



Sustainability | Leadership | Innovation

ACCOUNTING FOR SUSTAINABILITY



2014 WINNER CASE STUDY

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

THE TOTAL PICTURE

A new integrated accounting approach puts sustainability at the heart of The Crown Estate's business strategy.

THE BUSINESS

The Crown Estate is an independent commercial business, created by UK Act of Parliament. It has substantial urban commercial holdings in central London and prime retail parks throughout the UK. It is one of the largest owners of rural and coastal land. It manages the seabed out to the 12-nautical mile limit and the rights to renewable energy on the continental shelf. It is a commercial business that seeks to make sure that the land and property it invests in and manages are sustainably worked, developed and enjoyed so that they deliver the best value over the long term.

THE IDEA

The Crown Estate used to have separate business and sustainability strategies. However it soon realised that both strategies were reliant upon each other and so decided to integrate them, supporting its belief that a sustainable

business is a successful business. This integrated approach is being embedded into its business planning process as well as decision making processes.

How the different resources and relationships interconnect lie at the heart of The Crown Estate's value creation.

The Crown Estate now looks beyond financial value and takes into account social and environmental factors as well. In order to measure this total value, The Crown Estate has developed an accounting approach called **Total Contribution**. This goes beyond measuring its direct impacts to include its supply chain and the impacts to its portfolio. The Crown Estate produced its first report on the **Total Contribution** in May 2013. It also has produced its second Annual Integrated Report and is a part of the International Integrated Reporting Council's (IIRC) business network of organisations who are driving innovation in reporting.



The Crown Estate's portfolio includes some of the UK's most iconic assets: all of Regent Street and much of St James's in central London

THE INNOVATION

The big innovation is that The Crown Estate business model now includes clear reference to the resources and relationships it depends upon. The Crown Estate has identified six different resources and relationships that are essential in how it creates value: financial, physical (such as its buildings and land), natural resources, people (including its staff), know-how and networks. 'How these interconnect lie at the heart of The Crown Estate's value creation,' says John Lelliott, Finance Director. He explains that in identifying the six resources and relationships, The Crown Estate has taken the IIRC's framework and adapted it to meet its own business needs.

Managers believe their growing understanding of how these six factors connect help them to make more sustainable decisions. The Crown Estate has also developed tools to enable business teams embed sustainability. Some of the tools provide guidance on how to address sustainability in board papers. Others focus on the development principles to address when considering the social impact of natural resource use.

It's about integrated thinking not just integrated reporting.

FINANCE FUNCTION LEADERSHIP

Leadership for the project has come from the senior management team including Chief Executive Alison Nimmo and Lelliott. At a strategic level, Lelliott championed the introduction of integrated thinking and reporting. He believes the new approach has made the business model clearer, identified the material issues influencing the organisation and, more recently, helped managers understand the resources and relationships the business relies upon. The finance team has embedded, managed and delivered a business plan which incorporates sustainability within the organisation's business strategy.

Anne Thomas, Financial Controller, is a key member of the **Total Contribution** steering committee and works closely with the sustainability team. She helped to develop the methodology and produce the first report. Lelliott points out that as The Crown Estate develops this approach further, Thomas is taking an even more active role in understanding their suppliers and stakeholders' influence upon the organisation's supply chain – and in making sure that the approach is robust and fit for purpose.

At an operational level, the finance team has led initiatives to create a positive impact with sustainability at its heart. It introduced and ran a careers development programme to help disadvantaged young adults get jobs in the property sector. It launched a **Green Workplaces** initiative to empower employees to make a difference in the work environment. This is run by one of the senior managers in the finance and information security team.

POSITIVE LONG-TERM IMPACT

The **Total Contribution** approach has highlighted that the biggest opportunities lie with organisations which lease The Crown Estate land. For example, Quadrant 3 is part of a £1bn development of The Crown Estate land around Regent St including building improvements, pedestrianisation, and the largest new public space in London since the creation



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of Trafalgar Square. In addition The Crown Estate has negotiated with 28 of the 118 Regent St businesses to use a stock delivery hub in Enfield, with only night deliveries using an electric van. It has reduced delivery traffic by 70–80%.

The project has developed more sustainable buildings in the area by using low carbon materials, petrochemical free paints and rainwater harvesting for example, and has created over 730 jobs. It is estimated that the project equates to a £6.8m contribution to the UK economy.

The Crown Estate is actively considering more than 65 new ideas from employees. Lelliott believes that embedding sustainability into its planning process encourages business units and support departments to identify sustainability initiatives that create value. By measuring the contribution the business makes through its **Total Contribution** approach, it is able to identify the areas it needs to focus upon to make a positive impact.

LESSONS FROM THE CASE STUDY

There are several lessons from The Crown Estate's successful experience of integrating sustainability into its business strategy. Not least among these is the vital importance of leadership – from the chief executive, the finance director and the senior management team.

A second lesson is the importance of empowering the organisation. Much of the success of The Crown Estate's integrated strategy comes from the enthusiasm with which staff have embraced the principles behind it. There may be top-down leadership, but there is a constant bottom-up flow of new ideas to develop sustainability through all aspects of the business.

And, finally, argues Lelliott, the success of an ambitious project such as this relies on a totally integrated approach. That is because, for the project to work, sustainability had to be accepted and embedded in all parts of the business. 'It's about integrated thinking,' adds Lelliott, 'not just integrated reporting.'