

Summary report 2019

The  
Sustainable



Index

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## Foreword

The function of FM has developed over the past decade in such a way that it can only be delivered through integration with other departments and by creating shared or common objectives across the business. To achieve this, it needs to form part of the wider culture rather than delivery within departmental silos. The profession must operate in the same way, with progress being made to work collectively and specialist groups involved to provide the depth and breadth associated with FM's remit.

Responsible business has also developed, with a greater desire from those now entering the workforce to understand the purpose of their employer and make employment decisions based upon alignment with their values. New terminology is entering our lexicon – wellbeing, social value, zero carbon – which is elevating care for people and planet as a fundamental driver for business success.

A responsible and sustainable FM function requires alignment between the various parties across the property sector, from design and construction to operation and renewal, as well as integrating the supply chain and community requirements. This will involve knowledge transfer, accountability and engagement across the different groups and a move away from the adversarial culture between clients and suppliers.

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**FM is an under-utilised enabler for sustainability in other businesses.**  
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The interlinking enablers of a responsible business approach are shown in the Sustainable Facilities Management Index (SFMI) methodology, and we are excited to be working with businesses that are leading the way towards connecting the silos, building purpose-driven businesses and encouraging a culture that permeates from the boardroom through to the customer-facing delivery.

However, the buck doesn't stop with FM companies and their internal sustainability framework. FM is an under-utilised enabler for sustainability in other businesses. But unlocking the enabler requires collaboration from those procuring the service. The FM can be the most forward thinking and sustainable business on the planet, but if they are hamstrung by zero profit, or by customers unwilling to incentivise them to achieve results, then all this good work falls down and the impact cannot be delivered.

If you are an FM company on the journey to sustainability, or a customer that sees the potential for FM to feed into the sustainability strategy, there is something in this report for you. I hope you can take away ideas and plans for your sustainable future.

**Sunil Shah**, director, Acclaro Advisory & SFMI

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## Executive summary

The Sustainable Facilities Management Index (SFMI) is now in its seventh year, setting the roadmap for environmental, social and governance (ESG) performance of the FM sector.

This year's findings reveal an industry in transition. FM organisations understand the urgency behind environmental and social sustainability issues, and maybe even their place within them, but are hamstrung by familiar challenges.

Since 2013, sustainability performance in the FM sector has not kept pace with corporate sustainability developments. However, the ESG performance of companies that engage with the SFMI demonstrates a commitment to reporting, targets and strategic improvements, providing a blueprint for the development of best practice.



**Companies that want to join the leaders should be aiming for longer-term global sustainable development goals in areas such as zero carbon emissions, creating a circular economy and ensuring the stability of future communities.**



The top performing FM organisations continue to lead by example. Since the SFMI's awarding classification was changed in 2017, the same three companies have achieved the top platinum score, while two companies have maintained their gold status.

In 2018 a picture of a two-tiered FM market emerged between these leaders and the rest of the assessed group. In 2019 the market appears even more fragmented. Using the SFMI as a barometer for the wider industry, providers can be split into three distinct groups: those that are able to integrate and lead a holistic sustainability strategy for their clients and govern their own sustainable culture; those that provide traditional FM services to a good standard and perform basic sustainability management; and those that cannot integrate sustainability in any capacity.

This year's findings suggest that some FM service providers could be focusing on areas that create good PR at the expense of certain fundamentals. Average water management and energy management scores have reduced from 2018, yet there have been increases across the sustainable communities (social value), wellbeing, circular economy and diversity categories. The caveat, however, is that these increases have mostly occurred in the lower quartiles of the SFMI where the criteria is less stringent. On social value, for example, organisations are disclosing more information but cannot back this up with a comprehensive social value framework. Likewise, better circular economy scores indicate that companies are making some effort to highlight the global plastic pollution problem but without moving towards a meaningful circular economy model.

The SFMI made it harder for companies to achieve high scores in these 'fashionable' areas during this year's audits, which has led to a small dip in performance among the leading companies. This is a model that the SFMI must emulate in the future. These 'medal-winning' organisations are consistently scoring highly across the board, so the SFMI must set a higher level of ambition for the UK's facilities management sector. Leading FM companies should aim for longer-term global sustainable development goals in areas such as driving down emissions across the supply chain, moving to a circular economy model, ensuring the stability of future communities, and developing their employees so they are fit for a future of rapid technological change.

# SFMI methodology

With the FM industry in a prime position to lead the way on sustainability in the built environment, the SFMI is the UK's only sustainability benchmark in the FM sector.

The benchmarking process considers all of a company's public data and their internal approach, determined by an in-person, evidence-based audit. Findings are related to 23 criteria, which are divided into three groups: environmental, social, and governance. Organisations are benchmarked against other major FMs in the UK, with both the scores and the consistency of those scores across the criteria taken into account.<sup>[1]</sup>

Organisations are scored (1 – 5) in each criteria. The scores can be translated into percentages:

1 = 20%, 2 = 40%, 3 = 60%, 4 = 80%, 5 = 100%. The scores can be used to determine trends within the industry. The percentage scores are then used to categorise the organisations as Platinum (85+), Gold (75-85), Silver (55-75), Bronze (35-55), or assessed only (0-35).

Feedback is provided across the criteria, as well as a presentation of the scores, benchmarks and findings, to the management team, empowering them to drive change. Comparison of a company's external profile to objectively determine in-house performance provides a barometer on whether the company is underselling itself to clients or risks over-promising capabilities. Acclaro Advisory then make recommendations on company strategy.

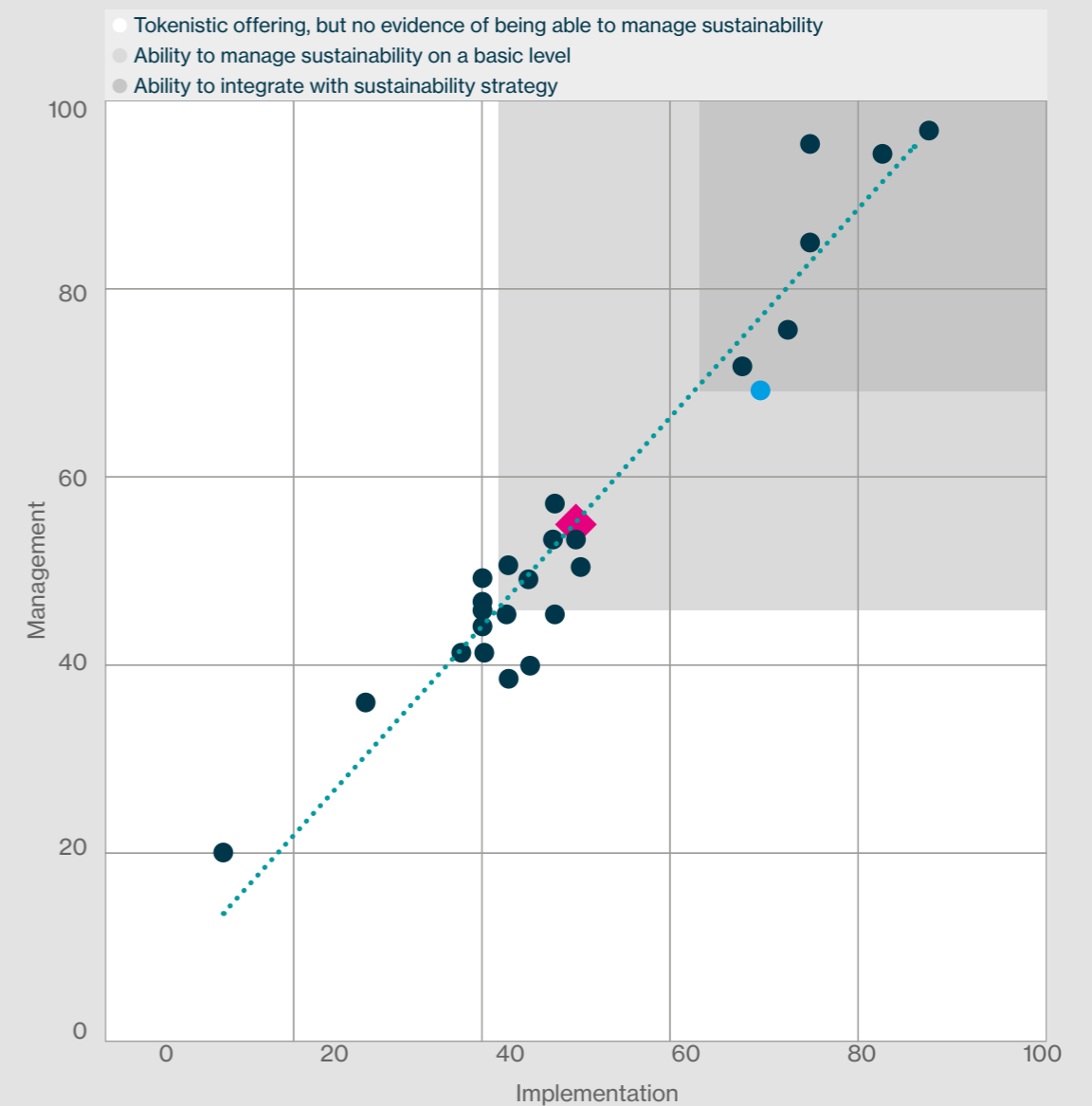
The SFMI benchmark highlights best practice in the sector and can create case studies to showcase those organisations that demonstrate it. The company also provides educational materials for developing and engaging the sustainability culture of business.

There are 23 criteria which fall into the three categories: environmental, social, and governance. The requirements for receiving the highest scores for each category can be found at: [▶ https://bit.ly/2WWgU5U](https://bit.ly/2WWgU5U)

**Footnote:**

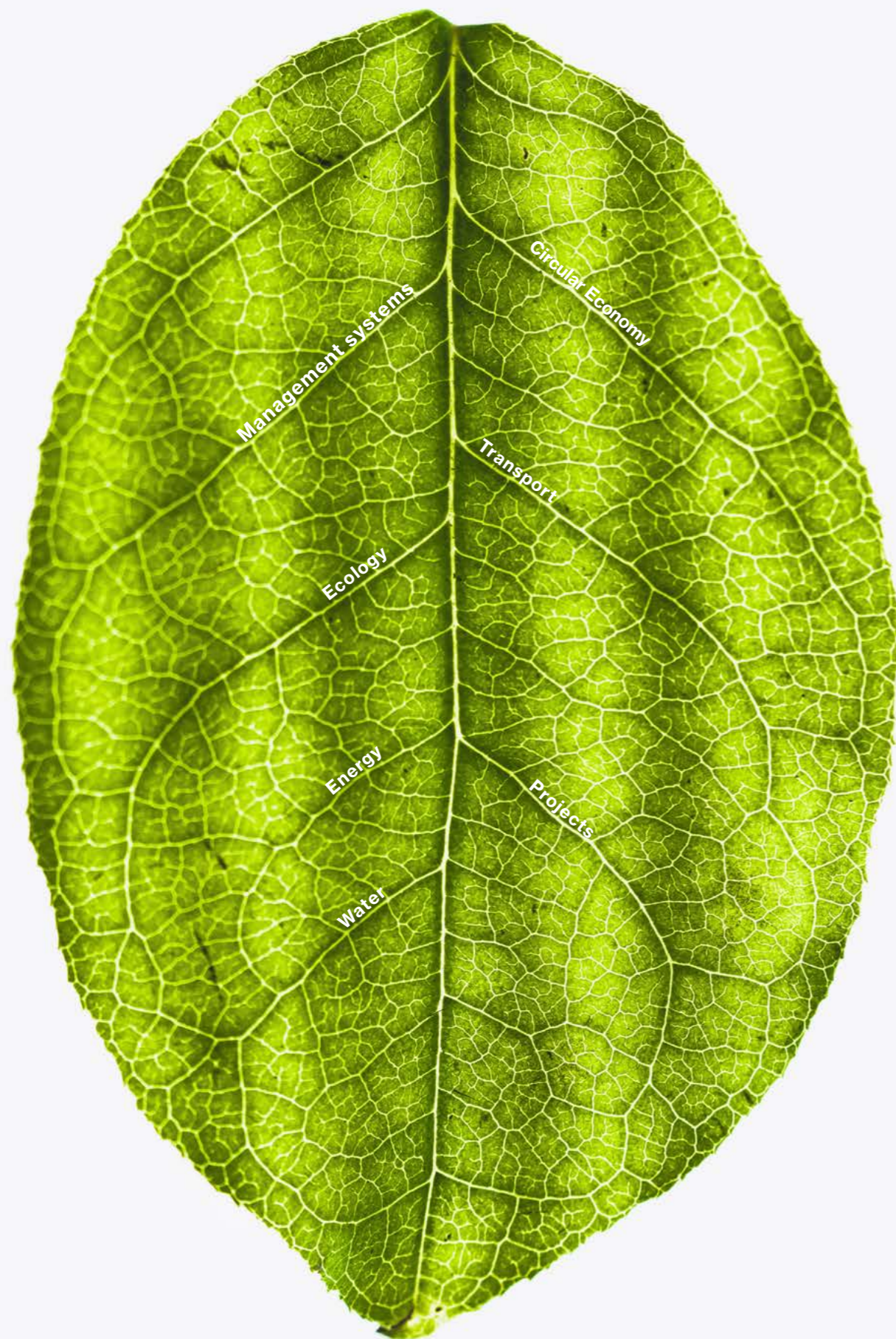
1. Some of those assessed were done so using public data only

## Management versus implementation 2019



- Assessed organisations
- Average assessed organisation
- Linear (assessed organisations)
- Top scorers: those companies positioned as a strategic enabler of sustainability on behalf of their clients. (68 percent plus)

Environmental criteria



# SFMI 2019 Award winners

The SFMI winners are those companies that achieve consistently high scores across all criteria.



All companies that were assessed

- ABM
- Amey UK Plc
- Atalian Servest
- BAM FM Ltd
- Bouygues ES
- CBRE Global Workplace Solutions
- Compass Group
- Elior Group
- EMCOR
- ENGIE
- G4S
- Galliford Try (Pentland Estate Management)
- Interserve
- ISS
- JLL
- Kier
- Mears Group
- MITIE
- Noonan Services Group Ltd
- OCS
- Serco
- Skanska Facilities
- Sodexo
- Spie
- VINCI Facilities
- Wates



The three organisations that have achieved platinum awards in 2019 share a set of distinct features:

## How to achieve platinum status

**1** VINCI, ENGIE and Skanska's respective leadership boards provide sustainability leadership. Each leadership board in turn is held to account for their decisions.



**2** Each uses a sustainability framework based on higher international frameworks. This objective influence shapes their values and KPIs and ensures sustainability is inherent to company culture.

**3** Each company forecasts to ensure agility. This is used in the case of predicting skill shortages but also in investing in understanding what other challenges the organisation may face and what staff development can be best applied to prepare.



**4** A financial commitment to sustainability is important. All three platinum organisations are investing in the future through new acquisitions and technology.

**5** A social value framework places the community at the heart of the sustainability model in every company, encouraging buy-in from all stakeholders.



**6** Strategic collaborations that measure purpose and achieve the intended results have been found to be a key indicator of high performance. This is especially important to consider for smaller companies that do not have the financial resources for considerable investment.

Case studies on the top scorers and the processes put in place to achieve platinum in a number of the categories can be downloaded from our website:

► <https://www.acclaro-advisory.com/sfmi/>

# Findings

Each of the three categories of criteria showed an overall average increase of 1-3%.

There were increases across sustainable communities (3%), wellbeing (6% in the lower scoring quartiles), and diversity (7%). Scoring in the circular economy category has also increased but no company was able to achieve a top score in all criteria. Many show an interest in issues such as reducing plastic waste but no significant movement towards a transformative circular economy model. This risks the potential that immediate actions are seen as a marketing activity with little focus on a long-term solution. The issue of social value exemplifies this – organisations are disclosing more information on relating to social value, yet they cannot support it with a comprehensive framework.



## Environmental

Water, energy, and management systems all saw decreases in average score, with water – the most significant decrease. Ecology saw the greatest increase (8.86%) of any criteria. However, in 2018, ecology was the lowest-achieving criteria and remains in the bottom five in 2019. Four of the seven environmental factors are in the lowest 10 scoring criteria. Environmental criteria, on the whole, need the greatest improvement.



## Social

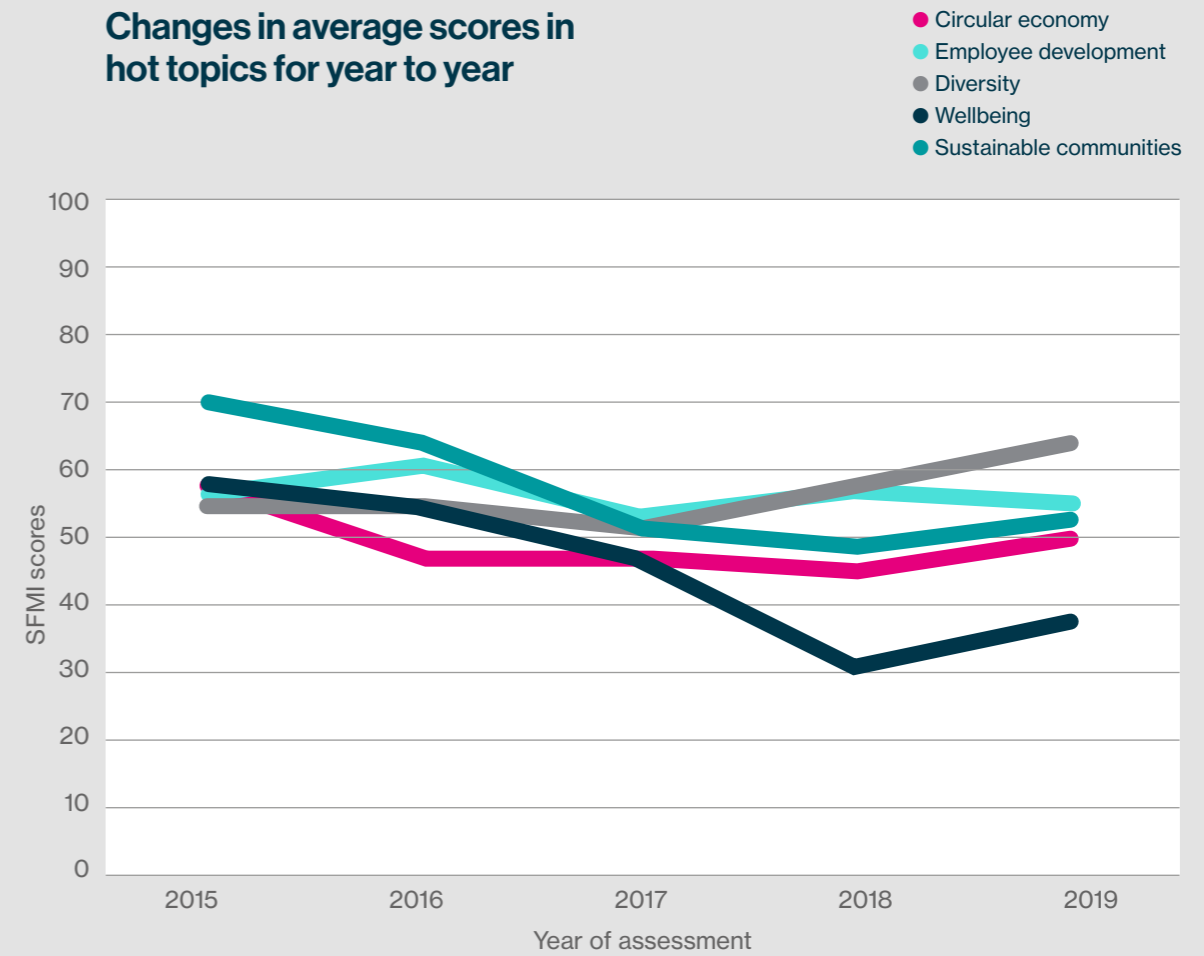
The social criteria scored higher on average this year in five of seven areas. Wellbeing, an issue which has been getting a large amount of press attention, has shown the greatest increase (6.49%) in the category and second greatest increase overall suggesting the main focus may follow trends seen in the media.



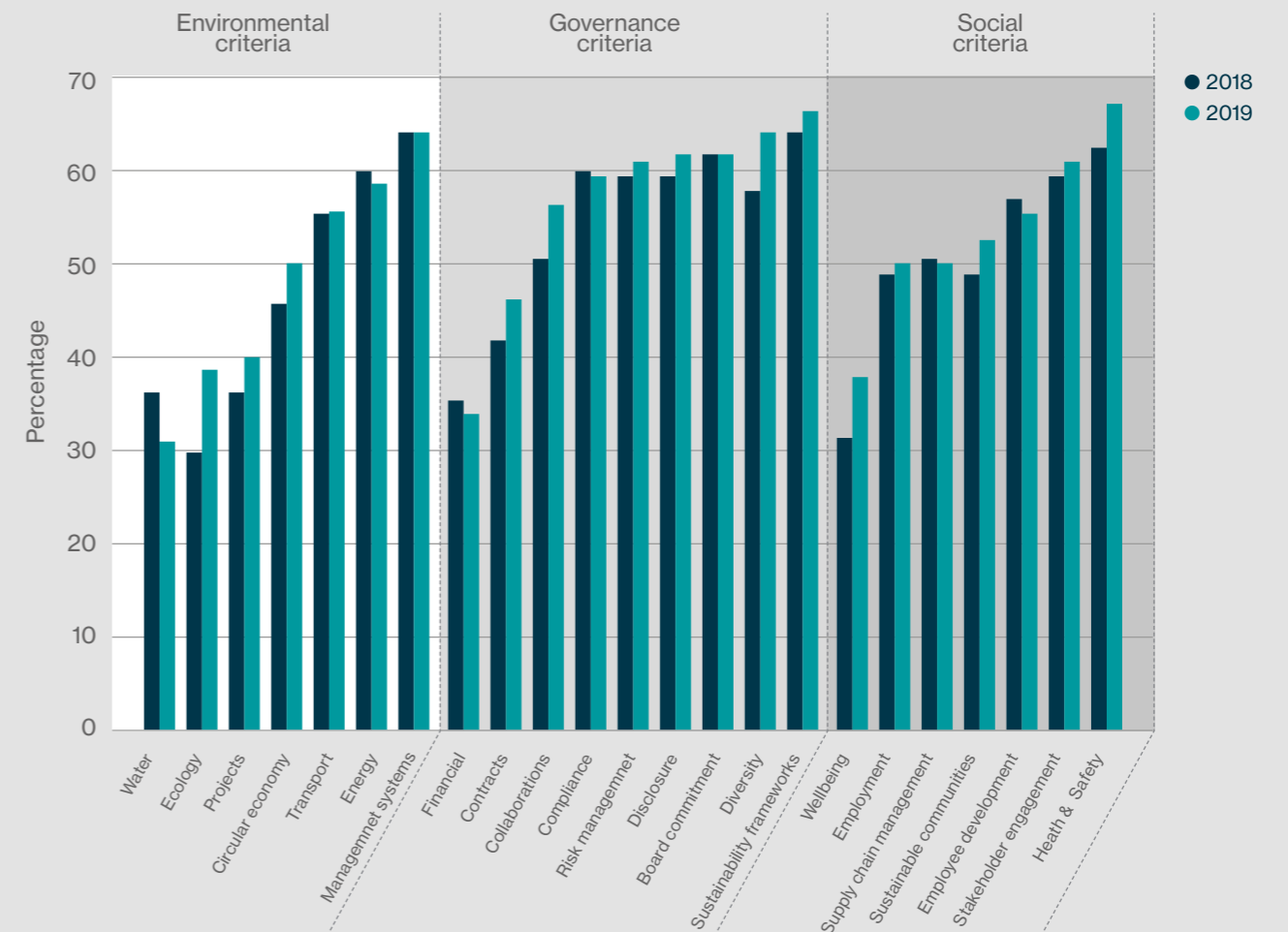
## Governance

Governance criteria as a group scored higher on average than either of the other groups and showed the greatest increase as a group between 2018 and 2019. Diversity and Collaborations both saw an increase of over 5%.

## Changes in average scores in hot topics for year to year



## Average criteria score 2018 and 2019



## A number of topics are distinctly lacking in implementation across the industry.

**Move towards a circular economy** – There is little evidence of a move towards a transformative circular economy despite discussions of this model becoming prominent in considerations of sustainability. None of the organisations achieved a top score for this criterion. Plastic reductions were included in some form of publicity for 85% of the organisations, resulting in a score of 40% or more. These companies are showing more than a tokenistic discussion and have evidence of positive action with varying capacity. A tokenistic approach only resulted in 15% of organisations achieving a score of 35% or lower.

**Supply chain emissions understanding** – The complexity of emissions produced by supply chains is not well accounted for. Only two companies can measure their supply chain emissions. Fewer than one in ten (8%) of those benchmarked use purchasing power to engage and motivate suppliers to reduce environmental, social, and corporate governance impacts that create a positive impact, a requirement to achieve the top score. However, 31% do require suppliers to have a minimum environmental and social certification and can show how high-risk suppliers are well managed.

**A true social value framework from the industry** – Few companies were able to provide examples of where they had developed a long-term community engagement strategy based on the needs of the community and ability of the company.

**The sector is ripe for disruption** – As organisations fight to become ever-more efficient, the use of technology and employee skills change. As a result, the sector is at risk of being directly disrupted by technology companies with reduced cost models.

Despite this threat, organisations are largely able to articulate the composition of the disruption that may emerge within the next decade. When audited, however, few organisations were able to describe how they were preparing for long-term disruption, and gaps in both employment and skills. A number of organisations scored 5 in 2018 for employee development. However, in 2019 planning for the future of FM technological disruption became a requirement to achieve a five, which has resulted in a drop in scores.

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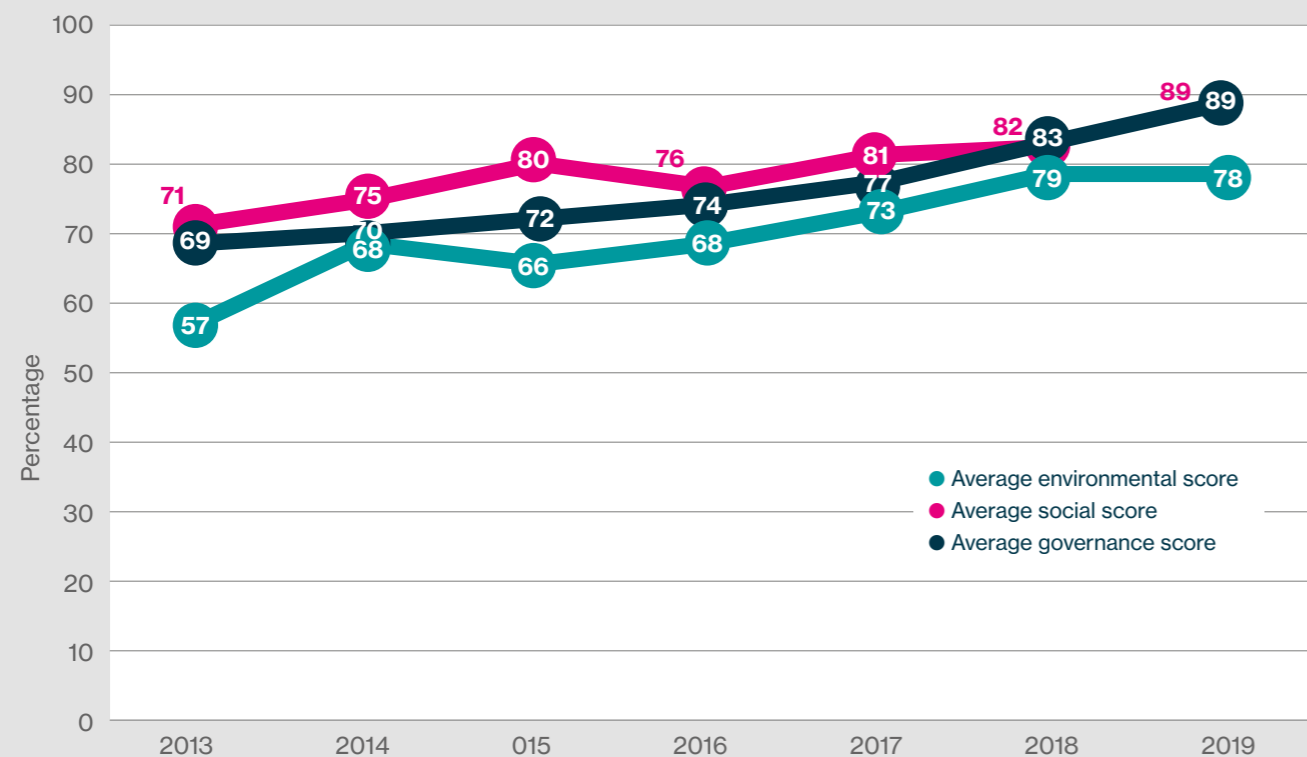
## Takeaways

On the whole, the organisations engaging with the SFMI are scoring significantly better than the industry at large. These companies are showing continuing improvement, consistently raising the benchmark for the sector.

Categories	Average 2018 %	Average 2019 %	% change in score from 2018 - 2019
Water	36.0	30.77	-5.23
Financial	35.2	33.85	-1.35
Wellbeing	31.2	37.69	6.49
Ecology	29.6	38.46	8.86
Projects	36.0	40.00	4.00
Contracts	41.6	46.15	4.55
Circular Economy	45.6	50.00	4.40
Employment	48.8	50.00	1.20
Supply Chain Management	50.4	50.00	-0.40
Sustainable Communities	48.8	52.31	3.51
Transport	55.2	55.38	0.18
Employee Development	56.8	55.38	-1.42
Collaborations	50.4	56.15	5.75
Energy	60.0	58.46	-1.54
Compliance	60.0	59.23	-0.77
Risk Management	59.2	60.77	1.57
Stakeholder Engagement	59.2	60.77	1.57
Disclosure	59.2	61.54	2.34
Board Commitment	61.6	61.54	-0.06
Diversity	57.6	63.85	6.25
Management Systems	64.0	63.85	-0.15
Sustainability Frameworks	64.0	66.15	2.15
Health and Safety	62.4	66.92	4.52

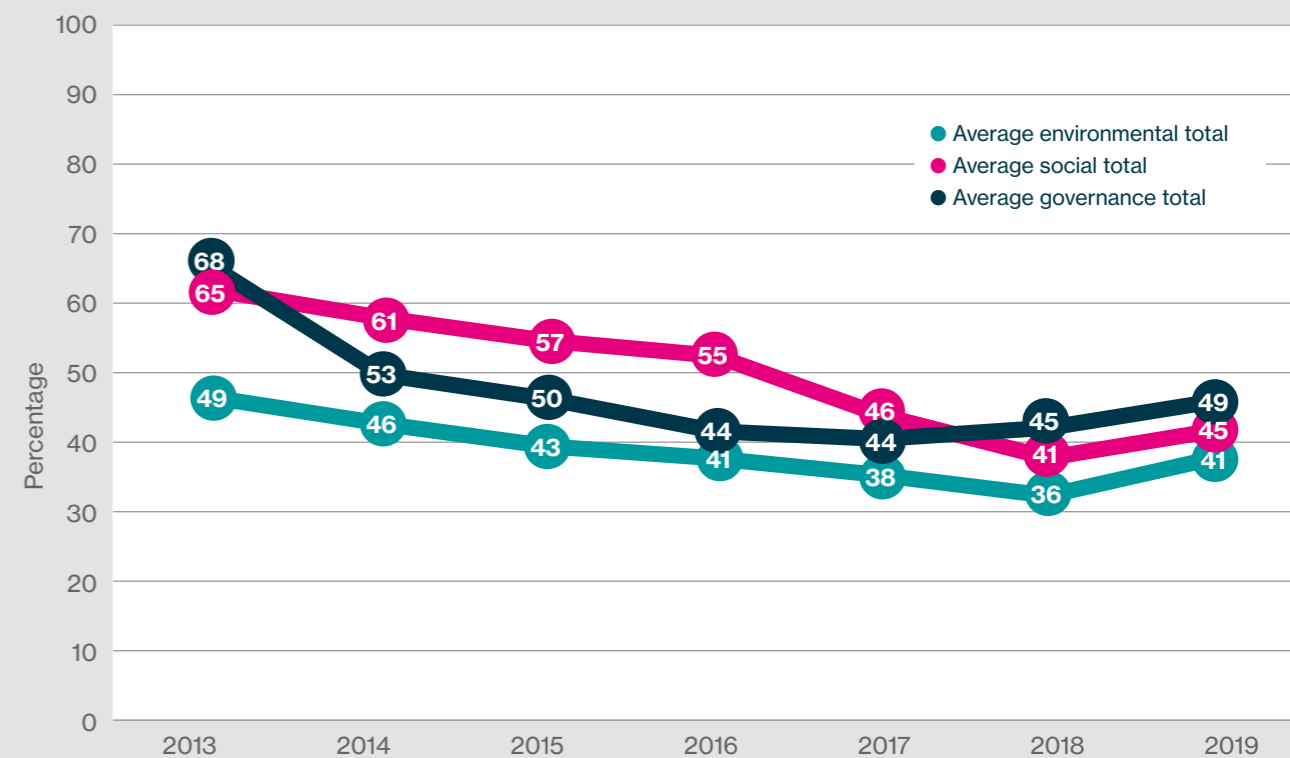


### Average leaders SFMIndex ESG scores



These findings raise the question: where is the industry headed and what is its role in sustainability management? FM companies currently have contrasting ability to manage sustainable matters for clients, despite being in an authoritative position. Those with the greatest capability integrate a holistic sustainable strategy into their clients' practices. Next, there are the companies that offer this service but, while they provide a high-quality traditional FM service, largely fail to integrate a strategic sustainability solution, often in part due to tight margins or lack of desire or trust from the clients. Finally, there are the organisations in a 'race to the bottom', which appeal to the clients searching simply for the cheapest service, providing no mechanism to develop sustainability within the business.

### Average non-leaders ESG scores





**The SFMI has also helped to identify four different types of FM customer approaches to sustainability: This includes:**

- Those that want to integrate their FM with their sustainability ambitions and are willing to invest
- Those with a sustainability goal but that are unwilling to direct money into the process
- Those that are looking for a quality FM service but have no sustainability priority
- Those searching for the cheapest offering available.

This shows that there is demonstrable misalignment between clients and FMs in their approach to procurement and selection. A number of the FM companies that have been audited reported that sustainability does not come as a standard across their contracts because a number of clients specifically turn it down. Short-term thinking is also prevalent in contract implementation.

Guidance and education in how to integrate sustainable goals are required in the procurement process. The dynamic of the current partnerships between clients and customers does not incentivise FM companies to go above the level of sustainability their clients have already reached. One notable example of this is the finding that FM service providers are not integrating behavioural change activities into their energy contracts. Despite the availability of low- or zero-cost behavioural measures – which can save the client money and improve their sustainability – the focus is on initiatives, such as solar power and refits, that require investment. The reason for this is likely to be that behavioural change is difficult to quantify. With nearly all FM companies now competing in a crowded market where margins are squeezed, changes that are not deemed directly within the scope of the contract often fall by the wayside.



Best-in-class, platinum companies use an established framework to direct future sustainability goals. They also have parent companies with the capacity to create and apply these frameworks. Not all are so fortunate, the industry as a whole requires a roadmap for the future of sustainability. The SFMI's 23 criteria provide some definition to the sustainability process. However, with Platinum companies scoring four and five consistently across the board, there is a strong case to be made that the criteria are not ambitious enough. Higher-level and longer-term sustainability goals tailored to the FM sector will outline what is possible.



Finally, this year has seen a definite increase in the scores of organisations achieving bronze level. While this is positive, it is worth noting that bronze may well be achieved through a series of tokenistic efforts that lack an intent to continually improve. For those at the bronze level, scores are largely improving across areas of sustainability that have gained prominence in the public eye recently, such as plastics waste, the gender pay gap, and mental health. A better understanding of company approaches is necessary to determine whether these improvements are carried out for marketing purposes or true sustainability. In the coming year, the SFMI's goal will be to focus greater attention on the low-level scorers.

## Conclusion

Despite the powerful position FM holds in influencing sustainable practice in the built environment, sustainability performance across the sector is lagging behind other industries. However, those companies engaging with the SFMI are showing continuing improvement. The benchmark has become the watermark for organisations that possess a genuine commitment to sustainable change in terms of service provision and the internal governance of the business.

Specific areas require closer attention. There is a notable misalignment between FM approach to sustainable contracts and the way clients approach a tender. There is also a distinct possibility that a number of organisations are showing improvements in sustainability due to the prevalence of certain topics in the news. Long-term focus is disappointingly lacking in representation despite the potential for sustained benefits arising from initiatives encouraging behavioural change and development of a circular economy.

From the 2019 audits, the SFMI has made it more difficult for companies to achieve high scores through behaviour which could be deemed tokenistic. At the other end of the spectrum, however, the highest scoring organisations are consistently achieving top scores across the categories. This suggests huge potential for the industry to continue developing sustainability leadership and longer-term sustainable goals such as reaching net zero carbon emissions, developing circular economy models and ensuring the stability of future communities.

The industry continues to prove its potential but without the guidance of a framework and more ambitious goal-setting, both of which the SFMI is in a position to provide, it risks not capitalising on these opportunities.



[acclaro-advisory.com/sfmi/](https://acclaro-advisory.com/sfmi/)

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