



SFMI
The Sustainable FM Index

SFMI 2020 Summary Report

**A TRANSITIONAL YEAR OF
OPPORTUNITY FOR BUSINESS**



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FOREWORD

2020: A strategic boon for the facilities management sector

2020 was a year like no other. The sudden, catastrophic emergence of Covid-19 generated the most significant disruption to life in the post-war era. Almost 12 months later, there is no immediate end to the crisis in sight despite the heroic development of multiple vaccines. The pandemic and the lockdowns that followed dealt UK PLC a harsh blow, forcing organisations across the public and private sector to make drastic changes to their operations, commercial models, workplace strategies, employee engagement efforts, health & safety procedures, and more.

The year was no less transformative for the FM sector, with those organisations leaning on facilities managers and facilities management service providers to guide them through the pandemic. Existing contracts had to be torn up, but this allowed FM to demonstrate its responsiveness and flexibility and gain customer's trust. The sector has led the implementation of constantly changing government guidelines, managed empty buildings, developed the procedures keeping people safe in critical sites, kept businesses and public services operating through lockdown, and is now playing a pivotal role in designing post-pandemic workplaces. Often, it is the people in thankless, low-paid facilities roles that have done the heavy lifting, risking their health during the crisis.

So, what does this mean for FM and its long-term approach to sustainability? Its newfound responsibilities have enabled the sector to assume a strategic position that it struggled to attain in the past. Our 2020 SFMI audits, the findings from which we explore in more detail throughout this report, found evidence of FM service providers integrating sustainability into their service offering and working in partnership with customers to transform their sustainable outcomes.

But we cannot see this as a job done. The 2020 audits also revealed that a significant number in the FM sector remain desperately unequipped to help UK PLC meet increasingly critical sustainability challenges, from reducing carbon in the fight against climate change to building a more equal society.

As we head into 2021, FM organisations must maintain the high level of engagement they now enjoy with leadership teams and cement this new business normal. The pandemic, together with climate change, rising economic inequality, and a growing social justice movement, represents the perfect storm for FM to reinforce its status as a change agent. The alternative is that it reverts back to the Cinderella profession that does the dirty work and never goes to the ball.

Sunil Shah, Founder and Director



EXECUTIVE SUMMARY

The findings from the 2020 SFMI audits can be split into operational insights, comprising the areas of sustainability that FM organisations are focusing on within their service provision, and strategic insights, looking at the ways in which FM organisations are integrating sustainability into their business models, management practices and culture.

The audits revealed that sustainability remains high on the sector's agenda, while the pandemic has encouraged FM organisations to prioritise wellbeing, health & safety, lockdown management and social value.

The SFMI identified four core tiers of sustainable FM service provision in 2020:

1. A fully sustainable service that is data-led, responsive to decision-making, flexible, and features a higher-skilled workforce
2. A sustainable value model that embeds sustainability across all service lines and offers sustainability services at a higher price
3. A standard FM service in which specialist sustainability services are available but come at a higher price
4. A basic FM service with no specialist sustainability elements

Despite some strong performers in sustainability, no single FM service provider sits within Tier 1. Until procurement teams request a fully sustainable service, this is likely to remain the case. However, a small number of FM organisations find themselves in Tier 2, improving their approach to sustainability but not fully realising the true potential in transforming their business model. Most service providers sit somewhere between Tier 3 and Tier 4. Typically, these organisations are hamstrung by historic barriers including labour-intensive services at low margins.

The primary roadblock to enhancing sustainability within FM service provision is an intrinsic inability to commercialise the practice. By finding ways to commercialise sustainability, FM could build more trust in the sector and improve its margins by offering customers longer-term value.

A shift in technology adoption would spearhead these efforts and allow FM organisations to break the cycle they are currently caught in. The goal should be to align innovation with clients' sustainability ambitions, an increasingly important driver.

However, progress requires the FM sector to be more transparent in how it helps deliver sustainable solutions in areas such as social value and climate change. Often, clients don't understand whether FM service providers can manage, implement or embed sustainability across their business.

Meanwhile, the lack of resources within smaller companies denies them opportunities to both disclose information that would help portray them as a sustainable business and invest in the systems required for sustainable certifications.

Procurement departments get a bad rap for driving down costs within facilities management. Yet the root cause of the issue is a corporate business culture, especially within the middle management layers, defined by a short-termism that prioritises cost over value. Until service providers, clients and government make a concerted effort to transform that culture, the true potential of sustainability is unlikely to be realised.

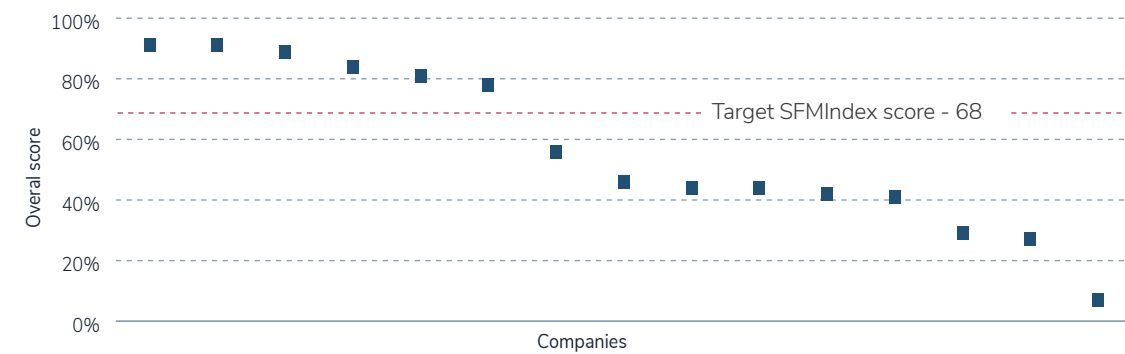


METHODOLOGY

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

In 2020, we focused on those organisations that have been building reputations as change-makers in the UK FM sector. In doing so, we intend to highlight the trajectory of sustainability in the sector and build a consortium of those with the potential to be the most sustainable organisations in the field.

Assessed Company Scores



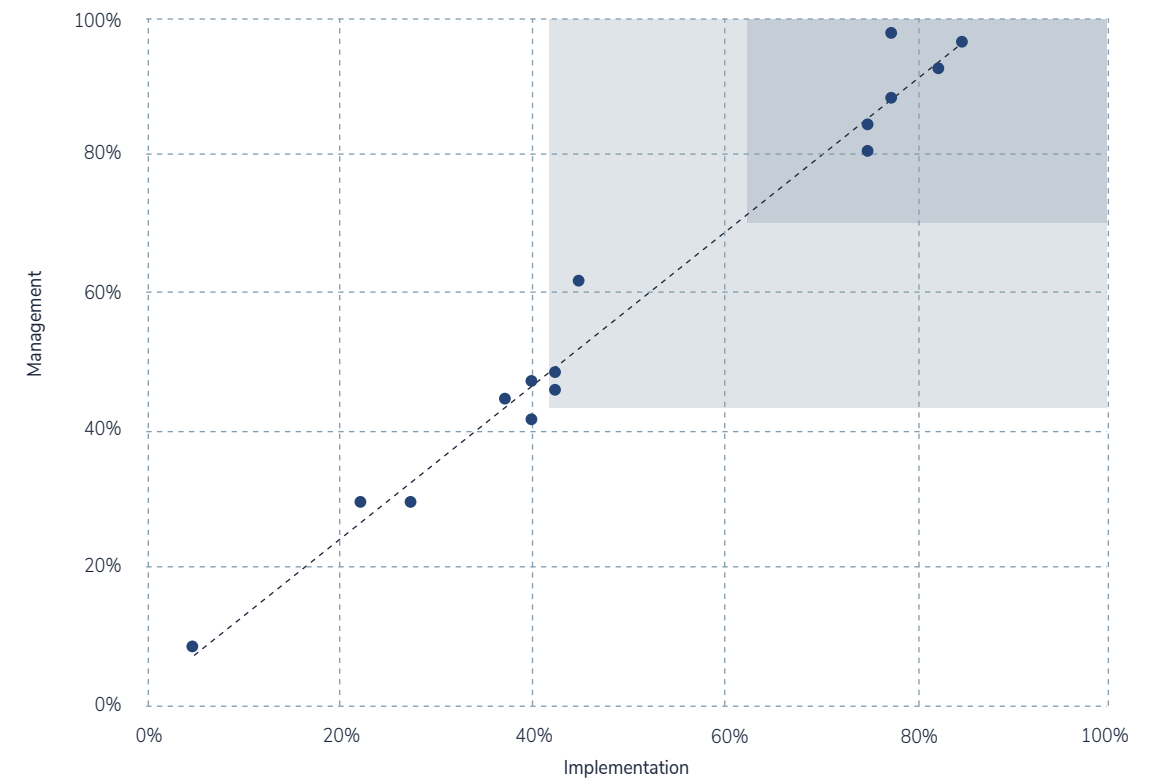
The Assessment

The assessment is divided into three phases with a score for each: 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 business demonstrates a desire to learn and improve on the management and implementation of sustainability.

During each phase, 23 criteria are scored from zero to five. Organisations cannot score above three in the initial phase as it is difficult to provide the evidence that the SFMI requires through public documentation. Scores of four or five can be achieved in the following phases if organisations are able to demonstrate that sustainability is embedded into their company culture and processes.

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

Management vs Implementation



- Tokenistic offering, but no real evidence of being able to manage sustainability
- Ability to manage sustainability on a basic level
- Ability to integrate with sustainability strategy



OVERVIEW OF SUSTAINABILITY PERFORMANCE



Partners (receiving a full assessment):

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

Non-Partners (public data assessment to benchmark):

Atalian Servest	MACE
Churchill Services	Pareto FM
EMCOR UK	Sodexo
ISS	

LESSONS FROM THE SFMI

In the SFMI Leaders Forum that we hosted in July 2020, numerous FM service providers stated that the uncertainty surrounding COVID-19 had strengthened their partnerships with clients, as both parties looked for flexible, innovative ways out of the crisis. Moving forward, this need for responsiveness should spur both groups to develop contracts that align with broader sustainability goals.

At the time of writing, the UK government hopes that the national vaccination programme will be in full swing by summer 2021. The report from July's forum noted that the sector now has an opportunity to grab the initiative, as organisations look to reinvent areas such as space management, recruitment and zero carbon in anticipation of a new hybrid world of work.

As far back as our SFMI 2017 report, we recognised a growing client demand for more strategic FM models and urged the sector to ready itself for this conversation. That time has now come, yet there are still question marks over whether a sufficient proportion of the sector has developed sufficiently to meet the challenge.

Aside from the immediate challenges of the pandemic, there are a number of long-standing trends and factors driving corporate sustainability strategy, including the climate emergency, international treaties, national and local government targets, public advocacy, zero carbon initiatives, and a greater focus on social value including diversity and regional inequality.

However, as we explained in our 'Sustainable Ambition for the FM Sector' report last year, FM is caught in a paradox: service providers are reluctant to invest in sustainability unless the client communicates the need for these services. Nonetheless, the tide is turning due to the pandemic.

In that same report, we argued that FM service providers who are serious about sustainability must aim to create a new business model that incorporates a sustainable business culture, sustainably led technology solutions and a fully trained and engaged workforce. In our autumn 2020 report 'Zero Carbon in FM – What Should You Be Looking For?', we argued that doing this would help FM companies extend their zero carbon targets from simply FM emissions, which are relatively small, to customers' overall emissions.

This report will also provide insight into the need for procurement practices to change so that value is gained from FM services. The SFMI have been discussing this since 2017. Embedding Sustainability in FM Procurement gives the user a step by step on how businesses should align their values and ambitions.

Please refer to the appendix to view any of these papers mentioned during this report.



OPERATIONAL LEVEL FINDINGS

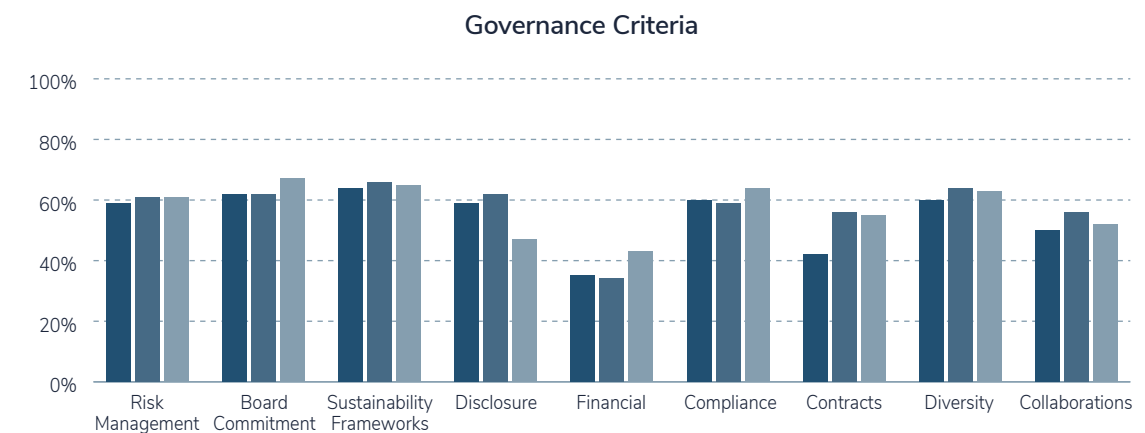
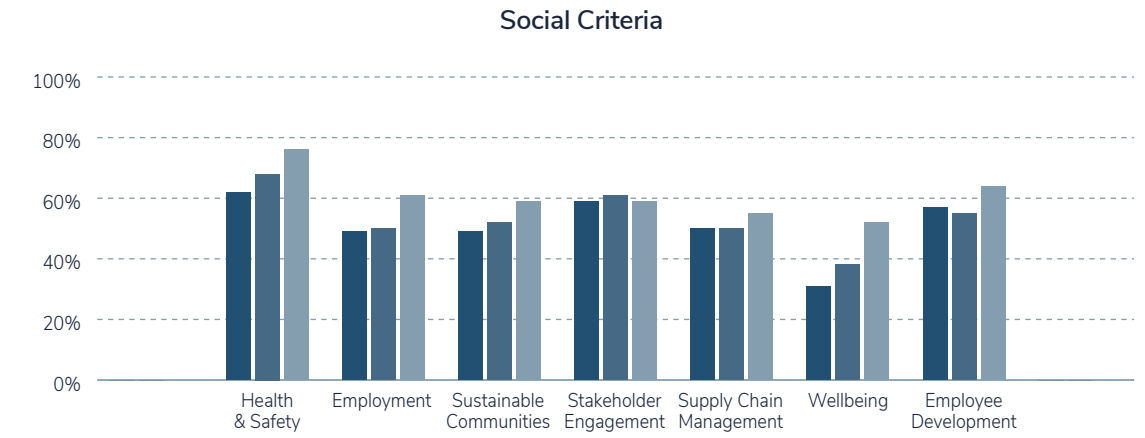
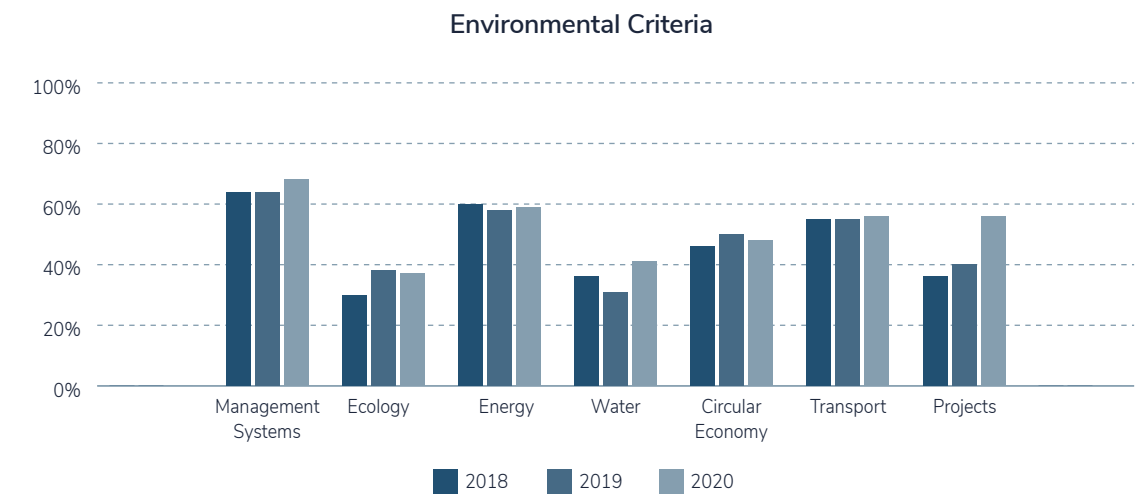
Operational Level Findings: How have FM providers responded to the pandemic's challenges?
 Our 2020 SFMI audits revealed that sustainability remains a priority for FM leaders and client organisations despite the pandemic and a global recession, highlighting the resilience and value a sustainability strategy possesses.

Leading FM service providers have continued to make progress against their targets, developed plans and strategies, and implemented new solutions. However, the pandemic has catapulted areas such as wellbeing and health & safety to the top of the business agenda. Undeterred by COVID-19, a small number of organisations have also announced or are preparing zero carbon plans.

In a year dominated by a public health crisis, rising unemployment and anti-racism movements, as well as the potential economic impact of Brexit, leading organisations are exploring how social value can help them achieve market differentiation.



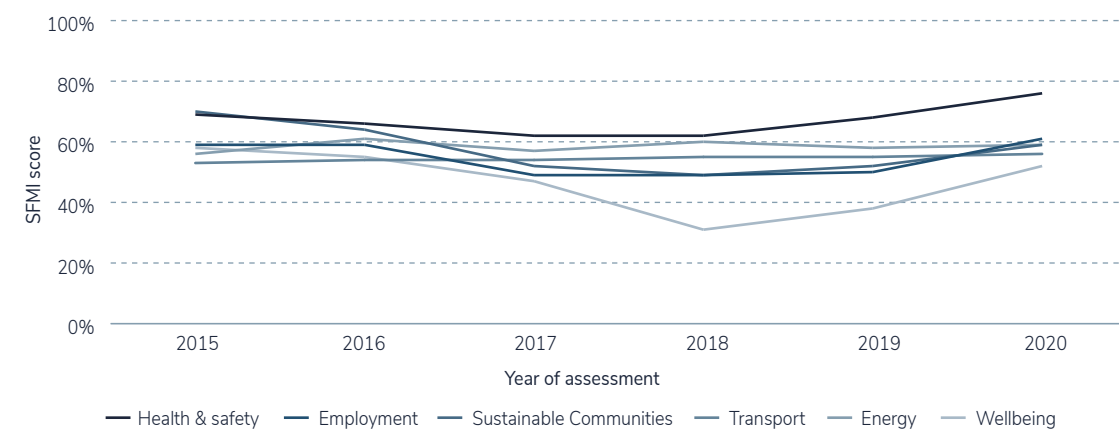
Average Criteria Score 2018-2020



Social value

FM service providers developed and integrated social value frameworks at the corporate level throughout 2020, a trend driven by the growing emphasis on social value within government frameworks and public sector contracts. However, integrating and embedding social value and capturing data that demonstrates its benefits remains a significant challenge.

Changes in average scores in Hot topics from year to year – OPERATIONAL



One company that is setting a stellar example on social value is VINCI Facilities. In addition to core systems that collect a broad range of contract-level data, the service provider's strong culture encourages and incentivises staff to capture examples of social value. The company utilises a network of more than 20 'social value champions' to drive the topic through every contract.



Our 2020 audits also found that the attitude towards apprenticeships is a good indicator of sustainable business culture. The organisations with deeply embedded social values see apprenticeships as long-term assets and develop genuine career paths for apprentices.

Sewell FM's work on apprenticeships was particularly impressive. As an FM service provider primarily based in the North East but with growth ambitions, its core sustainability strength is its responsible business and employee culture driven by leadership that has allowed the company to drive employment initiatives and social mobility in the communities it serves.

Lockdown management

From the start of the pandemic, organisations have prioritised health & safety and building management, especially around energy and water safety. In many cases, this has elevated FM service providers as tactical advisors and strengthened their relationships with clients. Demonstrating their agility and their responsiveness, many providers acted quickly to publish guidance on keeping people safe in the workplace, while top providers advised on the management of vacant or low-occupancy buildings to reduce energy consumption.

Electric vehicles

There is an increasing push from the FM sector to decarbonise fleet emissions. In 2020, leading businesses were either developing strategies to decarbonise, making plans to financially invest in the process, or actioning their strategy. Mitie has made significant steps towards electrifying its fleet by deploying more than 800 electric vehicles (EVs) to date. Fleet electrification is integrated into the organisation's Plan Zero with the target of a fully electric fleet by 2025.

Zero carbon

Leaders in FM have either published or are planning to publish zero carbon plans in early 2021.

However, our 2020 SFMI audits revealed that only Skanska has fully assessed and integrated its supply chain goods and services emissions to its public zero carbon strategy. Other Platinum-rated companies plan to integrate their supply chain emissions (goods and services) into their carbon strategies in 2021.

As in 2019, there are still no clear leaders when it comes to strategically integrating the circular economy into zero carbon plans. However, encouraging isolated partnerships do exist. BAM FM was able to demonstrate success in commercialising the circular economy by working in tandem with its supply chain. Two years ago, the service provider collaborated with Whitecroft Lighting to develop a more efficient lighting system for the Cheshire Police Authority. Since then, the two companies have continued to develop the product, which now incorporates cradle to cradle certification.



As in 2019, there are still no clear leaders when it comes to integrating the circular economy into zero carbon plans. However, encouraging isolated partnerships do exist.

Ecology management remains a low priority despite the pandemic highlighting the impact of biodiversity on health and wellbeing. The subjects link to zero carbon along with greater governance and public interest in these areas should spur on the FM sector to demonstrate how it can be part of the solution by deploying built environment solutions for ecological conservation and health in cities.

Technology adoption

Our 2020 SFMI audits uncovered a shift toward the use of integrated workplace management systems. These solutions run on smart phone apps and have a broad range of functions, from providing staff access to sustainability-related systems and online training programmes to capturing data from sensors to create value for clients.

Leading businesses, such as Engie, Bouygues E&S and Skanska, have developed sophisticated smart analytics products to improve building management and decrease the building performance gap. Specifically, VINCI Facilities has been evolving a digital workplace ecosystem over a number of years. Within its suite of tools, it can build digital twins that simulate sites and provide data on sites to improve working efficiency. Interestingly, the organisation has successfully upskilled 40% of people in its digital and performance team directly from its help desk, demonstrating genuine social mobility from within.



STRATEGIC LEVEL FINDINGS

Strategic Level Findings: A business model for the future

During our audits and public data assessments, we found the following from a strategic business model perspective:

Management and governance

Sustainability is driven primarily through the C-suite within large FM service providers. Board members are keen to drive sustainability initiatives through regulations, commercial opportunities, and customer alignment. However, these organisations have yet to realise the full potential of commercialising sustainability.

Whether the commitment to sustainability issues is disseminating to FM contracts on a broad scale is also uncertain. Ideally, the SFMI would like to see risk management scores increase alongside greater board commitment to sustainability. The SFMI also plans to increase the focus on contractual level sustainability in 2021 to understand the gaps that exist between board and operational level commitment.

Commercialisation of sustainability

Our 2020 audits revealed that organisations are highlighting their internal practices around sustainability through public information disclosure, though in varying degrees of output. Largely, this information includes in-house performance and progress. While it is an important step forward, the SFMI's white paper on zero carbon discussed the need for the industry to make a step-change by contributing customer value that incorporates zero carbon processes. The same can be said for contributing social value to customers; rarely is sustainability integrated into basic services.

A cursory look at the webpages of FM organisations will reveal that sustainability is rarely integrated into these basic facilities services. The industry needs to encourage and facilitate change by embedding sustainability into all services and offer this to the client as added value.



The SFMI has identified four tiers of sustainable service provision within the FM sector:

1. **A fully sustainable service** that is data-led, technology focussed, responsive to decision-making, flexible, and features a higher-skilled workforce. This tier remains an ambition of every FM service provider in the market.
2. **A sustainable value model** that embeds sustainability across all service lines and offers sustainability services at a higher price. Only a minority of organisations are working toward this standard.
3. **A standard FM service** in which specialist sustainability services are available but come at a higher price. A significant number of organisations offer this option at varying levels (energy management being the most common)
4. **A basic FM service** in which no specialist sustainability services are offered. Unfortunately, a large proportion of businesses continue to work at this level.

What sustainability models are FM providers using?

VINCI Facilities, a recipient of this year's SFMI Platinum Award, believes that the lack of long-term strategic thinking among FM service providers is "limiting an opportunity to yield business and social benefits". While there are ambitions to improve in all areas, a lack of clear-cut strategic action is hindering these goals.

Historically, FM has been labour-intensive, low-cost service. Even organisations operating at the higher end of the scale are limited to seven percent margins. This prevailing business model has fostered a culture within the sector that prioritises cost added value and service excellence. As a result, even leading FM service providers struggle to embed sustainability value throughout all their contracts unless it is specifically paid for (see Tier 3 and below). An industry that is already feeling the squeeze has fewer resources to provide additional value for little or no profit.

The FM sector needs to move into a position where it can drive the value of sustainable practices. However, this action requires additional investment, including the adoption of new technology and staff upskilling. Organisations need to work hard to ingrain sustainability throughout all basics services so that all outputs demonstrate the value of such practices.



THE CLIENT'S PERSPECTIVE

What should a responsible business do when procuring sustainable FM services?

From the customer's point of view, the goal to become a responsible business is driven by reputational, investor and regulatory pressures.

Major organisations are taking action on climate change as part of their CSR commitments. Around two-thirds of the UK's local authorities have declared a climate emergency to help spur local action and gain investment after years of austerity. Public organisations are integrating social value into their procurement processes with increasing frequency. All these groups want to understand how their suppliers can help measure and manage their impact on climate change and social issues.

In 2019, the SFMI identified four types of FM customer:

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

These four categories still prevail, but the contemporary drivers are forcing a shift in the collaboration with supply chains. An increasing number of organisations see the value in procuring businesses that provide solutions for reducing operational spend, partner to launch products, provide positive stories around carbon reduction and improved wellbeing for staff, customers and communities.

Tips for procuring a sustainable FM provider

The 2017 SFMI Summary Report included guidance on how businesses can align their sustainability objectives with the search for an FM service provider. A tick-box approach will almost certainly lead to disappointment. The key is to choose a provider that does not mislead on their capabilities and commitments or omit important information that may influence procurement decisions.

Procuring organisations must not shirk from paying for sustainability as the long-term value from high-quality sustainability services will always outweigh the initial costs. However, the FM sector must stop scapegoating procurement departments as the instigators of the dominant low-cost model. The real solution is for all organisations to transform to a responsible business corporate culture that shapes the decision-making ethos across all levels of the business, including middle management which is often squeezed from many angles.

When selecting the right sustainable FM provider, engage on topics aligned with your business.

Key considerations include:

OVERRELIANCE ON CORPORATE LEVEL SUSTAINABILITY

FM service providers either offer pure FM services or are subsidiaries of larger outsourcing corporations. In the case of the latter, sometimes the FM business unit will lean too heavily on the corporate-level sustainability programme. This will mean one of two things: sustainability is not embedded within the FM business unit or the company is poor at communicating the sustainability value it can offer clients.

Clients should investigate how the FM provider integrates sustainability as added value within the contract and what specialist sustainability services it offers. If a company is audited by the SFMI, this is a good indication that it is a responsible business and happy to open up to external assessment

ZERO CARBON TARGETS

Those procuring FM services must be cautious of zero carbon targets and commitments. Many companies will state that they plan to achieve net zero by a certain date. But some may omit large parts of their scope while relying too heavily on carbon offsetting as a key priority. A significant proportion of total emissions come from activities and assets not owned or controlled by the reporting organisation, excluding them from most zero carbon targets. An open conversation with the service provider will allow a client to identify whether it shares the right values and objectives in the zero carbon journey.

SOCIAL VALUE

Organisations need to determine how social value works within their supply chain. Areas of value may include boosting social mobility, education and training, and improving local community spaces.

Social value can be difficult to measure, so organisations should check how the provider captures its impact and whether this aligns with their expectations. A true sustainability leader will embed social value in their standard service as their team fully engage with the values of the business.

APPRENTICESHIP PROGRAMMES

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CONCLUSION

Where does FM go from here?

In 2020, FM saw its status grow as a critical function and strategic advisor to the board, as the pandemic forced organisations into uncharted territory. But if the sector is to capitalise on this opportunity and truly establish itself as a global leader, it will need to adopt a progressive business model with sustainability at the centre.

For FM service providers, this means making better use of technology. These organisations must invest more in research & development. New technologies will help transform FM from a low-value, labour-intensive service to high-value, higher-profit margin industry with higher-skilled workers and better profitability. However, the SFMI acknowledges that the sector is caught in a catch-22 scenario: it needs the capital to invest in R&D, but it cannot accrue the capital within the cycle of commoditisation it finds itself in.

The government needs to create a playing field that rewards sustainable value in outsourced services. Despite reports following the Carillion collapse that the government would reward value over low costs, its procurement function continues to be dictated by cost and is failing to appreciate the differences in quality between contractors.

The number of corporates aiming to become responsible businesses is growing all the time, as is the number of corporates placing environmental and social issues on a par with economic growth. The socially responsible investment (SRI) market continues to develop apace, a trend that is encouraging corporates to develop their CSR growth strategies. Meanwhile, many corporates are looking toward the supply chain as a means to expand their influence, improve their reputation as a responsible business and seek long-term value from operational savings.

However, procurement practices must be untangled from a management culture that prioritises, even celebrates, cost-savings. While boards and senior management often understand the long-term benefits of sustainability, it is the control of middle management that drives these more traditional procurement methods. The emphasis must move from securing the lowest price to paying a cost worthy of the service quality and the longer-term savings that can be made from strategic sustainability service.

A sustainable future depends on every stakeholder, including the FM service providers, corporates and the government, working in concert to realise not just the stakes in securing a sustainable future but also the commercial opportunities it holds.

APPENDIX

The 23 Criteria to Sustainable FM

https://www.acclaro-advisory.com/wp-content/uploads/2020/10/SFMI-23-Criteria-Report_Sept2020_V1.0.pdf

The SFMI Leader's Forum

<https://www.acclaro-advisory.com/sfmi-leaders-forum-july-2020-summary-report/>

SFMI Summary Report 2017

<https://www.acclaro-advisory.com/wp-content/uploads/2018/10/2017-Summary-Report.pdf>

The Sustainable Ambition for the FM Sector

<https://www.acclaro-advisory.com/sustainable-ambition-for-the-fm-sector/>

Zero Carbon in FM

https://www.acclaro-advisory.com/wp-content/uploads/2020/10/Zero-carbon-in-FM_Practical-Guide_SFMI.pdf

Embedding Sustainability in FM Procurement

<https://www.acclaro-advisory.com/wp-content/uploads/2018/10/EMBEDDING-SUSTAINABILITY-IN-FM-PROCUREMENT.pdf>

UK Government

<https://www.gov.uk/government/publications/procurement-policy-note-0620-taking-account-of-social-value-in-the-award-of-central-government-contracts>





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