# Creating lasting and shared prosperity for the nation

Integrated
Annual Report and
Accounts 2022/23

THE CROWN ESTATE

# What we do

## The Crown Estate is a significant national landowner creating financial, environmental and social value for the nation, both for now and for the long term.

Our £16 billion portfolio includes urban centres and development opportunities; one of the largest rural holdings in the country; an estate across Regent Street and St James's in London's West End; and Windsor Great Park. We manage the seabed and much of the coastline around England, Wales and Northern Ireland, playing a major role in the UK's world-leading offshore wind sector.

Our focus is on delivering three strategic objectives – climate resilience and energy security, thriving communities, and nature recovery. Through these we aim to address national needs where we are best placed to draw on our unique combination of strengths and support economic growth and equality of outcomes.

The Crown Estate is a unique business. Our history goes back to 1760 when George III agreed to surrender to Parliament the net income from Crown lands and hereditary revenue in return for a fixed annual payment. Set up by an Act of Parliament, and occupying a space between the public and private sectors, we act independently and commercially to grow the value of the portfolio for the nation. A company for the country, all of our net revenue profit goes to the Treasury for the benefit of the nation's finances. This has totalled more than £3.2 billion over the last ten years.

### Integrated reporting
In the opinion of the Board, The Crown Estate's Integrated Annual Report and Accounts 2022/23 is in alignment with the IFRS Foundation's Integrated Reporting Framework.

The Crown Estate Integrated Annual Report and Accounts 2022/23 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 28 June 2023. HC 1430

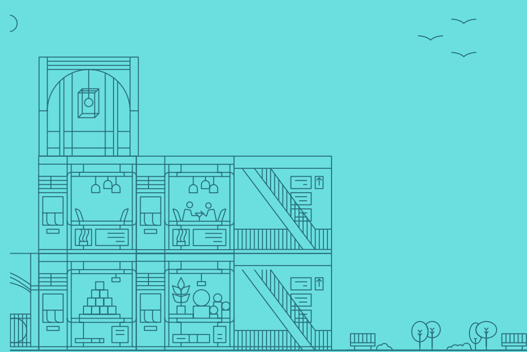
### To The King's Most Excellent Majesty
May it please Your Majesty, The Crown Estate Commissioners take leave to submit this, their sixty-seventh Report and Accounts, pursuant to sections 2(1) and 2(5) of the Crown Estate Act 1961.

### 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

## Contents





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

Read about our strategy on **page 15**

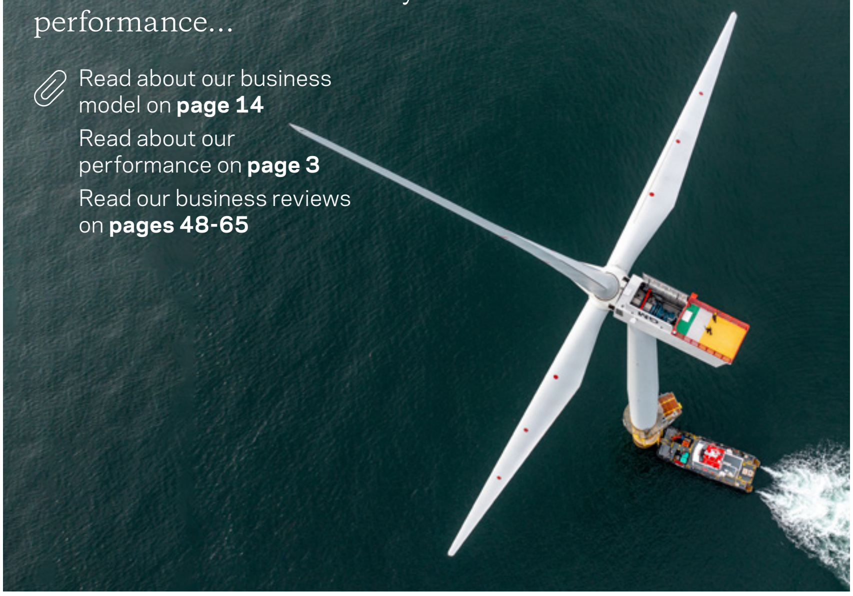
Read about our major trends on **pages 12-13**

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

Read about our business model on **page 14**

Read about our performance on **page 3**

Read our business reviews on **pages 48-65**



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

Read our Financial review on **pages 40-47**

Read our Environmental review on **pages 20-31**

Read our Social review on **pages 32-39**

...and underpinned by our culture and values, strong governance and leadership...

Read about our culture and values on **page 2**

Read about our governance on **pages 73-108**

Read about our leadership on **pages 106-107**

...which manage value, risk and uncertainty.

Read about our Value Creation Framework on **page 2**

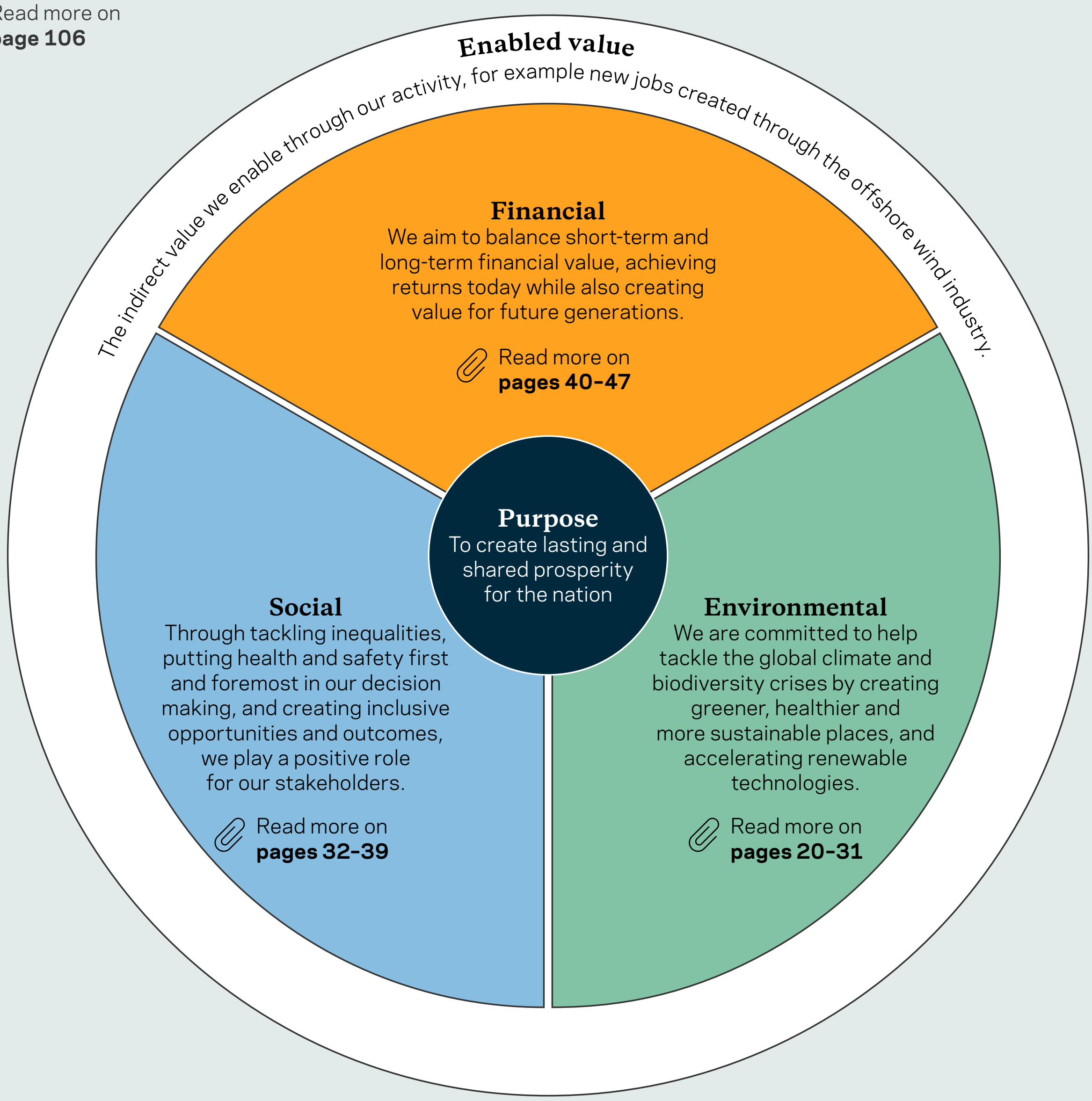
Read about our risk management on **pages 66-72**

# Creating lasting value for the nation

## Our Value Creation Framework

Our Value Creation Framework seeks 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 106**




## Our culture and values

Our values are the guiding principles that define our culture in order to bring our purpose to life.

**Caring**
We are committed to looking after the world around us and each other. We treat people, places and the environment with the care and respect they need to thrive.

**Together**
We work together and with others to deliver on our purpose. To build trust, we focus on understanding the real needs of those around us.

**Creative**
We believe that creativity enables us to unlock new ideas and solve problems. To be a true catalyst for change, we embrace original thinking and the best ideas.

**Impactful**
We believe that positive impact and financial performance must go hand in hand. We ask ourselves how our actions align with our purpose and make a meaningful difference.

Read more in our Strategy section on **page 15**

# Our year in numbers

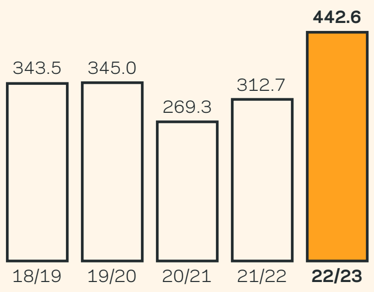
Financial, environmental and social performance highlights for the year ended 31 March 2023

## Financial

### Net revenue profit

£442.6m

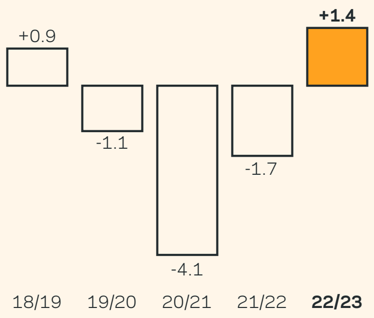
Underlying revenue profit £643.1m (2021/22: £365.4m)




### Capital performance

1.4 percentage points

Outperformance of our bespoke MSCI commercial property annual benchmark




Read more on **pages 40-47**

## Environmental

### Absolute energy consumption

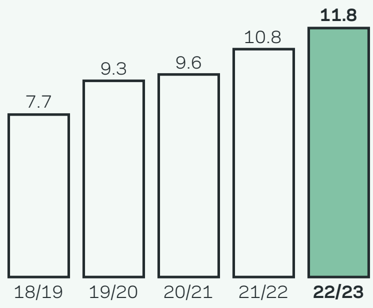
95.9GWh Ⓐ

Reduction of 1.5% to 95,891MWh from 97,348MWh for 2021/22 (restated)

### Cumulative operational offshore wind capacity

11.8GW Ⓐ

Enough to power around 11 million homes



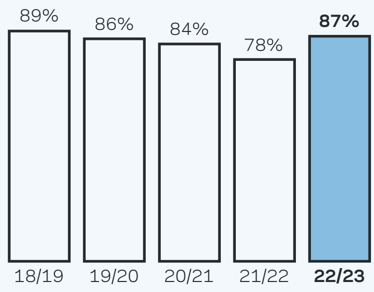

Read more on **pages 20-31**

## Social

### Employee engagement

87%

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




### Lost Time Injury Frequency Rate

0.34 Ⓐ

Achieved a reduction of 44% from 0.61 in 2021/22

Read more on **pages 32-39**

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

Ⓐ Independent limited assurance (see inside front cover)

# We own and manage land on behalf of the nation – in our cities, across the countryside and on the seabed

## Marine

Unlocking the potential of our seabed, sea and coastline to support the nation's transition to a resilient, sustainable and decarbonised future.

We play a significant role in unlocking renewable energy for millions of homes through sectors such as offshore wind and creating opportunities for new technologies such as carbon capture, utilisation and storage and green hydrogen to deliver the UK's energy security transition, resulting in thousands of jobs for communities across the UK. Working with others to address the competing needs for seabed space, supporting nature and the rich biodiversity of our seas, and facilitating the development of other sectors outside of renewables including cables, pipelines and marine aggregates, sits at the heart of what we do.

**Revenue**
£377.9m
(2021/22: £133.3m)

**Portfolio value**
£5.7bn
(2021/22: £5.0bn)

c. 11m
Homes provided with green electricity from across our seabed holdings

Read more on **pages 48-53**

## London

Ensuring London retains its global city status by fostering a greener, more vibrant and inclusive destination for millions of visitors and businesses.

We are one of the West End's largest property owners, with over 10 million sq ft primarily around Regent Street and St James's. Our assets extend across people's lives – places to work, live and entertain, from desirable office space, contemporary and heritage holdings to high-profile West End retail assets. We want to bring the best out of our buildings and the spaces in between, to curate new districts that will bring even more people – from all backgrounds – to London to enjoy a healthier and greener city where habitat conservation and creation can thrive.

**Revenue***
£222.6m
(2021/22:£221.2m)

**Portfolio value**
£7.2bn
(2021/22: £7.7bn)

644
People attended our London hospitality and retail job fairs, resulting in 110 job offers

Read more on **pages 54-57**

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

* Excluding service charge income of £41.6m (2021/22: £35.6m).

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


## Regional

Identifying and creating opportunities for thriving and resilient communities across the country to support regeneration, housing and innovation.

Our Regional portfolio has a broad geographical footprint and covers a range of sectors and opportunities, from prominent retail and leisure destinations, to business parks and a strategic land portfolio with significant long-term development potential. Our Regional ownership and activities focus on where we can best support both national interests and the needs of local communities, including the enhancement of green spaces and taking a nature-sensitive approach to development.

**Revenue***
£105.5m
(2021/22: £102.7m)

**Portfolio value**
£1.5bn
(2021/22: £1.7bn)

1st
Rushden Lakes awarded Modeshift STARS Silver award for its sustainable travel plan, a first for a retail and leisure site

Read more on **pages 58-61**

## Windsor & Rural

Supporting the sustainable transformation of land use through diversified, regenerative agricultural and environmental best practice alongside a thriving natural world.

Extending across more than 200,000 acres of land, our portfolio includes the Windsor Estate, upland and commons interests across Wales and Cumbria, and a number of rural estates predominantly used for primary agricultural production. We have a responsibility to advance nature recovery at every opportunity, conserving and enhancing our precious landscapes for future generations. 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 become an exemplar of large-scale sustainable agricultural and environmental best practice.

**Revenue**
£36.6m
(2021/22: £33.6m)

**Portfolio value**
£1.4bn
(2021/22: £1.2bn)

1st
Windsor Great Park topped ALVA's most visited attractions in 2022 with 5.6 million visits

Read more on **pages 62-65**

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

* Excluding service charge income of £41.6m (2021/22: £35.6m).

# The Crown Estate exists to create lasting and shared prosperity for the nation – we are a company for the country

"We have a significant and diverse portfolio that, cared for and used properly, provides a powerful opportunity to help address some of the most pressing challenges facing the country today."

**Dan Labbad**
Chief Executive

## Over the past ten years

**We have generated more than**

£3.2bn

for public spending

**The value of our portfolio has increased by**

101%

to £15.8bn

**Offshore wind operating capacity has increased by**

281%

enough to power around 11m homes today

At the heart of The Crown Estate lies a set of core duties – to grow the value of the portfolio into perpetuity and return the income to the Treasury, for the benefit of the nation, its finances and its future. Our unique set up, established through an Act of Parliament to operate independently and commercially, means that there is nothing else quite like us.

We occupy a space between the private and public sectors, working to create broad financial, environmental and social value both now and for the long term. Put simply, we have been set up to serve the country and today we express this core responsibility through our purpose to create lasting and shared prosperity for the nation.

Bringing this purpose to life, we have a significant and diverse portfolio that, cared for and used properly, provides a powerful opportunity to help address some of the most pressing challenges facing the country today. The world around us continues to be characterised by uncertainty and volatility, requiring us to rethink how we use land and property, including the seabed and waters around us. This responsibility is reinforced by the economic challenges facing the country, the cost-of-living crisis and the acute pressures on individuals and families. Where we can make a significant difference through our remit and capability, we will. This year we have been able to take significant steps and make strides in our strategy, to ensure we continue to play our part and deliver value for the nation.

We are building from a track record of generating more than £3.2 billion for the nation's finances over the last decade, drawing on a portfolio that has more than doubled in value over that time to £15.8 billion. This year we have posted a record net revenue profit of £442.6 million for the benefit of public spending. This achievement is a result of hard work and the underlying strength and resilience of our diverse portfolio.

A key driver of our performance this year is the option fees from our Agreements for Lease for six offshore wind projects under our Round 4 leasing programme. This achievement reflects the immense amount of ground-breaking work we have done over the past two decades alongside a wide range of cross-sector partners to create a world-leading offshore wind market. In a globally competitive marketplace, we are now focused on how we continue to maintain and enhance this position.

## Strategy and the world around us

An accelerated pace of change and disruption is now a permanent feature of the world we live in, alongside longer-term challenges such as climate change and nature loss. In particular, over the last year we have seen ongoing geopolitical and economic volatility, widening inequality and greater momentum in digital trends such as the adoption of artificial intelligence and automation which will transform how we live and work. All of these raise questions for business to address individually and collectively (see our changing markets on pages 12-13).

It is in this context that our strategy is about making the most of our unique attributes and diverse national portfolio to generate wide and lasting value for our many stakeholders, customers, communities and ultimately the nation. We do this through the direct financial value we return to the Treasury, but also by the significant broader value we create through our activities. Our strategic focus is in areas where there are long-term structural challenges facing the nation and where we believe we are well-placed to play a role – climate resilience and energy security, thriving communities, and nature recovery. While we acknowledge we won't get everything right along the way, these are areas which require a steadfast commitment and where we believe we can make a meaningful difference, ensuring we continue to deliver on our remit to create value for the nation (see our strategy on page 15).

As a result of our track record and vast potential to drive growth and create value for the country, we have agreed with the Treasury, as our government sponsor, to enhance this ability by enabling us to invest more of our revenue into activities across the entirety of our business, including those that support economic growth and renewable energy. The Crown Estate cannot borrow funds. This means that our investment comes from selling assets, long-term strategic partnerships and a percentage of gross revenue retained for this purpose (known as the statutory transfer). From 1 April 2022, we have retained 27% of revenue income to support investment. This is up from 9% previously. This is an endorsement of our delivery credentials and underlines the importance of successfully delivering our strategy. Further details can be found in the Financial review on pages 40-47.

Throughout this report, you will see that there are parts of our business that are driving our revenue and value today, while in other parts we are planting the seeds for our future performance. For example, through our Regional portfolio we are in a prime position to act in the long-term national interest at scale, while being sensitive to the needs of local communities – whether that's through the delivery of housing or connecting opportunities for investment in supply chain and manufacturing hubs to support the development of the UK's offshore renewables sector. While realising this ambition will take time, we have the potential to positively impact the quality and quantity of the UK's housing stock, economic growth, job creation and energy agenda.

### The Sovereign

We joined the nation in mourning following the passing of Her Majesty Queen Elizabeth II. We were proud to be able to provide a place for the public to pay their respects through floral tributes at Cambridge Gate in Windsor and people did so in their thousands. We also welcome a new Sovereign, His Majesty King Charles III. His Majesty is well known for his passion for the environment and we are delighted that he has taken up an active role as Ranger of Windsor Great Park. We pay tribute to Her Majesty and welcome our new Sovereign on pages 10-11.

Our assets include some of the most iconic places in London and high-quality spaces in the heart of the West End. Despite the continued weak economic backdrop, Regent Street footfall is up 39% this year and international tourism is returning to the capital. We have set out our vision for a locally relevant and globally distinctive city where we curate places that use our contiguous West End ownership to include and attract a range of people whatever their needs. Vitally, it must be sustainable and we have to meet the challenge to retrofit our heritage buildings for a greener future alongside enhancing nature.

Our Marine business is confronting major national challenges head on and supporting the UK's position as a world leader in offshore wind development. Our activities are a key driver in the UK's fight against climate change and making the country's energy supply more sustainable and secure, including through supporting vital new technologies in an increasingly busy space. In addition, we must develop in a way that is sensitive to nature and can help rejuvenate local economies and communities by supporting the development of new jobs and industries.

Our Windsor & Rural portfolio extends to 200,000 acres across England and Wales and includes Windsor Great Park. We want to use our scale to encourage sustainable agricultural and environmental best practice. This means working with our tenanted farmers to pivot nearly one third of our land to regenerative farming techniques over the next five years, and scaling habitat enhancement and restoration. This year we have developed new environmental-leading Farm Business Tenancy agreements that will optimise the future of our rural estates for nature recovery and to support sustainable food production. At Windsor, where we are custodians of a unique blend of rare and special habitats, we continue our ambition to become a beacon of ecological excellence. Read more about our Strategic Business Units on pages 48-65.

The diversity of our portfolio gives us the breadth to apply learning from one area of our business to another. Whether that's integrating renewable energy solutions, designing district heating systems or creating new jobs and skills opportunities – each part of our portfolio has developed critical skills and experience that can be shared with others. We have the opportunity to think beyond the confines of a single industry. This systems thinking is vital to solving the complex problems that we increasingly face as a country, impacting each and every one of us.

Equally, everything we are working towards can only be achieved through genuine partnerships. Our scale and distinctive set up enable us to bring people and organisations together. Through harnessing the power of diverse voices and perspectives we can galvanise groups to find new solutions to collective challenges and realise opportunities.

## Performance

Our Round 4 leasing programme achievements are the most significant financial events of the year. Our net revenue profit of £442.6 million is £129.9 million higher than last year. We expect revenue to grow significantly again next year as we recognise a full year of Round 4 option fee income (read more on pages 42-43).

The value of our portfolio has increased by 1.3% from £15.6 billion to £15.8 billion. Our one-year total return across the entire business is 6.2%, outperforming our annual MSCI bespoke total return benchmark of -1.6%. We also outperformed our MSCI commercial property bespoke benchmark by 1.4 percentage points.

The value of our Marine portfolio increased 14.0% to £5.7 billion primarily as a result of completing the Habitats Regulations Assessment process and signing Round 4 Agreements for Lease, as well as supporting customers to progress Round 3 offshore wind projects.

Across the rest of our business, our property holdings have continued their post-pandemic recovery. However, the economic backdrop remains weak, with low expectations for an economic recovery in the near term. This context, alongside the structural changes to some of the markets where we operate, has impacted our customers and the performance of our real estate portfolios. The outlook for the property market remains fragile and our London and Regional portfolios, despite performing well relative to the market, have seen a reduction in their valuations.

The valuation of our London portfolio has fallen by 6.5% to £7.2 billion, primarily as yields have decompressed and estimated rental values in our retail and office assets have fallen, reflecting market conditions. However, a continued shortage of prime office space and our long lease portfolio have proved resilient. Void rates have increased year-on-year, although this is also in part due to preparations to restart our development pipeline and take steps to create value into the future.

The value of our Regional portfolio reduced by 11.8% to £1.5 billion. The positive market sentiment seen in out-of-town retail parks last year reversed in the latter half of 2022, led by concerns about consumer spending and the impact of higher interest rates. This is the primary driver behind the reduction in the portfolio's value. Its average void rate this year was 7.5%. which is higher than last year. These are, however, better than we had forecast, with customer retention helped by our proactive asset and customer management.

The income from our Windsor & Rural portfolio is derived primarily from farm and residential rents across our rural holdings, alongside visitor, filming, events and forestry income from Windsor. The portfolio's total value increased 16.7% to £1.4 billion.

In spite of these variations across the portfolio, the overall strength of our performance relative to the market, even without the impact of Round 4, is a testament to the underlying diversity, quality and resilience of our portfolio. Read more about our performance in our Financial review on pages 40-47.

## Health and safety

Last year we established a five-year Safety First Group-wide strategy. Its aim was to fundamentally enhance how we operate, placing safety at the forefront of our decisions. One year in and we've come a long way, including taking decisions with short-term commercial impacts to prioritise health and safety above minimum standards. Most importantly, these decisions are happening on the ground and in partnership with our supply chain. Our people are empowered to do the right thing and this is showing in our reduction in reported incidents, including our Lost Time Injury Frequency Rate (LTIFR) reducing from 0.61 last year to 0.34[A] this year. Leadership in health and safety remains a core priority that, while ever-challenging, we are deeply committed to. Read more about our progress on pages 36-37.

## Sustainability

The landmark Round 4 Agreements for Lease we signed this year for six offshore wind projects represent enough capacity to power more than seven million homes and are a major milestone for the UK's energy security and net zero commitments. Across the year, our offshore wind portfolio generated enough electricity to power nearly 11 million homes.

We are also committed to decarbonising our business. In 2020, we set out our net zero commitment as part of our response to the climate emergency. Year-on-year we have achieved an absolute energy consumption reduction of 1.5%. This is significant progress, but it still falls short of the challenging 5% target that we set ourselves. However, it has contributed to a 12% reduction this year in carbon emissions from our Scope 1 and Scope 2 activities across our directly managed assets (view our data on page 25).

We knew managing energy use across our diverse portfolio would be complicated, with some parts of our business doing better than others. We have had to create new data sources and shift our behaviour as well as that of our partners. These factors, as well as the continued rise in occupancy levels as more people return to London's centre, have added to the challenge of making improvements to our operational energy performance. This has been a year where we have learned a lot and built a foundation to make further progress. We are dedicated to addressing this challenge and recognise that to make meaningful difference in this area, and indeed across all areas of sustainability, we have to continue to strengthen our partnerships, build new ones and find ways to innovate. Read more about our work in our Environmental review on pages 20-31.

## Digital transformation

Our digital transformation continued this year, recognising its vital importance to ensuring our business is fit for the future. With hybrid working now central to the way we operate, we have significantly upgraded our technology and cyber and information security position.

In addition, we know how critical data is to informing better decisions, evidencing our progress and identifying new opportunities for our business. We have focused on building our data and analytics capabilities and delivering a new data platform alongside improved governance structures and processes. We are also continuing to build on our 20-year track record of investing in data and evidence to support the sustainable development of the seabed. This includes the world-leading Marine Data Exchange, a publicly available database of offshore industry survey data, research and evidence, as well as the next step of our award-winning seabed mapping capability, the Resource Identification and Optimisation tool (RIO). This will provide a one-stop-shop of tools that deliver the best evidence to support marine spatial planning. Thereby helping the UK remain at the global forefront of renewable energy deployment whilst also supporting a thriving natural environment.

> **"We have to make sure that we understand our people to implement changes that can make a real difference and take our business forward, especially in the areas of talent development and diversity, equity and inclusion."**

## Our people

Our people are passionate about the world and want to make an impact. Every day I see a commitment to our purpose, especially when we're facing the biggest challenges and reacting to rapidly changing events. This gives us a strong platform to build from as we continue to enhance our capability to respond in an agile way to the world around us. In this report on pages 93-102 you will also find details of the changes we are making through our new Remuneration Framework, including more closely aligning individual and team pay and reward with the performance of the business.

In our most recent survey, 87% said The Crown Estate was a great place to work – a nine percentage point improvement from last year. Wellbeing is a critical facet of that and 91% of our people agreed that The Crown Estate cares about the wellbeing of its people, which is 12 percentage points above national benchmarks. Our survey also showed progress for leadership and having a clear vision for the future. However, there are still a number of areas below our external benchmark and which need further improvement such as decision-making and communication. We also want to do more to support personal development and career paths. A key pillar of our people strategy is to ensure that we maximise the opportunity that our diverse portfolio presents for people to grow and develop. We are making good progress, but we need to evolve our culture further by listening to our people, creating regular feedback loops and understanding what they need to thrive.

As part of this commitment, we have recently launched a Lived Experience Survey, an independent review of how our people experience working at The Crown Estate. We want to generate deep insights that will allow us to implement changes that can make a real difference, unlock people's potential and take our business forward, especially in the areas of talent development and diversity, equity and inclusion.

## Looking to the future

The scale and complexity of the challenges facing society today continue to come into ever sharper focus. This includes those which test the very foundations of our quality of life and the future wellbeing of our planet, such as climate change, nature loss and economic inequality. While these challenges may at times seem overwhelming, we have a collective responsibility to rise to take them on.

We are privileged at The Crown Estate to have an organisation that is set up in a unique way with an extraordinarily diverse and resilient portfolio. We are a company for the country and we recognise that we have a responsibility – and an enormous opportunity – to play our part. I am proud of what we have achieved to date, but we have so much more potential to create value for the nation through growing the income we return to Treasury and the value of the portfolio as well as through the impact of our activities and investments.

The years ahead are uncharted territory for all of us. At times progress will be challenging and we know we won't get everything right all of the time. However, by working in partnership, listening to our stakeholders and remaining steadfast in our commitment to deliver financial, environmental and social value, I believe The Crown Estate will play an ongoing and vital role in continuing to serve and benefit the country, both today and for generations to come.

**Dan Labbad**
Chief Executive

16 June 2023

# Her Majesty Queen Elizabeth II

Following the passing of Her Majesty Queen Elizabeth II we joined the nation in mourning. As the longest reigning British Sovereign, Her Majesty led a life of selfless and generous service to the nation. Her Majesty's reign was a unique reflection of what it meant to serve, something which The Crown Estate takes inspiration from as we move forward and strive to serve the country.

We have been privileged to have served as stewards of The Crown Estate throughout Her Majesty's long and successful reign and we will miss Her Majesty greatly.

# His Majesty King Charles III

We congratulate His Majesty King Charles III on His accession to the throne and Coronation.

His Majesty is well known for his passion and commitment across a range of interests of significant importance to The Crown Estate, in particular supporting a thriving natural world.

We look forward to continuing our association with the Sovereign and growing the financial, environmental and social value of The Crown Estate's portfolio for the benefit of the nation.

The history of The Crown Estate goes back to 1760 when George III agreed to surrender to Parliament the net income from Crown lands and hereditary revenue in return for a fixed annual payment.

Today, The Crown Estate operates under the Crown Estate Act 1961 as an independent and commercial business, with a duty to maintain and enhance the value of the estate and the return obtained from it.

We return all of our net revenue profit to the Treasury for the benefit of the nation's finances.

# Our changing markets

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

## An economy facing considerable headwinds

**Rising gas and electricity prices in the UK**

↑129.4% gas

↑66.7% electricity

in the year to March 2023

Source: Office for National Statistics, Cost of living insights

### What this means

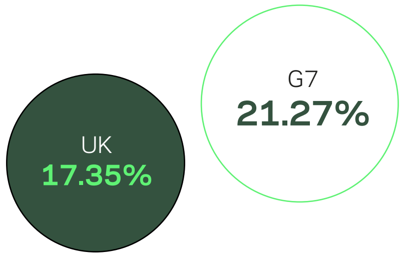
The economic recovery after the pandemic was short-lived as increased energy and food prices, driven by the conflict in Ukraine, pushed inflation higher over the past year. The economy has stabilised somewhat but the UK remains the only G7 nation not to have returned to its pre-pandemic baseline. Expectations for economic growth have gradually become more optimistic but there remains considerable uncertainty on the outlook. Lower investment levels, reduced labour productivity and weaker demographics all suggest that economic growth may be challenging in the medium term. Consumers are feeling uncertain, increasing their desire for a stronger sense of community.

### Our response

In an environment of higher interest rates and economic contraction, real estate values have declined. Our diverse portfolio has been comparatively resilient, but we must continue to invest to remain competitive as well as expand to support the energy transition and facilitate the development of innovative technologies such as floating offshore wind that will be critical to the UK's transition to net zero. Capital will be constrained through an economic slowdown, meaning that we must be selective in determining where our interventions and investments can best deliver for the nation.

## A dynamic political and policy environment

**UK investment as percentage of GDP trails international peers**




Source: International Monetary Fund, World Economic Outlook Database

### What this means

Geopolitical events have focused efforts to boost domestic energy production, while delivering a net zero transition that balances many demands on land and the sea. We have seen multiple leadership changes within UK government. Uncertainty around political change and long-term domestic policy has constrained the ability to plan. Long-term commitments will be required to unlock the opportunities associated with clean energy production and lower overall consumption. These pressures are prompting companies to rethink their operations and source closer to home. Beyond energy, an increased focus on infrastructure acceleration has seen cross-government activity focused on removing barriers to deployment. Following the 2022 UN conference on biodiversity, we've seen a renewed focus in protecting nature in line with '30 by 30' commitments. New UK legally binding environmental targets were announced and we anticipate more detail on a Land Use Framework for England, and on green finance.

### Our response

We continue to proactively work with UK and devolved governments to support policy development and project plans. We have a unique opportunity to support the delivery of net zero and energy security ambitions, through our own energy strategy, harnessing our convening power, and unlocking opportunities in offshore wind, CCUS and natural capital markets. We will act on these while delivering a nature-based recovery exemplified by our actions at Windsor and in our Rural portfolio.

## An ageing and unequal society

**Income inequality in UK second highest of the G7 countries**

| Country | Gini coefficient |
|---|---|
| United States | 0.395 |
| United Kingdom | 0.366 |
| Japan | 0.334 |
| Italy | 0.330 |
| Canada | 0.301 |
| France | 0.292 |
| Germany | 0.289 |

Income inequality measured by the Gini coefficient
Source: OECD: 0 = complete equality;
1 = complete inequality

### What this means

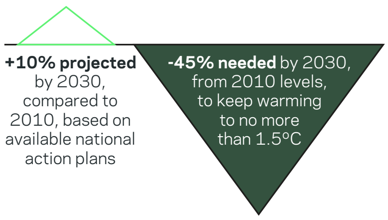
The UK has one of the most uneven spreads of income and opportunity among developed countries. With prospects divided unequally, some communities are in danger of being left behind. A cost-of-living crisis is hitting low-income households the hardest while a growing number of people are employed in low-quality, low-security jobs with poor prospects. There is a mismatch between skills and vacancies, and a scarcity of talent available to sectors including hospitality and agriculture, partly because of post-Brexit reforms to visa policies. These trends are underpinned by changing demographics that see an ageing population putting social infrastructure under pressure. Meanwhile younger generations are faced with a chronic undersupply of affordable and quality housing, weak employment growth and underinvestment in regional infrastructure and social services.

### Our response

Through providing equitable access to our portfolio and delivering urban renewal, we can be part of the solution to addressing systematic social injustice, while listening to our stakeholders to make our products and services more accessible, including using placemaking to address local needs, while providing the locations that allow supply chain and investment opportunities in industries related to the UK's green economy. We want to continue to work with our partners to create a more inclusive society that meets the diversity of local needs against an uncertain policy backdrop.

## A natural world in crisis

**Increase in global greenhouse gas emissions**




Source: International Monetary Fund, Climate Change Indicators Dashboard

### What this means

The impacts of climate change and nature loss are being felt by many at an unprecedented level. They present global challenges beyond the journey to net zero, and challenge how we adapt our economies and our approach to valuing the uneven losses within our societies. These crises require an urgent and ambitious systemic response across the globe. However, they have come under pressure from recent events including the cost-of-living crisis, the economic slowdown, and the drive to deliver energy security. Despite these pressures, systemic issues are high on society's agenda with sustainability permeating through both consumer and business behaviour. Health and wellness is evolving beyond physical needs, with people looking to achieve emotional, ecological and collective wellbeing. Individuals look to interact with brands that share their values and expect their employers to live up to their values by taking action. Businesses must adapt to these challenges and take ownership of their impact.

### Our response

As a long-term landowner with a stewardship approach to growing the value of our diverse portfolio for the benefit of the nation, we have a responsibility to be part of helping to accelerate industry change and create lasting positive impact. By bringing together and working with a range of influential stakeholders we are in a pivotal position to act.

## A scarcity of natural resources

**Demand for food is expected to rise by 31% by 2050**

Global population

↑21%

Total food consumption

↑31%

Source: Bloomberg, NAO, OECD, van Dijk, et al, Nature Food 2

### What this means

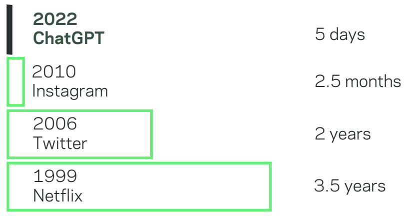
The availability of energy, food and other resources has been impacted by geopolitical events and, along with access to fresh water, will be affected by worsening climate and nature impacts in the long term. Traditional supply chains continue to be severely impacted. Our reliance on international energy and food markets is in even sharper focus. Higher energy costs are being felt unequally. Lower energy costs would help improve productivity, reduce inflation, and have the potential to increase innovation, investment, exports and jobs. It has become a matter of national security to deliver on the opportunities associated with renewable and low-carbon energy generation with greater pressure to do more, faster. At the same time, distribution and consumption need to evolve. Significant capital and collaboration between the public and private sectors will be essential.

### Our response

Our commitment to and role in accelerating renewable energy generation, both offshore and onshore, are critical to decarbonising the UK's economy and providing high-skilled jobs in a growing market. We are endeavouring to utilise our portfolio to support the sustainable provision of natural resources, including food and water, in a way that protects and enhances biodiversity, while delivering a nature positive recovery.

## A rapid digital innovation

**Time taken to reach one million users**




Source: Company announcements via LinkedIn

### What this means

Society's reliance on digital solutions continues to grow exponentially. Automation and artificial intelligence (AI) have the potential to tackle structural productivity issues while transforming consumer experiences. Technology is improving the pace, responsiveness and customer centricity of digital offerings which are becoming a prerequisite for engaging and retaining customers. Digital twins (virtual representations of an object or system) will allow businesses to make better decisions faster and have the potential to transform how cities and buildings are designed and managed. The increased adoption of AI and automation raises questions for traditional industries, the future of the office and physical interactions, while threatening to widen the digital divide between different groups. Digital skills are required across all job types and increasingly in daily life.

### Our response

We are maturing our digital infrastructure to become more agile, responsive and secure. We continue to evolve our offer to work with digitally mature brands and partners to ensure our ongoing competitiveness. We are piloting the use of AI and automation tools such as machine learning within our Marine business, while utilising digital tools to future proof our buildings to meet net zero commitments, and deliver effective building management systems.

Read more about how our business units are responding to our changing markets:

Marine on **pages 48-53**

London on **pages 54-57**

Regional on **pages 58-61**

Windsor & Rural on **pages 62-65**

# Our business model

We are a unique business established by an Act of Parliament and occupying a space between the public and private sectors

## OUR RESOURCES AND RELATIONSHIPS

We use financial, physical and natural resources to create value with our people, customers, partners and stakeholders. These are our vital inputs that we constantly transform through our activities.

## OUR UNIQUE STRENGTHS

**Our broad ownership**
We have a diverse footprint across the country.

**Trusted brand and reputation**
We are known for our quality, longevity and integrity.

**Independence and simplicity of role**
We have developed a clear strategy and set of targets to deliver our statutory mandate.

**Power to convene and catalyse**
We bring together public and private partners, stakeholders and customers to tackle challenges.

**Long-term view**
We act in the public interest and invest for the long term.

## OUR CORE ACTIVITIES

**We optimise the use of our land and capital across our portfolio**
We create value through long-term investment in and active management of our land, activities, places and infrastructure. We source capital through recycling and partnering.

**We leverage our scale and diversity**
We maintain a diverse portfolio, but operate as one business. We draw on our unique strengths to create enduring financial, environmental and social value for our stakeholders and the nation.

**We align with our customers' goals**
We offer our customers rights of access, places to operate and business opportunities. By aligning our goals with our customers', we set them on a path to success and maximise our long-term value creation.

**We draw on our relationships and unique strengths**
We draw on our brand, reputation, longstanding relationships, and people to convene partners and stakeholders around common issues. This catalyses activity to create a greater overall impact.

**We invest in data and technology**
We take a digital-first approach, investing in data, technology and services to improve productivity, efficiency and decision-making for our customers.

## CREATING VALUE FOR OUR STAKEHOLDERS

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.

**The Sovereign**

**The Treasury**

**Customers**

**Communities**

**Partners**

**Our people**

**Governments and regulators**

Read more about our stakeholders on **pages 16-19**

# Our strategy

## Guided by our purpose and rising to today's challenges, our strategy leverages our uniqueness and diverse portfolio

DRIVEN BY A CLEAR PURPOSE

To create lasting and shared prosperity for the nation.

DRAWING ON OUR UNIQUE STRENGTHS AND CULTURE

Our unique status and position are a source of strength – there are few trusted public-private businesses in the UK that are investing for the long term and in the national interest.

Our values are the guiding principles that define our culture in order to bring our purpose to life.

**Caring**
**We are committed to looking after the world around us and each other.** We treat people, places and the environment with the care and respect they need to thrive.

**Together**
**We work together and with others to deliver on our purpose.** To build trust, we focus on understanding the real needs of those around us.

**Creative**
**We believe that creativity enables us to unlock new ideas and solve problems.** To be a true catalyst for change, we embrace original thinking and the best ideas.

**Impactful**
**We believe that positive impact and financial performance must go hand in hand.** We ask ourselves how our actions align with our purpose and make a meaningful difference.

ADDRESSING NATIONAL NEEDS

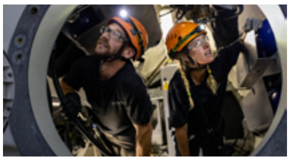
Energy security and net zero

Economic growth and productivity

Growing pressure on urban centres

Biodiversity loss and nature recovery

USING OUR BUSINESS UNITS TO DELIVER



**Marine**

Read more on **pages 48-53**

**London**

Read more on **pages 54-57**

**Regional**

Read more on **pages 58-61**

**Windsor & Rural**

Read more on **pages 62-65**

OUR STRATEGIC OBJECTIVES

**Striving for equality of outcomes**

Be a leader in supporting the UK towards a net zero carbon and energy-secure 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.

CREATING VALUE FOR THE NATION

Our strategy will help deliver an ambitious set of long-term national outcomes, which can support the national policy agenda, drive economic growth, and support improved productivity through all our activities to maximise returns to the Treasury.

**Financial**

**Environmental**

**Social**

**Enabled value**

Read more on **pages 20-47**

# Stakeholder engagement

## Creating better outcomes for our stakeholders

**"Our stakeholders are fundamental to delivering our strategy – they underpin our approach to delivery and shape our decision-making."**

**Judith Everett**
Executive Director, Purpose, Sustainability & Stakeholder

One of The Crown Estate's key strengths is our ability to bring people together to make a positive impact. By listening, sharing and using stakeholder feedback to evolve our strategy and operations, we see it as fundamental to seek to bring a wide range of views and perspectives into our work.

Our scale and diversity mean our network of relationships and stakeholders is varied. Our stakeholders include the Sovereign, the Treasury, local and national governments and regulators through to our people, customers, partners and communities.

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.

Over the last year, working with stakeholders, we have made significant progress to support the development of renewable energy around the UK.

In January 2023, in a landmark deal, we signed Agreements for Lease for six offshore wind projects with the potential to generate around 8GW of renewable energy. Operational capacity for offshore wind increased during the year by 1GW with Hornsea 2 entering full operation. See more in our Marine review on pages 48-53.

This year, we set ourselves the challenging target to reduce absolute energy consumption by 5% across our London, Regional and Windsor real estate assets, achieving a 1.5% reduction. While we have missed the target we set ourselves, working with our customers and partners, we have learned valuable lessons on how we can drive greater improvements going forward. For more information, see our Environmental review on pages 20-31.

Our understanding of how coastal wildlife can co-exist and thrive alongside other seabed uses is developing all the time. Through our £50 million Offshore Wind Evidence and Change Programme we are working with the UK, Wales and Northern Ireland governments, Crown Estate Scotland and other organisations to build the UK's knowledge base to enable the sustained growth of offshore wind alongside delivery of biodiversity and wildlife objectives.

International collaboration to address the twin issues of reducing climate impacts and catalysing nature recovery remains paramount, and we support the UK government with its international trade missions and engagement.

This year we were delighted to be awarded an 'Above and Beyond' Award from Drive Forward Foundation. This is in recognition of our partnership to create fulfilling and sustainable employment for care-experienced young people across London.

The need to collaborate to address shared issues has never been more acute. Through our engagement with a wide network of stakeholders, we seek to drive action around our purpose – to deliver lasting and shared prosperity for the nation.


**Above.** We were awarded an 'Above & Beyond' Award from Drive Forward Foundation in recognition of our partnership

# Stakeholder voices

**"Working together to deliver progress towards net zero and nature recovery is at the heart of our engagement with The Crown Estate. Taking a co-ordinated approach in the marine environment will help the nations and the UK as a whole maximise the wide range of opportunities from the green energy transition."**

**Ronan O'Hara**
Chief Executive
Crown Estate Scotland

**"Through our work with The Crown Estate we've been exploring how to leverage meaningful social impact opportunities presented through the renewed strategy. We're excited about this work accelerating over the coming year as we determine the right approaches that will result in greater environmental and social outcomes for the long term."**

**Helen Goulden OBE**
Chief Executive Officer
The Young Foundation

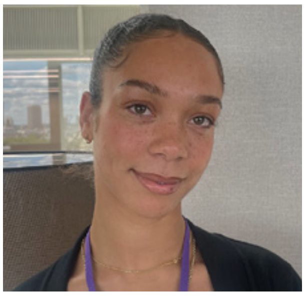
**"Wrth inni anelu at Sero Net, rydym yn gweithio mewn partneriaeth â Llywodraeth Cymru, Cyfoeth Naturiol Cymru a rhanddeiliaid ehangach i ddatgloi gwerth yr adnoddau naturiol er budd Cymru a thu hwnt ac ar gyfer cenedlaethau'r dyfodol."**

**"As we strive towards net zero, we are working in partnership with the Welsh government, Natural Resources Wales and wider stakeholders to unlock the value of the natural resources for the benefit of Wales and beyond for future generations."**

**Rebecca Williams**
Cyfarwyddwr Cymru/
Director Wales
The Crown Estate

**"RASE are pleased to be working in partnership with The Crown Estate to address how the Farm of the Future can balance land use across England to enable food and energy production alongside emissions management, carbon sequestration and biodiversity."**

**David Grint**
Chief Executive Officer
Royal Agricultural Society of England and Innovation for Agriculture



**"The Crown Estate is about doing the right thing – and they follow their 'prosperity for the nation' purpose in everything they do. Not just from the outside, but from the inside too. After my internship, as part of the #10000BlackInterns, I joined the company full time. For me, it's a great place and full of really good opportunities."**

**Esther Adenuga**
People Experience Coordinator
The Crown Estate

**"Partnering and sharing knowledge amongst the evidence community will be critical in our efforts to achieve our strategic goals, and the integrated nature of the Offshore Wind Evidence and Change Programme enables this."**

**Prof Grant D Stentiford, FRC Path**
Chief Scientist
Centre for Environment, Fisheries and Aquaculture Science (Cefas)

Our culture and values guide how we do business, including the way we engage with our stakeholders.

At a Group level our engagements primarily focus on policy, 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 has aimed to comply with the stakeholder requirements of section 172 of the Companies Act 2006, see page 82.

Read more about our values and culture on **page 2**

## The Sovereign and the Treasury

### Customers

**Who they are**

Leaseholders and offshore wind developers, as well as people who regularly use our spaces.

**Why they are important**

— Customers sit at the heart of everything we do and, with a view to longer term partnerships, we work and evolve with them 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 (see page 37)

**Example outcomes of engagement**

— We aim for our customers to exceed their goals, economic, social or sustainable, through engaging with our shared purpose. For example, through our curation of dynamic districts across our London estate (see page 55)
— We seek to convene our strategic customer partnerships to leverage broader value creation – through partnerships in recruitment fairs, cultivating our places to attract footfall and attraction, and increasing economic spend
— Working jointly to meet the climate emergency through actions that bring benefits to businesses and communities such as installing additional charging pods for electric vehicles across our Regional portfolio

### Communities

**Who they are**

Anyone impacted by the work we do and the decisions we make in places across our diverse portfolio.

**Why they are important**

— We have a responsibility to people and organisations within communities around the nation
— Engaging with community stakeholders to understand the issues that matter to them, we can shape our approach to deliver better outcomes for everyone, particularly focusing on seeking lived experience to inform our work
— By bringing people together we can take more meaningful action to deliver for the communities we serve both now and into the long term

**How we engage**

— Regular meetings, consultations, convening forums, sounding board panels, digital engagement and workshops
— 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, the accessibility and inclusivity of places or enabling net zero

**Example outcomes of engagement**

— Our team collaborated with specialists at AccessAble to design and deliver benches on Regent Street, to provide places to rest and dwell for the first time. The seat design incorporates armrests, backrests and kick backs to ensure an inclusive design for those with accessibility needs

## Partners

**Who they are**
Strategic joint venture and supply chain partners, and a range of organisations with a similar ambition to address key issues impacting the UK.

**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
— Working together can create greater benefits, delivering broader economic and social value

**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 a new Supplier Charter that ensures our partners are more closely aligned with our purpose

**Example outcomes of engagement**
— Sharing best practice and practical solutions to meet our net zero commitments
— Collaborating to fund data and research to further understanding in key sectors. This year we worked with Grosvenor, the National Trust, Historic England and Peabody to identify the future skills requirements for decarbonisation of the UK's heritage building stock

## 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

**How we engage**
— From regular Group sessions with the Chief Executive and wider leadership team, to local team meetings, to discuss updates such as ways of working, and our strategy and business objectives
— Supplemented by a range of internal communication channels, including the intranet, social media and email updates

**Example outcomes of engagement**
— 94% of colleagues are proud to work for us, and 87% would recommend The Crown Estate as a great place to work according to our most recent engagement survey
— We have made improvements in the year around talent and opportunity, culture and leadership (see pages 33-36), on which we want to continue to improve

## Governments and regulators

**Who they are**
Policy and political decision makers at UK, devolved and local government along with the relevant regulators and statutory bodies.

**Why they are important**
— Public policy and regulation define the local environment in which we operate. By engaging, we are able to better understand the local context and the needs of those communities and businesses to deliver meaningful value

**How we engage**
— 'How' we engage is as important as what we do – we know that there are local and organisational principles that underpin engagement and, through respecting these, we have established meaningful relationships at a strategic and operational level
— Our approach has also allowed us to be a convening force across government and industry groups

**Example outcomes of engagement**
— When Welsh Ministers initiated a 'Deep Dive' into the Renewable Energy policy, we were able to contribute insight and information to explore the role of the sector in contributing to our shared ambition of net zero

## Environmental review

# Putting environmental stewardship at the heart of our activities


### Key highlights

**Absolute energy consumption**

95.9GWh

(2021/22: 97.3GWh)

**Cumulative operational offshore wind capacity**

11.8GW

(2021/22: 10.78GW)

**Absolute Scope 1 and Scope 2 greenhouse gas emissions**

12%

reduction compared with 2021/22

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

15.9m $tCO_2$

(2021/22: 13.3m $tCO_2$)

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

7 AFFORDABLE AND CLEAN ENERGY — Read more about the supply of clean energy on **page 26**

11 SUSTAINABLE CITIES AND COMMUNITIES — Read more about our air quality initiatives on **page 27**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Read more about waste and water on **page 27**

13 CLIMATE ACTION — Read more about net zero on **page 21**

14 LIFE BELOW WATER — Read more about habitat creation on **page 28**

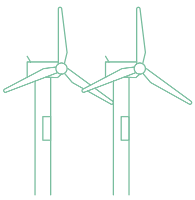
15 LIFE ON LAND — Read more about habitat creation on **page 28**

Ⓐ Independent limited assurance (see inside front cover)

The impact of climate change, energy security, nature loss and the economic crisis is being felt at an unprecedented level. The scale and urgency are growing, and our decisions today are critical in securing lasting benefits for climate, nature and communities – now and in the future.

As one of the UK's largest landowners, we're responsible for some of the nation's most diverse, distinct and important holdings on land and at sea. We believe that by unlocking the potential of our assets, and through our role in bringing together key stakeholders, we are in a pivotal position to drive action that enables society and the economy to prosper in a resilient and sustainable way, while supporting a fair and equitable transition.

In this section, we report on our environmental progress over the past year. More information on our 2022/23 performance and data can be found online in our Environmental and Social data supplement at: thecrownestate.co.uk/annual-report-2023



**In January 2023, we signed AfLs for all six of the projects that comprise Round 4 with the potential to generate up to**

8GW
of renewable electricity

For more information on how we're evolving our net zero commitment, see **thecrownestate.co.uk/net-zero**

## Towards a net zero carbon future

Delivering net zero is crucial for achieving the global Paris Agreement goal of limiting global temperature rise to within 1.5 degrees Celsius, requiring governments, businesses and individuals to work together and play their part.

Addressing the climate challenge is a fundamental part of our strategy – it centres on our ambition to be a leader in supporting a net zero carbon and energy-secure future.

As an organisation, we are committed to decarbonising our business as well as helping to convene the industry to deliver decarbonisation at scale. We also recognise that the biggest contribution we can make to net zero is helping the UK to meet its renewable energy and climate goals by accelerating the growth of offshore renewables and maximising the potential of carbon sequestration and nature-based solutions, on land and at sea.

### Our net zero commitment

In 2020, we set out our net zero commitment as part of our response to the climate emergency and to achieving the UK's net zero 2050 target. Our focus has started with the emissions associated with the operation of directly managed assets in our real estate portfolio, and optimising the green energy potential of the nation's seabed.

Within our own operations, we have made progress in delivering reductions in energy use and emissions across our London, Regional and Windsor operations. We've worked with our partners to implement carbon reduction and energy efficiency measures, undertaken net zero audits to develop asset-level plans and embedded a net zero transformation programme into our business. As a result of our efforts this year we're pleased to report a reduction in our operational carbon emissions (Scope 1 and 2) of 12%. Read about our 2022/23 performance on page 25.

Alongside this, we have made headway in supporting the UK's route to energy security and pathway to net zero. In January 2023, we signed Agreements for Lease (AfLs) for all six of the projects that comprise Offshore Wind Leasing Round 4 (Round 4) with the potential to generate up to 8GW of renewable electricity, enough for more than seven million homes. Additionally, we have been continuing to work towards a potential leasing round for floating offshore wind in the Celtic Sea, and strengthened collaboration with key stakeholders for awarding seabed rights to develop carbon storage opportunities. See our Marine review on pages 48-53 for more information.

The transition towards net zero is challenging; we're learning along the way. Our business is unique, with a distinct heritage and a diverse portfolio unlike any other. We have established key insights from the actions and interventions implemented to date. This, coupled with advancing scientific guidance and measurement methodologies, means we are evolving our net zero approach.

We are in the process of expanding on our net zero targets and commitments. We aim to reduce our emissions further across our value chain, taking a Group-wide approach to go beyond our property portfolio and include our Rural and Marine portfolios. For more information on how we're evolving our net zero commitment, see thecrownestate.co.uk/net-zero

We have set up a Net Zero Taskforce, with representatives from across the organisation, to drive forward the initiatives and capabilities required to realise our net zero ambition and associated energy and climate goals cohesively. In addition, we continue to voluntarily apply the Task Force on Climate-related Financial Disclosures (TCFD) framework to embed climate-related risks and opportunities into our strategy and operations. See page 30 for this year's voluntary disclosures.

### Decarbonising our own operations

Buildings play a vital role in the transition towards a low-carbon future. With buildings contributing approximately 25% of all UK emissions, decarbonising our real estate portfolio, and managing our direct Scope 1 and 2 greenhouse gas emissions, remains a high priority.

Working across our organisation and with others – including managing agents, energy providers and key customers – reducing energy consumption and improving the energy efficiency of our buildings is a central part of our energy and carbon-reduction plans.

### Setting energy targets

For the first time, we set an energy reduction target for the year and linked it to executive remuneration – signalling our intent to emphasise environmental accountability and marking the start of a challenging energy reduction programme.

Our target for 2022/23 was to reduce absolute energy consumption by 5% compared with the previous year within our London, Regional and Windsor real estate assets.

Across the three real estate portfolios we achieved a reduction of 1.5% in absolute energy consumption. Our like-for-like reduction saw a decrease of 2.5%. While we have not met the overall target, we have delivered positive results. We have achieved significant reductions in our absolute Scope 1 and 2 emissions (a decrease of 12% compared with last year) and gained valuable insights to achieve greater improvements.

Actions including deeper data analysis, the implementation and optimisation of energy-saving measures and building partnerships to establish informed plans are examples of the measures we have taken to make progress against our energy reduction target.

Reducing energy consumption and improving energy efficiency in historic buildings is complex. Within our 10 million sq ft London portfolio, which represents approximately 90% of our energy consumption, we have faced several challenges: from managing the intricacies of improving energy performance in heritage assets, to the availability of granular, real-time data on energy use and co-ordinating collective action across our extensive network of London partners.

Despite these challenges, we have focused on lessons learned and taken several steps to improve energy management across our real estate portfolio. These steps have included:

— enhancing our building management systems (BMS) across critical sites and high-energy use buildings to deliver electricity savings – see page 31 for more detail
— undertaking more than 100 prioritised net zero audits to analyse energy consumption and areas for targeted interventions
— developing asset-level plans (for all directly managed buildings) to prioritise impactful energy initiatives
— rolling out the installation of additional automatic meter readers and enhancing data software technologies to improve data granularity
— reinforcing engagement with our managing partners to understand requirements and review implementation plans to deliver holistic interventions
— integrating net zero performance-related outcomes into our maintenance service provider contracting services at St James's and Regent Street

We continue to ensure that the successes and lessons learned are integrated into targets and plans as we evolve our decarbonisation programme.

For more detail on our progress, see our Environmental and Social data supplement at: thecrownestate.co.uk/annual-report-2023

### Data and technology

Building on completeness of data remains a priority. We are in the process of piloting new digital innovations and solutions to improve data monitoring and reporting. With the insights gained over the last year, and the targeted interventions we have implemented, we have the foundations to improve energy performance and enhance business decision-making.

### Renewable energy and electric vehicle (EV) charging

As well as reducing energy consumption and improving efficiency, sourcing renewable and low-carbon energy remains part of our decarbonisation plans.

We procured 98%Ⓐ of our electricity from renewable sources, where we are responsible for purchasing the electricity. Additionally, we have some existing on-site renewables providing operational electricity from solar sources. We are carrying out feasibility studies to explore opportunities for the installation of additional on-site renewables.

The modulation of the biomass Windsor district heating system has provided a significant decrease in procured energy use at the Windsor Estate over the year. Electricity usage decreased by 43% and gas usage decreased by 85% compared with 2021/22.

As a result of our sustainable travel initiatives across Regional sites, we saw a substantial uplift in the uptake of electricity to power EV charging points. Electricity consumption for EVs increased by 99% from 452kWh in 2021/22 to 899kWh in 2022/23. Along with free bike repairs and a 'Let's Go Green' event, EV solutions have helped Rushden Lakes to receive its second national Modeshift STARS award in March 2023, achieving Silver accreditation.

Ⓐ Independent limited assurance (see inside front cover)

### Energy and Scope 1 and 2 carbon emissions

Our energy interventions have driven a reduction of 14.3% in our absolute Scope 1 emissions from 8,488 $tCO_2e$ (restated) to 7,273 $tCO_2e$. Scope 2 location-based emissions reduced by 9.6% from 8,731 $tCO_2e$ (restated) to 7,893 $tCO_2e$.

Overall, we have seen a reduction of 11.9% in absolute Scope 1 and 2 emissions from our directly managed portfolio compared with last year.

Through our energy efficiency interventions and the continued use of renewable energy sources, where we are responsible for procuring the electricity, energy intensity remained stable.

Our energy consumption and Scope 1 and 2 emissions are detailed on pages 24-25.

## Decarbonising our value chain

Collaboration is critical for understanding, reducing and reporting Scope 3 emissions. We are working to develop meaningful partnerships across our end-to-end operations, from working with our suppliers to tackle supply chain emissions, to connecting with our customers and tenants on sustainable practices and partnering with industry stakeholders to action whole-life carbon principles and unlocking new opportunities to achieve sector decarbonisation.

In 2022/23, our Scope 3 emissions reduced by 5.3% from 89,105 $tCO_2e$ (restated) to 84,398 $tCO_2e$. For more information on our Scope 3 emissions data, see page 25.

### Supply chain

Recognising the impact we can have in sustainability is amplified when we work with our supply chain. Our new Supplier Charter will provide an opportunity to drive greater engagement and influence through our procurement practices, helping to reduce greenhouse gas emissions and create more resilient and sustainable practices in our supply chain.

### Tenants and customers

To foster culture shifts and behaviour change, we continue to work with our customers, tenants and partners to deliver shared sustainable outcomes. We have green lease provisions for our London and Regional assets, including commitments to share information and data on energy, water and waste. Additionally, we are actively engaging with farmers in our Rural portfolio to develop environmental-leading Farm Business Tenancy agreements to promote more resilient and sustainable practices. See our Windsor & Rural review on pages 62-65 for more information.

Over the Christmas period, we worked with our commercial customers in London to minimise energy use in unoccupied offices. We are looking at how we replicate and scale initiatives like this to encourage culture shifts and behaviour change to reduce energy consumption and deliver greater energy savings.

### Circular economy and sector partnerships

We advocate sustainable design through our Development Sustainability Principles (DSP), which set out responsible building design, development and construction for new development projects at London and Regional sites. In 2022, we provided an interim update to the DSP to include new net zero targets and standards. For more information, please see: thecrownestate.co.uk/dsp-update

We are active participants of a number of cross-sector working groups to jointly tackle the challenges and leverage the opportunities for net zero and decarbonisation. We are members of the Better Buildings Partnership (BBP) and the UK Green Building Council (UKGBC). We sit on the UKGBC Task Group, along with more than 30 cross-industry experts, to accelerate sector action on commercial retrofit and address operational emissions. We also joined forces with Grosvenor, Peabody, the National Trust and Historic England in March 2023 to better understand the skills gap for decarbonising heritage buildings and helping the UK transition to a net zero future. For more detail, see page 57.

Understanding the carbon produced throughout the life-cycle of the seabed and marine activities has been a focus within our Marine portfolio. To inform business planning and decision-making, we're looking at the carbon emissions associated with our customer operations, including embodied carbon and the interactions between our customers' activities and the carbon stored in the seabed.

### Data and reporting

Recognising the value of data, we have reviewed our data collection processes and methodologies to improve quality and completeness. We have made significant progress in the year improving the quality of our energy and carbon data and as a result we have restated the 2021/22 results. We are presenting the current year and comparative results as these data sets have had the benefit of the data improvements. The restatements have no impact on whether our remuneration-linked targets were met. We are currently reviewing our approach to our net zero baseline year of 2019/20.

As part of evolving our net zero commitments, we are also establishing new data sets and reporting mechanisms to measure our Rural and Marine activities.

## Energy and carbon

Our energy consumption, energy savings and associated carbon emissions data for 2022/23 are detailed in the following tables, in accordance with the Greenhouse Gas (GHG) Protocol and Streamlined Energy and Carbon Reporting (SECR) legislation.

ENERGY CONSUMPTION – ABSOLUTE[1,2]

| | Absolute (MWh) | | | Like-for-like (MWh)[5] | | |
|---|---|---|---|---|---|---|
| | **2022/23** | 2021/22 (restated)[3] | Year-on-year % change increase/ (decrease) | **2022/23** | 2021/22 | Year-on-year % change increase/ (decrease) |
| Electricity | 66,718 | 66,153 | 0.9 | 64,003 | 64,065 | (0.1) |
| Fuel | 29,173 | 31,195 | (6.5) | 28,423 | 30,728 | (7.5) |
| **Total** | **95,891** Ⓐ | **97,348** | **(1.5)** | **92,426** | **94,793** | **(2.5)** |
| Less: EV charging consumption | (899) | (452) | 98.9 | (899) | (452) | 98.9 |
| **Total excluding EV charging** | **94,992** | **96,896** | **(2.0)** | **91,527** | **94,341** | **(3.0)** |
| Number of assets | 176 | 171 | 2.9 | 164 | 164 | |

ENERGY INTENSITY

| | kWh/m² | | |
|---|---|---|---|
| | **2022/23** | 2021/22 (restated)[3] | Year-on-year % change |
| **Energy intensity[4]** | **107** Ⓐ | **107** | **–** |

1. All data relates to those assets where The Crown Estate is responsible for procuring the energy.
2. The absolute energy data reported above represents 98% (2021/22: 95%[3]) of floor areas of directly managed properties in our London and Regional portfolios and on the Windsor Estate.
3. Following improvements to data coverage and floor area accuracy absolute energy consumption figures have been restated for 2021/22. We have chosen not to present data for 2019/20 and 2020/21 as those years have not had the benefit of the data improvements. Information about the impact of these restatements, along with the data as originally reported in the 2021/22 annual report, can be found in the Environmental and Social data supplement.
4. Energy intensity is calculated for properties where our data satisfies the requirements specified in our Environmental Reporting Criteria. The energy intensity data represents 85% (2021/22: 89%[3]) of the floor areas of directly managed properties in our London and Regional portfolios and the Windsor Estate. Assets contributing to the figure account for 98% (2021/22: 98%[3]) of the absolute energy consumed at directly managed properties in 2022/23.
5. Like-for-like metrics are recalculated annually to ensure current and prior year data are comparable.

Ⓐ Independent limited assurance (see inside front cover)

### 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 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 ($CO_2e$) using the UK government 2022 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 (eg, fossil fuels and renewables).

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

GREENHOUSE GAS EMISSIONS – ABSOLUTE SCOPES 1 AND 2[1,2]

| | GHG Protocol category | $tCO_2e$ 2022/23 | 2021/22 (restated)[3] | Year-on-year % change (decrease) |
|---|---|---|---|---|
| **Scope 1** | Direct emissions from fleet and heating of buildings | 3,816 | 4,763 | (19.9) |
| **Scope 1** | Refrigerants[4] | 3,245 | 3,500 | (7.3) |
| **Scope 1** | Owned vehicles and machinery | 212 | 225 | (5.8) |
| **Total Scope 1** | | **7,273** Ⓐ | **8,488** | **(14.3)** |
| **Scope 2 (location-based)** | Emissions from generated electricity usage | **7,893** Ⓐ | **8,731** | **(9.6)** |
| **Gross Scope 1 and 2 emissions (location-based)** | | **15,166** | **17,219** | **(11.9)** |
| **Scope 2 (market-based)** | Emissions from generated electricity usage | **360** Ⓐ | **743** | **(51.5)** |

| EMISSIONS INTENSITY | | kWh/m² 2022/23 | 2021/22 | Year-on-year % change (decrease) |
|---|---|---|---|---|
| **Emissions intensity[5]** | | **20** Ⓐ | **22** | **(9.1)** |

GREENHOUSE GAS EMISSIONS – ABSOLUTE SCOPE 3 (INDIRECT)

| | GHG Protocol category | $tCO_2e$ 2022/23 | 2021/22 (restated)[3] | Year-on-year % change increase/ (decrease) |
|---|---|---|---|---|
| **Scope 3** | Category 3: electricity and transmission distribution losses | 1,180 | 1,243 | (5.1) |
| **Scope 3** | Category 6: business travel | 47 | 20 | 135.0 |
| **Scope 3** | Category 8: leased vehicles/machinery/tools | 131 | 134 | (2.2) |
| **Scope 3 (location-based)** | Category 13: downstream leased assets (evidenced tenant energy) | 6,518 | 6,266 | 4.0 |
| | | **7,876** Ⓐ | **7,663** | **2.8** |
| **Scope 3** | Category 1: purchased goods and services | 26,940 | 24,985 | 7.8 |
| **Scope 3** | Category 2: capital goods | 22,756 | 27,315 | (16.7) |
| **Scope 3** | Category 5: waste generated in operations | 143 | 108 | 32.4 |
| **Scope 3** | Category 7: employee commuting | 117 | 101 | 15.8 |
| **Scope 3** | Category 13: downstream leased assets (estimated tenant energy) | 26,566 | 28,933 | (8.2) |
| **Total Scope 3 emissions** | | **84,398** | **89,105** | **(5.3)** |
| **Scope 3 (market-based)** | Category 13: downstream leased assets (evidenced tenant energy) | – | – | – |

1. All data relates to those assets where The Crown Estate is responsible for procuring the energy.
2. The absolute data reported above represents 98% (2021/22: 95%[3]) of floor areas of directly managed properties in our London and Regional portfolios and on the Windsor Estate.
3. Following improvements to data coverage and floor area accuracy, GHG emissions have been restated for 2021/22. We have chosen not to present data for 2019/20 and 2020/21 as those years have not had the benefit of the data improvements. Information about the impact of these restatements, along with the data as originally reported in the 2021/22 annual report, can be found in the Environmental and Social data supplement.
4. Refrigerants for 2021/22 has been restated from 285 $tCO_2e$ to 3,500 $tCO_2e$ due to a change in methodology. Emissions from refrigerants have been estimated based on gross internal area (previously common parts area).
5. Emissions intensity is calculated for properties where our data satisfies the requirements specified in our Environmental Reporting Criteria. Emissions intensity coverage represents 85% (2021/22: 89%[3]) of the floor area of directly managed properties in our London and Regional portfolios and on the Windsor Estate. Assets contributing to the intensity data account for 98% (2021/22: 98%[3]) of the absolute energy consumed.
6. See page 155 for definitions of Scope 1, 2 and 3.

Ⓐ Independent limited assurance (see inside front cover)

For additional information including the breakdown of energy data by our London, Regional and Windsor portfolios see the Environmental and Social data supplement at: thecrownestate.co.uk/annual-report-2023. For more information on our data methodologies, definitions and assumptions, see the Environmental Reporting Criteria at: thecrownestate.co.uk/assurance

## Supporting the UK's path to net zero

We are at the frontline of tackling some of the greatest challenges of our time – climate change, energy security and nature recovery. As managers of the seabed and much of the coastline around England, Wales and Northern Ireland, we play a major role in the UK's world-leading offshore wind sector, supporting the energy security transition and contributing to the government's target to supply all of the UK's electricity from renewable sources by 2035.

Achieving net zero and limiting global warming to within a 1.5 degree rise cannot be met by renewable energy alone. As well as decarbonising our own business, we are also focused on growing technologies, such as carbon capture, utilisation and storage (CCUS), to champion decarbonisation efforts and help the UK meet its 2050 net zero target.

### Renewable energy sources

This year, we have stepped up efforts to accelerate offshore wind deployment supporting the UK government's target to increase offshore wind to 50GW by 2030. Signing the Agreements for Lease for six offshore wind projects, as part of the Offshore Wind Leasing Round 4, marks a major milestone to enable the delivery of around 8GW of renewable electricity by offshore wind. We are also seeking to support new technologies, such as a potential leasing programme for floating offshore wind in the Celtic Sea. This has the opportunity to realise significant benefits for the environment, installation efficiency and capacity generation.

In partnership with the Department for Energy Security and Net Zero (DESNZ) and the Department for Environment, Food and Rural Affairs (Defra), and working closely with other industry stakeholders, we continue to invest in the Offshore Wind Evidence and Change Programme (OWEC) to ensure the sustainable growth of the offshore wind sector. In 2022, we committed an additional £25 million to the programme, taking our overall investment up to £50 million. We also prioritised making offshore marine industry data publicly available through our world-leading platform – Marine Data Exchange (MDE). For information on OWEC see page 51.

Overall, across our seabed holdings, the cumulative operational capacity in the offshore wind sector increased from 10.8GW to 11.8GW△ in 2022/23. By generating 41.3TWh of energy during 2022/23 from offshore wind, we have enabled the avoidance of 15.9 million $tCO_2$ emissions.

At 31 March 2023 the UK offshore wind pipeline – including operational to pre-leasing sites – stands at 78.8GW, including projects to be delivered after 2030. Capacity emerging from a potential Celtic Sea floating offshore wind leasing programme and Crown Estate Scotland's ongoing ScotWind leasing process could take the total pipeline to 88.5GW.

For more information on our fixed and floating offshore wind projects and the enabling benefits, see pages 49-50.

We also award seabed rights as test and demonstration sites for wave and tidal projects and we are exploring, with customers and policy makers, how we can unlock emerging innovations such as green hydrogen markets through offshore wind leasing processes, contributing to the provision of a diverse mix of green energy.

Our work as part of our leasing rounds also helps to revitalise the local economies of post-industrial areas and ports – demonstrating the broader impact of our activities.

### Carbon capture, utilisation and storage

The potential for CCUS to remove and store atmospheric carbon emissions and encourage the development of renewable energy solutions, to reach global net zero goals, was reinforced by the UN's Intergovernmental Panel on Climate Change sixth assessment in April 2022.

We are playing a key role in work to explore the market requirements for future seabed and subsurface carbon store development. Competing demands for the seabed call for a co-ordinated approach to its management, which needs to be balanced with protecting the marine environment. The Crown Estate brings together partners including the North Sea Transition Authority (NSTA), the Carbon Capture and Storage Association (CCSA), RenewableUK, governments and Crown Estate Scotland to provide strategic co-ordination of co-location research and activity and help maximise the potential of the seabed for these activities. Find out more on page 50.

Offshore Wind Evidence + Change Programme

In 2022, we committed an additional

**£25 million**

to the programme, taking our overall investment up to

**£50 million**

△ Independent limited assurance (see inside front cover)

# Minimising our wider environmental impacts

## External air quality
We work in partnership with air quality experts at Imperial College London to monitor pollution levels across our London estate and inform public realm strategies to improve the health of our spaces. Since 2020, we have trialled a reduction in the number of traffic lanes on Regent Street from four to two. As members of the London Air Quality Network initiative, we provide nitrogen dioxide and particulate matter data from monitors near Heddon Street and Waterloo Place. Over the duration of the year, readings showed air quality to be averaging just within the current UK targets.

Climate change and air pollution are connected issues. We are a member of the Zero Emission Group – a collaboration between Westminster City Council, other landowners in Westminster and Business Improvement Districts – and we expect that net zero measures to reduce road traffic as part of this group will further improve air quality.

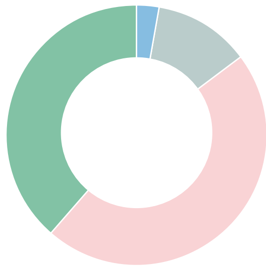
## Managing waste
Across our business, our generation of operational waste has increased to 7,334 tonnes (2021/22: 5,476 tonnes). The breakdown of operational waste is shown in the chart on the right.

We collected waste data for 14 construction projects. 99% of waste generated during construction of these projects was diverted from landfill. Building on our DSP, which stipulate a series of circular design and resource efficiency principles, we are implementing a new digital platform to monitor and manage environmental construction data, including waste, providing enhanced reporting processes.

## Water consumption
We saw an increase in water consumption at Windsor due to the hot weather and drought conditions experienced in the summer and the need for irrigation to preserve the increased tree planting across the estate. We are installing new water meters to improve our data, allowing us to implement targeted water conservation measures.

In the last year, water consumption has reduced to 401,192m$^3$ (2021/22: 405,873m$^3$).

**Operational waste – end disposal breakdown 2022/23**



| | |
|---|---|
| Composting | 2.8% |
| Anaerobic digestion | 12.0% |
| Recycled (following on-site segregation) | 46.7% |
| **Total recycled** | **61.5%** |
| Incineration off-site (with energy recovery) | 38.5% |

## Stewarding the natural environment

Tackling the nature and climate crises goes hand in hand and demands joined-up, rapid action to protect our natural environment and deliver long-term benefits. Maintaining healthy habitats and ecosystems is instrumental for sustaining nature's inherent value, mitigating the effects of climate change, and providing ecosystem services to support livelihoods and a thriving economy.

The outcomes from COP15 in December 2022, the largest biodiversity conference in ten years, represented a key turning point for commitments to halt and reverse nature loss. In line with the Kunming-Montreal Global Biodiversity Framework, the UK has committed to become Nature Positive by 2030. We believe this is an important step on the journey to nature recovery.

Leading in stewarding the UK's natural environment and nature is at the heart of our purpose and strategy. Our distinct portfolio – covering the seabed, urban and rural assets – provides a unique opportunity to promote nature recovery, support new land use innovations and deliver nature-based and carbon sequestration solutions.

### Our nature recovery approach

Nature and ecological ecosystems are intricate and diverse. They require a deep level of understanding (including both the positive and negative impacts on nature) and effective planning that considers both local-level and systemic needs.

We are delivering a range of initiatives across our business, focusing on the following areas:

— building partnerships and strengthening industry relations to catalyse change
— investing in new innovations and scaling initiatives
— collecting data to establish baseline conditions and provide evidence of impact

### Marine

Delivering the infrastructure in a way that protects nature, minimises environmental risk, supports coastal communities and drives sustainable economic growth is a focus as demands on the seabed increase. Building on the foundations, and working with the industry, we are strengthening accountability and improving decision-making by ensuring nature-related factors are considered in the planning process at the start.

Over the last year, we have worked on a range of projects and partnerships that:

— help us understand and invest in the protection of natural blue carbon stores (carbon stored in coastal and marine ecosystems). The Crown Estate is responsible for a vast quantity of blue carbon stored within vegetated marine habitats and sediment. It's imperative we develop a greater understanding of how our leasing activities could impact existing carbon stores and sequestration habitats, to manage nature and climate-related risks and grow opportunities to enhance carbon sequestration
— facilitate the regeneration of coastal marine species and habitats, and provide a nature-based solution to removing carbon emissions from the atmosphere. In collaboration with the National Trust, we confirmed funds to support the Studland Bay Marine Partnership's purchase of 21 eco-moorings to restore and protect Studland Bay's seagrass and seahorse population (and enhance carbon sequestration)
— scale up cross-sector nature positive solutions. For example, we have joined the Blue Recovery Leaders Group, working with the Wildfowl & Wetlands Trust to help create thriving networks of wetlands across the UK. We are also part of numerous industry working groups led by governments, government bodies and other stakeholders to share data and feed into strategic, area-based assessments and plans

### Windsor & Rural

If we are to achieve global and national nature recovery targets of halting biodiversity loss by 2030 and net zero carbon emissions by 2050, while meeting growing demands for safe and secure food production, we must transform the way we use and manage land across the UK.

We are custodians and stewards of over 200,000 acres of land across England and Wales, which includes the Windsor Estate and a diverse mix of rural assets. With this, we have a responsibility to conserve and enhance sites of environmental importance, as well as an opportunity to support new and existing land use innovations such as delivering renewable energy solutions and leading the green agricultural transition.

### Windsor

The Windsor Estate and Great Park is one of the country's most unique heritage sites. Consisting of approximately 16,000 acres of parkland, gardens and forestry, it's home to a wealth of plant and animal life, from ancient and veteran trees to rare insects, fungi and birds. We have the largest collection of veteran ancient oak and beech trees in Northern Europe – making it an important site from an environmental and ecological perspective.

The Estate is also an important destination to millions of visitors and the set for many events, films and productions each year. We work hard to ensure that our operations are managed to protect, enhance and grow these ecologically important habitats for wildlife and nature to thrive, balanced with visitors to enjoy.

**Above.** A spiny seahorse in Studland Bay

There are a number of Sites of Special Scientific Interest at Windsor covering nearly 7,400 acres. In 2019, we achieved Natural England's highest 'favourable' rating for these sites, which we continue to maintain. We recognise that there are many opportunities to improve the sites even further: creating new areas of heathland, enhancing wildflower diversity in our grasslands, restoring derelict ponds and ditches and improving the condition of ancient trees where they are becoming overgrown are examples of how we are building nature into our day-to-day operations.

One of our most significant programmes in Windsor is our ten-year restoration programme, set up in 2020/21 to restore park and farmland with new parkland trees and avenues, wooded areas, hedges and green lanes. By using a mix of native and other species of high value and relevance to the Windsor wildlife and landscape we are supporting nature growth and providing nature-based solutions to climate change resilience.

Amongst the significant tree, hedgerow and woodland planting across the estate, a number of the new plantings contributed to The Queen's Green Canopy – as part of a nationwide initiative two new avenues of 70 trees were planted to mark the Platinum Jubilee. Work in the last year has also seen the continuation of a gene bank parkland oak planting project in the Great Park and the start of the major tree planting project to enhance the polo ground at Smith's Lawn.

Our conservation and habitat creation initiatives include planting native and wildlife-friendly shrubs and trees, creating new ponds and wetlands in Swinley Forest, managing invasive species and dead wood habitats in our ancient woodlands and sustainable soil management through careful grazing and mowing programmes. We have a programme of wildlife monitoring and surveying including birds, butterflies, bats and insects, and these surveys help to inform our habitat condition and the action we need to take to help with nature recovery.

For more information on our strategy at Windsor, see pages 62-65.

**Above.** Urban greening in St James's Market

## Rural

Our rural landholding extends to 185,000 acres across England and Wales, 70% of which is tenanted farmland. The Rural portfolio includes residential buildings, forestry, onshore wind farms, solar panel installations, a hydro scheme and 54,000 acres of upland and common land in Cumbria and Wales.

We recognise the role that our land needs to play in food production, nature recovery, renewable energy, carbon sequestration and rural livelihoods. The decisions we take, and the way we work with the farmers and rural communities who steward our land, are essential in helping to drive the sustainable transformation of land use.

We are actively working with farmers and tenants to encourage the adoption of regenerative and sustainable practices. We have continued to roll out tree and hedgerow planting – 35 miles of hedgerows have been planted across our Rural estate in the first season of a three-year programme.

For more information on our Rural strategy, see pages 62-65.

## London and Regional

Across our real estate portfolio in London, we continue to drive focused action on habitat conservation and creation through our key partnership with Wild West End. Along with other property owners in London, we are working together to promote green spaces and provide habitats to support the growth of wildlife including birds, bats and bees.

Since the launch of the scheme in 2015, of which we were a founding partner, over 4,000 square metres of green space has been created.

Creating green spaces in urban areas also helps to enhance air quality and maintain healthy urban ecosystems. Our air quality initiatives, highlighted on page 27, help us to identify ways in which we can make a difference to shared spaces.

Supporting and enhancing wellbeing through green building design and development is one of the objectives of the DSP. We are updating the framework to reflect emerging environmental and social themes, providing a clear ambition for our development projects that aligns with our business priorities.

## Task Force on Climate-related Financial Disclosures (TCFD)

As a business we have an important role to play in putting environmental stewardship at the heart of our activities. It's imperative that we recognise our part in minimising negative environmental impacts and driving more resilient ones as we work towards a low-carbon future.

We are committed to ensuring that our business is set up to effectively identify and manage our climate-related risks and opportunities.

We have made further progress in aligning our operations and capabilities to the four core elements of the TCFD framework. We have strengthened our climate-related governance, and progressed our energy reduction and net zero strategy and initiatives.

Over the next year, we will further integrate the TCFD recommendations into our business. We are working on a range of activities, including scenario analysis, developing mechanisms to assess the strategic alignment of projects and identifying additional targets and commitments, to underpin our approach for effectively managing climate risks and opportunities.

We also recognise that climate and nature-related impacts cannot be looked at in isolation. As we develop our TCFD approach, we will also consider emerging, related guidance such as the Taskforce on Nature-related Disclosures (TNFD), to ensure we respond to climate and nature-related impacts in a joined-up way.

As part of our voluntary disclosures moving towards alignment with TCFD recommendations we report as follows:

### Governance

Board oversight of The Crown Estate's sustainability strategy, including climate-related issues, is overseen by the Sustainability Committee. The Committee meets every quarter and is made up of three independent Commissioners. See pages 103-105 for more information on the Sustainability Committee.

The Value Creation Committee (VCC) is responsible for approving value creation proposals in line with our purpose and wider financial, environmental and social commitments. See page 106 for more information about the VCC.

The day-to-day decision making and management of our sustainability strategy and plans are the responsibility of the Group Leadership Team (GLT). The Board is the ultimate owner of corporate risk with the Audit Committee reviewing the risk management process and internal control systems. Climate change has been identified as a principal risk. See pages 66-72 for more information on risk management.

Our Net Zero Taskforce and Nature Recovery Working Group were both established in 2022. With representatives from across the organisation, these groups, together with the Sustainability team, are responsible for driving our climate and nature-related activities and reporting updates to the GLT.

For further information on governance, see pages 73-108.

### Strategy and risk management

We review the impacts of climate change on our business and consider the short, medium and long-term impacts on an ongoing basis. Climate change is a core part of our business strategy as well as stewarding the UK's natural environment. Examples of our progress against these objectives are set out in this Environmental review.

This year, we have made significant progress in setting up our business for transition to net zero. We have implemented an ambitious net zero transformation programme, underpinned by the Net Zero Taskforce and expansion in our Sustainability team, both as a Group function and embedded into our business units. We continue to focus on net zero capability building to equip our Strategic Business Units and Group functions with the skills and knowledge to drive the behaviour changes required to both decarbonise our business and maximise our impact in the UK's net zero transition.

We are also developing additional tools to incentivise and inform decision-making, such as a carbon budget tool linked to a carbon pricing mechanism to help us understand how future projects align to our net zero objectives.

In order to improve our understanding of our climate-related risks we are exploring tools to better understand these. As part of this process, we will undertake Group-wide scenario analysis to assess the impact of climate-related risks and opportunities under different scenarios and timeframes, to draw out key physical and transition risks.

### Metrics

For a number of years, we have been reporting absolute energy consumption and energy intensity, as well as greenhouse gas (GHG) emissions and intensity from our assets where we are responsible for procuring the energy. For our Scope 1, 2 and 3 GHG reporting, see pages 24-25 for our Streamlined Energy and Carbon Reporting (SECR) update and our Environmental and Social data supplement at: thecrownestate.co.uk/annual-report-2023

We are expanding our net zero commitment to develop Group-wide net zero targets, including establishing baselines for Rural and Marine, and we are targeting developing pathways for all our business activities in relation to net zero. Alongside this, we are undertaking a review of the metrics underpinning other key impact areas such as nature recovery, as part of work to set specific commitments.

We are working towards improving our Scope 3 supplier emissions and overall data quality to enhance data monitoring and reporting.

# Optimising building efficiency

We are responsible for a historic, diverse and iconic mixture of central London assets across Regent Street and St James's. This presents unique and complex challenges in heritage conservation balanced with future climate resilience. Years of modification and development to accommodate changing customer uses and public requirements have created further complexity.

During the year, we started the building management systems (BMS) optimisation project to improve the energy efficiency of the London commercial property portfolio in line with our Group energy reduction targets.

We targeted our highest energy-consuming buildings to ensure they were operating in accordance with their intended design specifications and optimal servicing requirements.

The programme ran from September to December with a focus on heating, cooling and ventilation controls. Many of the BMS settings had become misaligned, resulting in energy inefficiency and wastage. Our work uncovered a number of challenges that required engineering solutions to ensure our engine rooms were set up to deliver the best BMS performance.

A programme of interventions was developed and commissioned across 21 properties. Examples include:

- adjusting plant run times to remove out-of-hours usage and demand
- returning plant set points to design parameters to further reduce demand and enhance customer comfort
- adjusting plant control strategies to align with design principles and operate more efficiently
- modifying condenser water system controls to reduce heat leaks, and reduce cooling demand and energy use
- reconfiguring a heating system to have a greater reliance on the ground source heat pump (GSHP) system, resulting in significant energy savings
- training maintenance engineers on GSHP operations to ensure consistent performance

We are expanding this work to drive greater energy efficiencies across our portfolio.

## Social review

# Making a positive impact for our people, customers and communities


**Above.** This year marked 50 years of Pride in the UK and we celebrated with an installation of Pride flags on Regent Street

### Key highlights

**Lost Time Injury Frequency Rate**

0.34 ⚠

(2021/22: 0.61)

**Employee engagement: 'Great place to work' score**

87%

(2021/22: 78%)

**People employed through Regional job initiatives**

418

(2021/22: 332)

**Customer satisfaction score**

79%

(2021/22: 81%)

**These are the UN Sustainable Development Goals on which we have an impact and where we can make a difference:**

1 NO POVERTY
Read more on **pages 34-35**

3 GOOD HEALTH AND WELL-BEING
Read more about mental health and wellbeing on **pages 35-36**

5 GENDER EQUALITY
Read more on **page 36**

8 DECENT WORK AND ECONOMIC GROWTH
Read more on **page 38**

10 REDUCED INEQUALITIES
Read more on **pages 34-35**

11 SUSTAINABLE CITIES AND COMMUNITIES
Read more in our London and Regional reviews on **pages 54-61**

⚠ Independent limited assurance (see inside front cover)

The purpose of The Crown Estate is to create lasting and shared prosperity for the nation.

The UK faces significant socio-economic challenges from higher energy and food prices, an increasingly unequal and ageing society, and an economy that is experiencing persistent shocks.

As a landowner with assets and influence across the country, we strive to continuously understand the positive impact we can have through our work in the communities in which we operate, either directly or as an enabler. This includes our people, customers, supply chain and wider society.

It's important that we care for our employees, supply chain, customers and communities through our Safety First approach. We want to be an employer of choice for people from a wide range of backgrounds who want to make a positive impact, not only financially but socially and environmentally too. We can make a difference by providing employment and other opportunities that may not have otherwise been accessible. We can seek to set the standard that reflects inclusivity and safety, and is welcoming to all. This approach will make us more resilient and an agent for positive change across our industries.

We increasingly take a holistic approach to how we deliver social value, moving beyond business-level activities. This includes bringing our social and environmental agendas more closely together to take a more interconnected view of the impact we can have. We know that the challenges we face are more complex and intersecting than single issues. For example, to achieve net zero will require new skills in retrofitting heritage buildings (see page 57) and we can play a role in helping remove barriers for people to build those skills. Green spaces are vital for nature and the battle against climate change, but also essential for the health and wellbeing of communities.

This review looks back on what we've achieved over the past 12 months. More supporting data for this Social review can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/annual-report-2023

# Our people

## Our People strategy

We aim to empower our people to realise their full potential and drive the growth needed to deliver our ambitious Group strategy. Built on the three pillars of culture, talent and performance, our People strategy is designed to create a place where people feel they belong and can thrive in their careers.

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 wide-ranging capabilities; and we want to build an empowering workplace that encourages diverse thinking and recognises people for their contribution.

We have redefined our Employee Value Proposition as four promises:

— Follow your passion. We will help you make your goals a reality
— Be more together. You will be part of a unique and diverse community of experts
— Make your mark. We will empower you to create a better environment and society
— Realise your potential. We will support you to continue growing

We recognise that by managing talent strategically we can build a high-performance workplace, foster a learning environment and improve diverse representation. In the year, we launched Talking Talent, a programme which identifies and develops high potential and core capabilities at a senior level. On pages 93-102 of this report you can read more about the changes we're bringing in through our new Remuneration Framework.

We will continue to seek feedback and listen to the changing needs and values of our people through surveys, focus groups, manager feedback and data insights, enabling us to measure the progress of our People strategy in achieving its goals.

## Recruitment

Our Group strategy requires new capabilities. In the year, we have recruited 152 new full-time employees, including those who bring significant marine, property development and sustainability expertise to the organisation.

Utilising the power of our brand, we have also introduced a new applicant tracking system complemented by a new recruitment campaign. Our new system enables us to engage directly with candidates, create a branded experience and grow our pool of interested applicants for future roles. Developed with our people, we launched a new recruitment campaign in December 2022. Be More positions The Crown Estate as a purpose-driven, inclusive employer where people can do their best work.

The campaign resulted in a significant uplift in traffic to our careers pages from LinkedIn, Facebook and Twitter, with pageviews increasing 71% compared with the previous quarter.


71%
increase in social media traffic to our careers site following the launch of our Be More campaign

# **Social review** continued

**“I’ve met so many people here who’ve given me such good advice and tips on how important things like connections are and building your network. I thought I may come here and learn about property, but it’s much more than that, and that’s one of the best things about the whole scheme.”**

**Eze Ezeah**
Property Intern
#10000BlackInterns

## Employee engagement

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

We continue to make progress embedding change across the organisation. We established the Enterprise Leadership Community, extending leadership further into the organisation and developing leadership behaviours to hold our leaders to account in driving high performance through empowering our people. We have embedded our values as part of our performance management system, Connected Conversations, to demonstrate and reinforce the importance of how we work, and focused on simplifying our ways of working.

Communication has ranged from regular Group sessions with the Chief Executive and wider leadership team, to local team meetings, to discuss updates such as ways of working, and our strategy and business objectives. Our monthly townhalls with the entire business keeps our people informed on the financial and economic factors surrounding The Crown Estate and how these affect our performance. This has been supplemented by a range of internal communication channels, including the intranet, social media and email updates.

Our Board Members regularly meet with employees informally when Board Members undertake site visits (such as Windsor in October 2022 and Newcastle in March 2023) and during scheduled ‘meet and greets’ with employees before and after Board meetings. This provides the opportunity for the Board to have regard to employee interests and to then take these into consideration when it comes to principal decisions taken by The Crown Estate during the financial year.

In the autumn, we carried out a Group-wide employee engagement survey, One Voice. This was a short survey focusing on the priority areas where our people had previously told us we needed to improve. Leadership decision-making and having a clear vision for the future were the most improved responses in the survey (both up 16 percentage points, from 32 to 48 and 59 to 75 respectively). Although responses show that progress has been made, greater improvement is required in decision-making and communication, both of which sit below our external benchmark. On leadership trusting people’s judgment, 66% of our people responded positively, but this is also below our external benchmark.

Our expanded learning and development curriculum and Connected Conversations have made it easier for everyone to see how they are contributing to our strategy. The results around talent and opportunity show more people now feel they have the opportunity for personal development (71%) and to progress in their careers (63%) at The Crown Estate. This is an increase of 11 and 12 percentage points respectively compared with last year’s survey. We will continue to invest in personal development to support our people.

We recognise that evolving our culture will take time. Results show that we continue to make progress in creating a workplace that is collaborative, open and empowering. Wellbeing was a particular area of progress with 91% agreeing that The Crown Estate cares about the wellbeing of its people.

94% of colleagues are proud to work for The Crown Estate (2021/22: 89%), and 87% of respondents would recommend The Crown Estate as a great place to work (2021/22: 78%). Both metrics place us above UK national benchmarks, presenting a positive shift on which we can continue to build.

## Diversity, equity and inclusion

Our ambition is to be a leader in diversity, equity and inclusion (DE&I). We want to be an inclusive organisation that reflects society, where everyone feels welcome, can be themselves and belong.

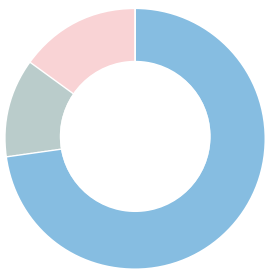
This ambition needs to be backed by robust data. Following an awareness drive, we now have better data with more of our people completing diversity self-declaration forms, providing us with an understanding of the demographics of our business and where we need to improve. We know we still have a way to go in DE&I, but we have made good progress in the year.

We recognise that culture flows from the top of an organisation. We have made progress over recent years in hiring more women at a senior level. Women make up 45% of our Group Leadership Team (2021/22: 45%). 67% of our Board (including Board Counsellors) are women (2021/22: 57%), as are 46% of our employees overall (2021/22: 44%).

We have DE&I networks that focus on four key areas: accessibility and inclusivity; gender; LGBT+; and race, ethnicity and culture. Over 10% of our people participate in these networks and each has a dedicated Group Leadership Team sponsor to support activity and drive change. Each of our networks raises awareness and education to support our ambition to be an inclusive organisation.

Our existing partnerships with Purple and AccessAble seek to broaden our agenda on physical and social accessibility, co-ordinating our efforts on accessibility internally and within our wider estate.

**Colleague diversity at 31 March 2023**



| | |
|---|---|
| White | 73% |
| Black, Asian and Minority Ethnic | 12% |
| Not declared/prefer not to say | 15% |

We are a Level 2 Disability Confident employer as part of the UK government's Disability Confident scheme. This means we actively attract and recruit disabled people to help fill our opportunities, bearing in mind the skillset of the person against the criteria of the role. We strive to provide a fully inclusive and accessible recruitment process from start to finish.

The approach taken at The Crown Estate is that the training, career development and promotion of disabled persons is in line with our ambition to be a diverse, equitable and inclusive organisation.

At the end of the year, we began a 'deep dive' to gain a better understanding of lived experiences of all colleagues. This independent review includes an all-employee survey, in-depth interviews and listening circles. The review will inform a people-led action plan to deliver our ambitions.

## Wellbeing and mental health

We are committed to creating environments where everyone can thrive and to remove barriers so people can realise their full potential. Our progress to date is shown in our staff survey results, where 91% of our people agree that The Crown Estate cares about the wellbeing of its people.

We have 94 mental health first aiders across the Group. This equates to 15% of our people who undertake regular training and support the needs of their colleagues. This year staff formed a new Health and Wellbeing Group in our Windsor office, which complements the existing group we have in London.

Our people have 24/7 access to our employee assistance programme, which provides a broad wellbeing and support offer.

We have a low sickness absence rate for the business of 1.97% (2021/22: 2.03%) of working time compared with the national average of 3.2% (2021/22: 2.5%).

In the year, we developed a plan to incorporate our wellbeing work with our health and safety approach, taking a more holistic view that extends beyond our people to our customers and communities.

## Learning and development

We want to empower our people to realise their potential and develop a diverse and inclusive workforce. In the year, our learning and development activity has focused on developing our newly established Enterprise Leadership Community and a fresh curriculum for our employees.

Our Enterprise Leadership Community attended three off-site events during the year, featuring inspiring external speakers and creating time for conversations about leadership behaviours and organisational alignment. We will continue to build and challenge this community over the next year to deliver our strategy in the ever-changing landscape in which we operate.

Our new curriculum features a wide range of technology and technical courses required for roles, while also enabling our people to understand their own purpose and develop a growth mindset. We are also supporting enhanced business capabilities, including project-management skills, new manager development and report writing. In the year, we expanded our use of LinkedIn Learning, the on-demand service. In total, this has led to an increase in the average training hours per person to 9.5 hours (2021/22: 8 hours).

## Welcoming the next generation

Fresh perspectives and diverse thinking are key to the future of our business. Our Next Generation programme removes barriers so that we can offer young people opportunities to kickstart their careers.

Using the Apprenticeship Levy, we employed five people directly into roles at the Windsor Estate (two arborists, two horticulturists and one plumbing and heating technician). We ran a campaign across digital channels and invited a shortlist of candidates to a selection day. They participated in a variety of activities to introduce them to the work of the Windsor Estate, enabling a good understanding of each other and the roles before being given the opportunity to join the team. The levy was also used to upskill people across the business to achieve professional qualifications across human resources, digital marketing and finance.

In May 2022, we held our first Early Careers Alumni event that brought together our previous interns with those about to join us in the summer. This provided us with an opportunity to reconnect with our alumni and provide our new interns with the chance to visit our offices and understand more about their roles from our alumni.

In the summer we welcomed seven paid interns, including one from our partner, the Reading Real Estate Foundation, and six from the #10000BlackInterns scheme, which is aiming to offer 2,000 internships each year for five consecutive years. They were given placements across our business to experience working within different teams and to gain a greater understanding of the work we do and our industries.

In 2022, we were delighted to be awarded an 'Above & Beyond' Award from our partner Drive Forward Foundation. This is in recognition of our partnership to create fulfilling and sustainable employment for care-experienced young people across London.

**"As a horticultural apprentice I get to do something that's practical, creative and fulfilling. I'm learning skills here that will take me to the next level in my career – but for now I love that I'm part of preserving these beautiful gardens for future generations to enjoy."**

**Selena Mansell**
Horticultural Apprentice
Windsor Great Park

### Performance management
This year we have introduced our new approach to performance management. Connected Conversations allows managers and employees to build their relationship through regular conversations about what connects people to their role, their development, their wellbeing, their team, and the strategy, purpose and values of The Crown Estate. All development requirements identified through the process are recorded, which means we can flex our curriculum to meet emerging requirements and inform initiatives such as Talking Talent.

### Staff turnover
This is our sixth year reporting voluntary turnover figures. We believe this metric is more meaningful than total turnover as it relates to staff choosing to leave the business. Our figure of 9.9% is below the previous year (11.1%) and remains below the national voluntary average of 16.4%.

### Gender pay gap
We are committed to tackling the systemic biases that underpin inequity in our workplace. Our latest gender pay gap report data (reporting date April 2022) shows that we are making progress to close the gap, but we still have work to do. Our actions will focus on where we can make the biggest difference.

Our mean base pay gap now stands at 7.4%◇ in favour of men, slightly reduced from 8.1%* in 2021. Our median gap is 6.7%◇ in favour of men, reduced from 11.0%* in 2021. Both figures show a year-on-year improvement. The number of women in the business has increased and we have recruited and promoted more women during the reporting period into higher pay quartiles.

We are committed to progress. We will continue to drive initiatives that support our ambitions and close the gap. This includes: recognising and supporting unbiased recruiting; creating remuneration structures that ensure fairness and parity; and coaching for those returning to work following a period of leave.

We are proud to be a Living Wage employer, accredited by the Living Wage Foundation since April 2015. During 2022/23, all our people were paid the real Living Wage as a minimum.

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

## Our customers and supply chain

### Health and safety
We want to be a leader in creating physical and cultural environments where people can thrive. We also want to bring our value of care to life in a way that inspires and challenges the industries we work in.

Our Safety First Group-wide strategy aims to fundamentally shift the way we view health and safety by putting it at the centre of our decision-making. By considering how we protect and care for people in everything we do, we can ensure that we not only are a successful business, but also have a positive and lasting impact on our supply chain and connected industries.

We are taking a three-fold approach. First, we want to create the right building blocks for success to make sure we have strong foundations to protect people and manage ongoing risk. Second, we want to inspire exemplary safety leadership ensuring our people have the right capacity and tools to take an exemplary approach. Third, we want to promote innovation in health and safety and support the industries we work in to create lasting improvement in protecting people.

During the year, we have continued to build our foundations by developing a new management system, as well as connecting with a new external assurance body to provide a fresh review of our approach. This has included a gap analysis initial review to ensure we are set up effectively.

We have continued to assess our critical risks, including fire safety, to ensure we have the right data and assurance in place. To respond to the new fire and building safety legal requirements, we have a series of fire safety workstreams in place which include ensuring we are set up effectively to manage the new digital requirements for fire safety information.

In line with our safety-first approach and our commitment to exceed minimum legal health and safety requirements, during the year we temporarily closed The Gate in Newcastle to allow for work to improve the fire safety systems.

Creating a strong culture is a core part of enabling successful risk management and a physical and emotionally safe and secure environment. We have held dedicated internal sessions on health and safety and mental health with our leadership community to bring our health and safety strategy to life.

This year we also reassessed our culture using an external independent specialist using the Hudson Culture Ladder. The model plots the development of an organisation's safety culture with each level distinct, enabling an organisation to see the areas it needs to focus on to progress its cultural maturity. Two years ago we were assessed as 'Calculative' at a score of 2.82 out of 5. This year, we were shown to have advanced to 'Proactive' with a score of 3.14 out of 5.

While this assesses our internal culture we have also continued to work in partnership with our supply chain to progress our Safety First culture. During the year, we have built on our earlier executive engagement to develop a clear direction of travel with our managing agents. This included reviewing key performance indicators, holding joint training on root cause analysis and running 'lessons learned' forums to collaborate on learning how we can enhance our approach in partnership. We have also assessed the health and safety performance of our top-tier suppliers.

◇ KPMG LLP has provided independent limited assurance over selected gender pay gap data, using the assurance standard ISAE (UK) 3000. KPMG has issued an unqualified opinion over the selected data. KPMG's full assurance statement can be viewed online at: thecrownestate.co.uk/assurance

* The metrics for 2022 have been calculated in accordance with the Reporting Criteria that set out the treatment of casual workers, which have been changed during the period following further legal advice on the interpretation within the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Metrics for 2021 have been restated for a direct comparison.


Over 1,500
people attended our jobs fairs at Rushden Lakes and Fosse Park this year

In 2022/23 our staff Accident Frequency Rate (AFR) was 0.17Ⓐ (2021/22: 0.58) and our staff Accident Severity Rate (ASR) was 0.11 (2021/22: 0.06). For the second consecutive year 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 or thereafter following the injury. For 2022/23 the rate was 0.34Ⓐ (2021/22: 0.61).

We had two (2021/22: six) employee reportable incidents (RIDDOR) to the Health and Safety Executive on directly managed assets, and two (2021/22: seven) 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 0.85Ⓐ (2021/22: zero).

Over the last year we have seen a reduction in the number of more serious accidents with the number of RIDDOR incidents resulting in injury reducing whether to members of the public or our employees. We will continue to monitor our LTIFR over time to assess whether this trend continues indicating our risk reduction interventions are working. Our health and safety reporting criteria can be found online at: thecrownestate.co.uk/assurance

Details of our reportable incidents and environmental incidents can be found in our Environmental and Social data supplement online at: thecrownestate.co.uk/annual-report-2023

In the year, we expanded the 'Safety First' strategy to include our approach to wellbeing and mental health and we aim to continue to promote and understand how we can better support our people, customers and communities.

## 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.

Our new Supplier Charter outlines specific requirements for suppliers to demonstrate their commitment to our priorities in key areas including health, safety and wellbeing and ethical and inclusive practices.

This year we also joined the Buy Social Corporate Challenge. Led by Social Enterprise UK in partnership with the Department for Culture, Media and Sport, we are one of 30 high-profile businesses aiming to collectively spend £1 billion with social enterprises through their procurement. In our first year in the challenge, we spent around £749,000 with social and not-for-profit organisations.

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 UN Universal Declaration of Human Rights and the International Labour Organization Core Conventions.

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 we have put the necessary processes in place to ensure this is the case. For more information see: thecrownestate.co.uk/modern-slavery-act

## Customers

It is important that we understand the needs of our customers and how we can improve. We surveyed customers of our London and Regional portfolios in April and November 2022 and our customer satisfaction remains high at 79%, albeit slightly lower than last year (81%). This score remains higher than the Customer Service benchmark of 78% at January 2023.

We also measure our Net Promoter Score (NPS), which tracks to what extent our customers, who are familiar with The Crown Estate, would recommend us. Our overall score of 28 is roughly in line with last year (29) for our London and Regional portfolios (any score over zero is considered 'good').

Ⓐ Independent limited assurance (see inside front cover)

# Social review continued

## Our communities

### Supporting employment in local communities

We know we can play an impactful role in supporting employment in our communities. One longstanding initiative we are involved with is the Recruit Regional programme. Now in its sixth year, the scheme is a free employment and training initiative which connects local unemployed people with jobs in their area. For our customers, it offers a free recruitment service, and access to skilled and enthusiastic local people. Our workplace co-ordinators also provide ongoing training to help employees thrive in their new jobs. Recruit Regional, which is delivered in partnership with the Department for Work and Pensions, is established at Regional retail locations including Rushden Lakes in Northamptonshire and Fosse Park in Leicester. During this financial year, our workplace co-ordinators have engaged with 602 people looking for work and successfully placed 173 jobseekers into employment with local employers.

We also ran nine job fairs across our London and Regional portfolios with more than 350 jobs offered to applicants on the day of the events. This included hosting our first-ever hospitality careers fair, responding to our customers who had told us about significant skills gaps and labour shortages in their industry across a broad range of job roles (see our case study on page 39).

Our retail-focused speed interview jobs fair in London welcomed 402 people, with 80 jobs offered on the day from brands including Gymshark, Lacoste and Tesco. Our seven regional job fairs during the year saw 1,599 people exploring opportunities at Fosse Park and Rushden Lakes, with 245 jobs being offered to attendees on the day of the events.

### Accessibility and inclusivity

We aim to create accessible and inclusive places that present positive opportunities and experiences for all regardless of physical or mental disability or social background.

We are continuing to build on the accessibility audits, completed by AccessAble, to create clear information on what to expect when visiting any of our destinations. This also includes new adjustments that will be considered as part of future works programmes. Additionally, in the year we continued our exploration of our destinations from different perspectives, which included our people taking a walk with Callum, who is vision impaired, to understand his experience, insights and reflections when navigating our London estate.

Our approach is broadening with a new partnership with Grosvenor and other landowners to create a shared ambition to increase the accessibility of the West End. Alongside accessible-design specialist Motionspot, we are seeking to create a consistent methodology around accessibility of buildings and best practice design principles.

### 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. In the past year activities have ranged from reading with school children to supporting Ukrainian refugees. We hope to inspire more people to volunteer through a range of opportunities that build skills as part of their personal development. We recognise that in addition to this, many of our colleagues generously donate their time to causes out of business hours (these additional volunteering hours are not captured in the data reported below).

In total, over 2,200 hours were volunteered by 37% of our people during business hours. This is an increase on the prior year (276 hours), primarily the result of relaunching our volunteering programme in the year and a general uptick following the pandemic.

2,200
hours volunteered by our people during business hours this year

**Above.** A volunteer taking part in our annual Windsor Estate Tidy Day

**Above.** Our people, including Simon Harding-Roots (Managing Director, London) and Sol Anitua (Executive Director, Strategy, Research & Innovation), take a walk with Callum to understand his experiences of our London estate as part of our partnership with AccessAble

# Supporting our customers and opening up opportunities


One of The Crown Estate's key strengths is its ability to bring people together to make a positive impact.

The hospitality industry plays a pivotal role in creating a vibrant West End, but our customers were telling us that they faced significant skills gaps and labour shortages. With our experience of opening up recruitment opportunities – which we had successfully done through our Recruit Regional programme for many years – we partnered with our customers and the Department for Work and Pensions to create our first hospitality jobs fair in the capital.

Held at Park Row in Piccadilly, we brought together a wide range of our customers including Gaucho, Bafta 195 Piccadilly, Fortnum & Mason, The Avocado Show and Gordon Ramsay Restaurants with over 200 people attending to explore careers in the hospitality sector.

The fair created a showcase for people to explore roles in some of the most exciting hospitality businesses in the country. The event also captured the spirit of the industry with experiential taster sessions, alongside presentation and interview technique workshops.

The jobs available on the day included baristas, bar tenders, chefs, hosts, managers and front-of-house positions. 30 people were offered a position on the day of the fair, with 78% of attendees leaving with a more positive view of and interest in the industry.

Following the success of the event, we will evolve the format with our customers and attendee feedback in the coming year.

**"It's important that we understand the challenges and barriers that our customers and the communities we serve face. It's through coming together, talking and understanding that we can create ways forward that can make a positive difference for everyone."**

**Sarah McClaren**
Customer Partnership Manager

# Financial review
## Our results reflect the resilience of our portfolio

**"We see a huge opportunity to create value through targeted investment and development activity in our Marine business, in London, and around the country."**

**Robert Allen**
Chief Financial Officer

### Key highlights

**Revenue**

£742.6m

(2021/22: £490.8m)

**Net revenue profit**

£442.6m

(2021/22: £312.7m)

**Underlying revenue account profit**

£643.1m

(2021/22: £365.4m)

**Property value**

£15.8bn

(2021/22: £15.6bn)

**Net assets**

£16.8bn

(2021/22: £16.5bn)

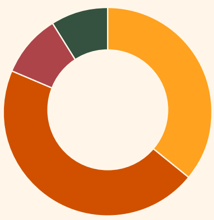
**Capital performance**

1.4

percentage points outperformance

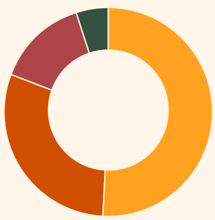
(2021/22: 1.7 percentage points underperformance) against annual bespoke MSCI commercial property benchmark

**Property value by portfolio**



| | |
|---|---|
| Marine | £5.7bn |
| London | £7.2bn |
| Regional | £1.5bn |
| Windsor & Rural | £1.4bn |

**Revenue by portfolio**



| | |
|---|---|
| Marine | £377.9m |
| London | £222.6m* |
| Regional | £105.5m* |
| Windsor & Rural | £36.6m |

* Excluding service charge income of £41.6m (2021/22: £35.6m).

Our results set a new high-water mark for our net revenue profit and reflect Offshore Wind Leasing Round 4, a landmark deal for the nation. Looking forward, we see huge opportunity to create value at a national level through targeted investment and development activity in our Marine business, in London and around the country.

The milestones we achieved in relation to Round 4 represent the most significant financial events of the year. Signing the Agreements for Lease in January 2023 has enabled us to start to recognise the option fee income. For 2022/23, our net revenue profit of £442.6 million is £129.9 million higher than last year. Revenue profit should continue to grow significantly next year as we recognise a full year of Round 4 option fee income. Further detail about Round 4 can be found on pages 42-43 and pages 48-53. Our earlier rounds of offshore wind are also a driver of performance as projects progress through the consenting cycles. We now have 11.8GW⚠ of capacity from operational offshore wind, enough to power around 11 million homes.

Across the rest of our business the economic backdrop dampened expectations for a sustained economic recovery, which has impacted our London and Regional businesses in particular. While much of the uncertainty created by the pandemic has now subsided and the comparatively low value of the pound has supported tourism in London, the UK economy continues to face persistent economic shocks, including cost-of-living challenges, the ongoing conflict in Ukraine and the political uncertainty last autumn. It is encouraging that gas prices have fallen and expectations around future interest rates have moderated, but they remain higher than over the last decade and the underlying momentum in the UK economy is weak.

Given the economic backdrop we are pleased with our performance in the London and Regional portfolios. Our capital performance has exceeded our MSCI bespoke commercial property benchmark, reflecting the quality and resilience of our portfolio, and it is an encouraging sign that we are currently able to agree new leases at up to 5% above estimated rental value.

Our London business is benefiting from increased levels of tourism and footfall, while not at pre-COVID levels, was up 39% this year; however, our void rate remains high as we commence on a significant development programme.

At an average of 7.5%, void rates in our Regional business are better than we had anticipated, but we have had to work hard to keep customers in our spaces and empty property remains challenging to let.

Following continued focus from our London and Regional teams this year, our gross rental arrears balance has broadly halved to £33 million. CVAs and administrations have increased slightly to nine from a low of just six last year, although we are aware a number of our customers' businesses remain stretched. As a result, some uncertainty over the recoverability of arrears persists, and it will continue to be an area of focus.

Domestic and foreign investors are seeking higher yields from property assets against the backdrop of higher interest rates and economic uncertainty. As a result, the value of our London and Regional portfolios fell by a total of £709.4 million in the year to £8.7 billion.

We have invested £79.4 million in the fabric of our buildings during the year and we expect to start on site with several major developments in 2023/24.

## Income retained as capital

The Crown Estate Act 1961 places a statutory duty on us to maintain and enhance the value of the estate. As agreed with the Treasury, for the last 14 years we retained 9% of revenue income for maintaining the estate, averaging £25.4 million per annum.

To enhance our ability to invest in the estate for the future, from 1 April 2022, we will retain 27% of revenue income*. This percentage will be reviewed after three years. We are delighted the Treasury has shown the confidence in our business and strategy to support us in investing more of our revenue into our activities across the entirety of our business, including those that support renewable energy and economic growth.

## Performance targets

We have been working with the Treasury to update our targets to more accurately reflect the underlying performance of our business. Our targets are now focused on revenue, capital and, for the first time, sustainability. Our underlying revenue profit of £434.4 million excluding Round 4 income comfortably exceeds the agreed minimum target of £330.3 million.

We also met our two capital targets by exceeding our bespoke MSCI property benchmark by 1.4 percentage points and by signing the Round 4 Agreements for Lease.

Across the three real estate portfolios we achieved a reduction of 1.5% in absolute energy consumption against a target of a 5% reduction. Our actions this year have provided us with valuable insights, and we have made good progress in implementing plans to deliver greater improvements next year and beyond.

⚠ Independent limited assurance (see inside front cover)

* Proportionately consolidated revenue excluding service charges and inclusive of depreciation and the mines moiety transfer that is separately stipulated within the Act.

# Offshore Wind Leasing Round 4 – a landmark deal for the nation

In the last year we have reached a number of significant milestones for Offshore Wind Leasing Round 4 (Round 4), most notably completing the rigorous Habitats Regulations Assessment (HRA) process and signing Agreements for Lease (AfL) for all six of the projects that comprise Round 4.

With the potential to generate up to 8GW of renewable electricity – unlocking green energy for more than seven million homes – these represent major steps forward in the UK's response to climate change and energy security. It represents the culmination of many years of hard work by our teams and a wide range of partners, demonstrating the significant value we can generate for the nation and a mark of what we can achieve by working with others. Round 4 follows three previous leasing rounds which has paved the way for the development of the UK as a world-class offshore wind market. See the Marine review on page 53 for more information.

## Income recognition through the different phases

Round 4 has five distinct phases:

— Pre-Agreement for Lease
— Option period
— Development phase
— Operational stage
— End of contract (decommissioning)

### Pre-Agreement for Lease

Following the open market auction process, which concluded in February 2021, we were paid deposits totalling £879 million from the preferred bidders. During the pre-AfL phase, we worked through the Habitats Regulations Assessment and completed activity required to sign the AfLs.

International Financial Reporting Standards (IFRS) did not allow us to recognise any income on these six projects during this phase.

### Option period

On signing the AfLs in January this year (shown as point 2 below), customers were able to progress detailed planning activity ahead of the proposed developments. We are now able to recognise approximately £1 billion of income per annum until leases are signed (being £879 million plus £150 million of indexation) across the six projects that comprise Round 4.

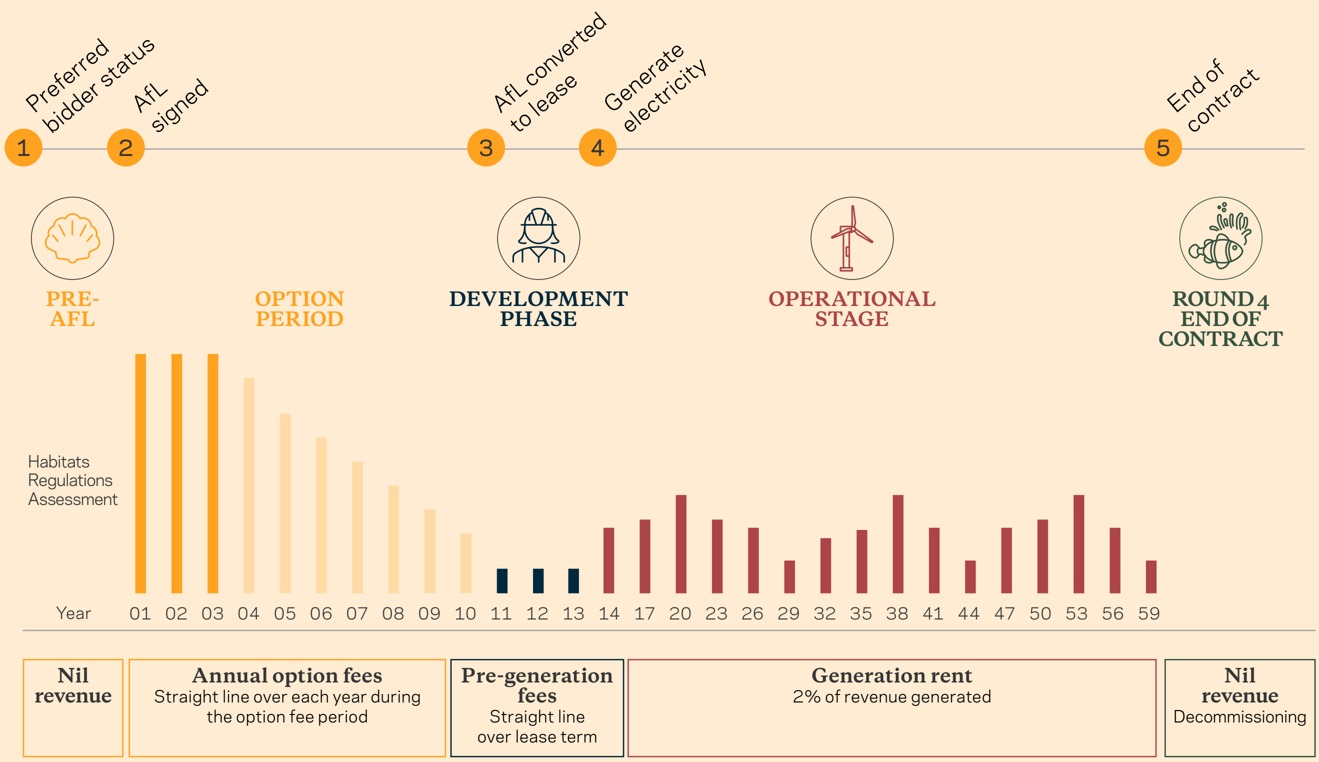
IFRS requires that we account for each of the projects individually and recognise income on a straight-line basis over each corresponding year.

Since January we have recorded £208.7 million of income in relation to Round 4 option fees (see note 5 on page 130).

Our customers have committed to the first three years of option fee payments, which are subject to indexation and due annually on the January anniversary date. From the fourth year of the option period, each of our customers, across the six projects, could choose to:

— extend their option annually by paying a further year's option fee, up to a maximum of ten years;
— extend their option but scale back their projects by up to 25% (with a corresponding effect on the level of option fee receivable);
— enter their lease and move on to the development phase (subject to meeting various pre-requisites); or
— exit the lease altogether

In previous rounds we have historically experienced some pre-development attrition, which may or may not hold true for Round 4. The scale of the option fees, impact of indexation and uncertainty around the timing of lease entry, scale back or exit will inevitably result in volatility in revenues and profit from the fourth year until the end of the option period as the projects progress at different speeds towards the development phase.



## Development phase
When the individual projects meet all their hurdles, which include: consenting by the planning authorities; technical feasibility of construction and power transmission; connection to the grid; and the commercial viability of the projects, our customers will step into their leases and start to build their wind farms (shown as point 3 on page 42). Option fee income will cease and pre-generation rent commences at up to £25 million per annum. This will increase in line with indexation although it may also be scaled back in line with any reductions in capacity. We expect construction to take approximately three years for each project.

## Operational stage
From the point the wind farms start to generate electricity (shown as point 4 on page 42), we will charge operational rent reflecting 2% of the revenue generated by the wind farm operators, subject to a minimum rent of up to £25 million per annum. As with pre-generation rent, the minimum rent is subject to both indexation and capacity scaling. We expect wind farms to have a life of around 60 years, which includes a pause for them to be 're-powered' after 25 years. There is a break clause within the lease shortly before the anticipated re-powering.

## End of contract
As a relatively new technology, the serviceable life of a wind farm is untested. At the end of the contract, it is possible that we could extend or re-tender the leases as long as the wind farms remain serviceable and there is demand.

At the end of the wind farm's life (shown as point 5 on page 42), our customers will have responsibility for decommissioning the wind farm and returning the seabed to its pre-construction condition. From this point we will no longer receive any income.

## Balance sheet valuation
Our independent valuers, Cushman & Wakefield, estimate the value of our offshore wind portfolio annually on the basis of discounted cash flows which reflect the different phases of the project and by applying risk-weighted discount rates.

There are multiple factors affecting the valuation including: the anticipated fees to be received for each project and the reduction in the value as fees are paid; the impact of inflation and electricity prices; unwinding the discount with the passage of time; and the risks associated with the different phases.

While it is unclear exactly how each of these elements will affect the future annual valuation, the peak of the valuation may occur in the early years due to the bias in value attributed to the payments receivable during the option fee period and as we get closer to the development phase.

See note 17 on page 138 for further details on the range of discount rates used.

In this year's valuation, £2.1 billion of the total Round 4 valuation of £3.1 billion is underpinned by the next two years of option fee payments.

## Revenue account income statement

| | 2022/23 £m | 2021/22 £m | Change £m | Change % |
|---|---|---|---|---|
| Revenue (excluding service charge income) | **742.6** | 490.8 | 251.8 | 51.3 |
| Direct costs (including net service charge expense) | **(98.7)** | (76.3) | (22.4) | 29.4 |
| **Gross profit** | **643.9** | 414.5 | 229.4 | 55.3 |
| Gross profit margin | **86.7%** | 84.5% | | 2.2 |
| Administrative expenses | **(53.5)** | (56.7) | 3.2 | (5.6) |
| **Operating profit** | **590.4** | 357.8 | 232.6 | 65.0 |
| Net investment revenue and other income | **52.7** | 7.6 | 45.1 | 593.4 |
| **Underlying revenue account profit** | **643.1** | 365.4 | 277.7 | 76.0 |
| Income retained as capital | **(200.5)** | (52.7) | (147.8) | 280.5 |
| **Net revenue account profit** | **442.6** | 312.7 | 129.9 | 41.5 |

### Revenue

Revenue has increased year-on-year by £251.8 million or 51.3%, which is set out in the bridge chart below.

As described on page 42, signing the Round 4 Agreements for Lease has enabled us to recognise £208.7 million of income in the year.

Revenue from operational offshore wind farms increased by £27.3 million as a result of higher operational capacity, the impact of higher electricity prices and marginally higher wind speeds than last year.

Higher minerals income and the re-opening of the Rough gas storage facility has generated an additional £5.3 million of income.

Excluding capital activity, property income has increased by £15.1 million as a result of the hard work of our asset teams letting empty space and agreeing new deals with our customers by as much as 5% above ERV.

Asset sales and preparing assets for redevelopment reduced our income by £4.6 million compared with the prior year.

### Direct costs

After accounting for one off adjustments of £7.4 million last year, underlying direct costs increased by £15.0 million. The increase reflects the higher operational costs across our property portfolio. In particular, higher utility costs incurred on void properties and where we have agreed to inclusive or capped service charges with our customers. Our commitment to health and safety, demonstrated by the temporary closure of The Gate in Newcastle to allow for work on the fire safety systems, also contributed to the increase in costs.

The direct cost increase also reflects our enlarged organisation as we invest to implement our strategy, combined with salary inflation and a higher bonus cost reflecting our performance.

### Revenue account income statement

Higher revenue resulted in our gross profit margin increasing 2.2 percentage points from 84.5% to 86.7% and is now slightly higher than our pre-pandemic gross profit margin of 84.6%. It should increase further as we recognise a full year of Round 4 option fees next year.

Underlying administrative expenses increased by £2.9 million after the one-off accounting adjustment to expense £6.1 million in 2021/22 relating to software that had previously been treated as a fixed asset. The accounting change results in a higher ongoing run rate as we are now expensing more digital costs as we invest to simplify our operations and deliver our strategy.

Net investment revenue and other income increased by £45.1 million driven predominantly by higher interest rates on our cash deposits.

The statutory transfer has increased by £147.8 million as detailed on page 7, and will enable us to create greater value for the future.

At £643.1 million, our underlying revenue profit reflects a new high for The Crown Estate.

**Revenue bridge**
£742.6m

## Balance sheet

| | Mar-23 £bn | Mar-22 £bn | Change £bn | Change % |
|---|---|---|---|---|
| Total property at valuation | **15.8** | 15.6 | 0.2 | 1.3 |
| Cash | **2.4** | 2.2 | 0.2 | 9.1 |
| Other net liabilities | **(1.4)** | (1.3) | (0.1) | 7.7 |
| **Net assets** | **16.8** | 16.5 | 0.3 | 1.8 |

Net assets have increased by £0.3 billion to £16.8 billion, driven by investment and a net capital gain on our investment properties of £0.2 billion, and an increase in cash of £0.2 billion. This was offset by an increase in net liabilities of £0.1 billion which reflects the increased payable to the Treasury in 2023/24 as a result of our record revenue profit.

The principal components of our balance sheet are investment properties across our four business units and cash, which are analysed below and on page 127.

## Investment properties

| Properties at valuation | Mar-23 £bn | Mar-22 £bn |
|---|---|---|
| Investment properties | **15.0** | 14.7 |
| Owner occupied properties | **0.1** | 0.1 |
| Investment properties in joint ventures | **0.6** | 0.7 |
| Other property investments | **0.1** | 0.1 |
| **Total property at valuation** | **15.8** | 15.6 |

The table above 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 2023. There have been no changes to the external independent valuers in the year.

The total value of properties increased £195.4 million to £15.8 billion including capital growth of £124.1 million.

We spent £49.5 million in the year improving our properties in our London and Regional businesses, and on fire safety activity at The Gate in Newcastle, 12 Sherwood Street in London and Attwood House in Birmingham.

At the time of preparing this report the adventure playground at Windsor Great Park is being tested ahead of a planned opening in the summer. We have also continued to invest for the future in development schemes such as Round 4, floating offshore wind, and potential developments at East Hemel, Rushden Lakes and Cambridge Business Park.

Property sales (including long lease extensions) provided £53.2 million of capital for future investment in the business. The majority of property sales took place above book value, generating a capital gain of £43.2 million.

### 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 151-152.

### 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 transfers 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 135. 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.

## Investment properties

| Valuation movement by portfolio | Value | | Capital revaluation surplus | |
|---|---|---|---|---|
| | **Mar-23 £bn** | Mar-22 £bn | Change £bn | Change % |
| London | **7.2** | 7.7 | (0.5) | (6.5) |
| Regional | **1.5** | 1.7 | (0.2) | (11.8) |
| Marine | **5.7** | 5.0 | 0.7 | 14.0 |
| Windsor & Rural | **1.4** | 1.2 | 0.2 | 16.7 |
| **Total investment property** | **15.8** | 15.6 | **0.2** | **1.3** |

The increase in investment properties of £203.5 million comprises £79.4 million that we have invested in our properties and capital growth of £124.1 million, reflecting the resilience of our diverse portfolio with gains in Rural and Marine more than offsetting declines in London and Regional.

We have increased the value of our Marine portfolio by 14.0% to £5.7 billion primarily through completing the Round 4 Habitats Regulations Assessment process and activity enabling the Agreements for Lease to be signed. Supporting our customers' progress through the various stages of Offshore Wind Leasing Round 3 has also driven growth.

The value of our London portfolio has fallen by 6.5%, primarily as yields increased and estimated rental values in our retail and office assets have fallen, reflecting market conditions. While the yield shifts have affected the entire portfolio, a continued shortage of prime office space and the defensive nature our long lease portfolio have proved more resilient.

The positive market sentiment seen in out-of-town retail parks last year reversed abruptly in the latter half of 2022, led by concerns about consumer spending and the impact of higher yields. This is the primary driver behind the reduction in the value of our Regional portfolio by 11.8%, although activity across all sectors remains subdued. Our void rate of 7.2% at March 2023 compares with a rate of 7.1% at March 2022 reflecting the proactive work of our asset team.

## Cash flow

Our net cash inflow from operating activities has grown, reflecting our increased profitability and lower arrears. The net investment in our portfolios described above contributed to an overall net cash outflow from investing activities of £11.3 million.

Payments to the Consolidated Fund reflect a structured payment process for remittance of our net revenue profit to the Treasury.

## Cash flow

| | **2022/23 £m** | 2021/22 £m |
|---|---|---|
| Net cash inflow from operating activities | **583.3** | 281.7 |
| Net cash (outflow) from investing activities | **(11.3)** | (22.0) |
| Payment to Consolidated Fund (see note 14 on page 136) | **(301.9)** | (299.9) |
| Other items | **3.4** | 5.7 |
| Net cash inflow/(outflow) | **273.5** | (34.5) |
| **Opening cash** | **2,161.2** | 2,195.7 |
| **Closing cash** | **2,434.7** | 2,161.2 |

## 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 76. The Board has assumed the Act will continue in place indefinitely.

The structured payment process for our net revenue profit, which has expanded to include consideration of contingent liabilities, is now formalised through our new framework document providing resilience in revenue cash over the long term.

The Board's process for assessment for both going concern and viability included consideration of: the strength of our balance sheet including cash balances; our principal risks (which are detailed on pages 66-72); our risk appetite; our strategy; the breadth of our customer base; the range of sectors in which we operate; and our financial forecasts, including our ability to control the pace of investment.

The going concern assessment was completed over the period to 30 September 2024, 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; and 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 meet its liabilities as they fall due, over the five years to 31 March 2028.

## The Crown Estate Pension Scheme

Our pension arrangements are described in detail in the Remuneration Committee report on pages 93-102 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 Civil Service Pension Scheme, a multi-employer scheme. Participation rates across all our pension schemes are high with 596 of our 625 people (including seasonal members of our team at Windsor) actively contributing to one of our pension schemes at 31 March 2023.

Company 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. The Trustees are in the process of preparing the triannual valuation of the scheme as at 31 March 2023.

## 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 72% of invoices within the target period (2021/22: 73%). This includes disputed invoices, amounts recoverable from third parties and invoices that were received late.

On average, suppliers were paid within 37 days (2021/22: 36 days) of invoice date. 13% (2021/22: 13%) of invoices were paid between 31 and 60 days and 15% (2021/22: 14%) of invoices were paid after more than 61 days.

Despite accounting for less than 1% of value utility invoices materially impact our payment performance. Were we to calculate payment performance from the date utility invoices are registered in our accounting system, as opposed to invoice date, Group payment performance would be 29 days. We have recently started a programme of work to improve our sourcing and payables process to, amongst other things, accelerate payment days.

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. Our new Supplier Charter will enable us to select partners and work with suppliers who align to our principles and priorities. This supports our pursuit of accountability, transparency and good practice, and ensures we deliver the best possible supply chain management for our business and customers. Through this charter and our procurement processes, we aim to create more resilient and sustainable practices across our supply chain.

## 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 £20,000 (2021/22: £10,000).

# Marine

"Our role is to unlock the potential of our seabed, sea and coastline to support the nation's transition to a resilient, sustainable and decarbonised future."

**Gus Jaspert**
Managing Director, Marine

**Q. What is the role of the Marine business?**

**A.** We're at the front line of tackling some of the greatest challenges of our time – climate change, nature recovery and energy security. Our role is to unlock the potential of our seabed, sea and coastline to support the nation's transition to a resilient, sustainable and decarbonised future. The seabed and the waters around the UK underpin an extraordinary number of livelihoods and a wide range of industries, from ports and shipping to telecommunication cables and renewable energy.

Our holistic management of the seabed means that we can help de-risk and accelerate the ambitions of industry in a way that supports diverse marine environments and other users of the sea. We do this by investing in research and creating rich data sources – which we make publicly available – and by working closely with a breadth of groups and industries to understand the evidence they need to support their decisions. Our ambition is to become the most attractive and sustainable marine economy in the world, while maintaining the rich biodiversity of our seas.

**Q. What were your highlights of the year?**

**A.** In January we announced the signing of Agreements for Lease for the six offshore wind projects in Leasing Round 4. This major milestone could provide enough energy to power more than seven million homes and, through the life of the contract, will also generate significant financial value for the nation (see pages 42-43).

I have also seen the potential of what our activity can do for communities – how it helps to revitalise the local economies of post-industrial areas and ports. We shouldn't underestimate the power of the broader value that we bring and our role in catalysing it.

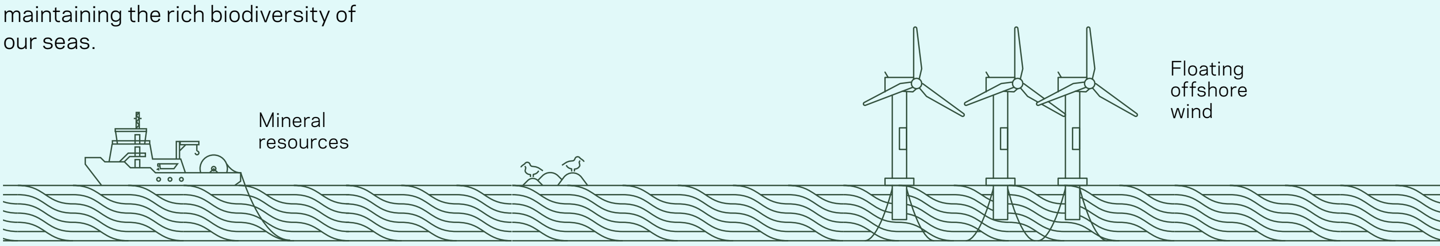
The passion from our partners continues to shine through. Our £50 million investment in the Offshore Wind Evidence and Change Programme brings together our expert partners across government, industry and non-profit organisations. Collectively we are generating better insights and a deeper understanding, helping us to orchestrate the intricate jigsaw of the competing demands on the seabed.

**Q. What are the opportunities and challenges ahead?**

**A.** In a complex and ever-changing industry – and with demands on the seabed increasing – we have to make sure we keep evolving to maintain our internationally leading position. This means accelerating our work in a way that restores a thriving marine environment, with nature at the very core of it. The years ahead will require intense collaboration, innovation and new technology, data and evidence.

Offshore wind innovation is taking us into deeper waters. We're working to explore the potential of a leasing opportunity for floating wind in the Celtic Sea, including giving developers the option to incorporate innovations such as green hydrogen production into their projects.

It's crucial as we progress in this dynamic environment that we keep learning, responding to demands and pushing our goals forward to maximise all kinds of value from our precious resources.



## Offshore wind

In 2023 we sealed landmark agreements for offshore wind energy through Round 4 to power more than seven million homes, a major milestone for the UK's energy security and net zero commitments. We signed Agreements for Lease (AfLs) for six offshore wind projects that could be operational by the end of the decade, with the potential to generate around 8GW of renewable energy. Three of the six projects are located off the North Wales, Cumbria and Lancashire coast, and three are located in the North Sea off the Yorkshire and Lincolnshire coast (see our case study on page 53).

We have supported our ambitions for floating offshore wind in the Celtic Sea with a multi-million-pound investment in a programme of technical and environmental surveys. By investing in these surveys at an early stage and making the data freely available to successful bidders, we are aiming to accelerate the delivery of projects, making it easier for developers to take early decisions and manage risk, while supporting future project-level Environmental Impact Assessments as part of the planning process.


Read more in-depth insight into the progress of the UK's offshore wind sector in our Offshore Wind Report at:

**thecrownestate.co.uk/osw-report**

### Offshore wind updates

Operational capacity across our seabed holdings increased to 11.8GW(A) from 10.8GW in 2022/23. This is the equivalent to delivering the annual electricity needs for almost 11 million homes and 14% of the UK's total electricity requirements. Our capacity benefited from Hornsea 2, the world's largest wind farm, entering full operation in the year.

Our under-construction pipeline remains healthy with four sites beginning work during the year. Collectively this pipeline has a potential output of around 5GW, which will be capable of powering around six million homes a year.* The Dogger Bank A and B projects started offshore construction in March 2022 and April 2023 respectively. Once completed, they will each have a capacity of 1.2GW. Dogger Bank C and Sofia have begun preparatory works for offshore construction and will have a combined capacity of 2.6GW once operational.

Our seabed holdings exclude Scotland, but we work closely with Crown Estate Scotland to realise the UK's renewable energy goals. Across UK waters, there are 51 wind farms either operational or under construction, with another seven to commence. Total operational capacity in the UK currently stands at 14.2GW. This is 45% of the European offshore wind total and 24% of the global offshore wind total, making the UK the second largest offshore wind market in the world.

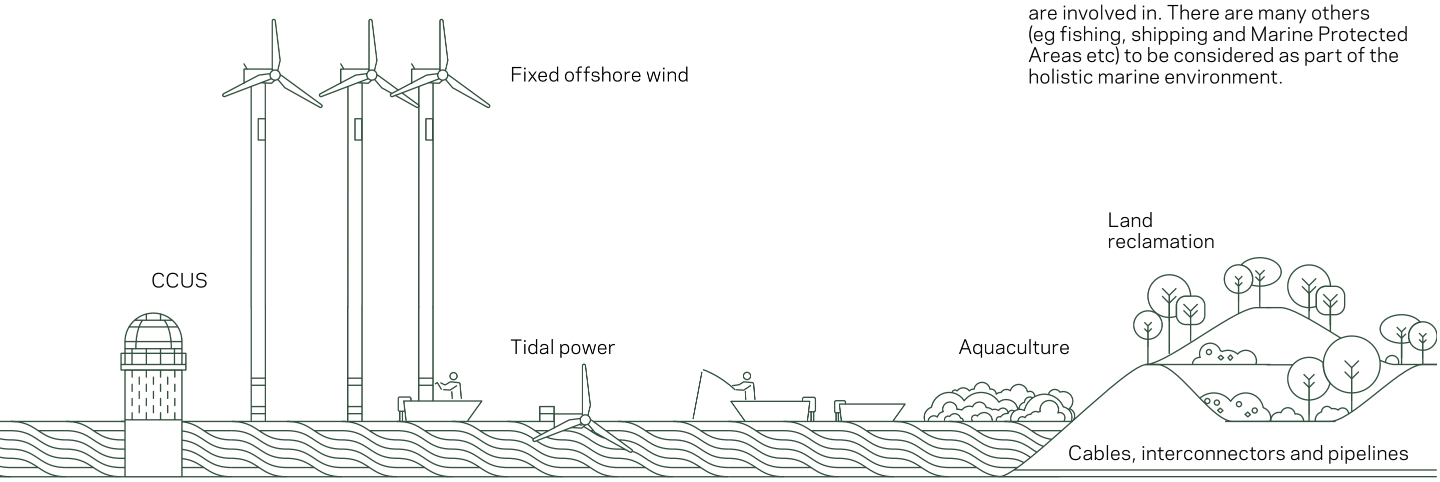
At 31 March 2023 the total UK offshore wind pipeline capacity – including operational to pre-planning sites – stands at 78.8GW, of which 41.1GW is from our holdings. This total could increase to 88.5GW with extra capacity emerging from a potential Celtic Sea floating wind leasing programme and Crown Estate Scotland's ongoing ScotWind leasing process. See our chart on page 50 for an overview of the UK offshore wind pipeline.

* The ratio of GW operational capacity to the number of homes that can be powered varies between wind farms. This is because of differences in capacity and locations at sea.

(A) Independent limited assurance (see inside front cover)

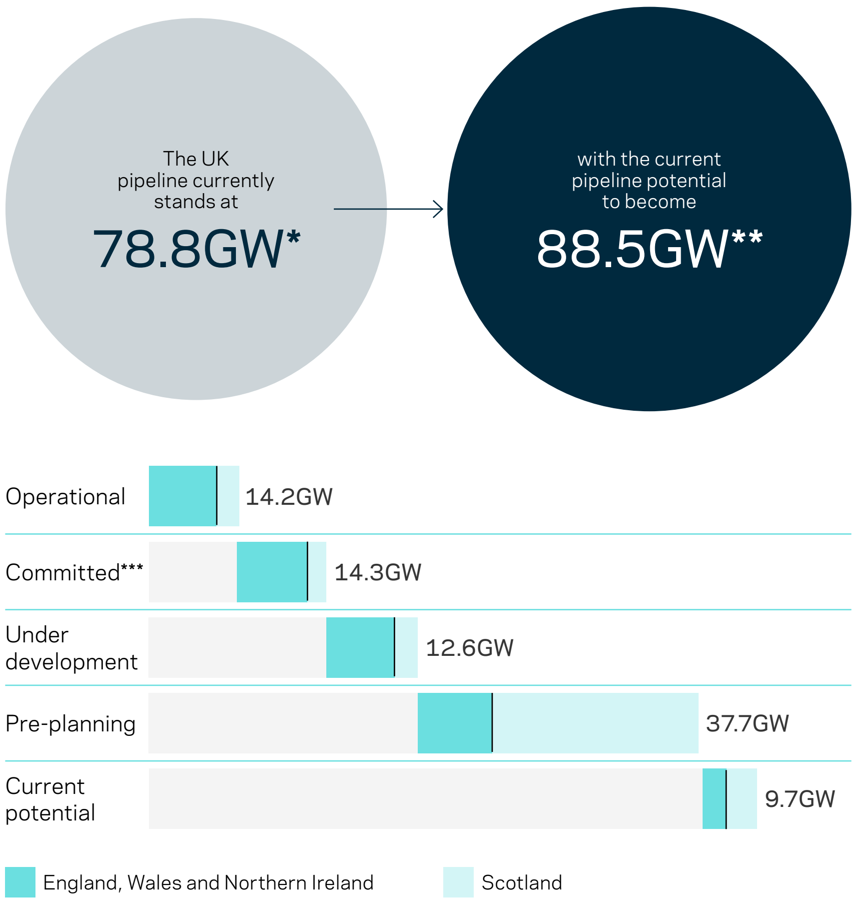
## Our activity on and around the seabed

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



# Business review: Marine continued

## UK offshore wind pipeline at 31 March 2023




* 78.8GW comprises those projects operational, committed, under development and in pre-planning.
** Subject to new leasing.
*** Committed. Capacity under construction or projects that have government support on offer.

### Floating offshore wind

Floating offshore wind is a new technology which enables wind farms to operate in deep waters.

The Celtic Sea off the coast of Wales and the South West of England could represent a new opportunity for the development of offshore energy in the UK. The tender process is expected to launch in 2023.

During the year, we continued the detailed design of a potential Celtic Sea leasing programme. We are using the best data, evidence and extensive stakeholder engagement to identify potential locations for projects, which also minimise impacts on the environment and others who make their livelihoods from the sea and our shorelines.

We have held a series of webinars, workshops, bilateral discussions and market engagements which, alongside our evidence gathering, help inform our approach.

### Carbon capture, utilisation and storage (CCUS)

CCUS enables heavy industry to reduce its atmospheric emissions by capturing carbon dioxide ($CO_2$) at source and, if it cannot be used in other ways, transported to locations where it can be stored safely underground. The development of such geological $CO_2$ storage capacity is critical to achieving the UK's net zero target.

Together with Crown Estate Scotland, North Sea Transition Authority (NSTA) and The Department for Energy Security and Net Zero (DESNZ), we are working to help meet the UK government's ambitious Sixth Carbon Budget targets to capture and store 20-30 megatonnes of $CO_2$ by 2030. We recognise the importance of a co-ordinated approach in enabling the UK to unlock the full potential of CCUS. Through collaborative efforts, such as the work of Project BOOSt (Best Opportunities for Optimal Storage), we have worked to identify suitable seabed areas and subsurface geology for carbon storage that are also mindful of impacts on the marine environment.

The UK government has committed up to £20 billion funding for early deployment of CCUS. This funding will unlock private investment and job creation across the UK, particularly on the East Coast and in the North West of England and North Wales, delivering up to 50,000 skilled jobs.

We are supporting the leasing of two industrial cluster projects (HyNet, Merseyside; and the East Coast Cluster, Teesside and Humberside), originally announced by the Department for Business, Energy and Industrial Strategy (now DESNZ) in November 2021.

We are now working to determine our future approach to leasing. As part of this work, we have recently launched a joint stakeholder engagement exercise with Crown Estate Scotland. We have engaged with key marine stakeholders and informed them of our market survey to CCUS developers, which we launched in March 2023. Anonymised summaries of the findings have been shared with DESNZ and NSTA to help drive the sector forward.

### Mineral resources

The continued strength of the construction sector through 2022/23 has created a robust marine aggregates market during the past year. Investment in new dredgers and wharf infrastructure has continued, which will support the long-term viability of the sector. Volumes dredged during the year were 2% higher than last year.

The Habitats Regulations Assessment for the exploration and subsequent extraction of aggregates in English and Welsh waters is expected to conclude late summer this year. We have indicated our intention to hold a further marine aggregates tender round within the next couple of years.

We have continued our geophysical survey research with further data analysis and interpretation to inform future geotechnical studies. This will enhance our knowledge of the quality and distribution of marine sand and gravel resources, as well as inform future leasing.

Our upgraded Electronic Monitoring System has now been deployed on ships that are undertaking the beach-replenishment contracts at Colwyn Bay and Lincshore.

## Cables, pipelines and interconnectors

Carrying over 99% of international communications, subsea telecommunications cables are critical to the UK's national prosperity in an interconnected global economy. This year has seen us enter a phase of strategic long-term planning for the sector, where we have worked closely with the UK government, customers and key stakeholders. The demand for subsea telecommunications and pipeline assets remains high and we are working closely with our customers to support their requirements.

Electricity interconnectors play a critical role in the energy system by balancing power supply and demand between countries. This enables power trading and greater connections of renewable capacity. We signed one new agreement in the year that will link the power markets in the Republic of Ireland and Great Britain. This is planned for commissioning in 2024.

## Coastal

There has been high demand for our leisure, commercial and industrial activities in the year. The marina sector continued its strong performance, with demand for moorings driving revenue growth.

There has been a growing interest in the role of seaweed in various products such as fertiliser, packaging and food. This has led to an increase in seabed leases issued for seaweed aquaculture across our coastal portfolio, particularly on the East and South West coasts of England, Wales and Northern Ireland. Our ports have continued their post-pandemic recovery.

## Sharing knowledge

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

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

Our flagship Offshore Wind Evidence and Change Programme sits at the heart of broadening that evidence base. Together with a range of expert partners, government departments and devolved governments, we are shaping and delivering research projects across the UK to generate better insights and understanding that can support the long-term future of the marine environment and deliver better outcomes for all.

The success to date of the programme is down to strong partnerships and shared objectives. During 2022, we were pleased to announce the doubling of our funding commitment to the programme. With a total of up to £50 million of investment from The Crown Estate, we will continue our work with partners to create more opportunity for co-existence, support the consenting process, protect wildlife, accelerate the development of wind, and drive the recovery of the marine environment.

From understanding co-existence with fishing communities, effects on migrating birds, through to cables on the seabed, during the year the programme has set in motion projects which will help governments and the offshore wind industry deliver an increase in nature positive wind energy. This year we awarded funds to the Centre for Environment, Fisheries and Aquaculture Science to support multiple projects focused on floating offshore wind, fisheries and the impact of cabling on the seabed.

In addition, we completed the North Sea Net Gain project. This was an international collaboration to provide further evidence on how biodiversity on the seabed is distributed across the North Sea and around the UK, into a central data set. Through a thorough data mining process, detailed maps were produced of habitats and distributions of key bottom-dwelling species in the North Sea, showcasing the power of 'big data'.

A highlight last year was the outputs from our Future Offshore Wind Scenarios project, delivered in partnership with the UK government and Crown Estate Scotland. The study provides the first illustrative framework for how the UK could deploy sufficient offshore wind to meet net zero. It provides spatial scenarios for offshore wind development out to 2050. The scenarios investigate the potential implications for future relative deployment costs and offshore wind technology choice, in interaction with the environment, other infrastructure, and marine industries such as shipping and fishing. The project exemplifies the strength of collaborative research in informing policy direction, and the outputs of the project, which highlighted the need for whole-system planning and integrated marine spatial planning, continue to drive an enhanced understanding of the whole seabed.

Our award-winning seabed mapping capability provides advanced analysis tools that utilise the most comprehensive database of seabed characteristics, uses and interests in the country. To improve on this system further, we are currently working on a Resource Identification & Optimisation tool to enable data to be structured and prioritised to ensure all environmental, social and cultural interests are fairly represented in line with stakeholder views.

## Stakeholder engagement

Convening and working collaboratively with our customers and stakeholders is critical to being able to realise the UK's net zero, nature recovery and energy security 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, such as The Wildlife Trusts and the RSPB. We also work closely with membership organisations that represent our customers' sectors such as the British Marine Aggregate Producers Association, the European Subsea Cables Association and RenewableUK,


**An investment in our Offshore Wind Evidence and Change Programme of**

£50m

to generate better insights and understanding that supports the long-term future of the marine environment as well as cross-government and industry working groups. Their perspectives and input are instrumental in shaping our thinking and our programmes.

Over the past twelve months, we have signed a number of Statements of Intent that set out our commitment to working in collaboration, sharing data and knowledge, and addressing common goals. In January 2023, we published a Statement of Intent with the Department for Economy in Northern Ireland, marking an important step forward in our collaboration. This is the start of building the right conditions for offshore wind leasing and realising the potential benefits for the people of Northern Ireland – local economic investment, low-carbon electricity, and a more sustainable and secure long-term energy supply.

It is crucial for us to engage with our stakeholders to inform and underpin our leasing activity. We were grateful to the large number of statutory and market organisations that have given their feedback to shape our work on CCUS. It has also been core to our approach to the spatial design work to identify potential areas in the Celtic Sea that could be made available to the market as part of a future leasing round for floating offshore wind.

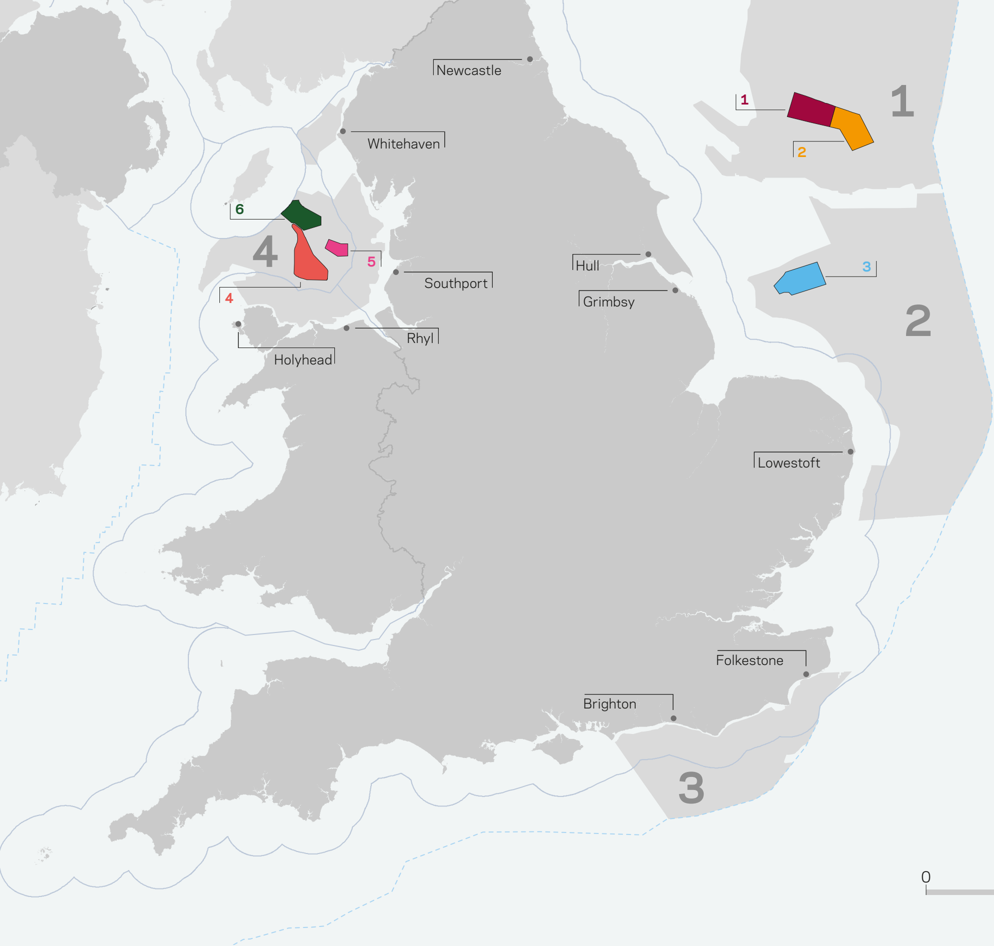
In March we joined forces with Crown Estate Scotland to issue a joint survey to industry stakeholders to explore and understand market requirements for future seabed and subsurface carbon store development. The results are expected to shape a future strategy for carbon store leasing.

We also invited views from offshore wind project developers and regional ports on our plans to help realise the benefits of floating wind technology in the Celtic Sea. Specifically, we asked for feedback on supply chain requirements, technological innovation, and on the skills that will be critical to the potential future success of this new technology.

Internationally, the UK continues to be at the forefront of offshore wind and is one of the most attractive places to invest in the world. Over the past twelve months, we have continued to engage with international markets, and we joined the UK delegation attending the North Sea Summit in Ostend – an important moment in driving European collaboration in renewable energy and energy security.

**Above.** Farming seaweed at Câr-y-Môr, a community-owned regenerative ocean farm in Wales

# Round 4: Green electricity for seven million homes




**Offshore Wind Leasing Round 4 projects**

| | |
|---|---|
| 1 | Dogger Bank South (West) - RWE Renewables<br>1500 MW capacity |
| 2 | Dogger Bank South (East) - RWE Renewables<br>1500 MW capacity |
| 3 | Outer Dowsing - TotalEnergies and Corio Generation, a portfolio company of the Green Investment Group<br>1500 MW capacity |
| 4 | Mona - Consortium of EnBW and BP<br>1500 MW capacity |
| 5 | Morecambe - Morecambe Offshore Windfarm Ltd, a joint venture between Cobra Instalaciones y Servicios, S.A. (Cobra) and Flotation Energy Ltd.<br>480 MW capacity |
| 6 | Morgan - Consortium of EnBW and BP<br>1500 MW capacity |

**The four seabed Bidding Areas**

| | | | |
|---|---|---|---|
| 1 | Dogger Bank | 3 | South East |
| 2 | Eastern Regions | 4 | Northern Wales & Irish Sea |

In January 2023 we signed leasing agreements for offshore wind projects that have the potential to power more than seven million homes, a significant milestone in the nation's energy security and decarbonisation.

Offshore Wind Leasing Round 4 will lead to the creation of new offshore wind farms off the North Wales, Cumbria and Lancashire coasts, and in the North Sea off the Yorkshire and Lincolnshire coasts (see map above), with the potential to generate around 8GW in capacity.

Our investment in cutting-edge data and evidence, as well as a commitment to increasing collaboration across sectors, has paved the way for the development of a world-class offshore wind market in the UK. We have awarded rights totalling 41GW and established one of the most attractive places globally to invest in the industry.

With Round 4 Agreements for Lease signed, developers can now progress their plans which have the potential to make a major contribution to delivering sustainable energy for the UK and the government's target of 50GW of offshore wind capacity by 2030.

**"We're at the forefront of the offshore wind industry. Our remarkable progress to date speaks to the immense collaboration, investment and innovation across so many partners – and their willingness to embrace risk and uncertainty. Together, we must all work for the future of the seabed, one where biodiversity and sustainable development go hand in hand."**

**Olivia Thomas**
Head of Marine Planning

**Business review**

# London

**"By creating connected, thriving destinations that are welcoming and accessible – and greener – we can play a critical role in an exciting new chapter in London's evolution."**

**Simon Harding-Roots**
Managing Director, London

### Q. What is the role of the London business?

**A.** Our vision is to support London's renewal, ensuring it's both locally relevant and globally distinctive. This requires a 'two-speed' approach where we proactively manage the day-to-day challenges of a post-pandemic world, while shifting the gears to reimagine a sustainable, relevant and resilient London for the 21st century.

We're stewards of an important part of central London. Our estate spans 10 million sq ft primarily around Regent Street and St James's with a total asset value of over £7 billion. As one of its largest property owners, we have a responsibility to take a holistic approach in thinking about the role of placemaking in securing London's future. We want to bring the best out of our buildings and the spaces in between to curate new districts that will attract a broader range of visitors – from all backgrounds – to the heart of London.

Our assets extend across people's lives – places to work, live and entertain. Around half our business is highly desirable office space; the type of places businesses want in order to encourage their people back into London. We offer contemporary and heritage homes in central London, as well as historic holdings in Regent's Park, Kensington and St James's. Our high-profile retail assets continue to attract a truly diverse offer of brands, increasingly to provide customers with exciting immersive experiences.

### Q. What were your highlights of the year?

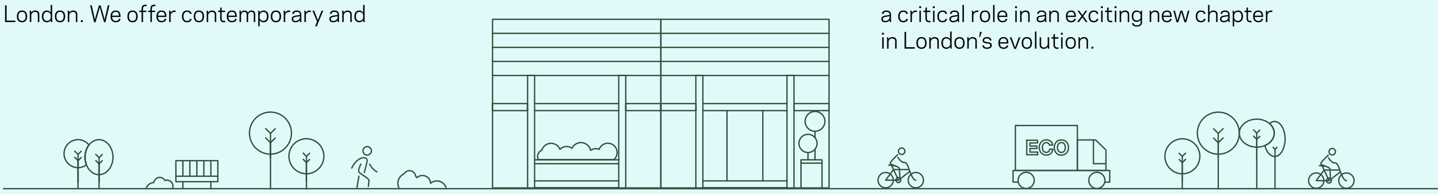
**A.** Our success is connected to that of our customers. We held our first-ever hospitality careers fair to help the industry address its significant labour shortages and, in doing so, created an exciting showcase of the roles available in the most vibrant hospitality centre of the country. Over 200 people attended, with 78% leaving with a more positive view of and interest in the industry.

Flexibility is a growing trend for workplace customers. Our first flexible-service offering at One Heddon Street remains in demand at 95% occupancy, and I was delighted this year that we could work with Galaxy Digital as it outgrew its four-desk office at Heddon Street to find a longer-term home at 5 Swallow Place occupying over 4,000 sq ft.

### Q. What are the opportunities and challenges ahead?

**A.** We manage some of the finest historic buildings and with this privilege comes the great challenge of retrofitting them for a sustainable future. We made progress in reducing our absolute energy consumption in the year, but it was not as much as we had hoped. We have taken critical steps to understand the scale of the challenge and how to tackle it in the long term. There's no roadmap on how to decarbonise heritage buildings – it will take hard work and innovation – so we have to bring together others facing the same challenge to create it. We've partnered with Grosvenor, Peabody, Historic England and the National Trust to drive the case that the decarbonisation of historic buildings – and the new skills required to achieve this – can be an opportunity for the UK's economy in the fight against climate change (see page 57).

Our contiguous ownership of land in the West End gives us a huge opportunity to bring people back into London. Footfall hasn't returned to pre-pandemic levels yet, but by creating connected, thriving destinations that are welcoming and accessible – and greener – we can play a critical role in an exciting new chapter in London's evolution.



Our vision is to support London's renewal, ensuring it continues to be locally relevant and globally distinctive. As a major and contiguous landowner in the West End we have the opportunity to proactively lean into: London's post-pandemic response; the evolving needs of residents, visitors and customers; and the UK's net zero ambitions.

Our vision is led by three principles:

— Shaping the future, which means creating connected and thriving destinations for people and businesses
— Welcoming and accessible, which means celebrating and attracting a diverse range of people whatever their needs, creating inclusive places
— Leading urban sustainability, which means tackling climate change together, making our places healthier and greener

To deliver our vision, we are responding to immediate strategic priorities to inform and lead into our long-term drivers, which means we are adopting a 'two-speed' approach.

First, our early strategic priorities involve a shift to taking a proactive approach with our communities, partners and customers to ensure we are an active asset manager curating places and creating long-term value. We will invest to drive sustainability, make sure we put inclusivity and accessibility at the centre of our places, create employment and opportunities for our local talent, and operate with a safety-first approach.

Second, it is important to leverage our unique position to make the London estate greater than the sum of its parts. A key to our approach is looking beyond a building-by-building approach and adopting a 'district' philosophy centred around creating a 'destination of destinations'. A collaborative approach is vital for success. We will embrace our neighbours, partners and the community to join us on our journey and co-create these places with us, bringing character, vibrancy and culture that are enjoyable for everyone.

## Performance

Revenue increased marginally to £222.6 million year-on-year (2021/22: £221.2 million) despite a continuing challenging economic backdrop. Footfall in Regent Street has continued to rise and was up 39% on the prior year, in part due to the return of international tourism, however this was 10% below the last pre-pandemic period in 2019.

Through the hard work of our teams, our recovery of arrears has continued to improve year-on-year, with cash collection rates up to 97% (2021/22: 90%). This reflects the close relationships we have formed with our customers, particularly with the uncertain backdrop of the cost-of-living crisis, broader economic headwinds and structural changes in some of our markets.

The capital value of our London portfolio has fallen by 6.5% to £7.2 billion, as property valuations have been impacted by inflation, rising debt costs and economic uncertainty which served to drive up yields. However, our prime office space and the nature of our long lease portfolio have both proved resilient and the portfolio outperformed its MSCI benchmark during the year by a relative 0.6%. On a three-year annualised basis our performance is behind the benchmark by -1.3%, with only our long leasehold portfolio outperforming.

There were 102 new lettings in the year which have achieved rents of up to 4% above the estimated rental values on new leases.

As expected, year-on-year our void rate has increased to 18.4% (2021/22: 10.9%) as we recommence our development pipeline. This is expected to continue into the next financial year, before key properties return to market during 2025.

## Lifestyle

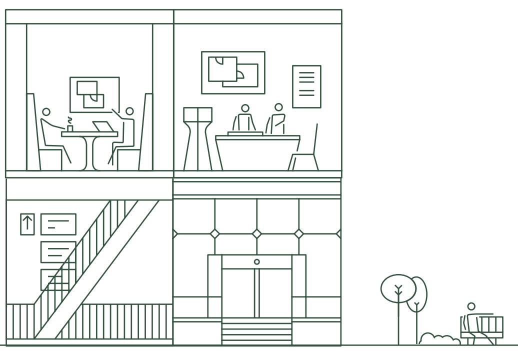
We want to curate consumer experiences throughout the day and night with a blend of shopping, dining and culture. Our shift beyond 'retail' to 'lifestyle' will create dynamic and evolving districts, which seek to anticipate emerging consumer trends. Through activating our spaces, we will enable our customers to thrive.

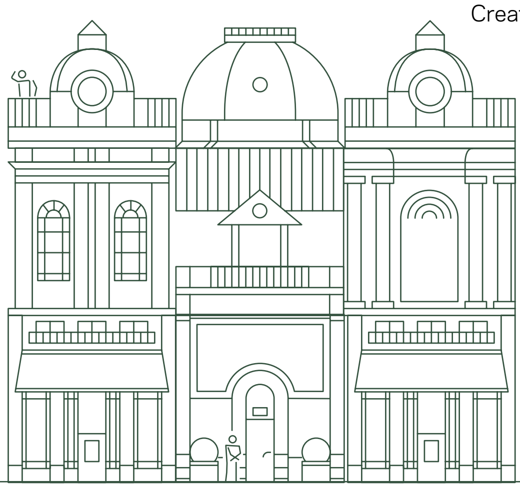
In the year, we opened a new beauty destination, the Quadrant Arcade, with flexible lettings to Creed and MALIN+GOETZ and three more brands coming in 2023. In addition to curating this destination, it has provided an opportunity for us to test different short-term leasing models, including those based on revenue.

Our retailers are experimenting and building experiences around their brands to draw customers into their stores. In February, On Running opened its flagship store on Regent Street and is building a community in the heart of London around its brand. Gymshark, an online native athleisure company, opened its first flagship bricks-and-mortar store on Regent Street. It is offering experiences to customers; selling its distinctive products and using the space to create a living brand for customers through live events and workouts.

We have enhanced our cultural offer with two new customers. Neon, run by Cymon Eckel, has taken up residence at 194 Piccadilly and immersive-theatre company Wonderville has established itself on Haymarket.

Pop-ups continue to offer consumers new and unique experiences across our estate, particularly on Regent Street. British rapper Stormzy opened a special pop-up that featured exclusive performances and talks, marking the release of the artist's third album. We teamed up with the Mayor of London for 'London Made Me', creating a high-profile showcase for 14 local artists, creators and makers from across the mayor's Creative Enterprise Zones.





39%
The increase in Regent Street footfall year-on-year

# Business review: London continued

We celebrated London Fashion Week with an immersive and experiential pop-up, Vogue x Snapchat. The ground-breaking exhibition blended augmented reality with fashion to delve into the inspiration behind iconic designers including Kenneth Ize, Richard Quinn and Stella McCartney.

## Workplace

Our workplace campus offers an attractive and dynamic environment in a prime West End location with unrivalled transport connections and world-renowned lifestyle attractions. Our high-quality and flexible offerings have proved to be resilient in a broader post-pandemic disruption of the global office sector.

In the year, we have welcomed new and expanding customers including Stepstone, Aware Super, Curtis Brown and Ares Capital, and signed a pre-leasing agreement with Bregal Investments for the 5th floor at 20 Air Street.

The breadth of our evolving workplace platform supports our customers according to where they are in the growth cycle, providing a long-term home for their business. Our first serviced workplace offering at One Heddon Street was 95% occupied at year end.

We have continued to pilot further flexible products including managed spaces across the wider portfolio, with a long-term goal to develop a campus of world-class headquarters and a workplace community.

## Development

We want to create sustainable developments that make an enduring and beneficial contribution to the future of London. Every workplace and retail space that we develop looks to the future, anticipating the needs of people visiting, working and living in central London in generations to come.

Each development is carefully designed to respond to its location, and to be sensitive to the historic area in which it is located. Our developments respond to, and are inspired by, the distinctive characteristics and the architecture of the area. We take a holistic approach to every aspect of a development. Working with leading architects, who are visionary in their approach and experienced in revitalising heritage buildings, we ensure that sustainable design is embedded from the outset.

A redevelopment of New Zealand House started in the year, repurposing the existing structure and heritage finishes, with work expected to be completed by 2026.

## Our shared spaces

The pandemic highlighted the importance of nature and outdoor spaces to community health and wellbeing. We are committed to improving the environment in the West End to maintain its status as a global destination that is welcoming and inclusive for everyone. Urban greening is also essential, allowing our spaces to adapt to a changing climate with improved cooling, urban drainage, biodiversity and air quality.

In 2020 we made temporary changes on Regent Street. These included more space to accommodate social distancing, fewer vehicle lanes, and introducing greening, seating and new cycle lanes. This has given us an opportunity to trial, learn from and gain feedback on our approach and develop an evidence base through traffic and air-quality data. We have also continued our relationship with AccessAble on how we can make the street fully accessible. Working in partnership with Westminster City Council, a public consultation is planned for later this year to inform ambitions for the long-term improvement of Regent Street.

We are progressing plans to draw out the character and identity of our estate to fulfil our vision. This includes improving the permeability of the West End with east–west routes at Princes Street and Little Portland Street, and district focal points for public art, hospitality and leisure on Heddon Street and Haymarket.

## Sustainability

In the year, our absolute energy consumption has reduced by 1%. This is below our target of 5%, but we are continuing to learn important lessons. This includes the complexity of addressing energy efficiencies in heritage buildings, the need for quality data to provide an accurate picture of energy use as well as the complexity of mobilising our large network of partners to take collective action (see case study on page 57). We will need to keep learning and innovate in order to decarbonised our portfolio for the future.

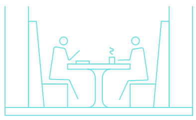
In the year, we have conducted 'deep dives' across an initial number of buildings to understand how they can be enhanced to reduce energy consumption. This has included reprogramming boiler timers and reducing lighting levels where possible. See page 31 for more information on some of our energy reduction initiatives in London.

We are continuing our focus on habitat conservation and creation through our partnership with Wild West End, where we work with other property owners to promote green spaces and provide habitats that support the growth of wildlife including birds, bats and bees.

## Creating employment opportunities

In the year, we hosted our first-ever hospitality jobs fair. This responded to our customers who had told us about significant labour shortages in their industry including for baristas, bar tenders, chefs, front-of-house and operation managers. The event captured the spirit of the industry with experiential taster sessions, alongside application advice workshops and jobs available that were offered on the day. With 242 people attending, 30 were offered a position at the fair and 78% of attendees left with a more positive view of and interest in the industry. We also held a jobs fair with our retail customers, including Gymshark, Lacoste and Tesco, which attracted 402 people and resulted in 80 jobs being offered on the day.

**Above.** One Heddon Street, our first serviced workplace, was 95% occupied at the end of the year



**Our first-ever hospitality jobs fair was attended by**
242
people

See our case study on **page 39**

# A sustainable future for heritage buildings

We are stewards of some of the most iconic historic buildings in London. These buildings – as well as many across the country – play an important role in national life. They connect us to our past, bring character to our streets and are central to civic pride.

While these buildings were created using the innovations of their day, they now represent significant challenges to meet modern sustainability standards. This has major consequences for the UK government to meet its commitment to achieve net zero by 2050, with nearly a quarter of all UK homes and almost a third of commercial properties categorised as historic buildings (built prior to 1919).

Together with our partners – Grosvenor, Peabody, Historic England and the National Trust – we have demonstrated that this challenge will require new skills and a workforce of 205,000 to focus solely on retrofitting historic buildings every year from now until 2050. This is more than double the number of workers we estimate currently have the necessary skills.

In this challenge lies a major opportunity. We also estimate that mobilising to meet this challenge would generate £35 billion of output annually, support 290,000 jobs, while delivering more efficient homes that are less expensive to heat. Despite this, the UK does not currently have a joined-up strategy for tackling the energy efficiency of its historic buildings.

We are determined to use our resources and experience to play our part, working alongside the UK government, industry and civil society to seize the opportunities presented by the transition to a low-carbon future. As a group of organisations, we are passionate about the historic built environment and the health and wellbeing of the people who live in, work in and visit it.

**"We must rise to one of the UK's biggest net zero transition challenges – decarbonising historic buildings and ensuring they are future-fit. By acting now we can turn a major risk into an opportunity."**

**Anna Swaithes**
Head of Sustainability

Read our partnership research report 'Heritage Carbon: Addressing the Skills Gap' at: **grosvenor.com/heritageandcarbon**

# Regional

"We will be shifting our investment to create places where people can live, industry can prosper, and innovation can thrive."

**Hannah Milne**
Managing Director, Regional

**Q. What is the role of the Regional business?**

A. We are focusing our regional ownership and activities on where we can best support both national interests and the needs of local communities. This means that in the years ahead we will be shifting to invest in creating places where people can live, places where industry can prosper, and places where innovation can thrive. Our Regional portfolio has a broad geographical footprint and covers a range of sectors and opportunities, from prominent retail and leisure destinations, to business parks and a strategic land portfolio with significant long-term development potential. We know that partnership is critical to our success – and we must use our ability to bring partners together from across many sectors and understand their perspectives. It's through these partnerships, our assets and our expertise that we can deliver long-term financial, environmental and social value across the nation.

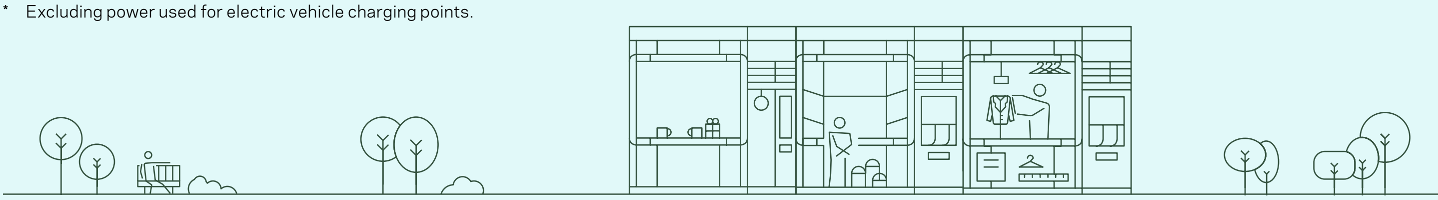
**Q. What were your highlights of the year?**

A. Great businesses are built by great people. A highlight for me has been strengthening our talented team through the addition of new skills and expertise. Together, we are all excited and driven by what we want to achieve. In challenging times we've tackled complex problems head-on to find best-in-class solutions, particularly in our retail business's post-pandemic recovery. We have a resilient business and we'll continue to enhance our assets to deliver long-term value. We have spent time evaluating our portfolio through our new strategic lens, setting us up for major opportunities later this year including developing plans for Cambridge Business Park (see page 61). I'm also pleased about our progress in reducing our energy consumption, where we have achieved an 8% improvement year-on-year*. We've been ambitious, made mistakes, but our learning is driving progress across the portfolio. Safety is fundamental to everything we do and our engagement throughout our supply chain this year through our safety action plan is setting a new standard for inclusivity across our assets.

**Q. What are the opportunities and challenges ahead?**

A. Our strategy sets out a long-term vision for the proactive role we can play in catalysing the development of high-growth businesses, helping to address the UK's housing shortfall and creating thriving communities. Our ambition to create a world-leading innovation district through our plans for Cambridge Business Park is an enormous opportunity for us in the period ahead. There are well-documented headwinds in retail and the broader cost-of-living crisis affecting people across the country. We need to continue to lean into these challenges by building partnerships with our customers and creating places where everyone is welcome. By doing this, we can bring resilience in the shifting dynamics of the market.

* Excluding power used for electric vehicle charging points.



Our Regional strategy leverages our portfolio of UK-wide development opportunities to serve the national interest, while aligning to the needs of our local communities. We believe within some of the nation's toughest challenges that we have the opportunity to help deliver significant financial, environmental and social value for the country.

Working through our portfolio, we have the potential to positively impact the quality and supply of the UK's housing stock, which currently faces shortfalls on both fronts. We are also uniquely positioned to play a role in the development of new innovation and business hubs that could be part of the country's economic renewal. Our convening power and ability to build partnerships will be fundamental to delivering our strategy, alongside our long-term and holistic view of value.

We will continue to enhance our assets to deliver long-term value. We aim to set new environmental standards through innovation that supports our decarbonisation journey and local energy provision. We are committed to our assets being part of their local communities, bringing employment opportunities and new ways to engage, as well as enhanced green spaces and nature-sensitive approaches to development.

## Regional development

There is a national need for investment and development across the UK's regions. We are uniquely placed to make an impact here, both through our independence and ability to take a long-term view. Our strategic land offers the potential for homes in urban fringe and rural locations, and almost three million sq ft of commercial and non-residential space over the next 20 years. We've identified a long-term pipeline of potential opportunities in our ownership to increase the quality and supply of the UK's housing stock and support the development of high-growth innovation and business centres.

This includes land to the east of Hemel Hempstead and at Cambridge Business Park. The 340 hectare site at East Hemel forms the first phase of Hemel Garden Communities and has the potential to accommodate approximately 4,000 homes. Read more about the opportunity for Cambridge in our case study on page 61.

## Our retail and leisure assets

We own 17 retail and leisure destinations in city centres and out-of-town locations in England, covering over five million sq ft of space with a total value of £1.1 billion. With an estimated 100 million visits each year, they play a significant role in their communities and in the retail and hospitality industry. 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.

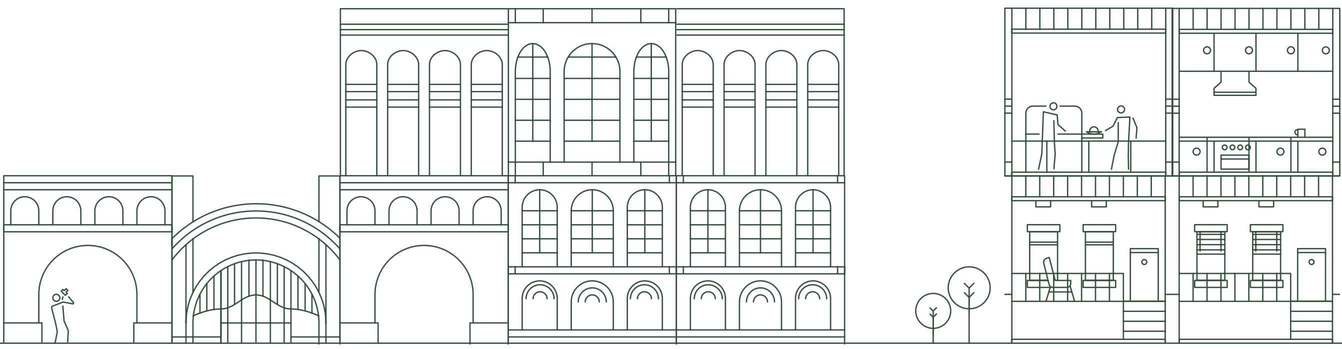
Retail is changing fast and we are working alongside our customers to make the most of the opportunities this brings. Many of our destinations are well positioned to capitalise on omnichannel shopping trends, which combine the use of digital (eg, for purchasing an item) and physical spaces (eg, to pick up an item), given their geographical spread and convenience. Retailers are innovating with immersive and interactive initiatives to bring shoppers to physical stores. This means that retail spaces are emerging as multi-functional places offering community, culture and learning. Retail parks are well suited to a hybrid world, while shopping centres are well placed to provide a broader experiential offer. Some of our retail and leisure assets will naturally adapt better than others to this new environment.


**We own**

**17**
retail and leisure destinations, covering

**5m sq ft**
of space with a total value of

**£1.1bn**



## Performance

Revenue increased to £105.5 million (2021/22: £102.7 million). This was supported by strong cash collection, with rates reaching 98%, which helped reduce rent arrears significantly.

The value of our portfolio reduced by 11.8% to £1.5 billion however, as concerns about consumer spending and the impact of higher interest rates reversed the positive market sentiment seen in out-of-town retail parks last year.

Our portfolio underperformed its MSCI benchmark by a relative -1.3% this year, albeit with outperformance in the second half the year. On a three-year basis our annualised underperformance is -2.1% compared with the benchmark.

Our average void rate this year was 7.5%, which is higher than last year (2021/22: 6.8%). These are better than we had forecast, with customer retention helped by our proactive asset management and the granting of targeted concessions to those businesses most in need.

Our portfolio has been achieving rates of up to 5% above the estimated rental values on new leases.

There were no CVAs in the past 12 months, but five customer administrations in the year. Market conditions were challenging, with the cost-of-living crisis squeezing consumer income combined with accelerated structural trends in retail markets. This has stretched many of our customers' balance sheets.

## Sustainability

We have exceeded our 5% target, delivering an 8% reduction in energy consumption (excluding power used for electric vehicle (EV) charging points) as part of the Group's decarbonisation commitment. Some of our successes and lessons learned include:

— Many of the same strategic challenges that we have in London apply to our Regional assets, so there has been great work to build alignment with our network partners, understanding the data (completeness and quality) and embedding a cultural shift (including establishing effective governance and clarity around accountabilities internally and with our external partners)
— Our early successes in reducing our energy consumption have in part been driven by no or low-cost solutions such as LED upgrades, resetting room temperatures and using timers and solar panels. We have developed new dashboards that allow us to continually monitor our energy use, meaning that we can quickly understand interventions that work and make adjustments
— We have also commissioned carbon audits at a number of our assets, with the intention to roll them out across the whole portfolio to provide a robust benchmark for our plans

Sustainability has also been championed through special projects, including:

— As part of our green travel plans across our Regional portfolio we have expanded our EV offer – including installing additional charging pods and providing EV scooters – to help reduce emissions associated with staff and visitors travelling to and from our regional locations
— EV solutions, along with free bike repairs and a 'Let's Go Green' event, have helped Rushden Lakes to receive its second national Modeshift STARS award in March 2023, becoming the first retail and leisure site to receive a Silver award, building on the Bronze award received last year
— At Princesshay Shopping Centre, 'We Can Do More' delivered an increase in sales of sustainable products, services and initiatives by promoting them across the centre and through a PR campaign. The award-winning Bee Tours continued in the year providing educational tours of its rooftop garden beehives, raising the awareness of the importance of bees in the ecosystem

## Making a difference

Now in its sixth year, our Recruit Regional programme is a free employment and training initiative which connects local unemployed people with jobs in their area. For our customers, it offers a free recruitment service, and access to skilled and enthusiastic local people. Our workplace co-ordinators also provide ongoing training to help employees thrive in their new jobs. Recruit Regional, which is delivered in partnership with the Department for Work and Pensions, is established at our retail locations including Rushden Lakes in Northamptonshire and Fosse Park in Leicester. During the year, our workplace co-ordinators have engaged with 602 people looking for work and successfully placed 173 jobseekers into employment with local employers.

We also hosted seven job fairs during the year which saw over 1,500 people exploring opportunities at Fosse Park and Rushden Lakes, with 245 offers made.


Above. Princesshay's 'We Can Do More' campaign delivered an increase in sales of sustainable products

**Our workplace co-ordinators engaged with**

602
people looking for work, successfully placing

173
into employment with local employers

# An innovation district for Cambridge


Cambridge Business Park is in a strategic location central to the emerging North East Cambridge Area Action Plan, as well as close to one of the world's leading science and research universities. This presents a major opportunity to transform the area into a leading innovation district that contributes to local and national economic renewal.

The government has ambitions for the UK to become a science and technology superpower by 2030. To do this, it must compete with its more productive international rivals in providing high-quality commercial space, funding cutting-edge research, and attracting world-class talent.

By using our unique position to bridge the gap between the public and private sectors, we believe we can galvanise the right partners around our vision for Cambridge Business Park.

We have been working with our existing customers, adjacent landowners, local community groups and the local council to determine how we can all align to make the most of this opportunity for north-east Cambridge.

Our vision for the site is to create a place where innovation, communities and nature thrive. Central to this is a sustainable, inclusive and innovative scheme, with each facet supporting the others to lead Cambridge and the UK into the future.

Through better commercialising university and UK research, Cambridge Business Park can become a vibrant place for businesses within knowledge-sector industries to innovate and thrive. We are seeking to ignite an ecosystem that supports all stages of company life-cycles alongside lively, high-quality public realm, including a new District High Street, biodiverse greenways and innovative sustainable mobility hubs.

**"There's an opportunity for Cambridge to be central to the UK's innovation ambitions. At The Crown Estate we want to be part of creating an ecosystem where businesses, communities and nature can flourish to lead us into an exciting future."**

**Matthew Sampson**
Regeneration Director

# Windsor & Rural

**“We are facing a defining moment in how we achieve the right balance with competing land uses.”**

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

**Q. What is the role of the Windsor & Rural business?**

**A.** We are custodians and stewards of over 200,000 acres of land, including the Windsor Estate and a portfolio of rural estates across England and Wales. Windsor is a unique place. It's home to one of the largest collections of veteran and ancient oak and beech trees in the world with a huge variety of birds and wildlife. With its unique blend of habitats, it's a place where many conservation lessons have been learned and new techniques developed. Indeed, we are continually learning from the Windsor Estate and from our community of farmers. This is vital for our ambition to 'change the dial' of our Rural portfolio into an exemplar of large-scale sustainable agricultural and environmental best practice, rather than simply an institutional owner of land.

**Q. What were the significant moments of the year?**

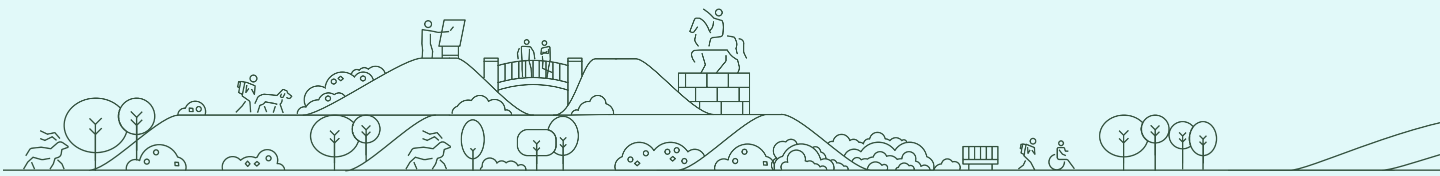
**A.** It has been a year of celebration and sadness. Her Majesty Queen Elizabeth II's close connection with Windsor is well known and Her Platinum Jubilee was a happy occasion, celebrating a remarkable milestone of dedicated service to the nation. In September, the nation came together again, only this time in mourning. At Windsor, Her Majesty has always been more than a figurehead; the Queen was part of the community, taking a close interest in the people who live and work on the Estate. The Great Park and the huge number of floral tributes provided a perfect backdrop to a very solemn and sad occasion as Her Majesty undertook her final journey to St George's Chapel.

In November, we were honoured that His Majesty King Charles III became the Ranger of Windsor Great Park. His Majesty, who continues a long tradition of the Sovereign and members of the Royal Family to hold this position, will play an invaluable role in supporting and encouraging our team in preserving the Great Park for generations to come.

**Q. What are the opportunities and challenges ahead?**

**A.** It is a privilege to manage a large and diverse portfolio that reaches across England and Wales, but there are two unique challenges facing us. First, last year 5.6 million people visited Windsor Great Park making it the most visited destination in the UK. It's a valued part of people's lives, but we need to maintain the balance between the conservation of internationally important habitats and public access. Second is how we can achieve the optimum use of land for food production, nature recovery and many other competing demands across the wider Rural portfolio. Our new strategy seeks to address this challenge and ensure that The Crown Estate is playing a leading and pivotal role in this green agricultural transition.

We have also been talking with all of our farmers about their challenges, where they see the opportunities in their businesses and how we can work in partnership with them – bringing our unique strengths – to deliver all of our mutual aspirations.



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 revenue increased to £36.6 million (2021/22: £33.6 million), a result of the impact of our new asset management activity.

## Windsor

The Windsor Estate extends to over 16,000 acres and is home to a number of unique habitats. It is a working rural estate comprising Windsor Great Park, Home Park, Swinley Forest, the Savill and Valley Gardens and Virginia Water. Around half of the land is designated a Special Protection Area, Special Area of Conservation or Site of Special Scientific Interest. Its activities include forestry, horticulture, residential and commercial property, and tourism.

It serves 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 the natural environment. The Estate's ecosystems also play a vital role. An independent study from 2019 estimated the economic value of services derived from Windsor's ecosystems at £21 million per year. This included the value it brought to flood-risk mitigation, improved water quality, recreation benefits and greenhouse gas sequestration, where it is a net sequester of 52,000 tonnes of carbon a year. The study was conducted by Route2 and a summary can be found at: thecrownestate.co.uk/windsor-ecosystem-services-value

### Our strategy

At Windsor, our aim is to become recognised as the UK's leading rural estate and a centre of excellence for environmental and ecological best practice. The award this year of the Royal Agricultural Society of England's Bledisloe Gold Medal for Landowners is recognition of our progress, but there is more to do. The Estate has an incredible wealth of biodiversity and is a popular visitor destination.

Day to day we aim to create a balance of financial, environmental and social value. Alongside this, our long-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 Crown Estate
- continuing to create value from the Estate's visitor proposition and real estate
- defining and implementing our plans for achieving net zero

### Enhancing and improving the Estate

The new adventure playground at the Savill Garden will open this summer, a significant addition to the Estate for families to enjoy. The majority of the wood used to create the playground has been sourced from our forests at Windsor and great care has been taken to make sure it is sympathetic to its surroundings. The level of detail and craftsmanship shown in its design and construction has been extraordinary. Read more on page 65.

We have continued with our ten-year landscape restoration and replanting programme. The project is restoring the treescape across the Estate with new parkland trees and avenues, in-field trees and copses, hedges and green lanes. It uses a mix of native and other species of high value and relevance to the Windsor wildlife and landscape, and provides resilience to climate change. This year has been particularly challenging with a significant number of young trees lost because of the summer drought. The choice of drought-resilient tree species will be important in the future.

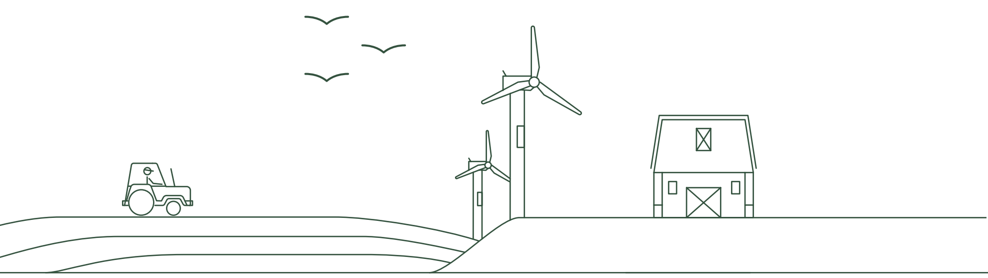
Our conservation agenda has been supported by the appointment of the Estate's first full-time ecologist (Des Sussex) to provide additional support to Windsor's longstanding conservation adviser, Ted Green. In the year, projects have been progressed in the Great Park and within the extensive areas of commercial forest.

We have created new areas of heathland, enhanced wildflower diversity in our grasslands, restored derelict ponds and ditches, and improved the condition of ancient trees where they are becoming overgrown. We also continue to drive a range of conservation and habitat creation initiatives. These activities include planting native and wildlife-friendly shrubs and trees, creating new ponds and wetlands, managing invasive species and dead wood habitats in our ancient woodlands and sustainable soil management through careful grazing and mowing programmes.

We launched our apprenticeship scheme this year with five apprentices appointed across our forestry, buildings and horticulture departments. They were recruited through a campaign, which included applicants participating in a variety of activities to introduce them to the work of the Estate. This helped us to identify whom to interview and also gave applicants a good understanding of the roles before joining us. We also have three students from the Professional Gardeners' Guild gaining experience on the Estate. We aim to expand the apprenticeship scheme further in the coming year.

Our new website showcases the full breadth of our work on the Estate. Visitors will find it easier to get the information they need, book tickets, make enquiries and find access guides for our popular sites. It also provides us with a platform to build awareness of the work that goes into running the Estate and the role we play in serving the nation.


**Outstanding achievement**
In September, we were delighted to be awarded the Royal Agricultural Society of England's Bledisloe Gold Medal for Landowners, in conjunction with the Sandringham Estate. The award was given to Her Majesty Queen Elizabeth II in recognition of demonstrating outstanding achievement in the successful land management and development of an agricultural estate in England.



### Sustainability
We exceeded our absolute energy consumption target, with a 10% reduction year-on-year, and have delivered significant improvements as we aim for a decarbonised future. This includes a solar panel system that supplies energy for Virginia Water in the Great Park, as well as a biomass boiler and district heating system providing an alternative source of energy.

### Events and filming
We generate commercial income by using areas of the Estate where there is no long-term detrimental impact on the landscape or habitats.

In the year, we hosted two major events. Windsor Great Park Illuminated welcomed people from November until January, with visitors exploring woodland alive with luminous beacons and dancing fairies. Lapland UK returned from November until Christmas Eve for a sold-out run, attracting visitors to its immersive festive adventure.

The demand for British filming locations has increased significantly over the past few years, with production companies establishing bases close to Windsor. In the year, filming projects on the Estate included major series for Amazon Prime, the BBC, Sky and Channel 4.

## Rural
The Crown Estate is one of the oldest and largest institutional landowners in the UK. Our Rural portfolio extends to 185,000 acres across England and Wales, 70% of which is tenanted farmland across 28 English estates. Most of our farmland is Grade 1-3 (excellent to good-to-moderate land) which results in significant agricultural output.

The vast majority of the balance is 54,000 acres of upland and commons interests in Cumbria and throughout Wales. Our portfolio has over 700 kilometres of publicly accessible footpaths, directly or indirectly creates over 3,000 jobs, and provides 435 homes and 206 community and tourism sites. It also includes forestry, renewable energy assets, minerals and quarries.

The portfolio represents many different soil types and geologies, and farming practices. Its geographical diversity offers us major opportunities, working in partnership with our farmers, as we embrace the green agricultural transition.

### Our strategy
Our aim is to be an exemplar of large-scale sustainable, diversified agricultural and environmental best practice. We are looking to change the future of institutional land management and reset the traditional let-farm model with food production and nature recovery at its core. We recognise that this will lead to some difficult decisions to be made over future land use. However, farming and the rural communities that it supports are integral to our future strategy.

The strategy responds to legislative and market pressures that are moving rural land away from solely agricultural output towards producing multiple benefits such as energy, fibre, employment, nature recovery, housing, water, carbon and food.

We recognise that this ambitious strategy will take time to implement. It will be through working in partnership with our farming community, advisers and stakeholder groups that we will be able to build resilient farm businesses where food production, nature recovery and restoration can co-exist. We have already received significant support from our farmers and we are now working with them on creating an environmental Farm Business Tenancy. This will pivot nearly one third of our land (where appropriate to soil type) on to regenerative farming techniques over the next five years. It represents a significant change to our previous management of our rural estates and may ultimately reduce rental values in the short term. We believe, however, that this is a positive and long-term decision that makes sure the right environmental outcomes are achieved.

We will actively work with our farmers and stakeholders to refocus and regenerate the Rural portfolio. We have four strategic priorities to take us towards achieving our goal:

- Optimise the returns from our portfolio through active asset management. This means working in partnership with our farmers to build resilience in their businesses and ours, and creating new income streams through diversification
- Enable and deliver the green agricultural transition. This means bringing together stakeholders to incentivise, fund and effect a large-scale movement to sustainable agricultural practices and deliver at scale habitat enhancement and restoration
- Seek to develop emerging carbon and nature-based markets. This means capturing long-term financial and environmental value by releasing parcels of farmland for alternative uses such as forestry or nature recovery
- Replenish the land portfolio. This means acquiring new farms and estates to bolster and reposition the portfolio, while developing our existing sites to support the broader strategy

### Building the foundation
We have spent the last year engaging actively with our farmers to 'stress test' our strategy, exploring their challenges and where they see the opportunities that can be scaled.

New environmental-leading Farm Business Tenancy agreements will help us take a bespoke approach to each holding to reflect soil type, geology and location. Created with farmers, stakeholders and industry bodies, a pilot rollout will take place in the coming year. Our ambition with these new leases is to optimise our opportunities for nature recovery across our estates while supporting food production.

We are working with our partners to learn new approaches to enhancing our land. A Biodiversity Net Gain and Natural Capital pilot is being developed on our Casthorpe Estate in partnership with Velcourt to understand what best practice could look like. On our landholdings in Wales, largely common land, we started new programmes to see how to best improve peatland for farming and nature recovery.

We will focus on restoring our existing Priority Habitats across the portfolio. These nationally important habitats cover 21% of our land area. We are working on several pilot projects with key partners to accelerate this work alongside seeking to repurpose a further 15% of our agricultural land to nature recovery.

We are committed to preserving and enhancing our rural land for farming, leisure, nature and climate resilience. This is one of the reasons why we have created The Crown Estate Environment Fund, a £5 million capital funding programme that is supporting our farmers in the planting of over 1,000 acres of new woodland and 100 miles of new hedgerows over the next three years across our Rural portfolio. The uptake and support from our farming community over the initial 12 months has been positive and we will continue to review this initiative to ensure it remains well funded.

# A fascinating world of giant acorns, treehouses and suspended walkways

This summer families will be able to enjoy our new hand-crafted adventure playground at Windsor Great Park. Hidden within the woodland next to the Savill Garden, this is a fascinating world of giant acorns, treehouses and suspended walkways created using wood sourced from the Estate.

The playground provides a safe and exploratory space for everyone regardless of their needs, whether that's children using the equipment or any adults that may be accompanying them.

The circulation throughout the play areas has wide and level footpaths alongside frequent passing and rest points, making it wheelchair accessible and suitable for assistance dogs. There are also places for absorbing sensory play, providing another way to explore the sights and sounds of the garden.

The woodland walkway is at the centre of the playground experience. It provides the opportunity for all the family to get up and close with spectacular trees in a way that wouldn't be possible on the ground. Three routes provide different options, with one completely accessible and two other loops offering more demanding obstacles for older children to explore.

The playground's above-the-ground interlinking walkways offer a brand new way to experience the surrounding natural environment without negatively impacting it.

We anticipate the adventure playground will enhance the already significant appeal of the Great Park and bring in more young families. The location of the playground also brings families into an area of the park which is well designed to meet their needs. This will help us continue to maintain everyone's enjoyment of the Estate and a thriving natural environment for future generations.

**"It's important that we fully embrace accessibility for all visitors and for those of all abilities. Our adventure playground is an exciting new offer for young families; it'll bring them closer to nature, invigorate the body and stimulate the senses."**

**Athena Morse**
Head of Visitor Development
Windsor Great Park

# Risk management

## Introduction
Our approach to risk is to ensure that we manage it at every level within our Group as it is integral to every activity. The individual business units are the owners of the risks they run and are best qualified to understand and manage them. 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
The UK continues to face a challenging economic background, as described on pages 12-13. The impact of increased energy and food prices, rising interest rates, scarcity of vital resources and the urgency to act to protect our climate and prevent nature loss are putting considerable pressure on many of our stakeholders. In addition, there is a lack of certainty created by the continually evolving political context and the pace of change in digital innovation.

These trends could disrupt our ability to create value, and add urgency to the embedding of our strategy. Work is ongoing to support our responses to these trends, and to enhance our ability to identify and respond to other emerging risks.

## Risk management framework
As the ultimate owner of corporate risk, the Board 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, our risk management responsibilities are cascaded through the business so that decisions can be taken within a clear framework of acceptable and unacceptable risk.

The Audit Committee continues to regularly review risk management processes and internal control systems and has reported its findings to the Board, as set out on pages 90-92.

Additionally, the Board made an assessment of the principal risks which are set out on the following pages.

Individual Group Leadership Team (GLT) members are responsible for managing risk within the risk appetite of the business. This includes the strategic risks within their business units and the Principal Risks assigned to them.

The GLT holds regular sessions on strategic and emerging risks, where current and potential issues are considered and actions determined. This allows early discussions 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 and Assurance attends these sessions to provide input into this and other elements of executive decision-making.

The Risk and Assurance Group, which comprises senior leaders within the Group, supports the further consolidation of effective control and risk management into the operational management of the business.

The business-wide risk platform is continuing to evolve, with risk registers and associated controls for each business unit regularly reviewed and maintained and self-assessments recorded by management on the effectiveness of their controls at a point in time.

## Risk appetite
Our risk appetite framework drives decision-making and supports the business to create financial, environmental and social value in a way that is consistent with our Value Creation Framework, while protecting us from downside exposure. 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 'Cautious' to 'Open' 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 106) and strategy (see page 15).

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.

## Our risk model

## Risk appetite

| Ref | Risk category | Appetite | Description |
|---|---|---|---|
| 1 | **Brand and Reputation** | | We take a proactive approach in our communication and engagement with existing and potential stakeholders, including customers. This is a vital part of ensuring that Crown Estate activity is informed by external perspectives and our purpose and role are well understood. We take appropriate risk when necessary to support our strategy. |
| 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** | | Our activities make it necessary to navigate the political environment and our plans will be impacted by changes in that environment. We assess our strategy to be responsive to these changes, while maintaining our independence in determining our response. |
| 6 | **Legal and Regulatory** | | We wish to avoid, or manage on an as low as reasonably practicable basis, risks which involve compliance with primary legislation or regulation. |
| 7 | **Control and Assurance** | | We have 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 very 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, this will be mitigated through effective controls. |
| 11 | **People and Culture** | | We are willing to take risk 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. |
| 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 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

# Risk management continued

## Principal risks and uncertainties

Pages 68-72 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 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, decreasing or remaining stable.

### 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, ie, the direction of impact and likelihood after the operation of our existing controls.

## Principal risks

| Risk | **Value Creation**<br>We significantly underperform our goals in creating financial, environmental and social value due to the market and broader economic challenges or issues in mobilising internal capacity or capabilities. | **Systemic Change**<br>A systemic change in our markets or in our wider business, economic, social or political environment fundamentally alters one or more of our key markets or business areas beyond our ability to effectively adapt and this results in significant underperformance. |
|---|---|---|
| Why it matters | We are part-way through delivering a major operational and cultural transformation which has helped reduce the risk; however, the process of change itself brings risk. | Systemic change in our markets is continuous and could adversely affect our business model or our operations and we may not be able to manage our exposure to these changes. |
| Key mitigations | Value Creation Framework (VCF) in place to continually monitor performance, with strategic goals set and measured in VCF terms<br>Mitigating external risks:<br>— Strategic planning process<br>— Business planning/ prioritisation process<br>Mitigating internal risks:<br>— Operating model review<br>— People and culture strategy<br>— Governance and oversight (including by the Value Creation Committee)<br>— Financial controls<br>— Quarterly business reviews<br>A comprehensive set of net zero plans and programme of activity implemented at Group and business unit level | Market and sector analyses<br>Detailed strategic planning<br>Robust strategies created for each business unit<br>Ongoing strategy review and feedback process<br>Strategic goals set and measured in VCF terms<br>Review and monitoring process of emerging risks<br>Business unit and Group-level lobbying and stakeholder management activities at local, devolved and UK levels<br>People Strategy<br>Updating of digital planning including the development of an artificial intelligence strategy |
| Key risk appetite measure | 4 Capital Allocation and Liquidity | 14 Change and Innovation |
| Residual impact change | ⟷ | ⟷ |
| Residual likelihood change | ⟷ | ⟷ |

## Principal risks

| Risk | **Strategic Transformation** | **Policy Environment** | **Technology Resilience** |
|---|---|---|---|
| | We fail to transform our strategy because of an inability to respond to change resulting from limitations in our capabilities and capacity, failure to adapt our culture and transform our operations, or from constraints in our constitution, including limitations on our scope for action and access to capital. | 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 or result in challenge to the independence of that mandate. | 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 diminished ability to operate, loss of company data, damage to our reputation, loss of confidence with customers, partners and other stakeholders and/or financial loss or penalties. |
| Why it matters | The transformation of our business is well underway, 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 continue to significantly upgrade our capabilities in this area, recognising the need to update systems and processes, and the increased level of threat in the external environment, including that posed by the potential impact of artificial intelligence advancements. |
| Key mitigations | Strategic planning process – allocating resources to deliver the business strategy/strategic direction with the right control mechanisms in place to guide its implementation<br>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<br>Operating Model Review process – building resilience into the organisation aligned with our strategy, culture and values<br>People & Culture Strategy – continued focus on culture change through the development of our people, and opportunities for leadership<br>Governance and oversight – over costs, quality, timing and risk | Proactive and integrated approach in place to understand the external environment and what our stakeholders think of us, and build awareness of and support for organisation through thoughtful profile raising<br>Enterprise and business unit stakeholder engagement at local community, devolved and UK levels<br>Ongoing enterprise-wide engagement through townhalls and interactive sessions at all levels<br>Continuing to build strong relationships with stakeholders across government and non-government stakeholders and interested parties<br>Ongoing review of upcoming legislative/policy changes that could affect our business to identify risks and opportunities, including understanding market demands and stakeholder views<br>Community and wider stakeholder engagement to shape and influence the world around us to support delivery of our strategies | Modernisation of our IT infrastructure<br>Changes to system configuration are validated and controlled<br>Continue to:<br>— understand potential cyber risks (Prepare)<br>— implement effective preventative cyber security controls and activities (Protect)<br>— implement processes and technology for the timely detection of malicious activity (Detect)<br>— develop activities to take action upon event detection (Respond)<br>— enhance resilience and recovery planning (Recover)<br>Promotion of appropriate internal behaviours and cyber culture<br>Crisis Management Framework regularly updated<br>Information security policies and processes |
| Key risk appetite measure | 14 Change and Innovation | 5 Political Exposure | 9 Business Continuity and Resilience |
| Residual impact change | ↔ | ↔ | ↔ |
| Residual likelihood change | ↔ | ↔ | ↔ |

# Risk management continued

## Principal risks

| Risk | **Marine Delivery** Underperformance of the Marine strategy in aligning with our remit and responding to changing circumstances and heightened market, industry, and stakeholder pressures. | **Major Incident** A major incident, series of events or a significant local, national or international crisis affecting us and/or our customers could lead to a significant financial loss, business interruption and/or reputational damage. | **Talent and Performance** 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 our strategy. |
|---|---|---|---|
| Why it matters | The demands and expectations on our Marine business remain high in terms of the quantum, range and speed of expected delivery. | The severity of the potential impact of this risk remains ever-present. | We recognise that talent management and the delivery of cultural change are fundamental to the delivery of our strategy and this continues to be an area of considerable focus. |
| Key mitigations | Building organisational capacity and capability to deliver against increasing market and policy demands<br>Continually enhancing stakeholder and customer engagement<br>Deploying capital through targeted strategic investments<br>Co-ordination of engagement with other relevant organisations<br>Delivering dedicated offshore surveys to enable better resource planning and accelerate delivery of leasing programmes<br>Enhancing data and evidence capability | Crisis Management Framework with clearly defined escalation processes and roles and responsibilities<br>Regular testing of crisis management arrangements<br>Regular liaison with appropriate agencies<br>Updating our processes for compliance with the government's anti-terror legislation Martyn's Law (Protect Duty 2022 legislation) eg, vulnerability assessments<br>Insurance arrangements are in place and cover catastrophic events | Development and delivery of a compelling and differentiated Employee Value Proposition<br>Building resource and strategic workforce planning capability, including the implementation of an Applicant Tracking System<br>Implementation of a new pay and performance management framework<br>Talent and succession structures and practices<br>Continual evolution of a learning and development curriculum and the development of new leadership and management programmes<br>Culture and people engagement plan<br>Strategies for listening, Diversity, Equity and Inclusion<br>Creation of the Enterprise Leadership Community to educate and develop our leaders within The Crown Estate |
| Key risk appetite measure | 5 Political Exposure | 9 Business Continuity and Resilience | 11 People and Culture |
| Residual impact change | ⟺ | ⟺ | ⟺ |
| Residual likelihood change | ⟺ | ⟺ | ↓ |

## Principal risks

| Risk | Strategic Relationships | Health and Safety | Digital Business Transformation |
|---|---|---|---|
| | Significant financial loss, reputational damage, or loss of convening power from failure to understand, manage, and deliver within strategic relationships – joint venture partners, customers, NGOs, outsourced service providers and governments. Failure to monitor and manage suppliers effectively, build supply chain resilience, and support our customers, particularly in times of geopolitical and economic uncertainty. | Risk to health and safety of our people, customers, supply chain or anyone interacting with our operations or assets, which adversely impacts our reputation, causes financial loss and/or results in criminal liability. This risk arises 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. | 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. |
| Why it matters | The range and levels of complexity of our stakeholder interests remain wide-ranging and this continues to be an area of considerable management focus. | How we protect and care for people is considered in everything we do, to ensure that we are not only a successful business but also that we have a positive and lasting impact on our supply chain and the industries we are connected to. | Technological investment and development, cultural change and an evolving digital operating model are required across the business to unlock new business opportunities and revenue streams, deliver efficiencies and greater operational effectiveness. |
| Key mitigations | Proactive communication strategy to position the enterprise and business units in the context of purpose, strategy and community<br>Joint venture governance framework<br>Stakeholder/customer engagement and communication plans as part of business unit strategies<br>Continuing to build strong relationships with stakeholders<br>Terms and conditions, key performance indicators and performance management in place with respect to our key outsourced delivery partners<br>Stakeholder engagement to shape and influence the world around us to support delivery of our strategies<br>Ongoing national partner mapping (stakeholder, infrastructure, development delivery) to unlock opportunities at scale | Comprehensive regular reporting to the Group Leadership Team and Board<br>Embedding of our new Safety First framework, supported by business-wide training and continuing cultural improvement, including with our managing agents<br>Health and safety policies, management systems, use of external standards and business unit operational controls<br>Clearly defined health and safety responsibilities within the business and our managing agents | Development of data foundations and insights<br>Development of a modern IT infrastructure and automation across key customer-facing processes<br>Evolution of new innovative business models enabling commercialisation of technology and data through our digital portfolios<br>Enabling agile delivery and building product capabilities<br>The ability to ensure information security is part and parcel of our culture<br>Communication – embedding of a digital culture within the organisation |
| Key risk appetite measure | 1 Brand and Reputation<br>5 Political Exposure | 10 Health and Safety | 15 Digital Transformation |
| Residual impact change | ⟺ | ⟺ | ⟺ |
| Residual likelihood change | ⟺ | ⟺ | ⟺ |

## Principal risks

| | |
|---|---|
| Risk | **Climate Change**<br>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. |
| Why it matters | We are fully committed to contributing to the UK's net zero transition, with significant public commitments on marine renewables as well as to becoming a net zero business. We need to focus on developing and implementing credible transition plans. |
| Key mitigations | Ensuring our physical assets are suitably assessed for impacts of climate change and mitigation steps taken to reduce the risk of stranded assets<br>A comprehensive set of net zero plans and programme of activity implemented at Group and business unit level<br>Sustainability materiality assessment to be undertaken this year including deep dive into climate risk to align with TCFD guidance<br>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 TCFD<br>Cross-business working groups to shape nature recovery and social impact |
| 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. These conversations inform our discussions on, and reviews of, our Principal Risks.

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

Strong and adaptable governance, supporting The Crown Estate's strategy and resilience

# Chair's introduction

**"Our commercial focus is fundamental to the way we operate – by generating significant financial returns we are able to drive broader value creation aligned to our purpose."**

**Sir Robin Budenberg**
Chair

As a country we face some significant challenges including: climate change, threats to our energy security, the urgent need for nature recovery as well as economic inequality.

In living our purpose, to create lasting and shared prosperity for the nation, we have a responsibility to address these challenges through delivering the greatest positive impact we can in terms of both financial performance and broader value creation.

The scale of this ambition should not be underestimated, and we're just beginning. That said, it has been exciting to see a definite shift over the last 12 months from a focus on strategy formulation and refinement to the early phases of implementation. While our businesses are at different stages, activity has ranged from finalising the articulation of our London vision and preparing to restart our development pipeline to furthering environmental best practice on our Windsor & Rural portfolio and considering the role that our Regional portfolio can play in supporting national interests and the needs of local communities. The Board is eager to continue to play its part in overseeing this progress, both challenging and supporting the strategy as necessary.

Alongside advancing our strategy, the year has seen some milestone developments of which I am immensely proud. Most notably, in January 2023 we announced the signing of Agreements for Lease for six new offshore wind projects (Round 4). Alongside furthering the UK's energy security and net zero commitments, Round 4, which has the potential to provide enough energy to power more than seven million homes, will also generate significant financial value for the nation.

The marine space is indeed a truly exciting opportunity and our work on and around the seabed goes further than delivering just financial and environmental benefit. Through offshore wind and our collaboration to enable the UK to unlock the full potential of carbon capture, utilisation and storage, we have the opportunity to deliver against another of our ambitions – to play our part in helping to revitalise the local economies of post-industrial areas and ports. The opportunity to make a difference environmentally and socially is vast. As a Board, and as a company for the country, we take this responsibility very seriously.

It is in this context that the Remuneration Committee has undertaken a deep review of our approach to pay and reward. On pages 93-102 you will find details of our new Remuneration Framework, including changes to Chief Executive compensation, that will ensure that we are able to attract and retain the best talent to unlock the full potential of the organisation alongside a rigorous focus on rewarding performance that delivers value for the nation, its finances and its future.

## A deep commercial focus

In our set-up, we are unique. We operate independently and as a commercial business, considering risks and opportunities in this context like other major enterprises. However, we are distinct from the private sector in that we're here to serve the nation, best demonstrated through our ability to take a long-term perspective and the return of our net revenue profit to the Treasury for the benefit of the nation's finances.

Our commercial focus is something that is fundamental to the way we operate – by generating significant financial returns we are able to drive broader value creation aligned to our purpose.

By way of endorsement of our strategy and performance to date, and in agreement with the Treasury, our transfer of money from our revenue to capital account has increased from 9% to 27% of gross revenue. This will enable us to increase investment in the delivery of our strategy in the years ahead, in turn driving growth and value for the nation. Read more on pages 40-47.

## Board evaluation and succession planning

During the year, the Board supported a process of self and peer assessment, led by the Executive Director, People & Culture. The 360 degree assessment between Board Members and the Group Leadership Team built on the themes of the prior year's external Board evaluation.

The Board's culture was recognised as welcoming and inclusive, providing a supporting and caring environment where an individual's views are encouraged, valued and respected. It also revealed that relationships between Board Members and Executives are continuing to develop, resulting in open and constructive debate.

Areas highlighted for further development included a desire to continue to develop and bring forward greater diversity of perspectives and challenge in Board conversations.

We continually strive to build the breadth of knowledge, skills and experience on our Board and our two new Board appointments during the year do just that. Anne Kavanagh was appointed to the Board and Audit and Remuneration Committees, while Clare Shine joined the Board and Sustainability Committee. Between them they bring a wealth of experience and expertise across a range of sectors from real estate, investment and sustainability to climate change, biodiversity and marine management.

Post year end, I was delighted to welcome Vijay Bharadia to the Board, who will assume the role of Chair of the Audit Committee this summer. Vijay's experience in finance and investment, alongside governance and risk management will, I am sure, prove invaluable. You can read more on our Board Members on pages 80-81.

In addition to these new appointments there were a couple of role changes during the period. James Darkins became a member of the Nominations Committee and Chair of the Audit Committee in succession to Paula Hay-Plumb, who moved to the position of Board Counsellor for a period of 12 months following the end of her second term as a Commissioner. This will secure a smooth transition and transfer of knowledge to the new Chair of the Audit Committee.

It also gives me great pleasure to congratulate Paula on receiving the award of Officer of the Order of the British Empire for services to the Public Sector in The King's Birthday Honours List 2023, in recognition of her invaluable work with The Crown Estate.

## Supporting our culture

Throughout the year the Board met informally with colleagues to hear and discuss their thoughts on a wide range of matters. One-on-one conversations with colleagues from across the business outside of the Board and management committees ultimately provide invaluable feedback for us in gauging how we, as the company's Board, are performing and how the wider team is feeling.

The Board also enjoyed two site visits, where we had the chance to meet with colleagues at Windsor in October 2022 and at the Blyth Wind Farm, off the coast of Northumberland, in March 2023.

Effective engagement with our people is essential to make sure that everyone is aligned to our purpose, is motivated, and understands the part they can play in contributing to our success. We continue to seek feedback and listen to the changing needs and values of our people through surveys, focus groups, manager feedback and data insights, enabling us to measure the progress of our People strategy.

We have a broad range of employee communications channels and, last summer, I joined the all-employee celebration in Windsor and led a townhall session alongside the Chief Executive in December 2022. I would like to take this opportunity to thank our people for another year of incredible hard work.

You can read about our People strategy, how we are embedding change across our organisation and the results of our Group-wide employee engagement survey on page 34.

## Chief Executive tenure

Our Chief Executive, Dan Labbad, comes to the end of his first four-year term as Chief Executive and Second Commissioner on 31 December 2023. We are fortunate to have a Chief Executive with Dan's qualities and experience and his first term has involved many substantial achievements, not least the response of our business and commercial property portfolio to COVID-19, setting our ambitious strategy, responding to digital disruption as well as the signing of Agreements for Lease in relation to Round 4. The Board unanimously agreed to extend Dan's term for a further four years – his continuation as Chief Executive is critical to the successful continued implementation of the strategy set out in this report and we are delighted that Dan is prepared to commit to his role for a further four years, subject to concluding the process for renewal, including his Royal Warrant.

## Her Majesty Queen Elizabeth II

The passing of Her Majesty Queen Elizabeth II in September 2022 brought great sadness to everyone at The Crown Estate. Her Majesty led a life of outstanding service, something which we aspire to in our own roles as custodians of this extraordinary organisation.

We are privileged to have served under Her Majesty and feel passionately that protecting and enhancing the assets of The Crown Estate for the nation and, particularly, the next generations, align with the principles of service, stewardship and legacy which Her Majesty embodied.

## His Majesty King Charles III

In May 2023, we joined the nation in celebrating the Coronation of His Majesty King Charles III. Our association with the Sovereign has always been a source of immense pride and inspiration. As we begin a new chapter in The Crown Estate's history with the implementation of our new strategy to deliver value now and into the future, it fills us with great excitement to be doing so as the nation itself embarks on its next chapter under a new Sovereign. The year also marked His Majesty becoming the Ranger of Windsor Great Park and a continuation of the longstanding connection between the Sovereign and this special place.

**Sir Robin Budenberg**

# Our constitution and governance framework

### Legal status and the Crown Estate Act 1961

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 constituted the Crown Estate Commissioners as a body corporate 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 we operate 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 Crown Estate has been classified as a non-financial public corporation by the Office for National Statistics.

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 which bar The Crown Estate from:

- Borrowing
- Investing in equities
- Acquiring land outside the UK
- Granting leases for more than 150 years

The net revenue profit of The Crown Estate is paid into the UK Consolidated Fund, where it is added to the funds arising from general taxation and is available to the Treasury to use for the benefit of the nation.

### Governance of our assets

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 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 ascended 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 1760, 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. The Treasury 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 His 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 His Majesty The King, as referenced on the contents page.

### Relationship with HM Treasury

The Crown Estate's activities and governance are also shaped by the framework document between The Crown Estate and the Treasury, which has been recently updated and is available on our website: thecrownestate.co.uk/treasury-framework

The Crown Estate's sponsor department is the Treasury and its sponsoring minister, the Exchequer Secretary, answers for its affairs in Parliament when the need arises. The Treasury is charged with general oversight of The Crown Estate's business. The Crown Estate therefore supplies the Treasury with regular information, including the quarterly financial information supplied to the Board, a balanced scorecard of its financial and non-financial performance, information about significant business developments, and information about any unusual or innovative proposals. In addition, The Crown Estate regularly discusses with the Treasury its corporate plan and revenue targets looking forward to the next financial year and projecting the two following financial years as well as the strategy for the year ahead. The remuneration policy for Crown Estate staff is set within a framework discussed and agreed by the Remuneration Committee with the Treasury. Remuneration of our Board Members is set by the Treasury.

## UK Corporate Governance Code

Although The Crown Estate is not technically bound by the UK Corporate Governance Code 2018 (the Code), our Board has undertaken to comply with the Code where it can do so given The Crown Estate's unique constitution. The Code serves as a benchmark for our corporate governance performance and its disclosure requirements serve 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 five sections of the Code are addressed as highlighted on the right.

## Other elements of our governance framework

The Crown Estate observes the Nolan Principles of Public Life. As such, it is committed to honesty, fairness, integrity, openness and transparency. The Crown Estate must follow the standards in 'Managing Public Money' which is specific Treasury guidance. Our Chief Executive is our Accounting Officer and he is thus bound by the requirements of chapter 3 of 'Managing Public Money', with personal responsibility for leading the organisation in an ethical manner, seeking good value for money and securing the quality and integrity of its business. Should a conflict arise between a decision of the Board and his personal view of his duties as Accounting Officer, he must seek guidance from the Treasury Permanent Secretary before acting. The Government Financial Reporting Manual (FReM) is the technical accounting guide for the preparation of financial statements. It complements guidance on the handling of public funds and thus also informs our governance.

We are unique as a non-financial public corporation in that we also have an independent commercial mandate and thus we seek to apply the standards that are most appropriate to the various elements of our business in pursuit of applying best practice. We also recognise that governance is not just about best technical practice and having the right principles, processes and structures in place; we know that good governance is as much about our culture and behaviours.

## 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.

Read more on **pages 78-85**

## 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 78-83**

## 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 87-89**

## 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 90-92**

## 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 93-102**

# Governance structure

## NON-EXECUTIVE BOARD COMMITTEES

Four standing Committees of the Board, each consisting of Independent Board Members, except the Remuneration Committee which may have up to one Board Counsellor, ensure focus and challenge around those areas at the heart of the delivery of The Crown Estate's purpose and strategy. The terms of reference for all four Committees were amended in March 2023 as part of continuing efforts to improve our governance structures.

### Nominations Committee

Responsible for ensuring that the Board and its Committees have an appropriate combination of skills, experience and knowledge to effectively challenge The Crown Estate's strategy and monitor its execution.

Read more on **pages 87-89**

### Audit Committee

Responsible for reviewing, monitoring, overseeing and challenging the integrity of The Crown Estate's financial and narrative statements, its internal control environment, risk management systems and framework, internal audit process and external audit process.

Read more on **pages 90-92**

### Remuneration Committee

Responsible for ensuring that remuneration policies and practices are aligned to The Crown Estate's purpose, culture and values, linked to delivery of its long-term strategy, and promote the long-term sustainable success of The Crown Estate.

Read more on **pages 93-102**

### Sustainability Committee

Responsible for ensuring that The Crown Estate exemplifies best practice in all matters related to sustainability and that this is embedded in the delivery of The Crown Estate's strategy for value creation and aligned with its purpose.

Read more on **pages 103-105**

## The Board

The Board has responsibility for the purpose, risk appetite, strategy and values of The Crown Estate and to ensure that, together, they enable The Crown Estate successfully to deliver its statutory mandate in perpetuity. It also decides upon all exceptional matters and transactions. The Board consists of not more than eight Commissioners.

As at 31 March 2023, the Board consisted of:

| | |
|---|---|
| Independent Non-Executive Chair (or First Commissioner) | 1 |
| Executive Board Member (or Second Commissioner) | 1 |
| Senior Independent Board Member (Senior Independent Director) | 1 |
| Independent Non-Executive Board Members (excluding the Chair and Senior Independent Director) | 4 |
| Board Counsellors | 2 |

Commissioners may normally serve for up to eight years over two four-year terms. The Board is assisted by non-voting co-opted Board Counsellors. No Non-Executive Board Member may serve on the Board, as a Board Member and Counsellor, for more than a total of ten years.

Board Counsellors support the delivery of the Board Members' duties and functions, and this may occur both in and outside of Board and Committee meetings.

Read more on **pages 80-81**

## Value Creation Committee (VCC)

Shaping and approving value creation proposals (investment and development), the VCC reports into the Board and was established to ensure that we meet our wider financial, environmental and social commitments in line with our purpose. It consists of three senior members of the Group Leadership Team, including the Chief Executive.

Read more on **pages 106-107**

## Group Leadership Team (GLT)

Implementation of strategy and business plans. Provision of overall Group leadership and management. The GLT has eleven members, including the Chief Executive.

Read more on **pages 106-107**

# 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. The Chairman is a point of contact for executives in addition to the normal channels of the Chief Executive and meets with other Non-Executive Board Members when deemed appropriate. |
| **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 Board Member** | In addition to the role of Non-Executive Board Member, the Senior Independent Board Member's role includes leading a meeting with other Non-Executive Members without the Chairman present at least once annually to appraise the Chairman's performance; representing the Board in Board Member recruitment; acting as a check and balance to the Chairman; providing a sounding board for the Chairman; and acting as an intermediary for other Board Members when necessary. |
| **Independent Non-Executive Board Members** | The role of the Independent Non-Executive Board Member is to bring exemplary skills, experience and knowledge to the Board, constructively challenging where necessary. This ensures an adequate balance of skills is available to The Crown Estate to fulfil its strategic objectives in compliance with its constitution and in service of The Crown Estate's purpose. An Independent Non-Executive Board Member will have regard to the general duties as set out in Part 10 of the Companies Act 2006, including the duty to promote the success of The Crown Estate. |
| **Board Counsellors** | |
| **Board Counsellors (Non-Executive)** | The role of the Non-Executive Board Counsellor is to support the delivery of the Crown Estate Commissioners' duties and functions. They supplement the collective skills, expertise and knowledge of the Board Members, to inform Board decision-making, including constructively challenging the executive where necessary.<br><br>Board Counsellors attend Board meetings as advisers (ie 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 to the Board, to a Committee, or otherwise. |
| **Governance** | |
| **Company Secretary** | The Company Secretary advises the Chairman, the Board and individual Board Members on their responsibilities under the prevailing regulatory framework.<br><br>The Company Secretary supports all meetings and ensures clear and timely information flows both between the Board and its Committees. They work with the Chairman to facilitate the induction of new Non-Executives, and the provision of professional development as required. The Company Secretary is a Board appointee. |

* All Board Member appointments are documented in a formal contractual appointment, which supplements the Royal Warrant granted to Commissioners.

# Our Board

The membership of our Board is built on 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 | Board | Strategy session |
|---|---|---|
| **Robin Budenberg, Chairman** | 8/8 | 1/1 |
| **Dan Labbad, Chief Executive** | 8/8 | 1/1 |
| **James Darkins** | 8/8 | 1/1 |
| **Juliet Davenport** | 8/8 | 1/1 |
| **Paula Hay-Plumb[1]** | 5/5 | 1/1 |
| **Karen Jones** | 7/8* | 1/1 |
| **Anne Kavanagh[2]** | 6/6 | 1/1 |
| **Clare Shine[2]** | 5/6* | 1/1 |

1. Paula Hay-Plumb's term as a Board Member ended on 31 December 2022. She became a Board Counsellor with effect from 1 January 2023.
2. Anne Kavanagh and Clare Shine joined the Board on 4 July 2022.

We also have two Board Counsellors. Paula Hay-Plumb was until 31 December 2022 a Board Member and from 1 January 2023 a Board Counsellor. She has attended all of the meetings of the Board since she became a Board Counsellor. Sara Wood, who became a Board Counsellor in 2021, has continued in that capacity and has attended all Board meetings except one up to February 2023. Since then, as agreed in advance with the Chair, accommodation has been made for her not to attend Board meetings for a period for personal reasons, but she continues to carry out her broader role as Board Counsellor.

* Karen Jones and Clare Shine missed one meeting each on 20 September 2022 and 12 July 2022 respectively due to unavoidable diary conflicts.

## 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 towards ensuring that we can demonstrate diversity across gender, social background and ethnicity. Diversity (below) includes Board Counsellors to ensure a full impression of the balance of voices and perspectives is included in Board discussion.

**Gender**

| | |
|---|---|
| Female | 67% |
| Male | 33% |

**Tenure**

| | |
|---|---|
| 0-2 years | 3 |
| 2-4 years | 3 |
| 4-6 years | 0 |
| 6-8 years | 3 |

As at 31 March 2023

## Terms of appointment

Each Board Member of The Crown Estate is appointed as a Commissioner under Royal Warrant for a period of up to four years. In general, a Board appointment may be renewed for one further period of up to four years. The Act 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. No Non-Executive Board Member may serve on the Board, whether as a Member or Counsellor, for more than ten years in total.

**Sir Robin Budenberg**
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. Robin's term expires 31 July 2024.

**Committees:** N R

**Tenure:** 6 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:** 3 years 3 months

**Key strengths:** Leadership / Property / Infrastructure / Sustainability / Change Management

**Anne Kavanagh**
Independent Non-Executive Board Member

**Appointment:** Anne was appointed to the Board on 4 July 2022. Her first term expires 3 July 2026.

**Committees:** A R

**Tenure:** 9 months

**Key strengths:** Commercial Investment / Real Estate Investment / Capital Markets / Property Development / Regeneration

**Clare Shine**
Independent Non-Executive Board Member

**Appointment:** Clare was appointed to the Board on 4 July 2022. Her first term expires 3 July 2026.

**Committees:** S

**Tenure:** 9 months

**Key strengths:** Net Zero / Biodiversity / Marine and Coastal / Political / Public Sector / Social Policy and Law / Multi-stakeholder Convening

**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. His term expires 31 December 2023.

**Committees:** A* R N

**Tenure:** 7 years 3 months

**Key strengths:** Real Estate Investments / Capital Markets / Property Development / Financial / Risk

* From 1 January 2023

**Juliet Davenport OBE**
Independent Non-Executive Board Member

**Appointment:** Juliet was appointed to the Board on 1 September 2020. Her first term expires 31 August 2024.

**Committees:** S

**Tenure:** 2 years 7 months

**Key strengths:** Renewable Energy / Research and Innovation / Environment – Net Zero / Ecology / Biodiversity

**Paula Hay-Plumb OBE**
Independent Non-Executive Board Member / Board Counsellor

**Appointment:** Paula was a Board member from 1 January 2015 to 31 December 2022 and was appointed as a Board Counsellor with effect from 1 January 2023.

**Committees:** A* N

**Tenure:** 8 years

**Key strengths:** Finance / Governance / Risk and Assurance / Public Sector / Policy

* Until 31 December 2022

**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 on 9 June 2020. Her first term expires 31 December 2023.

**Committees:** N S

**Tenure:** 3 years 3 months

**Key strengths:** Food, Retail and Leisure Markets / Digital and Online Retail / Property and Placemaking

**Sara Wood**
Board Counsellor

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

**Committees:** None

**Tenure:** 1 year 9 months

**Key strengths:** AI / Automation / Platform / Data / Software and Commercial

Subsequent appointment

**Vijay Bharadia**
Independent Non-Executive Board Member

**Appointment:** Vijay was appointed a Board member with effect from 1 April 2023. His first term expires 31 March 2027.

**Committees:** A
(effective 1 April 2023)

**Key strengths:** Finance / Governance / Risk and Assurance / Private Equity Investments

**Neetu Ogle**
Group Head of Legal and Company Secretary

An experienced corporate and commercial lawyer with broad international experience across a range of industries and sectors, Neetu joined us in February 2022 as Group Head of Legal and from 1 April 2022 as Company Secretary.

**Committee membership key**

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

All tenures as at 31 March 2023.

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

For full disclosure of Board Member and Board Counsellor directorships/trusteeships/consultancies, please see: thecrownestate.co.uk/declaration-of-interests

# Embracing the principles of section 172 of the Companies Act 2006

Under section 172 of the Companies Act 2006, directors of companies must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to various factors including:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly between members

Although section 172 does not strictly apply to The Crown Estate, the stakeholder considerations set out therein are important nationally and we thus want to be transparent about how our Board Members have regard to them when making decisions. The Strategic report and this Governance section explain and provide examples of how the Board has aimed to comply with this section 172 duty. The Board Members have given regard to the above factors via the following means.

### 1. Likely consequences of any decision in the long term

The very purpose and ethos of The Crown Estate are 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. The Board's Sustainability Committee completed its first full year of operation, underpinning the Board's view that The Crown Estate's business must operate in a long-term sustainable context. In the same vein, the Board has spent considerable time considering long-term consequences associated with unlocking valuable new clean energy capacity through floating offshore wind in the Celtic Sea.

More information on the activities of the Sustainability Committee can be found on pages 103-105.

Further details on the purpose of The Crown Estate to create lasting and shared prosperity for the nation can be found in the Strategic report on pages 1-65.

### 2. Interests of our employees

We aim to empower our people to realise their full potential and drive the growth needed to deliver our ambitious Group strategy. We want to build an inclusive culture in order to attract and develop new and wide-ranging capabilities and we want to create a workplace that encourages diverse thinking and recognises people for their contribution.

Effective employee engagement is essential to make sure that everyone in our organisation is aligned to our purpose, is motivated, and understands the part they can play in contributing to our success. We have established the Enterprise Leadership Community, extending leadership further into the organisation, and developing leadership behaviours to hold our leaders to account in driving high performance through empowering our people. Our expanded learning and development curriculum and Connected Conversations have made it easier for everyone to see how they are contributing to our strategy.

Further details can be found in the Social review on pages 32-38.

### 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. Our new Supplier Charter states our expectations in five key areas: Health, Safety and Wellbeing; Sustainability; Ethical and Inclusive Practices; Privacy and Information Security; and Innovative Business Practices. This will guide how we select and support our supply chain.

Further details can found in the Stakeholder engagement section on pages 16-19.

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

The Sustainability Committee has now operated for a full financial year, focusing on The Crown Estate's environmental and social impact, striving to adopt best practice in both. For more information on the activities of the Sustainability Committee this year, see pages 103-105.

You can also find details on our work with communities and the environment in the Stakeholder engagement section on pages 16-19 and Environmental and Social reviews on pages 20-39.

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

The Crown Estate aspires to be a market leader, adopting best practice and continuously improving the way in which it goes about its business. This year has seen a continued review of policies around how the business conducts itself.

### 6. Need to act fairly as between our members

The Crown Estate does not have shareholder members but the Act imposes a general duty on 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 stakeholders, including between the current and future generations.

# 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 UK Corporate Governance Code 2018. 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 our website at: thecrownestate.co.uk/declaration-of-interests

## Delegation

The Board has the authority to exercise all of the powers vested in The Crown Estate by the Act, but the Board has chosen to delegate all matters except those set out as reserved matters in its terms of reference. The delegation is to the four standing Committees of the Board (Nominations, Audit, Remuneration and Sustainability) as well as to the Value Creation Committee (which consists of three members of the Group Leadership Team). All other powers are delegated to the Chief Executive. The Board reserves the right to vary all delegations at its discretion.

In the course of 2022/23, the terms of reference of each of the standing Committees were reviewed and amended to ensure compliance with best practice.

## Board activity and administration

The Board held nine scheduled meetings spread evenly throughout the year including a strategy session in October.

Board meetings are scheduled for at least three hours, and are augmented by time spent in closed session for Board Members (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 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. The Board appointed Neetu Ogle as Company Secretary from 1 April 2022, alongside her role as Group Head of Legal at The Crown Estate.

2022/23 saw a return to in-person meetings with a facility for presenters, Board Members and Counsellors to attend remotely if needed.

# Key matters

The table below sets out the key matters reviewed by the Board during the year.

| 2022 | |
|---|---|
| **April 2022** | — Board themes<br>— Round 4 Habitats Regulations Assessment<br>— Annual business plan<br>— Offshore Wind Evidence and Change Programme (OWEC)<br>— Risk<br>— Regional retail sales<br>— Macroeconomic update |
| **June 2022** | — Board themes<br>— Committee Chairs' updates<br>— Health, safety and environment<br>— Quarterly Full Integrated Corporate Performance Report<br>— Principal Risks key mitigations<br>— Capital allocation and investment guidelines<br>— London Vision<br>— People strategy<br>— Targets and KPIs<br>— Annual Report and Accounts 2021/22 |
| **July 2022** | — Half-year Board actions<br>— Committee Chairs' updates<br>— Health, safety and environment<br>— Physical Security<br>— Q1 – Flash Report<br>— Targets and KPIs<br>— Stakeholder update<br>— Marine key issues and initiatives<br>— Board Committees' communications |
| **September 2022** | — Finance Report<br>— Modern Slavery and Human Trafficking statement |
| **October 2022 (two days – including a half day covering ordinary course business)** | — Group strategy<br>— Macro trends and themes<br>— Capital Allocation and Value Creation<br>— Sustainability<br>— Business strategy<br>— Risk<br>— Group priorities<br>— Health, safety and environment |
| **December 2022** | — Board themes<br>— Committee Chairs' updates<br>— Finance – Integrated Corporate Report Performance update, Strategy and Retrospective Investment Appraisal review<br>— Health, safety and environment<br>— Marine Endurance<br>— Marine – Floating Offshore Wind<br>— People strategy<br>— Committee composition<br>— Sustainability |

| 2023 | |
|---|---|
| **January 2023** | — Capital Sensitivities and Strategic Choices |
| **February 2023** | — Committee Chairs' updates<br>— Research update<br>— Finance - Integrated Corporate Report<br>— St James's Market<br>— Wales<br>— Regional Development strategy<br>— Board evaluation<br>— Talent review |
| **March 2023 (two days)** | — Celtic Sea Floating Wind<br>— London - Lifestyle and Workplace strategy update<br>— Business Plan and Targets 2023/24<br>— Risk - emerging and principal risks and principal risk key mitigations<br>— Annual Report<br>— Revised terms of reference for Committees<br>— Board themes 2023/24 |

**Left.** Visiting Blyth Wind Farm, Northumberland

**Left.** A 'meet and greet' with employees

# 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'. The framework document, which was updated recently, 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 both the UK Corporate Governance Code 2018 (the Code) and the Government Financial Reporting Manual (FReM).

The Accounting Officer's 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 judgments 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 judgment 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 2022/23 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 both the Code and FReM 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 auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

As I noted in last year's Accounting Officer's statement, there is work ongoing to strengthen our processes and controls and it is expected to take a number of years to achieve the standard we aspire to. Throughout the year we have continued to make steady progress against these targets and the areas requiring particular attention for improvement that we have previously highlighted continue to evolve, informed by our continuous drive for improvement and the changes in our external environment. We will place particular focus on the following matters in the coming financial year:

— working with stakeholders to ensure the ongoing resilience and adaptability of The Crown Estate
— the shift in our focus to the delivery of our strategy, continuing to embed new capabilities and the approach to change and innovation demanded by our strategy and the external environment
— enhancing our operational discipline as we continue to transform the business. Focus on improving the quality, efficiency and effectiveness of our controls alongside enhancing their ownership across the enterprise including our key external business partners – from health and safety to energy and carbon data
— ensuring that our corporate and regulatory requirements are fully reflected in how we procure and manage our supply chain
— responding to a rapidly changing digital world, including AI, by continuing to develop the digital resilience of our technology and improve our data and information security
— our people – continuing our efforts to attract, retain and develop a diverse talent pool whilst embedding the culture to drive our performance

**Dan Labbad**
Accounting Officer

16 June 2023

# Nominations Committee report

**"The Nominations Committee has been focused on the composition and balance of skills on the Board and its Committees as well as succession planning. It aims to ensure that the Board is in a position to achieve the fulfilment of its role to agree strategy and constructively challenge the Executive to achieve The Crown Estate's purpose."**

**Dame Karen Jones DBE**
Senior Independent Board Member and
Chair of the Nominations Committee

MEMBERSHIP AND ATTENDANCE 2022/23

| | Meetings scheduled | Meetings attended |
|---|---|---|
| Karen Jones (Chair) | 2 | 2 |
| Robin Budenberg | 2 | 2 |
| James Darkins | 0 | 0 |
| Paula Hay-Plumb | 2 | 2 |

Dan Labbad, Chief Executive, attended both meetings of the Committee in the year.

The members during the year have each served for the following periods on the Committee:

**Karen Jones**, 2 years 3 months as member and one year as Committee Chair from 1 April 2022.

**Robin Budenberg**, 6 years 8 months (Committee Chair to 31 March 2022).

**James Darkins**, 3 months (joined as a member from 1 January 2023).

**Paula Hay-Plumb**, 6 years 9 months (stepped down on 31 December 2022).

## Overview

Meeting twice this year, the Nominations Committee forms an integral part of our overall governance structure. The role and key objective of the Nominations Committee is to ensure the Board and its Committees have an appropriate combination of skills, experience and knowledge to effectively challenge The Crown Estate's strategy and monitor its execution.

The Committee also ensures there is a formal, rigorous and transparent procedure for appointments to the Board and assists by regularly reviewing its composition, diversity and effectiveness in achieving its objectives. It also monitors the succession plans for the Board Members (Commissioners), Board Counsellors and members of the Group Leadership Team (GLT) and for the Company Secretary.

## Nominations Committee membership

The Nominations Committee is a Board Committee, which comprises a minimum of three members, one of whom will be the Chair of the Board. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments. The quorum necessary for a Committee meeting is the presence of the Committee Chair and the Chair of the Board. Each Committee member is a Board Member and independent as determined by the Board. James Darkins, Board Commissioner, attended the December 2022 meeting in advance of becoming a member of the Committee with effect from 1 January 2023 as replacement for Paula Hay-Plumb who stepped down from the Committee at the end of her second term as a Board Commissioner on 31 December 2022.

The Nominations Committee benefits from skills and experience gained by its members from significant exposure to:

— risk and assurance
— investments and finance
— strategic overview and leadership
— governance
— real estate, retail and leisure markets

## Attendance at Committee meetings

In addition to the Nominations Committee members, the Chief Executive, Executive Director, People & Culture, Group Head of Legal and Company Secretary, external advisers, and others as specified by the Committee, may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee Chair.

# Nominations Committee report continued

## Key duties
The key duties of the Nominations Committee are to:

— regularly review the composition and succession plans of the Board, ensuring the continued ability of the organisation to be effective and deliver on its long-term strategic priorities
— instigate the process of Board appointments and oversee the selection process for Board Members in keeping with the process set out by the Office of the Commissioner for Public Appointments
— recommend to the Board the appointment of the Senior Independent Board Member and the Chair and members of the Board Committees
— assist the Chair of the Board with the implementation of an annual Board evaluation process

## Alignment with the Code
Although The Crown Estate is not technically bound by the UK Corporate Governance Code 2018 (the Code), the Board has undertaken to comply with the Code where it can do so given The Crown Estate's unique constitution. This undertaking extends to the Board's Committees, including the Nominations Committee. In early 2023, in line with this commitment, the Board amended Committee terms of reference to better align with the Code.

## Committee evaluation
Following multiple changes to all Committees, an internal evaluation process will be conducted in 2023/24.

## Developing the skills mix of the Board
All of our Board appointments are supported by analysis based on the skills, experience and diversity of the existing Board combined with a strategic projection of future skills requirements. In 2023, the Committee oversaw a review of the approach to the combined and desired skills of the Board and adopted the following headline behavioural areas for continued focus and as the basis for reviewing Board effectiveness:

**Thinking:** Impact on the strategic capability of the Board

**Involving:** Impact on the Board culture of openness, transparency and trust

**Inspiring:** Impact on communications in the Board and with stakeholders

**Performing:** Impact on how the Board conducts performance oversight

These high-level statements are broken down into a number of behavioural approaches that are associated with superior transformational leadership performance and can be combined into a view of the overall balance of the Board to enable decisions on Board development and recruitment requirements.

## 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.

## 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 Chair, 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 His Majesty The King.

## Diversity

Developing the diversity of the Board is a key responsibility of the Nominations Committee, and all our searches have a clear focus on bringing forward applicants through each stage of the process with characteristics that will serve to broaden this aspect of Board composition.

## Executive Board appointments

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 2016 Code 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 Egon Zehnder and Korn Ferry on Board Commissioner-related assignments.

We can confirm that none of the executive search agencies used have any material connection with The Crown Estate or The Crown Estate's individual Board Members.

## Committee activities during the year

Set out below are some of the key matters addressed by the Committee:

| | |
|---|---|
| **June 2022** | — Terms of reference<br>— Board and Committee succession and recruitment<br>— Appointment of new Commissioners to Committees<br>— Stepping down of Commissioners<br>— Board evaluation report |
| **December 2022** | — Board and Committee succession and recruitment<br>— Board skills evaluation |

## Board evaluation

Following the external review conducted in the previous year the Board supported a process of self- and peer assessment led by the Executive Director, People & Culture. This review built on the themes of the external review and included a 360 degree assessment process between Board Members and the GLT followed by individual meetings to discuss feedback for each Board Member with the Chair. The Senior Independent Board Member, having met with independent Board Members in his absence, conducted the evaluation of the Chair and discussed the feedback directly with him.

## Outcomes

Overall, feedback on the Board continues to be very positive and shows further improvement on previous evaluations.

The Board culture is recognised as welcoming and inclusive and provides a supportive environment where individuals feel able to contribute and are valued and respected. In addition, relationships between Board Members and the GLT are continuing to develop, resulting in open and constructive debate, and the Board is seen as a professional and passionate partner to the GLT in realising the strategic ambitions of The Crown Estate.

Areas for continued development include a desire to introduce greater diversity of perspectives and challenge in Board conversations alongside a wish to create more opportunity and time for debate on the most impactful subject matters.

# Audit Committee report

"The Audit Committee plays an important role in building resilience and in doing so helps define how The Crown Estate identifies, responds to and manages risk – especially in times of uncertainty and change."

**James Darkins**
Chair of the Audit Committee

MEMBERSHIP AND ATTENDANCE 2022/23

| | Meetings scheduled | Meetings attended |
|---|---|---|
| Paula Hay-Plumb (Chair to 31 December 2022) | 6* | 6* |
| James Darkins (Chair from 1 January 2023) | 6 | 6 |
| Anne Kavanagh | 3 | 3 |

The members during the year have each served for the following periods on the Committee:

**Paula Hay-Plumb**, 8 years as Chair and three months as attendee from 1 January 2023.

* Attended one meeting in her capacity as Board Counsellor.

**James Darkins**, 7 years as member and three months as Chair from 1 January 2023. Excused from decision-making during the additional meeting held in April 2022 due to a conflict.

**Karen Jones** was welcomed as a member (pro tem) of the Committee at the 11 April 2022 Committee meeting. In respect of HRA, her addition to the Audit Committee allowed James Darkins to recuse himself from any decision-making as a member of the Committee, to avoid any conflict with his role as Chair of the HRA Oversight Group.

**Anne Kavanagh**, 9 months. She joined the Committee from 4 July 2022 and attended her first meeting on 12 July 2022.

**Vijay Bharadia** was appointed to the Committee on 1 April 2023 and approved by the Board as Chair with effect from 1 July 2023.

I am serving as Chair of the Audit Committee for the period from 1 January 2023 until our Annual Report is laid in Parliament. I would like to thank my predecessor Paula Hay-Plumb for her service over the past eight years as Chair of the Audit Committee. I am grateful to Paula for her continued support in her new capacity as a Board Counsellor.

I welcome Anne Kavanagh and Vijay Bharadia to the Committee. Anne joined the Committee on 4 July 2022, and we are benefiting from her extensive leadership experience in the regulated real estate investment management sector. Vijay joined The Crown Estate and Audit Committee on 1 April 2023 and will assume the Chair once our Annual Report has been laid. Vijay has wide-ranging experience in financial, operational and risk management in the alternative asset management sector. I have no doubt he will continue to strengthen and evolve the work of the Committee as Paula did before him.

## Overview

The Committee has played a critical role in supporting our business and the Board by discharging its mandate in full. It continues to evolve its focus in line with changes in the business and external environment. Key focus areas this year have been offshore wind, especially Offshore Wind Leasing Round 4 (Round 4) and the property valuation in the light of the economic backdrop and the heritage nature of our London portfolio. It also approved the appointment of an outsourced Internal Audit function.

During the year, the Audit Committee held its five regularly scheduled meetings together with one additional meeting and one action by unanimous written consent in early 2023.

An additional meeting was held in April 2022 to discharge the Committee's specific responsibility in respect of an enhanced governance process adopted by the Board in May 2021 surrounding the Habitats Regulations Assessment (HRA) required to be undertaken for Round 4. 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 HRA. I Chaired the Board's HRA Oversight Group and so recused myself form decision-making at the April Committee meeting.

Following each meeting, the Committee has provided formal updates to the Board to ensure transparency and effective knowledge transfer.

## Audit Committee membership

The Audit Committee is a Board Committee which comprises a minimum of three members, each being an Independent Board Member (Commissioner) as determined by the Board, at least one of whom shall have recent and relevant experience working with financial and accounting matters. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments. The quorum necessary for a Committee meeting is the presence of two members. The Chair of the Board shall not be a Committee member.

As shown in the table above, there have been a number of changes in the membership of the Audit Committee during the year.

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
— risk management
— investment management and investment banking
— property and commercial operations

The members of the Committee, assisted by the attendance of its former Chair and Board Counsellor, Paula Hay-Plumb, together possess the financial knowledge and commercial experience to meet the needs of the Board and the business; and to satisfy the requirements of the UK Corporate Governance Code 2018 (the Code). For further information about the members, see: thecrownestate.co.uk/our-board

## Attendance at Committee meetings

In addition to the Audit Committee members, the Chief Financial Officer, Head of Internal Audit and external audit partner, a representative from the NAO, Chief Executive (in his dual capacity which includes that of Accounting Officer), Executive Director, Operations, Head of Risk and Assurance, Group Financial Controller, Group Head of Legal and Company Secretary, and others as specified by the Committee, shall attend meetings as and when appropriate and necessary and with the agreement of the Committee Chair.

**National Audit Office (NAO):** representatives of our external audit team, including its framework partner from Mazars LLP acting on behalf of the Comptroller and Auditor General.

**PwC:** our outsourced Head of Internal Audit.

## Key duties

The key duties of the Audit Committee are to review, monitor, oversee and challenge:

— the integrity of The Crown Estate's financial and narrative statements
— its internal controls (including financial controls) and risk management systems and framework
— internal audit process
— external audit process

## Alignment with the Code

Although The Crown Estate is not technically bound by the UK Corporate Governance Code 2018 (the Code), the Board has undertaken to comply with the Code where it can do so given The Crown Estate's unique constitution. This undertaking extends to the Board's Committees, including the Audit Committee.

In early 2023, in line with this commitment, the Board amended Committee terms of reference to better align with the Code. Our established approach aligns with many of the requirements of the Code.

## Committee evaluation

Following multiple changes to all Committees, an internal evaluation process will be conducted in 2023/24.

## 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 judgments 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 judgments in relation to the financial statements

The Chief Financial Officer provided regular reports to the Committee, outlining the proposed approach for treatment of significant judgments, accounting standards and alignment with the 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 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.

### 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.

## 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 Risk and Assurance. 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.

A whistleblowing policy is in place for fraud and bribery. No instances of fraud or bribery were reported to the Committee in the 2022/23 financial year.

## 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 NAO's performance for the 2021/22 audit year. The review process enables insightful feedback to be provided formally, under a performance framework agreed between The Crown Estate and the NAO.

The NAO continued its outsourcing of the operational delivery of the audit to its framework partner, although, as stipulated in the Crown Estate Act 1961, the Comptroller and Auditor General of the NAO is the audit signatory for the accounts of the Group and Parent. The Audit Committee has received regular updates from representatives of the NAO and its framework partner.

As our external auditor, the NAO and its framework partner are given complete access to all financial and other information and the Committee meets (without management present) with the NAO and its framework partner 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.

### Non-audit services
Neither the NAO nor its framework partner provides non-audit services to The Crown Estate. The Crown Estate does not have a policy in respect of non-audit services.

### Assurance of the 2022/23 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.

### Significant areas of judgment
At its May 2023 meeting, the Committee reviewed the key accounting policies and judgments:

- the valuation of The Crown Estate's offshore wind assets, placing particular attention on Round 4. The Committee considered the work the valuers had undertaken in the light of the risks and unique nature of the assets
- the valuation of the assets in the built portfolio, taking into account the heritage nature of some of our assets and capital risk

The Committee was satisfied that the valuation process was robust and had been professionally conducted, resulting in an effective valuation. The Committee also reviewed the recoverability of receivables.

At the June 2023 meeting the Committee reviewed the Annual Report and Accounts paying particular attention to the disclosure of the key judgments. The Audit Committee reviewed the processes to preserve independence and manage conflicts in relation to the valuers.

### Fair, balanced and understandable
At its June 2023 meeting, the Committee considered whether the process followed in the production of the 2022/23 Annual Report and Accounts supported its assessment as being 'fair, balanced and understandable' in accordance with the 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 IFRS Foundation's Integrated Reporting Framework.

### Committee activities during the year
Set out below are some of the key matters addressed by the Committee:

| | |
|---|---|
| **April 2022** | — Offshore Wind Leasing Round 4 – Plan-Level Habitats Regulations Assessment |
| **May 2022** | — Chief Executive report<br>— Round 4 valuation review<br>— London and Regional valuations<br>— Provisions for rent and receivables<br>— External audit progress report<br>— Internal Audit Plan amendment<br>— Statement of Internal Control progress and Accounting Officer's sign-off |
| **June 2022** | — Chief Financial Officer report<br>— Accounting Officer's Report and Management Assurances on Internal Control<br>— Going Concern and Viability Assessment<br>— Substantive Accounting Matters (including Fair, Balanced and Understandable)<br>— Annual Valuation, Governance and Assurance<br>— Internal Audit annual report<br>— External auditors' report on the Annual Report and Accounts<br>— Management Representation Letter<br>— Annual Report and Accounts 2021/22<br>— Resource accounts |
| **July 2022** | — Internal Audit programme<br>— Controls programme update<br>— Risk Spotlight: Management's Assurance Framework<br>— Risk Spotlight: Digital<br>— Reappointment of NAO as external auditor and consideration of external audit effectiveness |
| **December 2022** | — Chief Financial Officer report<br>— Internal controls project<br>— Internal Audit Plan 2022/23<br>— Internal Audit Programme 2022/23<br>— Interim Head of Internal Audit opinion<br>— Offshore wind valuation methodology<br>— External audit planning report<br>— Governance and Financial Control of Joint Ventures |
| **March 2023** | — Internal Audit arrangements<br>— Chief Financial Officer report<br>— Principal risks<br>— Risk appetite<br>— Management assurance framework<br>— Cyber/information security (external review)<br>— Internal controls update<br>— Internal Audit Programme 2022/23<br>— Internal Audit<br>— Ethical and compliance<br>— Litigation<br>— External Audit Planning and Progress report |

In addition to these meetings, a workshop took place in April 2023 to improve the Committee's understanding of the complexities of accounting for offshore wind farms.

# Remuneration Committee report

"Our new Remuneration Framework is the outcome of a long process of consideration and consultation. We commend it to our colleagues and stakeholders as the pathway to attracting and retaining the talent needed to meet our statutory obligations and deliver long-term value to the nation."

**James Darkins**
Chair of the Remuneration Committee

MEMBERSHIP AND ATTENDANCE 2022/23

| | Meetings scheduled | Meetings attended |
|---|---|---|
| James Darkins (Chair) | 7 | 7 |
| Robin Budenberg | 7 | 7 |
| Anne Kavanagh | 4 | 4 |

The members during the year have each served on the Committee for the following periods of time:

**James Darkins**, 6 years (3 years 10 months as Chair).

**Robin Budenberg**, 3 years 3 months.

**Anne Kavanagh**, 9 months. Joined the Remuneration Committee from 7 June 2022 and attended her first meeting 20 September 2022.

## Introduction

The Committee's focus this year has been on the development and implementation of the new Remuneration Framework, including ensuring that incentive structures and performance metrics align remuneration outcomes to The Crown Estate's purpose and strategy, as well as strategic, operational and financial goals.

## Composition of the Committee

The Remuneration Committee is a Board Committee and the terms of reference state that the Committee shall have a minimum of three members, each being a Board member, one of whom may be a Board Counsellor. The Committee will be quorate with the presence of two members.

The Remuneration Committee benefits from skills and experience gained by its members from significant exposure to:

- Remuneration
- Organisational and Cultural Change
- Finance and Governance
- Real Estate – Investments / Capital Markets / Property Development Financial
- Commercial – Investments

## Attendance at Committee meetings

In addition to the Remuneration Committee members, the Chief Executive, Executive Director, People & Culture, Head of Reward, Group Head of Legal and Company Secretary, the Deputy Company Secretary and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee Chair.

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.

## Role and duties of the Remuneration Committee

The role of the Remuneration Committee is to ensure that remuneration policy and practices support strategy and promote the long-term sustainable success of The Crown Estate and that remuneration policy and practice are aligned to purpose, culture and values and linked to delivery of long-term strategy.

In summary, the main duties of the Committee are to:

- review workforce remuneration and related policies, ensuring that total reward is aligned with our purpose, values and culture and the requirements set out in the framework document between HM Treasury and The Crown Estate;
- determine the remuneration and remuneration policy of the Chief Executive, members of the Group Leadership Team and certain members of senior management as considered appropriate;
- review the ongoing appropriateness and relevance of remuneration policy;

- exercise its judgment and discretion when authorising remuneration outcomes in respect of the Chief Executive and members of the Group Leadership Team and senior management;
- review and approve the design of any bonus schemes and determine targets and key performance indicators in relation to such schemes and regularly assess performance against targets and key performance indicators (KPIs);
- review and approve the design of any long-term incentive plans (LTIP) and associated performance conditions;
- approve the terms of service contracts of the Chief Executive and members of the Group Leadership Team;
- make recommendations in relation to remuneration for Board Members (excluding the Chief Executive) and Board Counsellors to HM Treasury

## Look back on 2022/23

Over the course of the past year we have undertaken a deep review of our approach to pay and reward to ensure it is fit for the future and I am pleased to share our new Remuneration Framework in this report.

In the eight years since 2015, when our approach was last reviewed, The Crown Estate has seen a fundamental transformation across all areas of its business. It is a substantial commercial entity with net assets of £16.8 billion. By way of context, in value terms, this would rank The Crown Estate in the top 50 companies in the FTSE 100 if it were publicly listed.

The Crown Estate is now embarking on an ambitious strategy for the financial, social and environmental benefit of the nation, both to ensure it continues to deliver on its remit and to maximise its future potential. As the complexity and scale of The Crown Estate's activities have increased – in line with its strategy and remit – it is integral that it can attract and retain the right talent and capabilities to ensure that it can fully realise its core responsibilities to deliver value to the nation, its finances and its future.

This new Framework is grounded in the external macro environment and the shifts we have seen there, including the need to retain and attract the right people in an increasingly competitive talent market. This is particularly true in two markets where The Crown Estate is at the forefront. Firstly, the rapidly expanding global renewable energy market and secondly, the challenging post-COVID real estate market.

The Crown Estate is a profit-making business competing and engaging with major private sector businesses in all its spheres of activity. Recruiting and retaining key people with the commercial experience to succeed requires us to remunerate our people in line with the market and in a way that reflects the diverse nature of our business.

Equally, we recognise that pay and reward for an organisation such as The Crown Estate, which occupies a unique space between the private sector and the public sector, means that we must ensure we are transparent and disciplined in our approach. As a body charged with the task of generating returns for the nation, the Remuneration Committee recognises the expectations of its public sector stakeholders and wider society. We understand the need for appropriate and fair remuneration processes that are aligned to the market, ensuring our approach respects best practice and is firmly grounded in our purpose, values and remit.

It is therefore appropriate that we have transformed our Remuneration Framework in this context. Decisions on remuneration are the sole responsibility of the Remuneration Committee and the high-level principles of the new Framework, effective 2022/23, have been agreed with HM Treasury. The Framework also covers the principles governing the remuneration of the Chief Executive.

The key changes of the Remuneration Framework are outlined in this report and I would like to draw attention to the following core elements:

- Total expenditure on variable pay is now linked to the performance of The Crown Estate such that we align the interests of our leaders and our colleagues with those of our stakeholders.
- Our colleagues are measured, managed and rewarded upon their team and individual performance rather than a Group-wide assessment being applied uniformly across the business. Our new approach to performance management will purposely distinguish those who deliver the greatest impact.
- Our incentives are linked not only to the financial performance of the enterprise, but also to our purpose and strategic priorities. Sustainability is integral to how we will deliver value to the nation in both the short and long term. Sustainability targets therefore account for 20% of the overall bonus pool.
- In addition to ensuring an approach that is aligned with the market and focused on rewarding stretching performance, the Remuneration Committee also strives to ensure that policy and practice support The Crown Estate's culture and values. This includes continuing to understand how we can better promote an equitable approach, for example through alignment with our Diversity, Equity and Inclusion action plan.
- With the exception of the Chief Executive, the remuneration levels for our people are benchmarked against median pay in comparable organisations. It is not our aim to compete for talent through higher pay, but instead to offer attractive pay combined with working for a unique, purpose-driven organisation that provides excellent opportunities for personal development.
- For the Chief Executive, our remuneration approach results in total compensation at a significant discount to the market.

The new Framework consists of three broad elements:

- Base salaries – these are set by reference to the market benchmark for the specific post. Base salary reviews will move over time from enterprise-wide awards to individualised packages that recognise the skill, experience and contribution that each individual brings to their role and their ability to add value.
- Annual performance bonuses for eligible employees – the overall bonus pool is determined by taking into account two components. First, a combination of financial performance (net revenue surplus) against annually agreed targets (40%), financial and operational measures designed to maintain and enhance the value of The Crown Estate's assets (40%) and, new this year, sustainability (20%). The second component measures achievement against Board-approved KPIs.
- LTIPs – for value-creating leadership roles, with metrics focused on long-term financial and sustainability performance milestones for the Group that deliver value to our stakeholders.

## How are we changing Chief Executive pay?

As part of the overall review of The Crown Estate's approach to remuneration, the Committee has undertaken a comprehensive review of its approach to Chief Executive compensation. This review has taken into consideration similar factors to the wider Group review, including the significant transformation of our business in the last few years, the scale and complexity of its strategy and commercial activities, and the increasingly competitive market for senior executive talent – all in the context of The Crown Estate realising its full potential for the benefit of the nation.

However, Chief Executive remuneration is treated separately to the wider Group. To realise its full potential the organisation requires a Chief Executive who can maximise the opportunity that comes from leading The Crown Estate given its unique status as a value-creating corporation for the nation. Equally, the Committee has a responsibility to balance attracting a world-class leader from a diverse pool of eligible candidates with someone who also recognises that some form of remuneration discount is appropriate to leading an organisation that serves the nation.

In determining Chief Executive remuneration, the Committee and the wider Board of Commissioners have considered their core duty to maintain and enhance the value of the portfolio of assets in their custody and the returns obtained from them. The recruitment and retention of a world-class Chief Executive in this context is therefore vital to their obligations under the Crown Estate Act 1961.

In order to inform the appropriate level of remuneration for the Chief Executive, the Committee asked its advisers, Willis Towers Watson, to compile a bespoke remuneration benchmark for The Crown Estate comprising Chief Executive pay for the property, infrastructure, energy and housebuilding companies in the FTSE 100 (Bespoke Benchmark). This selection reflects the full range of The Crown Estate's activities and that The Crown Estate would be valued at a level that would place it in the top half of the FTSE 100 if it were a publicly listed company. The Committee has also specifically considered the average level of remuneration at the three listed UK property companies of comparable size (Property Benchmark), albeit recognising that these companies are less complex than The Crown Estate given their lack of exposure to the marine, energy and rural sectors.

Before the review, the maximum potential remuneration for the Chief Executive at The Crown Estate was around one third of the average level of maximum remuneration for the Bespoke and Property Benchmarks.

The Committee and the Commissioners concluded that maximum pay at one third of benchmark was neither realistic nor appropriate given the scale, complexity and commercial context in which The Crown Estate now operates and the need to retain a Chief Executive for the most significant period of their career. In addition to all the qualities needed to run a purposeful contemporary enterprise, the Chief Executive of The Crown Estate today needs to demonstrate a leadership capability no different to the multinational private sector companies they do business with.

The new Chief Executive remuneration arrangements are set out in detail in this report. The changes are limited to an increase in base salary, the introduction of two, one-off, five-year LTIP awards and changes to LTIP vesting to reflect the Chief Executive being employed on a fixed four-year term contract. There are no changes to the existing percentage levels of the annual bonus plan and the three-year LTIP awards or benefit and pension arrangements.

The pay review date for the Chief Executive is 1 January and the new salary has been implemented from 1 January 2022. Recognising the sensitivity of increasing remuneration levels, we have staggered the initial salary increase over two years to 1 January 2024. The Chief Executive's base salary will increase by a minimum of 5% per annum over the following five years in order to progressively reduce the gap to lower quartile remuneration. The application of the new base salary to annual bonus and LTIPs was first implemented for the 2022/23 financial year.

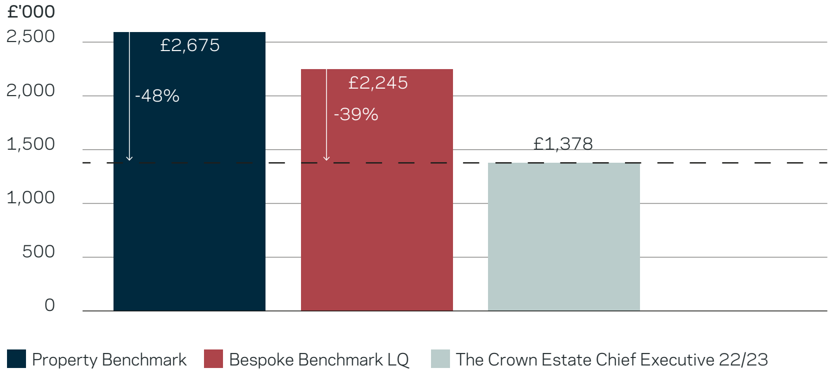
Given the long-term nature of The Crown Estate's business, the arrangements also include two additional one-off, five-year LTIPs (two years longer than standard LTIPs) which will not begin to vest until 2028, a significant proportion of which will be focused on the roll-out of offshore wind. Taking into account the inflexibility of a four-year term contract and the importance of retaining the Chief Executive to the end of that term, pro-rating will not apply to the three and five-year LTIP schemes provided that the Chief Executive remains employed until the end of his contract.

The Committee has also sought guidance on levels of Chief Executive remuneration within comparable public sector enterprises from HM Treasury and has been advised that remuneration would typically be positioned at around the lower quartile of the relevant benchmark in order to reflect a discount to listed companies. However, our new approach to Chief Executive remuneration, as implemented for 2022/23, results in an additional discount to that already implied by benchmarking against a lower quartile of 52% at maximum remuneration and 39% at target remuneration. Maximum remuneration for The Crown Estate's Chief Executive represents less than half of the average of the Property Benchmark. These discounts, as shown in Chart A on page 96, will reduce in 2023/24 once the second element of the Chief Executive salary increase comes into effect.

While the remuneration for the Chief Executive will remain significantly lower than the majority of private sector peers, the new reward package has been constructed with a high percentage of pay at risk relative to the public sector (57% being performance pay compared with 25% for a basket of relevant public sector enterprises as selected by Willis Towers Watson). See Chart B on page 96 which is illustrative over the future term of the contract.

# **Remuneration Committee report** continued

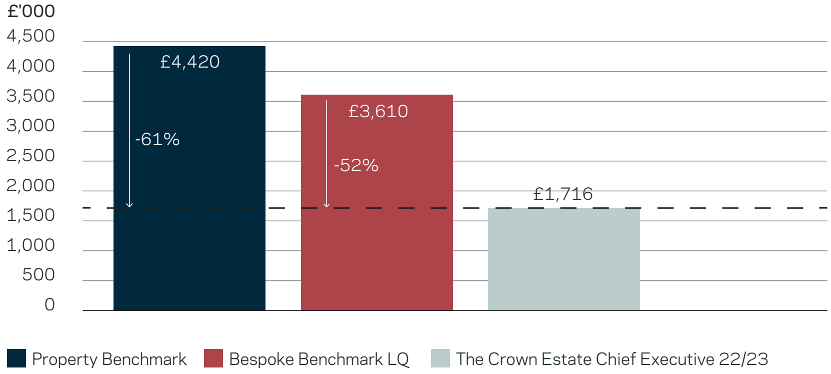
### Chart A
### Target remuneration opportunity 2022/23



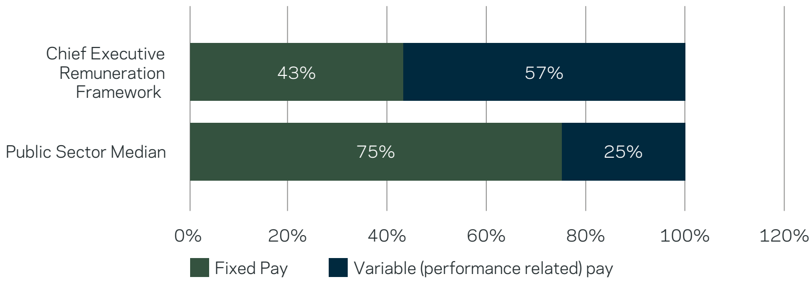

Note: These charts are calculated on the basis of the Chief Executive's 2022/23 remuneration levels and include base salary, annual bonus and three-year LTIP either at target or maximum as shown. The two, one-off, five-year LTIPs have not been included as they do not form an element of 2022/23 remuneration and are yet to be awarded.

Source: Willis Towers Watson 2023

### Maximum remuneration opportunity 2022/23




### Chart B – Fixed vs variable target pay




Note: This chart is illustrative over the future term of the contract and is calculated on the basis of the Chief Executive's remuneration levels including base salary, annual bonus and three-year LTIP at target and an average annualised value of the two, one-off, five-year LTIP awards which will be made in the 2023/24 and 2024/25 years.

Source: Willis Towers Watson 2023

The tables below set out the key performance metrics used in our remuneration schemes for 2022/23.

### Table C – Annual bonus

| Metric type | Metric | Annual bonus weighting |
|---|---|---|
| **Earnings** | Net revenue surplus versus pre-agreed targets | 40% |
| **Capital** | Relative performance versus external total return benchmark, plus delivery of offshore wind capacity | 40% |
| **Sustainability** | Energy reduction targets set by the Board Sustainability Committee | 20% |

The above metrics are used, in agreement with HM Treasury, to set the maximum potential bonus pool. The actual bonus pool takes into account a quality of earnings assessment by the Remuneration Committee and performance against pre-determined, Board approved KPIs.

### Table D – LTIP

| Metric type | Metric | Weighting |
|---|---|---|
| **Capital** | Absolute and relative performance versus MSCI total return benchmarks | 40% |
| **Strategic value** | Offshore wind generation and carbon capture, utilisation and storage targets, plus delivery of infrastructure and real estate development projects | 40% |
| **Sustainability** | Progression of renewable technologies for the UK and own estate reductions | 20% |

## Chief Executive and Group Leadership Team (GLT) – key elements of remuneration policy 2022/23

| Element of remuneration policy | Operation in 2022/23 |
|---|---|
| **Base salary**<br>Reviewed 1 January each year for Chief Executive and 1 July for the GLT. | Chief Executive salary reviewed and increased to £548,000 effective 1 January 2022 and to £708,000 effective 1 January 2023.<br>GLT salaries reviewed 1 July 2022. |
| **Annual bonus**<br>Annual discretionary non-pensionable bonus for the Chief Executive and GLT, based on the achievement of financial targets and KPIs set by the Board in accordance with the Remuneration Framework (see Table C on page 96).<br>Chief Executive: maximum opportunity 100% of base salary paid in the financial year, target opportunity 67%.<br>GLT: maximum opportunity in a range up to 70% of base salary.<br>Any bonus amount over 50% of salary is deferred for one year and paid subject to continuing employment and/or good leaver provisions.<br>Annual bonus awards are subject to: (i) leadership and behaviours remaining consistent with The Crown Estate's culture and values and (ii) provisions for malus and clawback. | For 2022/23 measures included financial (profit and capital), sustainability, delivery of Offshore Wind Leasing Round 4 (Round 4), health and safety, business transformation and strategy implementation.<br>Underlying revenue account profit increased year-on-year by £277.7 million (76%). Financial performance exceeded stretch targets. Capital performance exceeded the MSCI relative return benchmark. Sustainability targets were not met in one area but exceeded in all others. Of the ten KPIs, one was a miss, one was a near miss and eight were met or exceeded.<br>The Committee determined that the Chief Executive had delivered exceptional performance over the year, particularly in relation to Round 4 which was concluded smoothly and efficiently and delivered substantial revenues. Although delivery of the financial performance and KPIs was a team effort, it was the leadership of the Chief Executive that made the difference between good and exceptional performance. Accordingly, the Chief Executive was awarded his full annual bonus opportunity.<br>GLT awards ranged from 75% to 100% of their individual maximum annual bonus opportunities. |
| **Long-term incentive plan (three-year scheme)**<br>Discretionary, non-pensionable, cash plan with a three-year vesting and performance period.<br>Chief Executive: maximum opportunity 80% of base salary.<br>GLT: maximum opportunity in a range of up to 40% of base salary.<br>From the 2022/23 year onwards LTIP awards are measured against a basket of capital, strategic and sustainability measures (see Table D on page 96).<br>Performance of prior period LTIP awards are measured solely on relative performance against a bespoke MSCI total return benchmark.<br>LTIP awards are subject to: (i) leadership and behaviours remaining consistent with The Crown Estate's culture and values and (ii) provisions for malus and clawback. | The LTIP award granted in 2020 vested on 31 March 2023. Performance was assessed relative to the bespoke MSCI benchmark. Excluding the impact of Round 4, performance outperformed the benchmark. Including Round 4, performance exceeded the stretch target.<br>In previous years the Committee had discounted a proportion of the impact of Round 4 in assessing LTIP performance due to remaining uncertainty. Given that the Habitats Regulations Assessment process and Agreements for Lease had been satisfactorily concluded, thereby eliminating previous risks, the Committee made an award of 100% of maximum.<br>The Committee also took into account the strategic significance to The Crown Estate and the nation of the generating capacity created by Round 4. |
| **Pensions**<br>See page 99 for a description of the pension schemes operated throughout the Group. Employees may opt out of the scheme and receive a cash allowance where they are at risk of exceeding HMRC pension tax allowances. | The Chief Executive has opted out of pension scheme membership and along with other eligible employees receives a cash allowance equal to 12% of base salary. |
| **Flexible benefits**<br>Eligible employees receives a flexible benefits allowance of 5.34% of base salary. | The Chief Executive and GLT members received this allowance. |

For the 2023/24 year, no changes are proposed to the underlying remuneration policy for base salary, annual bonus, three-year LTIP, pensions or flexible benefits. The next salary review for the Chief Executive will be on 1 January 2024 and for the GLT on 1 July 2024. In 2023/24 the first of two new, one-off, five-year LTIP awards with a maximum value of 150% of salary will be made available to the Chief Executive in line with the new arrangements set out above. The Committee reviews variable pay opportunities for each GLT member annually, within the scope of its remuneration policy.

# Remuneration Committee report continued

## Other Committee activities
During the year the Remuneration Committee also:

- Reviewed and approved revised performance metrics for executive LTIP plans to broaden the range of strategic measures;
- Reviewed and approved GLT total remuneration and benchmarking as well as approving offers to new senior appointees during the year;
- Delivered a Group-wide pay award in July 2022 in line with market practice and favouring those colleagues more negatively impacted by the effects of inflation;
- Approved the grant of a new executive LTIP award and approved payment on maturity of LTIP grants from prior years;
- Reviewed employee performance rating distribution for the year ended 31 March 2022;
- Reviewed and approved The Crown Estate gender pay gap reporting for the period;
- Received reports of organisational culture across the Group, as well as Committee members purposely interacting with colleagues at all levels of the organisation

## 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.

## 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.

## Alignment with the UK Corporate Governance Code 2018
The terms of reference for the Board and its Committees were revised to reflect our strategic goals and the requirements of the UK Corporate Governance Code 2018 (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 (FReM). 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.

## Committee evaluation
Following multiple changes to all Committees, an internal evaluation process will be conducted in 2023/24.

## Appointment terms
Each Board Member of The Crown Estate is appointed as a Commissioner under Royal Warrant for a period of up to four years. In general, a Board appointment may be renewed for a further term of up to four years. No Member may serve for more than ten years.

Dan Labbad, Chief Executive, was appointed on a four-year contract expiring on 31 December 2023 with a notice period of six months. The Board has unanimously agreed to extend the Chief Executive's term for a further four years, which he has accepted subject to concluding the process for renewal, including his Royal Warrant.

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.

## 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 appointments as a trustee of the Raspberry Pi Foundation, a director of Raspberry Pi Limited and a director of The Hornery Institute, trading as Studio THI. He was also a trustee of Ark Schools until 1 February 2023.

Judith Everett, Executive Director, Purpose, Sustainability & Stakeholder, is a trustee of the UK Green Building Council. In December 2022, Judith stepped down as Chair of CBI's London Council following the end of her tenure.

Neither Dan Labbad nor Judith Everett received any remuneration in respect of these appointments.

## Executive appointments
Following a restructure of the GLT during 2021/22 in support of the new organisational structure, the Committee has continued to review the remuneration packages for new appointments, to ensure that the business has the required skill and capability to deliver the future strategy. A new Managing Director, Marine was appointed in October 2022.

## Loss of office
The Crown Estate's policy is to compensate leavers within contractual terms for loss of office and/or early termination.

## Pensions

The Crown Estate operates two pension schemes: the Civil Service Pensions (CSP) and The Crown Estate Pension Scheme (CEPS). Each scheme comprises a number of sections which offer different pension benefits as shown below.

| Scheme name | Section | Type of scheme | Open to new members | Status |
|---|---|---|---|---|
| **CEPS** | Opal | Defined benefit | No | Open to existing active members for contributions and benefit accrual. |
| | Quartz | Hybrid 'Core' defined benefit, with optional defined contribution top-up | Yes | Core – contributions and benefits subject to Scheme Earnings Cap (£34,615 for 2022/23). Top-up – contributions paid on earnings above the Scheme Earnings Cap. |
| | Topaz | Defined contribution | Yes | Member contributions voluntary. |
| **CSP** | Classic<br>Classic Plus<br>Premium | Defined benefit – final earnings | No | Closed to all members on 31 March 2022 for further contributions and benefit accrual. |
| | Nuvos | Defined benefit – career average earnings | No | Closed to all members on 31 March 2022 for further contributions and benefit accrual. |
| | Alpha | Defined benefit – career average earnings | No | Open to pre-1 April 2022 members for future contributions and benefit accrual. |
| | Partnership | Defined contribution | Yes | Open to CSP members only. |

In the past, employees who opted out of pension membership could receive a cash allowance equal to 8% of basic pay; this cash allowance has been withdrawn. For employees who are at risk of exceeding HMRC pension tax allowances for the accrual of pension benefits, a cash allowance equal to 12% of basic pay is available.

At 31 March 2023, there were 521 CEPS members and 75 CSP members. There were 29 non-pensionable members of whom 11 were in receipt of the cash allowance.

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 the Opal section, and 17.1% of pensionable earnings up to the Scheme Earnings Cap in the Quartz Core (defined benefit) section, effective 1 April 2022. The Trustees are in the process of preparing a new triennial valuation as at 31 March 2023.

### Pension benefits for key management personnel and the Board

Dan Labbad, Chief Executive, and Robert Allen, Chief Financial Officer, are not members of CEPS. Dan Labbad 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 an active member of CEPS.

Non-Executive Commissioners and Board Counsellors do not receive any pension benefits from The Crown Estate.

## Fair pay disclosures (audited)

Under the fair pay regulations, The Crown Estate is required to identify the employee pay and benefits at the 25th, 50th and 75th percentiles of all of our people for the financial year and compare them to the total remuneration figures for the Chief Executive. The figures used to determine the ratio were calculated based on the March 2023 payroll, which provides reasonable equivalent full-time equivalent (FTE) information. This involves calculating the actual remuneration for all relevant employees for the selected month and applying adjustments to ensure the pay and benefits were representative for each individual on an FTE basis. Employee FTE remuneration has been calculated using basic pay, bonus awards, a cost of living payment, allowances, benefits and incentives, but excluding pension contributions. These values were then listed in order from lowest to highest and the values at the three percentile points were identified. All required components were included in the single figure remuneration for the Chief Executive. The base pay for the Chief Executive and employees at each of the three percentiles is also presented along with the associated ratio.

In considering these disclosures, the Committee notes the following:

- The employees used in the calculations are considered to be representative of the 25th, 50th and 75th percentiles of the company's remuneration for the relevant financial year.
- The single figure for remuneration for the Chief Executive includes a payment in lieu of a pension, whereas pension benefits are excluded from all other calculations.
- The Crown Estate runs a number of apprenticeship schemes where, in addition to compensation, apprentices receive a significant amount of training. Apprentices are generally not eligible for bonuses. The lowest paid employee is one such apprentice and the figure disclosed does not recognise our investment in their training

The Committee considers that the salaries of colleagues, including those included in the table and the associated ratios, are consistent with The Crown Estate pay, reward and progression policies. The movement in ratios from 2021/22 (14.2) to 2022/23 (22.0) is primarily due to the increase in the Chief Executive's remuneration as disclosed on page 101.

In 2022/23 employees' salary increases were weighted, so those with the lowest overall levels of compensation received the highest percentage increase. The salary increase for the Chief Executive is not comparable with other employees, which is as described on page 101.

2021/22 information has been restated as bonus pay for our colleagues was finalised following publication of the 2021/22 Annual Report as we have refined the calculation and because the Chief Executive compensation has been restated as disclosed on page 101.

The Group's approach to total remuneration is to pay at median levels compared with the market benchmark for comparable roles and experience. The Chief Executive's total remuneration reflects a substantial discount compared with relevant benchmarks as set out above. 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.

| Chief Executive pay ratios | | 25th percentile | 50th percentile | 75th percentile | Pay range for all eligible employees [1,2] |
|---|---|---|---|---|---|
| **2022/23** | Colleague total pay and benefits[3] | £40,640 | £71,700 | £112,364 | £20,089-£1,580,510 |
| | Chief Executive ratio for total pay and benefits | 38.9 | 22.0 | 14.1 | |
| | Colleague salary component of total pay and benefits[3] | £38,957 | £64,804 | £97,364 | £19,760-£690,910 |
| | Chief Executive ratio for salary component of total pay and benefits | 17.7 | 10.7 | 7.1 | |
| **2021/22 (restated)** | Colleague total pay and benefits[3] | £37,839 | £66,364 | £102,640 | £20,705-£944,951 |
| | Chief Executive ratio for total pay and benefits | 25.0 | 14.2 | 9.2 | |
| | Colleague salary component of total pay and benefits[3] | £34,445 | £66,364 | £93,872 | £20,705-£516,316 |
| | Chief Executive ratio for salary component of total pay and benefits | 15.0 | 7.8 | 5.5 | |

1. The Chief Executive is the highest paid employee for each of the pay ranges.
2. Casual workers at Windsor Great Park are excluded from this table.
3. Amounts include a 5.34% flexible benefits allowance.

| Percentage change in pay | Salary and allowances | Performance pay and bonuses |
|---|---|---|
| **Chief Executive[1]** | 33.82% | 107.5% |
| **Colleague average (excluding Chief Executive)** | 3.99% | 40.58% |

1. The Chief Executive's salary and allowances includes base salary, a 5.34% flexible benefits allowance and benefits in kind.

## Board Members (audited)

Single total figure for remuneration

| | Salary/fee (£)[1,2,3,4] | | Bonus award (£)[5,6] | | Long-term incentive plan (£)[6] | | Other payments (£)[2,7] | | Pension benefits (to the nearest £1,000) | | Benefits in kind (to the nearest £100)[8] | | Total (to the nearest £1,000) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022/23** | 2021/22 (restated) | **2022/23** | 2021/22 (restated) | **2022/23** | 2021/22 | **2022/23** | 2021/22 (restated) | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 |
| Robin Budenberg | **50,000** | 50,000 | - | - | - | - | - | - | - | - | - | - | **50,000** | 50,000 |
| Dan Labbad | **619,399** | 462,706 | **588,000** | 333,307 | **301,600** | 95,328 | **70,560** | 52,710 | - | - | **1,000** | 900 | **1,581,000** | 945,000 |
| James Darkins | **26,250** | 25,000 | - | - | - | - | - | - | - | - | - | - | **26,000** | 25,000 |
| Juliet Davenport | **20,000** | 20,000 | - | - | - | - | - | - | - | - | - | - | **20,000** | 20,000 |
| Paula Hay-Plumb[9] | **23,750** | 25,000 | - | - | - | - | - | - | - | - | - | - | **24,000** | 25,000 |
| Karen Jones | **27,000** | 21,667 | - | - | - | - | - | - | - | - | - | - | **27,000** | 22,000 |
| Anne Kavanagh[10] | **14,839** | - | - | - | - | - | - | - | - | - | - | - | **15,000** | - |
| Clare Shine[11] | **14,839** | - | - | - | - | - | - | - | - | - | - | - | **15,000** | - |
| Kate Bowyer[12] | - | 58,694 | - | 36,663 | - | 54,346 | - | 96,439 | - | - | - | 200 | - | 246,000 |
| Alison Nimmo[13] | - | - | - | - | - | 28,888 | - | - | - | - | - | - | - | 29,000 |
| Lynda Shillaw[14] | - | 15,000 | - | - | - | - | - | - | - | - | - | - | - | 15,000 |

1. Salary amounts for Dan Labbad and Kate Bowyer include a 5.34% flexible benefits allowance.
2. Dan Labbad's salary and other payments have been restated to reflect his revised compensation agreement as described on pages 95-97 and an associated backdated pension allowance adjustment. The amounts as previously stated are £429,827 and £49,745 respectively.
3. Karen Jones' fee for 2021/22 has been restated to reflect her additional fee as a Committee Chair in relation to 2021/22 and paid in the current year. The amount previously stated was £20,000.
4. The Chair of the Nominations Committee received an additional £2,000 (2021/22: £nil) and other Committee Chairs received an additional £5,000 (2021/22: £5,000) per annum (pro-rated when applicable) to reflect the increased time commitment.
5. The payment of any bonus amount over 50% of basic salary is deferred by 12 months. For 2022/23, deferral for Dan Labbad is £294,000 (2021/22: £121,732) which is included in the figure disclosed.
6. Long-term incentive plan and bonus payments to former Commissioners relate to entitlements earned during their period of service. The bonus award to Kate Bowyer has been restated to reflect the actual sum paid. The balance as previously stated is £nil.
7. Other payments for Dan Labbad comprise an allowance in lieu of pension contribution, and for Kate Bowyer in 2021/22 comprise an allowance in lieu of pension contribution of £8,358 and a severance payment of £88,081.
8. Benefits in kind is private medical insurance.
9. Paula Hay-Plumb's appointment as a Commissioner expired on 31 December 2022 and she was appointed as a Board Counsellor on 1 January 2023. Her full year equivalent fee as a Board Member and now a Board Counsellor is £20,000. In addition, Paula Hay-Plumb received an additional fee as Chair of the Audit Committee as disclosed in note 4 above.
10. Anne Kavanagh was appointed on 4 July 2022. Her full year equivalent fee for 2022/23 was £20,000.
11. Clare Shine was appointed on 4 July 2022. Her full year equivalent fee for 2022/23 was £20,000.
12. Kate Bowyer was Chief Financial Officer until 30 June 2021. Her full year equivalent salary for 2021/22 was £234,774.
13. Alison Nimmo was Chief Executive until 31 December 2019.
14. Lynda Shillaw's appointment expired on 31 December 2021. Her full year equivalent fee for 2021/22 was £20,000.

## Board Counsellors (audited)

| | Fee (£) | | Bonus award (£) | | Long-term incentive plan (£) | | Other payments (£) | | Pension benefits (to the nearest £1,000) | | Benefits in kind (to the nearest £100) | | Total (to the nearest £1,000) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 | **2022/23** | 2021/22 |
| Sara Wood[1] | **20,000** | 15,000 | - | - | - | - | - | - | - | - | - | - | **20,000** | 15,000 |
| Peter Madden[2] | - | 15,000 | - | - | - | - | - | - | - | - | - | - | - | 15,000 |

1. Sara Wood was appointed as a Board Counsellor on 1 July 2021. Her full year equivalent total remuneration for 2021/22 was £20,000.
2. Peter Madden's appointment expired on 31 December 2021. His full year equivalent total remuneration for 2021/22 was £20,000.
3. Paula Hay-Plumb was appointed as a Board Counsellor on 1 January 2023. Her remuneration is shown in the table of Board Members' remuneration.

# **Remuneration Committee report** continued

### Other Executives (audited)

| | Salary (within a £5,000 band)[1] | | Bonus award (within a £5,000 band)[2] | | Long-term incentive plan (within a £5,000 band)[3] | | Other payments (to the nearest £1,000) | | Pension benefits (to the nearest £1,000)[4] | | Benefits in kind (to the nearest £100)[5] | | Total (within a £5,000 band) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) | **2022/23 (£'000)** | 2021/22 (£'000) |
| Robert Allen | **385-390** | 365-370 | **220-225** | 245-250 | **-** | - | **-** | - | **-** | - | **1.0** | 0.9 | **605-610** | 610-615 |
| Judith Everett | **220-225** | 215-220 | **120-125** | 110-115 | **50-55** | 40-45 | **-** | - | **32** | 31 | **1.0** | 0.9 | **425-430** | 405-410 |
| Paul Clark[3] | **-** | - | **-** | - | **-** | 40-45 | **-** | - | **-** | - | **-** | - | **-** | 40-45 |

1. Salary amounts for Robert Allen and Judith Everett include a 5.34% flexible benefits allowance.
2. The payment of any bonus amount over 50% is deferred by 12 months. For 2022/23, deferral for Robert Allen is £39,868 (2021/22: £70,000) and for Judith Everett is £14,929 (2021/22: £11,000) which is included in the disclosed figures.
3. Paul Clark was Chief Investment Officer until 10 August 2020. The long-term incentive plan payment to Paul Clark relates to entitlements earned during his period of service.
4. Neither Robert Allen nor Judith Everett 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 2022: £nil).
5. Benefits in kind is private medical insurance.

### Compensation for loss of office (audited)

The table below shows exit packages as a result of the restructuring of the business.

| | **2022/23 Number** | 2021/22 Number |
|---|---|---|
| Less than £10,000 | **-** | 5 |
| £10,001-£25,000 | **2** | 13 |
| £25,001-£50,000 | **-** | 9 |
| £50,001-£100,000 | **7** | 13 |
| **Total** | **9** | 40 |

### Staff and Commissioners report (audited)

| | **2022/23 £m** | 2021/22 £m | **2022/23 Average number** | 2021/22 Average number |
|---|---|---|---|---|
| Staff with employment contracts and Commissioners (note 7 to the financial statements) | **63.1** | 46.5 | **576** | 512 |
| Other staff engaged on the objectives of The Crown Estate | **7.4** | 3.6 | **70** | 32 |
| | **70.5** | 50.1 | **646** | 544 |

There were no off-payroll payments made during the year. The Crown Estate expensed £1.9 million (2021/22: £1.8 million) of fees relating to business change and transformation.

**James Darkins**
Chair of the Remuneration Committee

16 June 2023

# Sustainability Committee report

**"We can't look at net zero in isolation, because climate, nature and people are ultimately all interdependent. The work of the Sustainability Committee will focus on ensuring a holistic sustainability approach, fully leveraging our assets and capabilities to create multiple benefits."**

**Dame Karen Jones DBE**
Chair of the Sustainability Committee

MEMBERSHIP AND ATTENDANCE 2022/23

| | Meetings scheduled | Meetings attended |
|---|---|---|
| Karen Jones (Chair) | 4 | 4 |
| Robin Budenberg | 3 | 3 |
| Juliet Davenport | 4 | 4 |
| Clare Shine | 3 | 3 |

The members have each served for the following periods of time on the Committee:

**Karen Jones**, 1 year 4 months (as Chair).

**Robin Budenberg**, 1 year (stepped down from the Committee on 21 November 2022).

**Juliet Davenport**, 1 year 4 months.

**Clare Shine**, 8 months (joined the Sustainability Committee on 4 July 2022 and attended her first meeting on 20 September 2022).

I am pleased to share with you an overview of the activities of the Sustainability Committee for 2022/23. This report should be read in conjunction with the Environmental and Social reviews on pages 20-39 which provide a more detailed account of our sustainability activities.

## Overview

The role and purpose of the Sustainability Committee is to ensure The Crown Estate strives to exemplify best practice in all matters related to sustainability and that this is embedded in the delivery of The Crown Estate's strategy for value creation and aligned with its purpose.

Established in December 2021, a priority for the Committee in 2022/23 was to put in place a three-year Sustainability roadmap to orientate and guide progress. With this in place, the Committee now has the platform from which to challenge, question and share knowledge with the business in order to advance The Crown Estate's sustainability agenda and ambition.

Our purpose, to create lasting and shared prosperity for the nation, and our strategy are rooted in sustainability principles. Through our remit to address national needs as set out in our strategic objectives (see page 15), our sustainability aspiration towards climate, nature and people is high. The scale and urgency of tackling national issues such as climate change, energy security, nature recovery and economic growth are rising, and we are committed to reducing adverse environmental and social impacts, while increasing resilience and positive impact both directly and as an enabler.

The focus of our sustainability activity in the year, given the net zero commitment we made in 2020 and the scale of the challenge, has been accelerating progress on decarbonising our portfolio.

As an organisation we have a responsibility to support the UK's net zero transition through: decarbonising our business; enabling the growth of offshore renewables to provide a secure supply of greener energy; and maximising the potential of nature on land and sea to sequester carbon – all while supporting nature recovery and positive social outcomes.

We want to work towards ensuring a fair transition to a low-carbon economy – where all can access solutions in an affordable way, where skills and economic opportunities are considered – so that both society and the economy prosper in a sustainable manner.

Of course, we can't look at net zero in isolation, because climate, nature and people are ultimately all interdependent. Moving forward, the work of the Sustainability Committee will focus on a holistic sustainability approach, fully leveraging our assets and capabilities to create multiple benefits for climate, nature and our communities.

# Sustainability Committee report continued

### Sustainability Committee membership

The Sustainability Committee is a Board Committee, which comprises a minimum of three members. Each Committee member is a Board Member and independent as determined by the Board. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments. The quorum necessary for a Committee meeting is the presence of two members. The Board confirmed Clare Shine as a member of the Sustainability Committee following the announcement of her appointment to the Board on 4 July 2022. Following Clare Shine joining, there were four members of the Committee until 21 November 2022 when Robin Budenberg stepped down.

The Sustainability Committee benefits from skills and experience gained by its members from significant exposure to:

— renewable energy
— environment: net zero, ecology, biodiversity, marine and coastal
— research and innovation
— property and placemaking

For further information about the Committee Members please see: thecrownestate.co.uk/our-board

### Attendance at Committee meetings

In addition to the Sustainability Committee members, the Chief Executive, Executive Director, Purpose, Sustainability & Stakeholder, Head of Sustainability, Group Head of Legal and Company Secretary, external advisers, and others as specified by the Committee, may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee Chair.

### Reporting to and by the Sustainability Committee

The Committee reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. It delivers a dedicated session on topics within its terms of reference as part of the Board's annual strategy session and it supports management in reporting to the Board at least every six months on progress made on our Sustainability roadmap and against the targets that have been set in this context.

While our Executive Director, Purpose, Sustainability & Stakeholder has management responsibility for Sustainability at The Crown Estate, ultimately, given that it is at the core of our Group strategy, the entire Group Leadership Team (GLT) is charged with ensuring its delivery in all areas of our business. The Value Creation Committee shapes and approves investment proposals and ensures we meet our wider financial, environmental and social commitments in line with our purpose.

Our Net Zero Taskforce and Nature Recovery Working Group were both established in 2022, and include representatives from across the organisation. These groups, alongside the Sustainability team, drive our climate and nature-related activities, manage the associated day-to-day risks and opportunities and are responsible for providing updates and recommendations to the GLT.

See our voluntary compliance with the recommendations of the Task Force on Climate-related Financial Disclosures on page 30.

### Key duties

The key duties of the Sustainability Committee are to:

— ensure The Crown Estate identifies and adopts global best practice (as appropriate) in relation to sustainability
— oversee and advise the Board on The Crown Estate's strategies, targets, policies, procedures, performance and reporting related to sustainability, including commitments to and progress on net zero, biodiversity and nature, diversity, equity and inclusion, and wellbeing
— consider external stakeholder perspectives on sustainability, and oversee The Crown Estate's efforts in, and highlight opportunities for, establishing better working relationships with key stakeholders, customers and suppliers on sustainability matters
— identify sustainability-related risks and ensure they are incorporated into formal risk reporting
— promote knowledge sharing on sustainability within The Crown Estate
— guide The Crown Estate's sustainability communication strategy (both internal and external)
— review, update and oversee The Crown Estate's policies and procedures, systems, and controls for collection, management and monitoring of sustainability and ESG information

### Committee evaluation

Following multiple changes to all Committees, an internal evaluation process will be conducted in 2023/24.

### Sustainability progress during the year

We recognise that to deliver our ambitious Group strategy, which has sustainability at its core, we need to ensure we have the necessary foundations in place. The Committee has this year reviewed how the business needs to organise itself, and the capability and cultural changes required, to accelerate action on sustainability.

Alongside creating both the Net Zero Taskforce and Nature Recovery Working Group mentioned above, The Crown Estate has continued to strengthen its Sustainability team, bringing in a greater depth of expertise and talent to steer and underpin our enterprise-wide transformation. This has been complemented by a capabilities and engagement programme delivered across the business to upskill our people and build awareness of our ambition, inviting ideas and participation at every stage. This included online training for the Board with an initial focus on climate. We know we will only be successful if everybody plays their part and that delivering our sustainability goals is not the responsibility of any one team or committee, but has to be owned by the enterprise and its people as a whole.

As a result, delivering action on sustainability is built into all business plans and in 2022/23 the Committee set an enterprise sustainability target for the first time to measure progress in delivering against our sustainability commitments and linked it to Executive remuneration (see pages 93-102).

We are working to evolve our net zero approach to include the Rural and Marine parts of our business. We are actively engaging with evolving guidance and standards as we progress. We are starting a baselining exercise for Rural and Marine, while continuing to drive commitments for real estate assets, to identify and develop meaningful enterprise-wide net zero targets and commitments. The Sustainability Committee will have oversight of our evolving net zero commitments.

## Committee activities during the year

Set out below are some of the key matters addressed by the Committee:

| | |
|---|---|
| **April 2022** | — Terms of reference<br>— Net zero targets and business plans |
| **September 2022** | — Political and policy update<br>— Three-year Sustainability roadmap<br>— Net zero targets, deliverables and approach |
| **November 2022** | — Global climate and biodiversity policy<br>— Sustainability progress review and 2023/24 priorities<br>— Themes for enterprise sustainability priorities for 2023/24<br>— GRESB (Global ESG Benchmark for Real Estate Assets) 2021<br>— Sustainability risks and ethics<br>— Innovation in governance |
| **February 2023** | — Political and policy update<br>— Progress and plans for London sustainability approach<br>— Progress, risks and mitigation plan for net zero 2023/24 targets and transformation programme<br>— 2023/24 sustainability priorities and targets<br>— Sustainability narrative and engagement strategy |

In addition to these meetings, two workshops took place in July and October 2022 where sustainability best practice, sustainability landscape and changing expectations of business were discussed.

# Key management personnel and Group Leadership Team

The Chief Executive, who is also the Second Commissioner and Accounting Officer, is the only Executive member of the Board. The Chief Financial Officer and the Executive Director, Purpose, Sustainability & Stakeholder attend all Board meetings. Other members of The Crown Estate's leadership team attend by invitation.

## Value Creation Committee and our key management personnel

The Value Creation Committee (VCC) has responsibility for directing and controlling our major activities (outside of matters reserved for the Board) – which for The Crown Estate are investment or value creation activities. Its authority is derived from a delegation by the Board. Reflecting its importance to us, the Board has also confirmed as its 'key management personnel' (in addition to the members of the Board) the members of the VCC: 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 on our 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 divestment proposals, reviewing them against the strategy and VCF. Where a proposal exceeds the delegated authority of the VCC it will then be escalated to the Board.

## Group Leadership Team

The Group Leadership Team (GLT) was created 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. The GLT includes the members of the VCC (who are also our 'key management personnel').

Details of the members of the GLT can be found on page 107. For full biographical details, visit: thecrownestate.co.uk/our-leadership

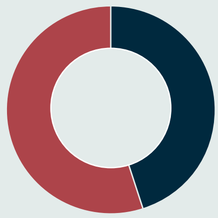
In October 2022, Huub den Rooijen, Managing Director, Marine stepped down from the role, and is now Marine Adviser, allowing him to engage with non-Crown Estate entities as well.

Gus Jaspert joined the business as Managing Director, Marine on 3 October 2022.

## 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.



| | |
|---|---|
| Female | 45% |
| Male | 55% |

## Value Creation Committee

**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 its 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, Robert brings 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)

Bringing experience from global and country roles in a range of sectors, Judith joined The Crown Estate in 2013, prior to which she shaped sustainability, communication and engagement activity for Shell, Scottish Enterprise, Columbia Threadneedle Investments and AstraZeneca. Judith is a Trustee of the UK Green Building 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.

**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.

**Gus Jaspert CMG**
Managing Director, Marine
(from 3 October 2022)

Gus joined The Crown Estate in October 2022. He has extensive experience working in major programmes, policy and operations across government, including internationally. Gus was made a Companion of the Order of St Michael and St George following his work as Governor of the British Virgin Islands in recovery after devastating hurricanes.

**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

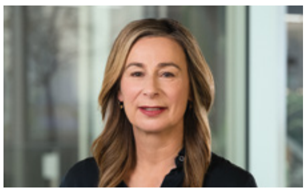
With over 20 years' experience leading digital growth at a range of global energy, telecoms and technology corporations, Linda joined us in 2020 from BP where she was Vice President of Downstream Digital.

**Paul Sedgwick**
Managing Director, Windsor & Rural

A chartered surveyor, Paul joined us in 2014 initially as Deputy Ranger at Windsor but now with responsibility for our Rural portfolio as well. He has twice won the RASE Bledisloe Gold Medal on the Windsor Estate in 2022 and on the Yattendon Estate in 2013 for diversification projects and a commitment to improving the rural environment. 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 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.

For full disclosure of the directorships/trusteeships/consultancies of the members of the VCC, please see: thecrownestate.co.uk/declaration-of-interests

# Directors' Report

The Crown Estate does not have directors but rather "commissioners" under our enabling statute, the Crown Estate Act 1961. We interchangeably use the term "Commissioner" and "Board Member" to describe our equivalent to company directors.

The Commissioners present to His Majesty the Annual Report and Accounts of The Crown Estate and its subsidiaries. The Crown Estate is domiciled in the United Kingdom. Its principal activity in the year to 31 March 2023 was the investment and management of land in, and the seabed around, England, Wales and Northern Ireland.

## Commissioners

The Commissioners who held office during the year ended 31 March 2023 are set out on pages 80-81.

## Value Creation Committee

Our Value Creation Committee (VCC), through its important role of making investment decisions, influences the decisions of The Crown Estate as a whole. The VCC membership comprises under its terms of reference: the Chief Executive, the Chief Financial Officer, and the Executive Director, Purpose, Sustainability & Stakeholder. During the year ended 31 March 2023, the persons occupying those positions were: Dan Labbad, Robert Allen and Judith Everett respectively. For more information on the VCC and its members, see pages 106-107.

## Key management personnel

The Board has confirmed that its key management personnel are its Board Members and, reflecting the importance of the decisions made by the VCC, the members of that committee. For more information on our key management personnel and their remuneration, see pages 101-102.

## Company directorships and other significant interests

The Register of Interests of our Board Members, Board Counsellors and members of the VCC is set out at: thecrownestate.co.uk/declaration-of-interests

## Personal data incidents

The Crown Estate reported one personal data breach to the Information Commissioner's Office (ICO) in July 2022. The breach involved the loss of control of sensitive personal data (special category data) within a diversity and inclusion dashboard which should have been anonymised. Once the breach was identified, the identifiable data was removed from the dashboard. The ICO considered the breach and decided not to take any further action. There have been no other incidents during the year that have required reporting to the ICO.

## HMT PES Papers

We are not aware of any applicable disclosures promulgated by HM Treasury through any Public Expenditure System (PES) papers.

## Third party indemnity

The Crown Estate meets the personal civil liability of Board Members to third parties where such liability is incurred in the proper execution of Board functions provided Board Members have acted in compliance with their duties honestly, reasonably and in good faith without negligence. The Crown Estate also has directors' and officers' liability insurance and will maintain adequate cover both for the full term of the appointment and in respect of liabilities arising in respect of the appointment (whether arising during or after the termination of that appointment).

## Political donations

Political donations are not permitted under the Crown Estate Act 1961. No political donations were made in the year.

## Financial risk management

Disclosure in respect of The Crown Estate's financial risk management is set out in note 12 to the financial statements.

## Subsequent events

Events subsequent to year end are described in note 32 to the financial statements.

## Research and development

We undertake research activities in pursuance of our strategic objectives. Examples can be found throughout the Strategic report, including our Offshore Wind Evidence and Change Programme (page 51), the decarbonisation of heritage buildings (page 57) and sustainable enhancement of our Rural portfolio (page 64).

## Branches outside the UK

The Crown Estate is statutorily required to invest in property solely within the United Kingdom. We have no branches or properties outside the United Kingdom.

## Disabled employees

Further information on diversity, equity and inclusion can be found in the Social review on pages 34-35. Details regarding accessibility and inclusivity can also be found on page 34-35.

## Employee engagement

Details on employee engagement can be found in the Social review on page 34.

## Business relationships with suppliers, customers and others

For information on our business relationships with suppliers, customers and others, please see pages 16-19.

## Sustainability and greenhouse gas emissions

For information on greenhouse gas emissions, refer to the Environmental review on pages 20-31.

# Financial statements

For the Group and Parent for the year ended 31 March 2023

# The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of The Crown Estate and its Group for the year ended 31 March 2023 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 2023;
- Consolidated Statements of Comprehensive Income (Group only), Statements of Changes in Capital and Reserves and Statements of Cash Flows 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 Crown Estate and its Group's affairs as at 31 March 2023 and of the Group's consolidated revenue account profit and consolidated capital account profit for the year then ended;
- 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 and Regularity of Public Sector Bodies in the United Kingdom (2022)'. 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 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 described in the table below has been considered in the context of my opinion on regularity:

### Framework of authorities

| | |
|---|---|
| **Authorising legislation** | The Crown Estate Act 1961 |
| **HM Treasury and related authorities** | Framework document between The Crown Estate and HM Treasury<br><br>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 and 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 they have applied the UK Corporate Governance Code, 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 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.

I consider the key audit matters below to be those matters that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and 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 key audit matters 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 90-92.

In this year's certificate and report the following changes to the risks identified have been made compared to my prior year certificate and report:

There are no new significant risks identified this year, but I have not rebutted the risk of fraud in revenue recognition presumed under ISA (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statements, in relation to contractual rental income this year as a result of a November 2022 limited assurance internal audit report on one of The Crown Estate's property management providers.

In addition, The Crown Estate has recognised income from Offshore Wind Leasing Round 4 (Round 4) of its offshore wind leasing programme during the year ended 31 March 2023. It has recognised this income as option payments being released from deferred income following confirmation that Agreements for Lease were signed. Due to the risk surrounding the timing of the Round 4 income recognition I have not rebutted the presumption fully for this additional revenue stream this year. I therefore recognise a risk in the recognition of all revenue for the year ended 31 March 2023.

## 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 2023. The valuations are formed from the application of methodologies that use a number of assumptions and judgments, which, if inappropriate or incorrect, present a significant risk of material misstatement within the accounts.

### 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 movements in individual property valuations at year end outside of my acceptable range, confirming these reasons to underlying documentation.

### Key observations

I found The Crown Estate's key controls over the valuation process to be designed and implemented adequately and that asset valuations have been prepared using appropriate methodology and assumptions. Using the work of my expert, I also found that for a sample of individual properties the valuation movements were either within my acceptable range or had sufficient and reasonable rationale and evidence where this was not the case. The disclosures within notes 3 and 17 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 £5.0 billion as at 31 March 2023. There is a lack of directly comparable transactions for interests in these assets. 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.

Establishing appropriate discount rates is inherently subjective and there is a greater degree of valuer judgment required in comparison to a traditional investment property valuation. As a result, the valuation of interests in offshore wind assets is subject to a high degree of uncertainty and is determined on the basis of assumptions which may change with future events.

### 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 was based.

I have challenged management on the reasonableness of the discount rates applied, in particular, taking into account the relative probability of receiving income from the options over years 1-10 and the impact of inflationary factors and rising energy prices.

### Key observations

I found The Crown Estate's key controls over the valuation process to be designed and implemented adequately and that asset valuations have been prepared using an appropriate methodology and assumptions. Using the work of my expert, I have also challenged the basis of the discount rates applied and am satisfied that they reasonably reflect the present value of the right to receive future income. The disclosures within notes 3 and 17 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

There is a presumption in ISA 240 (UK&I) that there are risks of fraud through revenue recognition, in particular where performance is measured in terms of revenue growth or profit. Auditors are required to assess the risk for each revenue stream.

Total revenue in 2022-23 was £738.7 million, comprising £439.7 million of lease contractual rental income and £299.0 million from other revenue streams such as Round 4 income, royalties for the extraction of minerals and other miscellaneous income. For the year ended 31 March 2023 I have recognised the revenue recognition risk for all revenue.

# The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament continued

**How the scope of my audit responded to the risk**
I have reviewed the design and implementation of The Crown Estate's key controls over processing of revenue. I have tested a sample of rental and non-rental income, receivables and accrued income and confirmed statutory transfers between revenue and capital accounts under The Crown Estate's framework document. From 1 April 2022, the percentage of revenue income that The Crown Estate can retain and transfer to capital investment has increased from 9% to 27%.

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.

I also engaged my expert to review and challenge the assumptions used by The Crown Estate in the valuation of the options for Round 4 income.

In addition, I reviewed the performance obligations in the contracts for each of the six Round 4 projects.

I recalculated the Round 4 revenue recognised by applying The Crown Estate's key judgments and assumptions that my expert had challenged.

Finally I reviewed the accounting entries processed by The Crown Estate for recognising Round 4 revenue.

**Key observations**
I found The Crown Estate's key controls to be designed and implemented adequately.

I did not identify any significant issues from my sample testing of rental and non-rental income, receivables and accrued income.

In respect of Round 4 income I:

- was satisfied with the assumptions used by The Crown Estate in determining the revenue;
- confirmed that performance obligations in the Round 4 contracts were satisfied for The Crown Estate to recognise the revenue;
- confirmed the accuracy of the Round 4 revenue calculations; and
- confirmed that the deferred income liability was reduced by the amount recognised in Round 4 income.

## Provision for expected credit losses

**Description of risk**
As customers continue to face financial difficulties due to the impact of the pandemic and a combination of energy prices, inflationary, high interest rates and cost of living pressures, I expected the credit loss provision to continue to be a significant balance for the year ended 31 March 2023. 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.

Gross receivables subject to the expected credit loss provision as 31 March 2023 were £82.7 million (31 March 2022: £164.6 million), with the associated expected credit loss provision set at £26.6 million (31 March 2022: £45.3 million).

**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 key controls around the estimation of credit losses to be designed and implemented adequately. I noted that the risk associated with credit losses has decreased in 2022-23. This reflects an improvement in rent collection rates and the end of the coronavirus moratorium on landlords' ability to seek the recovery of commercial rent arrears in March 2022. 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 judgment of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgment, I determined overall materiality for The Crown Estate and its Group's financial statements as a whole as follows:

| | Group | The Crown Estate |
|---|---|---|
| **Materiality** | £184 million | £183 million |
| **Basis for determining materiality** | 1% of gross assets of £18.39 billion (£17.97 billion in 2021-22) | 1% of gross assets of £18.48 billion (£18.04 billion in 2021-22). |
| **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. This is because the Group's objective is to maintain and enhance the value of its estate and the return obtained from it. | |

I 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 therefore determined that the level to be applied to these components is £44.2 million (£31.2 million for 31 March 2022), being approximately 10% of the 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 2022-23 audit (2021-22: 70%). In determining performance materiality, I also considered the uncorrected misstatements identified in the previous period.

### Other materiality considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such examples are any errors reported in the Related Parties note in the financial statements or 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 take 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 I 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 and its Group and its environment, including the Group-wide controls, and assessing the risks of material misstatement at the Group level.

Total assets for the Group are £18,389.5 million, of which £18,482.1 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 the information included in the Strategic Report and Governance sections of the Integrated Annual Report and Accounts, but does not include the financial statements nor my auditor's certificate and report. 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.

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.

# The Certificate and Report of the Comptroller and Auditor General to The Houses of Parliament continued

## Opinion on other matters

In my opinion, 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.

In my opinion, based on the work undertaken in the course of the audit:

— the information given in the Strategic Report and the 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
— the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
— Information about The Crown Estate's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## Matters on which I report by exception

In the light of the knowledge and understanding of The Crown Estate and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in:

— the Strategic Report or the Governance section of the Integrated Annual Report and Accounts; or
— the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

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 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
— the Governance section of the Integrated Annual Report and Accounts does not reflect compliance with HM Treasury's guidance.

## 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 Governance section of the Integrated Annual Report and Accounts 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 Corporate Governance Code is materially consistent with the financial statements or my knowledge obtained during the audit:

— Board's statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 46 and 47;
— Board's and 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 pages 46 and 47;
— Accounting Officer's statement on fair, balanced and understandable set out on page 86;
— Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 66-72;
— The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 91; and
— The section describing the work of the Audit Committee set out on pages 90-92.

## 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;
— providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
— providing the C&AG with additional information and explanations needed for his audit;
— providing the C&AG with unrestricted access to persons within The Crown Estate from whom the auditor determines it necessary to obtain audit evidence.
— preparing Group financial statements, which give a true and fair view, in accordance with the Crown Estate Act 1961;
— ensuring such internal controls are in place 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;
— preparing the Integrated Annual Report and Accounts, which includes certain disclosures of remuneration specified by HM Treasury directions, in accordance with the Crown Estate Act 1961; 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 intends to liquidate the entity or the group or to cease operations, or has no realistic alternative but to do so.

## 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 applicable law and 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, I:

— considered 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;
— inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including The Crown Estate's and its Group's compliance with the Crown Estate Act 1961, The Crown Estate's framework document with HM Treasury and Managing Public Money;
— inquired of management, The Crown Estate's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud; and
— discussed with the engagement team, including involving my internal valuation experts, 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 obtained an understanding of The Crown Estate and its Group's framework of authority and other legal and regulatory frameworks in which The Crown Estate and its Group operate. I focused 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 document with HM Treasury, Managing Public Money and relevant property, health and safety, employment, pensions and tax legislation.

**Audit response to identified risk**

To respond to the identified risks resulting from the above procedures I:

— reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
— enquired of management, the Audit Committee and the Head of Legal concerning actual and potential litigation and claims;
— reviewed minutes of meetings of the Audit Committee and the Board;
— review internal audit reports;
— tested the appropriateness of a sample of journal entries and other adjustments;
— assessed whether the judgments made in making accounting estimates were indicative of a potential bias;
— evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business; and
— communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including in-house valuation experts 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 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 I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**
**Comptroller and Auditor General (Statutory Auditor)**

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

21 June 2023

# Consolidated statements of comprehensive income

CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH

| | Note | 2022/23 £m | 2021/22 £m[1] |
|---|---|---|---|
| Revenue | 5 | **738.7** | 483.3 |
| Expenses | 6 | **(177.9)** | (155.5) |
| **Operating profit** | | **560.8** | 327.8 |
| Net finance income | 9 | **49.7** | 3.5 |
| Share of revenue profit from joint ventures | 18 | **29.6** | 30.0 |
| Share of revenue profit from other property investments | 19 | **0.7** | 1.8 |
| Parliamentary supply finance | 13 | **2.3** | 2.3 |
| **Underlying revenue account profit** | | **643.1** | 365.4 |
| Depreciation of tangible fixed assets | 10, 20 | **(3.2)** | (2.7) |
| Statutory transfers[1] | 10 | **(197.3)** | (50.0) |
| **Consolidated revenue account profit** | | **442.6** | 312.7 |
| | | | |
| **Consolidated statement of comprehensive income of the revenue account** | | | |
| Consolidated revenue account profit | | **442.6** | 312.7 |
| **Item that will not be reclassified subsequently to revenue account profit:** | | | |
| Re-measurement (loss)/gain in retirement benefits | 8c | **(3.0)** | 4.9 |
| **Total consolidated comprehensive income of the revenue account** | | **439.6** | 317.6 |

CONSOLIDATED CAPITAL ACCOUNT FOR THE YEAR ENDED 31 MARCH

| | Note | 2022/23 £m | 2021/22 £m[1] |
|---|---|---|---|
| Capital account expenditure | | **(35.3)** | (14.3) |
| Net revaluation gain in investment properties (including gain on disposal) | 11 | **225.6** | 1,155.7 |
| Share of revaluation (loss)/gain in joint ventures (including gain on disposal) | 11 | **(63.7)** | 47.9 |
| Share of revaluation gain in other property investments (including capital distribution) | 11 | **4.2** | 4.5 |
| **Capital profit before transfers from the revenue account to the capital account** | | **130.8** | 1,193.8 |
| Statutory transfers[1] | 10 | **197.3** | 50.0 |
| **Consolidated capital account profit** | | **328.1** | 1,243.8 |
| | | | |
| **Consolidated statement of comprehensive income of the capital account** | | | |
| Consolidated capital account profit | | **328.1** | 1,243.8 |
| **Items that will not be reclassified subsequently to capital account profit:** | | | |
| Revaluation gain in owner occupied properties | 11 | **7.6** | 7.3 |
| Revaluation loss in antiques | 21 | **(0.3)** | – |
| **Total consolidated comprehensive income of the capital account** | | **335.4** | 1,251.1 |

1. The 2021/22 Recovery of capital expenditure under the Crown Estate Act 1961 and Treasury framework documents in the amount of £38.0 million has been included in Statutory transfers.

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 £439.6 million (2021/22: £317.6 million) and a total comprehensive income of the capital account of £363.1 million (2021/22: £1,226.9 million) are recorded in the financial statements of the Parent for the year ended 31 March 2023.

No income statement or statement of comprehensive income is presented for the Parent.

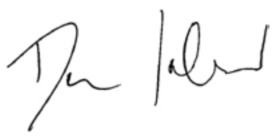
The notes on pages 121 to 150 form part of these financial statements.

# Balance sheets

AS AT 31 MARCH

| | Note | Group 2022/23 £m | Group 2021/22 £m | Parent 2022/23 £m | Parent 2021/22 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Investment properties | 15 | **14,505.6** | 14,223.9 | **14,243.9** | 13,930.9 |
| Owner occupied properties | 16 | **136.7** | 130.0 | **136.7** | 130.0 |
| Investment in joint ventures | 18 | **651.1** | 725.3 | **651.1** | 725.3 |
| Other property investments | 19 | **50.6** | 46.5 | **0.1** | 0.3 |
| Property, plant and equipment | 20 | **26.5** | 25.2 | **26.5** | 25.2 |
| Other investments | 21 | **10.6** | 10.9 | **10.6** | 10.9 |
| Trade and other receivables | 22 | **452.7** | 489.8 | **452.7** | 489.8 |
| Pension asset | 8 | **8.5** | 12.2 | **8.5** | 12.2 |
| **Total non-current assets** | | **15,842.3** | 15,663.8 | **15,530.1** | 15,324.6 |
| **Current assets** | | | | | |
| Assets held for sale | 15 | **-** | 9.0 | **-** | 9.0 |
| Trade and other receivables | 22 | **141.3** | 166.3 | **549.9** | 582.2 |
| Cash and cash equivalents | | **2,405.9** | 2,135.2 | **2,402.1** | 2,123.5 |
| **Total current assets** | | **2,547.2** | 2,310.5 | **2,952.0** | 2,714.7 |
| **Total assets** | | **18,389.5** | 17,974.3 | **18,482.1** | 18,039.3 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Payables and deferred income | 23 | **1,525.5** | 857.7 | **1,519.6** | 851.9 |
| Provisions | 24 | **4.1** | 0.7 | **4.1** | 0.7 |
| **Total current liabilities** | | **1,529.6** | 858.4 | **1,523.7** | 852.6 |
| **Non-current liabilities** | 23 | **71.2** | 659.6 | **71.2** | 659.6 |
| **Total liabilities** | | **1,600.8** | 1,518.0 | **1,594.9** | 1,512.2 |
| **Net assets** | | **16,788.7** | 16,456.3 | **16,887.2** | 16,527.1 |
| | | | | | |
| **Capital and reserves** | | | | | |
| Revenue reserve available for distribution to the Consolidated Fund | | **3.9** | 3.2 | **3.9** | 3.2 |
| Pension reserve | | **8.5** | 12.2 | **8.5** | 12.2 |
| Capital reserve | | **16,719.0** | 16,389.7 | **16,817.5** | 16,460.5 |
| Revaluation reserve | | **57.3** | 51.2 | **57.3** | 51.2 |
| **Total capital and reserves** | | **16,788.7** | 16,456.3 | **16,887.2** | 16,527.1 |

The notes on pages 121 to 150 form part of these financial statements.



**Dan Labbad**
Chief Executive, Second Commissioner and Accounting Officer

16 June 2023

# Statements of changes in capital and reserves

FOR THE YEAR ENDED 31 MARCH

| | Revenue account | | | Capital account | | | Total |
|---|---|---|---|---|---|---|---|
| **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 2022 | **3.2** | **12.2** | **15.4** | **16,389.7** | **51.2** | **16,440.9** | **16,456.3** |
| Net consolidated profit for the year | **442.6** | **-** | **442.6** | **328.1** | **-** | **328.1** | **770.7** |
| **Other consolidated comprehensive income:** | | | | | | | |
| Revaluation gain in owner occupied properties (note 16) | **-** | **-** | **-** | **-** | **7.6** | **7.6** | **7.6** |
| Revaluation loss in antiques (note 21) | **-** | **-** | **-** | **-** | **(0.3)** | **(0.3)** | **(0.3)** |
| Re-measurement loss in retirement benefits (note 8c) | **-** | **(3.0)** | **(3.0)** | **-** | **-** | **-** | **(3.0)** |
| **Total consolidated comprehensive profit/(loss) for the year ended 31 March 2023** | **442.6** | **(3.0)** | **439.6** | **328.1** | **7.3** | **335.4** | **775.0** |
| Transfer from owner occupied reserve | **-** | **-** | **-** | **1.2** | **(1.2)** | **-** | **-** |
| Pension reserve adjustment | **0.7** | **(0.7)** | **-** | **-** | **-** | **-** | **-** |
| Payable to the Consolidated Fund in respect of current year net revenue profit (note 14) | **(442.6)** | **-** | **(442.6)** | **-** | **-** | **-** | **(442.6)** |
| **As at 31 March 2023** | **3.9** | **8.5** | **12.4** | **16,719.0** | **57.3** | **16,776.3** | **16,788.7** |

| | Revenue account | | | Capital account | | | Total |
|---|---|---|---|---|---|---|---|
| **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 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 16) | – | – | – | – | 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 14) | (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 |

The notes on pages 121 to 150 form part of these financial statements.

| Parent | 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 2022 | 3.2 | 12.2 | 15.4 | 16,460.5 | 51.2 | 16,511.7 | 16,527.1 |
| Net profit for the year | 442.6 | - | 442.6 | 355.8 | - | 355.8 | 798.4 |
| **Other comprehensive income:** | | | | | | | |
| Revaluation gain in owner occupied properties (note 16) | - | - | - | - | 7.6 | 7.6 | 7.6 |
| Revaluation loss in antiques (note 21) | - | - | - | - | (0.3) | (0.3) | (0.3) |
| Re-measurement loss in retirement benefits (note 8c) | - | (3.0) | (3.0) | - | - | - | (3.0) |
| **Total comprehensive profit for the year ended 31 March 2023** | 442.6 | (3.0) | 439.6 | 355.8 | 7.3 | 363.1 | 802.7 |
| Transfer from owner occupied reserve | - | - | - | 1.2 | (1.2) | - | - |
| Pension reserve adjustment | 0.7 | (0.7) | - | - | - | - | - |
| Payable to the Consolidated Fund in respect of current year net revenue profit (note 14) | (442.6) | - | (442.6) | - | - | - | (442.6) |
| **As at 31 March 2023** | 3.9 | 8.5 | 12.4 | 16,817.5 | 57.3 | 16,874.8 | 16,887.2 |

| Parent | 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 | 15,229.2 | 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 16) | - | - | - | - | 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 14) | (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 |

The notes on pages 121 to 150 form part of these financial statements.

# Statements of cash flows

FOR THE YEAR ENDED 31 MARCH

| | **Group 2022/23 £m** | Group 2021/22 £m | **Parent 2022/23 £m** | Parent 2021/22 £m |
|---|---|---|---|---|
| Operating profit – consolidated revenue account | **560.8** | 327.8 | **552.9** | 318.0 |
| Increase in provisions for retirement benefits | **1.0** | 1.1 | **1.0** | 1.1 |
| (Increase)/decrease in receivables | **(12.4)** | 20.4 | **3.7** | 22.6 |
| Decrease in payables | **(64.0)** | (103.6) | **(64.3)** | (105.7) |
| Increase/(decrease) in provisions | **3.4** | (2.7) | **3.4** | (2.7) |
| IFRIC adjustment (note 20) | **-** | 6.1 | **-** | 6.1 |
| **Cash generated from operating activities** | **488.8** | 249.1 | **496.7** | 239.4 |
| Interest received | **49.7** | 3.6 | **49.7** | 3.6 |
| Revenue distributions from investments in joint ventures and subsidiaries | **44.1** | 27.2 | **44.1** | 27.2 |
| Distributions received from other property investments | **0.7** | 1.8 | **-** | 1.0 |
| **Net cash inflow from operating activities** | **583.3** | 281.7 | **590.5** | 271.2 |
| **Cash flows from investing activities** | | | | |
| Acquisition of investment properties | **(1.9)** | (1.4) | **(1.9)** | (1.4) |
| Capital expenditure on investment properties | **(109.4)** | (80.9) | **(108.7)** | (78.8) |
| Proceeds from disposal of investment properties | **94.5** | 51.2 | **94.5** | 51.2 |
| Other capital receipts | **13.8** | 8.0 | **13.8** | 8.0 |
| Net investment in joint ventures | **(4.0)** | (6.7) | **(4.0)** | (6.7) |
| Capital distributions from other property investments | **0.1** | 12.7 | **0.1** | 12.7 |
| Purchase of plant and equipment (net of proceeds from disposals) | **(4.4)** | (4.9) | **(4.4)** | (4.9) |
| **Net cash outflow from investing activities** | **(11.3)** | (22.0) | **(10.6)** | (19.9) |
| **Cash flows from financing activities** | | | | |
| Finance lease payments | **(1.7)** | (1.4) | **(1.7)** | (1.4) |
| Parliamentary supply finance | **2.3** | 2.3 | **2.3** | 2.3 |
| **Net cash inflow from financing activities** | **0.6** | 0.9 | **0.6** | 0.9 |
| **Net increase in cash and cash equivalents before Consolidated Fund payment** | **572.6** | 260.6 | **580.5** | 252.2 |
| Consolidated Fund payment | **(301.9)** | (299.9) | **(301.9)** | (299.9) |
| **Increase/(decrease) in cash in the year after Consolidated Fund payment** | **270.7** | (39.3) | **278.6** | (47.7) |
| Cash and cash equivalents at start of the year | **2,135.2** | 2,174.5 | **2,123.5** | 2,171.2 |
| **Cash and cash equivalents at end of the year** | **2,405.9** | 2,135.2 | **2,402.1** | 2,123.5 |

The notes on pages 121 to 150 form part of these financial statements.

# 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.

### Impact of the Crown Estate Act 1961 on the financial statements

The Crown Estate is a corporate body 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 His Majesty and His successors.

The revenue account represents income generated from managing the portfolio of assets on behalf of His Majesty and His 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 framework documents.

The capital account includes gains or losses arising on disposal of assets from the portfolio, revaluation gains or losses, the premium arising on the grant of certain leases and other adjustments with the revenue account noted above. The Act requires that capital and revenue accounts are distinguished in the financial statements. Staff and other relevant costs incurred enhancing 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

### Statutory transfers

The Act places a statutory duty on the Commissioners to maintain and enhance the value of the estate. It allows adjustments between the revenue and capital accounts for this purpose. As The Crown Estate is prohibited from borrowing, and in agreement with the Treasury, this requirement is fulfilled by a transfer from the revenue to the capital account. This transfer is an amount equivalent to 27% of the current year's revenue, excluding service charge income but including mineral earnings and depreciation of plant and equipment (2021/22: 9% of the previous year's revenue, excluding service charges but including depreciation of plant and equipment).

### Changes in accounting policies

There have been no changes to accounting standards since 1 April 2022 that have a material impact on the Group.

These financial statements have been prepared on a consistent basis with those presented for the year ended 31 March 2022.

# 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 2023 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 Royal Institute of Chartered Surveyors (RICS) Valuation – Global Standards ('Red Book Global Standards').

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 where 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.

## 2. Significant accounting policies continued

### 2e. Other property investments

Other property investments are shown at fair value which is equivalent to the share of net asset value (NAV).

### 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 2023.

### 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, or
— 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. 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, in which case, the lease is a finance lease; otherwise 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

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 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.

# Notes to the Group and Parent consolidated financial statements continued

## 2. Significant accounting policies continued

### 2i. Leases continued

**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. A lease premium received on the grant 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.

**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 met.

The different types of non-lease revenue are described below:

- **Option fee revenue**
  Option fee revenue is received from customers in return for exclusivity over certain areas of the seabed for the purpose of future construction of an offshore wind farm. Option fee revenue is recognised on a straight-line basis over the period to the next available break clause.

- **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 recognised as performance obligations are met.

## 2. Significant accounting policies continued

— **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.

### 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. 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)**

As described on page 99 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 Committee 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.

# Notes to the Group and Parent consolidated financial statements
continued

## 3. Significant judgments, key assumptions and estimates
The preparation of these financial statements requires The Crown Estate to make certain judgments, 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 judgments 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 17. Valuations are based on a number of key assumptions including an estimate of future rental income, anticipated future costs, and risk-weighted 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 judgment required in comparison to 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 17.

### 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 judgment 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. Judgment 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 judgment 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.

## 4. Segmental analysis

The Crown Estate's 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 2022/23 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.

| | | | | | | | 2022/23 |
|---|---|---|---|---|---|---|---|
| **Consolidated revenue account** | **Note** | **London £m** | **Regional £m** | **Marine £m** | **Windsor & Rural £m** | **Central costs/ other £m** | **Total £m** |
| Lease revenue | 5 | 195.4 | 78.0 | 138.9 | 27.4 | - | 439.7 |
| Finance lease revenue | 5 | 8.0 | - | - | - | - | 8.0 |
| Option fee revenue | 5 | - | - | 208.7 | - | - | 208.7 |
| Other revenue from contracts with customers | 5 | 2.5 | 0.5 | 30.3 | 9.2 | - | 42.5 |
| Property management and support services | 5 | 2.8 | 1.0 | - | - | - | 3.8 |
| **Revenue (excluding service charge revenue)** | 5 | 208.7 | 79.5 | 377.9 | 36.6 | - | 702.7 |
| Service charge revenue | 5 | 26.1 | 9.9 | - | - | - | 36.0 |
| **Revenue – as reported** | 5 | 234.8 | 89.4 | 377.9 | 36.6 | - | 738.7 |
| Direct property expenses | 6 | (19.5) | (12.0) | (7.1) | (18.8) | - | (57.4) |
| Service charge expenses | 6 | (48.4) | (18.5) | - | (0.1) | - | (67.0) |
| **Total direct expenses** | | (67.9) | (30.5) | (7.1) | (18.9) | - | (124.4) |
| **Gross profit** | | 166.9 | 58.9 | 370.8 | 17.7 | - | 614.3 |
| Administrative expenses[1] | 6 | 1.8 | - | - | - | (55.3) | (53.5) |
| **Operating profit/(loss)** | | 168.7 | 58.9 | 370.8 | 17.7 | (55.3) | 560.8 |
| Net finance income | 9 | | - | - | - | 49.7 | 49.7 |
| Share of revenue profit from joint ventures[1] | 18 | 10.2 | 19.4 | - | - | - | 29.6 |
| Share of revenue profit from other property investments | 19 | 0.7 | - | - | - | - | 0.7 |
| Parliamentary supply finance | 13 | - | - | - | - | 2.3 | 2.3 |
| **Underlying revenue account profit** | | 179.6 | 78.3 | 370.8 | 17.7 | (3.3) | 643.1 |
| Depreciation of tangible fixed assets | 10, 20 | - | - | - | (0.5) | (2.7) | (3.2) |
| Statutory transfers | 10 | - | - | - | - | (197.3) | (197.3) |
| **Consolidated revenue account profit/(loss) – distributable to the Consolidated Fund** | | 179.6 | 78.3 | 370.8 | 17.2 | (203.3) | 442.6 |

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.

# Notes to the Group and Parent consolidated financial statements continued

## 4. Segmental analysis continued

| Consolidated capital account | Note | London £m | Regional £m | Marine £m | Windsor & Rural £m | Central costs/ other £m | Total £m |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2022/23 |
| Capital account expenditure | | (8.3) | (2.1) | (23.4) | (1.5) | - | (35.3) |
| Net revaluation (loss)/gain in investment property (including gain on disposal) | 11 | (416.7) | (209.3) | 772.7 | 78.9 | - | 225.6 |
| Share of revaluation loss in joint ventures (including gain on disposal) | 11 | (35.2) | (28.5) | - | - | - | (63.7) |
| Share of revaluation gain/(loss) in other property investments | 11 | 4.3 | (0.1) | - | - | - | 4.2 |
| **Capital (loss)/profit before transfers from the revenue account to the capital account** | | (455.9) | (240.0) | 749.3 | 77.4 | - | 130.8 |
| Statutory transfers | 10 | - | - | - | - | 197.3 | 197.3 |
| **Consolidated capital account (loss)/profit** | | (455.9) | (240.0) | 749.3 | 77.4 | 197.3 | 328.1 |

| Investment properties | Note | London £m | Regional £m | Marine £m | Windsor & Rural £m | Central costs/ other £m | Total £m |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2022/23 |
| Market value of investment properties | 15 | 6,794.7 | 1,205.5 | 5,704.1 | 1,237.9 | - | 14,942.2 |
| Investment properties treated as finance leases | 25 | (425.8) | - | - | (0.9) | - | (426.7) |
| Headlease liabilities | 15 | - | 2.5 | - | - | - | 2.5 |
| Less: lease incentives | 15 | (1.2) | (11.2) | - | - | - | (12.4) |
| **Investment properties at fair value – as reported** | 15 | 6,367.7 | 1,196.8 | 5,704.1 | 1,237.0 | - | 14,505.6 |
| **Joint ventures:** | | | | | | | |
| Share of investment properties in joint ventures at valuation | 18 | 365.3 | 280.8 | - | - | - | 646.1 |
| Share of other net assets/(liabilities) in joint ventures | | 9.3 | (4.3) | - | - | - | 5.0 |
| **Share of joint ventures – as reported** | 18 | 374.6 | 276.5 | - | - | - | 651.1 |
| **Proportionally consolidated investment properties:** | | | | | | | |
| Market value of investment properties | 15 | 6,794.7 | 1,205.5 | 5,704.1 | 1,237.9 | - | 14,942.2 |
| Owner occupied properties | 16 | 31.4 | - | - | 105.3 | - | 136.7 |
| Share of investment properties in joint ventures at valuation | 18 | 365.3 | 280.8 | - | - | - | 646.1 |
| Other property investments | 19 | 50.5 | 0.1 | - | - | - | 50.6 |
| **Total market value of investment properties – proportionally consolidated** | | 7,241.9 | 1,486.4 | 5,704.1 | 1,343.2 | - | 15,775.6 |
| **Acquisitions and capital expenditure** | 15, 16 | 32.4 | 15.8 | 2.4 | 29.5 | - | 80.1 |

## 4. Segmental analysis continued

| Consolidated revenue account | Note | London £m | Regional £m | Marine £m | Windsor & Rural £m | Central costs/ other £m | Total £m |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2021/22 |
| 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] | 18 | 10.5 | 19.5 | – | – | – | 30.0 |
| Share of revenue profit from other property investments | 19 | 0.8 | 1.0 | – | – | – | 1.8 |
| Parliamentary supply finance | 13 | – | – | – | – | 2.3 | 2.3 |
| **Underlying revenue account profit** | | 178.6 | 93.4 | 127.5 | 18.5 | (52.6) | 365.4 |
| Depreciation of tangible fixed assets | 20 | – | – | – | (0.5) | (2.2) | (2.7) |
| Statutory transfers[2] | 10 | – | – | – | – | (50.0) | (50.0) |
| **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.
2. The 2021/22 Recovery of capital expenditure under the Crown Estate Act 1961 and Treasury framework documents in the amount of £38.0 million has been included in Statutory transfers.

| Consolidated capital account | Note | London £m | Regional £m | Marine £m | Windsor & Rural £m | Central costs/ other £m | Total £m |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2021/22 |
| 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 transfers from the revenue account to the capital account** | | 39.2 | 284.2 | 835.0 | 35.4 | – | 1,193.8 |
| Statutory transfers[1] | 10 | – | – | – | – | 50.0 | 50.0 |
| **Consolidated capital account profit** | | 39.2 | 284.2 | 835.0 | 35.4 | 50.0 | 1,243.8 |

1. The 2021/22 Recovery of capital expenditure under the Crown Estate Act 1961 and Treasury framework documents in the amount of £38.0 million has been included in Statutory transfers.

# Notes to the Group and Parent consolidated financial statements continued

## 4. Segmental analysis continued

| Investment properties | Note | London £m | Regional £m | Marine £m | Windsor & Rural £m | Central costs/ other £m | Total £m |
|---|---|---|---|---|---|---|---|
| | | | | | | | 2021/22 |
| Market value of investment properties | 15 | 7,219.2 | 1,433.3 | 4,930.5 | 1,112.1 | – | 14,695.1 |
| Investment properties treated as finance leases | 25 | (450.5) | – | – | (0.9) | – | (451.4) |
| Headlease liabilities | 15 | – | 2.5 | – | – | – | 2.5 |
| Assets held for sale | | – | (9.0) | – | – | – | (9.0) |
| Less: lease incentives | 15 | (0.5) | (12.8) | – | – | – | (13.3) |
| **Investment properties at fair value – as reported** | 15 | 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 | 18 | 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** | 18 | 410.4 | 314.9 | – | – | – | 725.3 |
| **Proportionally consolidated investment properties:** | | | | | | | |
| Market value of investment properties | 15 | 7,219.2 | 1,433.3 | 4,930.5 | 1,112.1 | – | 14,695.1 |
| Owner occupied properties | 16 | 30.1 | – | – | 99.9 | – | 130.0 |
| Share of investment properties in joint ventures at valuation | 18 | 399.0 | 309.6 | – | – | – | 708.6 |
| Other property investments | 19 | 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** | 15, 16 | 31.8 | 11.0 | 5.2 | 17.7 | – | 65.7 |

## 5. Revenue

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Lease revenue (note 25a) | **439.7** | 403.0 |
| Finance lease revenue (note 25b) | **8.0** | 7.9 |
| Option fee revenue from contracts with customers (note 2j) | **208.7** | – |
| Other revenue from contracts with customers | **42.5** | 37.6 |
| Property management and support services | **3.8** | 4.2 |
| **Revenue before service charge income** | **702.7** | 452.7 |
| Service charge income | **36.0** | 30.6 |
| **Revenue – as reported** | **738.7** | 483.3 |

Lease revenue and finance lease revenue are recognised in accordance with IFRS 16.

Option fee revenue from contracts with customers is from Offshore Wind Leasing Round 4. Further details are disclosed on pages 42 and 43.

Total revenue recognised under IFRS 15 is £291.0 million (2021/22: £72.4 million). Licence revenue from under-sea cables, pipelines and interconnectors is £14.6 million (2021/22: £16.8 million). Mineral royalty revenue is £26.7 million (2021/22: £14.7 million).

## 6. Revenue account expenses

| | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| | Property expenses £m | Administrative expenses £m | Total £m | Property expenses £m | Administrative expenses £m | Total £m |
| Management fees and costs[1] | **24.1** | **27.0** | **51.1** | 20.4 | 32.8 | 53.2 |
| Repairs and maintenance | **5.9** | **–** | **5.9** | 5.0 | – | 5.0 |
| Staff costs (note 7) | **19.4** | **26.5** | **45.9** | 12.4 | 23.9 | 36.3 |
| Other direct expenditure | **8.0** | **–** | **8.0** | 2.2 | – | 2.2 |
| **Direct expenses** | **57.4** | **53.5** | **110.9** | 40.0 | 56.7 | 96.7 |
| Service charge expenses | **67.0** | **–** | **67.0** | 58.8 | – | 58.8 |
| **Expenses reflected in the revenue account** | **124.4** | **53.5** | **177.9** | 98.8 | 56.7 | 155.5 |

1. Included in the table above is the auditor's remuneration in respect of its audit of the financial statements of £0.2 million (2021/22: £0.2 million). No non-audit fees have been incurred from the auditor (2021/22: £nil).

## 7. Staff costs

The total cost of The 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:

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Wages and salaries | **50.3** | 36.9 |
| National insurance | **6.6** | 4.5 |
| Current service cost – defined benefit scheme (note 8) | **2.3** | 2.3 |
| Pension contributions – other pension schemes | **3.2** | 2.8 |
| Reorganisation and early retirement costs | **0.8** | 0.8 |
| **Total staff costs** | **63.2** | 47.3 |
| Charged to: | | |
| Property expenses (note 6) | **19.4** | 12.4 |
| Administrative expenses (note 6) | **26.5** | 23.9 |
| **Staff costs reflected in the revenue account** | **45.9** | 36.3 |
| Capital account | **17.3** | 11.0 |
| **Total staff costs** | **63.2** | 47.3 |

| | Number | Number |
|---|---|---|
| The average number of staff during the year | **576** | 512 |

The remuneration of The Crown Estate's key management personnel is as disclosed in the Remuneration Committee report on pages 101 and 102.

## 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% (2021/22: 41.5%) of pensionable earnings per annum for the Opal section and 17.1% (2021/22: 17.1%) of capped pensionable earnings for the Quartz Core section. From 1 April 2023, the equivalent rates will continue to be 41.5% and 17.1% respectively.

### 8a. Balance sheet and notes

Group and Parent

| Amounts recognised in the consolidated balance sheet | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Present value of funded obligations | **(40.3)** | (52.8) |
| Fair value of scheme assets | **48.8** | 65.0 |
| **Net asset recognised in the consolidated balance sheet at 31 March** | **8.5** | 12.2 |

| Changes in the present value of the defined benefit obligation | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Opening present value of defined benefit obligation | **52.8** | 54.0 |
| Current service cost | **2.3** | 2.3 |
| Interest cost | **1.5** | 1.1 |
| Members' contributions | **0.4** | 0.3 |
| Actuarial gain on scheme liabilities | **(15.2)** | (3.3) |
| Benefits paid | **(1.5)** | (1.6) |
| **Closing present value of defined benefit obligation** | **40.3** | 52.8 |

| Changes in the fair value of scheme assets | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Opening fair value of scheme assets | **65.0** | 62.2 |
| Interest income | **1.8** | 1.3 |
| Actuarial (loss)/gain on scheme assets | **(18.2)** | 1.6 |
| Contributions by The Crown Estate | **1.3** | 1.2 |
| Members' contributions | **0.4** | 0.3 |
| Benefits paid | **(1.5)** | (1.6) |
| **Closing fair value of assets** | **48.8** | 65.0 |

| Analysis of return on scheme assets | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Interest income | **1.8** | 1.3 |
| Actuarial (loss)/gain on scheme assets | **(18.2)** | 1.6 |
| **Actual (loss)/return on scheme assets** | **(16.4)** | 2.9 |

### 8b. Amounts to be recognised in the consolidated revenue account

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Net financing surplus (note 9) | **(0.3)** | (0.2) |
| Current service cost | **2.3** | 2.3 |
| **Total pension expense** | **2.0** | 2.1 |

## 8. Retirement benefits continued

### 8c. Total amount recognised in the consolidated statements of comprehensive income

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Actuarial (loss)/gain on scheme assets | **(18.2)** | 1.6 |
| Actuarial gain on scheme liabilities | **15.2** | 3.3 |
| **Re-measurement (loss)/gain on retirement benefits** | **(3.0)** | 4.9 |
| **Actuarial gain on defined benefit obligation:** | | |
| Loss due to experience | **(3.6)** | (0.6) |
| Gain due to demographic assumptions | **-** | 0.1 |
| Gain due to financial assumptions | **18.8** | 3.8 |
| **Total actuarial gain on defined benefit obligation** | **15.2** | 3.3 |

### 8d. Cumulative amount recognised in the consolidated statement of comprehensive income of the revenue account

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Cumulative actuarial gains since adoption of IAS 19 | **3.5** | 6.5 |

### 8e. Major categories of scheme assets

| | 2022/23 £m | 2022/23 % | 2021/22 £m | 2021/22 % |
|---|---|---|---|---|
| Equities | **6.5** | **13.3** | 11.4 | 17.5 |
| Diversified growth fund | **6.9** | **14.1** | 10.2 | 15.7 |
| Liability driven investments | **22.8** | **46.8** | 34.8 | 53.5 |
| Alternatives | **8.2** | **16.8** | 8.2 | 12.6 |
| Cash | **4.4** | **9.0** | 0.4 | 0.7 |
| **As at 31 March** | **48.8** | **100.0** | 65.0 | 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

| | 2022/23 | 2021/22 |
|---|---|---|
| Discount rate | **4.65%** | 2.75% |
| RPI price inflation | **3.25%** | 3.60% |
| CPI price inflation | **2.75%** | 3.10% |
| Rate of increase in salaries | **2.75%** | 3.10% |
| Pension increases | **2.65% to 3.30%** | 3.00% to 3.60% |
| 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 | **29.8** | 29.7 |
| Life expectancy for a male when they are 60, currently aged 40 | **29.4** | 29.4 |
| Life expectancy for a female when they are 60, currently aged 40 | **31.2** | 31.1 |

# Notes to the Group and Parent consolidated financial statements
continued

## 8. Retirement benefits continued
### 8g. Experience gains and losses

| | 2022/23 £m | 2021/22 £m | 2020/21 £m | 2019/20 £m | 2018/19 £m |
|---|---|---|---|---|---|
| Liabilities at year end | **(40.3)** | (52.8) | (54.0) | (45.7) | (48.1) |
| Assets at year end | **48.8** | 65.0 | 62.2 | 57.5 | 58.2 |
| **Surplus at year end** | **8.5** | 12.2 | 8.2 | 11.8 | 10.1 |
| **Asset (loss)/gain** | | | | | |
| Amount | **(18.2)** | 1.6 | 4.7 | (2.2) | 2.0 |
| Percentage of scheme assets | **(37.3)%** | 2.5% | 7.6% | (3.8)% | 3.6% |
| **Liability (loss)/gain** | | | | | |
| Amount | **(3.6)** | (0.6) | 0.5 | 0.3 | (0.1) |
| Percentage of scheme liabilities | **(8.9)%** | (1.1)% | 0.9% | 0.7% | (0.2)% |

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 2023, employer contributions to The Crown Estate Pension Scheme (including money purchase sections) were £3.7 million (2021/22: £2.8 million). For the year to 31 March 2023, employer contributions to the Civil Service Pension (CSP) were £0.9 million (2021/22: £1.1 million).

For 2022/23 and 2021/22, employers' contributions were payable to the CSP in the ranges 26.6% to 30.3% of pensionable earnings, covering four salary bands. There are no changes to employer contribution rates or bands from 1 April 2023, so the rates from 1 April 2022 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 2023 by the scheme actuary.

A full actuarial valuation was carried out for the CSP as at 31 March 2016, the 31 March 2020 valuation is still 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

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Bank interest income | **49.7** | 3.6 |
| Retirement benefits – net financing surplus (note 8) | **0.3** | 0.2 |
| Finance lease interest cost (note 25d) | **(0.3)** | (0.3) |
| **Net finance income** | **49.7** | 3.5 |

## 10. Statutory transfers from the revenue account to the capital account

| | 2022/23 £m | 2021/22 £m[1] |
|---|---|---|
| By agreement with the Treasury the revenue account is charged with an amount as disclosed in note 1: | | |
| Recovery of capital expenditure under the Crown Estate Act 1961 by Treasury framework documents | **181.6** | 38.0 |
| Net earnings from mineral workings carried to the capital account[1] | **15.7** | 12.0 |
| **Statutory transfers from the revenue account to the capital account[1]** | **197.3** | 50.0 |
| Depreciation of tangible fixed assets charged as costs in the revenue account (note 20) | **3.2** | 2.7 |
| **Total[1]** | **200.5** | 52.7 |

1. The 2021/22 Recovery of capital expenditure under the Crown Estate Act 1961 and Treasury framework documents in the amount of £38.0 million has been included in Statutory transfers from the revenue account to the capital account.

The Act places a statutory duty on the Commissioners to maintain and enhance the value of the estate. It allows adjustments between the revenue and capital accounts for this purpose. As The Crown Estate is prohibited from borrowing, and in agreement with the Treasury, this requirement is fulfilled by a transfer from the revenue to the capital account. This transfer is an amount equivalent to 27% of the current year's revenue, excluding service charge income but including mineral earnings and depreciation of plant and equipment (2021/22: 9% of the previous year's revenue, excluding service charge income but including depreciation of plant and equipment).

## 11. Net revaluation gain in properties and investments (including gain on disposal and capital distributions)

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| **Reflected in the consolidated capital account** | | |
| Revaluation gain in investment properties (note 15) | **201.7** | 1,092.5 |
| Revaluation (loss)/gain in properties classified as finance leases | **(24.6)** | 13.5 |
| Gain on disposal of investment properties | **48.5** | 49.7 |
| **Net revaluation gain in investment properties (including gain on disposal)** | **225.6** | 1,155.7 |
| Share of revaluation (loss)/gain in joint ventures (note 18) | **(63.7)** | 47.9 |
| Share of revaluation gain in other property investments (note 19) | **4.2** | 4.5 |
| **Total reflected in the consolidated capital account** | **166.1** | 1,208.1 |
| **Reflected in the statement of comprehensive income of the capital account** | | |
| Revaluation gain in owner occupied properties (note 16) | **7.6** | 7.3 |
| **Total** | **173.7** | 1,215.4 |

## 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 UK. 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 66 to 72. 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 19, 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 NAV of the underlying properties will decline and also the marketability of the shares. 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 during the year ended 31 March 2022 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 19. 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.

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| **Financial liabilities within trade payables** | **5.3** | 5.7 |

Financial liabilities disclosed above are undiscounted and fall due within three months.

# Notes to the Group and Parent consolidated financial statements
continued

## 13. 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.

## 14. Payment to the Consolidated Fund

In accordance with section 1 of the Civil List Act 1952, the net revenue profit generated by The Crown Estate is paid into the Consolidated Fund. The net revenue profit of £442.6 million relating to the year ended 31 March 2023 will be settled using a repayment process in the form agreed with the Treasury. The outstanding balance in relation to the 31 March 2022 net revenue profit has been settled in full, with the final payment of £78.2 million being settled in April 2023.

| | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Amounts due to the Consolidated Fund at the start of the year (note 23) | **380.1** | 367.3 |
| Payments to the Consolidated Fund made in the year | **(301.9)** | (299.9) |
| **Amounts due in respect of prior year net revenue profit** | **78.2** | 67.4 |
| Consolidated revenue account profit | **442.6** | 312.7 |
| **Amounts due to the Consolidated Fund at the end of the year (note 23)** | **520.8** | 380.1 |

## 15. Investment properties

| | 2022/23 | | | 2021/22[1] |
|---|---|---|---|---|
| **Group** | **Investment properties £m** | Investment properties £m[1] | Properties under development £m | Total £m[1] |
| At opening valuation (before lease incentives) | **14,230.4** | 13,040.8 | 69.8 | 13,110.6 |
| Acquisitions | **1.9** | 1.4 | – | 1.4 |
| Capital expenditure | **76.2** | 63.3 | – | 63.3 |
| Capital receipts | **-** | (8.0) | – | (8.0) |
| Transfers to other categories | **-** | 69.8 | (69.8) | – |
| Net transfer from owner occupied properties | **2.9** | 12.5 | – | 12.5 |
| Disposals[1] | **(10.0)** | (41.9) | – | (41.9) |
| Revaluation[1] | **201.7** | 1,092.5 | – | 1,092.5 |
| **At closing valuation (before lease incentives)** | **14,503.1** | 14,230.4 | – | 14,230.4 |
| Net finance lease payable | **2.5** | 2.5 | – | 2.5 |
| Assets held for sale | **-** | (9.0) | – | (9.0) |
| **Closing fair value – as reported** | **14,505.6** | 14,223.9 | – | 14,223.9 |
| **Reconciliation to valuation** | | | | |
| At closing valuation (before lease incentives) | **14,503.1** | 14,230.4 | – | 14,230.4 |
| Investment properties treated as finance leases (note 25b) | **426.7** | 451.4 | – | 451.4 |
| Lease incentives | **12.4** | 13.3 | – | 13.3 |
| **Market value** | **14,942.2** | 14,695.1 | – | 14,695.1 |

1. The 2021/22 £13.5 million revaluation gain from investment properties classified as finance leases has been excluded from disposals and revaluation.

During the year ended 31 March 2023 no properties were classified as properties under development.

## 15. Investment properties continued

### Group and Parent

The property portfolio was valued on 31 March 2023 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 17.

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 £3,648.5 million at 31 March 2023 (2021/22: £3,959.8 million) out of the total investment property value of £14,505.6 million (2021/22: £14,223.9 million) and other property investments of £50.6 million (2021/22: £46.5 million).

| Parent | 2022/23 £m | 2021/22 £m[1] |
|---|---|---|
| At opening valuation (before lease incentives) | **13,937.4** | 12,888.9 |
| Acquisitions | **1.9** | 1.4 |
| Capital expenditure | **75.5** | 61.2 |
| Capital receipts | **-** | (8.0) |
| Net transfer from owner occupied properties | **2.9** | 12.5 |
| Disposals[1] | **(10.0)** | (100.9) |
| Revaluation[1] | **233.7** | 1,082.3 |
| **At closing valuation (before lease incentives)** | **14,241.4** | 13,937.4 |
| Net finance lease payable | **2.5** | 2.5 |
| Classified as assets held for sale | **-** | (9.0) |
| **Closing fair value - as reported** | **14,243.9** | 13,930.9 |

1. The 2021/22 £13.5 million revaluation gain from investment properties classified as finance leases has been excluded from disposals and revaluation.

The unamortised element of lease incentives granted at 31 March 2023 was £10.5 million (2021/22: £13.3 million).

| | Group 2022/23 £m | Group 2021/22 £m | Parent 2022/23 £m | Parent 2021/22 £m |
|---|---|---|---|---|
| Historical cost of investment properties | **3,601.9** | 3,528.9 | **3,241.6** | 3,144.6 |
| Market value of freehold investment properties | **14,904.5** | 14,650.2 | **14,638.4** | 14,355.0 |
| Market value of long leasehold properties | **37.7** | 44.9 | **37.7** | 44.9 |
| **Total market value** | **14,942.2** | 14,695.1 | **14,676.1** | 14,399.9 |

## 16. Owner occupied properties

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Opening fair value | **130.0** | 134.2 |
| Capital expenditure | **2.0** | 1.0 |
| Revaluation gain in owner occupied properties | **7.6** | 7.3 |
| Net transfer to investment properties | **(2.9)** | (12.5) |
| **Closing fair value** | **136.7** | 130.0 |

All owner occupied properties are classified as level 3 within the value hierarchy.

The historical cost of owner occupied properties at 31 March 2023 was £79.9 million (2021/22: £78.8 million). Information about the valuation and fair value measurement of owner occupied properties is set out in note 17.

# Notes to the Group and Parent consolidated financial statements
continued

## 17. 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 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.

### 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 2022/23 £m | Valuation 2021/22 £m | Predominant valuation technique | Key unobservable inputs | Range | Principal valuer |
|---|---|---|---|---|---|---|
| **London:** | | | | | | |
| Retail | **2,067.1** | 2,227.1 | Investment | ERV<br>Yield | £24-£325 psf<br>2.85%-5.75% | CBRE |
| Offices | **3,365.4** | 3,588.4 | Investment | ERV<br>Yield | £39-£160 psf<br>2.75%-6.0% | CBRE |
| Other multi-use | **838.7** | 892.4 | Comparable/ Investment | £ psf<br>Yield | £700-£7,300 psf<br>1.5%-7.9% | CBRE |
| **Total commercial properties** | **6,271.2** | 6,707.9 | | | | |
| Residential | **523.5** | 511.3 | Comparable | £ psf | £700-£7,300 psf | CBRE |
| **Total London** | **6,794.7** | 7,219.2 | | | | |
| **Regional:** | | | | | | |
| Retail | **93.9** | 124.6 | Investment | ERV<br>Yield | £3-£130 psf ITZA<br>5.6%-16.0% | CBRE |
| Retail and leisure parks | **740.6** | 862.3 | Investment | ERV<br>Yield | £7.50-£50 psf<br>5.5%-13.75% | CBRE |
| Offices | **184.8** | 195.5 | Investment | ERV<br>Yield | £22-£33 psf<br>4.5%-5.25% | CBRE |
| Other | **123.0** | 165.2 | Comparable/ Investment | ERV<br>Yield | £6-£20 psf<br>4.0%-16.0% | CBRE |
| **Total commercial properties** | **1,142.3** | 1,347.6 | | | | |
| Other | **63.2** | 85.7 | Comparable/ Investment | Proportion of vacant possession value<br>Yield | 50%-100%<br>1.5%-20.0% | Strutt & Parker |
| **Total Regional** | **1,205.5** | 1,433.3 | | | | |

## 17. Fair value measurement of properties continued

| Class of property | Valuation 2022/23 £m | Valuation 2021/22 £m | Predominant valuation technique | Key unobservable inputs | Range | Principal valuer |
|---|---|---|---|---|---|---|
| **Marine:** | | | | | | |
| Aggregates | **209.3** | 194.8 | Investment/ DCF | Yield<br>Annual extraction | 7.0%-15.0%<br>c.21 million tonnes | Wardell Armstrong |
| Renewables (Rounds 1-3) | **1,989.9** | 1,948.9 | DCF | Discount rate | 4.8%-20.0% | C&W |
| Renewables (Round 4) | **3,056.9** | 2,383.1 | DCF | Discount rate | 5.0%-50.0% | C&W |
| Coastal | **256.4** | 237.7 | Investment | Yield | 2.0%-75.0% | Various |
| Cables and pipelines | **191.6** | 166.0 | Investment | Yield | 5.5%-12.0% | Powis Hughes |
| **Total Marine** | **5,704.1** | 4,930.5 | | | | |
| **Windsor & Rural:** | | | | | | |
| Agricultural | **902.2** | 791.1 | Comparable/ Investment | Proportion of vacant possession value<br>Yield | 50%-100%<br>1.5%-20.0% | Strutt & Parker |
| Minerals | **15.3** | 15.0 | DCF | Yield | 5.0%-25.0% | Wardell Armstrong |
| Other | **320.4** | 306.0 | Comparable/ Investment | Yield<br>Proportion of vacant possession value | 1.0%-20.0%<br>23.0%-95.0% | Savills |
| **Total Windsor & Rural[1]** | **1,237.9** | 1,112.1 | | | | |
| **Total investment properties** | **14,942.2** | 14,695.1 | | | | |
| **Owner occupied properties:** | | | | | | |
| London | **31.4** | 30.1 | Investment | Yield<br>ERV | 4.25%<br>£90-£105 psf | CBRE |
| Windsor & Rural | **105.3** | 99.9 | Comparable/ Investment | Proportion of vacant possession value<br>Yield | 23.0%-95.0%<br>1.0%-20.0% | Savills |
| **Total owner occupied properties** | **136.7** | 130.0 | | | | |
| **Total at valuation** | **15,078.9** | 14,825.1 | | | | |

### Market value of properties on a proportionally consolidated basis

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Investment properties (note 15) | **14,942.2** | 14,695.1 |
| Owner occupied properties (note 16) | **136.7** | 130.0 |
| **Total at valuation (Group)** | **15,078.9** | 14,825.1 |
| Share of investment properties in joint ventures at valuation (note 18) | **646.1** | 708.6 |
| Other property investments (note 19) | **50.6** | 46.5 |
| **Total value of all properties on a proportionally consolidated basis** | **15,775.6** | 15,580.2 |

# Notes to the Group and Parent consolidated financial statements continued

## 17. 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, eg 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 properties at the Windsor Estate

These have 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, eg offshore wind farms, aggregates and minerals
- assessment of functional lifespan of offshore assets, eg cables and pipelines

## 17. 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 include 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.

| **Group - 2022/23** | **Market value £m** | **Impact on valuations of 10% change in ERV** Increase £m | Decrease £m | **Impact on valuations of 50 bps change in yield** Decrease £m | Increase £m |
|---|---|---|---|---|---|
| London | **6,271.2** | **276.5** | **(284.0)** | **461.9** | **(363.7)** |
| Regional | **1,142.3** | **88.8** | **(84.0)** | **103.5** | **(87.2)** |

| **Group - 2022/23** | **Market value £m** | **Impact on valuations of 50 bps change in discount rates** Decrease £m | Increase £m | **Impact on valuations of 250 bps change in discount rates** Decrease £m | Increase £m |
|---|---|---|---|---|---|
| Marine - Offshore Wind Rounds 1-3 | **1,989.9** | **95.5** | **(89.8)** | **n/a** | **n/a** |
| Marine - Offshore Wind Leasing Round 4 | **3,056.9** | **n/a** | **n/a** | **140.5** | **(129.1)** |

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.

| Group - 2021/22 | Market value £m | Impact on valuations of 10% change in ERV Increase £m | Decrease £m | Impact on valuations of 50 bps change in yield Decrease £m | Increase £m |
|---|---|---|---|---|---|
| London | 6,707.9 | 394.7 | (373.3) | 777.3 | (584.4) |
| Regional | 1,347.9 | 107.2 | (103.4) | 144.8 | (118.6) |

| Group - 2021/22 | Market value £m | Impact on valuations of 50 bps change in discount rates Decrease £m | Increase £m | Impact on valuations of 250 bps change in discount rates Decrease £m | Increase £m |
|---|---|---|---|---|---|
| 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) |

### 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 2022/23 £m** | Valuation 2021/22 £m | Predominant valuation technique | Key unobservable inputs | Range | Principal valuer |
|---|---|---|---|---|---|---|
| **London:** | | | | | | |
| Other multi-use | **728.9** | 771.1 | Comparable<br>Investment | £ psf<br>Yield | £700-£7,300 psf<br>1.5%-7.9% | CBRE |
| **Regional:** | | | | | | |
| Retail and leisure parks | **586.9** | 690.7 | Investment | ERV<br>Yield | £7-£50 psf<br>5.5%-13.8% | CBRE |

## 18. 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 UK.

## 18. Investment in joint ventures continued

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were as follows:

| | 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 2023** | | | | | | | | |
| Investment properties at valuation | 192.8 | 449.8 | 88.0 | 77.7 | - | 232.8 | 251.0 | 1,292.1 |
| Lease incentives | - | - | - | (0.4) | - | (9.2) | (13.0) | (22.6) |
| Cash and cash equivalents | 3.7 | 6.3 | 1.4 | 1.3 | 0.8 | 23.2 | 20.8 | 57.5 |
| Other assets | 0.7 | 14.9 | 2.0 | 2.1 | - | 13.4 | 18.8 | 51.9 |
| Current liabilities | (2.1) | (7.6) | (0.8) | (1.9) | (0.6) | (21.4) | (42.3) | (76.7) |
| Non-current liabilities | - | - | - | - | - | (0.1) | - | (0.1) |
| **Net assets** | 195.1 | 463.4 | 90.6 | 78.8 | 0.2 | 238.7 | 235.3 | 1,302.1 |
| **Comprehensive income statement for the year ended 31 March 2023** | | | | | | | | |
| Revenue | 8.5 | 16.5 | 2.7 | 5.4 | - | 29.3 | 17.3 | 79.7 |
| Expenses | (1.7) | (3.3) | (2.3) | (2.2) | - | (8.4) | (2.7) | (20.6) |
| **Revenue account profit** | 6.8 | 13.2 | 0.4 | 3.2 | - | 20.9 | 14.6 | 59.1 |
| Revaluation loss in investment properties | (13.0) | (38.9) | (13.5) | (5.0) | - | (17.9) | (39.2) | (127.5) |
| **Total capital account comprehensive loss** | (13.0) | (38.9) | (13.5) | (5.0) | - | (17.9) | (39.2) | (127.5) |

1. Balances include those for Fosse Park West Limited Partnership.

The Crown Estate share at 50% was:

| | Total London £m | Total Regional £m | Total 2022/23 £m |
|---|---|---|---|
| Investment properties at valuation | 365.3 | 280.8 | 646.1 |
| Cash and cash equivalents | 5.7 | 23.1 | 28.8 |
| Net assets | 374.6 | 276.5 | 651.1 |
| Revenue | 13.9 | 26.0 | 39.9 |
| Revenue account profit | 10.2 | 19.4 | 29.6 |
| Revaluation loss | (32.7) | (31.0) | (63.7) |

# Notes to the Group and Parent consolidated financial statements continued

## 18. Investment in joint ventures continued

The assets, liabilities, revenues and expenses of The Crown Estate's primary joint ventures at 100% were as follows:

| | 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** | | | | | | | | |
| Income | 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** | 6.5 | 13.7 | 0.7 | 3.6 | (0.1) | 24.0 | 11.6 | 60.0 |
| Revaluation loss 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 2022/23 £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 |

### Group and Parent

Summary of movement in investment in joint ventures

| | **2022/23 £m** | 2021/22 £m |
|---|---|---|
| Opening balance | **725.3** | 667.9 |
| Share of revenue profit | **29.6** | 30.0 |
| Revaluation (loss)/gain in investment property | **(63.7)** | 47.9 |
| Net equity additions | **4.0** | 6.7 |
| Revenue distributions received | **(44.1)** | (27.2) |
| **Closing balance** | **651.1** | 725.3 |

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.

## 19. 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 ended 31 March 2022. The partnership now holds cash to cover the anticipated costs of its liquidation.

| | **Group 2022/23 £m** | Group 2021/22 £m | **Parent 2022/23 £m** | Parent 2021/22 £m |
|---|---|---|---|---|
| Opening balance | **46.5** | 54.7 | **0.3** | 10.9 |
| Share of capital distribution | **(0.1)** | (12.7) | **(0.1)** | (12.7) |
| Share of revaluation gain/(loss) in investment reflected in the consolidated capital account | **4.2** | 4.5 | **(0.1)** | 2.1 |
| **Share of net assets reflected in the balance sheet** | **50.6** | 46.5 | **0.1** | 0.3 |
| **Share of revenue profit** | **0.7** | 1.8 | **-** | 1.0 |

The investments are held at the Group's share of fair value. The property investments are classified as level 3 within the fair value hierarchy as defined within IFRS 13. There were no transfers between levels during the period.

The basis for valuations are 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 Crown Estate's share of net assets would reduce by £2.5 million (2021/22: £4.5 million).

## 20. Property, plant and equipment

| **Group and Parent** | **Leasehold right-of-use asset £m** | **Leasehold improvements £m** | **Office equipment £m** | **Plant and machinery £m** | **Motor vehicles £m** | **Total £m** |
|---|---|---|---|---|---|---|
| Cost at 1 April 2022 | **15.1** | **9.7** | **33.2** | **2.9** | **1.5** | **62.4** |
| Additions | **-** | **-** | **4.2** | **0.3** | **0.1** | **4.6** |
| Disposals | **-** | **-** | **(0.1)** | **-** | **(0.1)** | **(0.2)** |
| **Cost at 31 March 2023** | **15.1** | **9.7** | **37.3** | **3.2** | **1.5** | **66.8** |
| Depreciation at 1 April 2022 | **5.0** | **3.1** | **25.4** | **2.5** | **1.2** | **37.2** |
| Charge in the year | **1.0** | **-** | **1.7** | **0.3** | **0.2** | **3.2** |
| Disposals | **-** | **-** | **-** | **-** | **(0.1)** | **(0.1)** |
| **Depreciation at 31 March 2023** | **6.0** | **3.1** | **27.1** | **2.8** | **1.3** | **40.3** |
| **Net book value at 31 March 2023** | **9.1** | **6.6** | **10.2** | **0.4** | **0.2** | **26.5** |

| 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 |

Included within motor vehicles are motor vehicles with a book value of £0.1 million (2021/22: £0.1 million) that are owned by The Crown Estate. All other motor vehicles are right-of-use assets.

In the year ended 31 March 2022, following the IFRS Interpretations Committee (IFRIC) update on Configuration or Customisation Costs in a Cloud Computing Arrangement, assets with a net book value of £6.1 million that were previously categorised as fixed assets were charged to the revenue account.

# Notes to the Group and Parent consolidated financial statements
continued

## 21. Other investments
Other investments comprise antiques and paintings

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Opening balance | **10.9** | 10.9 |
| Revaluation | **(0.3)** | – |
| **Closing balance** | **10.6** | 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 2023.

## 22. Trade and other receivables

| | Group 2022/23 £m | Group 2021/22 £m | Parent 2022/23 £m | Parent 2021/22 £m |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade receivables – leases | **58.8** | 91.5 | **56.8** | 84.4 |
| Capital receivables – non-leases | **23.9** | 57.7 | **22.8** | 56.5 |
| Other financial assets | **0.1** | 0.1 | **0.1** | 0.1 |
| Amounts owed by subsidiary undertakings | **–** | – | **412.9** | 424.3 |
| Other receivables | **33.2** | 14.2 | **28.9** | 10.3 |
| Prepayments | **2.9** | 2.9 | **2.9** | 2.9 |
| Investment properties treated as finance leases (note 25b) | **8.0** | 7.9 | **8.0** | 7.9 |
| Accrued income | **41.0** | 37.3 | **41.0** | 37.3 |
| | **167.9** | 211.6 | **573.4** | 623.7 |
| Provision for expected lifetime losses | **(26.6)** | (45.3) | **(23.5)** | (41.5) |
| **Total receivables falling due within one year** | **141.3** | 166.3 | **549.9** | 582.2 |
| **Amounts falling due after more than one year:** | | | | |
| Capital receivables – non-leases | **–** | 15.4 | **–** | 15.4 |
| Other financial assets | **2.3** | 2.3 | **2.3** | 2.3 |
| Investment properties treated as finance leases (note 25b) | **418.7** | 443.5 | **418.7** | 443.5 |
| Other receivables | **31.7** | 28.6 | **31.7** | 28.6 |
| **Total receivables falling due after one year** | **452.7** | 489.8 | **452.7** | 489.8 |

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 2023 was £14.5 million (2021/22: £15.2 million). All accrued income arising from revenue with contracts with customers as at 31 March 2023 has been or will be invoiced within four months of the year end (2021/22: four months).

## 22. Trade and other receivables continued

### 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.

| At 31 March 2023 | Amounts not yet due | Less than 90 days past due | Between 90 and 180 days past due | More than 180 days past due | Total |
|---|---|---|---|---|---|
| Expected loss rate | – | 18% | 26% | 81% | 32% |
| | £m | £m | £m | £m | £m |
| Gross carrying amount | 20.7 | 29.4 | 9.0 | 23.6 | 82.7 |
| Provision | – | 5.3 | 2.3 | 19.0 | 26.6 |

| 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 |

## 23. Payables and deferred income

| | Group 2022/23 £m | Group 2021/22 £m | Parent 2022/23 £m | Parent 2021/22 £m |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade payables | 5.3 | 5.7 | 5.3 | 5.6 |
| Rents received in advance | 65.0 | 66.4 | 63.1 | 63.9 |
| Deferred income[1] | 829.3 | 298.4 | 829.3 | 298.4 |
| Taxes and social security | 13.5 | 15.6 | 13.1 | 15.2 |
| Other payables | 34.1 | 41.2 | 31.7 | 39.4 |
| Consolidated Fund (note 14) | 520.8 | 380.1 | 520.8 | 380.1 |
| Accruals | 55.7 | 48.4 | 54.5 | 47.4 |
| Obligations under finance leases (note 25c) | 1.8 | 1.9 | 1.8 | 1.9 |
| **Total amounts falling due within one year** | 1,525.5 | 857.7 | 1,519.6 | 851.9 |
| **Amounts falling due after more than one year:** | | | | |
| Deferred income[1] | 56.9 | 644.2 | 56.9 | 644.2 |
| Obligations under finance leases (note 25c) | 14.3 | 15.4 | 14.3 | 15.4 |
| **Total amounts falling due after more than one year** | 71.2 | 659.6 | 71.2 | 659.6 |

1. At 31 March 2022, option fee deposits in respect of Offshore Wind Leasing Round 4 of £293.0 million and £586.0 million were included in deferred income due within one year and due after more than one year respectively. During the year, the Agreements for Lease were signed, triggering revenue recognition. At 31 March 2023, option fees of £820.6 million are included in deferred income due within one year.

## 24. Provisions

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Opening balance | 0.7 | 3.4 |
| Payments in year | (0.7) | (2.7) |
| Expenses recorded in the revenue account | 0.5 | – |
| Expenses recorded in the capital account | 3.6 | – |
| **Closing balance** | 4.1 | 0.7 |

£3.6 million of the provision at 31 March 2023 (2021/22: £nil) relates to claims arising from remediation works to properties where The Crown Estate owns or previously developed the asset. The remaining provision of £0.5 million at 31 March 2023 (2021/22: £0.7 million) relates to the remaining costs of a recent restructure.

## 25. Leasing

### 25a. 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 (2021/22: 45 years) to expiry. The undiscounted future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases, are as follows:

| | Group 2022/23 £m | Group 2021/22 £m | Parent 2022/23 £m | Parent 2021/22 £m |
|---|---|---|---|---|
| Less than one year | **313.5** | 302.2 | **303.2** | 292.2 |
| Between one and five years | **956.9** | 971.0 | **919.1** | 930.7 |
| More than five years | **4,843.3** | 4,700.2 | **4,793.5** | 4,642.6 |
| **Total operating leases with customers** | **6,113.7** | 5,973.4 | **6,015.8** | 5,865.5 |

### 25b. 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 | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Less than one year | **9.9** | 7.9 |
| Between one and five years | **39.7** | 29.3 |
| More than five years | **1,837.4** | 1,523.6 |
| **Total undiscounted lease assets at 31 March** | **1,887.0** | 1,560.8 |
| Future finance lease income | **(1,590.3)** | (1,321.3) |
| Unguaranteed residual values | **130.0** | 211.9 |
| **Investment properties disclosed as finance leases (note 15)** | **426.7** | 451.4 |
| **Disclosed as:** | | |
| Current (note 22) | **8.0** | 7.9 |
| Non-current (note 22) | **418.7** | 443.5 |

During the year ended 31 March 2023 there were no disposals of investment properties classified as finance leases (2021/22: none).

### 25c. Lease liabilities

Lease liabilities are payable as follows:

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Less than one year | **1.8** | 1.9 |
| Between one and five years | **6.9** | 6.9 |
| More than five years | **53.0** | 54.7 |
| **Total undiscounted lease liabilities at 31 March** | **61.7** | 63.5 |
| Future finance charges | **(45.6)** | (46.2) |
| **Present value of lease liabilities at 31 March** | **16.1** | 17.3 |
| **Disclosed as:** | | |
| Current | **1.8** | 1.9 |
| Non-current | **14.3** | 15.4 |

The Crown Estate leases head office space from a joint venture and leases various motor vehicles for operations at Windsor Great Park.

### 25d. Other disclosures

Amounts recognised in revenue account:

| Group and Parent | 2022/23 £m | 2021/22 £m |
|---|---|---|
| Income from sub-leasing right-of-use assets | **0.6** | 0.8 |
| Contingent rents receivable | **45.8** | 38.1 |
| Variable lease payments not included in the measurement of lease liabilities | **(1.7)** | (2.1) |
| Interest on lease liabilities (note 9) | **(0.3)** | (0.3) |

The Crown Estate has no material leases that require higher than normal risk management.

## 26. Capital commitments and guarantees

### Capital commitments

At 31 March 2023, The Crown Estate had committed to make capital expenditure of £88.4 million (2021/22: £36.2 million).

### Guarantees

The Crown Estate has provided guarantees in respect of all outstanding liabilities relating to the year ended 31 March 2023 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)

## 27. Contingent liabilities

The Crown Estate is subject to various litigation, claims and warranties arising in the ordinary course of business. Other than otherwise disclosed, 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.

## 28. 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 18.

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 (2021/22: £3.2 million) were made during year and the prepaid balance with the joint venture was £0.8 million at 31 March 2023 (2021/22: £0.8 million).

| | **Group 2022/23 £m** | Group 2021/22 £m | **Parent 2022/23 £m** | Parent 2021/22 £m |
|---|---|---|---|---|
| Management fees receivable | **3.8** | 3.3 | **2.5** | 2.1 |
| Charges from joint ventures | **(0.5)** | (1.9) | **(0.5)** | (1.9) |

### Transactions with subsidiaries

Details of transactions between The Crown Estate and other related parties in the normal course of business are disclosed below:

| | **2022/23 £m** | 2021/22 £m |
|---|---|---|
| Management fees paid | **3.4** | 3.0 |

Details of amounts receivable from subsidiaries are outlined in note 22.

### 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 Committee report.

A close relative of James Darkins is a non-executive board member of Government Property Agency (GPA) and chair of the board of NHS Property Services Ltd. NHS Property Services Ltd is a client of GPA within the government boundary. The Crown Estate is a supplier to GPA outside the government boundary. Total income from GPA in the year amounted to £nil (2021/22: £393,000) and amounts due to GPA as at 31 March 2023 were £2,000 (2021/22: £3,000 receivable).

# Notes to the Group and Parent consolidated financial statements continued

## 29. Third party deposits
At 31 March 2023, The Crown Estate held £38.8 million (2021/22: £41.1 million) on deposit on behalf of third parties.

## 30. 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 Limited[1]

Purple Investment Management LLP[2]

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 Limited[3]

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 Limited[1]

The Gibraltar Limited Partnership[1]

Gibraltar Nominees Limited[1]

Westgate Oxford Alliance GP Limited[2]

Westgate Oxford Alliance Limited Partnership[2]

Westgate Oxford Alliance Nominee No.1 Limited[2]

Westgate Oxford Alliance Nominee No.2 Limited[2]

1. Registered office – York House, 45 Seymour Street, London W1H 7LX.
2. Registered office – 100 Victoria Street, London SW1E 5JL.

## 31. Issue of accounts
On 8 June 2023, the financial statements were approved by the Board prior to certification by the Comptroller and Auditor General on 21 June 2023. 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.

## 32. Events after the balance sheet date
Framework documents between The Crown Estate and the Treasury have been updated in the period since year end. The financial impact of these agreements has been reflected in these financial statements.

# 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, ie proportional, basis. The revenue and capital profit are the same as presented in the consolidated revenue and consolidated capital accounts.

| | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| **Consolidated revenue account** | **Group £m** | **Share of jointly controlled entities £m** | **Proportionally consolidated £m** | Group £m | Share of jointly controlled entities £m | Proportionally consolidated £m |
| Revenue before service charges | **702.7** | **39.9** | **742.6** | 452.7 | 38.1 | 490.8 |
| Service charge revenue | **36.0** | **5.6** | **41.6** | 30.6 | 5.0 | 35.6 |
| Revenue – as reported | **738.7** | **45.5** | **784.2** | 483.3 | 43.1 | 526.4 |
| Property expenses | **(124.4)** | **(15.9)** | **(140.3)** | (98.8) | (13.1) | (111.9) |
| Gross profit | **614.3** | **29.6** | **643.9** | 384.5 | 30.0 | 414.5 |
| Administrative expenses | **(53.5)** | **-** | **(53.5)** | (56.7) | - | (56.7) |
| **Operating profit** | **560.8** | **29.6** | **590.4** | 327.8 | 30.0 | 357.8 |
| Net finance income | **49.7** | **-** | **49.7** | 3.5 | - | 3.5 |
| Share of revenue profit from joint ventures | **29.6** | **(29.6)** | **-** | 30.0 | (30.0) | - |
| Share of revenue profit from other property investments | **0.7** | **-** | **0.7** | 1.8 | - | 1.8 |
| Parliamentary supply finance | **2.3** | **-** | **2.3** | 2.3 | - | 2.3 |
| **Underlying revenue account profit** | **643.1** | **-** | **643.1** | 365.4 | - | 365.4 |
| Depreciation of tangible fixed assets | **(3.2)** | **-** | **(3.2)** | (2.7) | - | (2.7) |
| Statutory transfers | **(197.3)** | **-** | **(197.3)** | (50.0) | - | (50.0) |
| **Consolidated revenue account profit** | **442.6** | **-** | **442.6** | 312.7 | - | 312.7 |

| | 2022/23 | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| **Consolidated capital account** | **Group £m** | **Share of jointly controlled entities £m** | **Proportionally consolidated £m** | Group £m | Share of jointly controlled entities £m | Proportionally consolidated £m |
| Capital account expenditure | **(35.3)** | **-** | **(35.3)** | (14.3) | - | (14.3) |
| Revaluation gain/(loss) (including gain on disposal) | **225.6** | **(63.7)** | **161.9** | 1,155.7 | 47.9 | 1,203.6 |
| Share of revaluation gain in joint ventures (including gain on disposal) | **(63.7)** | **63.7** | **-** | 47.9 | (47.9) | - |
| Share of revaluation gain in other property investments | **4.2** | **-** | **4.2** | 4.5 | - | 4.5 |
| **Consolidated capital account profit before transfers from the revenue account to the capital account** | **130.8** | **-** | **130.8** | 1,193.8 | - | 1,193.8 |
| Statutory transfers | **197.3** | **-** | **197.3** | 50.0 | - | 50.0 |
| **Consolidated capital account profit** | **328.1** | **-** | **328.1** | 1,243.8 | - | 1,243.8 |

# Additional information
# Supplementary disclosures (unaudited) continued

## 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, ie proportional, basis.

| Balance sheet | 2022/23 Group £m | 2022/23 Share of jointly controlled entities £m | 2022/23 Proportionally consolidated £m | 2021/22 Group £m | 2021/22 Share of jointly controlled entities £m | 2021/22 Proportionally consolidated £m |
|---|---|---|---|---|---|---|
| Investment properties – as reported | **14,505.6** | **634.8** | **15,140.4** | 14,223.9 | 699.3 | 14,923.2 |
| Investment properties treated as finance leases | **426.7** | **-** | **426.7** | 451.4 | – | 451.4 |
| Owner occupied properties | **136.7** | **-** | **136.7** | 130.0 | – | 130.0 |
| Other property investments | **50.6** | **-** | **50.6** | 46.5 | – | 46.5 |
| Assets held for sale | **-** | **-** | **-** | 9.0 | – | 9.0 |
| **Total properties** | **15,119.6** | **634.8** | **15,754.4** | 14,860.8 | 699.3 | 15,560.1 |
| Investment in jointly controlled entities | **651.1** | **(651.1)** | **-** | 725.3 | (725.3) | – |
| Cash and cash equivalents | **2,405.9** | **28.8** | **2,434.7** | 2,135.2 | 26.0 | 2,161.2 |
| Other assets | **212.9** | **26.0** | **238.9** | 253.0 | 27.3 | 280.3 |
| Current liabilities | **(1,529.6)** | **(38.4)** | **(1,568.0)** | (858.4) | (27.2) | (885.6) |
| Payables – amounts falling due after more than one year | **(71.2)** | **(0.1)** | **(71.3)** | (659.6) | (0.1) | (659.7) |
| **Net assets** | **16,788.7** | **-** | **16,788.7** | 16,456.3 | – | 16,456.3 |

## Properties at valuation on a proportionally consolidated basis

| Properties at valuation | 2022/23 Group £m | 2022/23 Share of jointly controlled entities £m | 2022/23 Proportionally consolidated £m | 2021/22 Group £m | 2021/22 Share of jointly controlled entities £m | 2021/22 Proportionally consolidated £m |
|---|---|---|---|---|---|---|
| Investment properties – as reported | **14,505.6** | **634.8** | **15,140.4** | 14,223.9 | 699.3 | 14,923.2 |
| Investment properties treated as finance leases | **426.7** | **-** | **426.7** | 451.4 | – | 451.4 |
| Assets held for sale | **-** | **-** | **-** | 9.0 | – | 9.0 |
| Headlease liabilities | **(2.5)** | **-** | **(2.5)** | (2.5) | – | (2.5) |
| Lease incentives | **12.4** | **11.3** | **23.7** | 13.3 | 9.3 | 22.6 |
| **Market value of investment properties** | **14,942.2** | **646.1** | **15,588.3** | 14,695.1 | 708.6 | 15,403.7 |
| Owner occupied properties | **136.7** | **-** | **136.7** | 130.0 | – | 130.0 |
| Joint venture properties | **646.1** | **(646.1)** | **-** | 708.6 | (708.6) | – |
| Other property investments | **50.6** | **-** | **50.6** | 46.5 | – | 46.5 |
| **Total properties at valuation** | **15,775.6** | **-** | **15,775.6** | 15,580.2 | – | 15,580.2 |

# Additional information
# Ten-year record

### Based on the financial statements for the year ended 31 March

| **Revenue account** | 2014 £m | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | 2021 £m | 2022 £m | **2023 £m** |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue (excluding service charge revenue) | 350.8 | 373.1 | 395.1 | 419.6 | 421.9 | 441.0 | 476.0 | 452.8 | 452.7 | **702.7** |
| Direct operating expenses (including net service charge expenses) | (45.9) | (51.1) | (54.2) | (53.4) | (60.0) | (61.2) | (86.6) | (110.9) | (68.2) | **(88.4)** |
| Gross profit | 304.9 | 322.0 | 340.9 | 366.2 | 361.9 | 379.8 | 389.4 | 341.9 | 384.5 | **614.3** |
| Administrative expenses | (20.0) | (20.9) | (23.0) | (27.7) | (28.8) | (30.7) | (34.6) | (38.5) | (56.7) | **(53.5)** |
| **Net revenue account profit** | **267.1** | **285.1** | **304.1** | **328.8** | **329.4** | **343.5** | **345.0** | **269.3** | **312.7** | **442.6** |
| Payments to the Consolidated Fund – payable in year | 266.2 | 285.1 | 304.1 | 328.8 | 329.4 | 343.5 | 345.0 | 269.3 | 312.7 | **442.6** |

| **Balance sheet** | 2014 £m | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | 2021 £m | 2022 £m | **2023 £m** |
|---|---|---|---|---|---|---|---|---|---|---|
| Investment, development and owner occupied properties (including assets held for sale) | 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 | **14,642.3** |
| Investment in joint ventures | 396.3 | 646.8 | 820.4 | 990.9 | 1,111.1 | 941.8 | 802.7 | 667.9 | 725.3 | **651.1** |
| Other non-current assets | 97.3 | 163.9 | 177.8 | 180.5 | 455.1 | 464.0 | 555.7 | 591.0 | 584.6 | **548.9** |
| Cash and cash equivalents | 552.0 | 552.5 | 907.3 | 825.6 | 886.9 | 802.8 | 1,029.1 | 2,174.5 | 2,135.2 | **2,405.9** |
| Current assets (excluding assets held for sale) | 19.3 | 39.2 | 51.1 | 53.3 | 83.9 | 100.6 | 105.6 | 134.6 | 166.3 | **141.3** |
| Current liabilities | (110.9) | (136.1) | (154.7) | (180.1) | (157.1) | (179.9) | (496.9) | (677.4) | (858.4) | **(1,529.6)** |
| Non-current liabilities | (992.5) | (1,181.1) | (1,371.1) | (1,560.6) | (19.7) | (18.7) | (43.9) | (937.6) | (659.6) | **(71.2)** |
| **Net assets** | **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** | **16,788.7** |

# Glossary

**Agreement for Lease (AfL)**
A contractual (sometimes conditional) agreement between parties to enter into a lease.

**Bespoke benchmarks**
An MSCI benchmark based upon the Annual Index weighted to reflect our average capital employed at March 2023. We receive multiple bespoke benchmarks, including of the commercial property portfolio. All benchmarks exclude 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 His Majesty and His successors.

**Carbon capture, utilisation and storage (CCUS)**
CCUS is a low-carbon solution which captures $CO_2$ from power generation and hard to abate industries such as iron and steel, fertilizer, cement, chemicals and refining, as well as enabling at scale low-carbon hydrogen production. The $CO_2$ is then transported via pipeline or ship to a permanent and secure storage site, deep under the seabed.

**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 Index, 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 reversions 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.

**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.

**Lost Time Injury Frequency Rate (LTIFR)**
The LTIFR captures any injury that impacted the injured person's ability to go to work the next day or thereafter following the injury.

### 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
An investment research firm that provides equity, fixed income and real estates indices.

### Net revenue profit
Profit payable to the Treasury. Also referred to as net revenue surplus.

### Offshore Wind Leasing Round 4 (Round 4)
The Crown Estate's round of auctions of seabed rights for offshore wind projects in the waters around England and Wales. In January 2023, Agreements for Lease were signed for all six of the projects that comprise Round 4.

### ONS
Office for National Statistics.

### Operating lease
Any lease that is not a finance lease.

### 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.

### psf
Per square foot.

### Public realm
The spaces 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
His 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.

### UK Corporate Governance Code 2018 (the Code)
The Code sets out standards of good practice on board composition and development, remuneration, shareholder relations, accountability and audit.

### 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 review**
**Wales review (Welsh)**
**Northern Ireland review**
**Environmental and Social data supplement**

Our supplementary reports can be downloaded at: **thecrownestate.co.uk/annual-report-2023**

## Photography credits

**Cover and pages 4 and 43**
Ben Barden Photography Ltd

**Page 11**
Chris Jackson / Getty Images

**Pages 18 and 56**
© Kris Piotrowski Photography

**Pages 19 and 33**
Holly Wren

**Page 28**
Neil Garrick-Maidment / The Seahorse Trust

**Page 38**
Courtesy of Deborah Clark

**Page 52**
Image taken with support of Câr-y-Môr, carymor.wales

**Page 59**
© Julian Cornish-Trestrail / JCTPhoto.com

**Page 61**
Filippo Bolognese Images

**Page 85**
Courtesy of Jessica Love

**Page 85**
ramshackle studio / @ramshackle_studio

MIX
Paper | Supporting responsible forestry
FSC® C022913
www.fsc.org

Printed by Pureprint.

Printed sustainably in the UK by Pureprint, a CarbonNeutral® company and is certified to ISO 14001 environmental management system recycling.

Printed digitally without the use of film separations, plates and associated processing chemicals. 99% of all dry waste associated with this production has been recycled.

This publication is printed on Image Indigo and Indigo Arena Extra White Smooth which is manufactured at a mill that has ISO 14001 environmental standard accreditation and the fibres are bleached using a Chlorine Free bleaching process (ECF).

Design and production

luminous

**www.luminous.co.uk**

THE CROWN ESTATE

**London**
**The Crown Estate**
1 St James's Market
London
SW1Y 4AH

**T** 020 7851 5000

**Windsor**
**The Crown Estate**
The Great Park
Windsor
SL4 2HT

**T** 01753 860 222

thecrownestate.co.uk
@TheCrownEstate