



**SFMI**  
The Sustainable FM Index

2024

# Criteria for Sustainable FM

The SFMI Framework for ESG reporting

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Benchmarking ourselves in an industry-specific context can be difficult in other indices. The Sustainable FM Index helps us achieve this alongside sharing best practice and promoting the FM industry.

**Equans**

## Criteria Overview and Scoring

We review and update our assessment criteria annually to capture global corporate progress, regulatory and reporting requirements, and trends impacting the FM sector. Together, these ensure the Partners of the SFMI are supported in their plans and ambitions for being leaders in the sector.

We assess a company's sustainability performance across 23 criteria, divided into the three themes: Environment, Social and Governance. Recognising the interdependencies, we apply comprehensive assessment tools to find strengths and opportunities across these areas.

With scores from 0 to 5 showing the range of approaches to sustainability, the top score of 5 is about not only demonstrating a systemic approach to organisational practices, but also extending sustainability to communities, and showing leadership in the industry and society.

Achieving levels 4 and 5 cannot be met through a tick-box approach. As an integrated approach it requires incorporation into the culture, management, its relationships with all stakeholders, and reporting of an organisation and the services being provided.

Within this document, each criteria is detailed providing the following information:

1. Definition and relationship to sustainability
2. How the topic affects and interacts with the role of FM
3. Guidance on what an FM can do to manage the topic
4. Leadership attributes, which directly correlate with our assessment criteria
5. Interlinking criteria guidance

We are also pleased to include some examples of application and innovation throughout this report. The progress can be assessed in the approaches and activities of organisations. These showcase some activities of our participants and their developments, and their own innovative ways of expressing their sustainability ambitions.

To find out more about the SFMI and our ESG assessments, please [visit our website](#).

## Get in touch

- FM Providers keen to improve their understanding of sustainability
- Organisations looking to compare their FM providers' governance and sustainability performance or improve their own FM team performance.
- Property and sustainability professionals who want to contribute to the purpose of the SFMI.



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# Environment

Environmental sustainability involves responsible interaction with the environment to avoid the depletion and degradation of natural resources. It strives for long-term environmental excellence. There is also the need for FM Providers to integrate environmental management into their service lines to drive further impact within their clients.

**Within the SFMI framework, the Environmental criteria we assess are:**

- Environmental Management Systems
- Ecology and Biodiversity
- Energy
- Water
- Circular Economy
- Transport
- Projects Management



# Environmental Management Systems

## Key changes for 2024

- Added to 5: **Third-party verification of data is clear and public.**
- Moved down to 4: Link between **corporate risk management procedures** and '**risk and opportunity**' of Environmental Management is clear, measured, and reported.
- Moved down to 4: **Board level responsibility** focus on engaging and embedding sustainability in the business

Management Systems (M/S) provide a framework for organising and managing various business aspects to ensure continual improvement. Applied within a defined organisational scope, they must be implemented and communicated to all relevant stakeholders. Audits improve M/S success, and external certification ensures customers of a company's approach.

Standardised Environmental Management Systems (EMS) address a company's environmental impact by integrating procedures, monitoring, training, reporting and communication. Companies seeking external accreditation must follow specific rules and processes such as ISO 50001 for energy management and ISO 14064 for high-quality greenhouse gas emissions reporting.

### LEADERSHIP ATTRIBUTES

The organisation has an EMS (certified to ISO 14001 or other) and enabled within the strategy. Top management are accountable, data within the system is consistent and reported, with a communication strategy in place. Aspects registers for corporate and contracts consider risks and opportunities, as well as compliance obligations.

## How does it affect the role of FM?

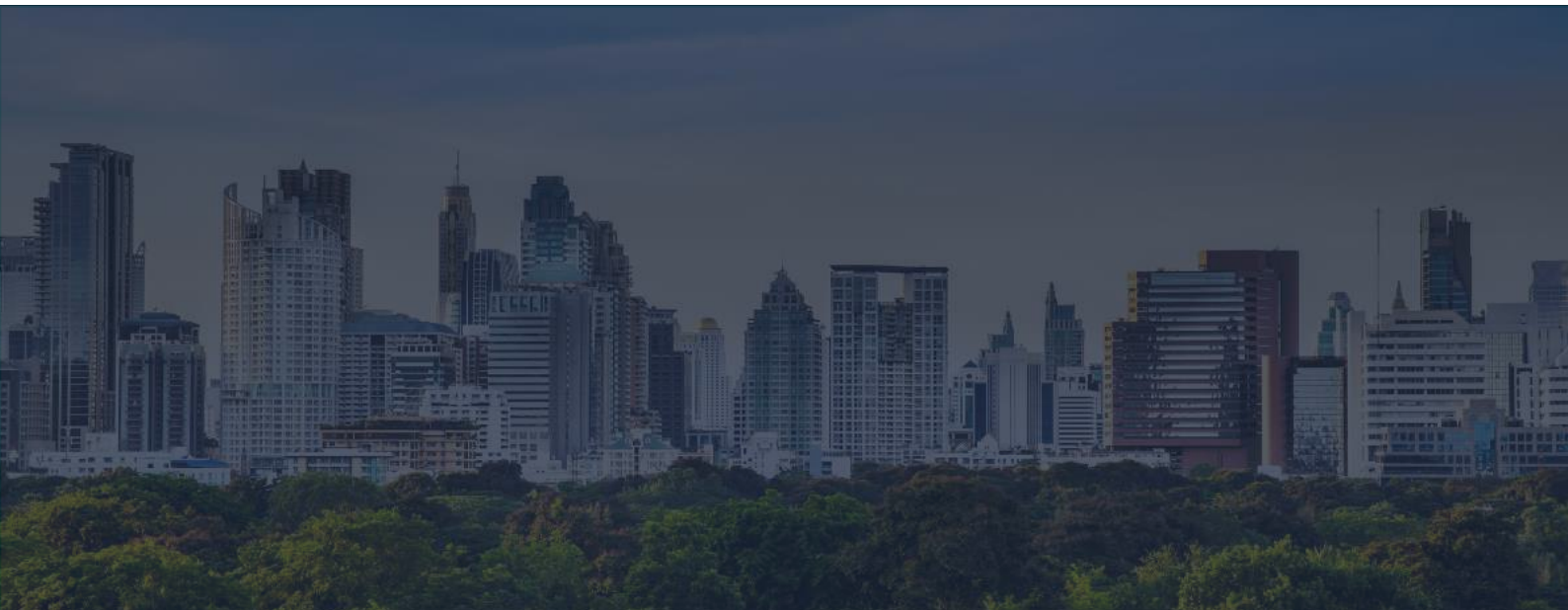
Achieving and maintaining an ISO 14001 certification is often a pre-tender requisite to bid for work. FM teams will be required to help achieve the standard, with failure to follow the system jeopardising the external certification and trust.

## What can FM do to manage it?

FM teams are often required to ensure that the procedures are followed in identifying environmental risks, training, reporting required information and maintaining necessary records. In addition, they should feedback potential improvements of environmental management that can improve the system.

## Interlinking Criteria (E, S, G)

- All Environmental Criteria - depending on the level of environmental impacts within the company
- Risk Management, Board Commitment, Sustainability Frameworks, Compliance, Contracts



# Ecology & Biodiversity

## Key changes for 2024

- Moved to 4: Ecology is incorporated into wellbeing **strategy and targets**.
- Added to 4: Microplastics and single use **plastics are being addressed** in internal messaging and actions.
- Added to 4: Staff understanding of the **Ecology and net zero agenda** is communicated, and encouraged.
- Added to 5: Microplastics and single use plastics are **measured and reported, with targets and programmes** to reduce and remove.
- Added to 5: **Third-party verification of data** is clear and public.

Ecological and biodiversity improvement examines a company's impact on the surrounding and downstream natural environment. Strategies should include guidance from Taskforce for Nature-Related Financial Disclosures (TNFD). With the significant growth of the built-environment, management of ecology and biodiversity in urban areas, including building grounds and indoor green spaces, is crucial. Despite urbanisation, plants and animals still provide essential "ecosystems services" like provisioning, regulating, cultural, and supporting services. Enhancing indoor and outdoor ecology improves workplace wellbeing, reduces stress, improves air quality and boosts productivity.

## How does it affect the role of FM?

Ecology and biodiversity impact both internal and external spaces. Grounds maintenance and workplace management

should integrate ecological considerations. When modifying landscapes, minimising negative and increasing positive ecological impacts is crucial. Activities must be managed locally by FMs and supported by the larger organisation.

The FM sector manages workspaces with an obligation to improve the wellbeing, productivity, and staff retention of the workforce by connecting staff and the built environment with nature and improving ecological practices.

## LEADERSHIP ATTRIBUTES

Central guidance is available, and the company confidently reports on KPIs for ecology (including plastics), and monitors progress against targets. The organisation works with facility users to create awareness and behaviour change. There is also a link to wellbeing as well as a formal integration into net zero.

## What can FM do to manage it?

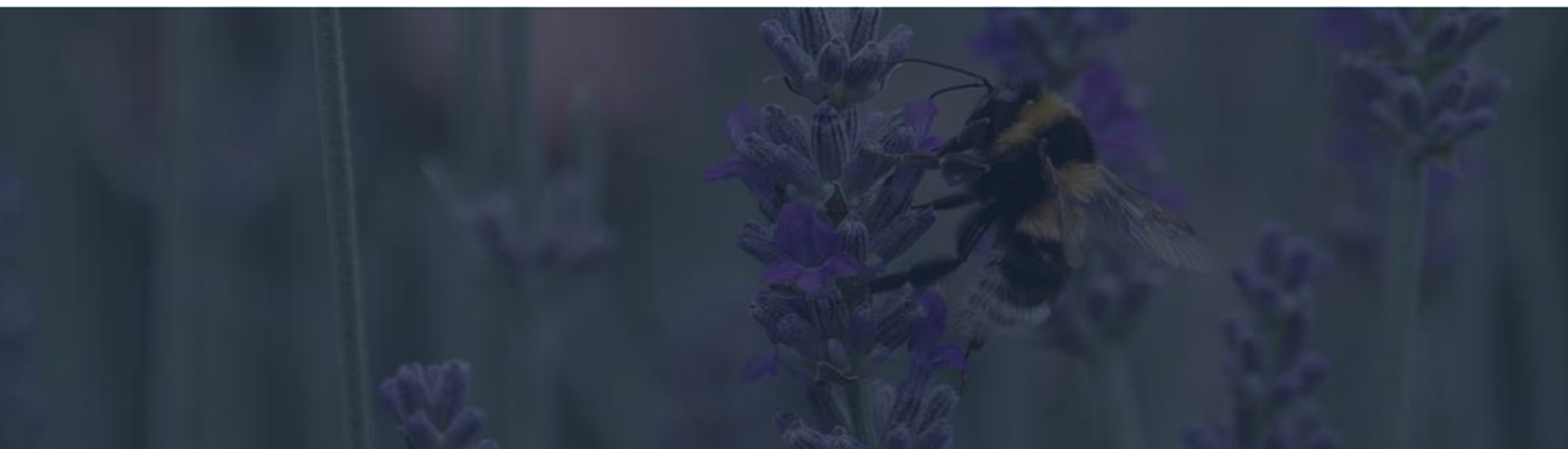
Assessing opportunities, measuring current ecology and biodiversity, and acting on the data provided are crucial. Using the Natural Capital Protocol and aligning with TNFD helps measure ecological impacts and dependencies across the built environment. FM service providers can utilise species identification surveys, biodiversity action plans, staff surveys, site assessments, and occupational evaluations to identify opportunities. While the benefits of improving ecology are well understood for construction, it remains a developing area for FM.

## Interlinking Criteria (E, S, G)

- Projects, Water, Management Systems
- Wellbeing, Sustainable Communities, Health & Safety
- Sustainability Frameworks, Contracts, Collaborations, Risk Management

### Good practice: Mitie

Mitie Landscapes has created a toolkit to show customers how effective grounds maintenance can boost biodiversity on their sites. It highlights key initiatives and their outcomes, aligning with business goals such as increased biodiversity, reduced carbon emissions, and flood mitigation strategies. Their services are clearly presented to match and support these specific objectives.





# Energy Management

## Key changes for 2024

- Moved down to 3: **Onsite operatives** and client are engaged in **behaviour change** activities.
- Moved down to 3: Energy management services can show that energy was managed and modified during changing occupancy focus for hybrid working. Evidence should show the **actions taken with clients to help keep energy usage to a minimum** during erratic occupancy levels.
- Added to 4: As part of a systematic approach to contract energy performance - **Engages clients in carbon reduction.**
- Moved down to 4: Energy and emissions data is gathered, verified, and reported **for own sites.**
- Moved down to 4: This organisation **procures 100%** (or a high proportion if not practical) of **renewable energy** for its operations, maximum that can be.

Energy, derived from natural and chemical resources, powers lighting, heating, cooling, fuel generators and machinery within facilities. Sources include fossil fuels (coal, oil, gas), renewables (wind, solar, tidal) and others (nuclear, waste incineration). Electricity is used for lighting and general building function, while heating can be gas or electric.

Energy derived from fossil fuels, directly impacts climate change by releasing greenhouse gases which trap heat in the atmosphere, causing long-term warming and weather changes. These changes affect animals, crops, infrastructure, and human health which are not adapted to such rapid changes.

## How does it affect the role of FM?

FM can save energy for employers and clients, helping to prevent climate change and save money. This role is integral to FM services and can stand alone as a service line. Changes in working patterns, such as hybrid work and varying occupancy levels, impact energy use and require FM adjustments. These shifts, driven by financial and societal pressures, present both challenges and opportunities for optimal energy management.

## LEADERSHIP ATTRIBUTES

The company recognises energy as a critical business issue and commits to become a zero-carbon business, and supports clients to do the same. It provides examples of projects that are integrating clean energy solutions and shows it can tackle the energy performance gap.

Procedures and audits stimulate behaviour changes and innovative solutions are integrated into all tender responses. The company has set a credible zero carbon strategy and can showcase expertise to clients.

## What can FM do to manage it?

1. Identifying energy sources and switching to green options
2. Collecting usage data understanding occupancy behavioural changes
3. Sourcing low-cost initiatives and new technologies for energy reduction
4. Introducing new procedures to manage energy-saving behaviours within FM teams
5. Implementing regular maintenance to ensure optimal equipment performance
6. Continually assessing data for performance improvement or declines

Additionally, FM should educate the organisation on the link between energy use and carbon emissions, aligning with the company's carbon reduction strategy.

## Interlinking Criteria (E, S, G)

- Environmental Management System, Projects, Transport
- Supply Chain Management, Wellbeing
- Risk Management, Board Commitment, Sustainability Frameworks, Disclosure  
Finance, Compliance, Contracts

### Good practice: VINCI Facilities – Net Zero

VINCI Facilities Net Zero | Utilities Management (NZUM) Centre of Expertise has collaborated with SMYTHS Toys, to deliver energy consumption, carbon and cost reductions through a staff Behavioural Improvement Program, delivered under an innovative gainshare commercial model. The gainshare commercial model meant that the customer doesn't pay anything until the savings were achieved and proven. Our collaborative approach saw SMYTHS achieve average electricity savings of 7.75% (against the baseline year) across the GB portfolio of more than 100 retail stores, with the top 5 stores achieving a significant average saving of 27.5%



## Water

### Key changes for 2024

- Moved down to 3: **Onsite operatives** and client are engaged in **behaviour change** activities.
- Moved down to 3: Clients and internal teams are actively engaged to impact behaviour towards water use.
- Added to 4: Organisation engages stakeholders with behaviour change campaigns to reduce consumption
- Added in 5: Two way communication with local regulatory and non-regulatory bodies to **prevent and** manage the impacts
- Clarified in 5: **Using innovation**, organisation engages stakeholders with behaviour change campaigns to reduce consumption as well as prioritising water to develop client relationships, driving suppliers to develop solutions.
- **FUTURE:** Water consumption in meters cubed, and in areas of risk and stress. Water recycled and reused in meters cubed, and water stored (and changes in storage) in meters cubed. (ESRS E3 Water and Marine) As early as 2025.

Access to water is critical for life, and hygiene is fundamental for businesses to operate. As populations expand, demand for water increases. Water-stressed areas in the UK (around a half of England), and the world, are growing, as is the need for good water stewardship. Severe weather events that cause excess water are also detrimental to life and business.

Water management involves measuring the risks associated with drought and flooding in the localised area, taking action to conserve water regularly (not only during periods of low rainfall), managing the responsible extraction of water, ensuring water basins are not polluted, and preparing business facilities against extreme precipitation scenarios. The UK climate is changing; we are seeing longer spells of high heat, followed by intense prolonged rainfall. Urban environments are not designed for this change, hence we are witnessing detrimental effects to property that is causing significant cost to business and people.

#### LEADERSHIP ATTRIBUTES

The organisation integrates innovative solutions into all relevant tenders and can provide corporate and contract consumption data alongside progress against targets for water reduction. Stakeholders including supply chains are engaged with the need to manage water effectively; long-term commitments have been made. Aspect/Risk registers capture the local water risks and opportunities (quality, access, scarcity, flooding, freezing, amenity).



## How does it affect the role of FM?

FM will be required to manage water-related issues that affect the facility and business continuity. They should also be working with clients to manage the issue, via two-way communication with suppliers, clients, and stakeholders. Localised flooding can prevent staff being able to access the building, while leaks caused by periods of extreme precipitation can increase the need for roof maintenance.

Periods of little rainfall can highlight water shortages and limitations on the availability of water in the workplace. FM should manage water consumption and disposal to ensure costs are reduced and the business contributes to its water reduction targets and compliance requirements.

## What can FM do to manage it?

1. Monitor water consumption using billing and meter data
2. Identify reduction opportunities from data
3. Ensure the system is maintained to prevent leaks
4. Increase behaviour change for users
5. Water risk planning on the site
6. Understand the risk of flooding and ensure the correct business continuity plans are assessed, managed and implemented.
7. Maintain two-way communication with non-regulatory bodies as well as alignment with forward risk management

## Interlinking Criteria (E, S, G)

- Environmental Management System, Projects
- Supply Chain Management, Wellbeing, Sustainable Communities
- Risk Management, Sustainability Frameworks, Compliance, Contracts



# Circular Economy

## Key changes for 2024

- Moved down to 3: **Onsite operatives** and client are engaged in **behaviour change** activities.
- Moved down to 4: Company's existing outcomes/ outputs are being understood and investigated into order to build up a **transition to a circular system**.
- Moved down to 3: Company is actively **building a strategy and learning about the CE** for the business.
- Progression of maturity up to level 5: Products and services are being designed and researched to promote circular services. including engagement **with the supply chain** to drive isolated circular systems.
- **FUTURE:** In line with ESRS E5: Amount of materials/ services inputs from reuse. That were designed along circular principle. That are designed to enhance circular further down value chain. (These can be weight, value, percentage at this stage.) [Possibly 2026]

The circular economy (CE) is a closed-loop system designed to minimise or eliminate waste by reusing and recycling resources. Finite materials like oil, timber, metals, gas, and minerals are extracted at a high environmental cost. Unlike traditional 'produce-use-dispose' models, CE promotes reusing and extending material lifespans through design, procurement and waste management practices, reducing the need for virgin material extraction.

Used materials can be reused onsite, or through third parties. Waste items go to export, landfill, incineration or recycling centres. The goal is to minimise or eliminate resource input and waste.

## How does it affect the role of FM?

FM has a role in the management of a workplace waste stream, its interaction with staff and their behaviours, the lifecycle projects, refit projects, procuring goods and potential energy sourcing. All these roles can be managed with circular thinking, with sustainability embedded into multiple service lines.

## LEADERSHIP ATTRIBUTES

The company has strategically placed circularity at the core of its operations. It is embedded in procurement approaches which promote recycled, reclaimed quality goods with long term value, and cooperates to design circularity into products and processes.

Resource efficiency is integral to the company's services, with notable initiatives achieving substantial reductions in waste through reuse, and closed loop recycling. Services offered are aligned with a circular approach, demonstrating sustainability embedded across multiple service lines.

## What can FM do to manage it?

Designing a circular system is challenging but the following steps are a good starting point:

1. Consider how the waste hierarchy can apply to your resources – ‘reduce, reuse, recycle’ is the first step.
2. Engage with employees to build wider participation, before involving the supply chain and understanding how products that can be reused (e.g., furniture and carpets) can be designed and procured.

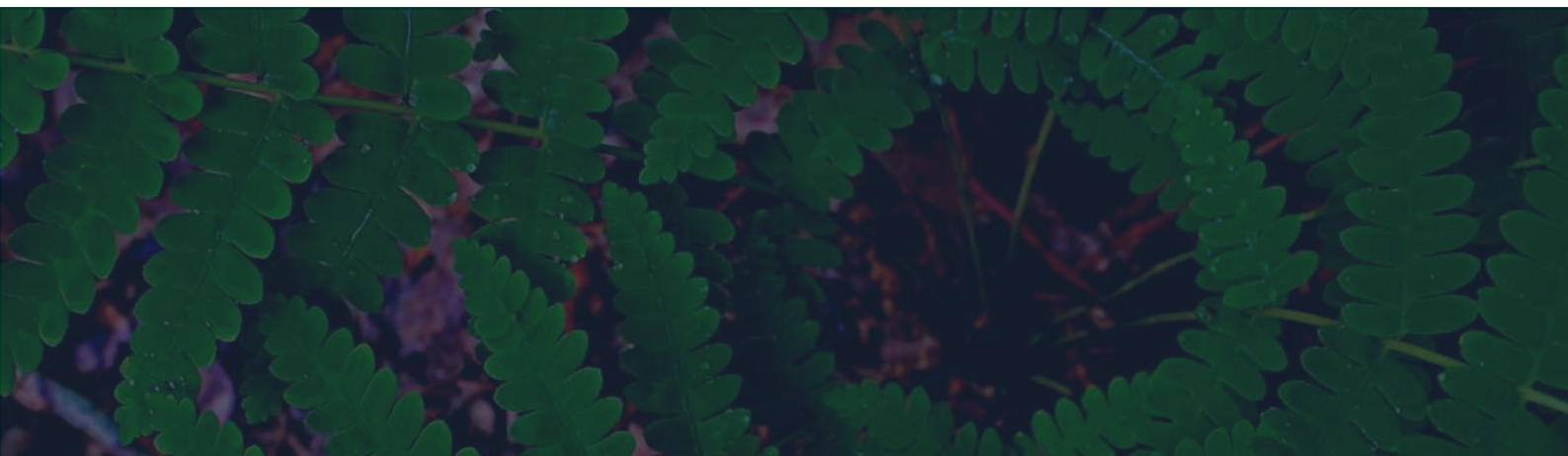
Partnerships and collaborations with suppliers drive innovation in renewing and refurbishing old materials. These initiatives assess and manage services and identify key waste items, giving evidence of multiple examples. FMs should also look at procuring items that can be life extended and retain asset value, as well as using items without damaging the value and ensuring further life at the end of use.

### Good practice: Arcus

Arcus has established a re-use centre at its training facility in Stevenage, where components such as modular racking, roof racks, pipe tubes, and inverters from end-of-lease vans are removed and stored for reinstallation in new vans. Additionally, it salvages stock from decommissioned vans, using items that cannot be refurbished or reused in service delivery for training purposes. Engineers are trialling the use of tote boxes to collect new stock from designated points and return old items for refurbishment, with the tote boxes themselves being reused. The company has also transitioned to recyclable vehicle livery stickers, repurposing the old ones to manufacture traffic cones. Furthermore, Arcus is engaging with suppliers to prioritise tool refurbishment and parts replacement over complete item replacements.

## Interlinking Criteria (E, S, G)

- Environmental Management System, Projects, Energy
- Supply Chain Management, Sustainable Communities
- Board Commitment, Sustainability Frameworks, Finance, Contracts, Collaborations





## Transport

### Key changes for 2024

- Moved down to 3: **Onsite operatives** and client are engaged in **behaviour change** activities.
- **Moved to 3 from 5:** Company can produce a **strategy** that shows its **move away from ICE** vehicles.
- Moved to 4 from 5: **Progress against targets** can be shown in their transition to greener fleets and increasing Evs (or relevant green option).
- Added to 4: This includes **progress in all levels:** personal vehicles, light trucks/ vans, and heavy vehicles.
- Added to 5: **FM specific progress** can be shown, with **public targets** (for overall company or for FM unit).

Vehicle transportation, including business fleets and staff commuting, is a major contributor to both global climate change and local air pollution. In the UK, transportation alone accounted for 34% carbon emissions in 2022, as well as impacting human health due to toxic air pollution. Although the number of electric vehicles is on the rise, fossil-fuelled vehicles still dominate the roads. While EU regulations have improved vehicle fuel efficiency, addressing driver behaviour and maintenance remains crucial for reducing these impacts.

### How does it affect the role of FM?

FM can be a mobile workforce, with hard service FM providers relying on their fleet of vehicles and fast response to jobs, and catering requiring food distribution. The FM may also need to provide staff with transport options as part of soft services meaning vehicles can often be one of the largest impacts of an FM provider. Emissions are understood and reported publicly.

### LEADERSHIP ATTRIBUTES

Fleet travel is being upgraded from fossil fuel vehicles with a roadmap and progress against targets. The company is engaged in new initiatives that promote the upgrading of client fleets to EVs (with targets linked to social value creation).

Examples of innovative initiatives to reduce vehicle dependency and the environmental impacts of vehicle travel can be provided. Transport emissions are well understood, reported annually, and verified. Flexible working is supported where feasible. Improving and measuring air quality and local exhaust fume impacts from the vehicle fleet are shown to be an important issue for the business and integrated into the social value strategy. FMs should also be engaging with local contracts on how air pollution can be reduced.

## What can FM do to manage it?

Initially, technology can be used to identify which travel is critical and what could be performed remotely.. Managing the transport options at a business facility using low carbon options will help to reduce transport impact, and being able to measure this reduction is a key part of making progress. A provider's own transport emissions can be managed by monitoring fuel consumption, using telemetric devices and through fleet management processes. A business can track and estimate its transport impact by measuring travel to work related projects - i.e. commuting, company fleet travel, wider business travel and supply chain travel. It should then advise or establish policies on the types of vehicles that it purchases, their handling, as well as travel in general.

## Interlinking Criteria (E, S, G)

- Environmental Management System, Energy
- Supply Chain management, Wellbeing, Sustainable Communities
- Board Commitment, Sustainability Frameworks, Disclosure, Finance



# Project Management

## Key changes for 2024

- No notable changes.

Projects are workloads undertaken by FM that involve significant capital outlay above a defined threshold and aim to drive sustainability improvements. These include initiatives like lighting refits, refurbishments, upgrading machinery or plant equipment. It's crucial to consider lifecycle sustainability at the project level, addressing factors such as materials used, energy consumption, material sourcing, and increasingly, social impacts. Life cycle assessments are effective in evaluating these impacts throughout the project's lifespan.

Highlighting examples of successful projects as case studies promotes learning within and beyond the organisation.

## How does it affect the role of FM?

FM has an opportunity to show long term value in capital and operational expenditure, rather than considering the immediate cost savings of a project. Projects therefore affect the value that an FM can bring to a business.

## What can FM do to manage it?

Sustainable projects require application of knowledge in sustainability to ensure that their impact is monitored throughout the project, handover and knowledge transfer to those operating afterwards. Learning from previous projects is critical. KPIs for projects are used to measure success, covering economic, operational, social, and environmental criteria.

Project level sustainability can increase efficiencies and reduce longer term costs, as well as reducing the overall negative impact of the projects on the local environment and community. Reviews of its sustainability should be undertaken throughout a project lifecycle.

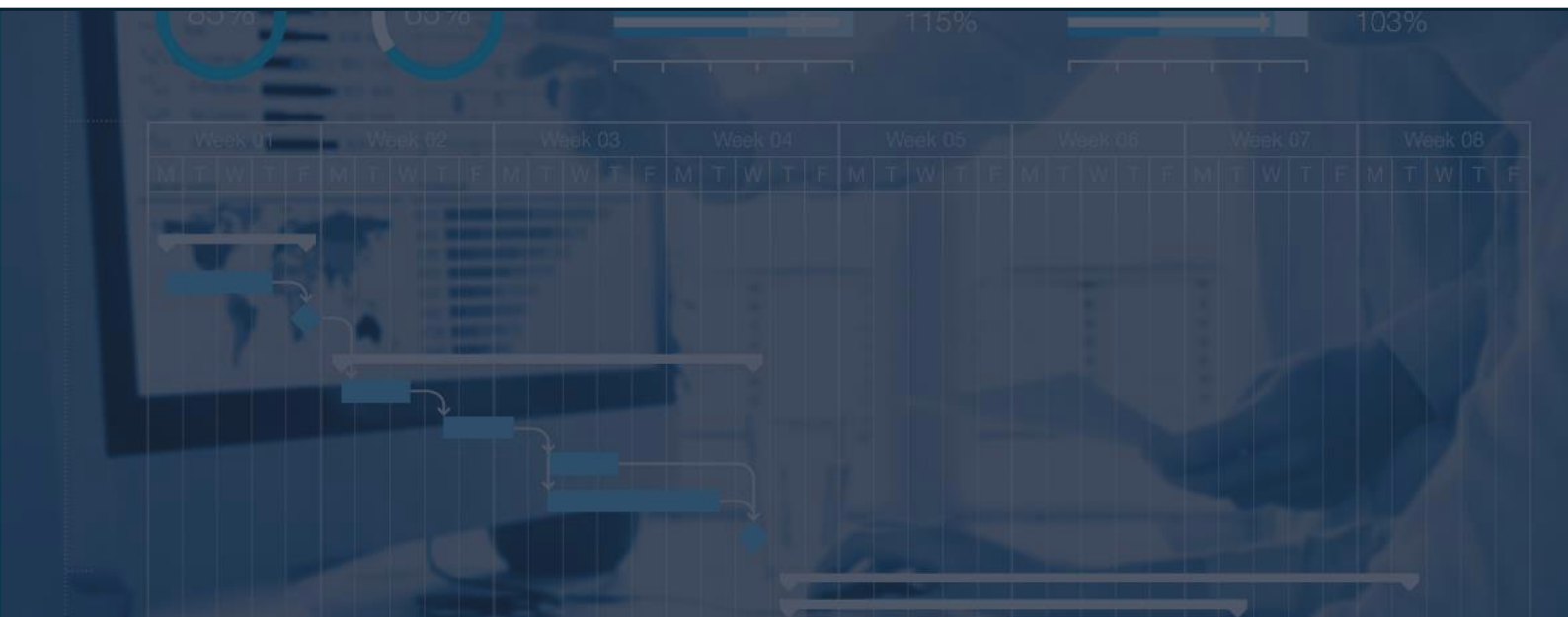
## LEADERSHIP ATTRIBUTES

The organisation conducts its projects and change management with a systematic approach, with understood responsibilities, that also integrates learnings. Lifecycle reviews of projects are undertaken to embed sustainability practices, with a structured approach to involve FM in the design, address the performance gap, and commissioning and knowledge transfer exercise. The organisation also shows thought leadership within the industry and in addressing the performance gap.



## Interlinking Criteria (E, S, G)

- Environmental Management System, Circular Economy, Energy, Water
- Supply Chain Management, Sustainable Communities
- Finance, Contracts, Finance, Collaborations





# Social

Social sustainability focuses on the impact of the business on people - the wellbeing of a company's employees and stakeholders as well as promoting healthy communities and workplaces.

**Within the SFMI framework, the Social criteria we assess are:**

- Health & Safety
- Employment
- Sustainable Communities
- Stakeholder Engagement
- Supply Chain Management
- Wellbeing
- Employee Development

## Health and Safety

### Key changes for 2024

- Moved down to 4: **Mental health and wellbeing considerations demonstrated.**
- Moved down to 3: **Developing approach** for mental health and wellbeing considerations.
- Added to 5: Business is able to show **consideration is being made for supply chain partners to better manage safe workplaces.**
- Added to 5: Demonstrated efforts to identify and begin to address **wider/ broader influences on health and safety.** These may include sleep, menopause, or non-obvious conditions (blood pressure, neurodivergence).
- **Future alignment:** Company has developed an understanding of how workers with particular characteristics, those working in particular contexts, or those undertaking particular activities may be at greater risk of harm.
- **Future:** to align best practice from ESRS S2-5: Targets set to manage material impacts, risks and opportunities related to **value chain workers.** Including how value chain workers were engaged directly in setting targets, tracking performance, identifying lessons.

Health and Safety (H&S) ensures the workplace is a safe and healthy place for employees to be. The wellbeing of employees, visitors, and clients must be preserved, so must be managed according to the risks of the workplace. A safe and healthy workplace will manage business continuity, improve productivity, and retain and attract the best staff, while benefitting staff wellbeing. Prevention is key to decreasing the likelihood of accidents, while other aspects, such as light and care for certain conditions, can support the health of staff.

### How does it affect the role of FM?

With many UK laws surrounding health and safety, FMs may be accountable. Employees, the company's greatest asset, must be kept happy, healthy and safe to prevent illness or accidents. Key H&S areas include fire safety, water system

### LEADERSHIP ATTRIBUTES

The organisation has integrated learnings from COVID-19 for in-house and clients to put the health and safety of its staff and the clients' staff first. Mental health and wellbeing considerations are demonstrated, and the organisation is working to address other aspects or conditions that may affect a person's health and safety on the premises or on the job.

H&S policy is publicly available, systems in place are certified (ISO45001).

Reporting covers performance against a core set of KPIs. Targets for improving performance are reviewed at regular intervals. Auditing occurs to maintain on-going compliance and includes supply chain operations.



management (e.g., for Legionnaire's Disease), and asbestos control. Poor H&S management can hinder new business opportunities. The COVID19 pandemic highlighted the FM role in planning safe spaces, ensuring adequate cleaning supplies, and maintaining air quality for health and productivity.

### **What can FM do to manage it?**

Typical management requirements include identifying hazards, assessing risks, having adequate risk control measures, putting systems in place to manage H&S, ensuring the SLAs (service-level agreements) create a safe work environment, and using incident reports.

H&S practices should be implemented across the organisation, including all who engage with the business. Common practices include setting high-level management systems and policies. The ISO 45001 certification is a good indicator of employee care. Data should be verified internally and externally with a proven audit process and a robust verification.

### **Interlinking Criteria (E, S, G)**

- Wellbeing, Supply chain management, Employee Development
- Risk Management, Board Commitment, Sustainability Frameworks, Disclosure, Compliance



# Employment

## Key changes for 2024

- Added to 4: Expect contract workers to be afforded same opportunities and good treatment. Expand also with self-employed.
- Added to 4: **Diversity ambitions are considered in the processes and policies.**
- Added to 5: Can show the **effectiveness of local employment initiatives** (in addition to apprenticeship scheme)
- **FUTURE:** Data about employees (ESRS S1) Employees by gender, region, and employment type. Number of non-employee workers. Percentage engaged by collective bargaining. Percentage and number in top management by gender. (different than gender diversity on the board from ESRS 2)

Sustainable Employment ensures equal access for all groups, regardless of gender, age, ethnicity, sexual orientation, or background. Everyone deserves equal treatment when applying for jobs.

Companies should provide opportunities to those who might struggle to get a second chance. Employment policies can promote workplace diversity and inclusion for those facing exclusion or stigma.

Diverse groups extend beyond the obvious, such as gender. For example, businesses might hire ex-military personnel for their unique skills as part of a social value employment strategy. Companies can also offer ex-offenders a chance to reintegrate into society, contributing social value to the local community. These efforts introduce diversity of thought and experience, strengthening organisation.

## How does it affect the role of FM?

The FM industry employs a workforce with diverse skillsets, with many on a living wage. It has the opportunity to provide social value and mobilise

## LEADERSHIP ATTRIBUTES

The organisation understands its FM employment worker status and has processes in place to protect workers/human rights. Equal opportunities are in place and there are several schemes for employment of targeted groups (which links to a clear company social value strategy). The gender pay gap is being addressed with clear programmes. Public reporting on these aspects is consistent and provides targets for improvement. The company's apprentice programmes and local employment initiatives create social mobility for disadvantaged members of society and social value is measured systematically.

There is a specific emphasis on collecting and using data responsibly, with a breakdown of group level targets and data collection to an FM perspective.

under-represented communities. Sustainable employment will ensure that FMs have a diverse staff base and can bring new ways of operating, increasing efficiencies.

### What can FM do to manage it?

Management and HR can tap into new skills and resource pools by targeting underrepresented populations. Policies and standards create a company-wide structure that manages employment sustainably, which filters through relevant teams and individuals, such as hiring managers. FM teams can support the approach, bringing in apprenticeships and providing an inclusive environment while including local needs. Social value is incorporated in bidding and the procurement approach and is instilled into all contracts won.

### Interlinking Criteria (E, S, G)

- Employee Development, Sustainable Communities, Stakeholder Engagement
- Risk Management, Board Commitment, Contracts, Diversity

#### Good practice: Sewell and Churchill Group

Two SFMI partners have recently adapted their business governance model to become employee-owned businesses. Churchill and Sewell have gone through this process, making their employees across levels of the business beneficiaries to the success they achieve. This can help businesses nurture a productive work culture, and retain staff as employees have more to gain as the business grows, and maintains intellectual property.



# Sustainable Communities

## Key changes for 2024

- No changes of note
- Highlighting **FUTURE**: ESRS S3: (Possibly 2026)
- Type of communities subject to material impacts by own operations or through value chain, etc.
- Processes for providing remedy where organisation has identified a material negative impact on affected communities.
- How **affected communities were engaged directly** in setting targets, tracking performance, and identifying lessons

The 'community' refers to the local area surrounding the workplace, and also to the wider community influenced by the business. Every project or contract impacts the local community through employment, supply chains, local partnerships, and charitable activities. Each offers an opportunity to positively contribute to the people surrounding the workplace creating social value – a key to unlock public sector contracts. Providing social value helps local communities thrive and improves their environment and relationships. These relationships, built community needs, foster growth in key areas and will vary from community to community.

## How does it affect the role of FM?

A sustainable FM may work directly with the community, with schools, housing developments, shopping centres and multiple businesses in one site. By forming connections with the community, it develops a sense of belonging, accountability, and fulfilment to people with direct impacts on the local economy. An FM with a clear social value approach helps build its community engagement and reputation while improving its prospects in public tenders.

## LEADERSHIP ATTRIBUTES

The company is dedicated to developing a relationship with their local communities. It provides examples where it has developed a long-term community engagement strategy based on the needs of the community and ability of the company. The organisation has a clear social value approach and reports regularly on progress of community initiatives and outcomes, with the learnings benefitting other communities and clients.



## What can FM do to manage it?

Community engagement strategies help identify the most effective ways to support local initiatives and meet people's needs. These strategies should include targets and measurements, with learnings embedded across other communities and clients. Businesses can form partnerships with stakeholders and engage employees in community-benefiting activities. The FM can also target local suppliers and employees to develop the economy of the local area and reduce transport emissions and cost. Additionally, local ecology programmes can simultaneously benefit communities and local environment.

## Interlinking Criteria (E, S, G)

- Transport, Ecology
- Employment, Stakeholder Engagement, Wellbeing
- Sustainability Frameworks, Contracts, Collaborations



# Stakeholder Engagement

## Key changes for 2024

- Added to 5: **Engage** with supply chain that covers 67% of emissions (regarding emissions) [SBTi as guidance]
- Added to 4: **Cyber security and policies for remediation** are in place for consideration of **stakeholders**.
- **FUTURE:** Reassessing stakeholders will occur regularly/ yearly or biennially (instead of just 'periodic'), and may move to 4-score instead of a 5 in future years. This is becoming a **key component of materiality and risk management**.

Stakeholder Engagement involves two-way communication with key organisations, individuals and partners, both within and beyond the company's immediate value chain. This engagement is crucial for materiality and risk management, and is increasingly recognised in evolving regulations and frameworks.

Unlike shareholders, stakeholders are not limited to financial connection. They can include staff, clients, the local community, and the supply chain, often having more personal connections. Examples include local residents affected by business operations, teaching staff in schools cleaned by a new FM company, members of the supply chain and the employees of the business.

## How does it affect the role of FM?

Engaging with its stakeholders enables a FM to listen to and learn from a variety of perspectives; as a result, the company can improve its service, or identify risks and opportunities to the business. Stakeholders affect the role of the FM as well because frustrated stakeholders can reduce the productivity of the FM. Therefore, a good engagement strategy is vital. Stakeholders also play a key role in social value – a growing component of a FM sustainability offering.

## LEADERSHIP ATTRIBUTES

The company has identified its key stakeholders (and regularly reassesses), including community and public or third sector. It can provide examples of detailed stakeholder dialogue as well as open, proactive relationships with NGOs and other organisations, seeking to promote best practice in FM sustainability using innovative methods. Compliance obligations are understood and are reviewed / reported where appropriate. Stakeholder sustainability needs are understood with regular reviews, and inform the organisation's strategy.

This activity is showing itself as a key component of materiality and risk management, and engagement is highlighted as a reportable activity in evolving regulations and frameworks.

## What can FM do to manage it?

To improve a situation, it is essential to understand it fully by engaging with all involved parties. Various communication methods can be effective, but those that allow for recording conversations and responding to points, encouraging debate and discussion, tend to be more successful. FMs should develop a thorough understanding of their interactions with corporate stakeholders.

## Interlinking Criteria (E, S, G)

- Environmental Management Systems
- Employment, Employee Development, Supply Chain, Sustainable Communities
- Board Commitment, Disclosure, Compliance, Collaborations

### Good practice: Equans

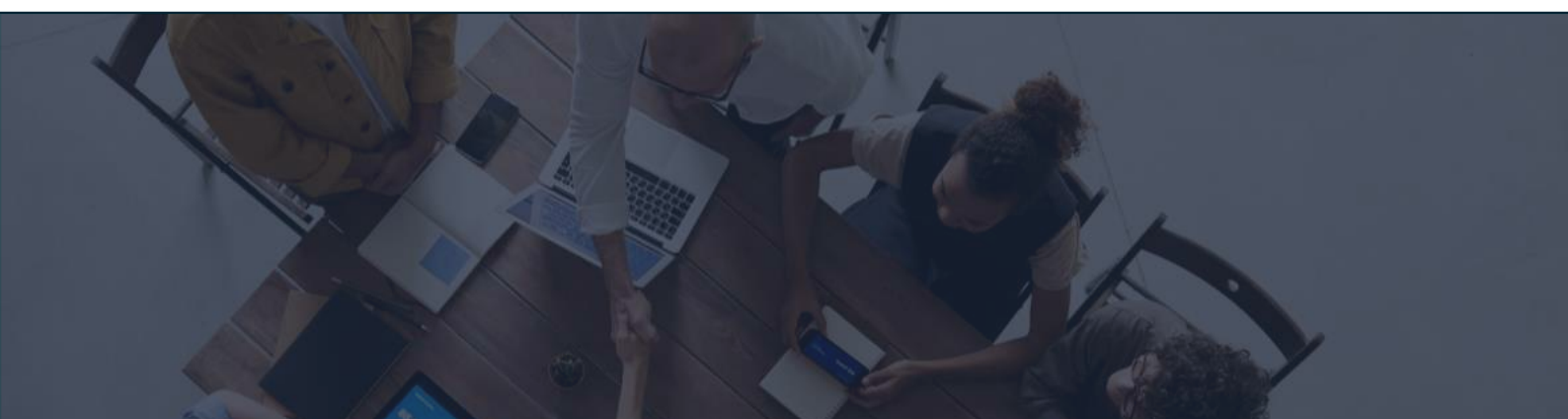
Equans actively engage their stakeholders with a variety of sustainability topics. Materiality is well understood and measured against the stakeholder needs – this is understood within the Responsible Business (RB) Charter. These needs and concerns are scrutinised annually against Equans' objectives.

The RB Report clearly outlines all major stakeholder groups. It details how each group is engaged with and outlines the key issues they are engaged on. This ranges from requirements and compliance obligations, to feedback on strategy and performance, to social value strategy and performance. Equans produce stakeholder engagement plans at Operational and Functional levels. These plans are aligned to the AA1000 Stakeholder Engagement Standard, a best practice standard.

The organisation has also set a number of Stakeholder Engagement KPIs. Sub-KPIs include:

- Carry out updated materiality assessment of stakeholders in the UK
- Maintenance of Stakeholder Action Plans
- Commitment to deliver the highest standard of customer satisfaction

Stakeholder action plans are established at the divisional levels and at site levels as per the relevant targets. Equans also continue to maintain their Interested Party Register which tracks their key stakeholders and their key sustainability concerns and requirements.



# Supply Chain Management

## Key changes for 2024

- Added to 4: Human rights concerns and environmental impact of suppliers are **addressed with the supplier**. **Policies re sanctions or termination** of relationship are clear. **Cyber security and policies for remediation** are in place for consideration of suppliers.
- Added to 5: **Plans are being made** to ensure these considerations **will go deeper** into supply chain.
- Added to 3: Issues are adequately **conveyed to the supply chain** to cover general sustainability areas.
- Added to 3: **Payment terms, payment performance** monitored and compliance met. Concern for suppliers of all sizes and types.
- **FUTURE:** CSDDD alignment. Human rights information for **second level suppliers**, and verification. (Likely tiering in 2025/ 2026/ 2027)

Supply Chain (SC) Management is the flow of goods and services, providing both customer value and competitive advantage. Involving active communication with suppliers, purchasing power can be used as a driver to raise the sustainability standards and drive performance. Constructive collaboration is crucial to keep the SC improving over time and reduce the business' overall negative impacts. Good SC management is about mutually beneficial relationships and improving sustainability throughout the chain.

## How does it affect the role of FM?

The FM procures products and services, and understanding how these products can impact the environment or drive negative social consequences will drive the value chain to improve. Strong communication between FM and suppliers will be rewarding, including the communication of challenges. Leadership and sustainability are a journey, and overcoming difficulties makes a business more relatable.

## LEADERSHIP ATTRIBUTES

The company has identified sustainability SC risks through its corporate and FM risk management programmes and takes action to engage with its supply chain in a proactive manner to encourage sustainability.

It can prove the effectiveness of engagement activities amongst its suppliers. The organisation is engaged with key sustainability issues, is measuring the impact of its SC on the climate, and understands the risk profile of its supply chain - which assists in decision making. Plans are underway to ensure these considerations will go deeper into supply chain.



## What can FM do to manage it?

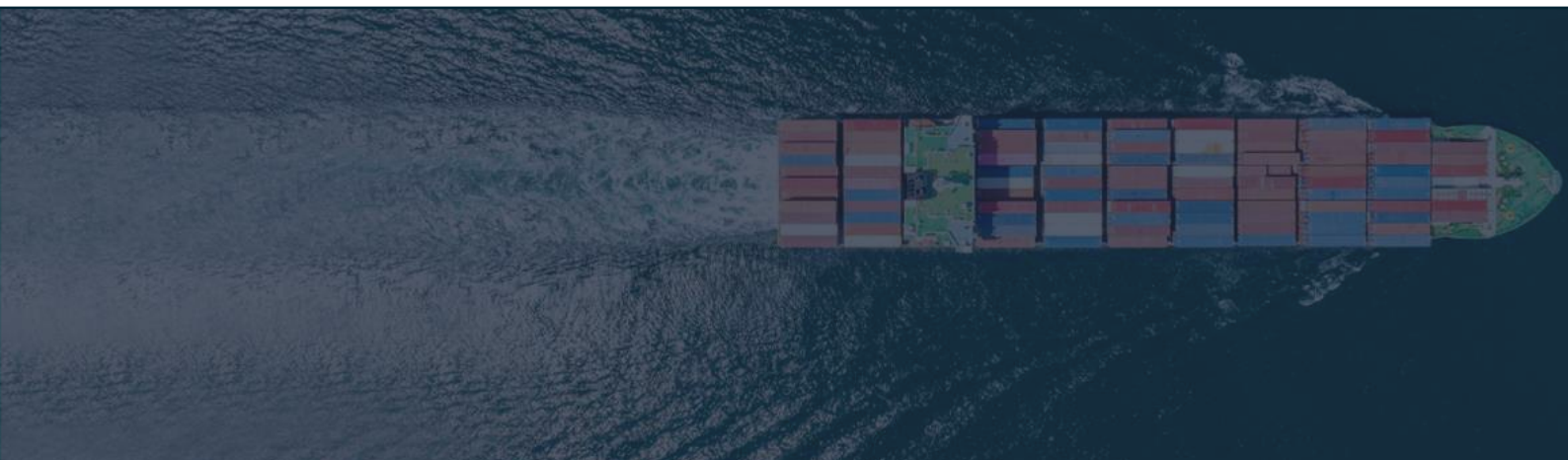
The economic, environmental and social risks of the top tier suppliers can be identified and mapped. These can include the impacts of the supplier or product, along with the reputation and performance. Your business strategy, including sustainability ambitions, must be considered when creating a partnership and dialogue with the SC. An iterative auditing process should be conducted on a group of suppliers annually. Using supplier engagement surveys or workshops will highlight your company ambitions while understanding the opportunities that suppliers can provide for you to achieve them. Upskilling the SC is part of the journey and relationship, along with compliance targets to ensure they share the same goals and meet the pre-determined standards. Plans should be made to extend this deeper into the supply chain as an important measure of success.

## Interlinking Criteria (E, S, G)

- Environmental management system, Circular Economy, Energy, Water, Projects
- Stakeholder engagement, Health and Safety
- Risk Management, Board Commitment, Sustainability Frameworks, Disclosure, Compliance

### Good practice: Optima

Optima has set up environmental clauses in contracts with suppliers. They prepare their purchasing department to audit suppliers on environmental performance, with higher risk suppliers subject to more frequent engagement. An environmental policy is provided to all suppliers along with an ESG Code of Conduct which requires a signature by suppliers.



# Wellbeing

## Key changes for 2024

- Added to 5: Company is considerate of **other aspects of employee health**. These include mental health and additional topics (e.g. sleep, menopause, financial wellbeing, family care)
- Note the crossover with Health & Safety

Wellbeing is a balance of physical and mental health. With improved health comes an increase in productivity and engagement a reduction in absenteeism. Good wellbeing can also have monetary benefits such as reduced recruitment costs. Companies are increasingly looking at wellbeing as a means to monitor and improve their performance. Wellbeing programmes should be a two-way process; they should reciprocate and ensure the employees are heard, with feedback used for improvements.

The involvement of senior management on wellbeing has proven to be successful as employees feel more valued. If they engage, drive and back wellbeing and mental health agenda, staff are more likely to have confidence in the programme.

## How does it affect the role of FM?

The FM is increasingly playing a part in wellbeing, for employees and long-term contractors, and also tenants and customers. Comfort level and the enjoyment of working is influenced by the environment provided, so workplace setup has a significant impact on wellbeing. After the COVID pandemic, this applies in a new era of changed occupancy and use. The FM can also signpost staff towards internal initiatives to improve wellbeing; these may include mental health and additional topics (e.g. sleep, menopause, financial wellbeing, family care).

## LEADERSHIP ATTRIBUTES

Regular two-way dialogue with staff, including occupancy studies to optimise working conditions, productivity, performance reviews and wellbeing. The organisation understands its sickness and turnover rates and targets its improvement. Board members promote and participate in an initiative calendar and recognised standards are utilised to frame improvements.

Company is able to show engagement with staff to ensure well-being and take learning to clients to enhance service offerings. Clear structures are in place for all stakeholders to engage with wellbeing initiatives. Company is considerate of other aspects of employee health. These include mental health and additional topics (e.g. sleep, menopause, financial wellbeing, family care).

## What can FM do to manage it?

Introduction of two-way dialogue with staff is vital to understand how improvement can be made to optimise working conditions, productivity and improve employee satisfaction in the workplace. Acting on feedback requires research, potential new technologies, and measuring the impact of the workplace changes to ensure subsequent improvement. The FM should have an understanding of the internal and external environment and ensure that the changes it makes can have a positive effect on the people that use the site. Also consider the environmental impacts that changes on the workplace have, to ensure there are no trade-offs.

## Interlinking Criteria (E, S, G)

- Circular Economy, Energy, Water, Ecology, Projects
- Health and Safety, Stakeholder Engagement, Employee Development
- Contracts, Collaborations

### Good practice: Emcor UK

Working in collaboration with their clients, and the Business in the Community, Emcor UK developed well-ness for clients. In the form of a drop-in community centre for people with mental health issues. Not only are they managing the issue internally, but are able to build it into the services they offer.



# Employee Development

## Key changes for 2024

- Added to 4: Where organisation is selling services based on sustainability solutions, then company ensures that relevant staff receive timely and adequate training.
- Added to 5: Where organisation is selling services based on sustainability solutions, then staff not directly involved may be given consideration for the similar training, seeing an open **pathway to develop skills and mobility**.

Supporting employees will develop their capacity to improve performance, acquire new skills and unlock their potential. As a company's most valuable asset, employees must be continuously developed both professionally and personally.

There is a partnership between the employer and employee. One trades knowledge, time and resources whilst the other dedicates time and commitment so both benefit from a stronger relationship. Upskilling internally may reduce the need to outsource work, resulting in a cost-efficient strategy in the long-term. Sustainability management requires new skills in internal collaboration and systems thinking.

## How does it affect the role of FM?

Employee support is a considered strategy that incorporates the company values and the business strategy. Identifying future needs of the industry and the workplace will help FMs to develop the skills that they need to continue to add value in the service they provide; these are increasingly clear in the sustainability journey.

## What can FM do to manage it?

Policies are developed to address skills shortages and ensure industry-recognised knowledge available transferable to employees. A responsible business culture is embedded on the individual and business levels. Internal training for all levels boosts productivity and supports employee progression, aided by a skills map for better understanding. Mandatory board-level

## LEADERSHIP ATTRIBUTES

The organisation understands its core skills requirements and has schemes to target the skills shortages now and needed for the future evolution of FM services.

Competencies on sustainability are reviewed and targeted for improvement. Where organisation is selling services based on sustainability solutions, then staff not directly involved may be given consideration for the appropriate training, seeing an open pathway to develop skills and mobility.

Reporting takes place for training and other aspects where relevant. The company is integrating a responsible business culture as part of its employee development through values and promotion of responsible business practice.



sustainability training is reviewed and monitored according to ISO14001:2015 standards. Internal reporting includes detailed information on employee training structures, recording mechanisms, policies and records for minimum wage and career development opportunities.

### Interlinking Criteria (E, S, G)

It is worth noting that training across the sustainability spectrum links this to most criteria.

- Employment, Stakeholder Engagement
- Diversity, Wellbeing

#### Good practice: Skanska

Skanska culture is embodied in Living their Values. The Learn Fast initiative has been implemented to support knowledge sharing across the business. As part of onboarding joiners receive “Belonging at Skanska” induction and all new starters receive a face to face meeting with SLT and an eLearning programme to be completed within 90 days, including mandatory sustainability training. There is bespoke content for target groups including those in healthcare, commercial and schools sites. All new line managers receive People Leader training.



# Governance

Sustainable Governance implements sustainability into the corporate strategy across the business, sets and manages goals, manages reporting, strengthens relationships with stakeholders and ensures overall accountability of the organisation.

**Within the SFMI framework, the Governance criteria we assess are:**

- Risk Management
- Board Commitment
- Sustainability Frameworks
- Disclosure
- Financial
- Compliance
- Contracts
- Diversity
- Collaboration

# Risk Management

## Key changes for 2024

- Moved down to 4: Climate change is stated explicitly as a business risk (directly or indirectly).
- Added to 4: **Cyber security and policies for remediation** are in place for consideration of stakeholders as well as company.
- Added to 5: **Risk register for each FM division and region**. Organisation should show the process of creating and reviewing.
- 5: Regular reviews look for opportunities, not just risk, in sustainability aspects. This **is part of enterprise risk and opportunities and inform the strategy**.
- Clarified 5: **Scenario testing** relevant to FM business unit. This is relevant and appropriate to organisation scope (size, expanse) with the intention toward full sophisticated modelling.

Risk management involves handling both financial and non-financial risks, including environmental and social factors that pose regulatory, reputational, and physical risks to the business. Effective risk management, from enterprise to contract level, is crucial for business success. Identifying, communicating, and managing risks as a two-way process is critical to the overall success of the business.

Risk management motivates businesses to address sustainability issues. Once identified as having a material impact on a company revenue, risks are often prioritised. Emerging sustainability risks, such as meeting performance levels required for new business, are not yet fully embedded in businesses. Understanding these risks will prepare a business for the future.

## How does it affect the role of FM?

Although FM operates on the site level, both site and enterprise level risks should be considered. These will range from health and safety to environmental factors, non-compliance risk, and flood risk and management.

## LEADERSHIP ATTRIBUTES

Fully implemented risk management structures which enable communication of both financial and non-financial risks in contracts and corporate levels, and how each influences strategic decision making. Climate change is explicitly recognised as a risk. Scenario testing of climate risks is demonstrated to change organisational behaviour.

The organisation is building a risk register for each FM division and region, and reviews risk registers regularly.

Cyber security and policies for remediation are in place for consideration of stakeholders as well as company.



Therefore, being able to identify and contribute towards management and mitigation strategies brings value to the role of FM.

### **What can FM do to manage it?**

The FM may be required to identify risk at a site or business level, and provide data that contributes to complying with risk mitigation strategies. Implementing of risk registers and reporting risks at all levels supports effective risk management. Understanding environmental and social sustainability impacts helps identify non-financial risks and opportunities. Early identification of risks can often turn them into opportunities for the organisation. An FM service provider can add value by understanding client risks and contributing to their management.

### **Interlinking Criteria (E, S, G)**

- All environmental criteria
- All social criteria
- All governance criteria





# Board Commitment

## Key changes for 2024

- Moved down to 4: Can show the targets that Board are set achieve and how they achieve corporate success and sustainability performance. The business strategy promotes sustainability and links to the business values.
- Added to 4: Board are involved in internal leadership of sustainability, with FM sustainability getting attention of senior managers/ Board. This should be in leading communications, events, and initiatives.

Sustainability is becoming central to corporate competitiveness and enterprise risk and opportunity management. Board members drive a sustainable company culture, essential for integrating sustainability and changing staff behaviour.

Purpose driven businesses or leaders in sustainability should have internal Board leaders who embody these principles. The Board must fully engage in embedding sustainability into daily operations, with regular reviews of internal and FM activities to ensure accountability for ethics and sustainability performance.

## How does it affect the role of FM?

FM should hold the ambition of having representation on the Board, whether directly or through standing agenda items. This will allow a sustainable FM to flourish with the support from the top. FM should also drive through the culture of a Responsible Business within its own activities and management of the supply chain.

## What can FM do to manage it?

FM should influence and highlight the benefits of sustainability by managing data to improve sustainability performance in their areas. This will provide the Board with a strong business case for further investment in FM sustainability. FMs should also join the network of sustainability champions, committees, and working groups that report to leadership teams, ensuring they contribute value to the company culture.

## LEADERSHIP ATTRIBUTES

Leadership on sustainability and a responsible business culture is present and felt throughout the organisation. Multiple board and senior management teams can show competencies in sustainability understanding including risks and opportunities.

Lines of communication to and from board level are open and regular. Board committees integrate sustainability into decision making, and the topic regularly appears in agenda items. The competency of the leadership is sufficient to meet ISO 14001:2015 standards. Board members have clear targets that drive both corporate success and sustainability.

## Interlinking Criteria (E, S, G)

With the importance of the Board driving sustainable business culture, there is a clear linkage with all criteria of sustainability. Those we can deem as high priority to support/ drive through corporate culture are:

- Environmental Management Systems, Circular Economy, Energy
- Health & Safety, Employment
- Risk Management, Sustainability Frameworks, Finance, Diversity

### Supporting you on your Journey to Zero Carbon

Companies around the world are beginning to demonstrate their commitment to a low-carbon future. But with so many targets now set, the question is how do we reach them? This guide covers what we mean by zero carbon, building a roadmap and implementing your plan, benefits of being a zero carbon business, and more.



[Download now](#)



# Sustainability Frameworks

## Key changes for 2024

- Moved down to 4: Structures in place are being periodically reviewed to ensure their effectiveness.

A framework is an essential supporting structure of a business system. A Sustainability Framework is a strategic structure that guides a business in identifying and managing sustainability elements that will impact it. It includes approaches used to integrate sustainability into business objectives, targets, and reporting mechanisms, demonstrating how actions are implemented across the business to achieve results. This framework is critical for maintaining consistent sustainability performance across all departments, from corporate to the FM team.

Framework statements and policies clarify the company's commitment to continual improvement and sustainable achievements. These should cover both corporate and contract-level structures and should be regularly reviewed for effectiveness and efficiency.

### LEADERSHIP ATTRIBUTES

The company has a board-approved comprehensive sustainability policy integrating environmental, social and economic responsibilities. These are reviewed regularly for effectiveness. Impacts of technological advances are considered and integrated into frameworks. The frameworks better enable the organisation to deliver sustainability in specialist and in standard FM services.

## How does it affect the role of FM?

Frameworks are often designed at the corporate level and disseminated to the rest of the business. FM will therefore play a role in the operation of the framework, but could also be collecting data within the built environment to feed into the framework. If playing a strategic role, FMs can also input and develop the framework to ensure the necessary targets, goals, and savings are achieved.

## What can FM do to manage it?

Understanding the sustainability objectives of the business and upskilling itself so that it can contribute to the framework at all levels. Changes can be made to FM contracts, service level agreements, PQQ's et cetera to ensure that the framework is followed.

## Interlinking Criteria (E, S, G)

Sustainability Frameworks are the backbone of sustainability in a business, and therefore will link with all criteria of sustainability. It may vary based on different levels of materiality to the company. Key linkages are:

- Environmental Management Systems, Projects
- Employee Development, Stakeholder Engagement
- Risk Management, Board Commitment, Disclosure, Financial, Compliance

### **Good practice: BAM FM**

To enhance the user engagement with their sustainability framework for social value, BAM FM have created an Impact App. The purpose is for the business employees to have ease of inputting Social Value activities from contracts directly into the system. The app has been designed to be easy to use on site or away from BAM offices, ensuring efficiency immediately after a Social Value activity.





# Disclosure

## Key changes for 2024

- Note: Increasing requirements for disclosure are in the pipeline for coming years; the specifics are being highlighted within each relevant criteria where practicable.
- Moved down to 4: **Reputable carbon offsetting options** are chosen where required.

Transparency on sustainability is managed by all companies whether large, small, publicly listed, or privately owned. Each disclose information in various ways to different audiences including investors, customers, staff, rating agencies, and pressure groups. Tailoring disclosures to meet the specific needs of each is vital for effective communication.

Transparency builds trust with stakeholders through honesty and accountability. Companies can disclose information by reporting achievements and progress in sustainable development, covering both corporate and FM activities. These reports should include progress against targets, risks and opportunities, and policies and statements, such as Gender Pay Gap, Sustainable Development Goals (SDGs), and Modern Slavery policies.

## How does it affect the role of FM?

Disclosure will often occur through the communications teams, but they rely on a flow of information, data, and case studies. An FM should be mindful of the dissemination of information they manage so the business can benefit as it engages with stakeholders.

## What can FM do to manage it?

Being able to collect, verify, and communicate data for disclosure is key. Understanding the disclosure requirements of the company will help in the data collection to ensure efficiency. It is also valuable for an FM to be well connected in the company so that they can manage data

## LEADERSHIP ATTRIBUTES

Supplementary disclosure has external assurance and contains coverage of core areas (ESG) with targets and performance data, risks and opportunities, and priorities for the next year and beyond. The disclosure of the gender pay gap is developed, as is the company inclusion and diversity data.

Stakeholder expectations and concerns are understood and reported on annually.

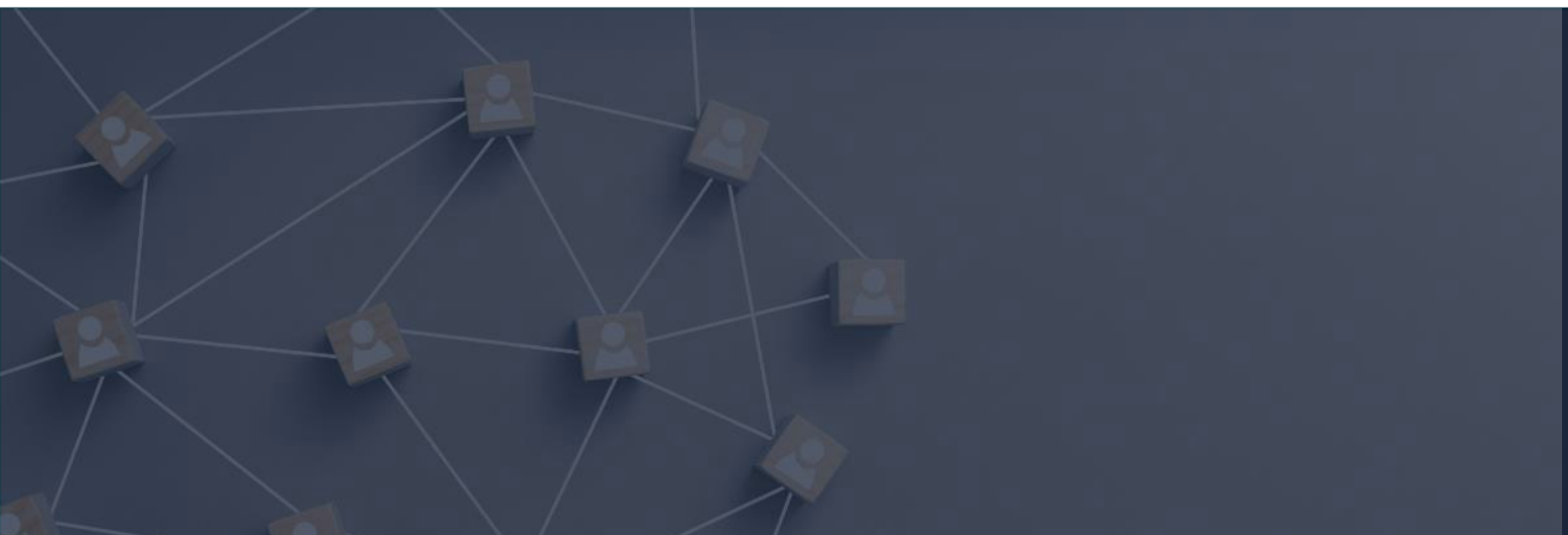
The company's communication strategy helps ensure an on-going culture of sustainability. The organisation publicly discloses its targets and alignment to SDGs. Cornerstone zero carbon targets are backed up by a robust strategy that shows the public how they will achieve it. Reputable carbon offsets are used where necessary.

collection. There is 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.

### **Interlinking Criteria (E, S, G)**

Transparency will impact all areas of sustainability. The more transparent a business is about topics, the higher accountability they have towards it. Key areas of disclosure in FM include:

- Energy, Transport, Circular Economy, Transport
- Wellbeing, Sustainable Communities, Employment, Health & Safety,
- Risk Management, Finance, Board Commitment, Diversity



## Financial

### Key changes for 2024

- Added in 4: Capital spend shows evidence of sustainability initiatives being considered and funded, but may not be specifically linked to a full corporate strategy (ambitions, targets, values)
- Added for 5: Sustainability initiatives are well-funded (appropriate processes and reviews) with clarity on the value and company's ambitions.
- Moved down from 5 to 4: The organisation's financial reporting considers sustainability issues and communicates them in light of their activities as a responsible business.
- Moved down from 5 to 4: The TCFD framework influences future financial position of the business. Considers risks/opps, and business planning process.

To achieve sustainability targets, a company must finance projects at both operational and capital expenditure levels. The finance team should set profit margins of service contracts avoid economically unsustainable practices.

Sustainability requires ongoing funding. Setting and regularly reviewing a specific sustainability budget is highly beneficial, though it often comes from departmental budgets. Sustainability budgets drive innovation and target benefits, but the aim is for financial decisions to consider the triple bottom in all aspects (economic, environmental & social impact). Compulsory financial reporting helps track, monitor, and assess financial sustainability informing necessary changes and improvements.

### How does it affect the role of FM?

While finance control is a corporate governance issue, the financing of projects significantly influences the operational sustainability of FM. For FMs to achieve their sustainability targets, they need to present a compelling business case demonstrating the long-term value of sustainable projects and initiatives. This long-term value should prioritise over immediate upfront costs. Spending more in the short term can lead to lower operational costs and longer longevity in the long term, resulting in greater value for money.

### LEADERSHIP ATTRIBUTES

Sustainability is well-funded, even to specific budgets being available for investment in FM sustainability. The business's decision making is informed by triple-bottom-line factors, its impact understood in both financial and non-financial terms. The future financial position is influenced by the TCFD framework ambitions. The sales and business development teams are engaged to grow business sustainably, showing that sustainability is considered in financial and commercial decisions across the organisation.

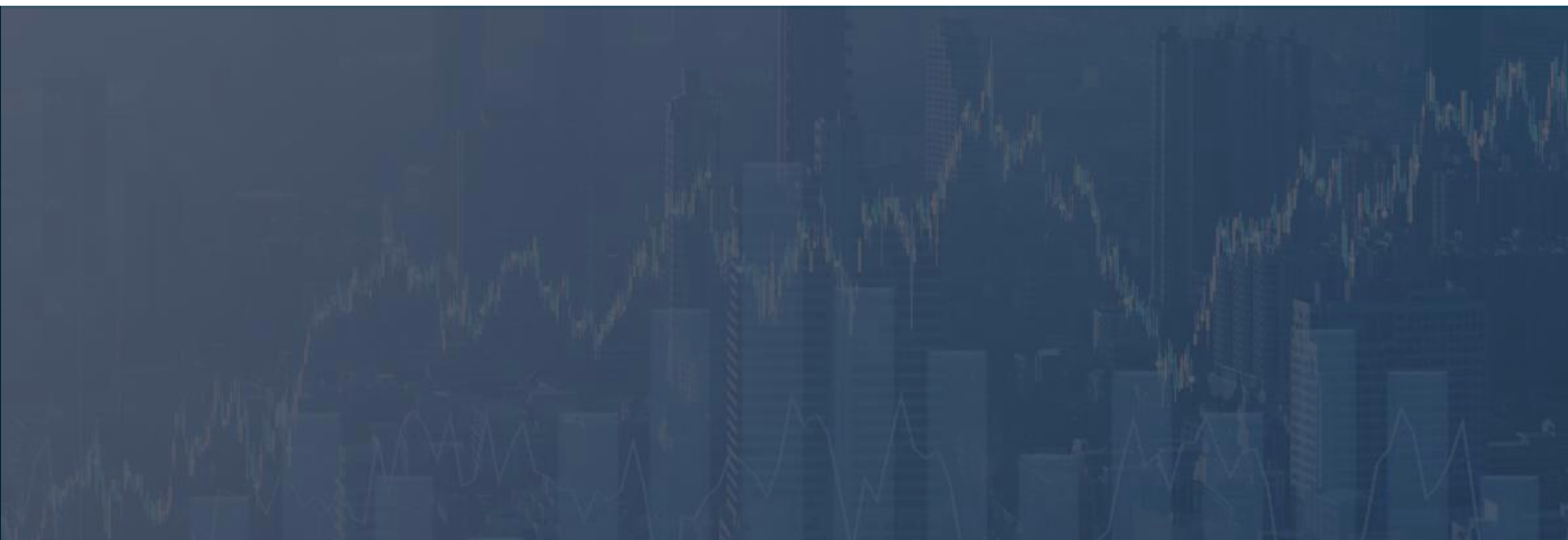
## What can FM do to manage it?

By engaging in discussion on long-term value and identifying how expenditure can contribute towards sustainability, an FM will be able to direct the conversation and influence the finance approach of the company.

## Interlinking Criteria (E, S, G)

Finance and investment will affect all elements of sustainability. Without dedicated financing, a company will likely not develop environmental or social performance to a high level. Key linkages are mainly with other Governance criteria:

- Management Systems, Projects
- Supply Chain Management
- Risk Management, Board Commitment, Contracts



# Compliance

## Key changes for 2024

- **Added for 5:** Breaches or civil sanctions are documented, and **records can show how these impact management.** (In future, this may move lower to 4 or 3.)
- **Added for 5:** Company can evidence a corporate legal register, and explain **how it interacts with FM contract legal registers.**

In the corporate world, compliance ensures your company and employees follow all laws, regulations, standards, and ethical practices that apply to your organisation and industry. It covers both internal policies and procedures, as well as government laws, including TCFD, ISSB, and EU regulations, which will now be referenced in this criterion. Enforcing compliance helps your company prevent and detect rule violations, protecting your organisation from fines and lawsuits.

While the primary responsibility for compliance may sit with the client, the FM provider has a duty of care and best practice to support this. Assurance on compliance is therefore important when managing this risk.

## How does it affect the role of FM?

Compliance operates on multiple levels. While FM does not dictate the laws and regulations the company must follow, it may need to respond to them or collect relevant data. Internal FM will also set the service compliance levels required from outsourced FM teams and may be required to enforce them as well.

## What can FM do to manage it?

The first step is understanding the regulatory and other compliance requirements that the FM team must meet. The FM ensures the organisation operates its management systems to achieve compliance. This involves data collection, obtaining signed paperwork, analysis, managing continual improvement, and reporting.

### LEADERSHIP ATTRIBUTES

A structured approach (with adaptive measures) to managing legal compliance as well as other commitments is in place. Compliance obligations are addressed in a systematic, authenticated, and verifiable way. Breaches or civil sanctions are documented; records show how these impact management. Communication to stakeholders and interested parties on these topics is regular and clear, with the risks and opportunities known.



## Interlinking Criteria (E, S, G)

Clients will set their compliance requirements criteria for tenders, and different companies will be exposed to differing levels of regulations. Therefore, compliance can influence all criteria of sustainability dependent on the occasion. Broad key compliance linkages are:

- Environmental Management Systems, Projects
- Health & Safety, Employment, Sustainable Communities, Supply Chain Management



# Contracts

## Key changes for 2024

- Added to 4: The provider engages with Social Value dialogue **and encourages for all contracts**, but may still not be accomplished in its application/measurement.

A sustainable FM should address contracts both internally and externally. Externally, this involves integrating sustainability into contracts to ensure economic, social, and environmental impact. This is especially important as customers are seeking sustainability as part of tenders and contracts. For example, how can a contract deliver a service, and Social Value at an affordable price?

Internally, structures can be put in place which can be contractually obliged. For example this might involve ensuring that sustainability is considered at every stage of a contract and informs behaviour change – PQQ, RFP, tender, contract, mobilisation.

## How does it affect the role of FM?

An FM provider can guide the conversation of sustainability in a contract through the bidding process. The concept of integrating sustainability into contracts at this time is often challenging and may need policy clarification. Sustainability value can be at risk of being removed by a procurement function that is seeking to save immediate upfront costs, without understanding wider savings or the longer-term value it can bring to the client.

## What can FM do to manage it?

Data collection of sustainability initiatives and subsequent analysis can guide FM's understanding of the added value of the sustainability approach. FMs should also be seeking to be flexible in their contractual arrangements. This approach will bring them closer with the clients and business and create long term value through partnerships.

### LEADERSHIP ATTRIBUTES

The organisation demonstrates how sustainability is integrated in tender responses, and mobilisation phases. It provides guidance to internal teams and supply chains to integrate sustainability where possible.

The FM provider is flexible to change in contracts and has a core set of sustainability deliverables for every contract. Relevant legislation (Social Value Act) is applied with ease in appropriate contracts.

Contractual level impacts are measured and linked to Zero Carbon plans and Social Value.

## Interlinking Criteria (E, S, G)

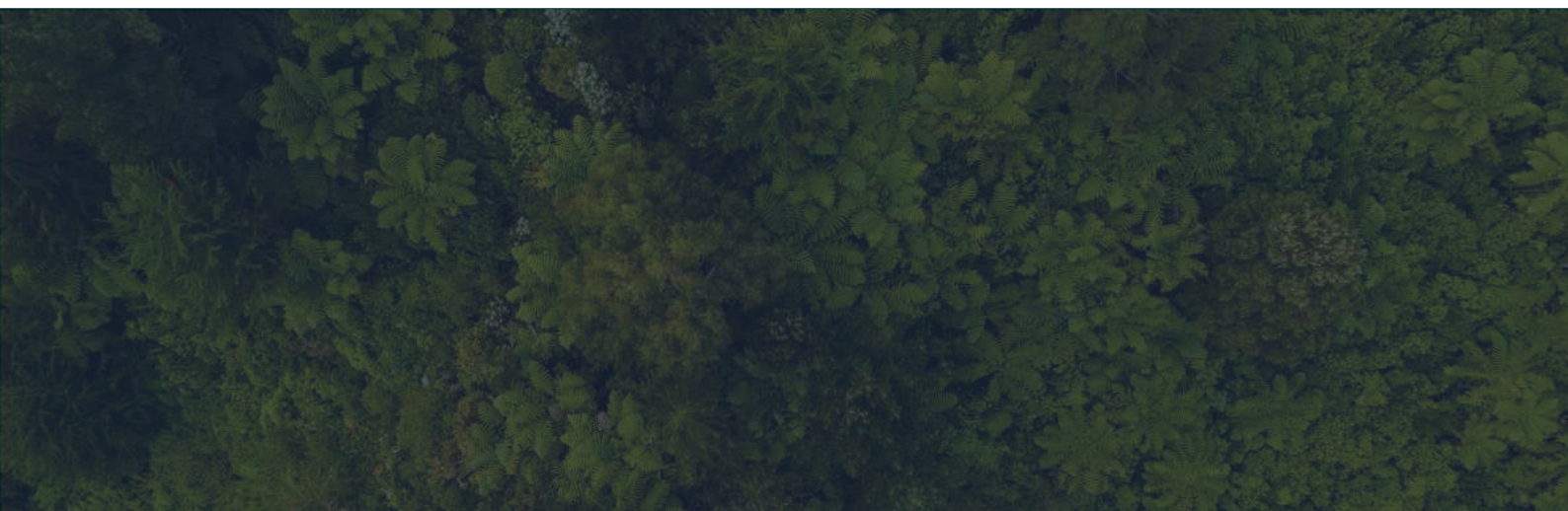
- All criteria of the environment
- Health & Safety, Wellbeing, Sustainable Communities, Stakeholder Engagement, Supply Chain Management
- Risk Management, Finance, Compliance

### Report: Sustainable Procurement in FM

This report outlines the ambition for the future of sustainable procurement in FM and the key criteria that will help embed sustainability in the sector. We looked at best practices in FM, and developed the '7 Principles of Sustainable FM Procurement' framework to help organisations address these issues not just at supply chain level but also within the wider value chain.



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# Diversity

## Key changes for 2024

- **Added to 5:** Articulate diversity of **thinking and experiences**, not just demographics
- Moved down to 4: Greater push for increased BAME disclosure as well as gender.
- Moved down to 3: Board sponsors D&I strategy.

Corporate Diversity covers all aspects of diversity including (but not limited to) ethnicity, age, gender, prevalence of a disability, education, skills, and experience. Being corporately diverse can help grow a business, increase profits, support resilience, and improve wellbeing of employees. A more diverse workforce brings different opinions, thoughts, beliefs, norms, customs, values, trends, and traditions. Diversity should be promoted at all levels within corporate and FM operations.

Having representatives from a diverse background helps to encourage people of a similar background to join the organisation, thereby increasing the potential pool of talent available to the company and enhancing resilience in decisions.

## LEADERSHIP ATTRIBUTES

Reporting includes a detailed description of approach towards diversity and skills. The organisation demonstrates its commitment to promoting diversity both within the organisation (employees and board) and the supply chain. It shows initiatives and training, such as tackling potential unconscious bias in the organisation which will promote equal opportunities for all.

## How does it affect the role of FM?

FM is a people-centric industry, reportedly contributing up to 10% of the UK workforce. It employs people across many skill levels and a wide range of roles, creating social mobility within a country or area. Social mobility is the movement of individuals, families, households, or other categories of people within or between social strata in a society. It is a change in social status relative to one's current social location within a given society. This gives significant social value to regions and communities that the organisation serves.

## What can FM do to manage it?

The organisation should include diversity in all areas. Board diversity should include more than demographic tick boxes, seeking a variety of experiences that will strengthen the decision



making. FM should seek to promote employment opportunities in often unseen areas to help provide the opportunity for social mobility. This will encourage a wider pool of applicants to fill roles in an industry that has faced challenges in succession continuity in recent years. Targets and approaches should be public and progress disclosed.

### **Interlinking Criteria (E, S, G)**

- Employment, Sustainable Communities, Stakeholder Engagement, Supply Chain Management, Employee Development
- Risk Management, Board Commitment, Sustainability Frameworks, Disclosure



# Collaboration

## Key changes for 2024

- Added to 4: Collaboration as a central function has a systematic approach. Roles and responsibilities are understood.
- Added for clarification to 4: Purpose is not as a for-profit joint venture, but **to support benefits such as social value, environment, better governance, SDGs, etc.**
- Clarification in 4: Company may have achieved a collaboration standard, but mainly for a specific contract.

Collaboration involves working with others to achieve a common goal. In business, it reduces risk by forming partnerships to share resources and work towards shared objectives. For sustainability, collaborative partnerships leverage the strengths of each partner to make progress on important issues. Collaboration does require trust and aligned thinking so that a partnership does not break down or end in dispute.

An example of collaborative sustainability partnership is a technology provider partnering with an FM provider to develop a product using existing technology with a share-profit agreement. Collaborations do not have to be purely economic. For example, companies can collaborate with an educational institution to contribute to research, or charities and businesses can collaborate to deliver social value in contracts.

## How does it affect the role of FM?

FM can form collaborations to help deliver the needs of the client it works with. This can include shared interests in cleaning technologies, integrating social enterprises into workspaces that require added value, or using

computer-aided FM systems and helping to improve the system for clients. Examples include engagement with local stakeholders to develop and pursue community benefits, with supply chains to resolve challenges and with technology providers to improve decision making.

## LEADERSHIP ATTRIBUTES

The FM organisation understands both risks and opportunities from working collaboratively and can illustrate how doing so has contributed to wider corporate level or contract level sustainability. Collaborations extend beyond charities to sponsorships, competitors, and customers.

Formal procedural information may be in place for how collaborations are considered, established, and measured to understand their on-going relevance, FMs may achieve certification to ISO 44001 or other externally verified approach to confirm the value achieved.

## What can FM do to manage it?

Collaborations work best when there is shared mutual interests, shared value, and shared vision. FM can ensure that its collaborations meet the criteria it sets to be successful. It can also communicate gaps in the market by discussing with the workplace what requires improvement. Capturing this information and sharing it to those that will form collaborations.

## Interlinking Criteria (E, S, G)

Collaborations can occur across and influence most criteria. Risk can be reduced when partnering with others to offer service lines or to deliver in-house FM. However, the key linkage is through:

- Risk Management

### Report: The Use of Technology for Sustainability in FM

This report summarises the insights and discussions which took place at our Leader's Forum event in March 2023. Download the report to discover more around how technology supports ESG tracking, challenges of adopting technology and recommendations for the future.



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The Sustainable Facilities Management Index exists to drive ESG leadership in the FM sector through a partnership programme built on research, assessments, strategic solutions and collaboration. Through sharing the expertise and insights developed through its projects, it challenges the sector to embrace best practice and drive innovation that can empower the sector to raise standards in sustainable FM.