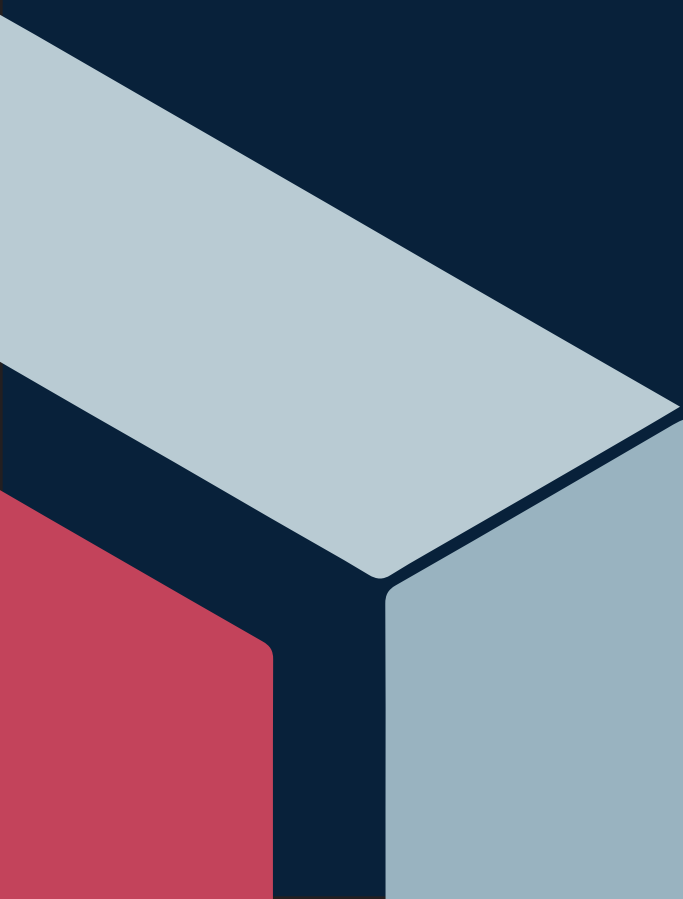




SFMI Leaders Forum 2021 (March)- Summary Report

The progress and challenges for the sector today, and the updates to the SFMI framework.

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The SFMI is a product of Acclaro Advisory
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INTRODUCTION

The world is constantly changing, and no year has made this more evident than 2020. Every sector was hit hard by the pandemic and subsequent lockdowns. The Facilities Management (FM) sector was no exception, however unlike other sectors the pandemic also provided a variety of opportunities. FM providers and procurers had to work collaboratively to ensure contracts were delivered in a safe and secure manner, as well as adapting working conditions and routines to adhere to government guidelines.

Over the past eight years the SFMI has been continuously running assessments and during this time a lot has been learnt. The roadmap is annually reviewed and adapted to keep up with changing sustainability trends, this encourages FMs to keep advancing within the sector. Over this time, significant progress has been observed within Social sustainability, particularly over the last four years with the rise of social value within FM. More recently there has been a surge in sustainability within Governance, Environmental sustainability continues to be the lowest scoring category, however the sector is starting to see a rise here too, particularly within Transport (with fleet decarbonisation), Energy, and Circular Economy.

This report highlights the key discussions held in the March 2021 Leaders Forum which examined the progress and challenges of the sector today alongside the updates to the SFMI criteria in preparation for the 2021 assessments.



DATA AND KEY TRENDS

The SFMI works to embed sustainability into the operations and management of FM. The index analyses the levels of sustainability throughout the UK's leading FM providers and produces a roadmap for them to improve and strive for best practice. Operating as an output-based framework, the SFMI does not promote or favour specific tools for measuring or monitoring sustainability. The SFMI is a roadmap which focuses on embedding sustainability throughout an organisation.

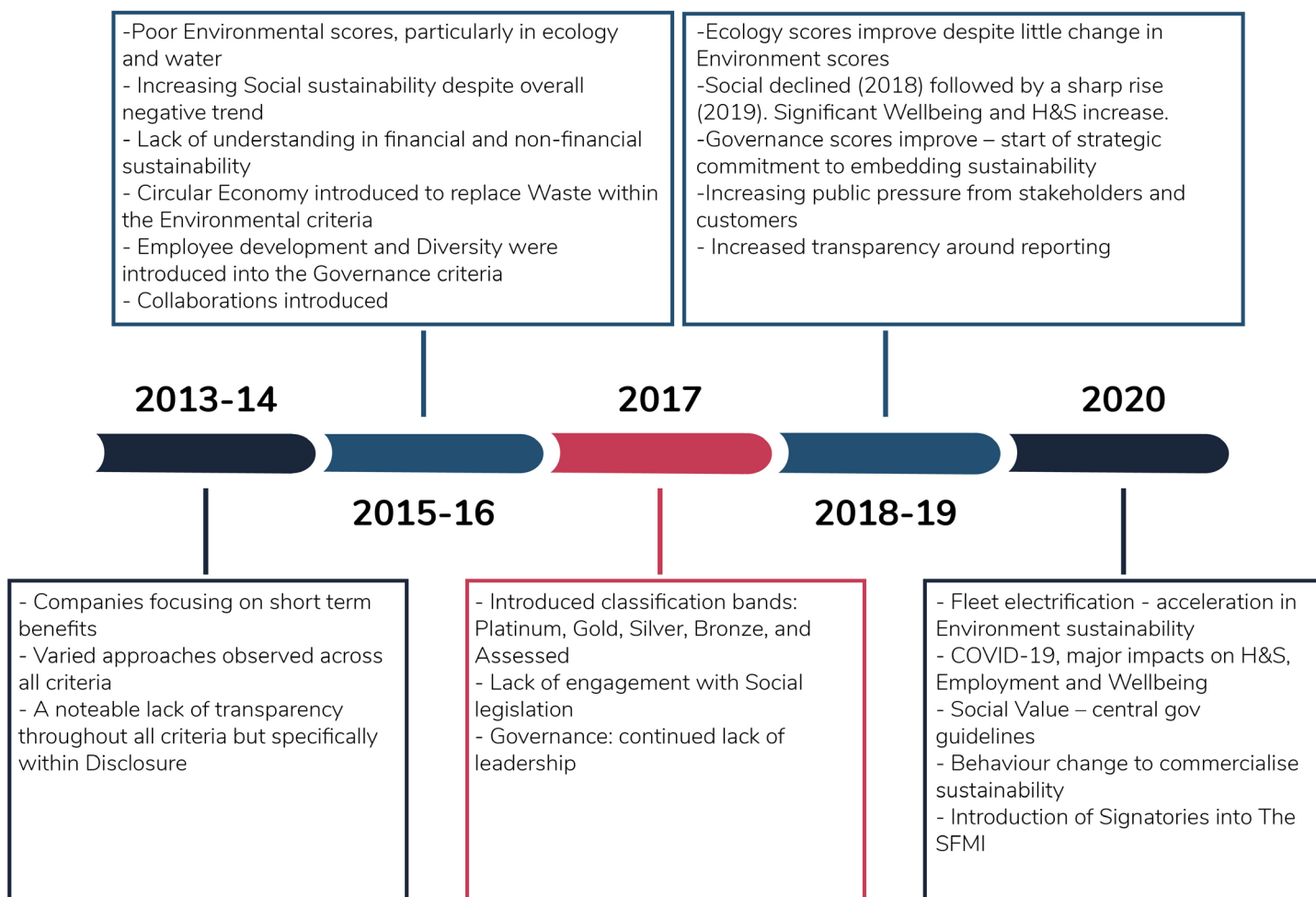
Over the past eight years the SFMI has tracked and monitored how the sector has developed and navigated the changing market and regulatory requirements. Evaluating and reflecting on the impacts and changes within the sector provides a unique insight and ability to understand what the future holds. This insight will help establish what will become a necessity for the sector to continue to contribute.

Sustainable best practice is ever evolving. The SFMI continues to provide the roadmap for organisations to achieve the highest sustainability performance. Corporations are expected to be continuously developing in order to drive ongoing improvements within the sector. The SFMI promotes knowledge sharing within the industry, focusing on best practise, the challenges faced, whilst discussing how to overcome these.

Throughout the past eight years there has been significant improvements in Social and Governance sustainability; despite this, Environmental sustainability continues to fall behind.



THE SFMI TIMELINE

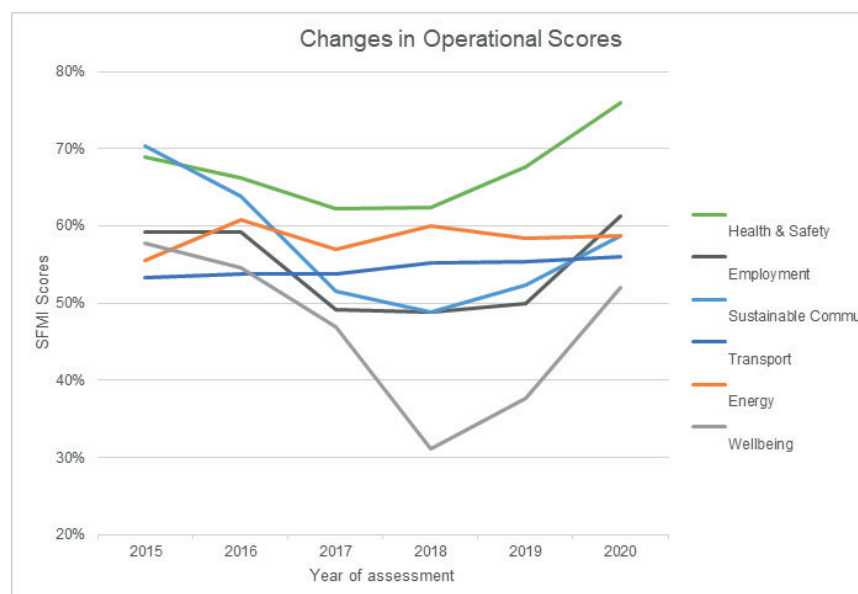




TREND INFORMATION

Whilst a number of current hot topics appear each year within the sustainability field, there are some longer lasting trends underpinned by regulation and market changes. Analysing how the trends have been recognized and implemented by the FM sector provides an insight into how FM providers can deliver value to their customers.

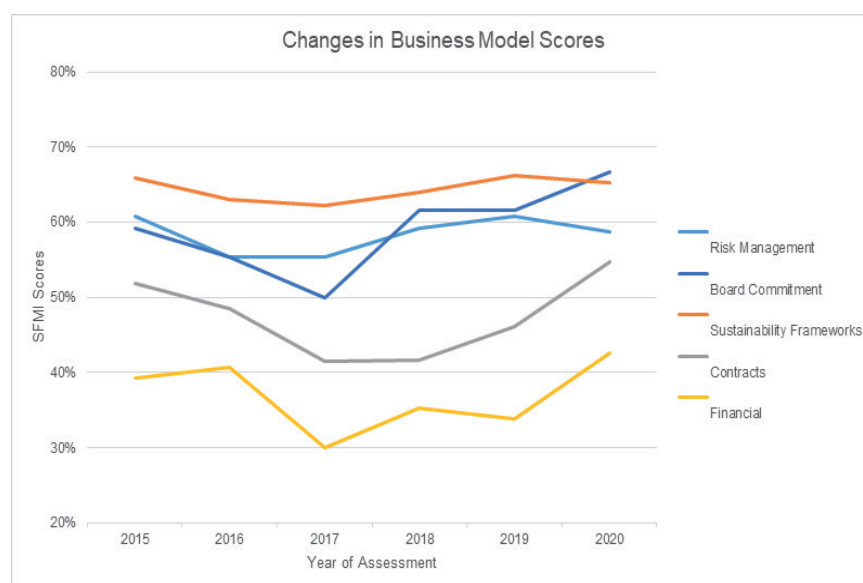
Throughout the past six years the index expectations have risen, therefore a static score highlights continued improvement. FM providers are expected to exceed the increasing expectations of the index as this reflects the current market/sector demands. In addition, they should continue to embed them throughout their organisation and wider value chain.



When looking at the operational scores (see table above), what is most striking is the relative static nature across the criteria, with the exceptions of H&S and Wellbeing. These areas saw significant increases after 2018 following a steady decline over the previous years. This improvement is partly due to the increased uptake of ISO 45001, coupled with a rise in press attention around Wellbeing. In 2020 these scores rose further still due to the Pandemic as H&S and Wellbeing became more widely understood, but more



importantly it became a necessity for businesses to continue running. Embedding these significant changes highlights that organisations have the ability to make substantial changes in a relatively quick manner. FMs were able to support their clients and provide advice as well as managing it for their own employees. The shift to home working meant that significant time and financial investment in Wellbeing was required.



Looking at the Business Model Scores in 2016-18 there was a decline in average scores across the Governance criteria. From 2019 onwards there was a considerable increase, which can be attributed to several factors. Firstly, public pressure had started to gain momentum, from customers to employees to stakeholders, requiring organisations to respond. In addition, there was increased transparency around reporting, this was supported by tools such as CDP, SASB and TCFD. Due to this, Governance has become increasingly vital to drive implementation across the business and influence the culture. Often senior management and boards of directors choose to implement a framework because of the positive impact it has commercially.

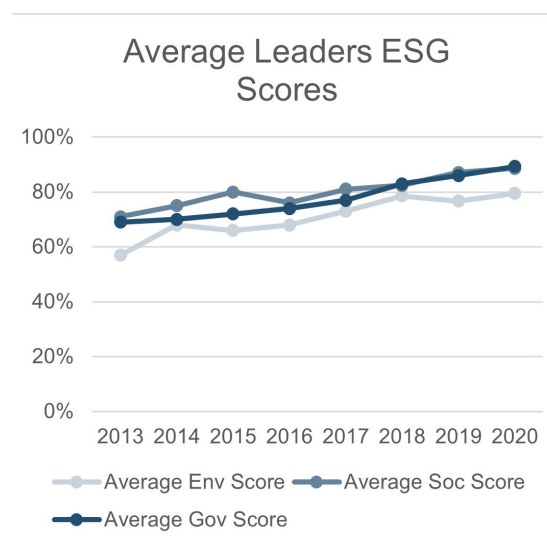
Whilst board commitment has increased, there is still a lag in the supporting mechanisms particularly around finance and risk; both of which will play a pivotal role in the success of mainstreaming sustainability as a long-term measure.



VALUE OF SFMI

The SFMI is the only UK FM industry benchmark of sustainability, utilising 23 ESG criteria. The index provides clear performance benchmarking for FM providers against their peers, this provides organisations with an insight into understanding the areas they perform well and where further development is needed. The open nature of the SFMI helps to break down internal barriers and often brings together a variety of stakeholders from within an organisation for cross departmental conversations. The SFMI aims to educate and improve communication across the whole business in a consistent tone and language. Breaking down internal barriers and improving communication regarding sustainability is vital in embedding long-term changes.

Identifying good practices compared to their peers, highlights information that can be used for bid purposes and wider knowledge sharing. There is a drive from employees, customers, and stakeholders for ESG requirements to become integrated into the business. The SFMI provides a roadmap which is aligned with rating agencies and responsible business programmes. Having a clear roadmap in place enables an organisation to drive commercialisation of sustainability throughout the value chain. The SFMI continuously improves and updates the criteria to meet forward industry standards. Whilst expectations on companies increases year on year, performance is still improving. This highlights how partners are exceeding expectations and gaining additional value from the index.





FM CHALLENGES IN 2020-2021

The FM sector faces a variety of challenges regarding sustainability. From climate change, to providing, measuring, and embedding social value. Alongside these physical challenges, FMs must also consider the corporate and public responses to sustainability and how to position themselves as a solution provider for customers. The 2020 audits found that FMs are already working alongside their customers to transform their sustainable outcomes and integrating sustainability into their services.

2020 provided a host of unforeseeable challenges to the FM sector. The pandemic and subsequent lockdowns forced organisations to make sweeping changes to almost every aspect of the way they run their business. The FM sector saw existing contracts scrapped or substantially changed. Adaptability and responsiveness to their customers' needs became vital to retaining customers loyalty, business, and trust. FMs not only had to be flexible in their contracts, but also in the way they supported their own employees through the shift to increased home/remote working. The value that FMs provided during the pandemic was recognised with a direct route to senior management to ensure continuity of the business.

In 2021 FM organisations must begin to rebuild and recover following the pandemic, whilst tackling ongoing sustainability issues such as measuring and reducing carbon from the value chain, rising economic inequality, and a growing social justice movement. Additionally, it could be argued that one of the primary roadblocks to enhancing sustainability within FM is the underlying inability to commercialise the practice. FMs endeavour to build more trust in the sector and improve margins through the provision of long-term value for customers, however this is continuing to be challenging.

One of the primary roadblocks to enhancing sustainability within FM is the underlying inability to commercialise the practice.

Changes to the ESG criteria are driven by different factors which affect risks perceived by investors, targets set by customers, employee's expectations, and regulatory targets.

- Environment is largely driven by net zero such as carbon and waste
- Social is being moved forward in response to the pandemic
- Governance is mainly driven by investors and employees



ENVIRONMENT

In Environment, FMs should understand the role biodiversity plays in achieving their zero carbon targets both for their own operations and customers. Zero Carbon should include upstream and downstream activities (Scope 3 emissions) and should have a specific understanding of purchased goods and services. The role of customer emissions and the influence FM has on the Zero Carbon strategy should also be considered. Evidencing progress against targets and strategies, particularly around decarbonising of fleets and switching to electric vehicles (EV), should be developed.

SOCIAL

Showing what social value FMs can deliver as standard, not as just additional paid extras, will be crucial moving forward. Social value data collection, analysis, and how this is utilised to make improvements, will help define the value that FMs provides. Wellbeing initiatives should also be measured for their impacts with subjective and objective measurements. FMs should be able to show how their wellbeing approach and policies have been adapted to incorporate remote working alongside office working as a result of the COVID-19 pandemic.

GOVERNANCE

Governance needs to see greater integration of sustainability with general business operations and strategies. Enterprise risks should have sustainability risks incorporated into them as standard, and climate change should be explicitly stated as a business risk (directly or indirectly). The corporate strategy should be promoting sustainability linked with the values of the business, and how this influences their decision making and disclosure of key social and environmental impacts. The overarching business strategy should enable sustainability to be considered at contract level in both specialist sustainability services and in standard FM contracts. TCFD will have an increasing presence for FM organisations and will influence their future financial position; engagement with the framework and identification of risks and opportunities should be progressed.

Customer emissions and the influence FM has on their Zero Carbon strategy is an area where providers can demonstrate leadership.



TOPICS THAT FM SHOULD BE DRIVING THROUGH THE ROADMAP

Three of the core topics discussed within the March Leaders Forum were social value, supply chain, and offsetting. These topics span across several different criteria and it is believed will be highly valuable sustainability topics moving forward.

SOCIAL VALUE

Over the past few years, social value scores have seen a significant rise. Many organisations are beginning to understand the value added to both the company and stakeholders. Social value can be measured in a variety of ways and the SFMI does not recommend the use of one method over another. The customer perspective drives a significant amount of social value; therefore, this may impact the use of tools within contracts. Many organisations have utilised numerous tools to provide quantitative social value statistics alongside the narrative. The SFMI considers this to be a worthwhile approach as it provides a more holistic view on social value.

Social Value is certainly here to stay and there is a rapidly increasing awareness of it from the procurement perspective.

The Forum highlighted the opportunity for a further discussion comparing the views of Corporate and FM on social value as two sides of the same coin. Subsequently it would be an insightful comparison to identify the priorities and views of each party, distinguishing where each side align and where there are slight nuances. Social value has become of key importance and there is rapidly increasing awareness regarding it from the procurement perspective. Therefore, it is vital for FMs to ensure that they are aligned with their customers regarding the delivery of social value. Working in areas where stakeholders stand to see a significant benefit provides FMs with a great opportunity and vital role to play. Stakeholders could see benefits in the form of blue light contracts, schools, and education. Customers are increasingly questioning how FMs can help to deliver social value elements at the bidding and tender stage. Consequently, being able to demonstrate the level of support FMs can provide to customers will in turn help them to win contracts.



SUPPLY CHAIN MANAGEMENT

There has been a greater focus on supply chain management and stakeholder engagement with regards to social value. FMs should look at their Tier 2 and 3 suppliers and provide support to help them report on social value without hindering enterprise and innovation. Tier 2 and 3 suppliers, many of which are SMEs, are substantially behind FMs on social value. Many of these organisations do not have a full understanding of how they can play their part in working with their Tier 1 contractor to provide social value, and currently a select few are doing some work but simply not reporting it.

ZERO CARBON

Zero Carbon was the key topic of discussion around the environmental criteria and incorporated other criteria such as Ecology and Transport. From discussions of emission reduction, offsetting was an aspect which drew an interesting conversation. The Forum found that many companies were heavily relying on offsetting to enable them to reach their zero carbon targets. Businesses should first focus on carbon reduction initiatives, before resorting to offsetting. The SFMI understands that there comes a point where it is simply not possible for organisations to reduce their emissions any further, and at this point it accepts that offsetting is the only remaining option. It is also important, however, to consider the validity and quality of offsets in the selection process to provide social value, and currently a select few are doing some work but simply not reporting it.

Businesses should first focus on carbon reduction initiatives, before resorting to offsetting.



CONCLUSION

FMs have come a long way in the past eight years, however, the journey is still ongoing and now they have the added hurdle of recovering from, and adapting to the COVID-19 pandemic. FMs have shown how flexible they can be in times of uncertainty which demonstrates how adaptable the sector can truly be.

Moreover, it would be beneficial to understand what ESG FMs could provide as standard to customers, instead of relying on customers requesting and paying for sustainability as an add-on within contracts. Data collection and analysis, alongside technology advancement will be a key factor in driving this forward. Coupling with improved communication with stakeholders, there will be a greater understanding and ability to convey what is important for each perspective and what is realistically achievable.

Incorporating the whole Supply Chain moving forwards, and not just Tier 1 suppliers, will be extremely important, with FMs supporting and guiding their Tier 2 and 3 suppliers through their own sustainability journeys. Good communication with stakeholders/suppliers is crucial to understand what the FM can do for their suppliers to form innovative partnerships and achieve customer sustainability needs.

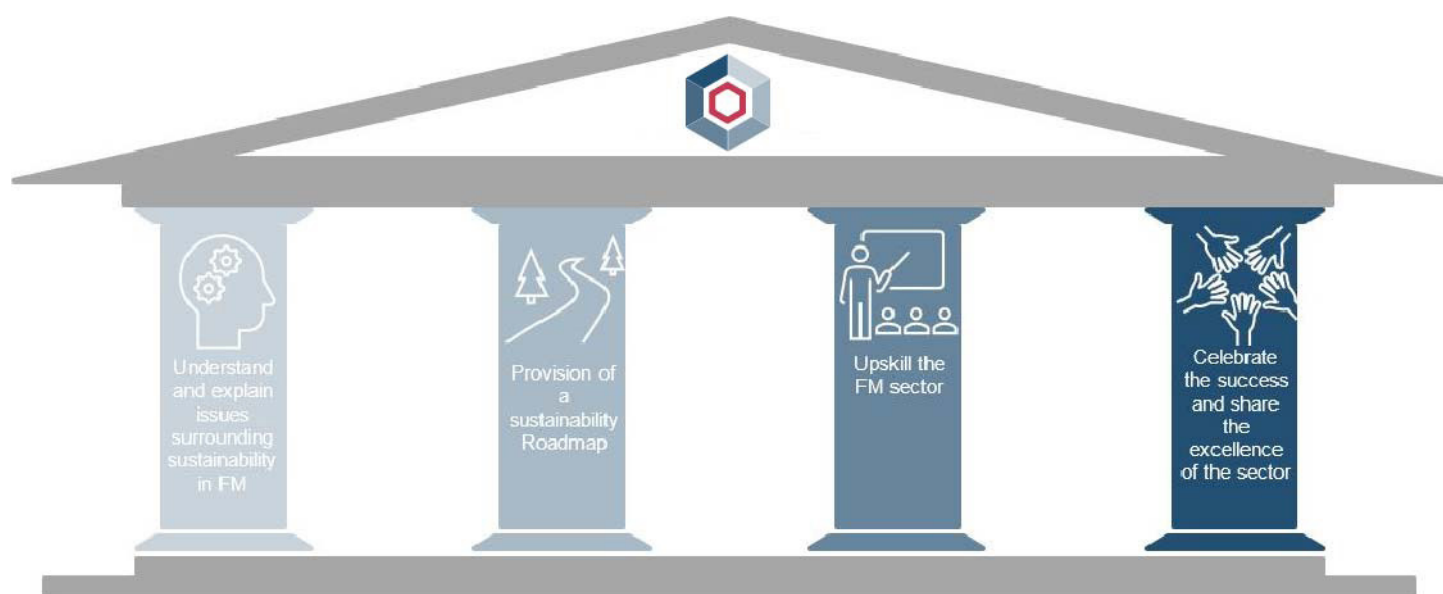
Zero Carbon will continue to be a significant focus for FMs beyond this year as the UK progresses towards its own targets. Reducing reliance on offsets to achieve net zero targets should be encouraged, and where they are still required FMs should focus on the quality of the offsets used and show the process behind choosing them.



ABOUT THE SFMI

The Sustainable Facilities Management Index (SFMI) is the only UK FM industry benchmark of sustainability, utilising 23 ESG criteria. The SFMI provides a robust and transparent assessment of FM providers within the UK market. 2020 was the SFMI's 8th year, and it continues to drive sustainability performance improvements within the sector by showcasing achievement and highlighting best practice. It also seeks to stimulate a positive change, through performance and perception.

FM providers use the SFMI to improve their sustainability performance, embed sustainability into their staff and operations, and to be challenged on what they should be doing next. The SFMI assess, educate, and advise so businesses in and around the facilities management space can develop new thinking and processes into their day-to-day, and see the value on the bottom line now and in future.





ATTENDEES OF THE LEADERS FORUM

The SFMI Leaders Forum runs three times a year and all partners and signatories are invited to attend and participate. Below is the list of attendees for the March 2021 Leaders Forum and the companies they represented.

Acclaro Advisory	Sunil Shah
Acclaro Advisory	Chris Havers
Acclaro Advisory	Sophie Adams
Arcus FM	Kathryn Ebrey
BAM FM	Anthony Heaton
BAM FM	Reid Cunningham
Bouygues E&S	Emmanuel Chautemps
Derwent FM	Anthony Vasey
Derwent FM	Diviya Thevarajah
ENGIE	Candice Guerreiro
ENGIE	Lindsay Roberts
Manchester NHS Foundation Trust	Jennifer Strong
NatWest Group	Allan Wickham
Sewell Group	Martin Stead
Skanska FS	Kath Turner
Skanska FS	Francesca Chinery
Skanska FS	Laura Mayhew-Manchon
VINCI Facilities	Cara Kennelly
Zurich UK	Luke Redbond



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