



SFMI
The Sustainable FM Index

Criteria Update 2023

The SFMI 23 Criteria for 2023

Presented by: Heather Turner, Brenda Sullivan, and Sunil Shah



Agenda

1. Overview of 2023
2. ESG regulatory and rating overview
3. 23 Criteria Update
4. Q&A
5. Closing and summary





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Overview of 2023

Presented by: **Sunil Shah**



- A lot has changed and nothing has changed
- Boards, CEO's, Business and Individuals are all being tasked with driving changes and all working harder
- Focus upon harnessing the energy, collaboration and leadership
- Need to look beyond linear patterns – solutions will follow impacts. Industry movement to go beyond reducing impacts
- Instead – how do we deliver a better planet. Is the world better off with our company in it?
- Is the role of FM to go beyond directly reducing our own impacts towards supporting customers to improve theirs? Can FM become a restorative business?



88%

of investors believe companies that prioritize ESG initiatives represent better opportunities for long-term returns than companies that do not



Source: Edelman Trust Barometer Special Report: Institutional Investors



Climate – Change in Profile

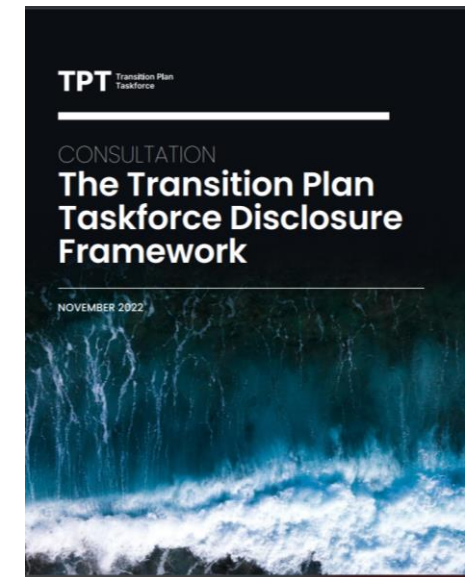
- IPCC final report – March 2023
 - Current trajectory of existing global policies and business ambitions will achieve a 2.8C world. 3.3bn people are at risk and a 50:50 chance of hitting 1.5C by 2030
 - Increased risk of wildfires, extreme drought, flooding and storms leading to an increase in food prices, increased potential for supply chain disruption and water insecurity.
 - Need for effective change to reduce the impacts regardless – every 0.1C matters
 - Role of business:
 1. Revisit targets and roadmaps. Within SBTi, a minority include the full scope of emissions within their net zero targets
 2. Damage and adaptation – better understanding of what this means across supply chains and ecosystem impacts
 3. Unlock private finance – 6 fold increase is needed to deliver on 2030 ambitions. TCFD and transition plans key enablers
 4. Push for higher government policy ambitions
- Committee on Climate Change – Government has published credible policies to deliver one third of emissions cuts needed
- World Economic Forum Green Building Principles and Action Plan – include Scope 3 value chain, including tenants and FM



Increasing Scrutiny

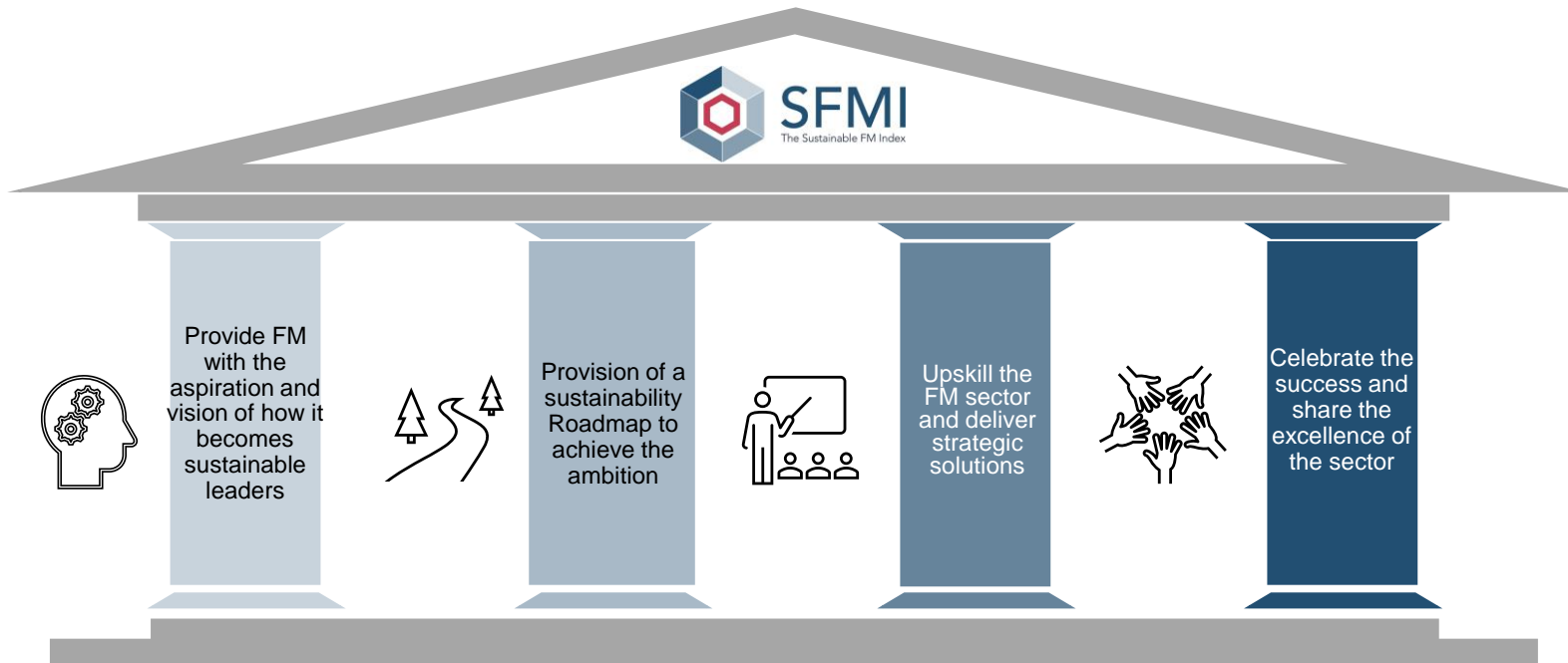
Feedback from FRC and Government reviews

- Governance issues are generally poor. Internally, organisations deem acceptable, but externally not. Ultimately, its not about reporting but about how your business works
- Metrics reporting is acceptable
- TCFD disclosures not integrated – Impact and Viability Statement and Financial Statement e.g., Asset impairments, liabilities related to carbon emissions
- Transition Plans and Planning - key issue and will gain in importance.
- Demonstrate how climate risks are being included in business decision making
- Re-baselining will be more common as better data and understanding
- Multi-use metrics – required by TCFD. How are these used across rest of business eg compensation etc
- Regulatory moving from review to challenge
- Will require ESRS with strong overlap to TCFD. Needs streamlining



The Purpose of The SFMI

To drive ESG leadership within the FM industry by delivering sustainable services that provide a positive benefit across the value chain



SFMI is a comprehensive, independent, and standardized sustainability assessment tool specifically designed for FM sector to promote sustainable practices in facilities management.

- 10 years - SFMI activity in the market and process for data gathering
- Up to 20% of the UK FM market covered through the Partners, providing an indicative performance of market direction
- 70% of FM's carbon emissions are classed as Scope 3
- 33% of companies among SFMI network have started Scope 3 measurements
- Working with industry – RICS, IWFM and IEMA



Changes in 2023

- SFMI provides a demonstration of the behaviours underpinning ESRS and ISSB criteria
- Look at developing the forward Roadmap with a view to consistency in a sectoral reporting of ESRS and ISSB metrics – 2 year programme
- Looking to extend outside UK – working with Optima in Spain

- SFMI LAB
 - Legal updates
 - Guidance notes for climate risk, biodiversity and circular economy implications for the sector from a whole value perspective
 - Research led reports – Procurement

- SFMI ACADEMY
 - Climate Literacy training for senior management and boards
 - Bitesize webinars
 - Collaborative events on identified subject with expert speakers to share knowledge and joint forward working



SFMI Lab

ESG assessment

Credible ESG assessment score

Guided ESG assessment package

- Comprehensive 3-stage audit
- Detailed sustainability report with benchmarking against industry peers
- ESG improvement plan
- Account manager
- Full reporting data
- Consultation with an SFMI expert to discuss findings and recommendations
- Access to online materials
- Visibility package

ESG self assessment package

- Self-managed 3-stage audit
- Online guidance and materials
- ESG improvement insights and benchmarks
- Educational materials
- Peer support

Research

Be a part of building industry standard

- Comprehensive Scope 3 assessment
- Online guidance and materials
- Scope 3 ESG improvement insights and benchmarks
- Peer-to-peer support
- Being a part of the network

ESG services

via Acclaro

- TCFD
- Net-zero target setting
- ESG reporting
- Scope 3 starting kit
- Scope 3 training package

SFMI Academy



The SFMI Benefits

ESG assessment

Credible ESG assessment score

Guided ESG assessment package

ESG self assessment package

Benefits:

- Full ESG audit
- Credible score and improvement plan
- Ability to use data for other reports
- Savings and emission reductions
- Stay ahead of regulatory requirements
- Enhance your reputation as a sustainable organisation

Benefits:

- Comprehensive materials to implement assessment
- Self-paced
- Self-guided improvement plan
- Ability to use data for other reports
- Access to support

Research

Be a part of building industry standard

Benefits:

- Guiding documents and events
- Ability to use data for other reports
- Stay ahead of regulatory requirements
- Enhance your reputation as a sustainable organization
- Real-time knowledge gaining

ESG services

via Accalro

Benefits:

- Standardised Industry-specific guideline
- Compliance-based framework
- Simplified process
- Dedicated support



Scope 3 Emissions in FM Research

The vision:

To position FM as a key component in delivering zero-carbon in the built environment, delivering improved operational building performance, and reducing direct and indirect emissions for businesses they work with.

How:

- To set a standardised FM industry approach to calculate carbon emissions
- Provide an engagement tool for FM to work collaboratively with customers on realistically reducing emissions in line with zero carbon agendas.
- Build a carbon tool that will contribute real data to improve the industry's understanding of its impacts
- Use the data to engage with the wider built environment in the impact that FM can bring to buildings if contracts allow.

4 Stage Approach

1. Launch of a technical emissions report, and push the use of the standard for FM
8 June 2022

2. Use the approach to build a carbon tool for the industry
Sept 2022 – July 2023
Drive the uptake of the FM GHG approach

3. Develop tool sophistication
Deliver to the wider industry and push beyond UK
Late 2023 - Early 2025

Build a globally recognised decarbonisation pathway for the FM industry





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ESG Regulatory and Rating Overview

Presented by: [Heather Turner](#)

Overview



Sustainability has become a mainstream issue for facilities management over the past few years. It will become even more fundamental as we move closer to net-zero deadlines and ESG reporting regulations following on from COP26 which saw ESG rise in importance



There are clear indications that the real estate sector will remain a prime target for global policy action. Many existing properties are rated as not "future-proof" and will successively fall behind when competing for talent in the mid to longer term future.



There is an upcoming consensus that the regulatory landscape has rapidly moved on from a simple disclosure requirement to one more of behaviour and performance, leaving companies with disclosure gaps at a distinct disadvantage.



Key Regulations: a brief overview

Framework	Summary
International Sustainability Standards Board (ISSB)	Global baseline for high-quality sustainability disclosure standards to meet investor demands for transparent, reliable sustainability reporting and will contribute to addressing greenwashing.
Sustainable Accounting Standards Board (SASB)	Aims to align organisations and investors on the financial impacts of ESG. It has industry specific standards focusing on material aspects of an organisation's sustainability performance.
Corporate Sustainability Due Diligence (CSDD)	Enforces a corporate due diligence duty on in-scope companies operating in Europe to help ensure that they are contributing to sustainable development and the sustainable transition of economies.
Corporate Sustainability Reporting Directive (CSRD)	Disclosure data on the impact of companies activities on people and the planet and any sustainability risks they are exposed to. 'Double materiality' means that businesses have to disclose the risks they face from a changing climate, but also the impacts they may cause to climate & society.
Taskforce on Climate-related Financial Disclosures (TCFD)	Outlines recommendations to assist companies in better accounting for climate-related risks in their financial and mainstream disclosures.
EED and EPBD	Energy monitoring and performance of buildings to move towards net zero for new build, refurbishment and operations.
Sustainability Disclosure Requirements (SDR)	New disclosure requirements that will consolidate and broaden sustainability reporting for UK companies.
UK Green Taxonomy	Set of criteria for determining whether economic activity can legitimately be described as green or sustainable.



Corporate Sustainability Due Diligence

CSDD

- Enforces a due diligence duty on companies to help ensure they are contributing to sustainable development and the sustainable transition of economies.
- Will require the identification, prevention and mitigation of human rights and environmental impacts
- In February 2023, the European Commission unveiled its long awaited proposal for CSDD.
- The Directive will start to apply 2 years after its entry into the force, or 4 years for SMEs



European Sustainability Reporting Standards and Corporate Sustainability Reporting Directive

ESRS

- Will set mandatory disclosure requirements under the EU CSRD
- GRI reporting processes and content will be highly relevant when preparing for the new disclosure requirements
- Will apply to 50,000 companies from 2024

CSRD

- Enforces data disclosure on impacts of companies activities on people and the planet, and any sustainability risks they are exposed to
- In November 2022, the CSRD was adopted by the EU parliament and EU council
- In December 2022, the directive was published in the official journal of the EU, making CSRD officially binding
- Companies are to report on policies, the outcomes of policies, risks and KPIs for five dimensions:
 - Environmental protection
 - Social responsibility and treatment of employees
 - Respect for human rights
 - Anti-corruption and bribery
 - Diversity on company boards (age, gender, educational and professional background)
- Reporting must be certified by an accredited independent auditor or certifier



International Sustainability Standards Board and Sustainable Accounting Standards Board

ISSB

- Comprehensive global baseline for high-quality sustainability disclosure standards
- Scope 3 reporting standard (S2) requires value chain emissions (reasonable and supportable information + disclosure to describe the methodology)
- Will facilitate compatibility with various jurisdiction-specific disclosure requirements, e.g., EU CSRD
- In February 2023, two disclosure standards for companies were signed off. These are expected to be issued by the end of June 2023.

SASB

- Aims to align organisations and investors on the financial impacts of ESG.
- Can report on the issues relevant to industry under the following five dimensions:
 - Environment
 - Social Capital
 - Human Capital
 - Business model and innovation
 - Leadership and governance



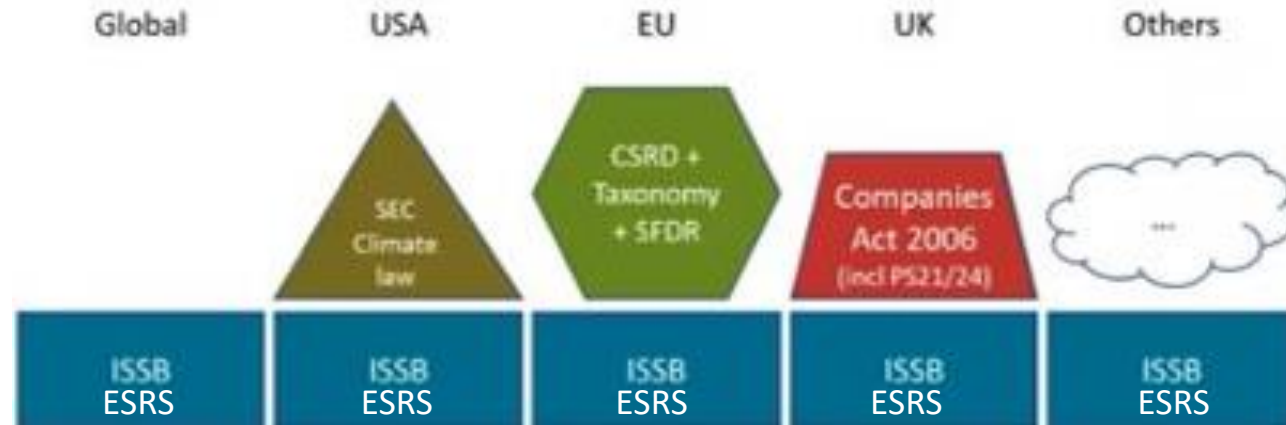
Name	ISSB	CSRD or ESRS	SEC or SEC Climate Law
Issuer	IFRS Foundations' ISSB	EFRAG	US SEC
Status	Standard	Legal Requirements	Legal Requirement
Chosen Audience	Users of financial reporting (capital providers)	All stakeholders	Users of financial reporting (capital providers)
Topic Scope	Currently only climate – will expand to cover all ESG elements	All ESG elements	Climate only (human capital may follow)
Materiality	Financial – MoU with GRI if company / legislator wants to use double	Double (financial and impact)	Financial
Mandatory or voluntary reporting	All is mandatory unless the materiality assessment indicates otherwise	Most is mandatory unless the materiality assessment indicates otherwise	Scope 1 & 2 and intensity are mandatory Scope 3 is dependent on materiality assessment
Number of KPIs	5	61 (though 4 are voluntary)	4
Assurance / audit requirements	Unqualified statement of compliance requested. Assurance level not defined	Currently debated: Mandatory limited assurance the first 3 years, Reasonable assurance from after 3 years – or mandatory assurance from 6 years after entry into force	To be phased in. After one year of reporting limited assurance – after 2 additional years reasonable assurance for Scope 1 and 2



Timeline of Impacts

	CSDD	CSRD / ESRS	ISSB	TCFD	Net Zero Transition Plan
2023	European Commission unveiled proposal	EFRAG to propose second draft of ESRS that will include standards for sectors, non-EU companies, and listed SMEs; voluntary guidance for non-listed SMEs	To issue its first two global sustainability standards by the end of June 2023	First reporting period	
2024		EU draft directive on CSRD to apply to companies with 500+ companies already subject to NFRD	Standard expected to come into effect in January for use in 2024 annual reports		UK taskforce expected to have published final recommendations which will be incorporated into SDR
2025	Directive will apply to: <ul style="list-style-type: none"> - EU companies with 500+ employees and €150m+ turnover - Non-EU companies with €150m+ turnover 	Applies to large companies with 250+ employees and/or €40m+ turnover and/or €20m total assets	First corporate reports aligned with these frameworks to be issued	UK government expected to have expanded application to more organisations (large to small)	
2026					
2027	Directive will start to apply for SMEs: <ul style="list-style-type: none"> - EU companies with 250+ employees and €40m+ turnover - Non-EU companies with €40m+ net turnover 				
2028		SMEs are no longer able to opt out Non-EU companies with €150m+ turnover in the EU must report			

Summary



- Maturing understanding of the mechanics of ESG – move from disclosure to action & behaviour change
- New regulations & ratings being developed around a Global consensus of ESG reporting – ESRS and ISSB will become the underlying principle.
- Provides for a generic reporting, supported by sector specific criteria to enable benchmarking
- Requires for robust data and disclosure to verified standards – commonality of themes & requirements necessitating adherence to all



How confident are you that your current process fits with the new reporting requirements?



Implications for FM: what do you need to do?

Year 1: Gap Analysis

Figure out what is happening and where you are

Roles and responsibilities to be made clear

Year 2: No hidden surprises?

Build out and improve the accuracy of data

Upskilling of senior management team

Internal reporting - 'live test'.

Year 3: Report publicly





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23 Criteria Update 2023

Assessments

The SFMI is a **comprehensive, independent, and standardized sustainability assessment tool** specifically designed **for FM sector** to promote sustainable practices in facilities management.

- **FM Sector-specific sustainability assessment.** 23 ESG criteria.
- **Standardized framework** developed by partnering with leading FM industry players
- Industry expert **know-how**
- Only FM sustainability **benchmarks**
- Broad **data access**
- Helps to **analyse and report** in alignment with upcoming sustainability requirements (ISSB, ESRS, TCFD)
- Strong network and collaboration
- Supporting Acclaro background



The assessments consist of a 3 stage process:

- Desktop assessment - assessing public data
- In person audit - delving into more detail on internal processes
- Additional evidence – opportunity to provide additional evidence post audit to enhance and achieve their final score



SMFI Assessment Offering

	SME	Standard	Premium
Self Assessment Questionnaire	✓	x	x
Public Data Assessment & Report	x	✓	✓
Audit Interviews held in person or remotely	3.5 hours	6 hours	12 hours
Post Audit feedback and review of additional information	x	✓	✓
Scorecard and Feedback report	✓	✓	✓
Feedback Presentation	x	✓	✓
Improvement Plan	x	x	✓
Price	£1000	£6500	£8500
Optional:	Data Validation TCFD Gap Analysis		

SME

- SME accessible
- Comparable to larger FMs provides a reasonable benchmark
- More efficient for SMEs with less resources

Standard

- Embeds sustainability
- Benchmarks the company against competitors
- Drives the commercial potential of ESG with customers

Premium

- As with Standard plus
- Allows a more in-depth review
- Increased depth of Feedback report
- Improvement plan to support investor disclosure requirements



Environment

Criterion	Changes
Energy Management	<ul style="list-style-type: none">• Level 4 – “Energy management services can show that energy was managed and modified during changing occupancy over the year. Evidence should show the actions taken with clients to help keep energy usage to a minimum during erratic occupancy levels.”<ul style="list-style-type: none">○ Change to occupancy focus for hybrid working rather than low occupancy focus from previous years
Water	<p>With water risk increasing due to drier summers, what should FM be doing to encourage clients to manage the issue?</p> <ul style="list-style-type: none">• Level 4 – two-way communication with non-regulatory bodies to manage the impacts including suppliers, clients and stakeholders. Alignment with forward risk management and the adaptation to likely effects.
Ecology and Biodiversity	<p>Revision in the heading to encapsulate the broader discussion around Biodiversity, with a view to including criteria around TNFD once developed</p> <ul style="list-style-type: none">• Requirement of formal integration into net zero (Level 4) and then wellbeing (Level 5).



Environment

Criterion	Changes
Circular Economy	<p>Continued discussion about promotion of circular economy, with many examples focussed upon donating furniture. Approach should look from procuring items that can be life extended and retains asset value, using items without damaging value and ensuring further life at end of use.</p> <ul style="list-style-type: none">• Level 5 – aspiration target for companies to show services sold are based on circular approach. Sustainability is clearly embedded into multiple service lines.
Transport	<ul style="list-style-type: none">• Level 5 – “Air quality is linked with vehicle fleet and social value approach” There has been a lot of information provided by the GLA about the effect of vehicle emissions on health. Idling, driver style, avoiding congestion areas are examples promoted to improve air quality, all of which have a social value benefit.<ul style="list-style-type: none">○ Are FMs measuring exhaust fume impacts on local areas?○ Are they engaging with local contracts on how air pollution can be reduced? Is this being measured (in relation to social value)?○ Are EV targets linked to social value creation?



Society

Criterion	Changes
Health and Safety	<ul style="list-style-type: none">• Inclusion of mental health and wellbeing considerations into criteria, with developing approach for Level 4 and demonstrated at Level 5
Employment	<ul style="list-style-type: none">• Level 5 – emphasis on FM data importance. Break down of group level targets and data collection to an FM perspective (comparison data). Recognise the difficulty in providing this data – can provide apportioned information, but a desire to understand progress being made at the sub-group level
Stakeholder Engagement	<ul style="list-style-type: none">• Stakeholders are understood at level 3. Actual engagement focussed on:<ul style="list-style-type: none">▪ Level 3 – stakeholders are internal▪ Level 4 – stakeholders include customers and supply chain▪ Level 5 - stakeholders include community and public sector / third sector• Level 4 – Understanding of FM vs corporate stakeholders (for FMs under a parent company)• Level 5 – evidence required that stakeholders and their needs are frequently reviewed
Wellbeing	<ul style="list-style-type: none">• Criteria applies to employees/ long term contractors throughout, but also to tenants / customers: “Clear structures are in place for all stakeholders to engage with wellbeing initiatives.”<ul style="list-style-type: none">○ Level 3 – internal stakeholders (employees / long term contractors)○ Level 4 – stakeholders include customers / tenants○ Level 5 – stakeholders include community



Governance

Criterion	Changes
Risk Management	<ul style="list-style-type: none">• TCFD reporting requirements integrated into level 4 and 5• Risk management should either be specific to the FM activities, or if part of a group operations, clearly defined which risks are relevant to the FM business unit- Level 3: “A preliminary assessment of non-financial sustainability risks has been conducted.- Level 4: “financial and non-financial sustainability risks are an integrated part of the corporate and contract level risk register process - providing examples of how these risks are managed.”- Level 5: Scenario testing of climate risks performed and results demonstrated to change organisational behaviour
Board Commitment	<ul style="list-style-type: none">• Multiple Board/senior management team can show competencies in sustainability understanding including risks and opportunities. Demonstration of the Board /TopCo role to request and scrutinise
Disclosure	Recognition of the difficulties with reporting for group level organisations, but there is a benefit of having sub-group reporting to allow for progress to be determined. This is similar to the financial reports with secondary level reporting.
Compliance	<ul style="list-style-type: none">• Level 3: “Identifies new legislation and implementation requirements for existing legislation”<ul style="list-style-type: none">○ Add reference to ISSB and EU regulations where appropriate○ Add reference to TCFD



Governance

Criterion	Changes
Diversity and Inclusion	<ul style="list-style-type: none">• Is D&I a strategic issue in the company?<ul style="list-style-type: none">○ What objectives are trying to be achieved? How are they being addressed? What are the challenges preventing achievement of objectives?○ Level 3 addition – are the strategic objectives of the D&I strategy disclosed publicly?○ Level 4 - Internal reporting includes supply chain. Action is taken to improve on KPIs which are helping to achieve the strategic objectives of the D&I strategy
Collaboration	<ul style="list-style-type: none">• Level 4 – Seeking to understand the collaborations in place, and a measure of both the value of the outcomes and also the benefits achieved (objectives). Also to understand any negatives from the collaboration. How has the company developed further collaborations from this understanding<ul style="list-style-type: none">○ Establishing a number of successful strategic collaborations/ partnerships where objectives have been achieved. This experience is utilised to drive other collaborations○ Collaborations which extend beyond charities to Sponsorships, Competitors, customers• Level 5 – FM organisations may have achieved certification to BS11000, or other externally verified approach to confirm the value achieved.



2024 Criteria Consultation

- Alignment of the SFMI criteria with the new Standards, which are due to be released in June
- First major change of the criteria in the past five years – seeking to get involvement from Partners and Institutes in the review exercise
- Broad timelines:
 - Development of working groups to cover existing criteria and new requirements – early summer 2023
 - Collation of draft criteria for discussion – late autumn 2023
 - Consultation exercise on the revised criteria – early spring 2024
 - Release of the criteria – May 2024





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Q&A