

What we draw on to create value

Resources and relationships

We have identified six different resources and relationships that are essential in how we create value. We draw upon these as vital inputs into our business and we are constantly increasing, decreasing and transforming them through our activities.

 <p>Financial resources</p> <p>The financial resources that are available to us to grow our business.</p> <p>For example, how we recycle capital when we sell an asset.</p>	 <p>Physical resources</p> <p>The land and property that we own and utilise.</p> <p>For example, the quality of the buildings that we own and manage. This resource is particularly relevant to our business sector.</p>	 <p>Natural resources</p> <p>The natural resources that we nurture, harness and harvest to sustain our business.</p> <p>For example, the quality of soil that supports the crops grown by our rural tenants.</p>
 <p>Our people</p> <p>The individual skills, competencies and experience of our people which create value and deliver our business objectives.</p> <p>For example, our organisation-wide commitment to working as one business, one team with one common sense of purpose.</p>	 <p>Our know-how</p> <p>Our collective expertise and processes, which provide us with competitive advantage.</p> <p>For example, our expertise in development management which allows us to execute extensive development projects in Regent Street and St James's.</p>	 <p>Our networks</p> <p>The relationships we have with customers, colleagues, communities, business partners and Government that are central to our business.</p> <p>For example, our strategic partnerships that build upon shared values and which provide ongoing investment across our core business.</p>

By these means we are creating greater value for ourselves, our stakeholders and the communities which support us.

These resources and relationships are all intrinsically linked and we recognise how important it is not to focus on maximising one of them at the expense of another. We will become more sustainable, and therefore more successful as a business, by optimising all our resources and relationships. For example, we invest our 'financial resources' in 'our people',

equipping them with the skills and training they need to enjoy fulfilling and rewarding careers; this increased 'know-how' can help ensure that on our land and property ('physical resources') we use 'natural resources' more efficiently, which in turn can generate greater 'financial resources' to grow our business.

These six resources and relationships are an integral part of our decision making processes. Their essential role in our business is represented throughout this

report, from the further development this year of our business model on the previous page and our material issues on pages 46 – 47 to describing their contribution in creating value for each of our core business activities on pages 18 – 41. Our Finance Director's review on pages 48 – 53 is also structured around the six resources and relationships, highlighting their importance in the creation of strong financial returns.

Defining value beyond financial return

Our Total Contribution

What is Total Contribution?

Total Contribution is the way we measure and communicate the significant value we create beyond financial return. It covers economic, social and environmental contributions.

Our accounting approach is built upon three transparency principles:

Credit – going beyond direct impacts to include indirect activities (arising from work commissioned by us and carried out through our supply chain) and our enabled activities (those undertaken by others on our land).

Confidence – how confident we are in the results, particularly identifying where we are relying on established modelling and assumptions.

Net Contribution – taking into account the negative as well as positive outcomes, including connected activity elsewhere and things that ‘would have happened anyway’.

Progress so far

Following the launch of our first Total Contribution report last year, we have been sharing our experiences with others to build momentum and consensus in value measurement. We have also been:

- Reviewing what we measure and the modelling we use to ensure they are relevant and to improve our confidence in the results.
- Consolidating our approach with the production of: a manual to set out responsibilities and timelines for collection, collation and reporting; an updated methodology document addressing changes in approach; and improved data collection tools. This has enabled us to build a baseline covering three years from which we will be able to measure improvement.
- Running pilot projects to identify the ecosystem services and cultural value that our natural resources provide to visitors and local communities.
- Incorporating Total Contribution thinking into decision making – examples include engagement with stakeholders such as planning authorities, and measuring the value of activities such as job creation, community education projects and embedded generation of renewable energy in development and refurbishment.

What next?

We are working towards Total Contribution becoming one of our key performance indicators. This will allow us to measure our relative performance against a firm baseline. Total Contribution is also how we intend to measure our positive impact to the UK.

In order to do this we are looking at possible ways to sum up the year-on-year performance of the different things we are measuring, without losing their individual value. We are also working with an external third party to gain independent assurance on our approach and to validate our results.



The Crown Estate's Total Contribution
<http://www.thecrownestate.co.uk/our-business/how-we-measure-value/>



Sustainability is integrated in our business as a driver of performance. Total Contribution is our tool for defining and measuring the value we are creating from our business performance. Looking forward, we will be developing this as a mechanism for demonstrating the financial, social and environmental benefits of our business.

Vivienne King
Director of Business Operations and General Counsel