

Sustainability

Introduction

Sustainability is fundamental to shaping the future of The Crown Estate. It is important to us across the diverse property portfolio we manage and our commitment to sustainability reflects our ability to take the long-term view.

As the director with responsibility for sponsoring sustainability in the business I am very pleased to be able to report on a year of significant success for The Crown Estate's sustainability strategy, its first full year of implementation. In July 2010, over 100 stakeholders attended its formal launch, since when we have been achieving ever more recognition for our innovative approach to delivering sustainability. Our sustainability report won the PwC Building Public Trust Award for the second year running. We achieved 'Silver' in our first submission to the Business in the Community's Corporate Responsibility Index and were awarded a 'Big Tick' in BiTC's Awards for Excellence 2011, all of which are substantial achievements.

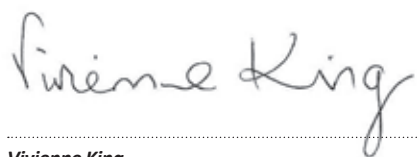
All of our executive board directors have taken forward their responsibilities for leading the employee network groups which champion the sustainability issues which are of key concern to The Crown Estate and I would like to thank each member of these champions network groups for their commitment to our success.

Given the risk posed by asset obsolescence through climate change and energy security, this year has also seen the development of an innovative tool to enable us readily to integrate sustainability factors into our business decision making. We expect this to become operational in the coming year.

As is the case with other property businesses with major heritage portfolios, preparation for the Carbon Reduction Commitment Energy Efficiency Scheme has been demanding. But we expect our efforts to pay dividends through the installation of 'smart meters' across our directly managed urban portfolio and significantly improving our carbon accounting. We are confident of achieving certification to the Certified Emissions Measurement and Reduction Scheme in 2011.

This year has also brought the publication of our inaugural policy for community investment, heralding a consistent approach which respects the diverse nature of our business. We have gone on to develop a working tool to guide colleagues in the selection of projects for investment, identification of partners and project implementation.

We have made notable progress in the effective delivery of sustainability for the long-term advantage of our business. Nevertheless, we recognise and welcome a world of rapidly mounting expectations which we remain focused on meeting in our stated aim of being recognised as an innovator in sustainability. Details of our achievements, work in progress and future plans are given in the following pages and in more depth on our website.



Vivienne King

Director with responsibility for sustainability

Achievements

Silver Achieved 'Silver' in the BiTC CR Index and awarded 'Big Tick'	UK UK wave and tidal power strategy developed
New New tool to qualitatively evaluate risks from effects of climate change on investment decisions	7 more Seven more offshore wind supply chain events held (19 to date)
90% Quadrant 3 – 90 per cent of non-hazardous waste reused or recycled; 17 per cent of recycled materials used in construction; BREEAM Excellent	Achieved ISO 14001 and ISO 18001 certification achieved for three more offices
78% 78 per cent of non-hazardous waste diverted from own offices and directly managed portfolio	New New framework to incorporate sustainability into marine decision making
11 events 11 community events held	Guide New internal guide for application of community investment policy
43 more 43 more Westminster residents placed in full-time work (62 to date)	Awarded Awarded the Building Public Trust Award for our Sustainability Report 2010
532 hours 532 hours of volunteering by 15 per cent of employees	

Challenges

Increase Increasing our influence – securing desired performance in those parts of the business where we do not have control, but can only use our influence, such as properties held on very long leases	Develop Developing ways to measure the benefits of our community investment strategy
Improve Improving our carbon footprint and reduction opportunities, particularly with older buildings and where we have limited control	Continue Continuing to build open and transparent relationships by enhancing the way we engage and work with stakeholders
Reduce Reducing water consumption	

Our strategy

Sustainability is integral to our values of commercialism, integrity and stewardship. During 2009 we implemented a new sustainability strategy and the last 12 months have seen us put this into practice.

We have a well-established governance structure for sustainability that clearly defines roles and responsibilities and helps us implement our strategy. The sustainability committee, chaired by our chief executive, has overall responsibility for our strategy and performance. The four sustainability pillars have dedicated employee ‘champions groups’, each led by a management board director. Their remit is to embed sustainability and develop the way forward. Each group’s progress is reported quarterly to the sustainability committee.

How we operate

The way we manage our diverse portfolio broadly falls into two categories: ‘control’ – where we directly manage the property, typically through managing agents; and ‘influence’ – where our degree of direct management control is limited, for example over those properties held on long leases.

Where we directly manage property, we take clear and decisive action to implement our sustainability strategy. Our approach is to communicate our sustainability aspirations clearly, identify common goals, offer expertise and collaborate effectively with our customers. The sustainability performance data in this report covers the properties and activities under our control.

In those parts of our portfolio where we don’t have control, the challenge is to influence activities so that they are carried out in line with our sustainability aspirations. We do this increasingly by engaging with tenants and other stakeholders, funding research and recognising best practice through awards. Our online sustainability report details where we have control and influence across all of the activities carried out on each of our estates.

Engagement and materiality

We regularly engage with stakeholders across our business to better understand and manage their key issues. We aim to be responsive and to share knowledge inside and outside the organisation. A steering group uses a materiality process to analyse issues – taking account of our business goals and the perspectives of our stakeholders.

Integrating sustainability

Integrating sustainability into our business decisions and operations is at the core of our sustainability strategy and we have continued to make significant progress. This year we have been working to integrate sustainability into urban investment decisions, rural tenant engagement, marine business sector decisions, and how we align our community and education activities with our business goals.

Sustainability strategy

We have a responsibility to bring benefits to our business and at the same time benefit the economy, communities and the environment over the long term.

Tackling climate change and energy security

Reducing our carbon footprint, adapting to a changing climate, and enabling renewable energy generation.

For more information: See page 46

Driving environmental value

Improving our performance and reducing our impacts.

For more information: See page 48

Sustaining communities

Investing in and supporting communities.

For more information: See page 50

Working together

With our people, our customers, business partners and stakeholders.

For more information: See page 52