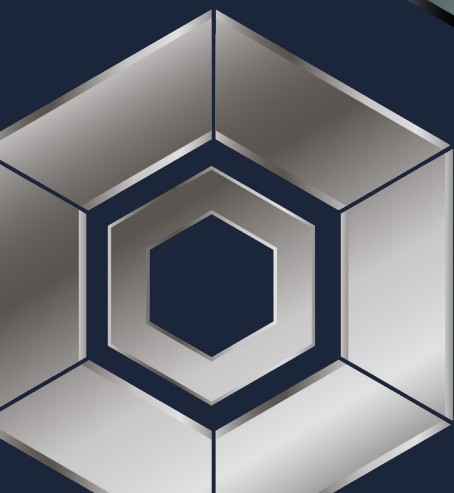
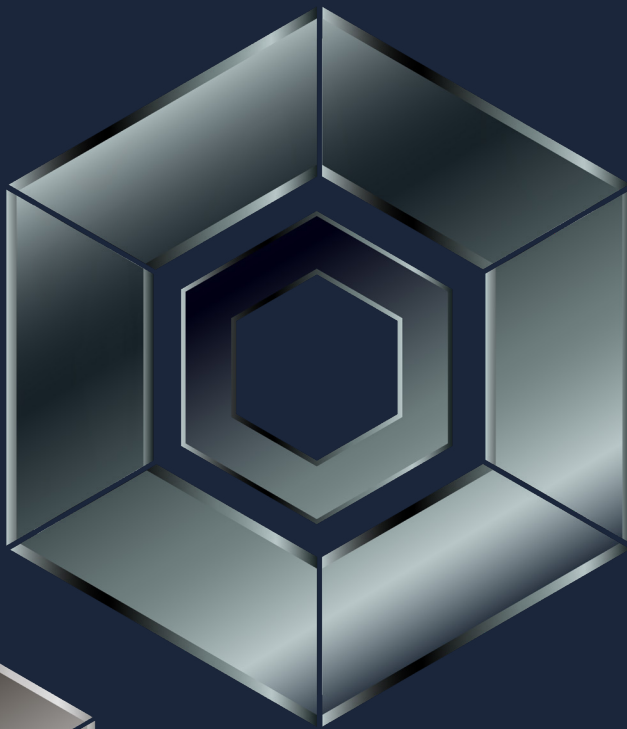
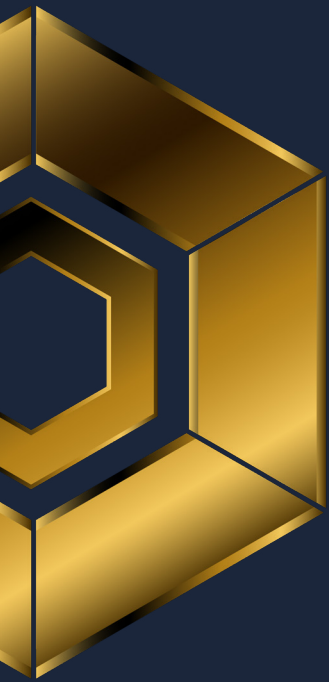




**SFMI**  
The Sustainable FM Index

**SFMI 2021:**

**A Pivotal Year For Sustainable  
Facilities Management**



**ACCLARO**  
ADVISORY

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# FOREWORD



As the COVID-19 crisis lingers on almost two years after it began, UK PLC continues to face uncertainty. Businesses are grappling with many questions about the future, on everything from supply chains through to the workplace, employee management and, of course, sustainability. If 2020 was about survival, 2021 is about strategising and finding answers to these questions.

Meanwhile, the climate crisis has only become more urgent. In the summer of 2021, the UN's Intergovernmental Panel on Climate Change (IPCC) warned that humanity was now facing a “code red” climate emergency. As if to underline that point, the past year was punctuated by unprecedented extreme weather, including massive wildfires in Greece and on the west coast of North America, major flooding in the UK, and intense heatwaves across the globe.

At the time of writing, COP26 has just taken place and, considering this most recent warning, the latest UN Climate Change Conference felt more crucial than ever. However, reaction to the event has been mixed. The deal ratified by governments after two weeks of talks – the Glasgow Climate Pact – was the first agreement of its kind to explicitly plan a global reduction in coal, introduce more urgent emissions cuts and commit more money for developing nations which are likely to feel the devastating effects of climate change first. Even so, critics argue that the Glasgow deal doesn't go far enough to sustain a 1.5°C temperature rise by 2030 – the marker that the IPCC claims is the difference between environmental survival or destruction.

So, what does this all mean for UK PLC? If the past two years have demonstrated anything, it's that a genuine commitment to tackling climate change and building a sustainable future requires more than simply publishing a carbon reduction plan on a website. It means taking a holistic approach to sustainability that drives change across three core areas: the environment, social value and governance. The Sustainable Facilities Management Index (SFMI) has defined [23 criteria](#) within these three groups. <sup>1</sup>

On the environment, companies must consider energy and carbon, water, the circular economy and biodiversity – and how these elements implemented through an organisation, across the supply chain and into customer contracts.



It's also impossible to ignore that climate change has certain social effects on communities, employment and diversity. As a result, companies need to apply their understanding of climate change to any responsible business goals, ensuring that everyone has an opportunity to be employed, developed and upskilled. As we begin to plan for life after the pandemic, social value will take on a dual dimension within FM: companies in the sector will need to focus on how to mobilise the communities in which they work and support occupancy, comfort and wellbeing in the built environment.

Finally, all this requires good governance, which means driving change from the top, understanding the business risks and opportunities, engaging with stakeholders and driving sustainability internally and through customers. As an example, if climate change is to drive far greater global migration, organisations will need to understand what it takes to become an inclusive and diverse employer to minimise social tensions.

COP26, and 2021 more generally, highlighted the scale of the challenge ahead but also the opportunity UK PLC has to tackle climate change. The SFMI exists for this reason: to drive change in the built environment by delivering a roadmap that enables organisations to identify where they can make a difference, integrate sustainability with business strategy, and transform their operations.

That's where the 2021 SFMI comes in. This report explores the challenges of the past year and how some of the leading organisations in facilities management are applying the lessons from the pandemic, COP26 and beyond.

We hope you enjoy reading it.

Sunil Shah  
Founder, SFMI







## EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

It has been a pivotal year for the facilities management (FM) sector. The firefighting of 2020 has given way to more strategic planning in 2021, as organisations turn to FM to help them make sense of life after COVID-19.

A pandemic that won't end, the various supply chain crises that have followed and an increasingly urgent climate emergency have made it clear that sustainability is pivotal to that future, especially for FM organisations that have the potential to make a massive difference in the workplace, across communities and beyond.

The SFMI is developing a three-pronged roadmap for sustainability in the FM sector, including environmental, social and governance actions – which cut across strategic management, the operational delivery and supply chain engagement. Any FM organisation that is serious about sustainability must act in these areas while understanding the numerous ways they overlap.

As with previous years, the 2021 SFMI revealed that FM organisations are making progress across these three pillars at the operational level, introducing sustainability on the ground internally and externally. However, outside of a select few leaders, these organisations struggle to make any headway at a strategic level and are mostly less mature at the supply chain level.

## **Operational level findings**

The most notable improvements were found in:



- Employment & social mobility
- Zero Carbon
- Biodiversity
- Social value
- Transport

Increasingly, FM companies are making net zero commitments, a trend driven by growing legislative and corporate pressure. But targets vary significantly across the industry, with few FM companies having committed to carbon offsetting so far.



The SFMI recorded key progress in biodiversity this year, with FM service providers able to demonstrate success to customers in this criterion, causing an uptick in demand for it.

Transport experienced a significant increase in focus from last year's SFMI assessments. Government legislation and the material size of fleet emissions within their carbon footprint are pushing FM organisations to decarbonise their fleets. However, the continued presence of larger commercial vehicles with internal combustion engines means there is some way to go.

### **Strategic level findings**

The SFMI increased the difficulty across governance criteria, leading to little improvement at the strategic level for sustainability in FM. But the 2021 SFMI revealed some interesting challenges in areas of increasing focus, including:



The Taskforce on Climate-related Financial Disclosure (TCFD) is a global framework that supports climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. There is a significant gap in knowledge around the framework despite the UK government's plans to make disclosure in line with TCFD mandatory for large organisations.

FM organisations demonstrate a growing understanding of sustainability risk at the enterprise level, highlighting the issue's growing importance in the boardroom, but struggle to identify how this risk materialises in operations.

Although commercialising sustainability remains a challenge, leading sustainable FM organisations are diversifying to differentiate themselves in the market. This trend has led to two dominant models:



- 1) FM companies have begun to specialise in sustainability practices related to net zero e.g., electric vehicle chargers and renewable energy generation.
- 2) Large businesses are developing sustainability consultancy services to win work, build an energy or carbon plan, and the expand FM services to deliver the project for the customer.

Finally, there has been general progress in disclosure and values alignment. However, FM companies could do more to disclose public information in areas such as net zero and diversity & inclusion.

### **Supply chain findings**

New to The SFMI this year is the increased development of supply chain sustainability practices. Increasingly, leading FM organisations understand that genuine progress in sustainability, especially when it comes to net zero, requires action across the vast FM supply chain. However, they are not able to lead a strategic targeted approach that sets targets for improvements.

The 2021 audits revealed that many FM organisations struggle to understand and, therefore, measure supply chain emissions. There is only one FM service provider currently working with its suppliers to achieve sustainability goals with KPIs in place.

One area of progress is the circular economy, with FM organisations developing localised waste strategies that increase recycling and reuse and suppliers that provide solutions. But more must be done to integrate sustainability generally with the procurement function to prevent waste in the first place.

Looking forward, The SFMI recommends that the FM industry focus more on greater collaboration with customers and supply chain partners to achieve aligned goals. Only then can FM organisations make real progress in crucial areas of sustainability like net zero and the circular economy.

For more on this topic, see the 2021 SFMI Bitesize Webinars Series available on our YouTube Channel.



# METHODOLOGY



# METHODOLOGY

Historically, The SFMI selected the largest FM service providers from the Crown Commercial Services framework. Following a benchmark formed from public information, The SFMI invited these organisations to take part in a 'deep dive' audit. However, this process limited participation to companies that were already confident in their sustainability credentials.

In 2020, to gain a more accurate picture of sustainability in the facilities management sector, The SFMI broadened its scope to focus on the organisations that have built reputations as change-makers in the UK's FM sector. Through this new focus, The SFMI intends to highlight the trajectory of sustainability in the sector and build a consortium of the most sustainable organisations in the market.

## **Assessment**

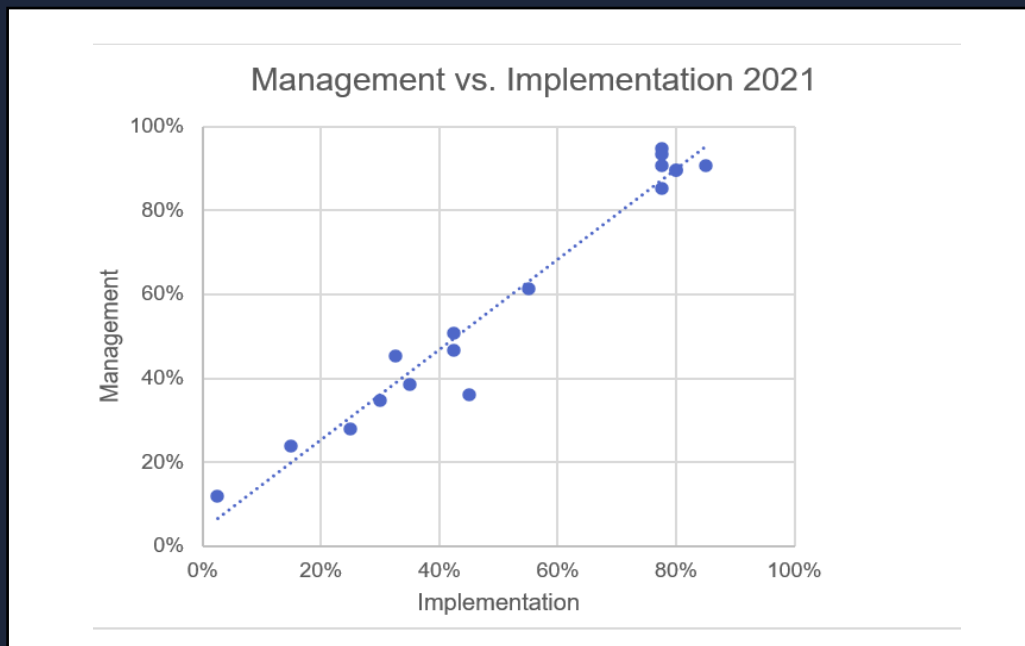
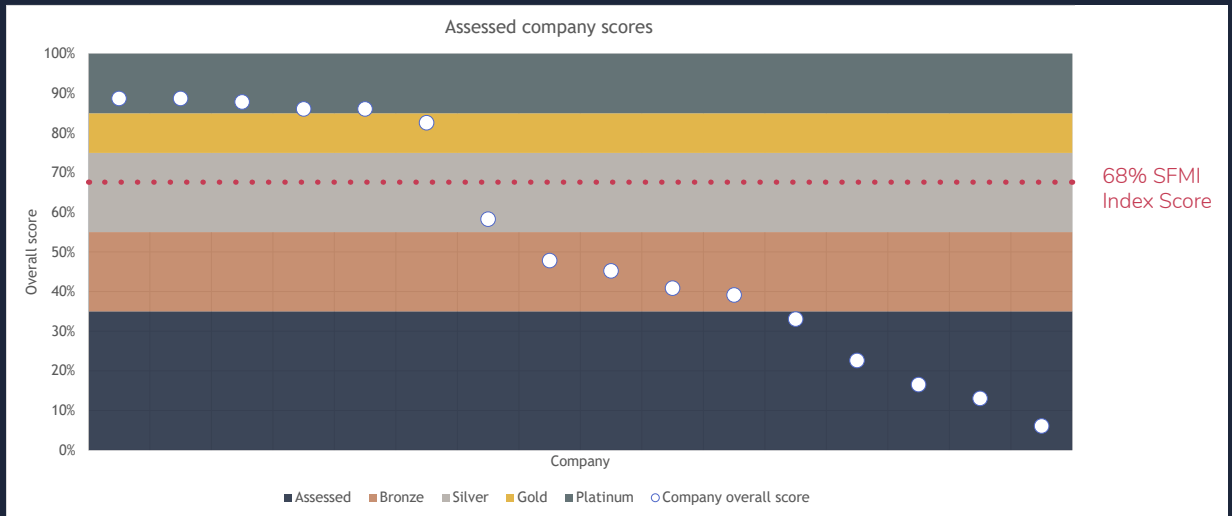
The SFMI assessment is divided into three phases with a score for each one: the initial assessment score, the post-audit score and the final score. Additional evidence can be provided following the post-audit score.

Organisations must invite The SFMI to conduct a secondary audit beyond the public information assessment. Inviting The SFMI to audit a company demonstrates a willingness to learn and improve the management and implementation of sustainability within an organisation.

During each phase, 23 criteria are scored from 0-5. Organisations cannot score above 3 in the initial phase as it is difficult to provide the evidence that The SFMI requires for higher scores through public documentation. Scores of 4-5 can be achieved in the following phases if organisations can demonstrate that sustainability is embedded into their company culture and processes. Companies should aim for an SFMIndex score of 68% to demonstrate their progress in achieving the gold score.

For full details of the criteria, see our detailed report [here](#).





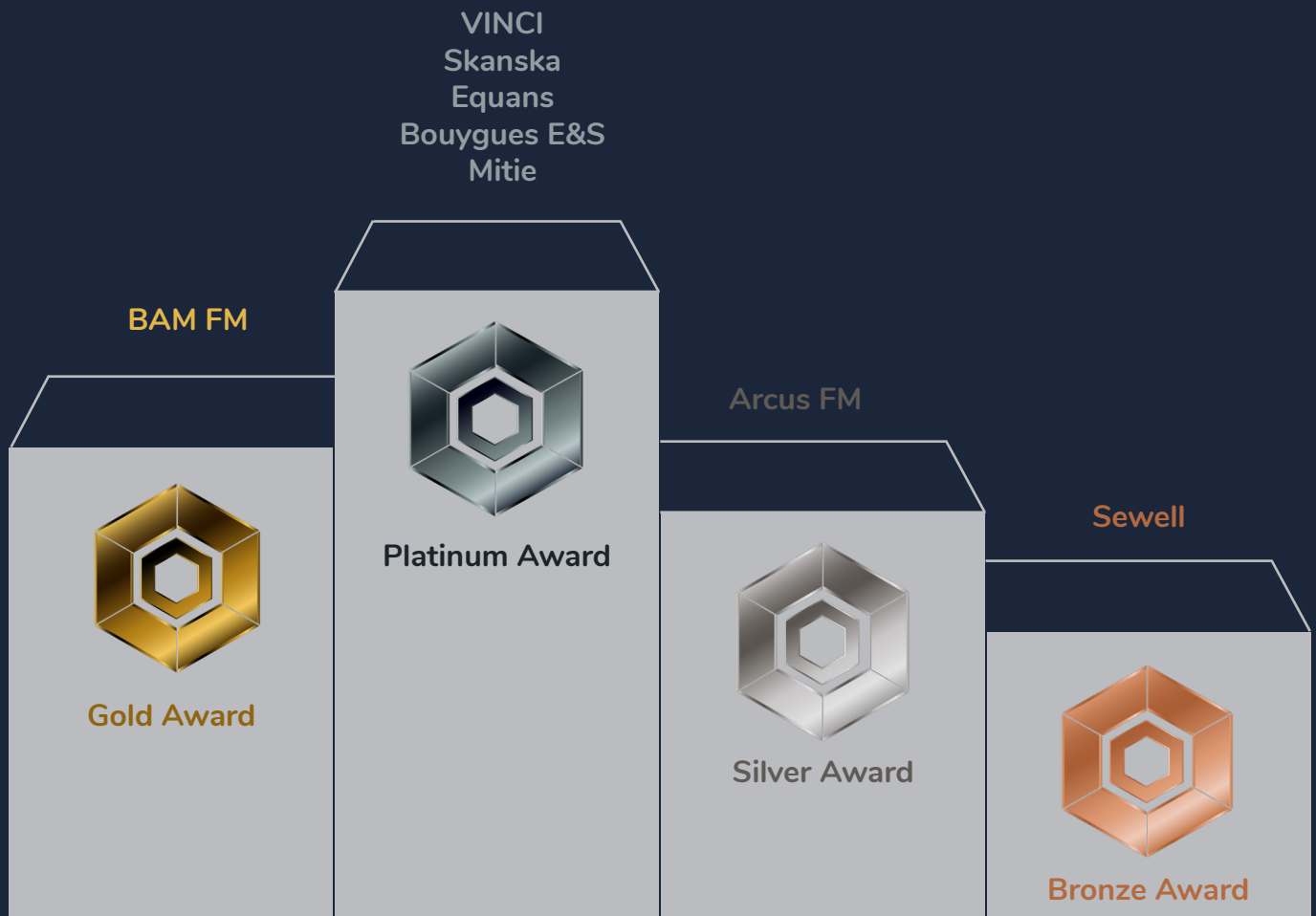


# **OVERVIEW OF 2021 SUSTAINABILITY PERFORMANCE**





# OVERVIEW OF 2021 SUSTAINABILITY PERFORMANCE



## Partners (receiving a full assessment)

- Arcus FM
- Bam FM
- Bouygues E&S
- Derwent FM (first year of audit)
- ENGIE
- Mitie
- Sewell FM
- Skanska
- VINCI Facilities

## Non-Partners (public data assessment only for benchmark purposes)

- Atalian Servest
- Churchill Services
- EMCOR UK
- ISS
- OCS Group
- Pareto FM
- Sailsbury FM
- Sodexo

# LESSONS FROM THE SFMI

2021 has been a year of challenges and discovery for the FM sector. As outlined in the [2020 SFMI report](#),<sup>2</sup> facilities management spent the early months of the pandemic on the frontline against the virus. Thousands of facilities staff put themselves at risk to keep buildings safe and people healthy; but this had a transformative effect. Suddenly, business leaders were turning to their FM teams to navigate them through the crisis, allowing the sector to demonstrate its critical value, especially to sustainability, in a way that it had never been able to in the past.

One year later the role of facilities management has changed again, with the focus shifting from crisis mode to strategic planning. Businesses now need their FM teams to help them make sense of the built environment and the workplace after COVID-19, and the FM sector is working out how it must position itself in the market.

As the [2021 SFMI Leaders Forum](#) made clear in March, one of the major obstacles to developing good sustainability in FM is an ongoing inability to commercialise the practice<sup>3</sup>, a task made even more difficult by the chaos caused by the pandemic. Forum participants noted upskilling staff, embedding systems and processes, the procurement of goods, collecting data, and communication with customers as contributing factors to this roadblock.

Meanwhile, there has been an increased focus on supply chain management, especially as it relates to social value. One of the recommendations from the forum was for FM providers to offer more support for tier 2 and 3 suppliers, many of which are SMEs, because these organisations often have significant gaps in their understanding of social value and what they can contribute.

Finally, the past year has been defined by an increase in sustainability requests from customers and on public tender documents. In a 2021 RICS FM Survey, more than one in three respondents said end users are now regularly considering energy efficient measures to reduce carbon emissions<sup>4</sup>. The Cabinet Office also published a Procurement Policy Note (PPN 06/21) establishing the rule that all suppliers bidding for government contracts need to commit to net zero by 2050 and publish carbon reduction plans on their website<sup>5</sup>.



## The net zero challenge

The rise of net zero, as both a movement and an ambition, is significant. The concept of carbon neutrality, as it is sometimes known, originated in a [2009 scientific paper](#)<sup>6</sup>. Since then, net zero has been used frequently by the IPCC and governments around the world in discussions on climate change. The UK was the first G7 economy to commit to net zero by 2050 in 2019. Increasingly, however, net zero is becoming a corporate objective. In 2021, net zero pledges cover 68% of the global economy, though these range in their ambition level<sup>7</sup>.

Considering the huge rise in demand, facilities management has an opportunity to use net zero as a way of positioning itself more strategically among UK PLC. However, there are some significant gaps to address before that can happen. For example, many companies have left it to the last minute to comply with PPN 06/21, leading to vague plans that reveal little about FM's role in influencing the customer zero carbon journey. By understanding their own operations emissions, then going further to understand how these emissions contribute to their customers' emissions, FM companies can position themselves to deliver against clients' growing sustainability needs. Further still, FM can incorporate areas such as the circular economy and biodiversity into these net zero plans.

Moreover, there should be a greater emphasis on supply chain management because this is an area that can have a tremendous impact on net zero targets. Gaining a better understanding of what sustainability performance level the supply chain should be at, and how the supply chain can achieve social value, would help FM organisations provide customers with a more comprehensive net zero roadmap.

## Upskilling

2021 has demonstrated the need for upskilling across the sector, particularly when it comes to preparing FM practitioners and staff for the transition to sustainable FM. Upskilling is crucial for technology adoption – FM companies need to understand and analyse the data from systems to effect change. It is also vital when it comes to understanding how sustainability impacts facilities management at different levels, from operational support through managerial positions to C-suite strategy. FM practitioners need to understand not only the basic principles of sustainability in isolation



but also how the core competencies act as a golden thread through an organisation's value chain. To this end, the SFMI is developing a three-level roadmap based on operational, strategic and supply chain sustainability (readers can find more information on these areas further ahead) to outline minimum expectations and best practice aims for the FM sector.

**Operational**

At this level, FM organisations take the corporate view and systematically deliver sustainability on the ground, in-house and across customer contracts. Data is captured and analysed to drive results across operational teams.

**Strategic**

Sustainability must be integrated into business strategy, embedded within business values and services, and identified as a key opportunity and risks at the executive level.

**Supply chain**

Driving sustainability through the supply chain delivers a greater impact. This means embedding into procurement decisions, engaging with suppliers, educating, and collaborating with suppliers to deliver sustainability in services.

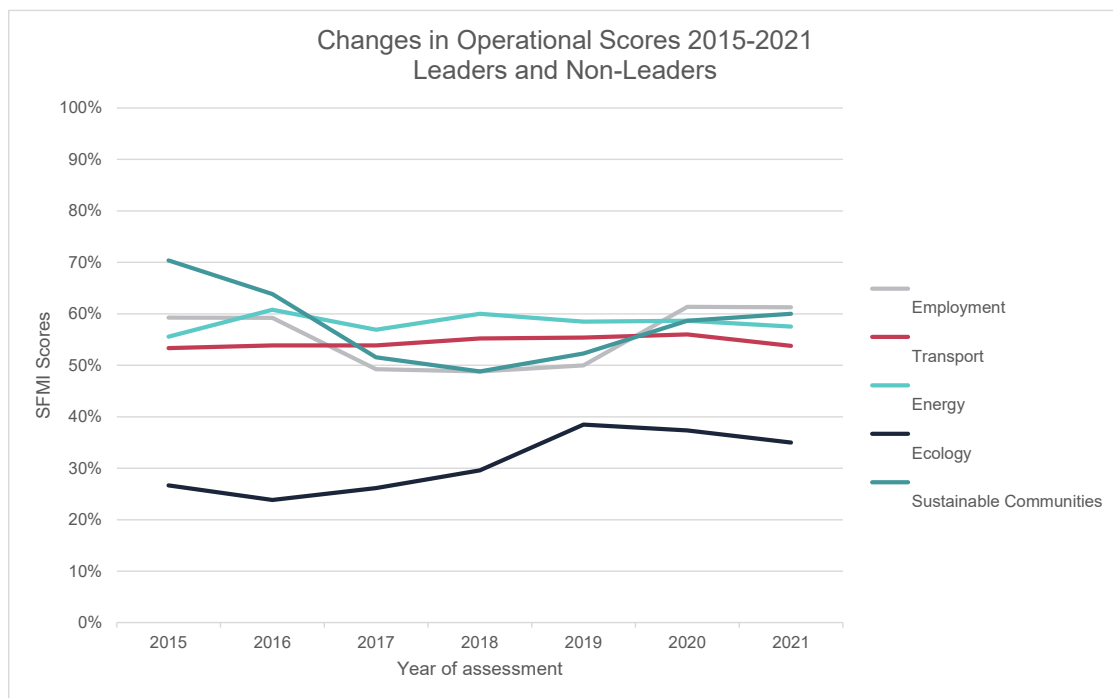




# OPERATIONAL FINDINGS







# OPERATIONAL FINDINGS

## Zero carbon

As with the previous category, the 2021 SFMI audits found general improvements in organisations' zero carbon efforts. Once again, there is growing awareness of net zero across the FM industry with more companies now making this commitment. What's more, science-based targets are increasingly sought after and feature prominently within other reporting frameworks, such as CDP.

Skanska, has a well-developed net zero target in place incorporating a significant part of its emissions. Other leading FM companies are in the process of publishing their own while also spending time to understand supply chain emissions.

Most FM organisations have a keen interest in net zero. However, targets and commitments vary significantly across the industry. Few leading FM companies have committed to offsetting carbon at this stage, preferring to reduce first and offset later. Uncertainty around offsets and the reputational damage they could cause remains a hindrance. Since the most recent audits, the Science Based Targets Initiative, a global coalition that sets carbon reduction targets, has defined net zero as: "Reducing Scope 1, 2 and 3 emissions to zero or to a residual level that is consistent with reaching net zero emissions at the global or sector level in eligible 1.5°C aligned pathways." Therefore, the terminology used for companies achieving 'Net Zero' emissions is specific to long-term goals rather than those aligned with carbon offsets.

Key drivers behind the zero carbon trend include regulation, especially as governments ramp up commitments following the Glasgow Climate Pact, customer and key stakeholder demands, and reputation. However, there is still some way to go on supply chain emissions. It's clear from the 2021 audits that leading FM organisations are developing their knowledge of supply chain emissions before committing to emissions reduction in the supply chain, leaving some gaps in their science-based net zero targets.

### Example of good practice

#### Skanska

Skanska has committed to Net Zero 2045, incorporating a full [Scope 1, 2 and 3 profile](#)<sup>8</sup>. The organisation has taken a holistic view on its emissions, including all supply chain emissions.



## **Employment and social mobility**

The 2021 SFMI audits revealed general improvements in the scores around employment and social mobility among the industry leaders. There is more recognition for its importance and its place within a more holistic approach to sustainability. Although there were minimal changes to scoring, an increase in apprenticeships and 'kickstarter' demonstrates a push towards process-driven change.

Few companies achieved a scoring of 5 as this requires evidence that an apprenticeship scheme has successfully led to social mobility and social improvements. The top score also requires progress against FM-specific targets such as closing the gender pay gap and reducing local unemployment through employment initiatives. While some companies have targets in place, these are often group or business targets and not specific to FM.

The primary drivers behind employment and social mobility include the ability to deliver social value for key contracts and improving community and stakeholder reputations, leading to better staff attraction and retention and more success with public sector contracts. However, the dearth of FM-specific targets in this area has revealed gaps in the evidence need around improving social mobility and a lack of understanding around the concept of social mobility.


### **Example of good practice**

#### **Bouygues Energies and Services**

Bouygues employs 70 apprentices, graduates and kick start trainees, and has partnerships with local colleges. However, the service provider lacks evidence of social mobility successes.







**“The SFMI highlighted our own performance and our comparison with our peers. Naturally, there was a desire among our leadership team to keep doing better. Achieving and retaining Platinum is now a company goal. The discussions we have had as a partner have helped us to address all areas but especially those where we were ‘under-performing’.”**

**Bouygues Energies and Services**

## Transport

Transport has seen the largest focus, a trend driven by the link between net zero target setting and changes in legislation including the UK government's pledge to phase out petrol and diesel vehicles by 2030. Fleet electrification is also increasing in awareness, with many FM organisations setting 2025 targets to transition their fleets to electric vehicles.

However, some smaller FM organisations at the start of their sustainability journey are locked into fixed term leases with internal combustion engine vehicles, making the cost of a quick transition too high.

Despite progress, there are challenges to achieving these targets, not least the global supply chains issues. There is also a behavioural component with many employees acting as a barrier to implementing more innovative or sustainable methods. Finally, and unsurprisingly, larger commercial vehicles remain the biggest obstacle to decarbonising the FM fleet.

### Example of Good Practice

#### Mitie

Mitie has increased EVs and charging points over the last year, with the aim to have an entirely electric fleet by 2025.

## Biodiversity

Ecology has been a low priority for most FM organisations due to the perception that it has a limited impact on sustainability, nevertheless the 2021 audits identified an increased interest in biodiversity initiatives across the sector. As a result, The SFMI recorded its first '4' score in this category. Growing customer interest is driving this trend because the results are often demonstrable. Organisations can provide case study examples for reports, allowing stakeholders to see tangible impacts. It's also impossible to ignore the growing link between biodiversity and wellbeing, with research showing that naturally green designs and landscapes can boost both physical and mental health. There is a clearer link being established between ecology, urban centers, wellbeing, air pollution and climate change.

However, the audits showed that FM organisations must do more to formalise the link between biodiversity, net zero and wellbeing, especially the latter's impact on workplace design and management. Moreover, some FM



companies have trouble developing biodiversity initiatives in city environments.

Despite the net zero demand, it also remains difficult to quantify biodiversity within zero carbon targets.

#### **Example of good practice**

##### **Mitie**

Mitie is the first FM company to attempt to measure biodiversity. The organisation is basing its measurements on sequestration CO2 savings as part of its broader 'Plan Zero' initiative. While Mitie acknowledges this work is in the early stages, it demonstrates a genuine ambition to link biodiversity with net zero for customers. Looking forward, Mitie is seeking to build the approach to measure more widely and accurately.

##### **Bouygues Energies and Services**

Meanwhile, Bouygues Energies & Services engages in a biodiversity initiative across every contract annually. Where it is not possible to do so on site, (e.g., small city-based contracts) the company engages in a community-based biodiversity/ecology initiative instead, demonstrating innovation and drive to push this valuable topic forward.

#### **Social value**

The 2021 SFMI audits discovered general improvements in social value. This area is still largely driven by client demand and stakeholder reputation. Many companies only provide and measure social value within contracts where the customer requests it, and it does not feature on contracts as standard. Progress is also hampered by an inability to measure social value success. VINCI Facilities remain the standout provider pushing the boundaries to embed social value in every contract, even when it is not a client requirement.

#### **Example of good practice**

##### **VINCI Facilities**

VINCI remain the standout provider pushing the boundaries to embed social value in every contract, even when it is not a client requirement.







**“We have gained a greater understanding of broader ESG issues. The assessment we go through each year requires us to take an inward perspective on what we do, how we do it and how it is reported. It helps shape our view and gives us some direction for the next year. It benefits us to pull together the various teams required to report on the different categories and gain a greater sense of all the great work we do in the organisation, which is often unseen.”**

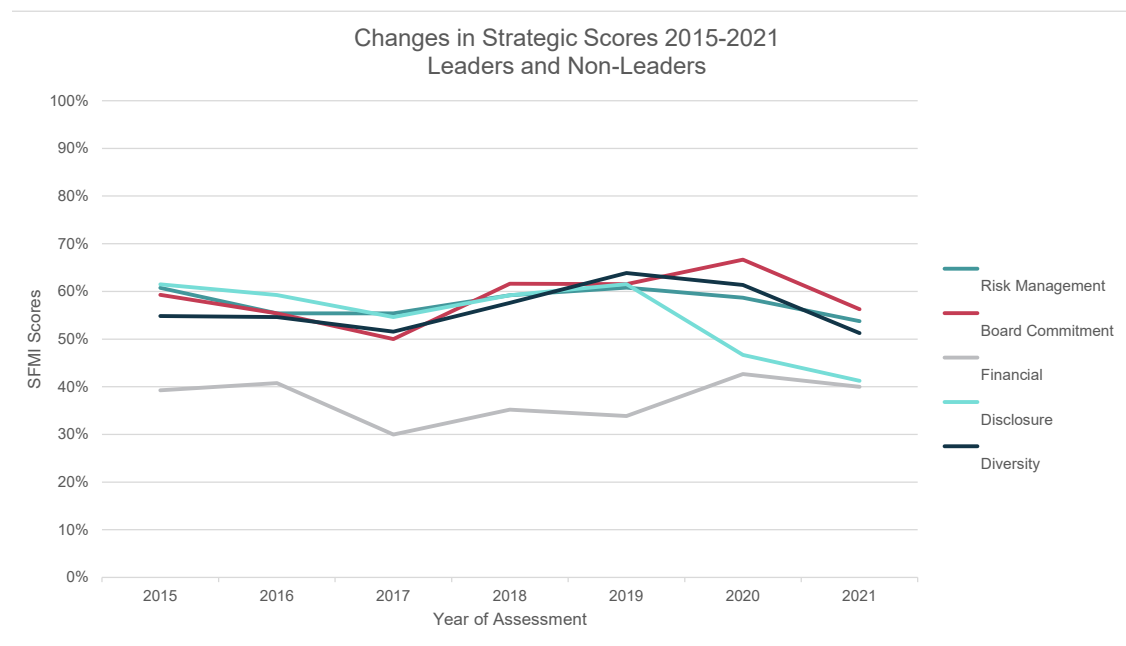
**Mitie**



# STRATEGIC LEVEL FINDINGS







# STRATEGIC LEVEL FINDINGS

## **Finance**

The 2021 SFMI audits unveiled a significant gap in knowledge of the Task Force on Climate-related Financial Disclosures (TCFD), a framework that supports consistent climate-related financial risk disclosures for us by companies, banks and investors in providing information to stakeholders. The UK government has recently made it mandatory for large companies (500+ employees) to disclose information in alignment with the recommendation of the TCFD, becoming the first G20 nation to enshrine it in law.

The knowledge gap is in the impact that TCFD has on decision-making related to sustainability. FM companies are aware of the framework but struggle to explain how it influences their efforts outside of the sustainability team. In theory, the TCFD framework should influence FM companies' future financial position and help them understand their risks and opportunities. The goal must be to incorporate TCFD into the business planning process.

## **Risk management**

Leading sustainable FM organisations demonstrate a good understanding of sustainability risk and have made progress in embedding it at the enterprise level, highlighting its ascension to the boardroom, according to this year's SFMI audits. As the TCFD becomes a legislative requirement in the UK, the need for this knowledge at the senior level will only grow.

However, it is still rare to see an understanding of sustainability-related risk travel down to the operational level as part of contracts even though leaders seem to know that this would provide new opportunities to manage and build responsibility with clients.

VINCI Facilities' management team has demonstrated a comprehensive understanding of sustainability, evidenced in their business risks. The organisation's approach to risk also filters through its business framework via KPIs, tactics and responsibilities. Its management team demonstrates a comprehensive understanding of sustainability – the practice is thread through its business risks, including KPIs, tactics and responsibilities.

## **Business models**

Despite the broader challenge to commercialising sustainability, the audits identified some progress in this area. While delivering basic FM services, forward-thinking FM companies are diversifying in an attempt to differentiate



themselves in the market and align with net zero. To do this they are using different sustainability specialisms to expand their responsibility and influence.

This trend has developed two business models. For the first, FM companies have begun to specialize in key elements of sustainability that can achieve net zero e.g., carbon infrastructure installations such as EV chargers and renewable energy generation. The second sees large businesses build sustainability consulting services to secure work, build an energy or carbon plan, and then expand FM services to deliver the project for the customer. Through doing this they become fully accountable for the plan and delivery in the process. However, the second model requires the sales teams in FM organisations to upskill their understanding of sustainability and its benefits.

Meanwhile, these findings add weight to the assertion in the 2020 SFMI report that there are four tiers of sustainable service provision (pg.16), with drastic differences in the understanding, management and delivery of sustainability between different organisations. With that in mind, it's important to remember that the embedding of sustainability across all personnel and business units is a long-term aim that will take some time to develop.

### **Disclosure and values alignment**

The 2021 SFMI audits revealed general improvements in disclosure among industry leaders and values alignment over the past year. In fact, disclosure remains an important area for FM as a way of showcasing its credentials in sustainability, a trend largely driven by stakeholders. However, FM companies tend to remain light on the level of public information they release unless it is specifically required for regulatory purposes.

To make significant progress in this area, FM companies should be aiming for consistency in how information is disclosed to offer some comparability. As such, The SFMI has been consulting with businesses to identify a string of material KPIs that are core to all FM companies and cut across the previously mentioned roadmap of operational, strategic and supply chain levels. This would help FM providers compare performance beyond the SFMI audit score. The SFMI will be releasing further information in 2022 on our consultation and research.





# STRATEGIC GOOD PRACTICE

## Responsible Business/ Board Commitment

A board's commitment to sustainability is extremely important when it comes to integrating sustainability across a business. This is something that Equans has been able to demonstrate through its development of a responsible business (RB) charter, covering board commitments and accountability, employee engagement, and collaboration and communication with external stakeholders.

By developing its RB charter, Equans has evidenced top-level leadership, setting an example for all employees to act responsibly. Each business division has an RB lead and agreed KPIs to ensure accountability and progression against targets. Every employee must have a meaningful RB objective each year. The Equans board is also fully committed to the business's stated purpose: Making Zero Carbon Happen.

## Contracts

BAM FM develops a 'Contract Sustainability Plan' for all customers, enabling the organisation to outline the key sustainability areas for each contract. The plans scope out the level of engagement likely from the client to help BAM prepare for the risks and opportunities associated with them. After this action, BAM identifies the stakeholders responsible, actions to take and puts dates against them. The plans also capture achievements, added value and lessons learnt. These can then be used for case studies to champion the relevant team members and stakeholders. Added value is recorded through the Enhancing Lives App.

### The RB Charter covers four key principles:

#### 1. Fair Business Growth:

- Responsible Management of Pensions
- Responsible Procurement
- Fair Pay

#### 2. Transparent & Accountable:

- Stakeholder Engagement
- Driving an Ethical Culture
- Open to Scrutiny

#### 3. Fair Employer:

- Equal Opportunities for All
- Gender Pay Gap; Committed to Staff Training
- Safety and Wellbeing
- Employee Voice and Trade Union Relationship
- Promoting Real Living Wage

#### 4. Supporting Our Communities and Environment:

- Commitment to Deliver Social Value in their Communities
- Making Zero Carbon Happen and Environmental Leadership



**“We have been participating in The SFMI for a number of years now and continue to value our engagement. We have used the relationship to help provide outsider critique and another lens to re-examine what we are doing across the organisation.”**

**Equans**

**“The SFMI has improved our objective understanding of our performance on individual aspects of sustainability and then helped us identify areas for improvement. It has provided us with a framework from which to shape sustainability developments against and a certificate of assurance for our customers.”**

**BAM FM**

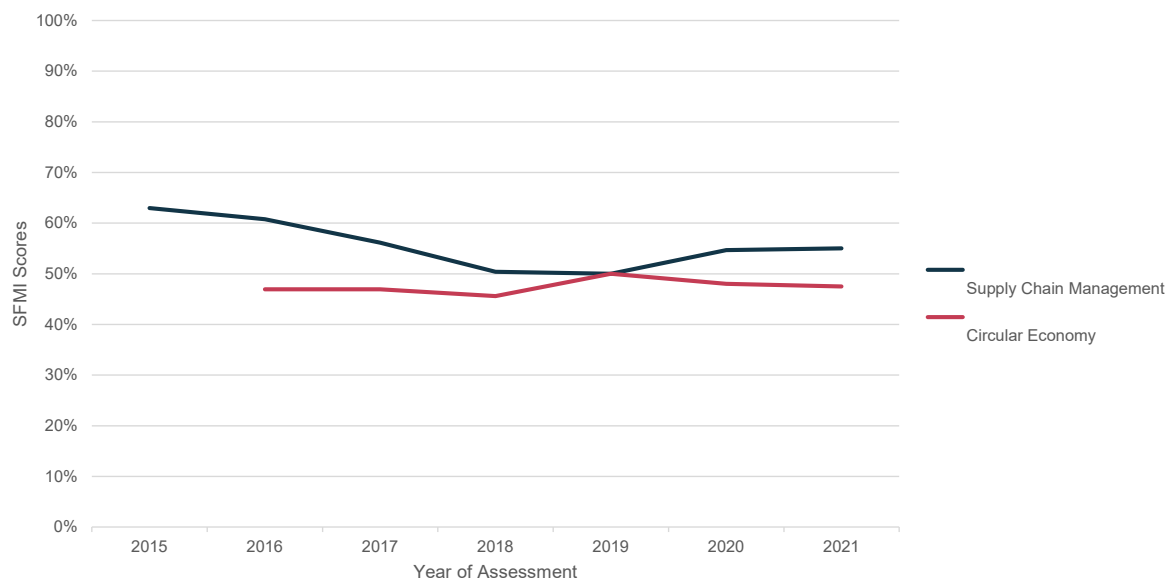
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# **SUPPLY CHAIN MANAGEMENT: EMISSIONS AND ENGAGING WITH THE SUPPLY CHAIN**



Changes in Supply Chain Scores 2015-2021  
Leaders and Non-Leaders



# SUPPLY CHAIN MANAGEMENT: EMISSIONS AND ENGAGING WITH THE SUPPLY CHAIN

The UK's supply chains experienced incredible chaos throughout 2021. A combination of Brexit and the pandemic has caused driver shortages, construction and maintenance delays, empty supermarket shelves and more. The period highlighted the fragility of supply chains, demonstrating the need for greater transparency, oversight and collaboration between suppliers.

Unsurprisingly, the SFMI audits revealed that supply chain performance is an unknown for many FM organisations, including the measurement of supply chain emissions. At present, Skanska is the only FM organisation actively measuring supply chain emissions and working with suppliers to meet sustainability goals with KPIs in place.

Often, companies will have minimum sustainability requirements for the supply chain, but these are arbitrary or low targets that make little difference to reducing risk in the supply chain. Meanwhile, companies are engaging with the suppliers and offering education on sustainability but with little expectation around progress or targets. This becomes relevant when suppliers can provide innovation to help FM service providers meet the customer demands in the services provided.

## **Procurement integrating sustainability**

The latest SFMI audits reveal that the circular economy is slowly becoming a more widely understood concept, but more work must be done to integrate it into procurement. Businesses have addressed waste through programmes that increase recycling and reuse. However, they can also address the issue by reducing waste entering the system through procurement pressure.

There are some isolated partnerships driving a circular approach across the industry, but these are generally not integrated within the FM organisations and their procurement teams.





# THE CLIENT PERSPECTIVE



# THE CLIENT PERSPECTIVE

UK PLC is responding to a growing demand for sustainability, forcing organisations to place higher expectations on their suppliers.

In the public sector that pressure is coming from a shift in central and local government procurement. The Cabinet Office's Procurement Policy Note 06/21 has made it compulsory for all companies bidding for government contracts to make a 2050 net zero commitment and publish carbon reduction plans. At the local level, authorities are also setting 'climate emergencies' to tackle local emissions with partners and communities.

In the private sector, organisations have the opportunity to engage with the supply chain and better understand how they can achieve sustainability goals, net zero and science-based targets, driven by improved reputation and high external rankings. At the same time, an enhanced responsible business reputation sends positive messages about corporate values to customers, current and potential future employees.

There are also risk management advantages. By understanding sustainability-related risk in the supply chain, organisations can stop illegal practices such as modern slavery, identify poor sourcing of materials, or other actions that can have detrimental effects on local environments and communities. Reducing carbon in the supply chain also delivers monetary savings.

As a result, organisations are increasingly interested in their supply chain risks and opportunities – and procuring the right FM provider can help in-house facilities teams achieve carbon and sustainability goals.



The SFMI is releasing a new report in January 2022, 'Sustainable Procurement in FM: The way forward', which will include key tips on approaching sustainable FM procurement.

**1.** Start with your key sustainability impacts and goals and engage providers early on these issues.

**2.** Understand common goals and complexities together with the FM, so that strengths and weaknesses can be identified.

**3.** Assess value beyond the cheapest price. Value is created through savings associated with environmental and social metrics, strategy development, sales from improved reputation, morale and marketing benefits.

**4.** Use the SLAs for goals and include measures so that it leads to management and a visible roadmap.

**5.** Look to long term value and collaborate on creative solutions to achieve goals. Be open and flexible to technology and partnerships that bring greater value.

**For a deep dive in FM procurement, look out for The SFMI's Sustainable Procurement in FM report. Release date: 18th January 2022**

Email us if you want to be sent a reminder: [Support@SFMI.UK](mailto:Support@SFMI.UK)







## THE SMALLER FM PERSPECTIVE

# THE SMALLER FM PERSPECTIVE

The SFMI engages with smaller FM service providers who do not want to take an SFMI audit due to concerns that direct comparison with larger businesses would fail to recognise their efforts and progress. It is widely accepted that larger businesses have greater resources to devote to the sustainability roadmap, but every company should start the journey because it is becoming a business imperative for organisations of all sizes to operate as a sustainable business.

Smaller businesses may not be able to manage all the elements within The SFMI's 23 criteria, but they can specialize in niche sustainability areas. These businesses can also play on a corporate culture that delivers embedded sustainability for stakeholders.

Using The SFMI provides companies of all sizes with an objective insight into the sustainability of their management and operations and helps them understand the opportunities and areas for improvement.

**Derwent FM** has joined The SFMI without any preconceptions of its performance. The company's management team drives its sustainability mission but knows the journey has only just started. Derwent FM has joined The SFMI to learn, understand and organise itself so that the company can take an effective approach to managing sustainability without overwhelming its teams. Being part of The SFMI assessment has acted as a unique training experience for people within the business who can understand, firstly, what constitutes sustainability in their different roles and, secondly, where they should be aiming for next.

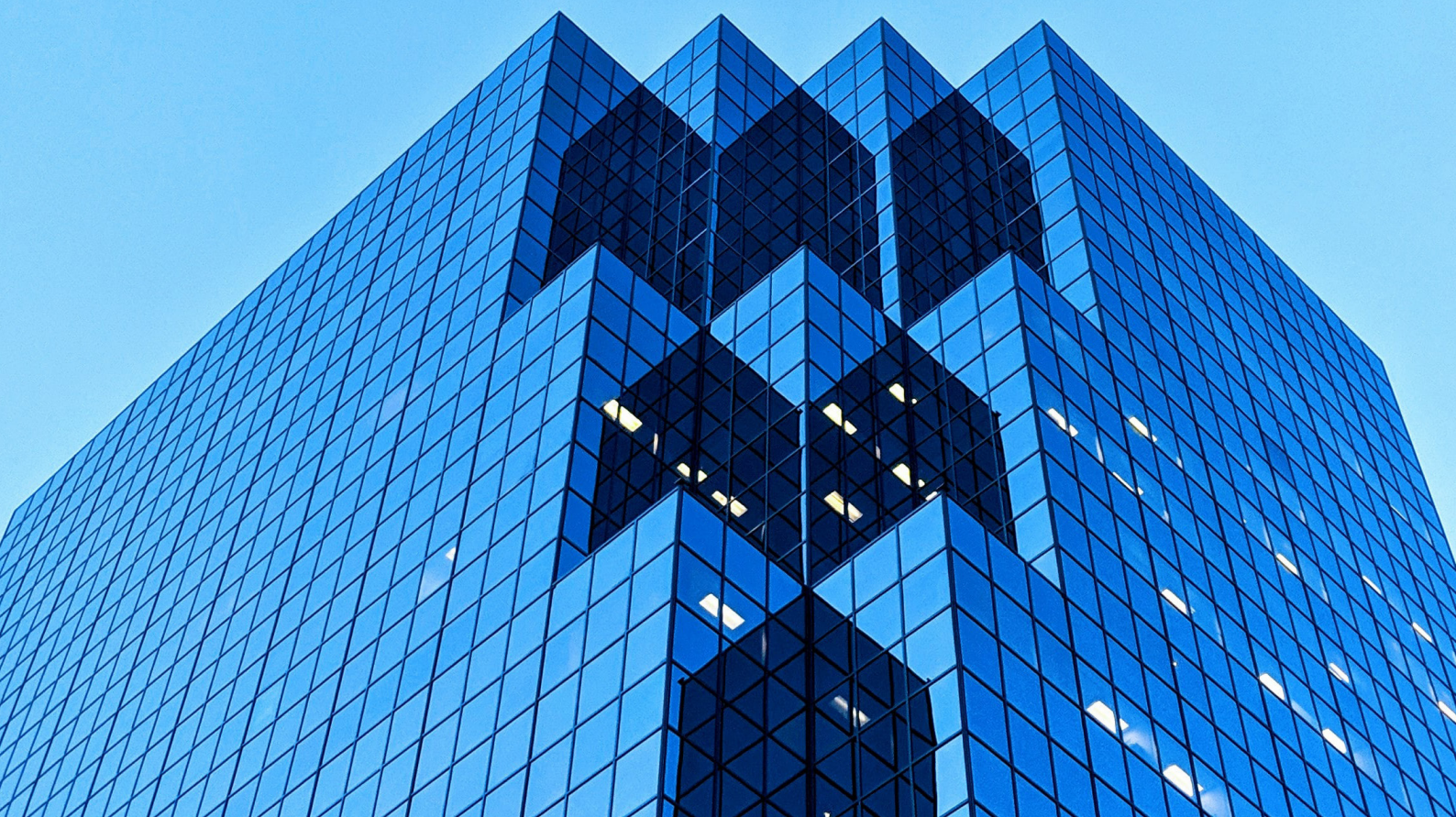
**Arcus FM** joined The SFMI in 2020. It is a fast-growing business specialising in the retail/distribution sector. They have built good structure in their framework and built strategies around their business operational impacts. The values of the company are clear and driven from the top-down, with a clear understanding of climate change issues and responsible business.

Many smaller FMs who are earlier in their sustainability journey may find support from the board to be a significant hurdle, so starting the journey with this support already in place is extremely beneficial. For Arcus, board commitment is a major driving force for sustainability change. They have implemented sustainability focused KPIs and targets for the board, including specific carbon reduction targets. The CEO and other senior management team also chair their Sustainability and HSQE committees.





**Derwent FM's tip as a company on the start of its journey:**  
**"Many companies already deliver embedded social value without even realising it as part of a corporate culture. Understand what your characteristic strengths are and build on them. Gain the backing of leadership from the beginning, they will help enshrine sustainability."**





# A CALL TO ACTION



# A CALL TO ACTION

Although COP26 delivered some vital progress on climate change, critics have argued that the agreement isn't strong enough to reverse environmental catastrophe. However, this shortcoming has given businesses an opportunity to grab the initiative and drive climate action through better sustainable practice.

The 2021 SFMI assessments revealed that the FM sector can play its part by focusing on some key areas. The most significant of these is zero carbon, a growing priority for FM organisations developing their sustainability credentials. However, there is lots to do before the industry can make real progress in this area. Zero carbon is not something that can be achieved in a short period, a fact made clear by many governments and private enterprises now setting 2050 net zero targets. It is also crucial that FM doesn't lose sight of the wider environmental and social issues not directly linked to net zero. Nonetheless, The SFMI has found that leading FM companies are doing the right thing by not rushing into making immediate changes and risking strategic holes and reputational damage.

These same leading FM organisations have taken a significant step forward by reporting their [zero carbon efforts](#)<sup>9</sup>. They have made strides in reporting on social value and other sustainability KPIs to internal and external stakeholders too, but more work is required to bring consistency to the market.

Generally, however, reporting on sustainability in the FM sector remains disjointed. One great example of this inconsistency can be found in supply chain emissions. Increasingly, FM organisations understand the importance of Scope 3 emissions, especially the key role they will play in the broader journey toward zero carbon, but most are not yet measuring supply chain emissions despite growing customer pressure to do so, meaning that the full impact of Scope 3 (50% and upwards of an FM service provider's total emissions) goes unreported and unmanaged.

Despite these challenges, The SFMI is positive about the future of Scope 3 reporting and expects to see some exciting movement in the next six months. To this end, The SFMI has partnered with BAM FM on a collaboration project that aims to measure the scope for reducing customer emissions and integrating Scope 3 into FM's reporting boundary. The objective is to set an industry standard and guidance that will provide the FM sector with a framework for categorizing and measuring all relevant emissions.

The gap in supply chain emissions is indicative of the broader challenge for FM on sustainability. The 2021



SFMI has revealed that FM companies are seeking competitive advantage through niches – often in the form of sustainability-focused services – that they can offer their customer base. But the understanding of the supply chain and engaging to drive innovative solutions that are focussed on the customer is not developing. Tried and tested products are used, but working with suppliers to cultivate and shape new approaches like the circular economy in most cases is rare. The best example continues to be BAM FM's collaboration in previous years (see SFMI 2019 and 2020 reports)

This is pulling the FM sector in many different directions. For there to be real progress, the sector needs a level of continuity and standardisation that helps build a consistent approach to external reporting on elements that make the core sustainable business.

So, how do we get there? The SFMI will soon publish a roadmap for the FM sector in collaboration with leading FM service providers and industry bodies to outline the minimum expectations and best practice aims around sustainability. The SFMI will also be publishing guidance on Scope 3 measurement while engaging in collaborations and further research to develop a consistent approach to reporting. The goal is to push the FM industry forward so that it can position itself as a solution to meet the climate crisis and the associated social problems that responsible business is expected to address in the 21st century. It also serves to unite the industry so that it can engage with the wider built environment on the role of FM in the operational phase of the building lifecycle. This external focus, along with consistency in data reporting, will give the industry a stronger voice in how it influences the built environment.





An aerial photograph of a winding asphalt road that snakes through a deep, lush green mountain valley. The road is illuminated by the warm, golden light of a low sun, creating a strong contrast with the deep shadows in the forested gorges. In the background, the valley opens up into a vast landscape with rolling hills and distant mountains shrouded in a soft, hazy atmosphere. A white rectangular box is superimposed on the left side of the image, containing the word 'APPENDIX' in bold, black, sans-serif capital letters.

## APPENDIX

# APPENDIX

1. <https://www.acclaro-advisory.com/23-criteria-for-sustainable-fm/>
2. <https://www.acclaro-advisory.com/sfmi-summary-report-2020/>
3. <https://www.acclaro-advisory.com/sfmi-leaders-forum-march-2021-summary-report-2/>
4. <https://www.rics.org/uk/news-insight/latest-news/press/press-releases/demand-for-fm-professionals-continues-to-rise-as-demand-picks-up/>
5. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/991622/PPN\\_0621\\_Taking\\_account\\_of\\_Carbon\\_Reduction\\_Plans\\_\\_2\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/991622/PPN_0621_Taking_account_of_Carbon_Reduction_Plans__2_.pdf)
6. [https://ca.finance.yahoo.com/news/world-made-more-progress-climate-201859674.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAAB1V4B3rLzdpvVF1Olw7YRTImSUzoXdD59FgrgLK3XmK\\_4Xdl-vsuybtklbmJ-V71pWwi3cWZBRFYqwDPWwqrJthlmueeexa-bFkqVCndeubg9T65JELKkFEQmif3Ht1PqFdQFlN-UUfOXr-idzzTfYUttUrr3GmHxGeQXMpA](https://ca.finance.yahoo.com/news/world-made-more-progress-climate-201859674.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAB1V4B3rLzdpvVF1Olw7YRTImSUzoXdD59FgrgLK3XmK_4Xdl-vsuybtklbmJ-V71pWwi3cWZBRFYqwDPWwqrJthlmueeexa-bFkqVCndeubg9T65JELKkFEQmif3Ht1PqFdQFlN-UUfOXr-idzzTfYUttUrr3GmHxGeQXMpA)
7. <https://www.ox.ac.uk/news/2021-03-23-net-zero-pledges-go-global-now-action-needs-follow-words-oxford-eciu-report>
8. [https://www.acclaro-advisory.com/wp-content/uploads/2020/10/Zero-carbon-in-FM\\_Practical-Guide\\_SFMI.pdf](https://www.acclaro-advisory.com/wp-content/uploads/2020/10/Zero-carbon-in-FM_Practical-Guide_SFMI.pdf)
9. [https://www.acclaro-advisory.com/wp-content/uploads/2020/10/Zero-carbon-in-FM\\_Practical-Guide\\_SFMI.pdf](https://www.acclaro-advisory.com/wp-content/uploads/2020/10/Zero-carbon-in-FM_Practical-Guide_SFMI.pdf)







# SFMI

The Sustainable FM Index

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