectations and needs, with consumers demanding the convenience and speed of an omni-channel approach enabled by technology; through to an urgent need to directly contribute to the UK’s green agenda, to counter climate change and biodiversity loss. We see a long-term opportunity, through our actions, to become a value creator in mixed-use place-making and regeneration.

We are repositioning our Regional strategy to support the need for inclusive regeneration and economic development. We believe this presents the best opportunity for us to create value in line with our purpose.

We hold significant assets across the country, which includes both a national footprint of retail parks and shopping centres and a substantial strategic landholding. Together, the base that these represent has the long-term potential to play a role in responding to this national need.

As we have developed our strategy over the year we have evaluated the potential of all of our regional assets to create value in line with three areas of opportunity:

- Renewing town centres – creating places and destinations that support the needs of shoppers and workers in a post-COVID-19 world
- Creating new and inclusive local communities – setting the standard for mixed-use development and creating economic opportunity in the locations we operate in
- Supporting national and localised needs through mixed-use development – using our expertise to support innovation and growing national industries such as life sciences, data centres, or infrastructure in support of offshore wind

Regional continued

Framed around these three opportunity areas, our existing portfolio has significant value creation potential. Maximising that opportunity will inevitably mean that we look to reduce our exposure in certain areas – particularly in retail, as we look to reposition, enhance and grow our portfolio of mixed-use development opportunities. Beyond progressing significant project milestones, our focus for the next 12 months is developing the capabilities and relationships that are required to execute our strategy.

Our mixed-use ownerships

The place-making opportunity in front of us is significant, subject to planning consent and other development milestones. Our strategic land offers the potential for nearly 20,000 homes in urban fringe and rural locations and a minimum of one million sq ft of commercial and non-residential space over the next 20 years. We've identified a pipeline of current potential opportunities in our ownership to create holistic value through sustainable new communities. In addition to the above, significant existing sites we hold include land to the east of Hemel Hempstead and at Cambridge Business Park. The 350 hectare site at East Hemel forms the first phase of Hemel Garden Communities and has the potential to accommodate approximately 4,000 homes, 1.8 million sq ft of commercial space alongside schools, a country park and major infrastructure investment. Read more about the potential opportunity for Cambridge in our case study on page 51.

Our retail and leisure assets

We own 17 retail and leisure destinations in city centres and out-of-town locations in England, with a total value of £1.3 billion. With over 5 million sq ft of space and an estimated 100 million visits each year, these assets play a significant role in the retail and hospitality industry and the communities they serve. Our destinations include Fosse Park in Leicester, Rushden Lakes in Northamptonshire, and joint ventures at Princesshay in Exeter, Westgate in Oxford and Crown Point in Leeds.

Retail is changing fast, and this has profound impacts on physical retail spaces which now increasingly connect on and offline through digital products and services. Retailers are innovating with immersive and interactive initiatives to get shoppers into stores, and this hybrid approach means retail spaces are emerging as multi-functional places offering a sense of community, cultural enjoyment and learning. Some of our retail and leisure assets will naturally adapt better than others to this new environment – for example retail parks, which are particularly suited to this

post-pandemic, hybrid world and proving resilient in the changing retail market, and shopping centre locations that lend themselves well to mixed-use development providing a retail and broader experiential-led offer. Where we are demonstrating resilience or there is a clear change-of-use opportunity we will pursue our ambition.

Performance

During the year the portfolio outperformed its MSCI benchmark at 24.9% compared with the benchmark's 16.0%. Driven by strengthened investor sentiment, the portfolio has seen a net revaluation gain of £0.3 billion, recovering much of the net revaluation loss reported in the year to March 2021. The outperformance of the benchmark was largely driven by our retail parks, towards which our portfolio is weighted, and our broader ownerships, such as East Hemel and Cambridge Business Park which significantly increased in capital value. Our approach to working with customers to build tailored support packages worked well, with collections recovering to 92% of rent billed in the year and we successfully recovered more prior year arrears than we had forecast. However, this is still below pre-pandemic levels.

In line with the market, our shopping centre assets performed less well with continued ERV reductions and further outward yield movement.

Over a three-year period, at -2.0 percentage points the portfolio has underperformed its benchmark, due to its higher weighting to retail parks. While the retail park market has shown a strong recovery over the last 12 months, values and sentiment are coming from a low base, and its valuation at £1.7 billion is 37% below where it was in March 2019.

Our average void rate this year was 6.8%, which although high compared with the three-year average of 5.4%, proved resilient when compared with the MSCI benchmark of 6.2%. Customer retention was helped by our proactive asset management and the granting of targeted concessions to those businesses most in need.

In contrast to recent years, no significant administrations or CVAs occurred in the past 12 months. Market conditions were stronger than expected, driven by the accelerated vaccine rollout and lifting of pandemic restrictions alongside the extension of the rent and rates moratorium by nine months to March 2022. However, risk remains following the end of government support schemes, the impact on consumers as a result of higher inflation and the subsequent squeeze on consumer income, at a time

when the pandemic has accelerated structural trends in retail markets and stretched many of our customers' balance sheets.

Overall, there remains demand for occupancy, particularly on our retail parks, which are suited to the omnichannel retail model. Across our portfolio, we welcomed 17 new customers and signed 44 new leases, letting 221,000 sq ft of space, while 212,000 sq ft of space has been exited and remains void at 31 March 2022.

Our Fosse Park West and Food Central developments opened a year ago and are proving to be popular. Food Central, which houses independents and local brands alongside national chains, is now fully let having completed its final signing to Zizzi. While at the retail extension, Fosse Park West, Nike has recently opened its new community-focused concept store – 'Nike Unite'. Nike joins Skechers and several new independent, nation-wide and global brands which have located to Fosse Park over the last year. These brands include H&M, Flannels, Soho Coffee, Nando's and Loungers.

The recovery in footfall across our retail assets has improved with the latest figures showing a 2% reduction in footfall compared with the 2019 position. This figure represents an average – shopping centres reflect -9% (UK benchmark -25%) and retail parks +5% (UK benchmark -6%). Overall footfall shows a 33% increase on the 2020 position.

Disposals

We are continually assessing our portfolio to ensure alignment with our long-term ambitions. During the year transactional activity in industrial and retail assets raised approximately £61 million which was ahead of book value. Post year end we took the decision to initiate the disposal of four of our regional assets which are currently being marketed.

Making a difference

To continue to facilitate a deeper understanding of our customers and their changing needs, we have launched a new digital product, Retail Advantage, across the Regional portfolio, with a view to also extending it across our London portfolio. It is helping to improve the quality and quantity of data from our customers, giving us a better understanding of their performance and performance drivers, so that we can tailor our service proposition to help them grow and remain relevant in the rapidly evolving marketplace.

Aligning to our Group-wide net zero commitment, in November 2021 we became the pathway partner for the Retailer/Landlord Net Zero Building Protocol which launched as part of the British Retail Consortium's Climate Action Roadmap. This is an industry-led initiative to get UK retail to net zero by 2040. The protocol sets out a suite of principles on energy efficiency and the use of renewables to help occupiers and property owners work together to bring building emissions to net zero.

A key focus of the year has been promoting sustainable travel across our sites, working with customers and visitors to raise awareness and highlight the benefits. In partnership with managing agent Savills and supported via its Insight app, we have implemented sustainable travel plans across the portfolio, introducing measures such as bike safety training and free bike maintenance sessions, alongside infrastructure improvements to facilitate and promote more sustainable modes of transport for travelling to our destinations. The plan for Rushden Lakes has been accredited a Bronze level by Modeshift STARS – the first retail and leisure destination to achieve this endorsement.

Our Recruit Regional programme continues to thrive and is now in its sixth year. This year 332 unemployed people gained employment across our Rushden Lakes, Fosse Park, The Gate and Silverlink sites.

Re-imagining a mixed-use inclusive community



The opportunity at Cambridge Business Park (CBP) is an example of our Regional strategy in action, supporting the national need for inclusive regeneration and economic development.

We see a long-term opportunity to build a new and inclusive local community, facilitating the growth of our existing customers on the park and improving their surrounding environment, while encouraging new innovative national industries.

CBP is in a strategically important location within the evolving Cambridge Area Action Plan (AAP), which if adopted allows for new commercial space supporting 20,000 jobs, 8,000 new homes, 10 hectares of public open space, three primary schools and a library. Our site is earmarked as the new district centre with development potential for 50,000 sq m of commercial space, 500 new homes and 4,500 sq m for new shops, and community and cultural facilities.

Set against this planning landscape, in creating a vision for CBP we recognise that delivering prosperity requires us to address three fundamental points: Cambridge has some of the highest levels of inequality in the UK, it is a world-leading science and tech hub which needs to continue to thrive and, like everywhere, tackling the climate crisis needs to be front and centre of how we do development.

“If we are to lead by example, tackle these challenges and create a resilient new environment for customers, the local community, and Cambridgeshire, our vision needs to be shaped by answers to some big questions.”

Lucy Eaton
Business Operations Director, Regional

To respond, and address the local context and issues, we've taken a new collaborative approach, internally and externally, to ensure all relevant voices are included from the outset.

Our internal project team spans the Regional Mixed-use Regeneration team, and experts from our Insight, Workplace, Development, Finance and Digital teams. Externally, our engagement is framed around inclusivity and the local community. An external critical friend panel covering diverse perspectives has been established and we will be liaising with anyone who will be affected by the reshaping and repositioning of the business park.

Through seeking such widespread opinions, we are focusing on the role we can play in creating not just a great place, but long-term social purpose. Our aim at CBP is to create a new type of ecosystem, where the community, science and nature support each other and flourish; a place that leads Cambridge and the UK into the future.

Strategy in action

Windsor & Rural



“Our aspiration is to use Windsor as a template for how we manage the wider portfolio of rural estates and contribute meaningfully to the Group’s net zero and biodiversity commitments.”

Paul Sedgwick

Deputy Ranger of Windsor Great Park and Managing Director, Windsor & Rural

Q. What do the Windsor & Rural businesses do?

A. We are custodians and stewards of nearly 200,000 acres of land, including the Windsor Estate and a number of geographically diverse rural estates – predominantly used for primary agricultural production. Windsor is unique in the context of land ownership in that it has had nearly a thousand years of continuous ownership through the monarchy, and approximately half of the land is designated a Special Protection Area, Special Area of Conservation or Site of Special Scientific Interest. There have been a lot of conservation lessons learned here over the centuries, with many techniques developed, making it a beacon of good environmental and agricultural practice. Our aspiration now is to use this as a template for how we manage the wider portfolio of rural estates and contribute meaningfully to The Crown Estate’s future net zero and biodiversity commitments whilst working in partnership with farming communities.

Q. What were your highlights of the year?

A. I think the highlight has been bringing Windsor and Rural together as one business and the adoption of their new strategies. The visitor business at Windsor is returning to full strength, and while we saw a post-pandemic reduction in visitors from 6 million to 5.3 million, the fact that Windsor is one of the most environmentally important sites in the country underlines the challenge we face. The balance we have to find between conservation and public access

is not always an easy relationship. A major event rather than a highlight were storms Eunice and Franklin which caused significant damage in places across the Windsor Estate, destroying some of our veteran and ancient trees, including sadly one of our largest oaks. The clear-up of the debris and fallen trees will continue for several months, alongside a programme of suitable replanting (see case study on page 54).

Q. What’s next for Windsor & Rural?

A. For Windsor, the single biggest challenge over the next decade is maintaining the balance between public access and conservation. The last two years of the pandemic have shown us that permitting access to such a large number of people has never been more important and it is crucial that people can benefit from the tranquillity, beauty and respite that the Windsor Estate offers. Yet how do we do that without compromising the integrity of its unique ecological status?

Across the wider rural estates, we want to work in partnership with all our farming, residential and business tenants to really optimise the opportunities that the estates offer to deliver value for the nation, financially, socially and environmentally. We will be seeking to help transform large-scale land ownership and aim to demonstrate leadership in diversified, regenerative agricultural and environmental practice.

Income from the Windsor & Rural business is derived primarily from farm and residential rents across our rural portfolio, alongside visitor, filming, events and forestry income from Windsor. Our net revenue profit increased to £18.0 million (2020/21: £17.0 million) as the visitor business at Windsor recovered strongly from the pandemic, partially offsetting increased costs from our rural properties as we caught up on repairs that had been deferred during the pandemic.

Windsor

The Windsor Estate covers nearly 16,000 acres, is home to a number of unique habitats, and recognised as having the largest collection of veteran and ancient oak and beech trees in Northern Europe. It is a working rural estate comprising Windsor Great Park, Home Park, Swinley Forest, the Savill and Valley Gardens and Virginia Water. Its activities include commercial forestry, horticulture, residential and commercial property, and tourism. It serves a variety of stakeholders from the Royal Family and the local community (providing access to green space, education initiatives, housing and employment), through to domestic and international visitors and, arguably most importantly, the natural environment.

The Estate’s ecosystems also play a vital role. According to the most recent independent study into this from 2019, the economic value of services derived from Windsor’s ecosystems is estimated to be £21.0 million per year. These services include flood risk mitigation, improved water quality, recreation benefits and greenhouse gas sequestration. For example, the land retains 49% more water than surrounding areas, thereby reducing the risk of river flooding in many nearby

towns and villages, and it net sequesters 56,000 tonnes of greenhouse gas emissions out of the air each year. The study was conducted by Route2 and a summary can be found at: thecrownestate.co.uk/windsor-value-of-ecosystem-services.pdf

Our strategy

Our aim is to become recognised as a leading UK rural estate and a centre of excellence for environmental and ecological best practice. At Windsor, we have an extremely diverse Estate coupled with a wealth of biodiversity, which is also a highly successful visitor destination. Our day-to-day aim is to deliver balanced value creation, while enhancing our environment and the wider habitats. Alongside this, our longer-term strategy focuses on:

- enhancing and protecting our unique ecological status, including a plan for mitigating visitor impact
- continuing our journey towards world-class environmental and ecological best practice, and identifying where we could use this knowledge and other capabilities across the Group
- continuing to create value from the Estate's visitor proposition and real estate
- defining and implementing our plan for achieving net zero in support of the Group's 2030 commitment

Enhancing and improving the Estate

The customer-facing teams, which we have strengthened during the year, have worked incredibly hard in readjusting to the extra demands the pandemic has placed on how we manage guests, and we continue to work on improvements to the Estate. These include reviewing the recommendations of the AccessAble report on safety and accessibility for all, as well as enhancements to our visitor offer.

The new adventure playground, adjacent to the Savill Garden, is under construction and scheduled to open in late summer 2022. It is a fundamental change to the garden, and we are taking great care in how the playground fits sympathetically into its surroundings. The majority of the wood being used in the playground is sourced from our forests at Windsor. We have completed the refurbishment of the café and retail outlet at Virginia Water, and we have installed solar panels there, for the first time on a commercial building at Windsor. We now generate on site nearly 30% of the energy we use at Virginia Water. In November 2021, we installed smart building technology at The Savill Building to help us identify opportunities to improve energy efficiency. These initiatives – along with our biomass

heating system for the village, and our commitment to install on-site solar generation and battery storage during 2022 – form key milestones to 2025, in support of our target to become a net zero carbon business by 2030, and climate positive thereafter. The appointments in the year of a Sustainability Analyst and Biodiversity and Conservation Manager will further assist us in delivering on this target.

We have continued with our ten-year landscape restoration and replanting programme, and also planted two new avenues, of 70 trees each, to celebrate Her Majesty The Queen's Platinum Jubilee; read more in our case study on page 54. In addition, our Environmental Education Centre has reopened. We run this in partnership with the Berks, Bucks and Oxon Wildlife Trust, and from January 2022 it expanded its services to include new adult and community events. We hope to attract more than 12,000 schoolchildren to visit in the next five years. As our various new ventures come online, we will be creating new employment opportunities, while in 2022/23 we will be offering a number of apprenticeships on the Estate. Starting with four apprentice positions, we aim to increase this number in future years.

Events and filming

We hosted two major events in the year. The inaugural Windsor Illuminated ran from mid-November until early January 2022, and welcomed over 129,000 visitors to enjoy a spectacular light trail through the park. The award-winning Lapland UK took place at Whitmoor Forest on the Estate from November through to Christmas Eve, and attracted over 155,000 visitors.

We were delighted to host the world's elite wheelchair athletes this year, who trained on the Long Walk in readiness for their participation in the London Marathon.

This summer, we look forward to hosting Parallel Windsor, a sporting-led national celebration of disability inclusion, while in June, Windsor was one of the centrepieces for celebrations to mark Her Majesty The Queen's Platinum Jubilee.

The British film industry has enjoyed something of a resurgence, which has led to a significant number of filming projects on the Estate, including major series for Amazon Prime and Netflix, alongside projects for Disney, the BBC, Sky and numerous television commercials. We see potential for developing a more significant income in this area and are working with colleagues across the Group in supporting requests for film locations outside of Windsor.

Rural

The Crown Estate is the oldest, and sixth largest, institutional landowner in the UK. Our Rural portfolio extends to 175,000 acres across England and Wales, 70% of which is tenanted farmland across 28 English estates. The vast majority of the balance is 54,000 acres of upland and commons interests in Cumbria and throughout Wales. The portfolio additionally comprises strategic land, residential properties, forestry, renewable energy assets, minerals and quarries.

Context

The sector as a whole is facing a period of unprecedented change and opportunity. For ecological reasons and to support food production and food security, the UK needs to move to a more sustainable and regenerative agricultural model. Post-Brexit government legislation supports this green agricultural transition, as do the rapidly expanding markets for nature-based solutions to meet net zero and biodiversity objectives.

The opportunity

We see four strands of diversified activity and opportunity:

1. As an active asset manager with a genuine long-term view, we are exploring new diversification opportunities from change of use of some of our land and buildings, which may include small-scale onshore renewable energy schemes or leisure uses, to create new income streams for us and our customers. This will help our farmers transition from the future loss of farm subsidies due to the phasing out of the Basic Payment Scheme into more diversified income streams.
2. We can play our part in the green agricultural transition, working with customers, and convening stakeholders, to incentivise low carbon farming, pilot new commercial and tenancy models, co-fund investment in new technologies or biodiversity habitats, and pursue onshore energy opportunities such as solar, wind, hydro and geo-thermal.
3. We will explore solutions in the nascent carbon offset and biodiversity net gain markets by repurposing parcels of farmland for nature recovery, forestry or renewable energy, and help establish the standards in the emerging nature-based solutions market.

Windsor & Rural continued

4. We aim to replenish our strategic land portfolio by identifying and repositioning existing or new sites that have change-of-use potential alongside replenishing our rural land portfolio where appropriate following a decade of sales.

Our vision

We have identified the opportunity to reposition our portfolio to become a leading example of large-scale, sustainable and diversified agricultural and environmental best practice. We believe that as a significant national agricultural landowner, we have a critical role to play in the UK's sustainable transformation and in stewarding the UK's natural environment. We will be seeking to help transform how active land management functions, taking a partnership approach – including with our farming, residential and business tenants – to maximise the land's value financially, socially and environmentally. As we look to the future, the outcomes of disrupting this traditional institutional let-farm model could have the opportunity to provide employment, housing, improved energy and food production, biodiversity net gain, carbon sequestration and offsetting, and many other social and environmental benefits, whilst working alongside and supporting our existing and new rural customer base.

The new strategy and vision for the Rural portfolio will start to be implemented during 2022 as we engage further with rural communities.

Creating a green legacy

We have continued with our ten-year landscape restoration and replanting programme at Windsor, and undertaken wider commemorative planting to celebrate Her Majesty The Queen's Platinum Jubilee.

The replanting scheme at Windsor

The Windsor Estate has the largest collection of ancient and veteran oak and beech trees in Northern Europe. It represents a very rare, but declining, habitat for over 2,000 species of beetle and 1,000 species of fungi.

Due to the impact of disease, storms and insufficient planting, the Estate has lost between 10,000 and 15,000 parkland and open grown trees over the last 140 years. Our plan is to replant these trees into the landscape at Windsor that existed before World War Two.

“The ten-year plan will also increase and accelerate the planting of a number of new hedgerows, hedgerow trees and in-field trees and it will restore parkland, wood pasture and all of Windsor's derelict ponds and watercourses.”

John Oliver
Parks Superintendent, Windsor

We are undertaking the replanting over a ten-year period to ensure that the ancient and veteran trees of the future are well established, alongside a variety of species appropriate to the landscape and to hopefully withstand pests, diseases and the pressures of climate change over the next century and beyond.

In all, we'll have planted around 12.9 acres of woods and woodland belts and 2,700 metres of new hedgerows at Windsor over the last 18-month period. We have also undertaken 2,000 metres of traditional hedge laying as part of our ongoing management

Commemorative planting

In addition to the restoration and replanting scheme, we have undertaken some special one-off projects this year. We have planted two new avenues, of 70 trees each, in Windsor Great Park to celebrate Her Majesty The Queen's Platinum Jubilee. We have used two species – the field maple, known for its yellow autumn colours, and the common hornbeam, noted for its dense canopy and coppery autumn colours.

Outside of Windsor, over the next three years we will be planting a series of Jubilee Woods within our wider Rural portfolio. These may be in single woods or in a number of smaller woods on each estate, totalling a minimum of 70 acres per estate where possible. This is a major new planting initiative, one of the largest planting projects in the UK, and we will also be planting a minimum of 10 miles of new hedgerows across our rural estates.

The new Jubilee woodlands, along with the commemorative initiatives at Windsor, will be dedicated to The Queen's Green Canopy – a unique tree-planting scheme that invites people from across the UK, and beyond, to 'Plant a Tree for the Jubilee', an initiative to celebrate Her Majesty The Queen's 70 years of service, and create a legacy in Her honour to benefit future generations.



Read more online at
thecrownestate.co.uk/windsor-replanting-2022

Risk management

Introduction

The last year has been characterised by significant external change and internal transformation.

Our approach to risk is to ensure that we manage it at every level within our Group. It is part of business as usual and is integral to every activity. The individual business units are the owners of the risks they run and are best qualified to understand those risks. Our Risk team facilitates this understanding and makes sure that everyone is equipped with the advice, tools and support they need to manage risks within the risk appetite set by the Board, in a way that is consistent with our purpose and values.

Current areas of focus

As the UK moves out of pandemic management, we are faced with new challenges, for example the war in Ukraine, the ongoing energy crisis, an increasing cost of living, labour shortages and the pressure that these trends are putting on many of our stakeholders.

The continued acceleration of major trends around digital disruption, post-pandemic patterns of work and the climate and biodiversity crises (see pages 12-13) could impact our ability to create value and adds urgency to our transformation strategy.

Work is ongoing to support our response to these trends and to enhance the identification of other new risks.

Risk management framework

The Board is the ultimate owner of corporate risk. The Board also sets our risk appetite – a mechanism by which it determines the level of risk the Group should take in the pursuit of its strategy. In this way, its risk management responsibilities are cascaded through the

business so that decisions can be taken within a clear framework of acceptable and unacceptable risk.

Throughout 2021/22 the Audit Committee regularly reviewed risk management and internal control systems and reported its findings to the Board, as set out on pages 78-81. Additionally, the Board made an assessment of the principal risks which are set out on the following pages.

In addition to the risk responsibilities held by individual Group Leadership Team (GLT) members, the GLT has regular sessions on strategic and emerging risks, where current and potential issues are considered and actioned. This allows an early discussion of changes in our operating environment, for example the implications of the evolving expectations placed on us as the government's climate change and energy agendas develop. The Head of Risk attends these sessions to provide input into this and other elements of executive decision-making.

A Risk and Assurance Group has been established to support the further building of effective control and risk management into the operational management of the business.

Over the year the business-wide risk platform has been continually enhanced to further improve our risk management framework, allowing greater transparency of individual risk and control ownership. This enables better reporting and analysis and provides the business with a 'single source of truth' which makes the collective nature of much of our risk management activity clearer by highlighting the interdependencies between the different business units. Through the coming year, we will be refining these tools to further improve our risk management framework.

Risk appetite

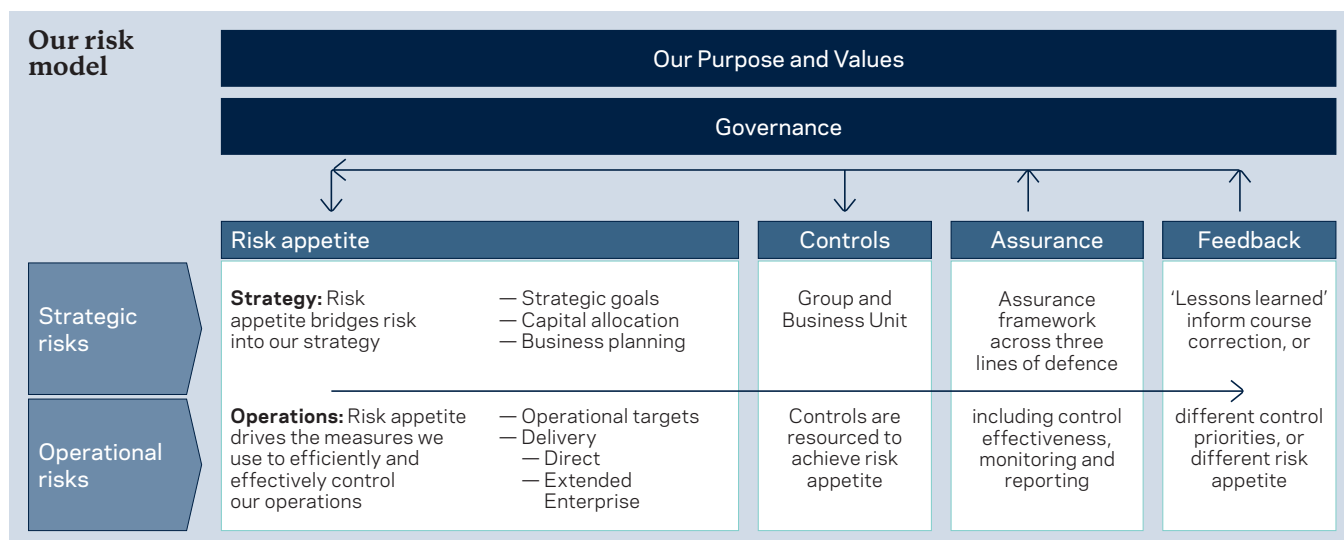
Our risk appetite framework drives decision-making and supports value creation and value protection. It is underpinned by an evolving infrastructure of control-assurance, review and reporting, and these processes continue to be developed and enhanced.

The framework is designed to be comprehensive and consistent with our broader measures of success. It has also been designed to be clear and practical, giving the business readily measurable criteria aligned with our purpose and values to assess what we are, and are not, willing to do to deliver on our strategy.

We have reviewed our risk appetite measures in light of major trends and our strategy. The Board has made only one change since last year; changing the appetite for Brand and Reputation from 'Averse' to 'Cautious' in order to reflect the need for greater tolerance for this kind of risk as we make significant changes in the business.

As well as our determination of risk appetite, we recognise that the success of its application depends on identifying and understanding our risks, and the integration of our broader risk management approach into the processes established for our Value Creation Framework (see page 90) and strategy (see page 18).

The risk appetite levels represent Group-level goals, and there is scope within a well-balanced portfolio to have a mixture of risk levels, as long as the overall portfolio is consistent with the Board's risk appetite.









Risk management continued

Risk appetite

Ref	Risk category	Appetite	Description
1	Brand and Reputation		We have a cautious approach regarding our activities, social media, behaviours or public pronouncements which may harm our brand or reputation.
2	Social Impact		We seek to drive health, wellbeing and community creation and to support productivity and economic development. We are willing to take risk in the pursuit of these objectives.
3	Environment and Net Zero		We seek to drive the green agenda and net zero and be recognised as having an important role in advancing biodiversity. We are willing to take risk in the pursuit of these objectives.
4	Capital Allocation and Liquidity		We recognise that there is a need to take risk in the pursuit of our purpose and take a risk adjusted approach in the allocation of capital where differing risk weightings are applied to different activities based on a range of factors. We have a low appetite to place our liquidity position at risk.
5	Political Exposure		We accept that our activities deem it necessary to navigate the political environment and that our plans will be impacted by changes in that environment. We assess our strategy to be responsive to this change, while maintaining our independence in determining our response.
6	Legal and Regulatory		We wish to avoid, or otherwise manage on an as low as reasonably practicable basis, risks which involve compliance with primary legislation or regulation.
7	Control and Assurance		We have very limited appetite for lack of effective control and assurance around the operation of our processes including activities relating to the acquisition, protection and analysis of data. We address these risks through effective controls, assurance, reporting and governance.
8	Outsourced Activities and Supply Chain		We have limited appetite for risks arising from the operation of our supply chain and from other outsourced activities. We regard effective control of our extended enterprise as fundamental to our good operation.
9	Business Continuity and Resilience		We have limited appetite for risks which erode our ability to continue operating in the face of operational shocks.
10	Health & Safety		We have a low appetite for health and safety risk and aspire to a goal of no health and safety incidents where we operate. Where health and safety risk exists, these will be mitigated through effective controls.
11	People and Culture		We are willing to take risk in order to build and maintain a team and culture with the skills and convictions to deliver our strategy in accordance with our values and collective identity.
12	Customer Needs		We are willing to take risk in the development and delivery of clear and differentiated value propositions which fulfil or exceed our customers' needs. We recognise the need for an ambitious approach to delighting our customers and are fully conscious that not all new initiatives will succeed as we hope.
13	Stakeholders, Partners and wider Convening Activity		We are open to activities that leverage our contractual, commercial and wider relationships in the achievement of our strategy and our ability to use our influence to achieve value both directly and indirectly. We are open to taking risks in growing our convening activity where our convening influence is high.
14	Change and Innovation		We are willing to invest in change and innovation and prepared to take risks that permit us to deliver disciplined wholesale change (business transformation), and continuous improvement to our operating model and business practices.
15	Digital Transformation		We will take appropriate risk in driving our digital transformation to ensure business resilience into the future and in the pursuit of our strategy and delivery of our operations.

RISK APPETITE LEVEL DEFINITIONS

					
Hungry We are willing to take a very high level of this kind of risk in order to achieve our strategic objectives	Seek We are willing to take a significant amount of this kind of risk in order to achieve our strategic objectives	Open We are willing to actively take this kind of risk in order to achieve our strategic objectives	Cautious We want to avoid this kind of risk, subject to the extent that doing this affects other risk appetite measures and strategic objectives	Averse We want to avoid this kind of risk as far as is reasonably possible	Strongly averse We see avoiding this kind of risk as fundamental, appetite is as near to zero as is reasonably possible

Principal risks and uncertainties

Pages 57-61 set out what we believe to be our most significant risks. For each risk we have included notes on our mitigations and some context around why the risk has been included on this list. We have also included mapping to our performance measures (KPIs), an indication of what we believe to be the most pertinent risk appetite measures and arrows indicating broadly whether we think these risks are increasing or decreasing.

Impact

All risks are to be considered with the following categories of impact in mind:

- Financial, environmental and social in terms of our Value Creation Framework
- Reputation in terms of the effect on our people, customers and other stakeholders
- Injury and loss of life

The overall estimate of impact may come from a combination of these components.

Likelihood

We evaluate likelihood of a material risk event happening across a number of broad timeframes, with the greatest emphasis being placed on the near term (0-2 years).

Likelihood starts at 100% (meaning it is certain that the event will occur within the relevant timeframe) and ends at 0% (meaning it is impossible that the event will occur within the relevant timeframe).

Residual impact and likelihood change

The directional arrows at the end of each column represent a simple evaluation of how we believe these risks have changed over the course of the financial year. While this is not a direct year-on-year comparison as there has been some evolution in both the risks included this year and in their descriptions, we nonetheless wanted to provide an indication of how our perception of the gravity of each of the risks has changed in the period so as to give some direction of travel.

The evaluation is given in terms of residual risk, i.e. the direction of impact and likelihood after the operation of our existing controls.

Principal risks

Risk	Value Creation	Systemic Change
Key mitigations	<p>Value Creation Framework (VCF) in place to continually monitor performance, with strategic goals set and measured in VCF terms.</p> <p>Mitigating external risks:</p> <ul style="list-style-type: none"> — Strategic planning process — Business planning/prioritisation process <p>Mitigating internal risks:</p> <ul style="list-style-type: none"> — Operating model review — People and culture strategy — Governance and oversight (including by the Value Creation Committee) — Financial controls — Quarterly business reviews <p>A comprehensive set of net zero plans and programme of activity implemented at Group and business unit level.</p> <p>1.5°C Science Based Targets are awaiting validation by the Science Based Targets initiative.</p>	<p>Market and sector analyses.</p> <p>Detailed strategic planning.</p> <p>Robust strategies created for each business unit.</p> <p>Ongoing strategy review and feedback process.</p> <p>Strategic goals set and measured in Value Creation Framework terms.</p> <p>Review and monitoring process of emerging risks.</p> <p>Business unit and Group-level stakeholder engagement at local, devolved administrations and UK levels.</p> <p>People strategy.</p>
Why it matters	Our markets have experienced significant changes, and we are in the process of delivering a major operational and cultural transformation to meet these changes. We have recognised the risk and are addressing it, but the process of change itself brings risk.	Whilst the possibility of systemic change is ever present, our strategic transformation process is designed to build agility and resilience.
Link to KPIs	1 2 3 6	1 2 3 4 5 6
Key risk appetite measure	4 Capital allocation and liquidity	14 Change and Innovation
Residual impact change	↓	↓
Residual likelihood change	↓	↔

OUR KPIS

- 1 Growth in net revenue profit
- 4 Customer satisfaction

- 2 Total return
- 5 Employee engagement

- 3 GHG emissions intensity
- 6 Health and safety

Risk management continued

Principal risks

Risk	Strategic Transformation Risk that we fail to transform our strategy because of constraints arising from an inability to change arising from limitations in our capabilities and capacity, including an inability to respond to change, adapt our culture and transform our operations, or from constraints in our constitution, including limitations on our scope for action and access to capital.	Policy Environment Risk that pace of change in the policy environment, and a link between our role and the delivery of certain policy directives, may adversely affect our ability and/or the perception of our ability to implement against our mandate.	Technology Resilience Risk that our ability to run our critical systems or properly protect or process information, either through internal failures or external cyber-attack or failure of critical infrastructure, results in a diminished ability to operate, damage to our reputation, loss of confidence with customers/partners/stakeholders and/or other costs.
Key mitigations	<p>Strategic planning process – allocating resources to deliver the business strategy/strategic direction with the right control mechanisms in place to guide its implementation.</p> <p>Business planning/prioritisation process – establishment of the immediate objectives, identifying key deliverables against the strategy and wider value objectives, strong engagement with the business to ensure delivery of priorities in accordance with prescribed enterprise prioritisation.</p> <p>Operating Model review process – building resilience into the organisation aligned with our culture and values.</p> <p>People and culture strategy – continued focus on culture change through the development of our people, creating opportunities for leadership.</p> <p>Governance and oversight – over costs, quality and timing.</p>	<p>Business unit and Group-level stakeholder engagement at local, devolved administrations and UK levels.</p> <p>Co-ordination of stakeholder engagement across business units and with other interested organisations.</p> <p>Stakeholder/customer engagement and communication plans as part of business unit strategies/Customer Relationship Management strategy.</p> <p>Continuing to build strong relationships across government and non-government stakeholders and interested parties.</p> <p>Ongoing review of upcoming legislative/policy changes that could affect our business to identify risks and opportunities, including understanding market demands and stakeholder views.</p> <p>Community and wider stakeholder engagement to shape and influence the world around us to support delivery of our strategies.</p>	<p>Modernisation of our IT infrastructure.</p> <p>Changes to system configuration are validated and controlled.</p> <p>Continue to:</p> <ul style="list-style-type: none"> — address potential cyber risks (Prepare) — implement effective preventative cyber security controls and activities (Protect) — implement processes and technology for the timely detection of malicious activity (Detect) — develop activities to take action upon event detection (Respond) — enhance resilience and recovery planning (Recover) <p>Promotion of appropriate internal behaviours and cyber culture.</p> <p>Regular reviews of Business Continuity Plans.</p> <p>Crisis Management Framework regularly updated.</p>
Why it matters	The transformation of our business has advanced considerably during the last year, but this is a process which faces internal and external impediments and will take a number of years to reach maturity.	The changes in the policy environment and the potential for increased stakeholder demands require constant vigilance to ensure the conscientious delivery of our mandate.	We are significantly upgrading our capabilities in this area, recognising both the need to update systems and processes and the increased level of threat in the external environment.
Link to KPIs	1 2 5	1 2	1 2 4 5
Key risk appetite measure	14 Change and Innovation	5 Political Exposure	9 Business Continuity and Resilience
Residual impact change	↓	↔	↔
Residual likelihood change	↔	↑	↑

OUR KPIS

- | | | |
|--------------------------------|-----------------------|---------------------------|
| 1 Growth in net revenue profit | 2 Total return | 3 GHG emissions intensity |
| 4 Customer satisfaction | 5 Employee engagement | 6 Health and safety |

Principal risks

Risk	Marine Delivery Risk that we don't deliver the Marine strategy to the satisfaction of our customers and stakeholders in a rapidly changing environment of increased complexity.	Major Incident A major incident, series of events or a significant local, national or international crisis affecting us could lead to a significant financial loss, business interruption and/or reputational damage.	Talent and Performance Risk that we cannot attract, retain and develop our talent requirements and we do not evolve our culture to drive effective performance resulting in capability, capacity and cultural challenges which prevent us from executing on our strategy.
Key mitigations	<p>Building organisational capacity and capability to deliver against increasing market and policy demands.</p> <p>Continually enhancing stakeholder and customer engagement.</p> <p>Deploying capital through targeted strategic investments.</p> <p>Co-ordination of engagement with other relevant organisations.</p> <p>Delivering dedicated offshore surveys to enable better resource planning and accelerate delivery of leasing programmes.</p> <p>Enhancing data and evidence capability.</p>	<p>Crisis Management Framework with clearly defined escalation processes, and roles and responsibilities.</p> <p>Regular testing of crisis management and business continuity arrangements.</p> <p>Corporate business continuity plans, which include a strategic Business Impact Assessment.</p> <p>Regular liaison with appropriate agencies.</p> <p>Updating our processes for compliance with the government's anti-terror 'Protect Duty' 2022 legislation, e.g. vulnerability assessments.</p> <p>Insurance arrangements are in place and cover catastrophic events.</p>	<p>Development and delivery of a compelling and differentiated Employee Value Proposition.</p> <p>Building resource and strategic workforce planning capability.</p> <p>Implementation of a new pay and performance management framework.</p> <p>Talent and succession structures and practices.</p> <p>Continual evolution of a learning and development curriculum.</p> <p>Culture and people engagement plan.</p> <p>Strategies for listening, diversity, equity and inclusion.</p>
Why it matters	The expectations on our Marine business have increased considerably, in terms of the quantum, range and speed of expected delivery.	The risk remains ever-present, particularly for our London portfolio.	We recognise that talent management and the delivery of cultural change are fundamental to our transformation and this has been an area of considerable focus, including the appointment of a new Director of People and Culture.
Link to KPIs	1 2 3 4	1 2 4 5 6	1 2 4 5
Key risk appetite measure	5 Political Exposure	9 Business Continuity and Resilience	11 People and Culture
Residual impact change	↔	↔	↔
Residual likelihood change	↑	↑	↓

Risk management continued

Principal risks

Risk	Strategic Relationships Significant financial loss, reputation damage or loss of convening power from failure to understand and manage strategic relationships – customers, JV partners, outsourced service providers and government – both in normal circumstances and in times of crisis. This risk also includes the risk of failing to monitor and manage suppliers effectively and of failing to build supply resilience.	Health and Safety Risk to health and safety of our staff, customers, supply chain or anyone interacting with our operations or assets, either through a failure to provide sufficient ongoing support or through a significant health and safety incident on our premises or in relation to our portfolio adversely impacts our reputation, causes financial loss and/or results in criminal liability.	Digital Business Transformation Risk that we do not meet our technological needs and the digital expectations of our customers, through failure to act with a clear purpose and an understanding of those needs and an integrated approach to cultural elements.
Key mitigations	<p>Stakeholder/customer engagement and communication plans as part of business unit strategies/Customer Relationship Management strategy.</p> <p>Continuing to build strong relationships with stakeholders across government and non-government stakeholders and interested parties.</p> <p>Ongoing review of upcoming legislative/policy changes that could affect our business, to identify risks and opportunities, including understanding market demands and stakeholder views.</p> <p>Community and wider stakeholder engagement to shape and influence the world around us to support delivery of our strategies.</p> <p>Ongoing national partner mapping (stakeholder, infrastructure, development delivery) to unlock opportunities at scale.</p>	<p>Comprehensive regular reporting to the Group Leadership Team and Board.</p> <p>Introduction of our new 'Safety First' framework, supported by business-wide training and continuing cultural improvement.</p> <p>Health and safety policies, management systems, use of external standards and business unit operational controls.</p> <p>Clearly defined health and safety responsibilities and oversight within the business and our managing agents, including spot checks and reviews.</p>	<p>Development of data foundations and insights.</p> <p>Development of a modern IT infrastructure and automation across key customer-facing processes.</p> <p>Evolution of new innovative business models enabling commercialisation of technology and data through our digital portfolios.</p> <p>Enabling agile delivery and building product capabilities.</p>
Why it matters	The range and levels of complexity of our stakeholder interests have grown and this continues to be an area of considerable management focus.	New structures, resources and frameworks have been implemented in the period to continue to bring improvements to this important area.	This aspect of our business has been augmented in the period with greater resources, clearer strategy and continuous improvement of our capabilities to align with our technological needs and the digital expectations of our customers.
Link to KPIs	1 2 4	1 2 4 6	1 2 4
Key risk appetite measure	1 Brand and Reputation 5 Political Exposure	10 Health and Safety	15 Digital Transformation
Residual impact change	↑	↓	↔
Residual likelihood change	↔	↔	↔

OUR KPIS

- | | | |
|--------------------------------|-----------------------|---------------------------|
| 1 Growth in net revenue profit | 2 Total return | 3 GHG emissions intensity |
| 4 Customer satisfaction | 5 Employee engagement | 6 Health and safety |

Principal risks

Risk	Climate Change Failure to deal adequately with the physical effects of climate change, to manage transition risks such as net zero legislation or to meet expectations we have raised in relation to good practice, result in damage to our portfolio or reputation.
Key mitigations	<p>Ensuring our physical assets are suitably assessed for impacts of climate change and mitigation steps taken to reduce the risk of stranded assets.</p> <p>A comprehensive set of net zero plans and programme of activity implemented at Group and business unit level.</p> <p>Using Task Force on Climate-related Financial Disclosures (TCFD) to effectively manage and report on our transition risks.</p> <p>1.5°C Science Based Targets are awaiting validation by the Science Based Targets initiative.</p> <p>Further enhancements will be developed through the integration of climate change measures into our VCF and the review of our transitional risks in line with the TCFD.</p>
Why it matters	We continue to maintain our significant commitment to playing our part in addressing climate change, enhanced by the introduction of more concrete measures of our performance in respect of net zero.
Link to KPIs	3 4
Key risk appetite measure	3 Environment and Net Zero
Residual impact change	↔
Residual likelihood change	↓

Emerging risks

We have a number of mechanisms for ensuring that emerging risks are identified and managed effectively. The principal and most important method is, and will always be, the alertness of individual teams operating within their fields of expertise and reporting the changes in risk environment as they perceive them. As well as reporting through the management structure, there are various prompts for risk-based conversations within our governance structure and operating model.

If particular areas of risk are felt to be significant then specialist teams are created including relevant experts and members of teams affected, or likely to be affected, by the emerging risk. These teams are composed for the duration of a perceived risk and their membership and reporting mechanisms can be kept fluid to adapt to an evolving situation. For more persistent areas of emerging risk, more structured bodies are created, with greater formality of reporting and membership.

There are also various ongoing structures in place, which enable regular and formal discussion of emerging risks, and external specialists are engaged to track relevant trends and events in the external environment. The Risk team itself operates as a risk information gathering and reporting function through a range of mechanisms facilitated by its ongoing cross-business activity, including representation in key committees and main decision-making bodies as well as its extensive contacts across the Group.

Governance

Chair's introduction

An important transitional year



“The markets in which we operate are all changing rapidly and profoundly, creating new and greater challenges, as well as opportunities. We have a clear focus on value creation and on addressing the things that we can control to make sure that our business is fit for the future.”

Robin Budenberg
Chairman

I believe that the last 12 months will prove to have been critical to The Crown Estate's future success in the challenging and changing economic and socio-political environment in which we expect to be operating for the foreseeable future.

I am particularly pleased by the way in which the Board and the new Executive team have worked together constructively and productively in order to put in place the foundations to enable The Crown Estate to deliver on its mandate in the years ahead. We have adopted a ten-year strategy – one which is designed to deliver on our core duty to maintain and enhance the value of our estate – which will create lasting and shared prosperity for the nation.

Delivery of the new purpose and strategy

The Board agreed The Crown Estate's rearticulated purpose in September 2020 and phase one of our new strategic direction was approved in February 2021. This year has seen further evolution of that strategy and a focus upon the key elements which we need to ensure are delivered for the benefit of the nation. Guided by our clear and central purpose and informed by major trends impacting our business, we seek to create not only important financial returns but also environmental and social value for our stakeholders, for our customers and for the nation. We will play a leading role in the delivery of the UK's net zero targets and in the stewardship of the environment. We will help create thriving communities and renew urban and rural areas across the UK.

As I write this note, it is clear that the issue of national energy security has rarely been more important. The demands on the seabed have never been greater. The markets in which we operate are all changing rapidly and profoundly, creating new and greater challenges, as well as opportunities. With the Group Leadership Team now fully formed and already working well as a cohesive and ambitious team, we are better placed to face the future.

We have a clear focus on value creation and on addressing the things that we can control to make sure that our business is fit for the future. An important aspect of this is the work that has continued to ensure that the Board is able to provide constructive challenge to the Executive, ensuring delivery against both our targets and our overarching strategy. It was reassuring in this respect to see the results of the externally facilitated Board evaluation exercise showing that the Executive scored the Board's performance at a similar level to the Board's own scores. That is unusual and it is partly a reflection of the level of transparency and trust that characterises our engagement and which has enabled us to embrace the challenge of how The Crown Estate can most effectively achieve its statutory purpose of maintaining and enhancing the value of our estate, operating in a world which bears little resemblance to when the Crown Estate Act became law 60 years ago.

Fulfilling the Board's remit, and succession planning

In November last year I commissioned Bvalco, an independent board advisory business, to carry out a formal review of our Board's effectiveness.

Since the appointment of Dan Labbad as our Chief Executive, the Board has been very much engaged in developing our strategy and senior team. The independent review was an opportunity to reflect upon the Board behaviours necessary to support the business through the crucial shift from preparation to delivery.

The Board has discussed the conclusions of the review exercise (headlines can be found on page 77), and will continue to reflect on them throughout the next year, recognising that the individual and collective strengths of any board need to be underpinned by consistent use, and modelling, of effective behaviours.

There was much to take away from the report's findings and, as a Board, we shall be especially conscious of the additional value we can inject around the measuring of performance, and facilitation of greater interaction. Indeed, the Executive Director, Operations has already been charged with developing a suite of performance measures as part of the business planning process, and opportunities have been identified for the Non-Executives to engage with colleagues beyond those who regularly present at Board meetings.

On the particular issue of Board composition, I am very conscious of the need to ensure that our Board is, in the broadest sense, a diverse one, and I am pleased to report that our gender diversity is strong.

The last year has seen two Board colleagues complete their terms at The Crown Estate and I am immensely grateful to both Lynda Shillaw and Professor Peter Madden for the knowledge, insights and perspectives which they brought to our considerations, as Commissioner and Counsellor respectively. Both committed considerable time outside of our formal Board meetings to lend support to our new Group Leadership Team. Appointing two new Commissioners to address identified needs has taken longer than we had hoped and so our numbers were reduced for the final quarter of this reporting period. There is a detailed process that rightly needs to be followed and the appointment of any Commissioner is ultimately in the gift of Her Majesty The Queen, upon the advice of the Prime Minister of the day and the recommendation of the Cabinet Office.

I am hopeful that we shall shortly be announcing the appointment of two new Commissioners and I look forward to working with them to provide the necessary support and challenge to our Leadership Team, to ensure delivery of our ambitious vision around the contribution The Crown Estate can make to the wellbeing of our nation. I am confident that, with the addition of two new Commissioners, we shall be even better placed to meet the challenges and opportunities ahead.

It gives me great pleasure to congratulate Karen Jones on receiving the award of Dame Commander of the Order of the British Empire for services to Business and to the Hospitality Industry in The Queen's Birthday Honours 2022. Karen has been a Commissioner since January 2020 and is our Senior Independent Board Member and Chair of our Sustainability Committee.

How the Board supports our culture

As will doubtless have been the case with so many businesses, I have found a palpable sense of relief amongst colleagues to be back meeting in person once more, and I look forward to a year ahead with plenty of opportunities for the Board to engage with a cross-section of our colleagues and wider stakeholders, both in London and across the country.

Conscious of the inevitable disruption of the last few years, I am keen to ensure that the Board plays its part in shaping our culture, to help align company values and purpose with strategy and execution.

In recent months, the Board has received an analysis of an all-colleague One Voice survey and its implications for our business. We have subsequently reviewed proposals for performance management, including the use of Connected Conversations as part of an emerging new Total Reward strategy, and the development of a Crown Estate Story as a platform for conversation and decision-making. The Board welcomes the new approach and looks forward to seeing the evolution and delivery of this strategy alongside our new People strategy, the implementation of which we will continue to monitor on at least a six-monthly basis.

Whilst our remit is set in the terms of the Crown Estate Act 1961, our strategy, value creation objectives and culture evolve together as the business aligns its priorities, strategic direction and the behaviours required to deliver it. The Board is clear that to reach our goals, we need to play our part in inspiring our people on the transformation journey ahead of us and paint a clear picture of where we are going. I have no doubt that this will be further supported by the rollout of our new People strategy over the coming months.

Celebrating Her Majesty's Jubilee

As we join Her Majesty The Queen, and the nation, in celebrating The Queen's Platinum Jubilee, we naturally reflect on the principles of service, stewardship and legacy. Such principles underpin all that we do at The Crown Estate. We have a responsibility both to this generation and to that which will follow. There could be no greater role model for all of us at The Crown Estate than Her Majesty. She embodies the values to which we all aspire as we fulfil our statutory mandate to maintain and enhance the value of our estate and the return obtained from it, striking a balance between the short and the long term. We are proud to have spent the last two hundred and sixty years working for the benefit of the nation and we congratulate Her Majesty on Her seventy-year reign as our Sovereign, during which she has selflessly dedicated herself to service to our nation.

Robin Budenberg

Governance at a glance

Robust, unobtrusive governance is central to
The Crown Estate's ability to remain relevant and agile.

The sectors in which we operate are very diverse and that requires governance which is flexible enough to address those differences but focused enough to ensure a holistic approach to the delivery of our strategy.

Our governance must reflect our risk appetite and ensure our long-term resilience in the face of rapidly changing

markets and external dynamics impacting upon us in fulfilling our purpose, to deliver lasting and shared prosperity for the nation.

The Crown Estate is committed to demonstrating transparency, and implementing best practice corporate governance.

Guide to the Governance section

The Crown Estate's overarching governance requirements are codified in the Crown Estate Act 1961, and supplemented by a framework agreement between The Crown Estate and the Treasury. Where compatible with The Crown Estate's constitution, our corporate governance design framework is aligned with the 2018 UK Corporate Governance Code (the Code) as a further guarantee of best practice.

The Crown Estate seeks to deliver good corporate governance in alignment with our strategy and in service of The Crown Estate's purpose. To that end, our adoption of the Code is used as a benchmark for our corporate governance performance.

We also use the Code disclosure requirements as a means to demonstrate good governance practice to all of our stakeholders.

For clarity around how this Governance section reflects the themes of the Code, the individual headings of the Code are addressed as highlighted on the right.

Details of our Executive and Group leadership are set out on pages 90-91. Our Accounting Officer's statement is on page 74.

Board Leadership and Company Purpose

Our Board has a clear role in service of The Crown Estate's purpose. Read about how it discharges its leadership responsibility, sets strategic direction and provides independent and objective rigour to The Crown Estate's strategic thinking, including through our new Sustainability Committee (see pages 88-89).

 Read more on **pages 65-73**

Division of Responsibilities

Discover how our Board has structured the corporate governance of The Crown Estate to deliver strategic decision-making with proportionate checks, balances and controls.

 Read more on **pages 65-71**


Audit, Risk and Internal Control

See how our Audit Committee oversees the structures and processes by which we manage and assess risk and assure our control environment.

 Read more on **pages 78-81**


Composition, Succession and Evaluation

Find detail on how our Board delivers continuous improvement and how it rigorously assesses its own performance, while our Nominations Committee works to ensure we continue to attract, nurture and develop people to deliver our strategy.

 Read more on **pages 75-77**

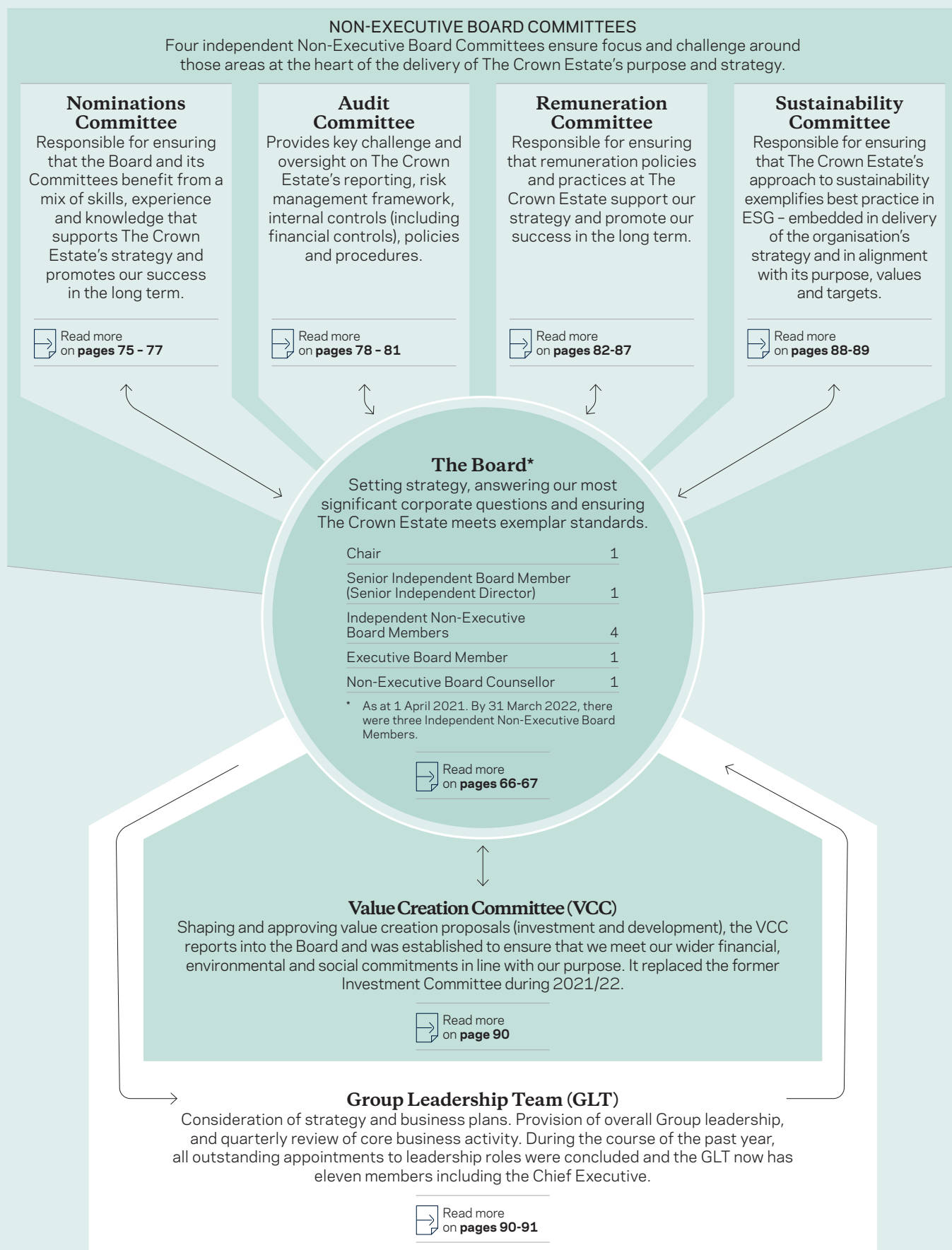
Remuneration

Read the report on how our Remuneration Committee seeks to develop and integrate remuneration policies that promote the delivery of our strategy, the creation of value and the long-term success of The Crown Estate.

 Read more on **pages 82-87**

Governance framework

The Crown Estate's governance has been developed in alignment with our long-term strategic approach, with purposeful, risk-weighted and proportionate delegations underpinning a clear division of responsibilities and accountabilities.



Our Board

The membership of our Board is built upon the principle that a diversity of skills, background, experience and approach underpins strong decision-making. Our Board's purpose is founded on independence and diverse thinking which it leverages to set strategy and constructively challenge our business in service of The Crown Estate's purpose – to create lasting and shared prosperity for the nation.

BOARD MEETING ATTENDANCE

Board Member/Counsellor	Board	Strategy session
Robin Budenberg	8/8	1/1
Dan Labbad	8/8	1/1
James Darkins	8/8	1/1
Paula Hay-Plumb	8/8	1/1
Lynda Shillaw¹	5/5	1/1
Karen Jones	7/8	1/1
Juliet Davenport	8/8	1/1
Peter Madden¹	5/5	1/1
Sara Wood²	6/6	1/1

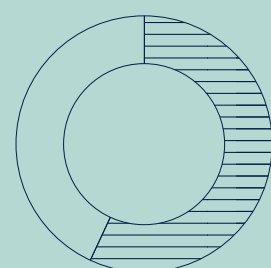
1. Until 31 December 2021.

2. Appointed as a Board Counsellor from 1 July 2021.

BOARD DIVERSITY

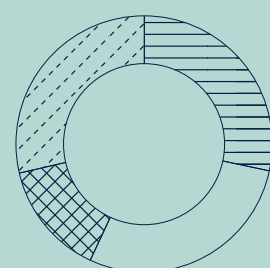
Maintaining an appropriate balance, including a diverse range of skills, experience, knowledge and background on the Board, is important to us. We are constantly working toward ensuring that we can demonstrate that diversity across gender, social background and ethnicity. Diversity (below) includes Board Counsellors to ensure a full impression of the balance of voices and perspectives included in Board discussion.

Board diversity



	Female	57%
	Male	43%

Board tenure



	1-2 years	2
	2-4 years	2
	4-6 years	1
	6-8 years	2

TERMS OF APPOINTMENT

Board Members of The Crown Estate are appointed as a Commissioner under Royal Warrant for a period of up to four years. A Board appointment may be renewed for one further period of up to four years, with a maximum term of service of eight years (plus a maximum period of two years as a Board Counsellor). The Crown Estate Act 1961 specifies that there may be no more than eight Commissioners, one of whom will be First Commissioner, who will Chair the Board. Board Counsellor appointments are not to the statutory position of Commissioner, and are therefore made under a contractual appointment, for a period of up to four years, with the possibility of renewal.



Robin Budenberg CBE
Chairman, Independent
Non-Executive Board
Member and First
Commissioner

Appointment: Robin took up the post of Chairman of The Crown Estate on 1 August 2016 and was reappointed for a further four years on 1 August 2020.

Committees: N R S

Tenure: 5 years 8 months

Key strengths: Strategic overview / Leadership / Finance / Governance



Dan Labbad
Chief Executive, Accounting
Officer, Executive Board
Member and Second
Commissioner

Appointment: Dan was appointed as Chief Executive on 9 December 2019 and to the Board on 1 January 2020.

Committees: None

Tenure: 2 years 3 months

Key strengths: Leadership / Property / Infrastructure / Sustainability / Change management



James Darkins
Independent Non-Executive
Board Member

Appointment: James was appointed to the Board on 1 January 2016 and reappointed for a further four years on 1 January 2020.

Committees: A R

Tenure: 6 years 3 months

Key strengths: Strategic leadership / Real estate investment management / Joint ventures



Juliet Davenport OBE
Independent Non-Executive
Board Member

Appointment: Juliet was appointed to the Board on 1 September 2020.

Committees: S

Tenure: 1 year 7 months

Key strengths: Renewable energy / Innovation



Paula Hay-Plumb
Independent Non-Executive
Board Member

Appointment: Paula was appointed to the Board on 1 January 2015 and reappointed for a further four years on 1 January 2019.

Committees: A N

Tenure: 7 years 3 months

Key strengths: Finance / Governance and audit / Regeneration



Dame Karen Jones DBE
Independent Non-Executive
Board Member and Senior
Independent Board Member

Appointment: Karen was appointed to the Board on 1 January 2020 and as Senior Independent Board Member (equivalent to the role of Senior Independent Director) on 9 June 2020.

Committees: N S

Tenure: 2 years 3 months

Key strengths: Food, retail and leisure markets / Digital and online retail / Property and place-making

DEPARTURES DURING THE YEAR



Sara Wood
Board Counsellor

Appointment: Sara was appointed as Board Counsellor on 1 July 2021.

Committees: None

Tenure: 9 months

Key strengths: Digital innovation / Platform and data technology / Retail and energy sectors



Lynda Shillaw
Independent Non-Executive
Board Member

Appointment: Lynda served from 1 January 2018 to 31 December 2021.

Committees: A

Tenure: 4 years

Key strengths: Real estate, retail and infrastructure / Finance



Professor Peter Madden OBE
Board Counsellor

Appointment: Peter served as a Board Counsellor from 1 January 2014 to 31 December 2021.

Committees: R

Tenure: 8 years

Key strengths: Sustainability and climate change / Strategic, scenario and future planning / Digital transformation

KEY

- A Audit Committee Member
- N Nominations Committee Member
- R Remuneration Committee Member
- S Sustainability Committee Member
- Committee Chair

For full biographical details of our Board Members, including relevant skills and experience, visit: thecrownestate.co.uk/our-board

Embracing the principles of section 172 of the Companies Act 2006

Best practice, transparency, collaboration and equity are key themes which underpin the way in which The Crown Estate delivers prosperity for the nation.

Engaging with our stakeholders



For more information about our stakeholders, please see **pages 16-17**

Whilst the Companies Act 2006 (the Act) does not apply to The Crown Estate, this section outlines how the Board has given due consideration to the matters set out in section 172(1)(a)-(f) of the Act and has elected to adopt its principles as a guide to best practice disclosure. In so doing, the Commissioners have had regard, amongst other matters, to the:

1. Likely consequences of any decision in the long term

The very purpose and ethos of The Crown Estate is rooted in ensuring long-term value creation. Our duty is to maintain and enhance the value of the estate we manage for the benefit of this and future generations. During this financial year we have embedded our Value Creation Framework into our decision-making, and established a Sustainability Committee with the key objective of ensuring that The Crown Estate's approach to sustainability exemplifies best practice in ESG.

2. Interests of our employees

Central to our recent organisational restructuring was the creation of a more horizontal structure and empowering of our people. Empathy, fairness and equity are fundamental values underlying both Board discussions and those at the operational level. Specific initiatives in this area include reverse mentoring, and individual sponsorship by GLT members of diversity networks. Responding to feedback, the introduction of Connected Conversations has been designed to create space for good quality conversations that will help us to understand each other better, identify opportunities for learning and personal satisfaction or growth, and recognise everyone not just for what they have done but how they have done it. Connected Conversations also helps to build a strong connection between our day-to-day role and our purpose, strategy and values, driving high performance across the business.

3. Need to foster our business relationships with suppliers, customers, and others

The Board understands that working in an open and collaborative way with stakeholders is fundamental to how we strive to deliver prosperity for the nation. Due to the number, diversity and distribution of our stakeholders, it is inevitable that much of the engagement takes place at an executive and operational level, but the importance of building and maintaining strong relationships is key for us.

4. Impact of our operations on the community and the environment

The newly formed Sustainability Committee is a high level forum for focusing on The Crown Estate's environmental and social impact, striving to adopt best practice in both. Over the last year, we have developed challenging and meaningful science based targets for carbon reduction across our business activities.

5. Desirability of maintaining a reputation for high standards of business conduct

The Crown Estate aspires to be a market leader, adopting best practice in the way in which it goes about its business. This year has seen a comprehensive review of the suite of governance documents and core policies around how the business conducts itself and engages with those with whom it deals across the full range of its business activities.

6. Need to act fairly as between our members

The Crown Estate does not have shareholder members but the Crown Estate Act 1961 imposes a general duty upon the Commissioners, while maintaining The Crown Estate as an estate in land, to maintain and enhance both its value and the return obtained from it. In our accounts, the Commissioners are required to distinguish between capital and income and to make any proper adjustments between our capital account and income account. In these ways, The Crown Estate is mandated to act fairly as between its primary stakeholders.

Our constitution

The Crown Estate has a unique constitution, managing assets on behalf of the Crown, under a statutory mandate overseen by the Treasury.

The Crown Estate's constitution

The Crown Estate Act 1961 (the Act) adopted the recommendations of the Report of the Committee on Crown Lands 1955 (known as the 'Eve Report' after its author, Sir Malcolm Trustram Eve), which envisaged the role of the Crown Estate Commissioners as analogous to that of trustees of a trust. It established the Crown Estate Commissioners as a corporate body operating with an independent commercial mandate in the management of The Crown Estate. As such, the Crown Estate Commissioners is a statutory corporation and not a company for the purposes of the Companies Act 2006. The formal name of the organisation is the Crown Estate Commissioners, but it operates under the trading name 'The Crown Estate' and any reference to 'the Commissioners' in this report is to the individual Executive Board Member and Independent Non-Executive Board Members collectively. The Commissioners collectively form the Board.

The primary statutory duty of the Board is to maintain The Crown Estate as an estate in land and to maintain and enhance its value and the return obtained from it with due regard to the requirements of good management. Good management encompasses broad value creation, including a commitment to environmental and social value creation, in alignment with strong financial performance.

The Crown Estate has the authority to perform all acts of the Crown's right of ownership, subject only to any restrictions in the Act.

A headline summary of the key restrictions in the Act are that The Crown Estate cannot:

- borrow;
- invest in equities;
- acquire land outside the UK; or
- grant leases for more than 150 years.

The Crown Estate must comply with written directions given to it by the Chancellor of the Exchequer about the discharge of its functions under the Act. The revenue profit of The Crown Estate is paid into the UK Consolidated Fund, where it is added to the funds arising from general taxation.

Role of the Treasury

The Treasury is charged by Parliament with oversight of The Crown Estate and acts as The Crown Estate's sponsoring department. That oversight encompasses those funds which are provided by Parliament (Resource Finance) to The Crown Estate under Paragraph 5 of The First Schedule to the Act, as a contribution towards the cost of Commissioners' salaries and the expenses of their office.

The formalised arrangements for management as between the Treasury and The Crown Estate are recorded in a framework document, which can be found on The Crown Estate's website and was most recently updated in 2020: thecrownestate.co.uk/treasury-framework

The Sovereign

The assets managed by The Crown Estate are not the property of the government, nor are they part of the Sovereign's private estate. The assets form part of the hereditary possessions of the Sovereign in right of the Crown; in other words, lands owned by the Crown corporately not personally.

The Crown is distinct from the Sovereign or Monarch. It encompasses both the Sovereign and the government and it is one of our oldest institutions.

In 1066, all land in England was deemed to belong to William the Conqueror "in right of the Crown". By the time George III acceded to the throne, the size of the estate had reduced and it was producing insufficient revenue and so he surrendered Crown revenues to the management of Parliament as part of a settlement for Crown Lands in 1760. Since that time, the Sovereign has played no part in managing Crown land. The functions of the Crown are ordinarily exercised by Ministers of the Crown accountable to Parliament. However, in the Act, Parliament charged the Commissioners with the function on behalf of the Crown of managing and turning to account the land and other property, rights and interests vested in the Crown.

It is the Treasury which oversees The Crown Estate in the performance of that function. The Sovereign is an important stakeholder for us as we manage our estate on behalf of the Crown and the Act requires the Commissioners to make to Her Majesty a report on the performance of their functions in each year and to lay a copy of their report before Parliament. This Annual Report is addressed to Her Majesty The Queen, as referenced on the contents page.

How the Board operates

The independence of the Board

It is essential to our approach to governance that the Board is able to demonstrate an appropriate level of independence.

To support this, we continuously review the independence of each of our Non-Executive Board Members against the criteria for independence as set out in Provision 10 of the 2018 UK Corporate Governance Code. With regard to Provision 7, our formal declarations of interest processes confirm that none of the Non-Executive Board Members has (to their knowledge) any conflict, or potential conflict, of interest which has not been disclosed to the Board, nor any connection through employment, business or personal relationships that might lead to an erosion of independence.

The same assessment of independence is conducted and reported with regard to each of our Board Counsellors, though it should be noted that their ongoing independence is not a condition of service, as they do not form part of the formal Board decision-making process.

A full list of declared interests can be found on The Crown Estate's website at: thecrownestate.co.uk/declaration-of-interests

Delegation

In recent years, our Board had refined or restated all of the financial and non-financial delegations at The Crown Estate, and continues to do so as part of a rolling review of Board and Committee terms of reference. Our delegations are regularly reviewed to ensure that they are current and continue to enable the delivery of our strategy. Key delegations are reported on the individual Committee pages.

Amongst the changes made to these delegations during the 2021/22 financial year were the decisions to stand down the Group Leadership Team (GLT) as a formal Committee, and to transfer its investment and operational delegations to a newly constituted Value Creation Committee (VCC). This change has ensured that the enlarged GLT is able to focus on strategy, people and culture and operational delivery, including risk, and health and safety, whilst enabling a smaller, more agile VCC – through the implementation of a Value Creation Framework addressing financial, environmental and social considerations – to consider and approve value creation initiatives (including capital requests) put forward by the business.

Board activity and administration

The Board held eight scheduled meetings spread evenly throughout the year. In addition, the Board held a two-day strategy session in October, where the Board focused on signing off our new strategic direction – phase one of which had been presented to, and approved by, the Board in February 2021.

Board meetings are scheduled for at least three hours, and are augmented by time spent in closed session for Board Members and also for Independent Non-Executive Board Members only (both with and without the Chief Executive).

Board and Committee meetings are pre-scheduled on a rolling calendar year's notice and information relating to each individual meeting is (other than in exceptional circumstances) provided at least one week ahead of the meeting itself to allow proper consideration.

Administration of the Board is the responsibility of the Company Secretary who operates the key procedures and policies of the Board, and maintains our corporate records and the terms of reference for our Board and Committees. Following Rob Booth's move from the Company Secretary role to become Head of Marine Assets, Nicholas Cheffings took over as interim Company Secretary and Head of Legal (from 21 June 2021 to 31 March 2022). The Board appointed Neetu Ogle as the new Company Secretary from 1 April 2022, alongside her role as Group Head of Legal at The Crown Estate.

Due to the COVID-19-related restrictions during the year, our Board meetings were a combination of virtual, physical and hybrid meetings, and facilitated by the digital tools available to Board Members and attendees, in accordance with our established governance procedures.

Division of responsibilities

Whilst the Board operates as a cohesive body in fulfilling its role, individual members of the Board have distinct roles to play.

Role*	Responsibilities
Leadership	
Chairman	The Chairman is First Commissioner and is responsible for chairing the Board and overseeing the official business of The Crown Estate; ensuring its effective operation; and keeping under review the general progress and long-term development of The Crown Estate. The Chairman is also responsible for the annual evaluation and appraisal of the Chief Executive.
Chief Executive	The Chief Executive is currently the only Executive Board Member, discharging the role of Board Member, as Second Commissioner, alongside his executive duties. His executive role encompasses developing and implementing strategy, overseeing operations and ultimate responsibility for risk management, people and culture. The Chief Executive also has independent duties and responsibilities to the Treasury as Accounting Officer.
Oversight	
Senior Independent Non-Executive Board Member	In addition to the role of Non-Executive Board Member, the Senior Independent Board Member's role includes evaluating the performance of the Chairman, representing the Board in Board Member recruitment, acting as a check and balance to the Chairman, and acting as an intermediary for other Board Members.
Independent Non-Executive Board Members	The role of the Independent Non-Executive Board Member is to bring exemplary skills and experience to the Board. This ensures an adequate balance of skills is available to The Crown Estate in order to fulfil its strategic objectives in compliance with its constitution and in service of The Crown Estate's purpose.

* All Board Member appointments are documented in a formal contractual appointment, which supplements the Royal Warrant granted to Commissioners by Her Majesty The Queen. The appointment includes the detailed duties of a Board Member and provides an indemnity for personal civil liability arising from the discharge of those duties, provided that the Board Member has acted honestly, reasonably and in good faith.

Board Counsellors (Non-Executive)	<p>The role of the Non-Executive Board Counsellor is to assist the Board by supplementing the collective skills, expertise and knowledge of the Board Members, to inform Board decision-making.</p> <p>Board Counsellors attend Board meetings as advisers (i.e. in a non-voting role). They may have been a Crown Estate Commissioner or may be expected to become a Crown Estate Commissioner in due course, or they may be appointed to bring specific expertise.</p>
Governance	
Company Secretary	<p>The Company Secretary advises the Chairman, the Board and individual Board Members on their responsibilities under the prevailing regulatory framework.</p> <p>The Company Secretary supports all meetings, and ensures clear and timely information flows both between the Board and its Committees, and between the Group Leadership Team and the Non-Executives. The Company Secretary works with the Chairman to facilitate the induction of new Non-Executives, and the provision of professional development as required.</p>

How the Board supports strategy

The Board has, throughout the year, been engaged in a series of discussions which underpin the delivery of The Crown Estate's strategy.

Strategic priority	The Board's role
Setting risk appetite	Establishing and reviewing the Group risk appetite, and setting expectations for oversight of the monitoring of risk and risk controls by the Audit Committee.
Enabling Offshore Wind Leasing Round 4	Establishing and monitoring an augmented governance process necessary to fulfil The Crown Estate's role as a competent authority under the Habitats Regulations.
Shaping The Crown Estate's Capital Allocation Framework	Discussing the framework in context of risk appetite and strategy, informing emerging strategy for individual Strategic Business Units (SBUs). Establishing the basis for thinking about our business in terms of risk typology and return.
Approving strategy and business plans	Discussing, challenging and ultimately approving the Group strategy, and direction of travel of strategies for the individual SBUs.
Supporting development of nascent net zero technologies	Discussing engagement with the potential carbon capture, usage and storage (CCUS) market. Evaluating, testing and ultimately approving the proposed commercial structure and approach for future CCUS projects.
Evaluation of external environmental risks, trends and opportunities	Considering and evaluating the risk/opportunity arising to The Crown Estate from prevailing macroeconomic conditions.
Oversight of the Group development pipeline and approval of near-term projects	Reviewing, evaluating and ultimately endorsing the Group disposal and development strategy.
Evolving our approach to sustainability	Establishing and setting the terms of reference for a Sustainability Committee. Reviewing and endorsing science based targets as part of the business's 2030 carbon reduction commitments.
Setting of remuneration	Approving the 2020/21 bonus framework. Approving the 2021/22 bonus structure, and endorsing proposals for a new Total Reward strategy.



The Board discussing ecology with members of the team during its Board visit to Windsor in March 2022.

Key Board activities

May 2021	<ul style="list-style-type: none"> — Setting Board objectives — Review of Declarations of Interests and Modern Slavery policies — Endorsing Board annual activity proposals — Receipt of Committee Chairs' updates — Receipt of Chief Executive/management updates 	<ul style="list-style-type: none"> — Approval of the annual business plan — Consideration of HRA enhanced governance process — Receipt of updates on the London and Windsor & Rural Strategic Business Units
June 2021	<ul style="list-style-type: none"> — Receipt of Chief Executive/management updates — Annual review of health, safety and environment report 	<ul style="list-style-type: none"> — Review of Quarterly Integrated Corporate Report — Receipt of update on development projects — Annual Performance Review 2020/21 — Approval of Annual Report and Accounts 2020/21
July 2021	<ul style="list-style-type: none"> — Review of half year Board actions — Receipt of Committee Chairs' updates — Receipt of Chief Executive/management updates — Establishment of Board Sustainability Committee 	<ul style="list-style-type: none"> — Review of updated NRP payment proposal — Proposed 2021 targets – Market and Research update
September 2021	<ul style="list-style-type: none"> — Review of Declarations of Interests — Receipt of Chief Executive/management updates 	<ul style="list-style-type: none"> — Receipt of Q1 Integrated Corporate Report — Receipt of Marine strategy update — Launch of Chairman's annual appraisal
October 2021 (two days)	<ul style="list-style-type: none"> — Review of Group strategy — Review of macro trends and themes — Review of Value Creation update: financial (returns and capital), sustainability and Value Creation Framework and targets — Review of operational design and delivery, building capability — Receipt of People and Culture update — Receipt of Remuneration update — Receipt of HRA update 	<ul style="list-style-type: none"> — Review of Regional strategy — Review of London strategy — Review of Windsor & Rural strategies — Review of Marine strategy — Review of Digital strategy — Receipt of Customer update — Review of Principal risks and Risk appetite — Discussion of Group priorities
December 2021	<ul style="list-style-type: none"> — Discussion on status of Board objectives for 2021/22 — Receipt of Committee Chairs' updates including newly established Sustainability Committee — Approval of Sustainability Committee terms of reference — Receipt of Chief Executive/management updates — Receipt of Finance updates for H1 performance and NRP payments processes 	<ul style="list-style-type: none"> — Receipt of HSE and Wellbeing Half Year Performance Report — Receipt of Marine research update on international benchmarking — Receipt of strategic land update — Review of Board activity schedule — Receipt of Total Reward framework update
January 2022	<ul style="list-style-type: none"> — Review of Group priorities — Receipt of Chief Executive/management updates — Review of political landscape — Receipt of macroeconomic briefing 	<ul style="list-style-type: none"> — Approval of Rural strategy — Approval of Regional mixed-use strategy — Adoption of science based targets for carbon reduction across the business
March 2022 (two days)	<ul style="list-style-type: none"> — Review of Board effectiveness exercise — Windsor visit — Receipt of Chief Executive/management updates — Receipt of Committee Chairs' updates — Receipt of People and Culture update 	<ul style="list-style-type: none"> — Consideration of Total Reward strategy — Review of 2022/23 business plan — Receipt of Marine strategy update (CCUS) — Approval of health and safety strategy — Setting of Board effectiveness next steps

The Accounting Officer's statement

The Accounting Officer

The Treasury has appointed The Crown Estate's Chief Executive (the Second Commissioner) as the Accounting Officer for The Crown Estate. His responsibilities as Accounting Officer, including those relating to the propriety and regularity of The Crown Estate's finances and for the keeping of proper records, are set out in the framework document between The Crown Estate and the Treasury, and in 'Managing Public Money'. That framework document, which was updated in 2020, can be found online at: thecrownestate.co.uk/treasury-framework

With regard to this Annual Report, the Accounting Officer discharges part of that personal responsibility, in confirming the accuracy and completeness of the Annual Report itself, in alignment with determining that it is fair, balanced and understandable in accordance with the 2018 Corporate Governance Code.

The Accounting Officer responsibilities are delivered in alignment with the requirements and duties provided in the Crown Estate Act 1961. To that end, the Chief Executive is supported in discharging his responsibilities as Accounting Officer by the Board of The Crown Estate.

The Board is responsible for ensuring that The Crown Estate has in place a proper system of controls, financial and otherwise; and under section 2(5) of the Crown Estate Act 1961 is required to prepare a statement of accounts in the form and on the basis determined by the Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of The Crown Estate's revenue and capital position, the state of affairs at the financial year end and of income and expenditure and cash flows for the financial year in question.

In preparing The Crown Estate's accounts the Board is required to:

- observe the accounts directions issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- (as appropriate) prepare the financial statements on a going concern basis.

The Accounting Officer's statement

As Accounting Officer, it is my judgement that The Crown Estate is supported by an appropriate governance framework. I also confirm that this Annual Report accurately represents the operational activity and financial performance of The Crown Estate in the 2021/22 financial year and sets out the principal issues and opportunities facing the business, and the processes in place to manage them. I believe that this Annual Report satisfies the 2018 Corporate Governance Code requirement to be fair, balanced and understandable and satisfies the level and form of reporting required by the Crown Estate Act 1961, our framework document with the Treasury and 'Managing Public Money'.

So far as I am aware, there is no relevant audit information of which the auditor is unaware. I have taken appropriate steps to make myself aware of that relevant information and have established that the auditor is aware of that information.

In last year's Accounting Officer's statement, I noted our work to systematically strengthen the processes and controls across the enterprise and to embed these within our culture. The control enhancement activity has progressed over the course of the year, with a focus on key controls and the establishment of clear responsibilities across the business as we restructured in support of our strategy.

I also recognised that it will take a number of years to achieve the standard we aspire to, but I am satisfied that we are making improvements both in the operational discipline within the business and in the integration of my Accounting Officer responsibilities into our corporate governance and decision-making.

Last year we highlighted the areas for improvement where we were applying particular attention. These have continued to evolve, informed by both the work we do and the changes in our external environment. Our current areas of focus are:

- our strategic transformation, as we look to embed both new capabilities and the approach to change and innovation demanded by our strategy;
- our operational discipline as we transform the business. Improving the quality, efficiency and effectiveness of our controls alongside enhancing their ownership across the enterprise including our key business partners - from health and safety to energy and carbon data;
- developing our digital infrastructure from the resilience of our technology to data and information security, and the digital tools we use daily; and
- talent and culture - attracting, retaining and developing the diverse talent and embedding the culture to drive our performance today and for the future.



Dan Labbad
Accounting Officer

9 June 2022

The Nominations Committee report



“The Nominations Committee has been focused on enhancing the skills and depth of experience on the Board in support of The Crown Estate’s business goals and ambitions to contribute to the prosperity of the nation.”

Robin Budenberg

Chair of the Board and Chair of the Nominations Committee

MEMBERSHIP AND ATTENDANCE 2021/22

Robin Budenberg (Chair)

2/2

Paula Hay-Plumb

2/2

Karen Jones

2/2

The members during the year have each served for the following periods of time:

Robin Budenberg, 5 years 8 months (as Chair)

Paula Hay-Plumb, 6 years

Karen Jones, 1 year 10 months

Overview

Meeting twice this year, the Nominations Committee forms an integral part of our overall governance structure, ensuring the timely recruitment of the best candidates to satisfy our succession requirements, both at Board level and within our senior executive roles.

The Committee considered all matters within its terms of reference, including:

- the membership of the Board and its Committees
- future Board recruitment and reappointments
- the composition and leadership of the Board Committees
- Board and senior executive succession planning

In particular:

- membership and succession planning for the Board and Board Committees generally
- the Board skills review
- progress of searches for two new Board Commissioners to maintain the working number of Board Commissioners at the appropriate level of skills and experience
- plans for a further search to replace the Board Commissioner who is also Chair of Audit Committee and whose second term as a Commissioner comes to an end on 31 December 2022
- creation and membership of a new Sustainability Committee
- arrangements in respect of Lynda Shillaw's departure at the end of her term as a Board Commissioner which she completed on 31 December 2021
- arrangements in respect of Professor Peter Madden's departure at the end of his term as a Board Counsellor which he completed on 31 December 2021
- appointment of a new Board Counsellor, Sara Wood, with effect from 1 July 2021
- consideration of future additional Board Counsellor appointments to further develop the skills available to the Board and the business
- finalisation of the Group Leadership Team as part of the overall business restructure that was completed during the year under review

The Nominations Committee report

In addition, the Committee maintained focus on the skills and expertise mix of Board Members and the composition of Board Committees in the light of forthcoming changes to the composition of the Board.

The foundation of our appointments

All of our appointments are supported by analysis based on the skills, experience and diversity of our existing Board combined with a strategic projection of future skills requirements. The Committee continued to develop the skills matrix based approach to measure the combined and desired skills of the Board in the following key areas:

- leadership
- strategy development and delivery
- people and culture
- corporate governance
- finance and accounting
- risk management
- property
- customer
- innovation
- digital business and technology
- strategic partnerships
- renewable energy

These skills will be reviewed during 2022/23 against the background of a recent independent Board evaluation.

Key duties

The key duties of the Nominations Committee are:

- to identify the skills, experience and diversity required for progressive Board succession
- to instigate the process of Board appointments and to oversee the selection process for Board Members and Board Counsellors
- to approve the appointment of the Senior Independent Board Member
- to support senior executive succession planning by examining the skills, experience and diversity required within the executive
- to oversee the recruitment process for the most senior executives at The Crown Estate.

New Commissioners

We are awaiting confirmation of the appointment of two new Commissioners who will further enhance the skills and experience on our Board and we look forward to working with them to ensure delivery of our ambitious vision.

An open and fair approach

In accordance with the Public Appointments Order in Council 2016, the appointment process for Non-Executive Board Commissioners follows the Government's Governance Code for Public Appointments (December 2016), which came into force on 1 January 2017, as administered by the Office of the Commissioner for Public Appointments. The Principles of Public Appointments, with which our processes comply, include:



Integrity



Merit



Openness



Diversity



Assurance



Fairness

Our appointment processes and criteria are all developed to ensure that we act in compliance with these principles and the broader provisions of the Government's Governance Code for Public Appointments (December 2016).

A panel approach

All of our appointments are undertaken by a diverse panel, including representatives from the Treasury, The Crown Estate and an independent member. In the case of the Chairman, this also includes a representative of the Office of the Commissioner for Public Appointments. Recommendations for appointment are made by the Treasury to the Prime Minister and Her Majesty The Queen.

Executive Board appointments

Any Executive Board Member appointments (our Chief Executive is an Executive Board Member) are not strictly subject to the requirements of the Public Appointments Order in Council 2016. However, by agreement with the Treasury, The Crown Estate ensures that the spirit and principles of the Government's Governance Code for Public Appointments (December 2016) are followed for the appointment of Executive Board Members.

Use of executive search agents

The Crown Estate uses executive search agents to assist with the management and administration of our appointment processes. In the past year, we have worked with Heidrick & Struggles and Korn Ferry on separate assignments.

We can confirm that neither of the executive search agencies used have any material connection with The Crown Estate or The Crown Estate's individual Board Members.

Alignment with the 2018 UK Corporate Governance Code

As part of the terms of reference for the Board and its Commissioners the role of our Nominations Committee ensures compliance and best practice. Particular focus is paid to ensuring that the Nominations Committee has a clear duty to implement inclusive processes for Board recruitment; and that there are clear and rigorous processes in place to ensure that Board effectiveness is maximised.

A new Chair

With effect from 1 April 2022, Karen Jones succeeded Robin Budenberg as Chair of the Nominations Committee. Robin remains a member of the Committee and retains his responsibilities as First Commissioner and Chair of the Board in relation to Board composition and appointments.

Board evaluation

The Board conducts a formal effectiveness evaluation exercise each year. This year, in addition to reviewing progress against its own objectives, an independent, more behaviour-centric process was conducted by an external provider (Bvalco), to review the behavioural capability of the Board to interface with the leadership team in order to embed The Crown Estate's evolution from a traditional real estate company into a more purpose driven, operational and customer-focused business, operating across a number of diverse sectors.

The external review followed a period during which the Board had been focused on developing and signing off a new purpose, vision and transformational strategy. The ensuing phase would see a shift of emphasis toward execution of the strategy, and the challenge will be for the Board to make this shift without losing the trust and respect that exists between the Group Leadership Team (GLT) and the Board.

The review was carried out via observations, and focused interviews with all members of the Board and the GLT, and other key supporting colleagues, with interviewees probed on the culture of the Board as they experience it both at Board meetings and between them.

Key observations

Behavioural observation of the Board against a model of eleven performance driving behaviours indicated strength in five out of the eleven behaviours and developing strength in another four behaviours. Perhaps most notably, in addition to the observed strengths, the Board was found not to show any

behavioural limitation. All eleven behaviours were evidenced at or above the 50th percentile. The data showed this to be a strong foundation of an effective Board.

The Board was found to have a diverse range of skillsets that supports the overall business of The Crown Estate; both individual members and the Board as a whole were observed to be purpose led, which was both notable and an asset. The three words used most commonly to describe our Board's culture were 'engaged', 'collegiate' and 'inclusive'. The vast majority of words used described a positive Board which the Board Members enjoy, find engaging, and to which they feel able to contribute effectively.

The Board has gender equity amongst its Commissioners with a 50/50 split of males and females and notably has a male Chair and a female Senior Independent Board Member (referred to as the Senior Independent Director, or SID). With the most recent FTSE Women Leaders Review recommending boards target 40% female membership and at least one role of Chair or SID to be held by a female this puts our Board in a positive position on this aspect of diversity. Evidence from several studies has indicated that a board constituted in such a way is likely to outperform a board without gender equity.

The Board's self-rating of effectiveness was observed to be high, with a mean score of 8 out of 10. As is most typically seen in other boards, the non-executives scored the Board's effectiveness higher overall than the GLT. However, unusually there was just 1 point difference between the GLT score of 7 and the non-executives score of 8, against a

typical gap of 2-3 points. The equity of scores was identified by the review facilitators as an indicator of good coherence and a key demonstrator of respect between the wider leadership and the Board as a whole.

Recommendations

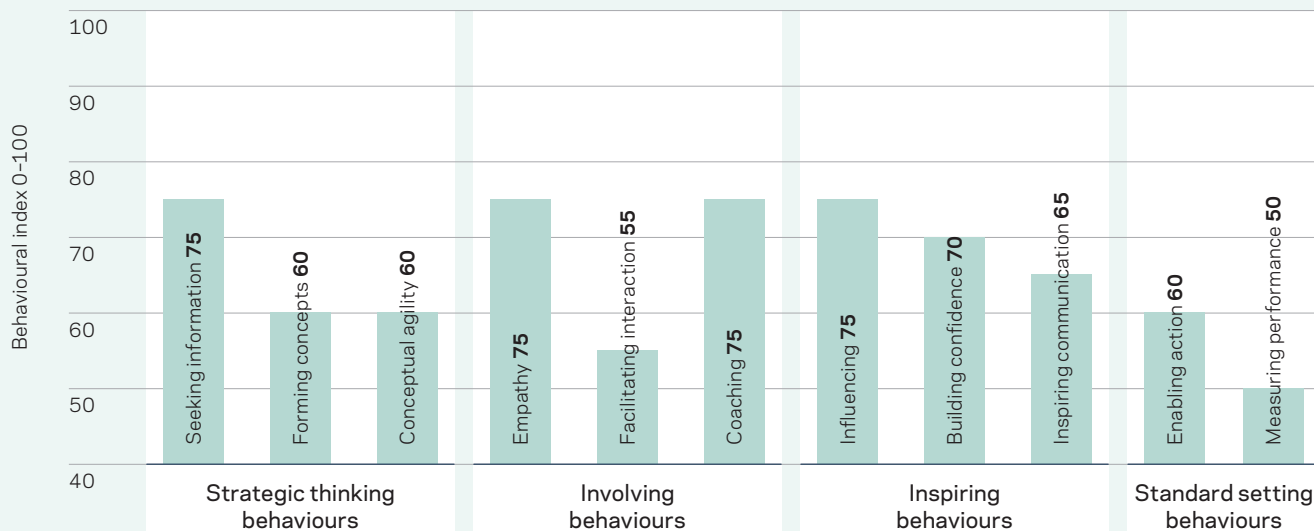
In addition to process recommendations, all of which were either in hand or are now being addressed, the key recommendations made by Bvalco were for the Board to:

- define more clearly its culture as it manages the shift from formulation to execution of strategy
- ensure a ruthless prioritisation
- develop a stakeholder engagement plan
- conduct a review of Committee effectiveness
- establish a clear succession plan.

The aim of these recommendations, all of which were accepted by the Board, was to enable the Board to build upon its strong foundations by continuously and progressively improving how it functions and how it delivers on its remit. Progress against the recommendations will be made in 2022/23.

This report on the Board effectiveness review is published with the acknowledgment of Alison Gill, on behalf of Bvalco, that it is representative of its findings. Bvalco has no prior connection to, or engagement with, The Crown Estate.

Board behaviours



The Audit Committee report



“The Audit Committee continues to play a critical role in supporting The Crown Estate’s ongoing resilience.”

Paula Hay-Plumb
Chair of the Audit Committee

MEMBERSHIP AND ATTENDANCE 2021/22

Paula Hay-Plumb (Chair)

6/6

James Darkins

6/6

Lynda Shillaw

5/5

The members during the year have each served for the following periods of time:

Paula Hay-Plumb, 7 years 3 months (as Chair)
James Darkins, 6 years 3 months
Lynda Shillaw, 4 years *

* Completed term on 31 December 2021.

Overview

During the year, the Audit Committee held its four regular meetings together with two additional meetings in April and May 2021, which allowed the Committee to examine two key priority items implicit in the 2020/21 Annual Report.

The Committee has played a critical role in supporting our business and the Board by discharging its mandate in full, including the examination of priority items which arose from significant events during the financial year, including the ongoing disruption caused by the pandemic and the delivery of the Offshore Wind Leasing Round 4. This has included playing a central role in continuing to support the development of our internal control environment and our approach to risk management. In addition to its core responsibility, this year the Audit Committee has provided enhanced oversight to the Plan-Level Habitats Regulations Assessment (HRA) process for Offshore Wind Leasing Round 4.

Following each meeting, the Committee has provided formal updates to the Board to ensure transparency and effective knowledge transfer.

Composition of the Audit Committee

Lynda Shillaw left the Audit Committee on 31 December 2021, when she completed her term of office as a Commissioner. We would like to thank Lynda for her significant contribution over the last four years, and wish her well for the future. Paula Hay-Plumb's term as Audit Committee Chair will come to an end during the financial year 2022/23 and succession planning is underway.

The Audit Committee benefits from skills and experience gained by its Members from significant exposure to:

- accountancy and finance (public and private sector)
- audit committee best practice
- investment management and investment banking
- property and commercial operations
- retail and infrastructure experience

The Members of the Committee possess the financial knowledge and commercial experience to meet the needs of the Board and the business; and to satisfy the requirements of the 2018 UK Corporate Governance Code. For further information about the Members, see: thecrownestate.co.uk/our-board

Key duties

The key duties of the Audit Committee are:

- to support the Board in fulfilling its oversight responsibilities on financial reporting, systems of internal control and risk management processes
- to provide oversight of activity performed by internal audit and external audit, including assurance over the valuation process
- to review the integrity of the Annual Report and Accounts prior to submission to the Board
- to review the effectiveness of the risk management framework

Key areas of activity

The Committee has performed its principal duties during the year in line with its remit. The allocation of time across the key areas of Committee activity is set out below:

40%

General*

31%

Management assurance

15%

External audit

12%

Internal audit

2%

Meetings with stakeholders

* inter alia Risk, Internal Controls, HRA and Policy (changes have been made during the year to how this will be reported in future)

Reporting and assurances

In order to best enable the discharge of its duties, the Committee reviewed and obtained reports and assurances from a number of internal and external contributors. Reports included updates in relation to key matters of focus, covering judgements and matters supporting the financial statements and regular updates in relation to the effectiveness of risk management and internal controls. Specific key sources of assurance included:

Management's update on accounting matters, disclosures and judgements in relation to the financial statements

The Chief Financial Officer provided regular reports to the Committee, outlining the proposed approach for treatment of significant judgements, accounting standards and alignment with the 2018 UK Corporate Governance Code. This included providing the Committee with assurance on key processes underlying our statements on viability and going concern and assessment of the Annual Report and Accounts as 'fair, balanced and understandable'.

Management's disclosure of the results of the year end valuations

The Audit Committee reviewed the results of the year end valuations, with particular regard to the underlying processes, including the basis for the valuation and processes to preserve independence and manage conflicts in relation to the valuers. The inherent judgement within the Offshore Wind portfolio, particularly Round 4, warranted additional scrutiny this year, with a focus on the core valuation assumptions. This oversight was also in the context of a change in valuers for our London, Regional and Offshore Wind assets in the year to 31 March 2021.

Management reports on processes to support effective management of key risks and internal controls

The Committee reviewed key risk management processes through a combination of management assurances and internal audit of risk management effectiveness. Deep dives were performed through two 'risk spotlight' sessions on Internal Controls and the Information Security Risk Management Framework at the July 2021 Committee meeting. In December 2021, Internal Audit reported the results of its independent assurance review of risk management effectiveness. Following this, the Committee has received regular updates from management on planned activity to strengthen internal control maturity.

Independent assurances on internal control

The Committee receives independent assurance through the work of internal audit at each meeting. It reviews and endorses the annual plan of internal audit activity prepared by the Head of Internal Audit, and reviews the results of that work together with management's progress in strengthening and enhancing internal controls where improvement opportunities have been identified. The Committee works closely with the Head of Internal Audit, who has unfettered access to the business. The Committee reviewed and endorsed the Internal Audit Charter which sets out internal audit's roles and responsibilities, including its independence.

Round 4 Habitats Regulations Assessment process

As part of an enhanced governance process adopted by the Board in May 2021, the Audit Committee was charged with the task of assuring the Board that The Crown Estate complied with its duties and responsibilities as competent authority, under the Habitats Regulations for the purposes of the Plan-Level Habitats Regulations Assessment (HRA) required to be undertaken for Offshore Wind Leasing Round 4.

Post the year end, the Audit Committee held a special meeting in April 2022 to discharge its specific responsibility. James Darkins attended in a consultative capacity, given his role as Chair of the HRA Oversight Group. As a result, Karen Jones, Senior Independent Board Member, attended this meeting as a pro tem member of the Committee.

The Audit Committee report continued

Fraud and whistleblowing

The Committee takes its role of oversight in the prevention and detection of fraud very seriously. Suspected frauds (inclusive of a broad range of financial and conduct impropriety) can be reported through a dedicated and publicly advertised whistleblowing hotline and email inbox, which is overseen by the Head of Internal Audit. The whistleblowing hotline is made available to customers, suppliers, stakeholders and members of the public, as well as The Crown Estate's staff. If suspected fraud involves a senior member of staff, it can be reported to the Chair of the Audit Committee.

The Committee also noted that the Fraud Policy was reviewed and refreshed in 2021/22, and was satisfied that it remains appropriate and robust. It also receives a positive confirmation on the status of any ongoing investigations, and whether any fraud or bribery has been identified, at each meeting. No instances of fraud or bribery were reported to the Committee in the 2021/22 financial year. A whistleblowing policy is in place for fraud and bribery.

External auditor

The appointment of the Comptroller and Auditor General as external auditor is mandated by the Crown Estate Act 1961. The Committee undertook a structured assessment process of the National Audit Office's performance, for the 2020/21 audit year. The review process enables insightful feedback to be provided formally, under a performance framework agreed between The Crown Estate and the NAO.

During the year, the NAO has outsourced the operational delivery of The Crown Estate's audit to Mazars LLP. As stipulated in the Crown Estate Act 1961, the Comptroller and Auditor General of the NAO will remain as audit signatory for the accounts of the Group and Parent Company. The Audit Committee has worked with Mazars to ensure a smooth transition and the Committee has received regular updates from representatives of both Mazars LLP and the NAO.

Alignment with the 2018 UK Corporate Governance Code

The Audit Committee is committed to discharging its key role with transparency and objectivity. In support of this, in addition to the members, the following groups are also invited to attend the Audit Committee:

The Crown Estate: Chief Executive, Chief Financial Officer, Group Head of Legal & Company Secretary, Head of Internal Audit, Group Financial Controller, Head of Risk & Control and otherwise as specified by the Committee

National Audit Office (NAO): representatives of our External Audit team and, following the NAO's outsourcing of the delivery of our audit, members of the Mazars audit team.

PwC: representatives of our co-sourced internal audit partner.

As our external auditor, the NAO and Mazars are given complete access to all financial and other information and the Committee meets (without management present) with the NAO and Mazars and (separately) with the Head of Internal Audit. In addition, the Audit Committee Chair meets with the Head of Internal Audit on a regular basis.

Assurance of the 2021/22 Annual Report and Accounts

Each financial year, the Committee provides a series of key assurances to the Board in connection with the Board's approval of the Annual Report and Accounts. The 2021/22 Annual Report assurance process was augmented to enable the Committee to allow for extended examination of priority matters. The Committee requested that the standing assurance process was permanently amended to allow for early examination of key judgements within the Annual Report. That augmentation will be catered for through one additional Committee meeting, held annually in May.

Significant areas of judgement

At its June 2022 meeting, the Committee reviewed the Annual Report and Accounts, with particular attention to accounting policies and areas of judgement being the valuation of The Crown Estate's assets and the recoverability of receivables. The Committee debated the valuation process, methodology and assumptions. In the context of the delivery of the Offshore Wind Leasing Round 4 auction process, including the associated subsequent Habitats Regulations Assessment, particular consideration was made around the valuation and related disclosures of the Offshore Wind Leasing Round 4 valuation. The Committee was satisfied that the valuation was professionally conducted, resulting in an effective valuation, and that appropriate disclosure has been made. In light of the economic backdrop, the Committee reviewed the accounting policy, assessment methodology and assumptions relating to recoverability of receivables and was satisfied with the level of provision and its disclosure.

Fair, balanced and understandable

At its June 2022 meeting, the Committee considered whether the process followed in the production of the 2021/22 Annual Report and Accounts supported its assessment as being 'fair, balanced and understandable' in accordance with the 2018 UK Corporate Governance Code. The Committee was satisfied that the process followed was appropriate and endorsed the presentation of the Annual Report and Accounts to the Board as being 'fair, balanced and understandable'. The Committee also endorsed the presentation of the Annual Report and Accounts to the Board as being in alignment with the Value Reporting Foundation Integrated Reporting Framework.

Committee activities

The detailed activities of the Committee during the year can be found in the table on page 81.

April 2021	<ul style="list-style-type: none"> — Review of Offshore Wind valuation methodology, in the light of a new valuer for these assets — Review of assurance around integrated reporting 	<ul style="list-style-type: none"> — Review of Annual Report and Accounts 2020/21 proposed timetable and Audit Committee feedback — Review of risk appetite
May 2021	<ul style="list-style-type: none"> — Review of key valuation items: London and Regional valuations, in the light of a new valuer for these portfolios — Receipt of an update on provisions for rent and incentives — Review of Accounting Officer Controls Follow-up Draft Audit Report 	<ul style="list-style-type: none"> — Review of the Statement of Internal Control progress and Accounting Officers Statement
June 2021	<ul style="list-style-type: none"> — Receipt of the Head of Internal Audit's Annual Report 2020/21 — Review of Accounting Officer's Report and Management Assurances on Internal Control — Going Concern and Viability Assessment — Review of Substantive Accounting Matters (incl. Fair, Balanced and Understandable) — Receipt of Annual Valuation, Governance and Assurance 	<ul style="list-style-type: none"> — Receipt of NAO Report on 2020/21 Annual Report and Accounts — Consideration of the Management Representation Letter — Consideration of the Annual Report and Accounts 2020/21 — Review of resource accounts — Approved the Report to Board on the business of the Audit Committee 2020/21
July 2021	<ul style="list-style-type: none"> — Review of Internal Audit programme — Risk Spotlight: Internal Controls Improvement 	<ul style="list-style-type: none"> — Risk Spotlight: What good information security will look like for The Crown Estate
December 2021	<ul style="list-style-type: none"> — Review of due diligence processes and related policies — Refresh of Internal Audit Plan 2021/22 — Internal Audit Programme Update 2021/22 including Risk Management and Internal Controls Report — Review of Internal Controls Improvement — Review of Information Security 	<ul style="list-style-type: none"> — Review of external audit planning and transition plan — Receipt of the Annual Litigation Report — Review of Governance & Financial Control of Joint Ventures — Endorsement of the HRA Process
March 2022	<ul style="list-style-type: none"> — Review of principal Group risks — Review of risk appetite — Review of Risk/Controls Assurance Activity and Framework Effectiveness — Review of the Accounting Officer reporting process, related control matters and mitigation plans — Review of Internal Audit Programme 2021/22 including a review of Data Governance 	<ul style="list-style-type: none"> — Risk Spotlight: Cyber/Information Security — Agreement of Internal Audit Plan for 2022/23 and review of Internal Audit Charter — Review of External Audit Progress Report — Review of compliance and related policies — Receipt of Group Annual Litigation report — Review of ICO Compliance report

The Remuneration Committee report



“The Committee has been focused on supporting the development of remuneration decisions and practices that will enable the business to recruit and retain talented people in an increasingly challenging post-pandemic employment market.”

James Darkins
Chair of the Remuneration Committee

MEMBERSHIP AND ATTENDANCE 2021/22

James Darkins (Chair)

8/8

Robin Budenberg

8/8

Peter Madden

6/6

The members during the year have each served for the following periods of time:

James Darkins, 5 years (2 years 10 months as Chair)
Robin Budenberg, 2 years 3 months
Peter Madden, 4 years 2 months*

* Completed second term as a Board Counsellor on 31 December 2021.

Introduction

The Committee's focus this year has been on continuing to support the organisational response to the pandemic and focusing also on supporting the development of a new reward strategy aimed at enabling the delivery of The Crown Estate's purpose, vision and strategy.

Composition of the Committee

The terms of reference for the Remuneration Committee state that membership should be three Independent Non-Executive Board Members, one of whom may be a Board Counsellor, and that the Committee will be quorate with the presence of the Chair of the Committee and one additional member. The Committee has remained quorate at all times.

Attendance at Committee meetings

In addition to the Remuneration Committee members, the Chief Executive, the Executive Director, People & Culture, Head of People and the Assistant Company Secretary (in the capacity of secretary to the Committee) attended meetings during the year.

Other senior employees (for example the Chief Financial Officer) and key stakeholders such as the Chair of the Pension Scheme Trustees may attend all or part of meetings at the invitation of the Committee as required. No attendee is involved in any decision relating to their own remuneration. The professional external advisers to the Remuneration Committee are invited to attend as required.

Key duties

The key duties of the Remuneration Committee are:

- to ensure that independent judgement and discretion are applied to remuneration outcomes, reflecting company and individual performance
- to ensure that the remuneration policies of The Crown Estate are clear, simple, predictable and proportionate, and deliver outcomes that are within The Crown Estate's risk appetite and in alignment with The Crown Estate's purpose, culture, values and strategy

- to ensure that the remuneration policies of The Crown Estate are delivered in compliance with our prevailing governance framework, and that the framework is regularly reviewed
- to maintain an appropriate level of oversight of remuneration across The Crown Estate's people; and management's compliance with prevailing policies, processes and procedures
- to oversee formal and transparent procedures for the development of The Crown Estate's remuneration policies
- to ensure that the Board is appropriately informed of the Committee's findings, activities and performance, through updates from the Chair at Board meetings, and the submission of an annual report of activity to the Board
- to ensure that any independent expert advice and remuneration consultancy is properly assessed in terms of procurement, performance and value for money
- to ensure that meetings and activities of the Committee are undertaken in compliance with the prevailing governance of The Crown Estate

Look back on 2021/22

As the business impact of the pandemic continued the Remuneration Committee supported the business with initiatives to deliver an essential reorganisation and find ways to move forward on remuneration as well as supporting the development of a new longer-term focused reward strategy. As a result of this forward-looking focus, the organisation is better placed to maximise the potential of the new business strategy and the future opportunities that it will bring. During the year the Committee:

- approved an update of The Crown Estate redundancy policy following a review that had been conducted by management which resulted in no material changes to the established policy
- reviewed Group Leadership Team (GLT) total remuneration and benchmarking as well as approval of offers to new GLT appointees during the year
- delivered a Group-wide salary review in July 2021 to end the general salary freeze that had been in place since the beginning of the pandemic in March 2020
- oversaw the development of proposals for a future-focused Total Reward strategy

- approved proposals for new executive long-term incentive plan (LTIP) grants under the existing framework and approved payment on maturity of LTIP grants from prior years
- reviewed performance ratings for the year ended 31 March 2021 across the entire business
- approved the 'Business Continuity Award' in respect of 2020/21 business performance
- approved a bonus scheme for 2021/22
- approved the Board Chair recommendation for Chief Executive salary review and LTIP grants
- approved the reinstatement of salary that had been voluntarily waived in the prior year by the GLT at the height of concerns over the business impact of the COVID-19 pandemic following the full remittance of the 2019/20 net revenue profit to the Treasury
- reviewed and discussed The Crown Estate Gender Pay Gap reporting and statistics

Chief Executive remuneration 2021/22

The Chief Executive is employed on a fixed term contract with a 31 December anniversary date. His base salary is reviewed effective 1 January each year, compared to 1 July for the remainder of our people. From 1 January 2022 his base salary was increased to £423,150, an increase of 5.0%. The increased base salary remains within the agreed Treasury framework. Following a robust assessment of performance versus the relevant defined metrics for each plan, the Committee approved the following variable remuneration outcomes in respect of the Chief Executive: annual bonus achieved was £333,307 (78.8% of salary, or 98.5% of maximum). The amount over 50% of salary, (£121,732) is deferred for one year. The LTIP awards made in 2019 vested at 84% resulting in a pay-out to the Chief Executive of £95,328. He also receives benefits in kind and a payment in lieu of pension contributions as disclosed on page 85. It is the view of the Remuneration Committee that the Chief Executive's total remuneration remains below peers within equivalent publicly listed real estate companies.

Priorities for the year ahead

Moving away from the impact of the pandemic and towards a future aimed at enabling the delivery of The Crown Estate business strategy, the Committee plans to focus on support and oversight of the implementation of a new reward

strategy once this has been fully approved. It will also be reviewing a new and broader set of business performance measures in support of the short and longer-term business goals that are associated with the delivery of our strategy and purpose.

Remuneration policy and benchmarking

The Crown Estate's remuneration policy seeks to provide fair, equitable and sustainable levels of remuneration to attract, retain and motivate high performing staff in a competitive labour market. Accordingly, for the majority of our people, when fully performing in their role, we aim to pay salaries by reference to the market. Bonus awards are determined by reference to the performance of the business against a range of measures as well as the individual contribution of employees.

The Remuneration Committee supports a progressive and balanced performance-related pay policy to ensure that an appropriate proportion of the remuneration is delivered through performance-related pay, with incentives, when available, to outperform targets.

Remuneration for the Chief Executive is set and reviewed by the Committee in line with the prevailing Treasury framework. For the GLT and other senior staff, it is benchmarked by the Committee using research prepared by the Reward team in conjunction with the Remuneration Committee advisers and other data sources. The research is carried out by benchmarking roles against proprietary pay surveys, which assess relevant comparators. As required, we also benchmark to other comparator organisations, such as those with similar government relationships or rural portfolios to ensure robust and reliable comparative data across our diverse business.

Our internal benchmarking process takes into consideration the relative internal parity across staff to avoid basing the decisions solely on external benchmarking and also to identify and manage internal pay equity.

As part of our Total Reward strategy review, we have been developing our pay philosophy to enable more transparency and our future benchmarking activities will reflect that.

The Crown Estate's policy is to compensate leavers within contractual terms for loss of office and/or early termination.

The Remuneration Committee report continued

Advisers to the Remuneration Committee

The Committee is advised by Willis Towers Watson, appointed as an independent external professional adviser since 2014 and reappointed following a procurement process in 2021. The Crown Estate has received appropriate assurance that none of the advisers from this firm have any connection with The Crown Estate's executive leadership team or Board Members.

Executive appointments

The Group Leadership Team was restructured during the year in support of the new organisational structure that was implemented and the Remuneration Committee was consulted on and approved the remuneration packages for the following new appointments:

- Chief Financial Officer (Interim to Permanent)
- Managing Director, London
- Executive Director, People & Culture
- Executive Director, Strategy, Research & Innovation

Components of executive remuneration

Executive remuneration, subject to review, is made up of the following components:

- Fixed pay, comprising base salary, flexible benefits allowance, pension allowance or contribution to a pension scheme, and private medical insurance
- Variable pay, comprising annual bonus (including any deferred component) and LTIP arrangements

Variable pay is currently linked to delivery against key financial and business measures alongside demonstration of leadership and behavioural qualities. The Remuneration Committee reviews the targets, measures, weightings and proposed awards to ensure they are aligned with the strategic priorities in the plan year.

Principles and policy on executive annual bonuses

The annual discretionary bonus arrangement for the GLT is based on the achievement of key business targets, with a maximum possible award of 80% of base salary for the Chief Executive and a range up to 70% for other executives. Any

bonus amount over 50% of salary is deferred for one year and paid subject to continuing employment and/or good leaver provisions. The maximum award is subject to leadership and behavioural measures and individual performance ratings and is conditional on financial performance targets being met. For 2021/22 these were a net revenue profit budget as agreed with the Treasury and operational measures under the headings of net zero, health and safety, business transformation and strategy implementation.

Executive long-term incentive plans (LTIP)

The discretionary, non-pensionable, cash plan has a three-year vesting performance period. The maximum opportunity for the Chief Executive in the latest plan is up to 80% of base pay and for other members of the Group Leadership Team and other nominated senior managers grants of 40% or 25% of base pay. The award is subject to the performance of specific financial and behavioural measures.

All LTIP awards and payments are subject to the approval of the Remuneration Committee.

Fair pay disclosures (audited)

Bonus arrangements for our colleagues will be finalised following publication of this Report. The process of determining bonus arrangements for certain members of the GLT has been accelerated for the purpose of disclosure in this Report. As a result, pay ratios including performance pay in the table below are not comparable, therefore pay ratios for salary and allowances only are also presented to allow for comparison.

The pay ratio for salary and allowances of the Chief Executive to the 50th percentile employee remains stable at 7.7 from 7.8 in the previous year, reflecting a consistent approach to remuneration and employment practices year on year.

Other than the Chief Executive, the Group's approach to remuneration is generally to pay at median levels compared to the market benchmark for comparable roles and experience. The Chief Executive's total remuneration remains within the prevailing Treasury framework, which in the view of the Remuneration Committee remains below market median for peers within equivalent publicly listed real estate companies. The Chief Executive's base salary review is implemented annually from 1 January, whereas the pay reviews for all other employees usually take place each year from 1 July. As a result, the reported percentage increase for the Chief Executive is not directly comparable with the percentage increase for other colleagues.

	2021/22 ¹		2020/21 ^{1,2}	
	Remuneration including performance pay	Salary & allowances	Remuneration including performance pay	Salary & allowances
Band of Chief Executive's remuneration £'000 ⁴	855-860	430-435	485-490 ³	400-405 ³
% change for the Chief Executive ^{5,6}	n/a	6.4%	n/a	3.9%
% change for all our other colleagues ⁶	n/a	1.9%	n/a	0%
25th percentile compensation	£33,811 ⁷	£33,811	n/a	n/a
50th percentile compensation	£55,880 ⁷	£55,880	£53,970 ³	£51,764
75th percentile compensation	£84,125 ⁷	£84,125	n/a	n/a
Pay ratio of the Chief Executive to the 25th percentile	25.4 ⁷	12.8	n/a	n/a
Pay ratio of the Chief Executive to the 50th percentile	15.3 ⁷	7.7	9.0	7.8
Pay ratio of the Chief Executive to the 75th percentile	10.2 ⁷	5.1	n/a	n/a
Remuneration range for our people	£21,658-£859,407 ⁷	n/a	£20,706-£485,524	n/a

1. Balances exclude any payments or allowances in relation to pensions.

2. These are new disclosures for 2021/22 and comparatives are only disclosed where required by the FReM.

3. The 2020/21 balances have been restated as disclosed on page 86, and to reflect the Business Continuity Award made to all eligible staff.

4. The Chief Executive's salary and allowances includes base salary, a 5.34% flexible benefits allowance and benefits in kind.

5. The Chief Executive's increase in performance pay was 432%.

6. The Chief Executive's base salary review is implemented annually from 1 January, whereas the pay reviews for all other employees usually take place each year from 1 July. As a result, the reported percentage increase for the Chief Executive is not directly comparable with the percentage increase for other colleagues.

7. Pay ratios for the 25th, 50th, and 75th percentile colleagues do not include performance pay, therefore the pay ratios are not comparable.

Clawback/malus

The Committee may decide to apply clawback and/or malus to all or part of any award and/or payment in the event of: a material misstatement of the accounts within 24 months of the end of the performance period relating to an award; material change in the financial circumstances of the business; or if it is found that the participant in any plan has engaged in misconduct that would have justified dismissal.

Alignment with the 2018 UK Corporate Governance Code

The terms of reference for the Board and its Committees were revised to reflect our strategic goals at that time and the requirements of the 2018 UK Corporate Governance Code (the Code). Those changes have focused on ensuring that the Remuneration Committee has an active and appropriate role in ensuring that The Crown Estate's remuneration policies are properly formulated and applied throughout the business. We aim to revise our strategic goals and we will make sure that the terms of reference reflect this change as and if required. This report is prepared in accordance with the Government Financial Reporting Manual (FRM). The Crown Estate is not required to comply with the Code. However, we supplement our statutory requirements by seeking to align with the Code where consistent with our constitution. Our established approach complies with many of the requirements of the Code because the Committee's remit extends to pay policy for all staff and is not limited to executives.

External non-executive board appointments held by the executives

The Board of The Crown Estate encourages and supports non-executive appointments to third party organisations and sees these as part of the professional development of our people. They are permitted to retain earnings from these appointments where the Board is satisfied that these are manageable alongside their responsibilities and do not generate any conflict of interest with accountabilities at The Crown Estate.

Dan Labbad, Chief Executive, held non-executive director appointments as a trustee of the Raspberry Pi Foundation, a director of Raspberry Pi Limited, a trustee of Ark Schools and a director of The Hornery Institute, trading as Studio THI.

Judith Everett, Executive Director, Purpose, Sustainability & Stakeholder, held the position of Chair of CBI's London Council and trustee of the UK Green Building Council.

Neither Dan Labbad nor Judith Everett received any remuneration in respect of these appointments.

Pensions

The Crown Estate operates two pension schemes: the Civil Service Pension (CSP) and The Crown Estate Pension Scheme (CEPS). Each scheme comprises a number of sections, which offer different pension benefits.

The Classic, Classic Plus and Premium sections of the CSP provide defined benefits based on final earnings. The Nuvos and Alpha sections of the CSP provide defined benefits based on career average earnings. CSP contributions and benefits, with the exception of the Nuvos and Alpha sections, are subject to an upper earnings limit. For the 2021/22 financial year this was £172,800. The Partnership section of the CSP is a defined contribution scheme.

The CEPS comprises the Quartz, Topaz and Opal sections. Quartz is a hybrid scheme with two elements; a 'Core' defined benefit section with an optional 'Top up' defined contribution section. Quartz Core contributions and benefits are subject to a Scheme Earnings Cap, which for the 2021/22 financial year was £33,574. Topaz is a defined contribution scheme and Opal a final salary scheme (subject to an Earnings Cap which for the 2021/22 financial year was £172,800).

No new employees are admitted to the CSP or the CEPS Opal section, but are, instead, offered access to the CEPS Quartz or Topaz sections.

Some employees who opted out of pension membership receive a cash allowance equal to 8% of basic pay. The cash allowance is no longer offered, with the exception of those employees who opt out as a result of expecting to breach HMRC pensions tax limits. The cash allowance for these employees is equal to 12% of basic pay.

At 31 March 2022, there were 447 CEPS members and 87 CSP members. There were a further 11 employees in receipt of the cash allowance and 18 non-pensionable members.

The latest CEPS triennial actuarial valuation was completed at 31 March 2020. The Crown Estate and CEPS Trustees determined that no recovery plan was required in relation to the funding of accrued service. In relation to future service, The Crown Estate's contribution rate is 41.5% of Pensionable Earnings in respect of the Opal section, and 17.1% of Pensionable Earnings up to the Scheme Earnings Cap in respect of the Quartz Core (defined benefit) section, effective 1 April 2021.

Pension benefits

Dan Labbad, Chief Executive, and Robert Allen, Chief Financial Officer, are not members of CEPS. They have elected to receive payment in lieu of pension contributions as disclosed in the single figure for remuneration. Judith Everett, Executive Director, Purpose, Sustainability & Stakeholder, is a member of CEPS.

Non-Executive Commissioners and Board Counsellors do not receive any pension benefits from The Crown Estate.

Appointment terms

The Chairman and Independent Non-Executive Board Members are initially appointed for a term of four years with the possibility of renewal for a maximum of one further term of four years. Board Counsellors are usually appointed for a period of four years with the possibility of a second term being available.

Dan Labbad, Chief Executive, was appointed on a four-year contract expiring on 31 December 2023 with a notice period of six months. Robert Allen, Chief Financial Officer, was appointed on 1 July 2021 on a permanent contract with a six-month notice period, having previously served as Interim Chief Financial Officer from 1 March 2021. Judith Everett, Executive Director, Purpose, Sustainability & Stakeholder, is also on a permanent contract with a six-month notice period.

The Remuneration Committee report continued

Remuneration and pension benefits (audited)

Board Members

Single total figure for remuneration

	Salary/fee (£) ³		Bonus payments (£)		LTIP (£) ⁵		Other payments (£) ³		Pension benefits (to the nearest £1,000)		Benefits in kind (to the nearest £100) ³		Total (to the nearest £1,000)	
	2021/22	2020/21 (restated)	2021/22	2020/21	2021/22	2020/21 (restated)	2021/22	2020/21 (restated)	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 (restated)
Robin Budenberg	50,000	45,833	-	-	-	-	-	-	-	-	-	-	50,000	46,000
Dan Labbad ^{1,2,3}	429,827	403,979	333,307	-	95,328	-	49,745	125,840	-	-	900	900	909,000	531,000
Kate Bowyer (Chief Financial Officer until 30 June 2021) ^{2,3,5,7}	58,694	234,774	-	-	54,346	67,226	96,439	33,431	-	-	200	900	210,000	336,000
James Darkins ⁴	25,000	22,917	-	-	-	-	-	-	-	-	-	-	25,000	23,000
Juliet Davenport (appointed 1 September 2020) ⁶	20,000	11,333	-	-	-	-	-	-	-	-	-	-	20,000	11,000
Paula Hay-Plumb ⁴	25,000	22,917	-	-	-	-	-	-	-	-	-	-	25,000	23,000
Karen Jones	20,000	18,333	-	-	-	-	-	-	-	-	-	-	20,000	18,000
Lynda Shillaw (until 31 December 2021) ⁸	15,000	18,333	-	-	-	-	-	-	-	-	-	-	15,000	18,000
Alison Nimmo (Chief Executive until 31 December 2019) ⁵	-	-	-	-	28,888	62,535	-	-	-	-	-	-	29,000	63,000

1. The payment of any bonus amount over 50% of basic salary is deferred by 12 months. For 2021/22, deferral for Dan Labbad is £121,732 (which is included in the disclosed figure).
2. With respect to 2020/21, The Crown Estate has subsequently made the LTIP payments as disclosed above and a Business Continuity Award to Dan Labbad. The 2020/21 figures have been restated to reflect these payments. The 2020/21 salary balances have been restated following the reinstatement of Dan Labbad and Kate Bowyer's COVID-related salary waiver, and a backdated salary increase for Dan Labbad to the 1 January review date.
3. Salary amounts for Dan Labbad and Kate Bowyer include a 5.34% flexible benefits allowance. Other payments for Dan Labbad comprise an allowance in lieu of pension contribution of £49,745 (2020/21: £45,240) and a Business Continuity Award in 2020/21 of £80,600, and for Kate Bowyer comprise an allowance in lieu of pension contribution of £8,358 (2020/21: £33,431) and a severance payment of £88,081. Benefits in kind amount is private medical insurance.
4. Committee Chairs (excluding Chair of Nominations Committee) received up to an additional £5,000 (2020/21: £4,584) per annum (pro-rated when applicable) to reflect the increased time commitment.
5. LTIP payments to former Commissioners relate to entitlements earned during their period of service.
6. The 2020/21 full year equivalent fee for Juliet Davenport was £18,000.
7. The 2021/22 full year equivalent salary for Kate Bowyer was £234,774.
8. The 2021/22 full year equivalent fee for Lynda Shillaw was £20,000.

Board Counsellors

	Total fee £	
	2021/22	2020/21
Sara Wood (appointed 1 July 2021) ¹	15,000	-
Peter Madden (until 31 December 2021) ²	15,000	18,333

1. The 2021/22 full year equivalent total remuneration for Sara Wood was £20,000.
2. The 2021/22 full year equivalent total remuneration for Peter Madden was £20,000.

Other Executive

	Salary (within a £5,000 band)		Bonus payments (within a £5,000 band)		Long Term Incentive plan (within a £5,000 band)		Other payments (to the nearest £1,000)		Pension benefits (to the nearest £1,000)		Benefits in kind (to the nearest £100) ⁵		Total (within a £5,000 band)	
	2021/22 £'000	2020/21 (restated) £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 (restated) £'000	2021/22 £'000	2020/21 (restated) £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 (restated) £'000
Judith Everett ^{1,2,3}	215-220	210-215	110-115	-	40-45	35-40	-	21	31	30	0.9	0.9	405-410	300-305
Robert Allen (appointed 1 March 2021) ^{1,4}	365-370	25-30	245-250	-	-	-	-	-	-	-	0.9	-	610-615	25-30
Paul Clark (until 10 August 2020) ^{4,6}	-	100-105	-	-	40-45	60-65	-	83	-	345	-	0.4	40-45	590-595

1. The payment of any bonus amount over 50% is deferred by 12 months. For 2021/22, deferral for Judith Everett is £11,000 and for Robert Allen is £70,000 (which is included in the disclosed figures).

2. The 2020/21 figures have been restated to reflect the LTIP payment and reinstatement of the COVID-related salary waiver.

3. The 2020/21 Other payment to Judith Everett is a Business Continuity Award, and to Paul Clark in compensation for loss of office.

4. The 2020/21 full year equivalent salary for Robert Allen is £350,000-£355,000, and for Paul Clark is £280,000-£285,000.

5. Benefits in kind is private medical insurance.

6. LTIP payments to Paul Clark relate to entitlements earned during his period of service.

Pension benefits

Neither Judith Everett nor Robert Allen received any defined benefit pension arrangements. Resultantly, their accrued benefits, real increase in pension at retirement date and cash equivalent transfer value are £nil (31 March 2021: £nil).

Compensation for loss of office

The table below shows exit packages as a result of the restructuring of the business.

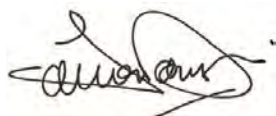
	2021/22 Number	2020/21 Number
Less than £10,000	5	-
£10,001-£25,000	13	1
£25,001-£50,000	9	1
£50,001-£100,000	13	2
£100,001-£150,000	-	1
Total number of exit packages	40	5
Total cost (£'000)	1,552	310

Staff and Commissioners report

	2021/22 £m	2020/21 £m	2021/22 Averagenumber	2020/21 Average number
Staff with employment contracts and Commissioners ¹ (note 7 to the financial statements)	46.5	42.4	512	481
Other staff engaged on the objectives of The Crown Estate	3.6	2.0	32	14
Total staff	50.1	44.4	544	495

1. Excluding re-organisation and early retirement costs.

There were no off-payroll payments made during the year. The Crown Estate expensed £1.8 million (2020/21: £3.1 million) of fees relating to business change and transformation.



James Darkins
Chair of the Remuneration Committee

9 June 2022

The Sustainability Committee report



“The Sustainability Committee aims to provide an effective forum to challenge and support management in advancing our ambition to embed sustainability into every aspect of The Crown Estate’s activity.”

Dame Karen Jones DBE
Chair of the Sustainability Committee

MEMBERSHIP AND ATTENDANCE 2021/22

Karen Jones (Chair)

1/1

Robin Budenberg

1/1

Juliet Davenport

1/1

The members during the year have each served for the following periods of time:

Karen Jones, 4 months (as Chair)
Robin Budenberg, 4 months
Juliet Davenport, 4 months

Overview

Sustainability sits at the heart of our purpose and is integral to every element of The Crown Estate’s strategy.

To ensure that our approach to sustainability exemplifies best practice, the Board established a Sustainability Committee in December 2021. The Committee’s role is to ensure our sustainability practices are embedded in the delivery of our strategy, in alignment with our purpose and values, Value Creation Framework and performance metrics. We intend to shape those areas where we can make a material impact with our customers and communities.

The Committee, which met once in the financial year and will meet quarterly going forward, enables members to use their experience and knowledge to challenge and influence the agenda being developed by management. Members of the Committee include the Chair of the Board, two other Commissioners (including the Senior Independent Board Member), the Chief Executive, the Chief Financial Officer, and the Executive Director, Purpose, Sustainability & Stakeholder.

The Committee’s focus for its first meeting was the organisation’s independently agreed net zero targets, underpinning its ambition to be a leader in supporting the UK towards a net zero carbon future. In addition, the Committee reviewed The Crown Estate’s submission to the Science Based Targets initiative (SBTi) which was recommended to the Board for adoption. The SBTi requires an ambitious set of reductions before the end of the decade, and The Crown Estate has developed a detailed roadmap to achieve this. In addition, the Committee agreed to absolute carbon and energy intensity reduction targets alongside data quality improvements.

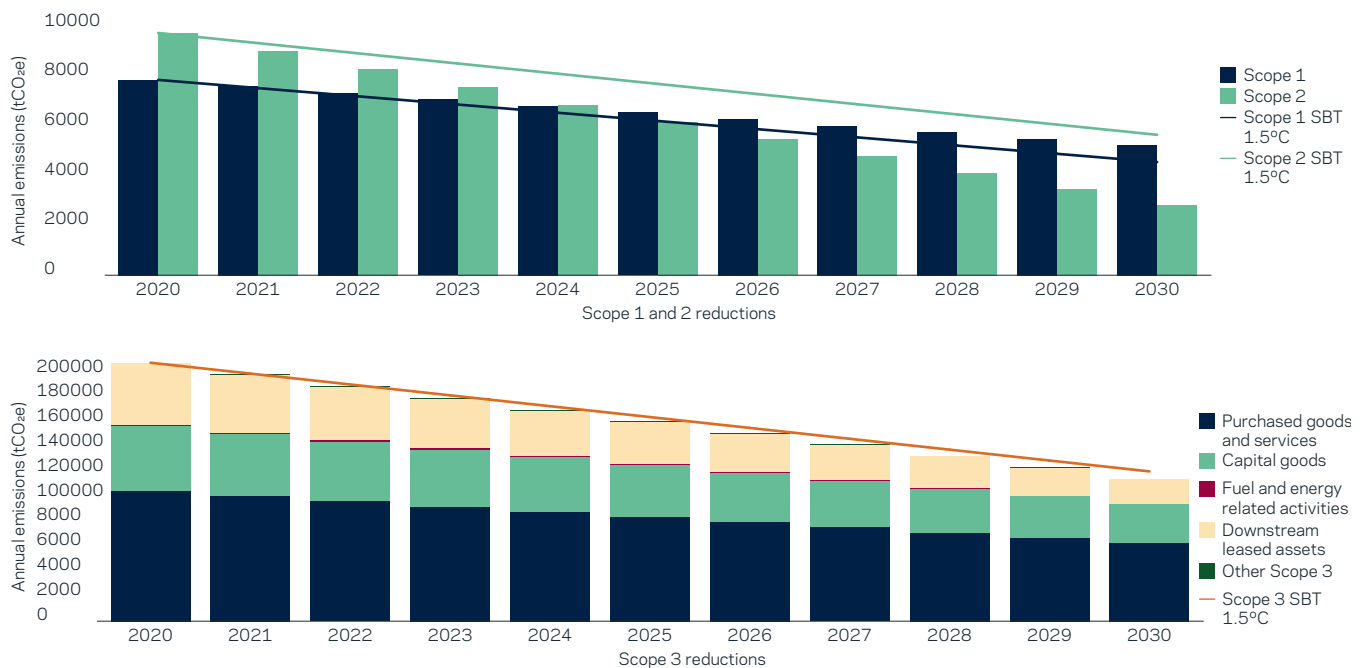
SBTs are environmental targets which meet the goal of pursuing efforts to limit global warming to 1.5°C. The SBTi is a partnership between CDP (a not-for-profit focused on environmental data gathering), the United Nations Global Compact, the World Resources Institute and the Worldwide Fund for Nature. It represents a credible and independent verification standard at an organisational level for this purpose, providing businesses with a clearly-defined path to reduce greenhouse gas (GHG) emissions.

Overseen by the Sustainability Committee, The Crown Estate’s SBTs and net zero commitment are owned by each of our Strategic Business Units, and we have set out a clear roadmap to delivery which will continue to evolve.

Our modelled downward trajectory to limit global warming to a pathway of 1.5°C for our Scope 1, 2 and 3 emissions

The charts show the anticipated required downward trajectory of our Scope 1, 2 and 3 emissions (as defined by the Greenhouse Gas Protocol) in order to achieve a 1.5°C scenario, as well as the relative contributions of each of the following reduction opportunities that will enable us to achieve the Science Based Targets. The graphic below for Scope 1 and 2 reductions is indicative – Scope 1 and Scope 2 reduction targets will be combined.

The Crown Estate has committed to near-term science based 1.5°C aligned targets for Scopes 1, 2 and 3. As we highlighted on page 22 of our Environmental review these 1.5°C Science Based Targets are awaiting validation by the Science Based Targets initiative (SBTi).



Scope 1 – direct emissions from owned or controlled sources, for example, heating of buildings using fuel directly sourced, such as diesel and gas.

Scope 2 – indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting business.

Scope 3 – all other indirect emissions that occur in the business's value chain. These include those produced as a result of work we commission through our supply chain and those we enable through our leasing and licensing activity. They occur from sources not owned or controlled by us.

Priorities for the year ahead

The Committee will continue to focus on our journey to net zero carbon and additionally play an important role in ensuring that net zero and our SBTs are not considered in isolation, but as part of the wider climate and biodiversity crisis. This includes consideration as to how such commitments tie in with opportunities for The Crown Estate to achieve its broader strategic objectives of enhancing biodiversity, making a positive social impact, and being seen as a leader able to convene and influence in spaces which are critical both to the government's agenda and the health of the nation.

Activities during the year

The Sustainability Committee held its inaugural meeting in December 2021.

December 2021

- Endorsement of Science Based Targets
- Receipt of Sustainability update
- Review of Committee terms of reference

Executive and Group leadership

The Chief Executive, who is also the Second Commissioner and Accounting Officer, is the only Executive member of the Board. The Chief Financial Officer attends all Board meetings. Other members of The Crown Estate's leadership team attend by invitation.

Value Creation Committee

The newly created Value Creation Committee (VCC), which meets fortnightly, is a key executive committee within the business. It oversees all areas of value creation across the enterprise: financial, environmental and social.

Its members are the Chief Executive, who acts as Chair, the Chief Financial Officer and the Executive Director, Purpose, Sustainability & Stakeholder.

The VCC's primary purpose is to ensure that executive decision-making is balanced and holistic and based upon our new Value Creation Framework (VCF). The principal way in which the VCF operates is in helping us to define the value we want to deliver in the broadest sense of our purpose – to create lasting and shared prosperity for the nation. This sets out our ambition to broaden our horizons by generating financial, environmental and social value for the benefit of the nation, both now and in the future.

The VCC considers all investment decisions and disinvestment proposals above £5 million and to a level above which decisions are escalated to the Board.

Group Leadership Team

This year saw the creation of the Group Leadership Team (GLT) to support the Chief Executive. It brings together The Crown Estate's leadership to help the Chief Executive shape and deliver all aspects of what The Crown Estate does and seeks to do.

Details of the members of the GLT can be found on page 91. For full biographical details, visit thecrownestate.co.uk/leadership-team

The GLT meets on a six-weekly cycle (with fortnightly ad hoc check-ins) to review the performance of the business and discuss key areas of strategy, talent and culture. The key topics for the GLT during the year were:

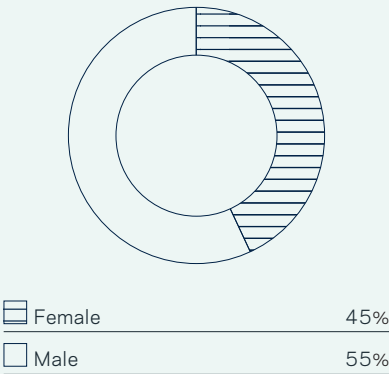
- discussion of our new strategy
- consideration of business plans and enterprise priorities
- the shaping and delivery of our People and Culture strategy
- Receipt and review of health and safety and wellbeing reports
- Analysis of risks facing the business and risk controls
- Embedding the organisational and structural changes made to the way in which the business operates
- Oversight of operational performance

The GLT's discussions are informed by newly instituted quarterly business reviews (QBRs) for each business unit and Group Partner. These are attended by representatives of the wider leadership teams and they review key operational dashboards, assessing progress against our enterprise priorities and offering opportunities to ensure our Group business activity is aligned. The Chief Executive, the Chief Financial Officer and the Executive Director, Purpose, Sustainability & Stakeholder attend all QBRs.

GLT diversity

The diversity of the GLT sets a tone from the top for our commitment to diversity throughout The Crown Estate. We are committed to continuing to embed diversity, equity and inclusion in our succession and talent development plans.

Membership of the GLT has been set to ensure a strong balance of experiential, cultural and cognitive diversity with representation from a range of professional backgrounds and a broad international perspective.



Group Leadership Team



Dan Labbad
Chief Executive, Executive Board Member and Second Commissioner
(Chair of the VCC)

A leader in global property and infrastructure, and an active champion of sustainability, Dan joined us in 2019 from LendLease where as Chief Executive Officer, International Operations and Chief Executive Officer, Europe he oversaw the disciplined expansion of their businesses in Europe, the Americas and Asia.



Robert Allen
Chief Financial Officer
(member of the VCC)

A chartered accountant with a background in strategy, M&A and financial risk, and bringing extensive financial leadership experience both from global finance and UK property – most recently as CFO of intu Properties plc and prior to that Group Finance Director of Crest Nicholson plc. Robert joined us in 2021.



Judith Everett
Executive Director, Purpose, Sustainability & Stakeholder
(member of the VCC)

With experience from a diverse range of both in-country and global leadership roles across brand, communications, sustainability and engagement, Judith joined us in 2013 from AstraZeneca. Judith is Chair of the CBI's London Council.



Sol Anitua
Executive Director, Strategy, Research & Innovation

With 20 years' international experience across commodities, banking, strategy and the third sector, Sol joined us in 2022 from Plastic Energy, a cleantech start-up where she was Chief of Staff and part of the Advisory Board.



Huub den Rooijen
Managing Director, Marine

With over 30 years' experience in the energy sector, Huub joined us in 2012 from Shell where he was one of the founders of its wind energy business, pioneering the first offshore wind energy projects in the UK and the Netherlands.



Simon Harding-Roots
Managing Director, London

With global real estate and property experience spanning Europe, Asia, and the Middle East, Simon joined us in 2021 from Grosvenor Britain and Ireland where he was a Board Director.



Hannah Milne
Managing Director, Regional

A chartered surveyor with over 30 years' experience of strategy, capital markets trading, asset management and development, Hannah joined us in 2011 from Knight Frank, and has led our Regional business since 2016.



Linda Morant
Chief Digital Officer

With over 20 years' experience leading digital growth at a range of global energy, telecoms and technology corporations, Linda joined us in 2020 from BP where she was Vice President of Downstream Digital.



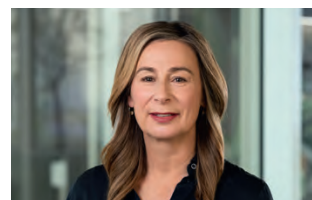
Paul Sedgwick
Managing Director, Windsor & Rural

A chartered surveyor and previous recipient of the RASE Bledisloe Gold Medal on the Yattendon Estate for diversification projects and a commitment to improving the rural environment, Paul joined us in 2014. Paul is a Non-Executive Director of The Duke of Wellington's Stratfield Saye Estate.



Oliver Smith
Executive Director, Operations

With 20 years of experience across some of our diverse industries, and a particular focus on the property sector, Oliver previously worked on our London portfolio before moving into his current newly created position. Oliver originally joined us from Jones Lang LaSalle in 2008 and is a chartered surveyor.



Lisa White
Executive Director, People & Culture

With an extensive career as an HR professional, and with a particular focus on the property sector, Lisa is a qualified coach and joined us in 2021 from CBRE, where she was part of the Global Leadership Team.

The Certificate and Report of the Comptroller and Auditor General to The House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of The Crown Estate and of its Group for the year ended 31 March 2022 under the Crown Estate Act 1961. The financial statements comprise: The Crown Estate's and The Crown Estate Group's:

- Balance Sheets as at 31 March 2022;
- Consolidated Statements of Comprehensive Income (Group only), Statements of Cash Flows and Statements of Changes in Capital and Reserves for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Group's and The Crown Estate's affairs as at 31 March 2022 and of the Group's consolidated revenue account profit and consolidated capital account profit for the year then ended; and
- have been properly prepared in accordance with The Crown Estate Act 1961 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of The Crown Estate and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities that has been considered in the context of my opinion on regularity includes The Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury and Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that The Crown Estate and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Board's assessment of The Crown Estate and its Group's ability to continue to adopt the going concern basis of accounting included understanding how they have assessed the prospects of the Group, over what period they have done so, and why they consider that period to be appropriate. I have also reviewed the evidence supporting their going concern and Viability Statement assessments. I made no observations with respect to that assessment.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on The Crown Estate or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to The Crown Estate's reporting on how the UK Corporate Governance Code has been applied, I have nothing material to add or draw attention to in relation to the Board's and Accounting Officer's statement in the financial statements about whether the Board and the Accounting Officer considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 78-81.

In this year's certificate and report the following changes to the risks identified have been made compared to my prior year report:

There is no new significant risk identified this year but there is a split of Investment Property Valuation risk from Offshore Wind Asset valuation risk as a result of different valuation methodology

Investment property valuations

Description of risk

The most significant transactions and balances within The Crown Estate's financial statements relate to investment property assets and their valuations. Management engaged professional valuers to provide valuations of investment property assets as at 31 March 2022. The valuations are formed from the application of methodologies that use a number of assumptions and judgements, which, if inappropriate or incorrect, present a significant risk of material misstatement within the accounts. Covid-19 has impacted majority of sectors and caused disruption to the market and structural changes in the retail sector thereby causing volatility and certainty of investment property valuations in recent years.

How the scope of my audit responded to the risk

I performed procedures to gain assurance from the work conducted by third party valuers engaged by The Crown Estate. In assessing whether their work provides a sound basis for valuation I considered their overall competence, capability and objectivity (as management's experts), as well as the scope of their work and its relevance to the accounts and my opinion. In particular, I considered the valuation methodology they applied, the completeness and validity of the data inputs to those valuations, and, using independent valuation experts within my audit team, the appropriateness of the key assumptions on which the valuations were based. I have challenged management on the reasons for significant movements in individual property valuations at year end, confirming these reasons to underlying documentation.

Key observations

I found The Crown Estate's controls over the valuation process to be designed and implemented adequately and that asset valuations have been prepared using appropriate methodology and assumptions. The disclosures within notes 3 and 18 of the financial statements provide further details of the key assumptions underpinning the valuations and the sensitivity of the valuations to a change in assumptions.

Offshore Wind Asset Valuation

Description of risk

The value of the offshore wind assets amounted to £4.3 billion as at 31 March 2022. There is a lack of directly comparable transactions for interests in these assets. Establishing appropriate discount rates is inherently subjective and there is a greater degree of valuer judgement required in comparison to a traditional investment property valuation. As a result, the valuation of interests in offshore wind assets are subject to a high degree of uncertainty and are determined on the basis of assumptions which may change with future events. Each project is valued individually using a discounted cash flow (DCF) methodology where a wide range of discount rates has been applied to each round representing the stage of these projects, whether operational or non-operational, and the risks around these cash flows, that are updated regularly. The DCF methodology is the typical approach for valuing complex revenue streams and also provides a means to value in a market where there are no directly comparable sales of the seabed subject to a 'ground' lease structure.

How the scope of my audit responded to the risk

I performed procedures to gain assurance from the work conducted by third party valuers engaged by The Crown Estate.

In assessing whether their work provides a sound basis for valuation, I considered their overall competence, capability, and objectivity (as management's experts), as well as the scope of their work and its relevance to the accounts and my opinion.

In particular, I considered the valuation methodology they applied, the completeness and validity of the data inputs to those valuations, and, using independent valuation experts within my audit team, the appropriateness of the key assumptions on which the valuation methodology were based.

I have challenged management on the reasons for changes in assumptions causing significant movements in project valuations at year end, confirming these reasons to underlying documentation.

Key observations

I found The Crown Estate's controls over the valuation process to be designed and implemented adequately and that asset valuations have been prepared using appropriate methodology and assumptions. The disclosures within notes 3 and 18 of the financial statements provide further details of the key assumptions underpinning the valuations and the sensitivity of the valuations to a change in assumptions.

Revenue Recognition

Description of risk

The Crown Estate and HM Treasury have agreed to have financial and non-financial targets for the purposes of remuneration across the Group, with a weighting of 67% against delivering net revenue profit of £269 million and 33% weighting against delivery of four non-financial indicators. In 2021-22 the net revenue profit was £312.7 million, an increase of 15.9% from the prior year and this was a result of the reversal of financial year 2020/21 provision. The Crown Estate's key source of income is based on contractual rental revenue. In addition, it receives income from royalties for the extraction of minerals as well as other miscellaneous income. Total revenue in 2021/22 was £483.3 million and £410.9 million of that was from contractual rental income and £72.4 million is from other income streams.

Under auditing standards (ISA 240), there is a presumed risk of fraud in revenue recognition. I have rebutted this risk for contractual rental income as rent is set at a fixed amount in lease agreements and is subject to automatic processes and controls, where the accounting system automatically pro-rates revenue across the invoiced period. Therefore, the risk of manipulation of this type of income is low. I have not rebutted this risk for the rest of income streams on the basis that these are subject to higher risk of manipulation to meet the net revenue account profit targets.

How the scope of my audit responded to the risk

I have reviewed the design and implementation of The Crown Estate's controls over processing of revenue.

I have tested a sample of non-rental income, receivables and accrued income and confirmed statutory transfers between revenue and capital accounts under the Crown Estate Act 1961.

I have also considered whether management's recognition of revenue from unsettled rent reviews is appropriate and considered the findings from my review of the recoverability of receivables (the expected credit loss provision), an additional key audit matter.

Key observations

I found The Crown Estate's controls to be designed and implemented adequately. I have no matters to raise from my testing of revenue recognition.

The Certificate and Report of the Comptroller and Auditor General to The House of Commons continued

Provision for expected credit losses

Description of risk

The Covid-19 related restrictions in place during 2021 put additional strain on tenants, especially those in the retail and leisure sectors, where many remained closed. The moratorium on rent collection introduced by the Government as a support measure for tenants, has impacted The Crown Estate's ability to pursue collection of outstanding debts and the moratorium came to an end on 24 March 2022.

There has been a significant decrease in provision for expected credit loss on 31 March 2022 (£45.3 million compared to £73.6 million in the previous year) as a

result of reduced arrears and improved market conditions.

I consider the valuation of expected credit losses to present a significant risk as it requires a degree of judgment around each customer's financial situation, and an assessment as to the likelihood of debt recovery.

How the scope of my audit responded to the risk

I have considered the design and implementation of key controls over estimation processes, including how assumptions are set and reviewed at a customer level, and how the expected credit loss models are maintained.

I have reviewed the reasonableness of key assumptions and tested a sample of input data sources, for example rent arrears balances for individual customers. I have reviewed the modelling methodology and have tested the integrity of the model.

Key observations

I found The Crown Estate's controls around the estimation of credit losses to be designed and implemented adequately. I have no matters to raise from my testing of expected credit losses.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for The Crown Estate and its group's financial statements as a whole as follows:

	The Crown Estate Group	The Crown Estate
Materiality	£168 million	£167 million
Basis for determining materiality	1% of gross assets of £16.8 billion (£16.8 billion in 2020-21)	1% of gross assets of £16.9 billion (£16.9 billion in 2020-21). This has been adjusted to be lower than the materiality applied to the Group.
Rationale for the benchmark applied	I chose gross assets as a benchmark as I consider it to be the principal consideration for users assessing the financial performance of the Group	

I have determined that for financial statement components connected with the consolidated revenue account, misstatements of a lesser amount than overall materiality could influence the decisions of users of the accounts given the consolidated revenue account profit is distributable to the Consolidated Fund. I have therefore determined that the level to be applied to these components is £31.2 million, being approximately 10% of the consolidated revenue account profit. (2020-21: £31.5 million, being 10% of the normalised three-year average consolidated revenue account profit.)

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2021-22 audit (2020-21: 75%). In

determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors in respect of the Board and Executives' remuneration as reported in the Remuneration Committee report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would

reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

No unadjusted audit differences have been reported to the Audit Committee.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of The Crown Estate Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Total assets for the Group are £17,974.3 million, of which £18,039.3 million are attributable to the parent, The Crown Estate.

My Group audit approach focused on those balances assessed as being of the greatest significance to the Group financial statements and their users. In establishing an overall approach, I considered the size and risk characteristics of the component entities' financial information and determined the type of work that needed to be performed on each.

The parent is individually significant by virtue of its size and I have audited its full financial information. The remaining consolidating (subsidiary) entities have been subjected to audit work for the purpose of confirming that there is no risk of material misstatement within these entities to the Group financial statements.

In addition, I have completed specific audit procedures on the material transactions and balances within The Crown Estate's joint ventures' financial information to confirm its share of joint venture net assets and profit as included under the equity method in the Group accounts.

This work covered substantially all of the Group's assets and net income, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

The other information comprises information included in the Strategic Report and Governance sections of the Integrated Annual Report and Accounts, but does not include the parts of the Remuneration Committee report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Committee report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Crown Estate Act 1961;
- the information given in the Strategic Report and Governance sections of the Integrated Annual Report and Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of The Crown Estate Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report and Governance sections of the Integrated Annual Report and Accounts.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by The Crown Estate or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration Committee report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury directions made under the Crown Estate Act 1961 have not been made or parts of the Remuneration Committee report to be audited is not in agreement with the accounting records and returns; or
- the Governance section of the Integrated Annual Report and Accounts does not reflect compliance with HM Treasury's guidance.

The Certificate and Report of the Comptroller and Auditor General to The House of Commons continued

Corporate governance statement

The Listing Rules require me to review the Board's and the Accounting Officer's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to The Crown Estate's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Strategic Report and Governance section is materially consistent with the financial statements or my knowledge obtained during the audit:

- the Board's statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 39);
- the Board's and the Accounting Officer's explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate (set out on page 39);
- the Accounting Officer's statement on fair, balanced and understandable (set out on page 74);
- the Board's and Accounting Officer's confirmation that they have carried out a robust assessment of the emerging and principal risks (set out on page 55);
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on pages 55-61 and 78-81); and
- the section describing the work of the Audit Committee (set out on pages 78-81).

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Accounting Officer's Statement, the Chief Executive as Accounting Officer and the Board are responsible for:

- maintaining proper accounting records; and
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view; and
- ensuring that the Integrated Annual Report and Accounts as a whole is fair, balanced and understandable; and
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing The Crown Estate and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either anticipates that the services provided by The Crown Estate and its Group will not continue to be provided in the future, or has no realistic alternative but to cease operations.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Crown Estate Act 1961.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of The Crown Estate and its Group's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, The Crown Estate's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to The Crown Estate and its Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance.
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including The Crown Estate and its Group's controls relating to The Crown Estate and its Group's compliance with the Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury and Managing Public Money.
- discussing among the engagement team and involving relevant property valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within The Crown Estate and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of The Crown Estate and its Group's framework of authority as well as other legal and regulatory frameworks in which The Crown Estate and its Group operate, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of The Crown Estate and its Group. The key laws and regulations I considered in this context included the Crown Estate Act 1961, The Crown Estate's framework agreement with HM Treasury, Managing Public Money, and relevant property, health and safety, employment, pensions and taxation legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including property valuation specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

13 June 2022

Consolidated statements of comprehensive income

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH

	Note	2021/22 £m	2020/21 £m
Revenue	5	483.3	482.7
Expenses	6	(155.5)	(179.3)
Operating profit		327.8	303.4
Net finance income	9	3.5	1.0
Share of revenue profit from joint ventures	19	30.0	14.8
Share of revenue profit from other property investments	20	1.8	0.8
Net operating profit before depreciation, Treasury agreements and statutory transfers		363.1	320.0
Depreciation of tangible fixed assets	10, 21	(2.7)	(5.6)
Net operating profit before Treasury agreements and statutory transfers		360.4	314.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	(38.0)	(37.3)
Statutory transfers	13	(12.0)	(10.1)
Parliamentary supply finance	14	2.3	2.3
Consolidated revenue account profit		312.7	269.3
Consolidated statement of comprehensive income of the revenue account			
Consolidated revenue account profit		312.7	269.3
Item that will not be reclassified subsequently to revenue account profit:			
Re-measurement gain/(loss) in retirement benefits	8c	4.9	(3.2)
Total consolidated comprehensive income of the revenue account		317.6	266.1

CONSOLIDATED CAPITAL ACCOUNT FOR THE YEAR ENDED 31 MARCH

	Note	2021/22 £m	2020/21 £m
Capital account expenditure		(14.3)	(15.6)
Net revaluation gain in investment properties (including gain on disposal)	11	1,155.7	1,253.5
Share of revaluation gain/(loss) in joint ventures (including gain on disposal)	11	47.9	(136.7)
Share of revaluation gain/(loss) in other property investments (including capital distribution)	11	4.5	(13.3)
Capital profit before Treasury agreements and statutory transfers		1,193.8	1,087.9
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	38.0	37.3
Statutory transfers	13	12.0	10.1
Consolidated capital account profit		1,243.8	1,135.3
Consolidated statement of comprehensive income of the capital account			
Consolidated capital account profit		1,243.8	1,135.3
Items that will not be reclassified subsequently to capital account profit:			
Revaluation gain in owner occupied properties	11	7.3	3.4
Total consolidated comprehensive income of the capital account		1,251.1	1,138.7

The Crown Estate Act 1961 specifies certain distinctions between capital and revenue transactions. The consolidated revenue account represents income generated from managing the portfolio of assets, net of any associated costs and, by agreement with the Treasury, certain adjustments between the revenue and capital accounts. The consolidated capital account includes gains or losses on disposal of investment properties, revaluation gains or losses, staff and other relevant costs incurred to enhance the estate and the adjustments with the revenue account noted above. Further detail can be found in note 1.

A total comprehensive income of the revenue account of £317.6 million (2020/21: £266.1 million) and a total comprehensive income of the capital account of £1,226.9 million (2020/21: £1,176.9 million) are recorded in the financial statements of the parent for the year ended 31 March 2022.

No income statement or statement of comprehensive income is presented for the parent.

Balance sheets

AS AT 31 MARCH

	Note	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Assets					
Non-current assets					
Investment properties	16	14,223.9	13,094.2	13,930.9	12,872.5
Owner occupied properties	17	130.0	134.2	130.0	134.2
Investment in joint ventures	19	725.3	667.9	725.3	667.9
Other property investments	20	46.5	54.7	0.3	10.9
Property, plant and equipment	21	25.2	29.1	25.2	29.1
Other investments	22	10.9	10.9	10.9	10.9
Trade and other receivables	23	489.8	488.1	489.8	488.1
Pension asset	8	12.2	8.2	12.2	8.2
Total non-current assets		15,663.8	14,487.3	15,324.6	14,221.8
Current assets					
Assets held for sale	16	9.0	18.9	9.0	18.9
Trade and other receivables	23	166.3	134.6	582.2	494.7
Cash and cash equivalents		2,135.2	2,174.5	2,123.5	2,171.2
Total current assets		2,310.5	2,328.0	2,714.7	2,684.8
Total assets		17,974.3	16,815.3	18,039.3	16,906.6
Liabilities					
Current liabilities					
Payables and deferred income	24	857.7	674.0	851.9	670.3
Provisions	25	0.7	3.4	0.7	3.4
Total current liabilities		858.4	677.4	852.6	673.7
Non-current liabilities	24	659.6	937.6	659.6	937.6
Total liabilities		1,518.0	1,615.0	1,512.2	1,611.3
Net assets		16,456.3	15,200.3	16,527.1	15,295.3
Capital and reserves					
Revenue reserve available for distribution to the Consolidated Fund		3.2	2.3	3.2	2.3
Pension reserve		12.2	8.2	12.2	8.2
Capital reserve		16,389.7	15,134.2	16,460.5	15,229.2
Revaluation reserve		51.2	55.6	51.2	55.6
Total capital and reserves		16,456.3	15,200.3	16,527.1	15,295.3



Dan Labbad
Chief Executive, Second Commissioner and Accounting Officer

9 June 2022

Statements of changes in capital and reserves

FOR THE YEAR ENDED 31 MARCH

Group	Revenue account			Capital account			Total
	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
As at 1 April 2021	2.3	8.2	10.5	15,134.2	55.6	15,189.8	15,200.3
Net consolidated profit for the year	312.7	-	312.7	1,243.8	-	1,243.8	1,556.5
Other consolidated comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	-	-	-	-	7.3	7.3	7.3
Re-measurement gain in retirement benefits (note 8c)	-	4.9	4.9	-	-	-	4.9
Total consolidated comprehensive profit for the year ended 31 March 2022	312.7	4.9	317.6	1,243.8	7.3	1,251.1	1,568.7
Transfer from owner occupied reserve				11.7	(11.7)		
Pension reserve adjustment	0.9	(0.9)	-	-	-	-	-
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(312.7)	-	(312.7)	-	-	-	(312.7)
As at 31 March 2022	3.2	12.2	15.4	16,389.7	51.2	16,440.9	16,456.3

Group	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
As at 1 April 2020	1.9	11.8	13.7	13,997.4	53.7	14,051.1	14,064.8
Net consolidated profit for the year	269.3	-	269.3	1,135.3	-	1,135.3	1,404.6
Other consolidated comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	-	-	-	-	3.4	3.4	3.4
Re-measurement loss in retirement benefits (note 8c)	-	(3.2)	(3.2)	-	-	-	(3.2)
Total consolidated comprehensive profit for the year ended 31 March 2021	269.3	(3.2)	266.1	1,135.3	3.4	1,138.7	1,404.8
Transfer from owner occupied reserve	-	-	-	1.5	(1.5)	-	-
Pension reserve adjustment	0.4	(0.4)	-	-	-	-	-
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(269.3)	-	(269.3)	-	-	-	(269.3)
As at 31 March 2021	2.3	8.2	10.5	15,134.2	55.6	15,189.8	15,200.3

	Revenue account			Capital account			Total
	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
Parent							
As at 1 April 2021	2.3	8.2	10.5	15,229.2	55.6	15,284.8	15,295.3
Net profit for the year	312.7	-	312.7	1,219.6	-	1,219.6	1,532.3
Other comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	-	-	-	-	7.3	7.3	7.3
Re-measurement gain in retirement benefits (note 8c)	-	4.9	4.9	-	-	-	4.9
Total comprehensive profit for the year ended 31 March 2022	312.7	4.9	317.6	1,219.6	7.3	1,226.9	1,544.5
Transfer from owner occupied reserve	-	-	-	11.7	(11.7)	-	-
Pension reserve adjustment	0.9	(0.9)	-	-	-	-	-
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(312.7)	-	(312.7)	-	-	-	(312.7)
As at 31 March 2022	3.2	12.2	15.4	16,460.5	51.2	16,511.7	16,527.1
	Revenue reserves available for distribution to the Consolidated Fund £m	Pension reserve £m	Total £m	Capital reserve £m	Revaluation reserve £m	Total £m	£m
Parent							
As at 1 April 2020	1.9	11.8	13.7	14,054.2	53.7	14,107.9	14,121.6
Net profit for the year	269.3	-	269.3	1,173.5	-	1,173.5	1,442.8
Other comprehensive income:							
Revaluation gain in owner occupied properties (note 17)	-	-	-	-	3.4	3.4	3.4
Re-measurement loss in retirement benefits (note 8c)	-	(3.2)	(3.2)	-	-	-	(3.2)
Total comprehensive profit for the year ended 31 March 2021	269.3	(3.2)	266.1	1,173.5	3.4	1,176.9	1,443.0
Transfer from owner occupied reserve	-	-	-	1.5	(1.5)	-	-
Pension reserve adjustment	0.4	(0.4)	-	-	-	-	-
Payable to the Consolidated Fund in respect of current year net revenue profit (note 15)	(269.3)	-	(269.3)	-	-	-	(269.3)
As at 31 March 2021	2.3	8.2	10.5	15,229.2	55.6	15,284.8	15,295.3

Statements of cash flows

FOR THE YEAR ENDED 31 MARCH

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Operating profit – consolidated revenue account	327.8	303.4	318.0	299.0
Increase in provisions for retirement benefits	1.1	0.7	1.1	0.7
Decrease/(increase) in receivables	20.4	(43.2)	22.6	(42.7)
(Decrease)/increase in payables	(103.6)	1,046.9	(105.7)	1,049.7
(Decrease)/increase in provisions	(2.7)	3.4	(2.7)	3.4
IFRIC adjustment (note 21)	6.1	-	6.1	-
Cash generated from operating activities	249.1	1,311.2	239.4	1,310.1
Interest received	3.6	1.3	3.6	1.3
Revenue distributions from investments in joint ventures and subsidiaries	27.2	26.0	27.2	26.0
Distributions received from other property investments	1.8	0.8	1.0	-
Net cash inflow from operating activities	281.7	1,339.3	271.2	1,337.4
Cash flows from investing activities				
Acquisition of investment properties	(1.4)	(4.2)	(1.4)	(2.1)
Capital expenditure on investment properties	(80.9)	(74.7)	(78.8)	(72.8)
Proceeds from disposal of investment properties	51.2	143.0	51.2	143.0
Other capital receipts	8.0	5.5	8.0	5.5
Net investment in joint ventures	(6.7)	(13.1)	(6.7)	(13.1)
Capital distributions from other property investments	12.7	-	12.7	-
Purchase of plant and equipment and other investments	(4.9)	(4.5)	(4.9)	(4.5)
Net cash (outflow)/inflow from investing activities	(22.0)	52.0	(19.9)	56.0
Cash flows from financing activities				
Finance lease payments	(1.4)	(1.2)	(1.4)	(1.2)
Parliamentary supply finance	2.3	2.3	2.3	2.3
Net cash inflow from financing activities	0.9	1.1	0.9	1.1
Net increase in cash and cash equivalents before Consolidated Fund payment	260.6	1,392.4	252.2	1,394.5
Consolidated Fund payment	(299.9)	(247.0)	(299.9)	(247.0)
(Decrease)/increase in cash in the year after Consolidated Fund payment	(39.3)	1,145.4	(47.7)	1,147.5
Cash and cash equivalents at start of the year	2,174.5	1,029.1	2,171.2	1,023.7
Cash and cash equivalents at end of the year	2,135.2	2,174.5	2,123.5	2,171.2

Notes to the Group and Parent consolidated financial statements

1. Basis of preparation

The consolidated financial statements incorporate the financial statements of The Crown Estate. The financial statements have been prepared on a going concern and an accruals basis under the historical cost convention, modified to include investment properties (including investment properties treated as finance leases), owner occupied properties and other investments recognised at fair value. They are prepared in accordance with section 2(5) of the Crown Estate Act 1961 (the Act) and directions made by the Treasury.

The directions from the Treasury require that the financial statements are prepared in accordance with UK adopted international accounting standards, except where these conflict with the Act.

These financial statements are prepared in sterling, which is the functional currency of The Crown Estate, and rounded to the nearest one hundred thousand pounds.

The Crown Estate was established with a resilient capital structure and no debt. As described in note 15, the net revenue profit relating to the year ended 31 March 2022 will be paid to Treasury using a structured repayment process in the form agreed with the Treasury, which allows adequate revenue cash reserves to settle obligations as they fall due for a period of at least 12 months from the date these financial statements are signed. As a result these financial statements have been prepared on a going concern basis.

Impact of the Crown Estate Act 1961 on the financial statements

The Crown Estate is a body corporate regulated by the Act and domiciled in the UK. The provisions of the Act specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that The Crown Estate resembles a trust, in which the revenue beneficiary is the Exchequer and the capital is held for Her Majesty and Her successors.

The revenue account represents income generated from managing the portfolio of assets on behalf of Her Majesty and Her successors, net of any associated costs and subject to the charge from revenue for salary costs for certain staff and the transfers between the capital and revenue accounts as required by statutory provisions and Treasury agreements.

The capital account includes gains or losses arising on disposal of assets from the portfolio, revaluation gains or losses, the income arising on the grant of operating leases over land in exchange for a premium and other adjustments with the revenue account noted above. The Act requires capital and revenue accounts are distinguished in the financial statements. Staff and other relevant costs incurred to enhance the assets are charged to the capital account as appropriate.

The Act specifies that:

- any sum received by way of premium on the grant of a lease shall be carried to the revenue account if the lease is for a term of 30 years or less and to the capital account if the lease is for a term exceeding 30 years
- net earnings from mineral workings shall be carried one half to the capital account and one half to the revenue account

To meet the requirements of the Act, and the directions made by the Treasury:

- separate income statements are presented for the revenue and capital accounts
- movements in comprehensive income are analysed between the revenue and capital accounts

Treasury agreements

The Act allows adjustments between revenue and capital to recoup capital expenditure out of the revenue account. As The Crown Estate is prohibited from borrowing, Treasury agreements provide The Crown Estate with a reliable and predictable source of capital. By agreement with the Treasury, this requirement is fulfilled by a transfer from the revenue to the capital account of an amount equivalent to 9% of the previous year's revenue, excluding service charges but including depreciation of plant and equipment.

Changes in accounting policies

One new amendment to standards has been adopted by the Group since 31 March 2021. Covid-19-Related Rent Concessions, an amendment to IFRS 16 (Leases), was effective for The Crown Estate from 1 April 2021. There was no material impact as the amendment did not impact lessor accounting which follows existing guidance although the clarifications provided by the International Accounting Standards Board (IASB) in its education document are applicable to lessors. Except for this amendment these financial statements have been prepared on a consistent basis as those presented for the year ended 31 March 2021.

Notes to the Group and Parent consolidated financial statements continued

2. Significant accounting policies

2a. Basis of consolidation

The consolidated financial statements for the year ended 31 March 2022 incorporate the financial statements of The Crown Estate and all of its subsidiary undertakings. Subsidiary undertakings are those entities controlled by The Crown Estate. The Crown Estate controls an entity when it is exposed to, or has rights to, variable returns from the entity and has an ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

2b. Properties

Investment properties are those which are held to earn rental income or for capital appreciation or for both. Investment properties and those in the course of development are held at fair value, which is considered to be open market value.

Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs incurred in relation to capital activities. At the balance sheet date investment properties are revalued to fair value.

Energy and mineral assets are valued only where a letting or licence exists, where a lease has been entered into, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future.

Any gains or losses arising on revaluing investment properties are recognised in the consolidated capital account.

Fair value measurement of investment property

Properties are valued by independent external valuers at the balance sheet date. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS).

IFRS 13 requires the use of valuation techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used. For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Level 1: unadjusted quoted prices in active markets
- Level 2: observable inputs other than quoted prices included within level 1
- Level 3: unobservable and observable inputs where significant adjustments have been applied

Investment properties under development

Investment properties under development comprise properties subject to a major programme of redevelopment or development. They are categorised as such from the start of the programme until practical completion.

Owner occupied properties

The Crown Estate treats as owner occupied: properties occupied in the course of business; properties where significant ancillary services are provided by The Crown Estate to its customers; and certain dwellings occupied by staff and pensioners at the Windsor Estate. Any gains or losses arising on the revaluation of properties occupied by The Crown Estate are taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain previously recognised is recorded in the consolidated capital account.

Disposals

Disposals are recognised at the date of legal completion or the date on which a long lease interest is granted to a customer. Gains and losses arising on disposal are recognised through the consolidated capital account. The gain or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the date of disposal plus any costs directly incurred as a result of the sale.

Property assets held for sale

The Crown Estate will report assets as held for sale when a contract to sell the property has been exchanged, the property is immediately available for sale in its current condition, the sale is expected to complete within one year of the balance sheet date and it is highly likely the transaction will complete.

2c. Joint arrangements – joint ventures

A joint venture is a joint arrangement whereby The Crown Estate has joint control and has rights to its share of the net assets of the arrangement. Joint ventures are accounted for under the equity method. The balance sheet incorporates The Crown Estate's share of the net assets of the joint venture. The consolidated revenue account incorporates the share of the joint venture's profit after tax and the consolidated capital account incorporates The Crown Estate's share of revaluation of investment properties including gains and losses on disposal.

2d. Joint arrangements – joint operations

A joint operation is a joint arrangement whereby contractually there is an agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Crown Estate accounts for joint operations by recognising its share of assets, liabilities, income and expenses on a line-by-line basis.

2e. Other property investments

Other property investments are shown at fair value which is equivalent to the share of net asset value less any discount to reflect liquidity restrictions created by the legal form of the investment.

2f. Other property, plant and equipment

Assets are depreciated using the straight-line method from acquisition or the start of the lease to the end of their useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of similar plant and equipment and where necessary periodically reduced for impairment losses and adjusted for re-measurements of the lease liability.

The estimated useful lives of the assets are as follows:

- Vehicles: 4-10 years depending on the nature of the vehicle
- Plant and equipment: 4-10 years
- Computer equipment and software: 4 years
- Office equipment: 4 years
- Leasehold improvements: Length of the lease
- Right-of-use assets – property leases: Length of the lease

Useful lives and residual values are reviewed annually and assessed for impairment, if applicable.

Certain vehicles and offices are recognised as right-of-use assets under finance lease accounting as disclosed in note 2i.

2g. Other investments – antiques and paintings

Antiques and paintings are shown at fair value. Any gain or loss arising from changes in fair value is recognised directly in the revaluation reserve. The last triennial valuation was carried out by recognised experts and completed during the year ended 31 March 2020.

2. Significant accounting policies continued

2h. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

2i. Leases

At the inception of a contract The Crown Estate assesses whether a contract contains a lease. A contract contains a lease if the contract conveys the right for either The Crown Estate or its customers to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Crown Estate assesses whether:

- the contract involves the use of an identified asset, which is physically distinct or represents substantially all of the capacity of a distinct asset and there are no substantive substitution rights
- the contract conveys the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- the lessee has the right to direct the use of the asset

At inception or on reassessment of a contract that contains a lease component, The Crown Estate allocates the consideration in the contract to each component on the basis of their relative stand-alone prices. However, for the leases of buildings and motor vehicles in which it is a lessee, The Crown Estate has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Crown Estate as a lessor

Where The Crown Estate acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, The Crown Estate makes an overall assessment of whether the lease substantially transfers all of the risks and rewards of ownership of the underlying asset to the lessee. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When The Crown Estate is an intermediate lessor, it accounts for its interests in the headlease and the sub-lease(s) separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset. If an arrangement contains lease and non-lease components, The Crown Estate applies IFRS 15 to allocate the consideration in the contract.

Operating leases

Leases granted to customers where substantially all the risks and rewards of ownership are retained by The Crown Estate as lessor are classified as operating leases. Under the requirements of the Act, a lease premium received on the grant of a lease with a term of 30 years or less is recorded within the revenue account.

The Crown Estate recognises lease payments received for operating leases on a straight-line basis over the lease term from the date of lease commencement to the earliest termination date within the revenue account. This includes applying adjustments for lease incentives, such as rent free periods and contributions towards tenant costs. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews.

Finance leases

Leases granted to tenants where substantially all the risks and rewards of ownership are transferred to the tenant as lessee are classified as finance leases. Where the grant of an extended lease includes deferred payments, the asset is derecognised as investment property and recognised as a finance lease receivable equal to the net investment in the lease at inception. Rentals received are accounted for as repayments of principal and finance income as appropriate. Lease income is recognised within the revenue account at a constant rate of return over the period of the lease. Premia received on the grants of a lease with terms of more than 30 years or more are recorded within the capital account.

The Crown Estate as a lessee

The Crown Estate recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset related to investment properties is recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum lease payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

The Crown Estate presents right-of-use assets as either investment property or property, plant and equipment on the balance sheet, depending on the nature of the leased asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using The Crown Estate's theoretical incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method.

The Crown Estate has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Crown Estate recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2j. Revenue

Lease revenue and non-lease revenue are recorded net of VAT and only to the extent that economic benefit is expected to flow to The Crown Estate.

Lease revenue

The majority of The Crown Estate income arises from leases, the accounting for which is described in note 2i.

Notes to the Group and Parent consolidated financial statements continued

2. Significant accounting policies continued

Non-lease revenue

Non-lease revenue is recognised using a five-step model: identification of the contract; identification of the performance obligations within the contract; determination of the transaction price; allocation of the price to the performance obligations; and then revenue is recognised as the performance obligations are fulfilled.

The different types of non-lease revenue are described below:

— Service charge revenue

The Crown Estate incurs certain costs in relation to properties which are occupied by its customers which, as is common with commercial leases, are recharged to its customers. Service charge income is reported separately, as it represents a separate performance obligation. Service charge income is recognised as associated costs are incurred.

— Royalty income

Royalty income is received in return for the extraction of minerals and aggregates from the land and seabed by customers or their agents. Royalty income is recognised as the minerals are extracted and is invoiced semi-annually in arrears.

In respect of both royalty income and service charge income, contracts, performance obligations, and prices relating to performance obligations are clearly defined in writing and revenues are actually received as performance obligations are met.

— Licence revenue

Licence revenue arises primarily from granting customers rights to lay under-sea pipes or cables and granting coastal rights, such as mooring fees. Licences share many of the same terms and attributes as leases, but do not qualify as leases as the asset is not explicitly identified within the contract. Revenue from licences is recognised on a straight-line basis over the term of the licence and is reported separately from lease revenue.

Customers typically pay licence fees and service charges before the services are rendered and are primarily commercial organisations that operate across a wide range of sectors.

— Other revenue

The majority of other revenue relates to admission fees, and the sale of goods and services at Windsor Great Park. These sales are typically to the general public and are not subject to the same formal contracts as other revenue streams. Revenue is recognised when cash is received, which is typically also the point when the goods or services are provided.

— Property management and support services to partners

The cost of property management and support services provided to joint venture and joint operating partners in relation to the properties managed is recognised evenly across the period over which the services are provided. Distributions from equity investments are recognised when they are declared by the investee.

2k. Taxation

The Crown Estate is not subject to corporation, income or capital gains tax. The consolidated revenue account profit is paid in instalments to the Consolidated Fund and will be used for the benefit of the taxpayer. As a result of this unique position, The Crown Estate does not recognise any deferred tax.

2l. Pensions

The Crown Estate operates two pension schemes providing retirement and related benefits to all eligible staff as follows:

— The Civil Service Pension (CSP)

The CSP is an unfunded multi-employer defined benefit scheme. The Crown Estate is unable to identify its share of the underlying assets and liabilities and as such has accounted for the scheme as a defined contribution scheme.

— The Crown Estate Pension Scheme (CEPS)

The CEPS has: a defined benefit section, the Opal section (which closed to new entrants with effect from 1 January 2008); a defined contribution section, the Topaz section and a hybrid section, the Quartz section.

The assets of the scheme are held separately from those of The Crown Estate, in an independently administered fund. The full values of the net assets or liabilities are recorded on the balance sheet at each year end.

The current service cost of the scheme is charged to the revenue account. The contributions are agreed by The Crown Estate and the Trustees on the basis of triennial valuations using the projected unit credit method. The Remuneration report contains further details of the operation of the scheme.

Re-measurement gains and losses are recognised in the pension reserve. Pension scheme surpluses are only recognised to the extent that The Crown Estate has an unconditional right to utilise the surplus.

2m. Financial instruments

The only financial assets held are equity and partnership interests, joint venture interests, net pension assets, trade and other receivables, and finance lease receivables. The Crown Estate has no financial liabilities except trade and other payables and finance lease liabilities. There are no embedded derivatives within these contracts.

IFRS 9 does not apply to: pension assets which are subject to IAS 19; finance lease receivables and payables which are subject to IFRS 16; or interests in subsidiaries, associates and joint ventures which are subject to IFRS 10, IAS 27 and IAS 28. The Crown Estate's equity investments are not subject to IFRS 10, IAS 27 or IAS 28.

Trade receivables are measured at transaction price, utilising the exception for trade receivables which are not subject to a material finance element.

3. Significant judgements, key assumptions and estimates

The preparation of these financial statements requires The Crown Estate to make certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, expenses and related disclosures. In the process of applying the accounting policies, which are outlined in note 2, The Crown Estate has made no individual judgements that have a significant impact on the financial statements, except those involving estimates that are outlined below.

3a. Property valuations

Investment properties and owner occupied properties are shown at fair value as calculated by independent qualified valuation experts; further information about valuations is included in note 18. Valuations are based on a number of key assumptions including an estimate of future rental income, anticipated future costs, and discount rates. The valuers also compare their valuations to market data for other similar assets.

Given the lack of directly comparable transactions for our interests in our offshore wind farms, establishing appropriate discount rates is inherently subjective and there is a greater degree of valuer judgement required in comparison with a traditional investment valuation. As a result, and similar to the valuation of investment properties, the valuations of interests in offshore wind farms are subject to a degree of uncertainty and are determined on the basis of assumptions which may change with future events. Further details on key assumptions are included within note 18.

3b. Joint venture valuations

Joint ventures primarily comprise property investments and therefore the carrying value includes the same inherent risks as for assets that are wholly owned. However, certain future expenses, such as property improvements, require the approval of both joint venture partners, increasing the uncertainty over this element of the valuation.

3c. Recoverability of receivables, including lease incentive receivables

Significant judgement has been applied in assessing the recoverability of receivables including the unamortised balance of historical lease incentives.

Receivables, and their recoverability, have continued to be affected by the macroeconomic environment. Judgement is required in assessing the recoverability of rental and service charge receivables as many debtors are financially stressed and it is unclear how market actions or future interventions could affect recovery of these receivables.

Consistent with market practice, in certain circumstances, The Crown Estate offers commercial customers incentives to enter into operating leases. The revenue adjustments required to account for these incentives on a straight-line basis create a long-term receivable. The same inherent judgement is required when assessing the carrying value of receivables, although the longer-term recovery period increases the uncertainty around collection.

The Crown Estate assesses the likely recoverability of receivables for potential provisions which are estimated using an expected credit loss model. To estimate the provision, The Crown Estate considers recent payment history and future expectations of customers' ability and willingness to pay in order to recognise a lifetime expected credit loss allowance. Expected credit losses for all receivables are calculated using the simplified approach.

Waivers of lease receivable balances are fully expensed in the consolidated revenue account when agreed with a customer in accordance with derecognition requirements of IFRS 9, and are not associated with another future lease modification.

Notes to the Group and Parent consolidated financial statements

continued

4. Segmental analysis

The Crown Estate operations are all in the UK and are organised into four Strategic Business Units, plus central costs. These four Strategic Business Units are the basis on which operations are monitored and in the 2021/22 financial year, decisions were made by the voting members of the Group Leadership Team (GLT), who are considered to be the Primary Operating Decision Makers. Following a strategic review of our business, the management of the Rural portfolio moved from the Regional portfolio to the Windsor portfolio on 1 April 2021. The 31 March 2021 results and balances have been restated to reflect the new Windsor & Rural Strategic Business Unit, alongside the existing London, Marine and Regional Strategic Business Units.

		2021/22					
Consolidated revenue account	Note	London £m	Regional £m	Marine £m	Windsor & Rural £m	Central costs/other £m	Total £m
Lease revenue	5	194.2	77.4	106.0	25.4	-	403.0
Finance lease revenue	5	7.9	-	-	-	-	7.9
Other revenue from contracts with customers	5	1.9	0.2	27.3	8.2	-	37.6
Property management and support services	5	2.7	1.5	-	-	-	4.2
Revenue (excluding service charge revenue)	5	206.7	79.1	133.3	33.6	-	452.7
Service charge revenue	5	22.1	8.5	-	-	-	30.6
Revenue - as reported	5	228.8	87.6	133.3	33.6	-	483.3
Direct property expenses	6	(17.0)	(2.2)	(5.8)	(15.0)	-	(40.0)
Service charge expenses	6	(46.3)	(12.5)	-	-	-	(58.8)
Total direct expenses		(63.3)	(14.7)	(5.8)	(15.0)	-	(98.8)
Gross profit		165.5	72.9	127.5	18.6	-	384.5
Administrative expenses ¹	6	1.8	-	-	(0.1)	(58.4)	(56.7)
Operating profit/(loss)		167.3	72.9	127.5	18.5	(58.4)	327.8
Net finance income	9	-	-	-	-	3.5	3.5
Share of revenue profit from joint ventures ¹	19	10.5	19.5	-	-	-	30.0
Share of revenue profit from other property investments	20	0.8	1.0	-	-	-	1.8
Net operating profit/(loss) before depreciation, Treasury agreements and statutory transfers		178.6	93.4	127.5	18.5	(54.9)	363.1
Depreciation of tangible fixed assets	10, 21	-	-	-	(0.5)	(2.2)	(2.7)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	(38.0)	(38.0)
Statutory transfers	13	-	-	-	-	(12.0)	(12.0)
Parliamentary supply finance	14	-	-	-	-	2.3	2.3
Consolidated revenue account profit/(loss) - distributable to the Consolidated Fund		178.6	93.4	127.5	18.0	(104.8)	312.7

1. Included within the London share of profit from joint ventures and administrative expenses is an adjustment to eliminate The Crown Estate's share of rental payments to a joint venture.

4. Segmental analysis continued

2021/22

		London £m	Regional £m	Marine £m	Windsor & Rural £m	Central costs/other £m	Total £m
Consolidated capital account	Note						
Capital account expenditure		(4.4)	(1.3)	(8.3)	(0.3)	-	(14.3)
Net revaluation gain in investment property (including gain on disposal)	11	27.8	248.9	843.3	35.7	-	1,155.7
Share of revaluation gain in joint ventures (including gain on disposal)	11	13.4	34.5	-	-	-	47.9
Share of revaluation gain in other property investments	11	2.4	2.1	-	-	-	4.5
Capital profit before Treasury agreements and statutory transfers		39.2	284.2	835.0	35.4	-	1,193.8
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	38.0	38.0
Statutory transfers	13	-	-	-	-	12.0	12.0
Consolidated capital account profit		39.2	284.2	835.0	35.4	50.0	1,243.8

2021/22

		London £m	Regional £m	Marine £m	Windsor & Rural £m	Central costs/other £m	Total £m
Investment properties	Note						
Market value of investment properties	16	7,219.2	1,433.3	4,930.5	1,112.1	-	14,695.1
Investment properties treated as finance leases	26	(450.5)	-	-	(0.9)	-	(451.4)
Headlease liabilities	16	-	2.5	-	-	-	2.5
Assets held for sale	16	-	(9.0)	-	-	-	(9.0)
Less: lease incentives	16	(0.5)	(12.8)	-	-	-	(13.3)
Investment properties at fair value - as reported	16	6,768.2	1,414.0	4,930.5	1,111.2	-	14,223.9
Joint ventures:							
Share of investment properties in joint ventures at valuation	19	399.0	309.6	-	-	-	708.6
Share of other net assets in joint ventures		11.4	5.3	-	-	-	16.7
Share of joint ventures - as reported	19	410.4	314.9	-	-	-	725.3
Proportionally consolidated investment properties:							
Market value of investment properties	16	7,219.2	1,433.3	4,930.5	1,112.1	-	14,695.1
Owner occupied properties	17	30.1	-	-	99.9	-	130.0
Share of investment properties in joint ventures at valuation	19	399.0	309.6	-	-	-	708.6
Other property investments	20	46.2	0.3	-	-	-	46.5
Total market value of investment properties - proportionally consolidated		7,694.5	1,743.2	4,930.5	1,212.0	-	15,580.2
Acquisitions and capital expenditure	16, 17	31.8	11.0	5.2	17.7	-	65.7

Notes to the Group and Parent consolidated financial statements

continued

4. Segmental analysis continued

		2020/21					
Consolidated revenue account	Note	London £m	Regional ² £m	Marine £m	Windsor & Rural ² £m	Central costs/other £m	Total £m
Lease revenue	5	208.1	80.5	95.0	24.0	-	407.6
Finance lease revenue	5	8.0	-	-	-	-	8.0
Other revenue from contracts with customers	5	0.4	0.3	25.8	6.9	-	33.4
Property management and support services	5	2.1	1.7	-	-	-	3.8
Revenue (excluding service charge revenue)	5	218.6	82.5	120.8	30.9	-	452.8
Service charge revenue	5	21.6	8.3	-	-	-	29.9
Revenue - as reported	5	240.2	90.8	120.8	30.9	-	482.7
Direct property expenses	6	(44.0)	(24.7)	(5.7)	(13.3)	-	(87.7)
Service charge expenses	6	(39.8)	(13.2)	-	(0.1)	-	(53.1)
Total direct expenses		(83.8)	(37.9)	(5.7)	(13.4)	-	(140.8)
Gross profit		156.4	52.9	115.1	17.5	-	341.9
Administrative expenses ¹	6	4.2	-	-	(0.1)	(42.6)	(38.5)
Operating profit/(loss)		160.6	52.9	115.1	17.4	(42.6)	303.4
Net finance income	9	-	-	-	-	1.0	1.0
Share of revenue profit from joint ventures ¹	19	3.1	11.7	-	-	-	14.8
Share of revenue profit from other property investments	20	0.8	-	-	-	-	0.8
Net operating profit/(loss) before depreciation, Treasury agreements and statutory transfers		164.5	64.6	115.1	17.4	(41.6)	320.0
Depreciation of tangible fixed assets	21	-	-	-	(0.4)	(5.2)	(5.6)
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	(37.3)	(37.3)
Statutory transfers	13	-	-	-	-	(10.1)	(10.1)
Parliamentary supply finance	14	-	-	-	-	2.3	2.3
Consolidated revenue account profit/(loss) - distributable to the Consolidated Fund		164.5	64.6	115.1	17.0	(91.9)	269.3

1. Included within the London share of profit from joint ventures and administrative expenses is an adjustment to eliminate The Crown Estate's share of rental payments to a joint venture.

2. Restated to reflect the transfer of the management of the Rural portfolio, which reported a consolidated revenue account profit of £14.6 million in 2020/21, from Regional to Windsor & Rural. The reclassification has no impact on the Group results.

4. Segmental analysis continued

		2020/21					
	Note	London £m	Regional ¹ £m	Marine £m	Windsor & Rural ¹ £m	Central costs/other £m	Total £m
Consolidated capital account							
Capital account expenditure		(5.0)	(3.3)	(7.0)	(0.3)	-	(15.6)
Net revaluation (loss)/gain in investment property (including gain on disposal)	11	(699.0)	(222.6)	2,135.8	39.3	-	1,253.5
Share of revaluation loss in joint ventures (including gain on disposal)	11	(25.6)	(111.1)	-	-	-	(136.7)
Share of revaluation loss in other property investments	11	(6.6)	(6.7)	-	-	-	(13.3)
Capital (loss)/profit before Treasury agreements and statutory transfers		(736.2)	(343.7)	2,128.8	39.0	-	1,087.9
Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement	10	-	-	-	-	37.3	37.3
Statutory transfers	13	-	-	-	-	10.1	10.1
Consolidated capital account (loss)/profit		(736.2)	(343.7)	2,128.8	39.0	47.4	1,135.3

1. Restated to reflect the transfer of the management of the Rural portfolio, which reported a consolidated capital account profit of £38.8 million in 2020/21, from Regional to Windsor & Rural. The reclassification has no impact on the Group results.

		2020/21					
	Note	London £m	Regional ¹ £m	Marine ¹ £m	Windsor & Rural ¹ £m	Central costs/other £m	Total £m
Investment properties							
Market value of investment properties	16	7,179.5	1,230.3	4,085.3	1,066.9	-	13,562.0
Investment properties treated as finance leases	26	(437.1)	-	-	(0.8)	-	(437.9)
Headlease liabilities	16	-	2.5	-	-	-	2.5
Assets held for sale		(18.9)	-	-	-	-	(18.9)
Less: lease incentives	16	(0.4)	(13.1)	-	-	-	(13.5)
Investment properties at fair value - as reported	16	6,723.1	1,219.7	4,085.3	1,066.1	-	13,094.2
Joint ventures:							
Share of investment properties in joint ventures at valuation	19	384.8	272.8	-	-	-	657.6
Share of other net assets in joint ventures		7.6	2.7	-	-	-	10.3
Share of joint ventures - as reported	19	392.4	275.5	-	-	-	667.9
Proportionally consolidated investment properties:							
Market value of investment properties	16	7,179.5	1,230.3	4,085.3	1,066.9	-	13,562.0
Owner occupied properties	17	38.4	-	-	95.8	-	134.2
Share of investment properties in joint ventures at valuation	19	384.8	272.8	-	-	-	657.6
Other property investments	20	43.8	10.9	-	-	-	54.7
Total market value of investment properties - proportionally consolidated		7,646.5	1,514.0	4,085.3	1,162.7	-	14,408.5
Acquisitions and capital expenditure¹	16, 17	34.6	12.8	2.2	16.1	-	65.7

1. Restated to reflect the transfer of the management of the Rural portfolio, which had a market value of £816.4 million at 31 March 2021, from Regional to Windsor & Rural and the reclassification of Minerals, which had a market value of £15.1 million at 31 March 2021, from Marine to Windsor & Rural (note 18). These reclassifications had no impact on the total valuation.

Notes to the Group and Parent consolidated financial statements

continued

5. Revenue

	2021/22 £m	2020/21 £m
Lease revenue (note 26)	403.0	407.6
Finance lease revenue (note 26)	7.9	8.0
Other revenue from contracts with customers	37.6	33.4
Property management and support services	4.2	3.8
Revenue before service charge income	452.7	452.8
Service charge income	30.6	29.9
Revenue – as reported	483.3	482.7

Lease revenue and finance lease revenue are recognised in accordance with IFRS 16 (Leases).

Total revenue recognised under IFRS 15 (Revenue from contracts with customers) is £72.4 million (2020/21: £67.1 million). Licence revenue from undersea cables, pipelines and interconnectors is £16.8 million (2020/21: £16.2 million). Mineral royalty revenue is £14.7 million (2020/21: £10.2 million).

6. Revenue account expenses

	2021/22			2020/21		
	Property expenses £m	Administrative expenses £m	Total £m	Property expenses £m	Administrative expenses £m	Total £m
Management fees and costs ¹	20.4	32.8	53.2	17.6	16.6	34.2
Repairs and maintenance	5.0	-	5.0	3.7	-	3.7
Staff costs (note 7)	12.4	23.9	36.3	11.3	21.9	33.2
Other direct expenditure	2.2	-	2.2	55.1	-	55.1
Direct expenses	40.0	56.7	96.7	87.7	38.5	126.2
Service charge expenses	58.8	-	58.8	53.1	-	53.1
Expenses reflected in the revenue account	98.8	56.7	155.5	140.8	38.5	179.3

1. Included in the table above is the auditor's remuneration in respect of its audit of the financial statements of £0.2 million (2020/21: £0.2 million). No non-audit fees have been incurred from the auditor (2020/21: £nil).

7. Staff costs

The total cost of Crown Estate staff (including Board Members) included in direct operating expenses, indirect operating expenses, administrative expenses and the capital account during the year was as follows:

	2021/22 £m	2020/21 £m
Wages and salaries	36.9	33.7
National insurance	4.5	4.0
Current service cost – defined benefit scheme (note 8)	2.3	1.4
Past service cost and gains and losses on settlements (note 8)	-	0.7
Pension contributions – other pension schemes	2.8	2.6
Reorganisation and early retirement costs	0.8	2.5
Total staff costs	47.3	44.9
Charged to:		
Property expenses (note 6)	12.4	11.3
Administrative expenses (note 6)	23.9	21.9
Staff costs reflected in the revenue account	36.3	33.2
Capital account	11.0	11.7
Total staff costs	47.3	44.9
	Number	Number
The average number of staff during the year	512	481

The remuneration of The Crown Estate's key management personnel is as disclosed in the Remuneration report.

8. Retirement benefits

The disclosures below relate to the Opal and Quartz Core sections of The Crown Estate Pension Scheme. All income statement and other comprehensive income statement balances are recorded in the revenue account.

Employer contribution rates are 41.5% (2020/21: 45.0%) of pensionable earnings per annum. for the Opal section and 17.1% (2020/21: 19.5%) of capped pensionable earnings for the Quartz Core section. From 1 April 2022, the equivalent rates will continue to be 41.5% and 17.1% respectively.

8a. Balance sheet and notes

Group and Parent

	2021/22 £m	2020/21 £m
Amounts recognised in the consolidated balance sheet		
Present value of funded obligations	(52.8)	(54.0)
Fair value of scheme assets	65.0	62.2
Net asset recognised in the consolidated balance sheet at 31 March	12.2	8.2
Changes in the present value of the defined benefit obligation	2021/22 £m	2020/21 £m
Opening present value of defined benefit obligation	54.0	45.7
Current service cost	2.3	1.4
Past service costs	-	0.7
Interest cost	1.1	1.0
Members' contributions	0.3	0.3
Actuarial (gain)/loss on scheme liabilities	(3.3)	7.9
Benefits paid	(1.6)	(3.0)
Closing present value of defined benefit obligation	52.8	54.0
Changes in the fair value of scheme assets	2021/22 £m	2020/21 £m
Opening fair value of scheme assets	62.2	57.5
Interest income	1.3	1.2
Actuarial gain on scheme assets	1.6	4.7
Contributions by The Crown Estate	1.2	1.5
Members' contributions	0.3	0.3
Benefits paid	(1.6)	(3.0)
Closing fair value of assets	65.0	62.2
Analysis of return on scheme assets	2021/22 £m	2020/21 £m
Interest income	1.3	1.2
Actuarial gain on scheme assets	1.6	4.7
Actual return on scheme assets	2.9	5.9
8b. Amounts to be recognised in the consolidated revenue account	2021/22 £m	2020/21 £m
Net financing surplus (note 9)	(0.2)	(0.2)
Current service cost	2.3	1.4
Past service cost	-	0.7
Total pension expense	2.1	1.9

Notes to the Group and Parent consolidated financial statements

continued

8. Retirement benefits continued

8c. Total amount recognised in the consolidated statements of comprehensive income

	2021/22 £m	2020/21 £m
Actuarial gain on scheme assets	1.6	4.7
Actuarial gain/(loss) on scheme liabilities	3.3	(7.9)
Re-measurement gain/(loss) on retirement benefits	4.9	(3.2)
Actuarial gain/(loss) on defined benefit obligation:		
(Loss)/gain due to experience	(0.6)	0.5
Gain/(loss) due to demographic assumptions	0.1	(0.2)
Gain/(loss) due to financial assumptions	3.8	(8.2)
Total actuarial gain/(loss) on defined benefit obligation	3.3	(7.9)

8d. Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

	2021/22 £m	2020/21 £m
Cumulative actuarial gains since adoption of IAS 19	6.5	1.6

8e. Major categories of scheme assets

	2021/22 £m	2021/22 %	2020/21 £m	2020/21 %
Equities	11.4	17.5	10.4	16.7
Diversified growth fund	10.2	15.7	9.9	15.9
Liability driven investments	34.8	53.5	34.1	54.9
Alternatives	8.2	12.6	7.3	11.7
Cash	0.4	0.7	0.5	0.8
As at 31 March	65.0	100.0	62.2	100.0

The overall expected return on assets has been derived by considering the long-term expected rate of return for each asset class and taking the average of these rates weighted by the proportion invested in each asset class at the year end.

8f. Principal actuarial assumptions at 31 March

	2021/22	2020/21
Discount rate	2.75%	2.10%
RPI price inflation	3.60%	3.25%
CPI price inflation	3.10%	2.75%
Rate of increase in salaries	3.10%	3.00%
Pension increases	3.00% to 3.60%	2.70% to 3.25%
The mortality assumptions used in this calculation were:		
Life expectancy for a male currently aged 60	28.0	28.0
Life expectancy for a female currently aged 60	29.7	29.6
Life expectancy for a male when they are 60, currently aged 40	29.4	29.3
Life expectancy for a female when they are 60, currently aged 40	31.1	31.1

8. Retirement benefits continued

8g. Experience gains and losses

	2021/22 £m	2020/21 £m	2019/20 £m	2018/19 £m	2017/18 £m
Liabilities at year end	(52.8)	(54.0)	(45.7)	(48.1)	(45.6)
Assets at year end	65.0	62.2	57.5	58.2	55.0
Surplus at year end	12.2	8.2	11.8	10.1	9.4
Asset gain/(loss)					
Amount	1.6	4.7	(2.2)	2.0	(0.5)
Percentage of scheme assets	2.5%	7.6%	(3.8)%	3.6%	(0.9)%
Liability (loss)/gain					
Amount	(0.6)	0.5	0.3	(0.1)	(0.5)
Percentage of scheme liabilities	(1.1)%	0.9%	0.7%	(0.2)%	(1.1)%

Employer contributions are reviewed every three years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

For the year to 31 March 2022, employer contributions to The Crown Estate Pension Scheme (including money purchase sections) were £2.8 million (2020/21: £2.6 million). For the year to 31 March 2022, employer contributions to the Civil Service Pension (CSP) were £1.1 million (2020/21: £1.3 million).

For 2021/22 and 2020/21, employers' contributions were payable to the CSP at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. There are no changes to employer contribution rates or bands from 1 April 2022, so the rates from 1 April 2021 remain in force.

A full actuarial valuation was carried out for The Crown Estate Pension Scheme as at 31 March 2020 and updated to 31 March 2022 by a qualified independent actuary.

A full actuarial valuation was carried out for the CSP as at 31 March 2016; the 31 March 2020 valuation is in progress. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

9. Net finance income

	2021/22 £m	2020/21 £m
Bank interest income	3.6	1.2
Retirement benefits – net financing surplus (note 8)	0.2	0.2
Finance lease interest cost (note 26)	(0.3)	(0.4)
Net finance income	3.5	1.0

10. Recovery of capital expenditure under the Crown Estate Act 1961 and by Treasury agreement

	2021/22 £m	2020/21 £m
By agreement with the Treasury the revenue account is charged with an amount as disclosed in note 1:		
Total recovered from the revenue account to the capital account	38.0	37.3
Depreciation of tangible fixed assets charged as costs in the revenue account (note 21)	2.7	5.6
Total recovered under the Treasury agreement	40.7	42.9

11. Net revaluation gain in properties and investments (including gain on disposal and capital distributions)

	2021/22 £m	2020/21 £m
Reflected in the consolidated capital account		
Revaluation gain in investment properties (note 16)	1,106.0	1,180.4
Gain on disposal of investment properties	49.7	73.1
Net revaluation gain in investment properties (including gain on disposal)	1,155.7	1,253.5
Share of revaluation gain/(loss) in joint ventures (note 19)	47.9	(136.7)
Share of revaluation gain/(loss) in other property investments (note 20)	4.5	(13.3)
Total reflected in the consolidated capital account	1,208.1	1,103.5
Reflected in the statement of comprehensive income of the capital account		
Revaluation gain in owner occupied properties (note 17)	7.3	3.4
Total	1,215.4	1,106.9

Included within revaluation gain in investment properties in the above tables is £13.5 million of revaluation gain (2020/21: £39.3 million) that arises on investment properties that have been classified as finance leases.

Notes to the Group and Parent consolidated financial statements continued

12. Financial instruments

The Act restricts The Crown Estate to holding land, cash and such other investments as permitted by section 3(4) of the Act. All holdings in land and property must be held directly by The Crown Estate. Geographically, all holdings must be within the United Kingdom. The financial assets held by The Crown Estate are cash equivalents and trade and other receivables.

Risk management

The Board has overall responsibility for the determination of The Crown Estate's risk management objectives as disclosed on pages 55-61. The Crown Estate is subject to credit risk in respect of customers and market risk in respect of investments in property partnerships and estates.

Deposits with banks and financial institutions

The Crown Estate limits its deposits to the UK Debt Management Office, an executive agency of the Treasury, and Prudential Regulation Authority regulated banks, incorporated in the UK or EEA and rated 'A' or above, and diversifies its cash holdings between these institutions. As explained in note 1, the Act prevents The Crown Estate from entering into situations which would expose it to foreign exchange risk.

Trade and other receivables subject to credit risk

As described in note 3, the credit risk associated with each customer is evaluated carefully on a recurring basis and the aggregate credit risk of The Crown Estate's receivables is managed actively. Receivables are impaired when there is evidence that credit losses may arise and are stated net of the associated provision on the balance sheet. However, the balance of trade receivables remains low in relation to the value of The Crown Estate's assets.

Investments subject to market risk

As described in note 20, The Crown Estate holds other property investments of a 6.4% share in the equity of The Pollen Estate. These investments are exposed to the risk that the net asset value of the underlying properties will decline and also the marketability of the securities themselves. Both risks are evaluated and quantified by The Crown Estate on a recurring basis. The Crown Estate also holds a 4.9% share of the Lendlease Retail Partnership. The underlying assets in the partnership were sold in the year and the partnership now holds cash to cover the anticipated costs of its liquidation.

Financial instruments by category

The Crown Estate's financial assets are cash and cash equivalents, trade and other receivables, other property investments and other financial assets, the carrying values of which are disclosed on the balance sheet. Financial instruments not measured at fair value include trade and other receivables and trade and other payables. As allowed by IFRS 9 trade receivables are measured at transaction price.

The Crown Estate's other property investments are measured at fair value. Specific disclosures for these investments are in note 20. The Crown Estate has no financial liabilities measured at fair value.

Liquidity risk

The Crown Estate does not hold any debt and does not hedge any cash flows, assets or liabilities. The Crown Estate is subject to liquidity risk; however, in the absence of any borrowing, and given the level of cash currently held, this risk is low. Twelve-month cash flows are maintained to ensure The Crown Estate has sufficient revenue funds and three-year capital cash flow forecasts are maintained to ensure The Crown Estate has sufficient capital funds for future requirements. Cash holdings are diversified as explained above.

	2021/22 £m	2020/21 £m
Financial liabilities within trade payables	5.7	7.1
Financial liabilities within other payables	-	0.4
Total financial liabilities	5.7	7.5

Financial liabilities disclosed above are undiscounted and fall due within three months.

13. Statutory transfers

Under the provisions of the Act, amounts of £12.0 million (2020/21: £10.1 million) are carried to the capital account from the revenue account in respect of mineral revenue.

14. Parliamentary supply finance

Under schedule 1(5) of the Act, monies are provided by Parliament towards the cost of Commissioners' salaries and the expenses of their office. The total of such expenses chargeable to the Parliamentary supply finance account for the current year is shown on the face of the revenue account and the detail is reported separately to Parliament as a Parliamentary supply finance account.

15. Payment to the Consolidated Fund

In accordance with section 1 of the Civil List Act 1952, the net revenue account profit generated by The Crown Estate is paid into the Consolidated Fund. The net revenue profit of £312.7 million relating to the year ended 31 March 2022 will be settled using a structured repayment process in the form agreed with Treasury. The outstanding balance in relation to the 31 March 2021 net revenue profit has been settled in full, with the final payment of £67.4 million being settled in April 2022.

	2021/22 £m	2020/21 £m
Amounts due to the Consolidated Fund at the start of the year (note 24)	367.3	345.0
Payments to the Consolidated Fund made in the year	(299.9)	(247.0)
Amounts due in respect of prior year net revenue profit	67.4	98.0
Consolidated revenue account profit	312.7	269.3
Amounts due to the Consolidated Fund at the end of the year (note 24)	380.1	367.3

16. Investment properties

Group	2021/22			2020/21		
	Investment properties £m	Properties under development £m	Total £m	Investment properties £m	Properties under development £m	Total £m
At opening valuation (before lease incentives)	13,040.8	69.8	13,110.6	11,906.8	71.4	11,978.2
Acquisitions	1.4	-	1.4	4.2	-	4.2
Capital expenditure	63.3	-	63.3	52.4	8.2	60.6
Capital receipts	(8.0)	-	(8.0)	(5.0)	-	(5.0)
Transfers to other categories	69.8	(69.8)	-	-	-	-
Net transfer to owner occupied properties	12.5	-	12.5	1.9	-	1.9
Disposals	(55.4)	-	(55.4)	(109.7)	-	(109.7)
Revaluation	1,106.0	-	1,106.0	1,190.2	(9.8)	1,180.4
At closing valuation (before lease incentives)	14,230.4	-	14,230.4	13,040.8	69.8	13,110.6
Net finance lease payable	2.5	-	2.5	2.5	-	2.5
Assets held for sale	(9.0)	-	(9.0)	(18.9)	-	(18.9)
Closing fair value - as reported	14,223.9	-	14,223.9	13,024.4	69.8	13,094.2
Reconciliation to valuation						
At closing valuation (before lease incentives)	14,230.4	-	14,230.4	13,040.8	69.8	13,110.6
Investment properties treated as finance leases (note 26)	451.4	-	451.4	437.9	-	437.9
Lease incentives	13.3	-	13.3	13.5	-	13.5
Market value	14,695.1	-	14,695.1	13,492.2	69.8	13,562.0

All properties classified as investment properties under development are within the London and Regional Strategic Business Units.

Group and Parent

The property portfolio was valued on 31 March 2022 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 18.

Investment property valuations are complex and derived using estimates of future income and property transactions that are not publicly available. Consequently, all investment property valuations are classified as level 3 within IFRS 13.

The Crown Estate has a number of joint operations, the most significant of which is with Norges Bank Investment Management (NBIM) under which NBIM has a 25% interest through a 150-year lease of the majority of the properties in Regent Street and a 50% interest in 20 Air Street in London. The Crown Estate's share of jointly controlled assets is £3,959.8 million at 31 March 2022 (2020/21: £3,820.6 million) out of the total investment property value of £14,223.9 million (2020/21: £13,094.2 million) and other property investments of £46.5 million (2020/21: £54.7 million).

Notes to the Group and Parent consolidated financial statements continued

16. Investment properties continued

Included within disposals and revaluation in the Group and Parent tables is £13.5 million of revaluation gain (2020/21: £39.3 million) that arises on investment properties that have been classified as finance leases.

Parent	2021/22 £m	2020/21 £m
At opening valuation (before lease incentives)	12,888.9	11,730.8
Acquisitions	1.4	2.1
Capital expenditure	61.2	58.7
Capital receipts	(8.0)	(5.0)
Transfer from owner occupied properties	12.5	1.9
Disposals	(100.9)	(109.7)
Revaluation	1,082.3	1,210.1
At closing valuation (before lease incentives)	13,937.4	12,888.9
Net finance lease payable	2.5	2.5
Classified as assets held for sale	(9.0)	(18.9)
Closing fair value – as reported	13,930.9	12,872.5

The unamortised element of lease incentives granted at 31 March 2022 was £13.3 million (2020/21: £13.5 million).

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Historical cost of investment properties	3,528.9	3,513.3	3,144.6	3,176.6
Market value of freehold investment properties	14,650.2	13,514.6	14,355.0	13,292.9
Market value of long leasehold properties	44.9	47.4	44.9	47.4
Total market value	14,695.1	13,562.0	14,399.9	13,340.3

17. Owner occupied properties

Group and Parent	2021/22 £m	2020/21 £m
Opening fair value	134.2	131.8
Capital expenditure	1.0	0.9
Revaluation gain in owner occupied properties	7.3	3.4
Net transfer to investment properties	(12.5)	(1.9)
Closing fair value	130.0	134.2

All owner occupied properties are classified as level 3 within the value hierarchy.

The historical cost of owner occupied properties at 31 March 2022 was £78.8 million (2020/21: £78.6 million). Information about the valuation and fair value measurement of owner occupied properties is set out in note 18.

18. Fair value measurement of properties

For all investment property that is measured at fair value, the current use of the property is considered the optimal.

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS Valuation – Global Standards 2020 and Valuation Practice Guideline – Application 1 regarding valuation for inclusion in financial statements. CBRE Limited (CBRE) is the principal valuer of the London and Regional portfolios and Cushman & Wakefield (C&W) is the principal valuer of the offshore wind portfolio.

Portions of the London and Regional portfolios are valued on a quarterly basis and a tonal exercise is also undertaken at the half year on the Rural and London (residential) properties.

The Crown Estate and its managing agents provide data to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the Asset Management team and the members of the senior Executive team.

The annual valuation is presented to and the process is endorsed by the Audit Committee. A review is also presented to the Board annually.

Valuers' fees are charged on a fixed basis.

18. Fair value measurement of properties continued

Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the consolidated balance sheet.

All are considered as level 3 in the fair value hierarchy.

Valuation techniques used to derive level 3 fair values of Group properties

Class of property	Valuation 2021/22 £m	Valuation 2020/21 ¹ £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
London:						
Retail	2,227.1	2,321.9	Investment	ERV Yield	£20-£825 psf ITZA 3.0%-5.3%	CBRE
Offices	3,588.4	3,491.6	Investment	ERV Yield	£34-£145 psf 2.0%-5.3%	CBRE
Other multi-use	892.4	863.2	Comparable/ Investment	£ psf Yield	£700-£7,300 psf 1.5%-7.9%	CBRE
Total commercial properties	6,707.9	6,676.7				
Residential	511.3	502.8	Comparable	£ psf	£700-£7,300 psf	CBRE
Total London	7,219.2	7,179.5				
Regional:						
Retail	124.6	135.9	Investment	ERV Yield	£3-£125 psf ITZA 5.7%-16.0%	CBRE
Retail and leisure parks	862.3	695.1	Investment	ERV Yield	£11-£40 psf 4.0%-9.0%	CBRE
Offices	195.5	172.8	Investment	ERV Yield	£22-£33 psf 4.4%-5.0%	CBRE
Other	165.2	155.8	Comparable/ Investment	ERV Yield	£6-£16 psf 2.8%-5.6%	CBRE
Total commercial properties	1,347.6	1,159.6				
Other	85.7	70.7	Comparable/ Investment	Proportion of vacant possession value Yield	50%-100% 1.5%-20.0%	Strutt & Parker
Total Regional¹	1,433.3	1,230.3				
Marine:						
Aggregates	194.8	179.5	Investment/ DCF	Yield Annual extraction	7.0%-15.0% c.21 million tonnes	Wardell Armstrong
Renewables (Rounds 1-3)	1,948.9	1,618.5	DCF	Discount rate	4.5%-19.0%	C&W
Renewables (Round 4)	2,383.1	1,926.8	DCF	Discount rate	2.5%-55.0%	C&W
Coastal	237.7	222.8	Investment	Yield	2.0%-75.0%	Various
Cables and pipelines	166.0	137.7	Investment	Yield	5.5%-12.0%	Powis Hughes
Total Marine	4,930.5	4,085.3				

Notes to the Group and Parent consolidated financial statements

continued

18. Fair value measurement of properties continued

Class of property	Valuation 2021/22 £m	Valuation 2020/21 ¹ £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
Windsor & Rural:						
Agricultural ¹	791.1	769.3	Comparable/ Investment	Proportion of vacant possession value Yield	50%-100% 1.5%-20.0%	Strutt & Parker
Minerals ¹	15.0	15.1	DCF	Yield	5.0%-25.0%	Wardell Armstrong
Other ¹	306.0	282.5	Comparable/ Investment	Yield Proportion of vacant possession value	1.0%-20.0% 23.0%-95.0%	Savills
Total Windsor & Rural¹	1,112.1	1,066.9				
Total investment properties	14,695.1	13,562.0				
Owner occupied properties:						
London	30.1	38.4	Investment	Yield ERV	3.3%-3.9% £73-£98 psf	CBRE
Windsor & Rural	99.9	95.8	Comparable/ Investment	Proportion of vacant possession value Yield	23.0%-95.0% 1.0%-20.0%	Savills
Total owner occupied properties	130.0	134.2				
Total at valuation	14,825.1	13,696.2				

1. Restated to reflect the transfer of the management of the Rural portfolio, which had a fair value of £816.4 million at 31 March 2021, from Regional to Windsor & Rural and the reclassification of Minerals, which had a fair value of £15.1 million at 31 March 2021, from Marine to Windsor & Rural. These reclassifications had no impact on the total valuation.

Market value of properties on a proportionally consolidated basis

	2021/22 £m	2020/21 £m
Investment properties (note 16)	14,695.1	13,562.0
Owner occupied properties (note 17)	130.0	134.2
Total at valuation (Group)	14,825.1	13,696.2
Share of investment properties in joint ventures at valuation (note 19)	708.6	657.6
Other property investments (note 20)	46.5	54.7
Total value of all properties on a proportionally consolidated basis	15,580.2	14,408.5

18. Fair value measurement of properties continued**The fair value of investment property is determined using the following valuation techniques:****Investment method**

This involves estimating the rental value of each lettable unit within the property, making an assessment of void periods and other costs of letting and then capitalising at an appropriate rate.

Hope value has been included where there is future reversionary potential, e.g. conversion of offices back to their original use as residential.

Discounted cash flow (DCF)

This involves the projection of cash flows to which an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Comparable method

An indication of value arrived at by comparing information on the subject asset with similar assets for which valuation data is available.

Specific valuation considerations have been applied to the following classes of property:**Wind farms**

Values for offshore wind farms are only recognised when site exclusivity is granted to customers, which is achieved when preferred bidder status is granted, as there is insufficient certainty over the cash flows before this point. Each wind farm project has been valued individually using a DCF methodology where a wider range of discount rates has been applied to Round 4 representing the stage of these projects and the risks around these cash flows.

The DCF methodology is the typical approach for valuing complex revenue streams and also provides a means to value in a market where there are no directly comparable sales of the seabed subject to a 'ground' lease structure.

Strategic land

Hope value for strategic land is incorporated into the Regional portfolio, discounted to reflect the stage reached in the planning process.

For properties being redeveloped, the residual method has been adopted which involves calculating the potential value when the property has been completed (using the investment method) and then deducting the cost to complete the construction, achieve lettings and appropriate allowances for profit to compensate for the risk of carrying out the development.

Rural and residential properties

These are generally valued using the comparable method and cross-checked with the investment method.

Owner occupied residential property at the Windsor Estate

This has been valued using the comparable method with an appropriate discount to the vacant possession value.

Sensitivity analysis

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the investment property are:

Retail, offices and residential

- estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives
- estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals
- deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties

Rural and residential

- choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure

Properties under development

- the assessment of the value created on completion and the allowance for construction and letting costs to achieve that

Strategic land and properties with potential for residential conversion

- inclusion of hope value for a higher value use dependent upon the likelihood, time and cost of achieving that use

Wind farms

- assessing the appropriate discount rate reflecting the risk in the variability and timing of cash flows for offshore wind farms from site exclusivity through to a generating wind farm
- estimating the generation capacity and the timing of milestone achievements
- consideration of historical, current and expected future energy prices

Other

- allowance for the level of volatility on turnover-related valuations, e.g. offshore wind farms, aggregates and minerals
- assessment of functional lifespan of offshore assets, e.g. cables and pipelines

Notes to the Group and Parent consolidated financial statements continued

18. Fair value measurement of properties continued

Significant increases/(decreases) in the estimated market rental value (ERV) would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long-term vacancy rate or yield would result in a lower/(higher) fair value measurement.

The Crown Estate's properties include multi-use assets, which may be configured with commercial uses and/or residential uses on different floors. Consequently, the sensitivity analysis below has been performed on portfolios as a whole and the London and Regional portfolio analyses only include commercial assets. The Marine portfolio analyses only includes renewable assets.

The following tables detail the impact changes in ERV and discount rates have on the market value of the commercial assets of the London and Regional portfolios and renewable assets of the Marine portfolio.

	Market value £m	Impact on valuations of 10% change in ERV		Impact on valuations of 50 bps change in yield	
		Increase £m	Decrease £m	Decrease £m	Increase £m
Group - 2021/22					
London	6,707.9	394.7	(373.3)	777.3	(584.4)
Regional	1,347.9	107.2	(103.4)	144.8	(118.6)

	Market value £m	Impact on valuations of 50 bps change in discount rates		Impact on valuations of 250 bps change in discount rates	
		Decrease £m	Increase £m	Decrease £m	Increase £m
Group - 2021/22					
Marine – Offshore wind Rounds 1-3	1,948.9	104.3	(96.4)	n/a	n/a
Marine – Offshore Wind Leasing Round 4	2,383.1	n/a	n/a	115.5	(106.2)

Different sensitivities have been used for Offshore Wind Leasing Round 4 compared with Offshore wind Rounds 1-3, representing the different risk profiles of the projects. A three month delay to signing the Agreements for Lease would result in a £82.0 million reduction in the value of the Offshore Wind Leasing Round 4 assets.

	Market value £m	Impact on valuations of 10% change in ERV		Impact on valuations of 50 bps change in yield	
		Increase £m	Decrease £m	Decrease £m	Increase £m
Group - 2020/21					
London	6,676.7	508.9	(517.6)	890.0	(539.3)
Regional	1,159.6	83.0	(78.8)	94.2	(81.5)

	Market value £m	Impact on valuations of 50 bps change in discount rates		Impact on valuations of 250 bps change in discount rates	
		Decrease £m	Increase £m	Decrease £m	Increase £m
Group - 2020/21					
Marine – Offshore wind Rounds 1-3	1,618.5	80.9	(75.9)	n/a	n/a
Marine – Offshore Wind Leasing Round 4	1,926.8	n/a	n/a	132.6	(115.4)

Valuation techniques used to derive level 3 fair values of Parent properties

The valuation of the Parent properties is as disclosed above except as described below:

Class of property	Valuation 2021/22 £m	Valuation 2020/21 £m	Predominant valuation technique	Key unobservable inputs	Range	Principal valuer
London:						
Other multi-use	771.1	795.0	Comparable Investment	£ psf Yield	£700-£7,300 psf 1.5%-7.9%	CBRE
Regional:						
Retail and leisure parks	690.7	541.6	Investment	ERV Yield	£7.0-£50.0 psf 4.5%-8.5%	CBRE

19. Investment in joint ventures

The Crown Estate's investment in joint ventures is described below:

Group and Parent

Name of jointly controlled entity	Percentage owned	Formation date	Partner	Property interest
Fosse Park West Limited Partnership	50%	August 2015	Lekker Wexford West Unit Trust	Fosse Park West, Leicester
Wexford Retail Limited Partnership	50%	August 2014	Lekker Wexford Unit Trust	Fosse Park, Leicester
Maple Investment Limited Partnership	50%	November 2010	The Healthcare of Ontario Pension Plan	St James's Gateway, London
Westgate Oxford Alliance Limited Partnership	50%	May 2010	Land Securities Group PLC	Westgate, Oxford
Crown Point co-ownership agreement	50%	June 2008	Morley Fund Management	Crown Point Shopping Park, Leeds
The Gibraltar Limited Partnership	50%	April 2007	Hercules Unit Trust	-
The St James's Market Partnership Group:				
St James's Market Haymarket Limited Partnership	50%	September 2013	Oxford Properties Group	2 St James's Market, London
St James's Market Regent Street Limited Partnership	50%	September 2013	Oxford Properties Group	1 St James's Market, London
St James's Market Development Limited	50%	September 2013	Oxford Properties Group	
The St James's Market Partnership Group 2:				
SJM Four (South Block) Limited Partnership	50%	May 2015	Oxford Properties Group	4 St James's Market, London
St James's Market Development (No. 2) Limited	50%	May 2015	Oxford Properties Group	

All joint ventures operate in the United Kingdom.

Notes to the Group and Parent consolidated financial statements

continued

19. Investment in joint ventures continued

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were:

	London			Regional				Total
	Maple Investment LP £m	St James's Market Partnership Group £m	St James's Market Partnership Group 2 £m	Crown Point £m	The Gibraltar LP £m	Westgate Oxford Alliance LP £m	Wexford Retail LP ¹ £m	£m
Balance sheet at 31 March 2022								
Investment properties at valuation	211.9	489.1	97.0	82.7	-	247.0	289.5	1,417.2
Lease incentives	-	(0.4)	-	(0.4)	-	(4.2)	(13.5)	(18.5)
Cash and cash equivalents	3.8	11.7	2.1	2.2	1.0	11.7	19.4	51.9
Other assets	1.2	16.6	1.6	1.4	-	14.4	19.4	54.6
Current liabilities	(2.7)	(9.4)	(1.7)	(2.3)	(0.6)	(11.6)	(26.2)	(54.5)
Non-current liabilities	-	-	-	-	-	(0.1)	-	(0.1)
Net assets	214.2	507.6	99.0	83.6	0.4	257.2	288.6	1,450.6
Comprehensive income statement for the year ended 31 March 2022								
Revenue	7.7	17.1	4.2	5.4	-	28.4	13.5	76.3
Expenses	(1.2)	(3.4)	(3.5)	(1.8)	(0.1)	(4.4)	(1.9)	(16.3)
Revenue account profit/(loss)	6.5	13.7	0.7	3.6	(0.1)	24.0	11.6	60.0
Revaluation gain in investment properties	1.0	22.8	3.0	23.6	-	6.50	39.0	95.9
Total capital account comprehensive gain	1.0	22.8	3.0	23.6	-	6.50	39.0	95.9

1. Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

	Total London £m	Total Regional £m	Total 2021/22 £m
Investment properties at valuation	399.0	309.6	708.6
Cash and cash equivalents	8.8	17.2	26.0
Net assets	410.4	314.9	725.3
Revenue	14.5	23.6	38.1
Revenue account profit	10.5	19.5	30.0
Revaluation gain	13.4	34.5	47.9

19. Investment in joint ventures continued

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were:

	London			Regional			Total	
	Maple Investment LP £m	St James's Market Partnership Group £m	St James's Market Partnership Group 2 £m	Crown Point £m	The Gibraltar LP £m	Westgate Oxford Alliance LP £m	Wexford Retail LP ¹ £m	£m
Balance sheet at 31 March 2021								
Investment properties at valuation	210.6	465.8	93.2	59.2	-	245.1	241.3	1,315.2
Lease incentives	-	-	-	(0.3)	-	(10.2)	(6.5)	(17.0)
Cash and cash equivalents	2.7	8.8	0.9	1.4	3.8	8.4	16.4	42.4
Other assets	(4.0)	19.9	2.1	4.3	-	16.0	16.1	54.4
Current liabilities	(3.1)	(10.2)	(1.8)	(2.6)	(3.4)	(9.8)	(28.2)	(59.1)
Non-current liabilities	-	-	-	-	-	(0.1)	-	(0.1)
Net assets	206.2	484.3	94.4	62.0	0.4	249.4	239.1	1,335.8
Comprehensive income statement for the year ended 31 March 2021								
Income	7.6	5.7	5.6	5.6	-	28.5	15.2	68.2
Expenses	(3.1)	(5.7)	(3.8)	(0.5)	(0.2)	(21.8)	(3.5)	(38.6)
Revenue account profit	4.5	-	1.8	5.1	(0.2)	6.7	11.7	29.6
Revaluation loss in investment properties	(30.2)	(15.0)	(6.0)	(14.3)	-	(117.8)	(90.2)	(273.5)
Total capital account comprehensive loss	(30.2)	(15.0)	(6.0)	(14.3)	-	(117.8)	(90.2)	(273.5)

1. Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

	Total London £m	Total Regional £m	Total 2020/21 £m
Investment properties at valuation	384.8	272.8	657.6
Cash and cash equivalents	6.2	15.0	21.2
Net assets	392.4	275.5	667.9
Revenue	9.5	24.6	34.1
Revenue account profit	3.1	11.7	14.8
Revaluation loss	(25.6)	(111.1)	(136.7)

Group and Parent

Summary of movement in investment in joint ventures

	2021/22 £m	2020/21 £m
Opening balance	667.9	802.7
Share of revenue profit	30.0	14.8
Revaluation gain/(loss) in investment property	47.9	(136.7)
Net equity additions	6.7	13.1
Revenue distributions received	(27.2)	(26.0)
Closing balance	725.3	667.9

The investment properties included within the net current assets of jointly controlled entities included above are valued at fair value and are classified as level 3 within the value hierarchy as defined within IFRS 13. There were no transfers between levels during the year.

Notes to the Group and Parent consolidated financial statements continued

20. Other property investments

Other property investments comprise a 6.4% equity investment in The Pollen Estate and a 4.9% share of Lendlease Retail Partnership, an English Limited Partnership. The Pollen Estate owns freehold property in an area of Mayfair to the west of Regent Street in London and the investment is held by a subsidiary of The Crown Estate. Lendlease Retail Partnership disposed of its underlying investments, Bluewater Shopping Centre, Kent and Touchwood Court Shopping Centre, Solihull and distributed the majority of the proceeds during the year. The partnership now holds cash to cover the anticipated costs of its liquidation.

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Opening balance	54.7	68.0	10.9	17.6
Share of capital distribution	(12.7)	-	(12.7)	-
Share of revaluation gain/(loss) in investment reflected in the consolidated capital account	4.5	(13.3)	2.1	(6.7)
Share of net assets reflected in the balance sheet	46.5	54.7	0.3	10.9
Share of revenue profit	1.8	0.8	1.0	0.8

The investments are held at the Group's share of fair value. The property investments are classified as level 3 within the value hierarchy as defined within IFRS 13. There were no transfers between levels during the period.

The basis for valuations are net asset value (NAV) estimates from valuation reports prepared by independent third party valuers, which serve as the key unobservable inputs. Fair values are derived by discounting NAVs, having regard to their liquidity and other relevant factors.

If the NAV of other property investments declined by 5%, the combined effect of declines in liquidity discounts and valuations would be £4.5 million (2020/21: £5.6 million).

21. Property, plant and equipment

	Leasehold right-of-use asset £m	Leasehold improvements £m	Office equipment £m	Plant and machinery £m	Motor vehicles £m	Total £m
Group and Parent						
Cost at 1 April 2021	15.1	9.7	36.8	2.9	1.5	66.0
Additions	-	-	4.9	-	-	4.9
IFRIC adjustment	-	-	(8.5)	-	-	(8.5)
Cost at 31 March 2022	15.1	9.7	33.2	2.9	1.5	62.4
Depreciation at 1 April 2021	4.0	2.5	27.1	2.2	1.1	36.9
Charge in the year	1.0	0.6	0.7	0.3	0.1	2.7
IFRIC adjustment	-	-	(2.4)	-	-	(2.4)
Depreciation at 31 March 2022	5.0	3.1	25.4	2.5	1.2	37.2
Net book value at 31 March 2022	10.1	6.6	7.8	0.4	0.3	25.2

Group and Parent						
Cost at 1 April 2020	15.1	9.7	33.0	2.8	1.5	62.1
Additions	-	-	3.8	0.2	0.4	4.4
Disposals	-	-	-	(0.1)	(0.4)	(0.5)
Cost at 31 March 2021	15.1	9.7	36.8	2.9	1.5	66.0
Depreciation at 1 April 2020	2.9	1.8	23.5	2.2	1.4	31.8
Charge in the year	1.1	0.7	3.6	0.1	0.1	5.6
Disposals	-	-	-	(0.1)	(0.4)	(0.5)
Depreciation at 31 March 2021	4.0	2.5	27.1	2.2	1.1	36.9
Net book value at 31 March 2021	11.1	7.2	9.7	0.7	0.4	29.1

Following the IFRS Interpretations Committee (IFRIC) update on Configuration or Customisation Costs in a Cloud Computing Arrangement a review of capitalised software costs has been carried out. As a result assets with a net book value of £6.1 million that were previously categorised as fixed assets have been charged to the revenue account.

Included within motor vehicles are motor vehicles with a book value of £0.1 million (2020/21: £0.1 million) that are owned by The Crown Estate. All other motor vehicles are right-of-use assets.

22. Other investments

Group and Parent	2021/22 £m	2020/21 £m
Other investments comprise antiques and paintings		
Fair value at 1 April 2021 and at 31 March 2022	10.9	10.9

Other investments comprise antiques and paintings and are shown at fair value. Any gain or loss arising from changes in fair value is recognised directly in the revaluation reserve. The latest triennial valuation was carried out by recognised experts and completed during the year ended 31 March 2020.

23. Trade and other receivables

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Amounts falling due within one year:				
Trade receivables – leases	91.5	148.1	84.4	139.8
Capital receivables – non-leases	57.7	5.5	56.5	4.0
Other financial assets	0.1	0.1	0.1	0.1
Amounts owed by subsidiary undertakings	-	-	424.3	367.6
Other receivables	14.2	15.3	10.3	11.9
Prepayments	2.9	2.8	2.9	2.8
Investment properties treated as finance leases (note 26)	7.9	8.0	7.9	8.0
Accrued income from leases	35.0	27.2	35.0	27.1
Accrued income from revenue	2.3	1.2	2.3	1.2
	211.6	208.2	623.7	562.5
Provision for expected lifetime losses	(45.3)	(73.6)	(41.5)	(67.8)
Total receivables falling due within one year	166.3	134.6	582.2	494.7
Amounts falling due after more than one year:				
Capital receivables – non-leases	15.4	27.1	15.4	27.1
Other financial assets	2.3	2.3	2.3	2.3
Investment properties treated as finance leases (note 26)	443.5	429.9	443.5	429.9
Other receivables	28.6	28.8	28.6	28.8
Total receivables falling due after one year	489.8	488.1	489.8	488.1

Trade receivable impairments reflect the application of The Crown Estate's provisioning policy in respect of expected credit losses as described in note 3. The carrying amount of the trade and other receivables approximates to their fair value.

Receivables from contracts with customers as at 31 March 2022 was £15.2 million (2020/21: £15.8 million). All accrued income arising from revenue with contracts with customers as at 31 March 2022 has been or will be invoiced within four months of the year end (2020/21: four months).

Expected lifetime losses on trade, capital and other receivables

The Crown Estate has a wide range of customers in a range of industries resulting in highly diversified credit risk in respect of trade and capital receivables. The Crown Estate uses a lifetime expected loss allowance for trade and capital receivables. The provision is shown below.

	Amounts not yet due	Less than 90 days past due	Between 90 and 180 days past due	More than 180 days past due	Total
At 31 March 2022					
Expected loss rate	-	11%	47%	61%	28%
	£m	£m	£m	£m	£m
Gross carrying amount	30.3	69.6	11.8	52.9	164.6
Provision	-	7.5	5.5	32.3	45.3
At 31 March 2021					
Expected loss rate	3%	32%	55%	61%	41%
	£m	£m	£m	£m	£m
Gross carrying amount	30.4	59.4	31.2	59.7	180.7
Provision	1.0	18.8	17.1	36.7	73.6

Notes to the Group and Parent consolidated financial statements

continued

24. Payables and deferred income

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Amounts falling due within one year:				
Trade payables	5.7	5.7	5.6	5.3
Rents received in advance	66.4	77.4	63.9	75.5
Deferred income ¹	298.4	3.8	298.4	3.8
Taxes and social security	15.6	154.2	15.2	153.8
Other payables	41.2	32.8	39.4	32.8
Consolidated Fund (note 15)	380.1	367.3	380.1	367.3
Accruals	48.4	31.0	47.4	30.0
Obligations under finance leases (note 26)	1.9	1.8	1.9	1.8
Total amounts falling due within one year	857.7	674.0	851.9	670.3
Amounts falling due after more than one year:				
Deferred income ¹	644.2	920.9	644.2	920.9
Obligations under finance leases (note 26)	15.4	16.7	15.4	16.7
Total amounts falling due after more than one year	659.6	937.6	659.6	937.6

1. Included in deferred income due within one year and due after more than one year are £293.0 million (2020/21: £nil) and £586.0 million (2020/21: £879.0 million) respectively of customer option fee deposits in respect of Offshore Wind Leasing Round 4.

25. Provisions

Group and Parent	2021/22 £m	2020/21 £m
Restructuring provision		
Opening balance	3.4	-
Payments in year	(2.7)	-
Expenses recorded in the revenue account	-	3.4
Closing balance	0.7	3.4

The Crown Estate announced a restructure in the prior year, which was largely completed in the year. The provision of £0.7 million at 31 March 2022 (31 March 2021: £3.4 million) relates to the remaining costs of the restructure.

26. Leasing

Operating leases with customers

The Crown Estate leases out the vast majority of its investment properties under operating leases for average lease terms of 45 years (2020/21: 43 years) to expiry. The Crown Estate has classified these leases as operating leases, because the leases do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The undiscounted future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases, are as follows:

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Less than one year	302.2	298.0	292.2	287.5
Between one and five years	971.0	929.5	930.7	890.1
More than five years	4,700.2	4,779.5	4,642.6	4,714.5
Total operating leases with customers	5,973.4	6,007.0	5,865.5	5,892.1

26. Leasing continued

Finance leases with customers

Certain of The Crown Estate's long lease arrangements include elements of ongoing income in addition to ground rent. The Crown Estate has considered the lease as a whole, and where the lease has been determined to be a finance lease, the future lease income is treated as a finance lease receivable. Amounts receivable under non-cancellable finance leases are as follows:

Group and Parent	2021/22 £m	2020/21 £m
Less than one year	7.9	8.0
Between one and five years	29.3	32.1
More than five years	1,523.6	1,516.2
Total undiscounted lease assets at 31 March	1,560.8	1,556.3
Future finance lease income	(1,321.3)	(1,316.7)
Unguaranteed residual values	211.9	198.3
Investment properties disclosed as finance leases (note 16)	451.4	437.9
Disclosed as:		
Current (note 23)	7.9	8.0
Non-current (note 23)	443.5	429.9

During the year ended 31 March 2022 there was no gain on the sale of finance leases (2020/21: £nil).

Lease liabilities

Lease liabilities are payable as follows:

Group and Parent	2021/22 £m	2020/21 £m
Less than one year	1.9	1.8
Between one and five years	6.9	7.1
More than five years	54.7	56.4
Total undiscounted lease liabilities at 31 March	63.5	65.3
Future finance charges	(46.2)	(46.8)
Present value of lease liabilities at 31 March	17.3	18.5
Disclosed as:		
Current	1.9	1.8
Non-current	15.4	16.7

The Crown Estate leases head office space from a joint venture and leases various motor vehicles for operations at Windsor Great Park.

Amounts recognised in revenue account:

Group and Parent	2021/22 £m	2020/21 £m
Income from sub-leasing right-of-use assets	0.8	2.2
Contingent rents receivable	38.1	36.4
Variable lease payments not included in the measurement of lease liabilities	(2.1)	(0.6)
Interest on lease liabilities (note 9)	(0.3)	(0.4)

The Crown Estate has no material leases that require higher than normal risk management.

Notes to the Group and Parent consolidated financial statements continued

27. Capital commitments and guarantees

Capital commitments

At 31 March 2022, The Crown Estate had committed to make capital expenditure of £36.2 million (2020/21: £106.7 million).

Guarantees

The Crown Estate has provided guarantees in respect of all outstanding liabilities relating to the year ended 31 March 2022 in respect of the following Group undertakings, thereby enabling the undertakings to take advantage of the exemptions permitted by section 479a of the Companies Act 2006 from the requirements relating to the audit of individual accounts:

Purple Holdco Limited (Registration no. 07427296)

Anther GP Limited (Registration no. 09164146)

Anther Partners LP (Registration no. LP016154)

Shoemaker GP Limited (Registration no. 09437208)

Shoemaker LP (Registration no. LP016513)

TCE Quadrant 4 LP (Registration no. LP019607)

TCE Purple Investment LP (Registration no. LP014210)

TCE Morley House LP (Registration no. LP021554)

28. Contingent liabilities

The Crown Estate is subject to various litigation, claims and warranties arising in the ordinary course of business. Based on the information currently available, it is not expected that the resolution of these matters, individually or in aggregate, will lead to any material liabilities.

29. Related party transactions

Joint ventures

The transactions outlined below are between the Group and its joint ventures, further details of which are given in note 19.

The Crown Estate occupies space at 1 St James's Market, a property owned by St James's Market Regent Street LP, a joint venture. Rental payments of £3.2 million (2020/21: £3.2 million) were made during year and the prepaid balance with the joint venture was £0.8 million at 31 March 2022 (2020/21: £0.8 million).

	Group 2021/22 £m	Group 2020/21 £m	Parent 2021/22 £m	Parent 2020/21 £m
Management fees receivable	3.3	3.2	2.1	1.8
Charges from joint ventures	(1.9)	(1.8)	(1.9)	(1.8)

The Crown Estate has no material leases that require higher than normal risk management.

Transactions with subsidiaries

Details of transactions between The Crown Estate and other related parties in the normal course of business are disclosed below:

	2021/22 £m	2020/21 £m
Management fees paid	3.0	2.9

Details of amounts receivable from subsidiaries are outlined in note 23.

Key management personnel

A number of members of the senior Executive team and the Board are considered to be The Crown Estate's key management personnel. Details of their remuneration are disclosed in the Remuneration report.

Jane Hamilton, who is a non-executive director of Government Property Agency (GPA), is Chair of the Board of NHS Property Services Ltd. NHS Property Services Ltd is a client of GPA within the government boundary. A close relative of Jane Hamilton is a Board member of The Crown Estate, which is a supplier to GPA outside the government boundary. Total expenditure to The Crown Estate in the year amounted to £393,000 with a total payable balance as at 31 March 2022 of £3,000.

30. Third party deposits

At 31 March 2022, The Crown Estate held £41.1 million (2020/21: £33.8 million) on deposit on behalf of third parties.

31. Investments

The Crown Estate has the following wholly owned subsidiary undertakings, all of which are registered at 1 St James's Market, London SW1Y 4AH. Unless otherwise stated the principal activity of the investments is property investment and management:

Purple Holdco Limited¹
 Purple Investment Management LLP²
 Purple Investment GP Limited
 TCE Purple Investment LP
 Anther GP Limited
 Anther Partners LP
 TCE Quadrant 4 LP
 TCE Quadrant 4 GP Limited
 Shoemaker GP Limited
 Shoemaker LP
 Shoemaker Nominee Limited
 TCE Morley House GP Limited
 TCE Morley House LP
 Urbanlease Property Management Limited³

1. Intermediate holding company
2. Asset management advice
3. Property management (dormant)

The Crown Estate has a 50% interest in the following joint ventures. Unless otherwise noted, they are all registered at 1 St James's Market, London SW1Y 4AH:

Maple Investment GP Limited
 Maple Investment LP
 Maple Nominee Limited
 Wexford Retail GP Limited
 Wexford Retail LP
 Wexford Retail Nominee Limited
 Fosse Park West GP Limited
 Fosse Park West LP
 Fosse Park West Nominee Limited
 St James's Market Haymarket GP Limited
 St James's Market Haymarket LP
 St James's Market Regent Street GP Limited
 St James's Market Regent Street LP
 SJM Four (South Block) GP Limited
 SJM Four (South Block) LP
 St James's Market Development Limited
 St James's Market Development (No.2) Limited
 Gibraltar General Partner Limited¹
 The Gibraltar Limited Partnership¹
 Gibraltar Nominees Limited¹
 Westgate Oxford Alliance GP Limited²
 Westgate Oxford Alliance Limited Partnership²
 Westgate Oxford Alliance Nominee No.1 Limited²
 Westgate Oxford Alliance Nominee No.2 Limited²

1. Registered office - York House, 45 Seymour Street, London W1H 7LX.
2. Registered office - 100 Victoria Street, London SW1E 5JL.

32. Issue of accounts

On 9 June 2022, the financial statements were approved by the Board prior to certification by the Comptroller and Auditor General on 13 June 2022. On the certification date, the financial statements are deemed to be authorised for issue. Post balance sheet events were considered up to the certification date.

33. Events after the balance sheet date

In April 2022, The Crown Estate announced the conclusion of the Habitats Regulations Assessment, assured by the Audit Committee, and gave notice to the UK and Welsh governments of its intent to proceed with the Offshore Wind Leasing Round 4 plan on the basis of a derogation.

The Welsh government has not lodged any objections to the notice, and we await further direction from the UK government.

This additional information is not inconsistent with the assumptions made by the external valuers when assessing the fair value of Offshore Wind Leasing Round 4 and as such this announcement has no impact on the reported results.

Additional information

Supplementary disclosures (unaudited)

Summary consolidated income statements on a proportionally consolidated basis

The tables below do not form part of the consolidated primary statements or notes thereto. They present the results of the operations of the Group, with its share of the results of jointly controlled interests on a line-by-line, i.e. proportional, basis. The revenue and capital profit are the same as presented in the consolidated revenue and consolidated capital accounts.

	2021/22			2020/21		
	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Consolidated revenue account						
Revenue before service charges	452.7	38.1	490.8	452.8	34.1	486.9
Service charge revenue	30.6	5.0	35.6	29.9	4.0	33.9
Revenue – as reported	483.3	43.1	526.4	482.7	38.1	520.8
Property expenses	(98.8)	(13.1)	(111.9)	(140.8)	(23.3)	(164.1)
Gross profit	384.5	30.0	414.5	341.9	14.8	356.7
Administrative expenses	(56.7)	-	(56.7)	(38.5)	-	(38.5)
Operating profit	327.8	30.0	357.8	303.4	14.8	318.2
Net finance income	3.5	-	3.5	1.0	-	1.0
Share of revenue profit from joint ventures	30.0	(30.0)	-	14.8	(14.8)	-
Share of revenue profit from other property investments	1.8	-	1.8	0.8	-	0.8
Depreciation of tangible fixed assets	(2.7)	-	(2.7)	(5.6)	-	(5.6)
Net consolidated operating profit before Treasury agreements and statutory transfers	360.4	-	360.4	314.4	-	314.4
Treasury agreements	(38.0)	-	(38.0)	(37.3)	-	(37.3)
Statutory transfers	(12.0)	-	(12.0)	(10.1)	-	(10.1)
Parliamentary supply finance	2.3	-	2.3	2.3	-	2.3
Consolidated revenue account profit	312.7	-	312.7	269.3	-	269.3

	2021/22			2020/21		
	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Consolidated capital account						
Capital account expenditure	(14.3)	-	(14.3)	(15.6)	-	(15.6)
Revaluation gain/(loss) (including gain on disposal)	1,155.7	47.9	1,203.6	1,253.5	(136.7)	1,116.8
Share of revaluation gain in joint ventures (including gain on disposal)	47.9	(47.9)	-	(136.7)	136.7	-
Share of revaluation gain/(loss) in other property investments	4.5	-	4.5	(13.3)	-	(13.3)
Consolidated capital account profit before Treasury agreements and statutory transfers	1,193.8	-	1,193.8	1,087.9	-	1,087.9
Treasury agreements	38.0	-	38.0	37.3	-	37.3
Statutory transfers	12.0	-	12.0	10.1	-	10.1
Consolidated capital account profit	1,243.8	-	1,243.8	1,135.3	-	1,135.3

Summary balance sheet on a proportionally consolidated basis

The tables below do not form part of the consolidated primary statements or notes thereto. They present the composition of the net assets of the Group, with its share of the net assets of jointly controlled interests on a line-by-line, i.e. proportional, basis.

	2021/22			2020/21		
	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Balance sheet						
Investment properties – as reported	14,223.9	699.3	14,923.2	13,094.2	649.1	13,743.3
Investment properties treated as finance leases	451.4	-	451.4	437.9	-	437.9
Owner occupied properties	130.0	-	130.0	134.2	-	134.2
Other property investments	46.5	-	46.5	54.7	-	54.7
Assets held for sale	9.0	-	9.0	18.9	-	18.9
Total properties	14,860.8	699.3	15,560.1	13,739.9	649.1	14,389.0
Investment in jointly controlled entities	725.3	(725.3)	-	667.9	(667.9)	-
Cash and cash equivalents	2,135.2	26.0	2,161.2	2,174.5	21.2	2,195.7
Other assets	253.0	27.3	280.3	233.0	27.2	260.2
Current liabilities	(858.4)	(27.2)	(885.6)	(677.4)	(29.6)	(707.0)
Payables – amounts falling due after more than one year	(659.6)	(0.1)	(659.7)	(937.6)	-	(937.6)
Net assets	16,456.3	-	16,456.3	15,200.3	-	15,200.3

Properties at valuation on a proportionally consolidated basis

	2021/22			2020/21		
	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m	Group £m	Share of jointly controlled entities £m	Proportionally consolidated £m
Properties at valuation						
Investment properties – as reported	14,223.9	699.3	14,923.2	13,094.2	649.1	13,743.3
Investment properties treated as finance leases	451.4	-	451.4	437.9	-	437.9
Assets held for sale	9.0	-	9.0	18.9	-	18.9
Headlease liabilities	(2.5)	-	(2.5)	(2.5)	-	(2.5)
Lease incentives	13.3	9.3	22.6	13.5	8.5	22.0
Market value of investment properties	14,695.1	708.6	15,403.7	13,562.0	657.6	14,219.6
Owner occupied properties	130.0	-	130.0	134.2	-	134.2
Joint venture properties	708.6	(708.6)	-	657.6	(657.6)	-
Other property investments	46.5	-	46.5	54.7	-	54.7
Total properties at valuation	15,580.2	-	15,580.2	14,408.5	-	14,408.5

Additional information

Ten-year record

Based on the financial statements for the year ended 31 March

Revenue account	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Revenue (excluding service charge revenue)	332.2	350.8	373.1	395.1	419.6	421.9	441.0	476.0	452.8	452.7
Direct operating expenses (including net service charge expenses)	(49.0)	(45.9)	(51.1)	(54.2)	(53.4)	(60.0)	(61.2)	(86.6)	(110.9)	(68.2)
Gross profit	283.2	304.9	322.0	340.9	366.2	361.9	379.8	389.4	341.9	384.5
Administrative expenses	(19.8)	(20.0)	(20.9)	(23.0)	(27.7)	(28.8)	(30.7)	(34.6)	(38.5)	(56.7)
Net revenue account profit	252.6	267.1	285.1	304.1	328.8	329.4	343.5	345.0	269.3	312.7
Payments to the Consolidated Fund – payable in year	251.8	266.2	285.1	304.1	328.8	329.4	343.5	345.0	269.3	312.7
Balance sheet	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Investment, development and owner occupied properties (including assets held for sale)	8,680.2	9,915.2	11,376.5	12,448.8	12,824.9	11,730.5	12,218.3	12,112.5	13,247.3	14,362.9
Investment in joint ventures	275.3	396.3	646.8	820.4	990.9	1,111.1	941.8	802.7	667.9	725.3
Other non-current assets	84.8	97.3	163.9	177.8	180.5	455.1	464.0	555.7	591.0	584.6
Cash and cash equivalents	585.5	552.0	552.5	907.3	825.6	886.9	802.8	1,029.1	2,174.5	2,135.2
Current assets (excluding assets held for sale)	25.1	19.3	39.2	51.1	53.3	83.9	100.6	105.6	134.6	166.3
Current liabilities	(115.5)	(110.9)	(136.1)	(154.7)	(180.1)	(157.1)	(179.9)	(496.9)	(677.4)	(858.4)
Non-current liabilities	(920.5)	(992.5)	(1,181.1)	(1,371.1)	(1,560.6)	(19.7)	(18.7)	(43.9)	(937.6)	(659.6)
Net assets	8,614.9	9,876.7	11,461.7	12,879.6	13,134.5	14,090.7	14,328.9	14,064.8	15,200.3	16,456.3

Glossary

Agreement for Lease (AfL)

A contractual (sometimes conditional) agreement between parties to enter into a lease.

Bespoke benchmark

An MSCI benchmark based upon the Annual Index weighted to reflect our average capital employed at March 2022. This excludes our ownership of certain non-commercial assets including the Windsor Estate.

Book value

The amount at which assets and liabilities are reported in the financial statements.

bps

Basis points, a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 0.01%.

Capital employed

The capital value of an asset at the beginning of a period plus net capital invested over the period.

Capital value

The net assets of The Crown Estate held as capital for Her Majesty and Her Successors.

Carbon Capture, Usage and Storage (CCUS)

CCUS is a low-carbon solution which captures CO₂ from power generation and industries such as iron & steel, fertilizer, cement, chemicals, and refining, as well as enabling at scale low-carbon hydrogen production. The CO₂ is then transported via pipeline or ship to a permanent and secure storage site, deep under the seabed (source: ccsassociation.org).

Consolidated Fund

The UK Government's general bank account held at the Bank of England. Taxation and other monies paid to the Treasury are paid into this fund.

CPI

Consumer Price Inflation, the rate at which prices of goods and services bought by households rise or fall.

CVA

Company Voluntary Arrangement – a legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.

DCF

Discounted cash flow.

Development pipeline

Development projects under construction or planned.

Direct expenditure

Expenditure incurred that relates directly to the operation of the properties from which revenue is received.

Equivalent yield

The constant capitalisation rate applied to all cash flows, that is, the internal rate of return from an investment property reflecting reversion to current market rent.

ERV

The estimated market rental value of lettable space.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Government Financial Reporting Manual (FReM)

The technical accounting guide for the preparation of financial statements.

Habitats Regulations

The Conservation of Habitats and Species Regulations 2017 (SI No. 2017/1012) and The Conservation of Offshore Marine Habitats and Species Regulations 2017 (SI No. 2017/1013)

Habitats Regulations Assessment (HRA)

An assessment of the potential impacts on the most valuable environmental habitats in the UK. For offshore wind developments, this is an important step in helping to conserve the UK's marine and coastal environment.

Headlease

A leasehold interest held directly from the freeholder and subject to one or more underleases in the whole, or part, of the property.

IFRIC

IFRS Interpretations Committee.

IFRS

International Financial Reporting Standards.

Initial yield

The initial net income at the date of purchase expressed as a percentage of the gross purchase price including the costs of purchase.

Integrated annual report

A concise communication about how an organisation creates value in the short, medium and long term.

ITZA

'In terms of Zone A'. A method for measuring retail space on a like-for-like basis.

Glossary continued

Lease incentive

Any incentive offered to occupiers to enter into a lease. This includes an initial rent free period or a cash contribution to fit out.

Lease premium

The price paid for the purchase of a leasehold interest.

Market value

The estimated amount for which a property would exchange on the date of valuation, between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, net of purchasers' costs, where the parties have each acted knowledgeably, prudently and without compulsion.

Material issues

An issue that would significantly influence our business.

MSCI

Morgan Stanley Capital International, a real estate body which produces independent benchmarks of property returns, formerly IPD.

Net revenue profit

Profit payable to the Treasury. Also referred to as net revenue surplus.

Offshore Wind Leasing Round 4 (Round 4)

Offshore Wind Leasing Round 4 is The Crown Estate's latest round of auctions of seabed rights for offshore wind projects in the waters around England and Wales. It is the first opportunity for offshore wind developers to obtain new seabed rights since the last award of rights in 2010 (Leasing Round 3). In 2021 we selected six proposed new offshore wind projects in the waters around England and Wales through Offshore Wind Leasing Round 4.

ONS

Office for National Statistics.

Open A1 planning consent

A planning consent which permits occupation within the A1 Shops use class under the Town and Country Planning (Use Classes) Order 1987 without any restriction as opposed to an A1 use restricted to bulky goods, such as furniture or white goods.

Operating lease

Any lease that is not a finance lease.

psf

Per square foot.

Parliamentary supply finance

Monies provided by Parliament in respect of Board Members' salaries and the expense of their Office.

Pre-let

An agreement for a letting to take effect at a future date, often upon completion of a development that is proposed or under construction at the time of the agreement.

Proportionally consolidated

The results and share of joint venture assets and liabilities are presented on a line-by-line basis rather than as a single figure in the consolidated statements of comprehensive income and the balance sheets.

Public realm

The space around, between and within buildings that are publicly accessible, including streets, squares, parks and open spaces.

Red Book

Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors.

Revaluation surplus/deficit

An increase/decrease in the fair value of a property over its book value.

RICS

The Royal Institution of Chartered Surveyors.

RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

RPI

Retail Price Index, a measure of inflation similar to CPI incorporating housing costs.

Scopes 1, 2 and 3

Scope 1 – direct emissions from owned or controlled sources, for example, heating of buildings using fuel directly sourced, such as diesel and gas.

Scope 2 – indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting business.

Scope 3 – all other indirect emissions that occur in the business's value chain. These include those produced as a result of work we commission through our supply chain and those we enable through our leasing and licensing activity. They occur from sources not owned or controlled by us.

The Act

The Crown Estate Act 1961.

The Treasury

Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the British government department responsible for developing and executing the government's public finance policy and economic policy.

Total return

Capital growth plus property net income as a percentage of property capital employed.

Vacancy rate

The ERV of voids (excluding those held for development) as a percentage of the total ERV of the portfolio.

Void

Unoccupied and unlet space.

Supplementary reports

 Wales Highlights
thecrownestate.co.uk/Wales-highlights-2022

Wales Highlights (Welsh)
thecrownestate.co.uk/Wales-highlights-Welsh-2022

Northern Ireland Highlights
thecrownestate.co.uk/NI-highlights-2022

Environmental and Social data supplement
thecrownestate.co.uk/environmental-social-data

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