SUSTAINABLE FM INDEX 2013

Full report

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Contents

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Executive summary

Sustainability embedded into facilities management services is now an expectation from in-house and external clients, with a range of drivers including legislation, cost pressures, corporate responsibility reporting and tender requirements all increasing the risks to both the FM and client organisation. Managed proactively, a sustainable FM service can reduce costs and provide long term value.

Developed as a framework, this Index provides a robust and transparent assessment to compare FM providers within the UK market. The results will be compiled annually, and can be applied to internal and outsourced organisations. The intent for this Index is to raise the performance and delivery of sustainability by showcasing achievement and highlighting excellence. It is also intended to stimulate a positive change within the sector, through both internal performance and external perception.

Key findings

Overall, companies demonstrate the highest level of commitment to sustainability in terms of governance, social, and finally environmental.

Whilst generally strong, commitment to corporate governance was affected by the transparency of information disclosed. This is linked to the industry's inability to capture and communicate non-financial information through a weak link to business risk, poor integration with financial information, and lack of assurance mechanisms.

In terms of environmental sustainability, the quantifiable nature of environmental measurement, particularly in terms of CO_2 reduction, enabled companies to collate this information within their financial statements and match the minimum reporting requirements, but commitment did not extend beyond this. Scores were high in terms of management systems and climate change, due to the industry standard certifications and verifications that exist within this area, allowing a much more comprehensive and quantifiable system of measuring. Where strong standards do not exist, companies scored poorly in relation to ecology, water, waste and transport.

Social sustainability among the companies was reasonable overall, but showed a variable response to supplier management. A lack of consensus in terms of what exactly is to be reported on and measured within this category, and how organisations should achieve this, means that while commitment is evident, reporting is hugely inconsistent, making comparison difficult. This inconsistency can be identified on two fronts: a lack of an established social impact measurement framework, and a lack of quantifiable measures.

Areas for development

1. **Transparency of information** particularly to emphasise the link between sustainability and financial benefits from direct and indirect cost savings.

2. **Social performance metrics** developed to encourage reporting of social sustainability in a consistent, comparable manner, essential to translate the value of social information into clear, measurable terms.

3. **Client-FM relationship** needs to be aligned and the scope enabled in order to deliver real sustainability benefits. The relationship between the two parties can sometimes conflict and not provide a cohesive or joined up approach. The end decision taken forward by the client is intended to be one where the benefits and consequences of action or inaction are known.

4. **Supply chain engagement** needs to be improved with active communication to help drive innovation and reduced costs at a corporate and client level. The current sequential rather than integrated process presents a fragmented and ineffective offer to clients.

5. **Training of staff** is to be targeted capturing existing staff and recruitment of differently skilled people at all grades. This up-skilling is vital to allow the FM sector to embed sustainability as a day-to-day provision and gain support, belief and motivation from all areas of society.

1.0 Introduction

The delivery of sustainable facilities management services to clients – whether internal or external – has increased dramatically over the past ten years, driven by new legislation and increased corporate responsibility reporting. However, there is still significant variability in the level and scope of sustainability performance as provided by FM companies, and some cases of 'greenwashing' taking place. Such issues cause confusion for the wider property sector and general public, and can damage the progress that has already been made.

The FM industry is essential in influencing colleagues and the management hierarchy within client organisations to understand the benefits and impacts of sustainable development. This will impact upon service delivery to ensure they incorporate sustainable criteria such as energy reduction, waste minimisation, procurement controls and fair pay. Together these have a balancing effect on the budget with net savings achievable over the lifetime of a contract whilst providing improved service delivery. FM now has a strategic role to play within business utilising property performance metrics to support the decision making process.

Whilst many Corporate Sustainability Indices currently exist, such as Business in the Community and Dow Jones Sustainability Index, there is no transparent assessment available for the FM sector to offer clarity to those organisations succeeding in delivering Sustainable FM and showcasing the value they are providing. Many of the current Indices focus on organisations at a corporate level, rather than the framework approach to engaging with their clients. As a result, there is little opportunity for the FM sector to showcase and promote the value it offers, and also no clear metric by which organisations can assess the performance of FM teams through reviews or procurement exercises.

Developed as a framework, this Index provides a robust and transparent assessment to compare FM providers within the UK market. The results will be compiled annually, and can be applied to internal and outsourced organisations. The intent for this Index is to raise the performance and delivery of sustainability by showcasing achievement and highlighting excellence. It is also intended to stimulate a positive change within the sector, through both internal performance and external perception.

Development of the assessment methodology stemmed from the many indices already in place, which are listed in Figure 8. The essence has been to avoid creation of a further set of questions and criteria that need to be responded to, but instead to perform the majority of evaluation through a desktop study and follow-up with direct interviews. Direct engagement was essential, as much of the framework will not be held in the public domain.

In the first year of assessment, a total of 16 companies (shown in Figure 1) have been identified that meet the two key criteria: being publicly listed, and achieving 25% of business turnover within FM services. Further details of this approach are captured within the Methodology (Appendix A). In future years, the intention is to engage a wider range of organisations delivering FM services, both in-house and external service providers.

Babcock	Bouygues	Carillion	CBRE
Cofely	G4S	Interserve	Johnson Controls
Johnson Service Group	Lend Lease	Mitie	Rentokil Initial
Serco	Sodexo	Speedy Hire	Vinci

Figure 1: *List of participating FM organisations.*

2.0 Implementing sustainable FM

The incorporation of sustainability within the day-to-day functions of facilities management is not new, and has been met, to some degree, as part of the function itself. The FM industry employs some of the lowest paid staff, and manages environmental hazards including those related to waste and utilities. The unresolved challenge is to coordinate the policies and activities of the parties within this chain so that each can demonstrate that its policy is being observed and its objectives met.

A number of key challenges were identified during the development of the Index and discussions held with many of the organisations involved, principally:

1. Relationship between the client and FM service provider affecting the ability to influence and drive through sustainability improvements.
2. Provision and access of robust data for the FM activities divisible from the wider Group activities.
3. Use of language and terminology ranged when describing the same subject.

An overriding issue common across the outsourced FM sector, and a recurring thread in this Index, has been the client–FM relationship, revolving around the ability for the FM team to influence and drive through changes with the client. There are a variety of challenges arising as a result of this, affecting the take-up of improved sustainability performance measures including the:

- relationship in place and level of trust that has developed;
- spread of responsibilities between the two parties, particularly where split ownerships exists;
- contractual requirements between the two parties, and also between the FM provider and their supply chain;
- landlord and tenant issues, where multiple FM organisations may be in place providing a service which may not be aligned; and
- incentives between the parties are positively aligned to deliver improvements.

The relationship that exists between the client and FM party will affect the level of sustainability performance that can be delivered. Advice and guidance can be provided through a structured approach to enable clients to make an informed decision based upon a balanced set of information. However, this does not mean measures will be acted upon or taken forwards. The contractual relationship between the two parties can sometimes conflict with this approach and not provide a cohesive or joined up approach. The end decision taken forward by the client is intended to be one where the benefits and consequences of action or inaction are known.

Access and provision of data was also a challenge for many organisations, largely as a result of the nature of the 16 companies involved. In many cases FM services was only a part of the total service offering, with variable levels of information provided by parent organisations or those based outside the UK.

Such gaps were also seen during the interviews held with the companies, with an acknowledgement that the systems and processes were aligned across business functions and therefore were diluted away from reviewing FM risks and delivery mechanisms directly.

The language used by the companies also varied when describing the same subject. Organisations branded themselves as 'service provider' or 'BPO' rather than distinctly facilities management, highlighting a challenge within the sector to clearly communicate the service and value it provides.

At a more detailed level, inconsistent and unclear use of key terminology prevented several organisations from achieving high scores. This was particularly apparent in discussion of sustainability policies, creating a lack of continuity and making assessment difficult.

3.0 Governance findings

Corporate governance is the system by which corporations are directed and controlled in order to balance the interests of all parties involved – from management to shareholders, customers, suppliers, investors, government and the community. An IFC report[1] states that as sustainability has become the moral and economic imperative of the 21st Century, it has become inseparably linked to governance and strategy.

The Index evaluates companies according to seven key assessment criteria that must be factored into governance decisions in order to successfully embed sustainability at the heart of the business. These criteria aim to develop an understanding of the areas within the control of the organisation, setting the overarching infrastructure and intent for the business.

Typically the governance criteria are within an organisation's control to develop and represent the intent and vision for sustainability as a top down strategy. Companies that adopt strong governance through successful integration of these factors are therefore better able to 'foresee and adapt to changing economic, social, environmental and political conditions in order to maximise value for both the company and society'.[2]

Key findings

- **Risk management**, **board commitment** and **disclosure** are by far the most comprehensively reported sections within the Governance assessment criteria.

- Dialogue surrounding **risk management** is predominantly focussed on financial risks rather than non-financial, social or environmental aspects. This finding is echoed in the results of a 2012 survey[3], which discovered that 74% of respondents within the investment community believe that current reporting of non-financial information is not linked to business strategy and risk.

- Discussion of **board commitment** to capture the roles and responsibilities at a senior level is provided as either a cursory overview of key figure heads or a complete overview of the board with a combined operational profile.

[1] International Finance Corporation., "A Corporate Governance Model: Building responsible boards and sustainable businesses"., 2010., Available from: http://www.ifc.org/wps/wcm/connect/1ff2c18048a7e72daa5fef6060ad5911/GCGF%2BPSO%2Bissue%2B17%2B3-4-10.pdf?MOD=AJPERES
[2] Ceres., *The Ceres Roadmap to Sustainability*., 2010., Boston
[3] Acca Eurosif., EUROSIF–ACCA investor survey on non-financial reporting., 2012., Available from: http://www.accaglobal.com/content/dam/acca/global/PDF-technical/integrated-reporting/tech-tp-inapi.pdf

- Provision of **sustainability policies** is restricted by the lack of common terminology among the companies, preventing recognition of a board-approved policy that clearly integrates environmental, social and governance responsibilities.

- While two-thirds of companies provide a brief overview of legal **compliance**, the remaining third appear to utilise commentary on this criterion to promote comprehensive risk management.

Discussion

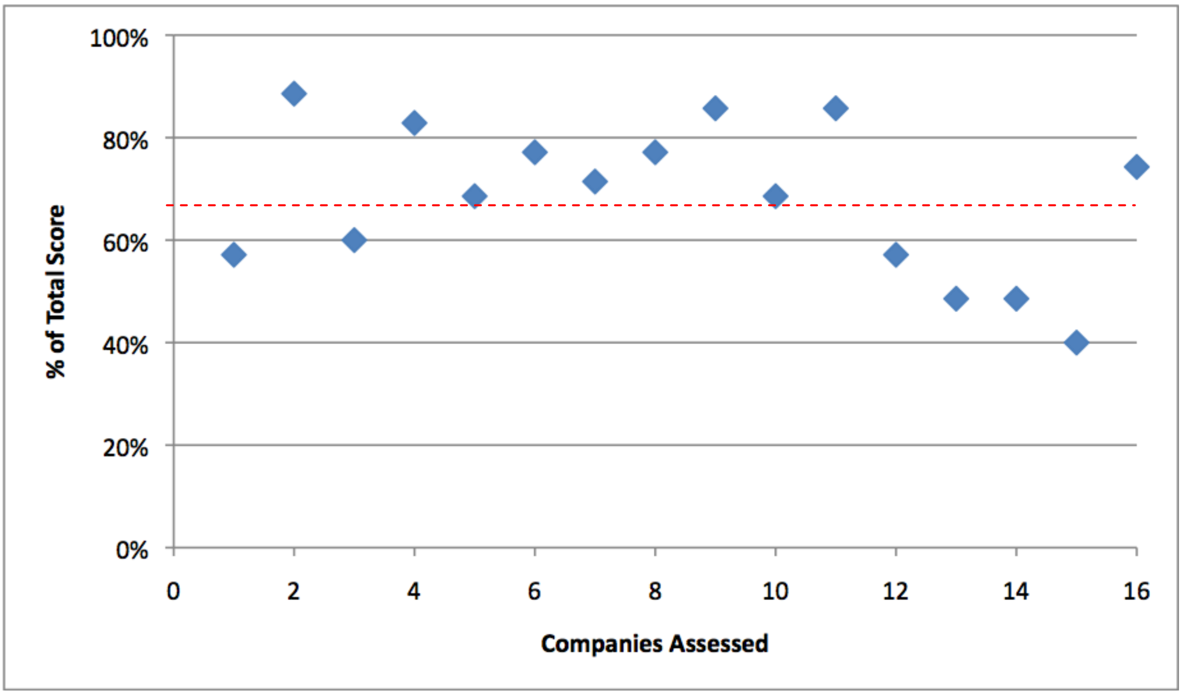

Figure 2: *Total governance Score for the 16 organisations*

Figure 2 illustrates the total scores of the 16 companies across the seven assessment criteria, as a percentage of the total marks available for governance. The average score, denoted by the red bar, was 68.21%, with ten companies shown to be performing above this level.

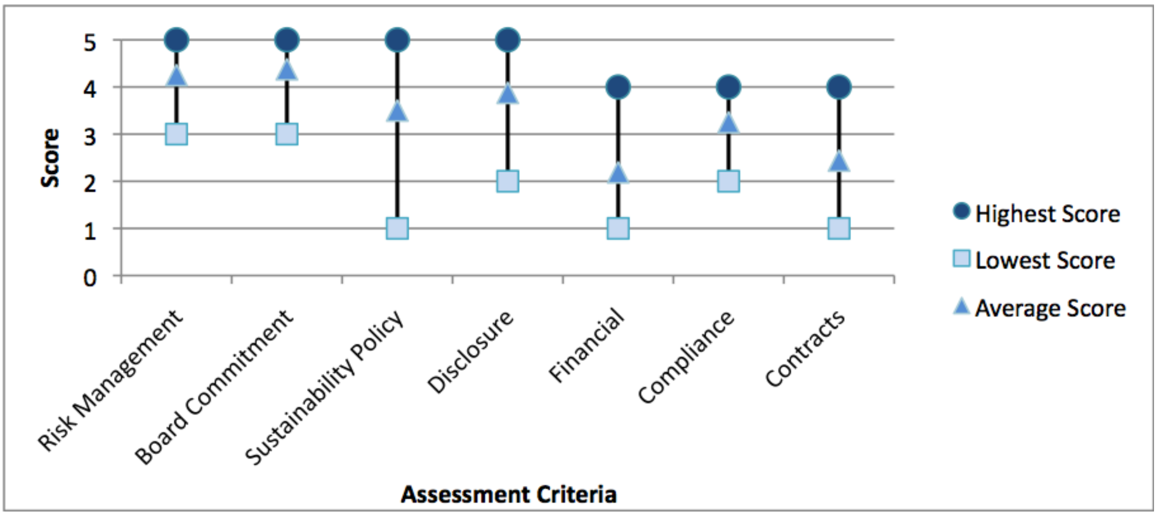

Figure 3: *Lowest, highest and average governance scores by criteria*

While Figure 3 shows that the majority of companies display a reasonable commitment to sustainable corporate governance overall, the main issue lies in the transparency of the information disclosed. This must be increased to prevent misconduct, ensure responsible behaviour and provide information that is relevant and accurate in order to build stakeholder trust.

The level of transparency is linked to the industry's inability to capture and communicate non-financial information relating to governance effectively. ACCA (2013)[4] states that current non-financial reporting by companies is inadequate for investors due to the weak link to business risk established above, poor integration with financial information, and lack of clear quantitative KPIs or accountability and assurance mechanisms. A 2013 ACCA roundtable event[5] saw the panel unanimously agree that the objective nature of sustainability prevents the implementation of a clear set of standards for regulatory framework.

"My big fear is that we get so hung up on measuring something that we forget what we're trying to achieve."

Recommendations for improving these conjoined issues suggest that motivation is key, emphasising the link between sustainability and financial savings for the business. While a focus on cost-effectiveness may encourage more efficient and transparent reporting of this information, the non-financial benefits, both for the company and the environment, must also be clearly communicated in order to embed sustainability within core business strategy as more than just a money saving scheme. Such non-financial motivation can be maintained through industry awards and incorporation of personal objectives and reward schemes to raise the profile of non-financial metrics to the same level as financial metrics.

[4] Acca Eurosif., "What do investors expect from non-financial reporting?"., 2013., Available from: http://www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-tp-wdir.pdf

[5] Acca Roundtable.,"Sustainability through corporate reporting and environmental accountability"., 2013., Available from: http://www.accaglobal.com/content/dam/acca/global/PDF-technical/other-PDFs/Sustainability-through-corporate-reporting-and-environmental-accountability.pdf

Good Practice: Vinci

Victoria Hughes, Head of Sustainability at VINCI Facilities, talks about her approach to successfully embedding sustainability at the heart of the business.

| THE PROBLEM |

When I first took on the role, the approach to sustainability management, as with many businesses, was from a purely environmental perspective, which lay separated from the business as a whole.

The main problem was the FM teams could not see the link between their involvement and sustainability management. Very few had a clear understanding of the issues surrounding sustainability, so the first challenge was to raise employee awareness, engagement and understanding of sustainability initiatives. This in turn initiated active employee engagement in bringing the business closer to its sustainability goals.

The secondary problem lay within the engagement of mobile teams. As almost half of our FM members are mobile, emphasising the importance of commitment to and active participation within the companies' steps towards fulfilling sustainability goals was crucial.

| THE SOLUTION |

Through the MD and Commercial Director prioritising sustainability within decision making, demonstrated positive leadership behaviour for employees to emulate. Establishing active commitment of the board and senior management alongside collaboration with Stakeholders was critical in constructing a clear model for others to follow.

Feeding back the relevance of sustainability issues through direct relation to value and market share for our business was key to employee understanding, tailoring the sustainability message and translating abstract concepts into something familiar.

Another vital step was to unify a range of initiatives and activities that the business was focused on – such as people development, quality improvement, efficiency, H&S and community engagement – under the common thread of sustainability. The solution was highlighting this link, emphasising that tackling the underlying issue of sustainability was a means of solving an array of other problems.

The final stage was to align these issues with our French Policy, looking collectively at sustainability requirements and developing an effective programme to deliver better results.

| THE OUTCOME |

Sustainability is now an integral part of the business, allowing Vinci to focus on the people and work together with customers to align with their own sustainability goals..

4.0 Environmental findings

Corporate environmentalism refers to efforts made by a company to maintain a high level of environmental responsibility in all aspects of business practice. Effective measuring and reporting of environmental performance brings direct benefits to an organisation in terms of lower energy and resource costs, and a better understanding of exposure to environmental risks such as climate change and resource constraints. It also strengthens a company's green credentials within the marketplace, clearly demonstrating to investors the link between sustainability and profitability[6], and for FM service providers enables commercially advantageous contracts to be developed. Drivers should therefore exist for both clients and FM organisations to deliver a service with a lower environmental impact.

The Index evaluates companies according to eight key assessment criteria that must be factored into environmental decisions in order to successfully embed sustainability at the heart of the business.

Discussion

- Companies scored a low average mark of 1.8 out of 5 in terms of **Ecology**, seeing it as a low risk within their operation due to the limited scope with which change could be effected. While some did report awards and provide individual case studies, typically there was no corporate or project wide initiative to implement biodiversity plans.

- The environmental impact of **materials** is illustrated through case studies and report sections detailing supply chain management, with data relating to sustainably resourced materials such as timber alongside recycle and reuse.

- **Transport** issues are generally dealt with in a corporate-wide manner, and while car pooling and fuel reduction among staff is frequently mentioned, there is little comment on innovative initiatives to reduce the vehicle dependency of suppliers and contractors.

- Management of **waste** is reported in detail for most companies, however is mostly linked to diversion from landfill rather than recycling and reuse. Companies with more detailed information on supply chain management were able to communicate recycle and reuse more effectively.

[6] Department for Environment food and rural affairs., "Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance"., 2013., Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206392/pb13944-env-reporting-guidance.pdf

- Discussion of **climate change** within most reports related to economics, although overall displayed good use of performance data for measuring mitigation, especially reduction of CO_2.

- The lifecycle of **projects** is largely illustrated through case studies, based on finance with little evidence of reassessment once operation begins to assess whether the original intent had been achieved.

- While all companies recognise **water** as a resource that is in short supply, some are purely reporting usage calculations that cannot be differentiated from corporate statistics, whilst others are more creative, using water maps and charts.

Discussion

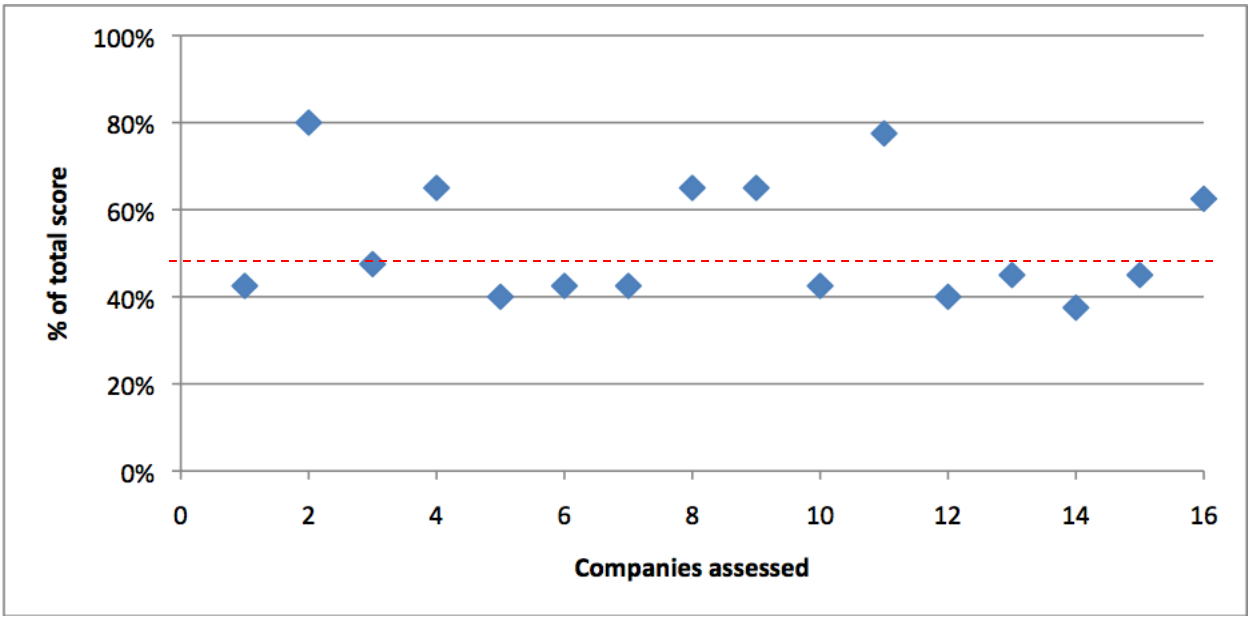

Figure 4: *Total environmental score for the 16 organisations*

Figure 4 illustrates the total scores of the 16 companies across all eight assessment criteria, as a percentage of the total marks available for environmental sustainability. The average score was 52.50%, with six companies shown to be performing above this level. Of the companies assessed, ten scored less than 50% of the marks available.

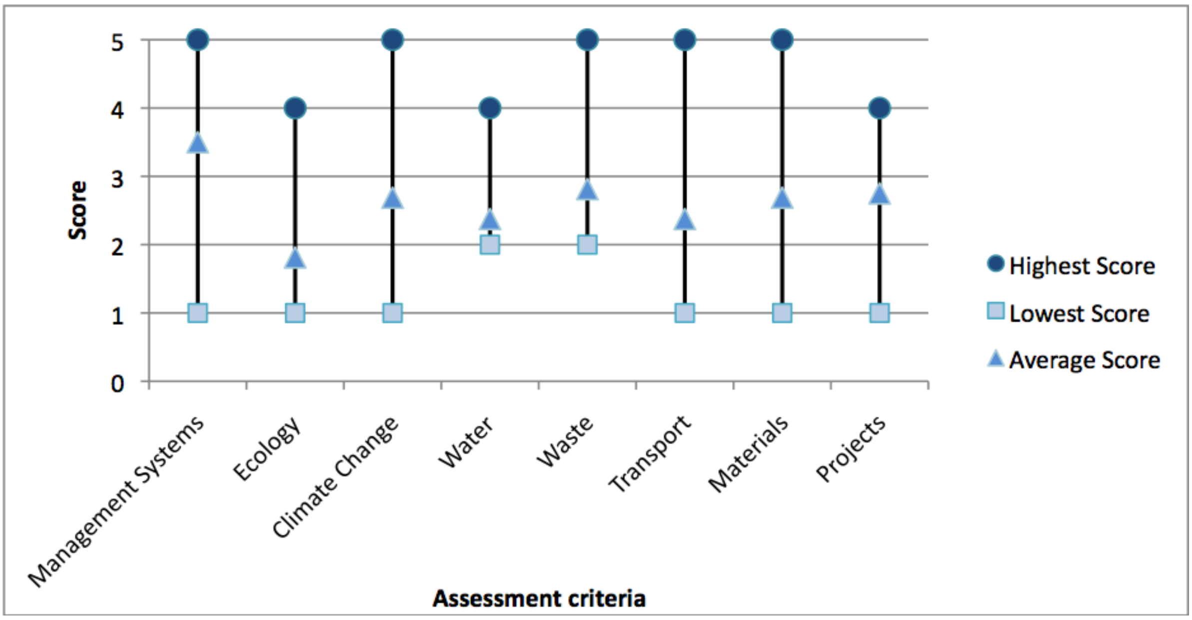

Figure 5: *Lowest, highest and average environmental scores by criteria.*

As shown in Figure 5, the majority of companies are performing well in terms of Environmental Management Systems, a trend largely due to the industry standard certifications and verifications that exist within this area. Most companies also scored well in terms of climate change mitigation, due to a much more comprehensive and quantifiable system of measuring, especially in terms of CO_2 reduction. These mechanisms enabled a much more detailed and comparable standard of reporting within these criteria.

Transport, however, is identified as an area of weakness across all 16 companies, with an average score of 2.38 marks out of 5. Methods must expand throughout the industry to include transport collaboration with other businesses and sectors, a reviewed approach to loading vehicles for maximum efficiency, and optimised route selection in order to successfully reduce emissions on a larger scale.[7]

In terms of waste management, landfill diversion alone is unsatisfactory, utilised as a means of offsetting the problem rather than solving it. Legislation is now in place to require the prevention of waste in the first instance, with focus placed on procurement and business processes to encourage waste reduction, reuse and ‘closed-loop systems’. Greater emphasis should be placed on the reuse of materials and mobile assets when demobilising contracts, through improved procurement of materials and operational management.

The lower level of corporate dedication to sustainability from an environmental perspective is largely credited to a lack of clear and robust key performance indicators to enable the quantitative measuring of several criteria. The ability to provide evidence-based responses to justify whether effective engagement and

[7] Ceres., *The Ceres Roadmap to Sustainability*., 2010., Boston

implementation has taken place is reliant upon the relationship and contractual arrangements.

Good Practice: CBRE Playbooks

Playbook, a proprietary tool created by CBRE exclusive to their clients, enables 'current best practices' to be documented within the projects Playbook and tailored according to the culture and protocols of the client. The Playbook then exists as a living document rather than a guide, updated regularly with periodic adjustments as processes and best practices develop over time.

The playbook tool allows CBRE to automate the Facilities Management best practice processes, maximise the productivity of the FM team, and improve the robust reporting capability for management to monitor and track performance. This approach promotes the use of a structured approach to identify environmental opportunities on client sites, presenting the information in a structured language aligned to the client's culture, enabling them to make a well-informed decision regarding sustainability and gain a competitive advantage.

5.0 Social findings

Corporate social responsibility is 'the responsibility of an organisation for the impacts of its decisions and activities on society through transparent and ethical behaviour above and beyond its statutory requirements'[8].

The Index evaluates companies according to six key assessment criteria that must be factored into social decisions in order to successfully imbed sustainability at the heart of the business. Management of CSR through these criteria is essential in order to sustain and nurture business growth whilst maintaining a positive and responsible impact on society.

Key findings

- As shown in Figure 7, **health and safety** is the most effectively reported social criterion, with companies scoring an average of 4.13 marks out of 5. While some report this using performance data alone, others went a step further, using this data to link with employee safety initiatives such as health checks for staff.

- Most companies are also reporting on their **stakeholder engagement**, with a range of media such as owned charitable foundations and use of video sharing sites used to provide further details.

- Engagement with the **community** is usually noted through case studies, detailing specific strategies intended to prove performance at that level. Separate websites were provided in some cases exemplifying the engagement with stakeholders and the community.

- Company dialogue with **employees** is largely reviewed at a management level in order to change future operations, and links to innovation and best practice were often apparent.

- In terms of **supply chain management**, only the top performing companies are engaging in active communication with suppliers, providing education to encourage innovation through collaboration at a corporate level.

- Commitment to local **employment** generally sought engagement with local agencies and community bodies to promote the employment of apprentices and long-term unemployed or disadvantaged individuals. Best practice solutions proactively identified and targeted these groups in a structured manner.

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[8] Department for Innovation and Skills., "Corporate responsibility: A call for views"., 2013., Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209219/bis-13-964-corporate-responsibility-call.pdf

Discussion

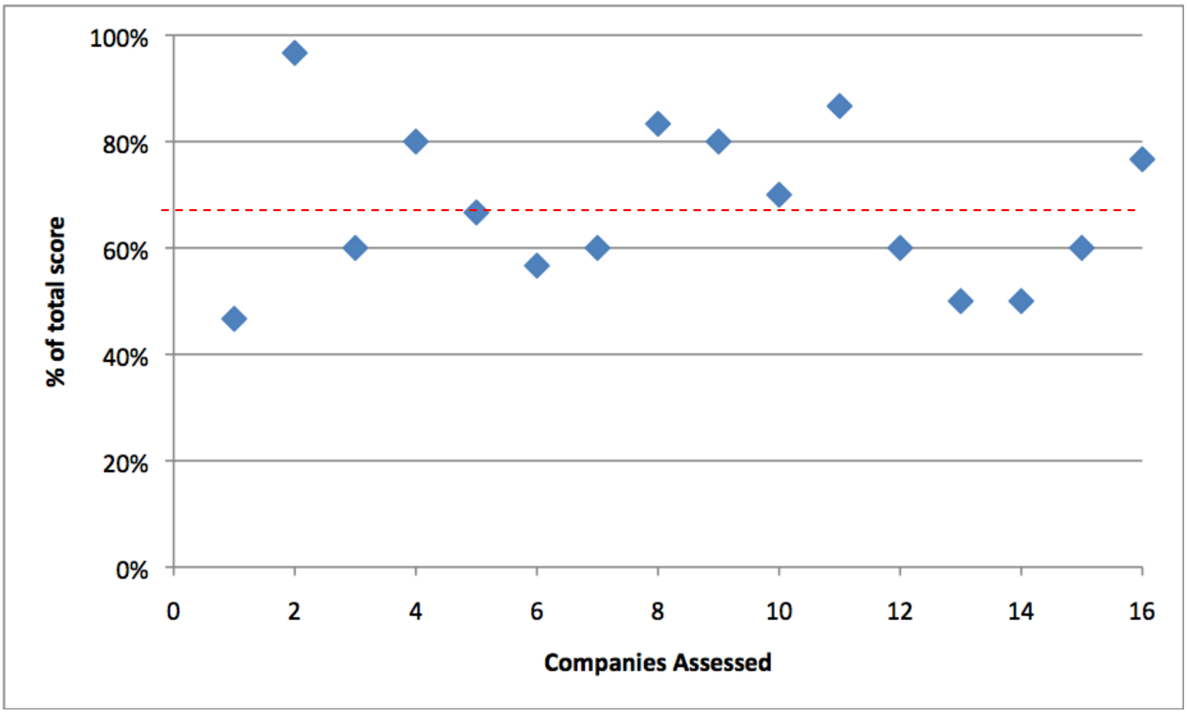

Figure 6: *Total social score for the 16 organisations*

Figure 6 illustrates the total scores of the 16 companies across all six assessment criteria, as a percentage of the total marks available for social sustainability. The average score was 67.71%, with seven companies shown to be performing above this level.

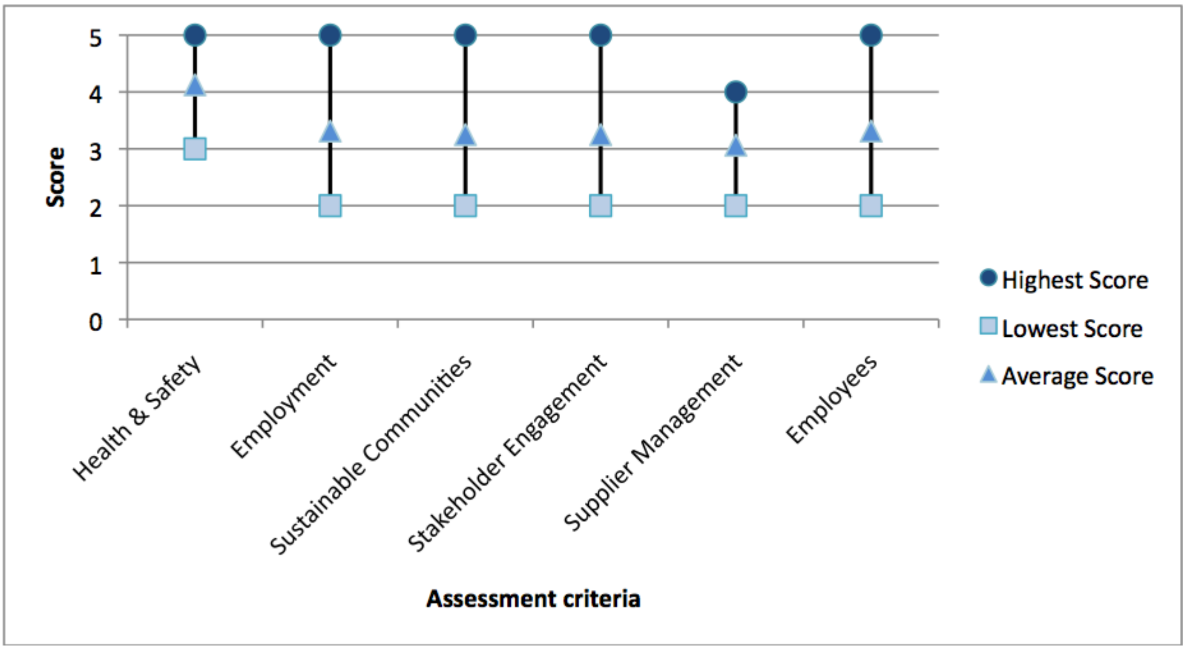

Figure 7: *Highest, lowest and average Social scores by criteria.*

As illustrated in Figure 7, the companies' social score was generally lowest in terms of the sustainable management of their supply chain, ranking on average 3.06 marks out of 5. The innovation and change required to provide successful solutions within the FM sector cannot be achieved without collaborative integration of the supply chain. The current 'sequential' rather than 'integrated'[9] process of supply chain management as identified within this report presents a fragmented offer to clients and prevents the delivery of truly effective packaged solutions. In order to consistently operate at its best, the FM sector must achieve:

- greater integration of knowledge from the supply chain, from design through construction to operation, with a shared customer focus; and
- greater collaboration between clients and the supply chain, based on long-term relationships, utilising procurement routes and contractual arrangements designed for that purpose, and tested by performance measurement.

Investment in training and skills is an essential part of the up-skilling required to bring about development and growth. Challenges with a remote and distributed workforce were raised, and highlights the need to fund training of existing staff and recruitment of differently skilled people at all grades as a means of gaining support, belief and motivation from all areas of society.

Converse to the environmental category, the higher scores in terms of society is largely due to the lack of clear key performance indicators to enable the quantitative measuring of social criteria. In recognition of this, there is a need to encourage more businesses to report in a consistent, comparable manner, and confirm a set of voluntary metrics. While some attempt at using metrics to convey this information is being made, they lack the set of standardised, clear and simple metrics to make this information useful. In order to compare performance easily there must be a level of consistency in the metrics being used and, wherever possible, such metrics should be verifiable.

This inconsistency causes a lack of traction at Board level with regards to social performance, caused by the inability to translate social benefits and costs into measurable and meaningful terms. While the value of these frameworks is understood, it cannot be evaluated or compared in financial terms, limiting engagement with the assessment criteria within company reports.

[9] HM Government., "Low Carbon Construction"., 2010., Available from: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31773/10-1266-low-carbon-construction-IGT-final-report.pdf

Good Practice: Carillion Community Programme

For Carillion, working with our community partners to understand their needs and the key issues in the region is essential and allows us to make a real difference in the areas that matter most to our client and the community.

One particular area of focus for Carillion, our clients and our community partners, is supporting the disadvantaged and long-term unemployed back into work, by enabling them to develop skills for employment. We have worked with one of our clients and a local prison to develop an offender rehabilitation programme which has had an amazing impact for Carillion and all of the people involved.

Carillion first partnered with HMP Send in 2010, and offered a work placement to one candidate for seven months. During this placement the candidate was exposed to the working environment, mentored and re-skilled, giving them renewed confidence to help them obtain gainful long-term employment. The placement was a wonderful success and since then we have hosted nine additional placements and three of the clients were so good they went on to secure full time paid positions with us.

The programme has had many benefits for Carillion, our client, and those who secure placement positions with us:

- Excellent People - In our experience ex-offenders frequently make good employees because they have had to overcome formidable obstacles to get into employment. At HMP Send, out of 380 prisoners, around 90 make it into the program to apply for day release work. Only around ten offenders actually get to work outside. There is such stringent testing, reporting and qualifying levels, that to finally get to work for Carillion, we really are getting the best of the best.
- Loyalty - Most of our people appreciate the break they are being given and give considerable loyalty in return.
- Improved employability - The programme enables the clients to improve their employability to enable them to rejoin mainstream life in a meaningful way.
- Reduces re-offending - there is a high re-offending rate in this country, up to 70% of offenders re-offend and 50% do so within the first year of release. 80% of people who have been through this programme are successfully rehabilitated and do not re-offend.

The following is a statement from one of our placement graduates:

"Having a work placement like Carillion where they don't judge you, is very helpful and makes you feel comfortable in the work environment, which helps with my self-esteem. I feel lifted at the end of each work day and this gives me the energy to start thinking about my future in a more positive way."

6.0 Sustainable FM trends

The provision of FM services, where sustainability is embedded as part of the service offer, will vary on a contract-by-contract basis due to the nature of the relationships and requirements that exist between the FM provider and the client. Such a variation is to be expected and is likely to remain as clients will have different approaches to how they implemented sustainability across their business.

Sustainability as a corporate requirement is practiced and delivered through a range of third party certification reports and assessments being undertaken and completed by the 16 organisations.

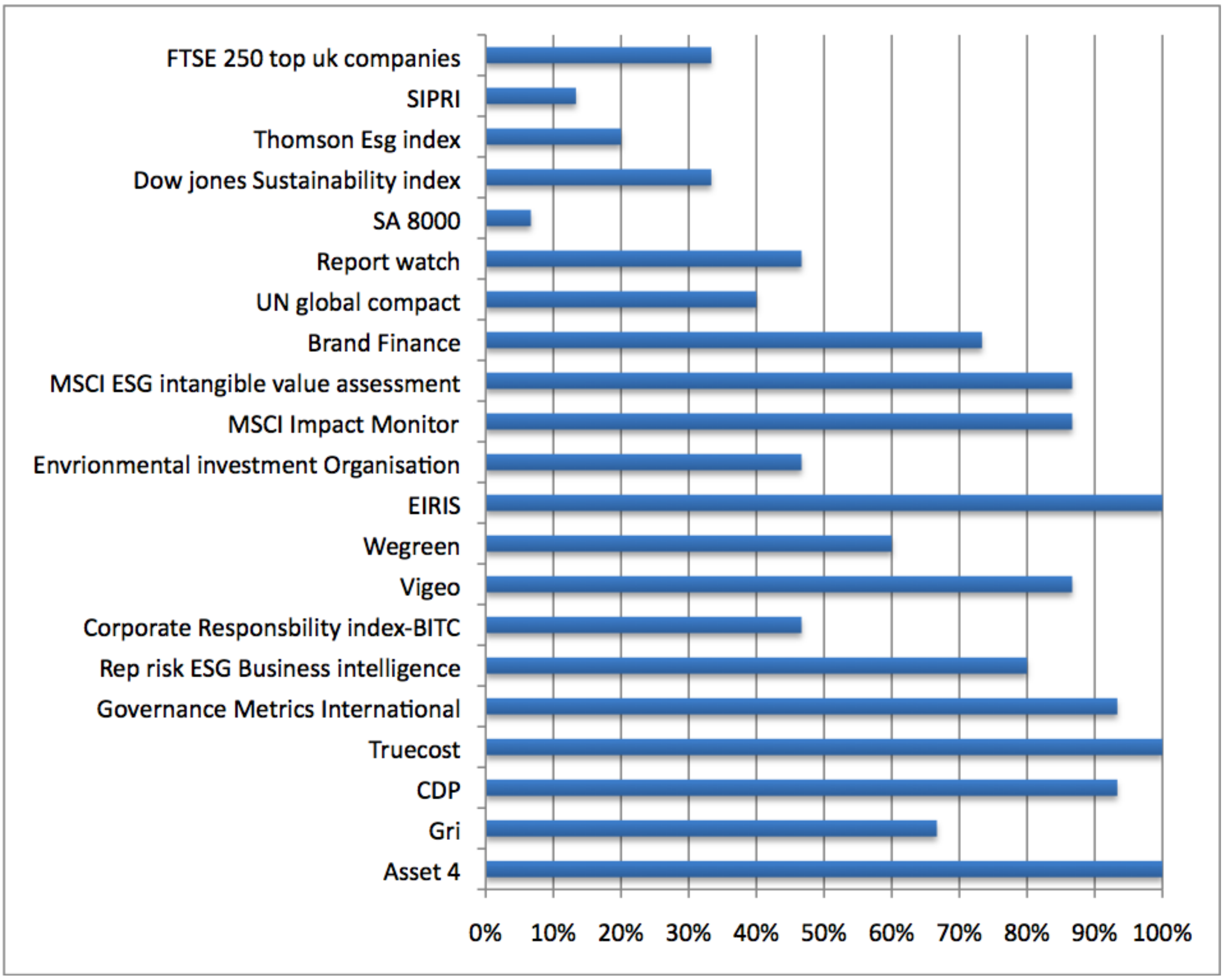

Figure 8: *Percentage of companies reporting on third party certification for environmental, social and governance performance*

Figure 8 shows the correlation between the most commonly used third party certification for ESG (Environmental, Social and Governance) performance for FM companies. It highlights the number of assessments that FM companies subscribe to at present, and the level of information that is made available largely in the private domain for the investment community.

Transparency and consistency is limited by the nature of the assessments impacting on the ability to communicate in a structured manner to the FM and client community due to the lack of an agreed approach. This was evidenced through the variation in language used for a common issue, such as ecology, and scope of environmental management system ISO 14001 being focused on the headquarter practices or inclusive of the client activities.

Across the board, Figure 9 illustrates that companies demonstrate the highest level of commitment to sustainability in terms of governance, followed by social and finally environmental.

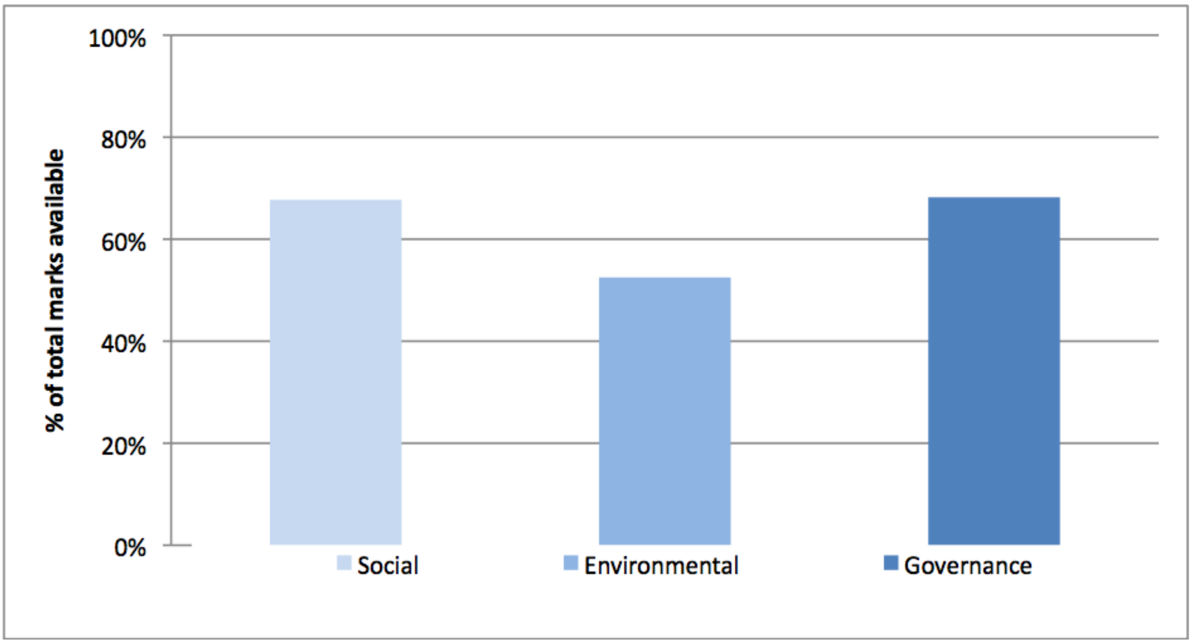

***Figure 9:** Total score awarded for social, environmental and governance sustainability, as a percentage of the total marks available*

Figure 10 illustrates the total scores of the 16 companies across all assessment criteria, as a percentage of the total marks available for governance, environmental and social sustainability combined. Four companies scored below 50% of the marks available, with an average total score of 62.08%.

Environmental and governance measurement has been around for some time, and is largely well defined in terms of performance measurement and recording. The total governance score of 68.21% confirms the high level of ambition that organisations have to develop a strategic intent and understand the business issues that environmental and social criteria have on the services provided and the business as a whole.

The quantifiable nature of environmental measurement – particularly in terms of CO_2 reduction – has enabled companies to collate this information within their financial statements and match the minimum reporting requirements. A recent report by ASSET 4[10] in 2012 found that companies are generally doing the minimum to record and measure environment performance. While companies therefore scored higher on average in terms of social responsibility, a lack of consensus in terms of what exactly is to be reported on and measured within this category, and how they should achieve this, makes reporting hugely inconsistent and equates to a much larger range of scores. This inconsistency can be identified on two fronts: a lack of an established social impact measurement framework, and a lack of quantifiable measures. The representation of social performance is thus achieved using case studies and defined activities, without having evidence in the form of performance measurement. This inability to calculate social impacts in monetary terms therefore means it is often reported upon more than environmental impact, due to the ease of providing case studies and narrative as opposed to quantifiable data.

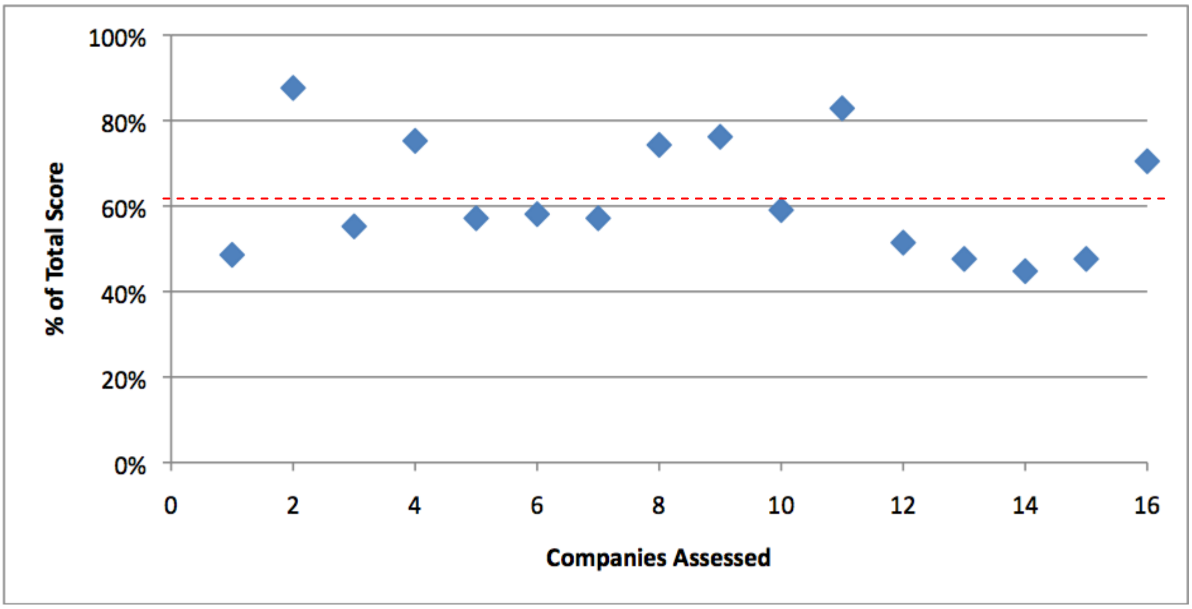

Figure 10: *Total combined score across all criteria for each of the 16 companies assessed*

Corporate sustainability can only be achieved by uniting, encouraging and controlling performance in terms of management and governance, social and environmental responsibility. Successful corporate sustainability begins with board oversight and commitment and follows through into management systems and processes that integrate sustainability into day-to-day decision-making. It is this chain of accountability stretching from the boardroom to the floor that drives home the importance of achieving truly sustainable business performance[11].

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[10] Asset 4., "ESG scores on creditviews"., 2012., Available from: https://customers.reuters.com/community/fixedincome/material/ASSET4ESGSCORES.pdf
[11] Ceres., *The Ceres Roadmap to Sustainability*., 2010., Boston

Appendix A: Methodology

This report seeks to assess how large and established Facilities Management organisations are reporting on sustainability; not just through their activities but reporting that sustainability is embedded in their management.

Report coverage

FM organisations have been identified based on two criteria: those who are listed on a global stock exchange and those who have a minimum of 25% of their business turnover resulting from Facilities Management services. This will ensure that companies are of sufficient size, and have an adequate quantity of information existing in the public domain.

Pool of information

The criteria for the sustainability assessment of these organisations have been developed from existing standards including Global Reporting Initiative, FTSE4Good, Dow Jones Sustainability Index and Carbon Disclosure Project. Each organisation has been assessed against this robust and transparent criteria based upon the publicly available information.

From each company the most current annual reports (2012 or 2013 depending on publication date) are used in order to assess performance. In addition, other documents that are available within the public domain – including sustainability reports, corporate responsibility reports and policy statements – are included within this assessment to ensure that consistent expectations can be successfully appraised.

Assessment indicators

The Sustainable FM Index assessment is based upon 21 industry specific indicators. These indicators are divided into three separate disciplines: Management and Governance, Impact on the Environment and Impact on society. For this first report it was not possible to secure all data required to fully assess Sustainable FM expectations. However, in future years we aim to explore further indicators in order to continually update the assessment process and evolve our processes alongside the FM sector.

Scoring

Scoring is rated from zero to five for each of the 21 Facilities Management specific indicators, with each level having a transparent range of criteria that can be communicated to the companies assessed.

This report will not include individual scores within the final report, but will share all findings with the assessed companies. It is intended that this report will act as a support structure for FM companies and improve their performance and means of reporting.

Research methodology

Data sources

The data used for this report is gathered through both primary and secondary methods, with additional information included from third party data providers such as Global Reporting Initiative, FTSE4Good, Dow Jones Sustainability Index and Carbon Disclosure Project. Primary data is the only information used within this report that may not be available publicly or through subscription. Company reports are the starting point for assessment, with additional key sources (sustainability report) and website data. Once this assessment has been carried out, a spokesperson from each company is contacted and a draft report sent for verification. Interviews were held with organisations where agreed and any further information given by the companies will then be incorporated if relevant.

Publicly available data has been collated, reviewed and checked to ensure the assessment process has been carried in a robust manner. This is necessary as companies concentrate on reporting across many disciplines, and not necessarily focusing on or separating their sustainable FM aspirations and achievements. It is also possible to have strong aspirations and very detailed policy statements, yet score poorly due to their implementation methods.

Data collection

The report will have a snapshot representation of a company's Management, Environmental and Societal performance as of 31 July 2013. This report will be updated annually, seeking feedback from assessed companies to further evolve the assessment process.

Quality control

The Index and the teams involved in its development adheres to strict quality control processes, including internal peer review at the company selection process, data sources used for the assessment, and verification and tabulation of a company's scoring.

To ensure consistency and robustness we feel peer reviews are essential not just for a sample of our findings, but for all processes carried out.

Appendix B: Assessment criteria

CRITERIA	DESCRIPTION
MANAGEMENT AND GOVERNANCE	
Risk management	Reporting includes detailed description of approach to both financial and non-financial risk management.
Board commitment	The company has secured Board level commitment to sustainability and has a high-level committee to integrate sustainability issues into business decision-making. The company has either internal or external resources to assist with implementing the sustainability strategy.
Sustainability policies	The company has a Board-approved comprehensive sustainability policy integrating environmental, social and governance responsibilities and publishes its policies in its cores (reports) and supplementary (websites, etc.) disclosure.
Disclosure	Supplementary disclosure has external assurance and contains full descriptive issue coverage (environmental, social and governance) with management targets and extensive performance data, targets and priorities for the next year.
Financial	Specific ring-fenced budgets are available for investment, with capital spend reviewed for sustainability impact and financial and non-financial benefits.
Compliance	Structured approach to managing legal compliance in a proactive manner with commentary around any breaches or civil sanctions imposed e.g. new CRC regime.
Contracts	Use of sustainable clauses and other mechanisms to encourage collaboration and innovation all parties to deliver sustainability benefits to reference supply chain, and other reference stakeholders.
ENVIRONMENTAL	
Management systems	The company has an environmental management system certified to ISO 14001 or other management systems such as ISO 50001, PAS99 and makes its environmental performance data available to external stakeholders, is 3rd party verified to create a robust certified management system and communicates the scope of the system
Ecology	The company states that full biodiversity action plans are completed for not only corporate activities but across all sites and implementation is monitored. Biodiversity planning is recognised to add value to their business and operations.
Climate change mitigation	The company recognises climate change as a critical business issue and demonstrates a commitment to achieving high standards of thermal efficiency, lighting solutions, on-site renewable energy and energy efficiency and can provide examples of projects (in progress or completed). The company can also provide performance data and targets relating to its climate change impacts.
Water	The company can provide examples of projects that have incorporated water minimisation devices, specified water-efficient equipment, used rainwater harvesting, and grey-water recycling systems that have integrated sustainable urban drainage systems. The company can also provide performance data and targets relating to its water impacts.

Waste	The company integrates the waste management hierarchy and can provide examples of projects that have delivered significant reductions in waste, reuse and closed loop recycling, as well as facilities for composting organic waste. The company can also provide performance data and targets relating to its waste and resources impacts.
Transport	The company acknowledges the importance of reducing vehicle dependency (staff and supply chain), states a commitment to upgrade fleet travel and promote public transport, and can provide examples of innovative initiatives to reduce vehicle dependency and the environmental impacts of vehicle travel.
Materials	The company states that it has a consistent and detailed process for considering the environmental impacts of materials and specifies the use of recycled/reclaimed materials, materials with low embodied energy and high recycled content, and timber from FSC-certified sources. The company discusses with its suppliers their approach to environmental impacts.
Projects	Lifecycle reviews of projects are undertaken to embed sustainability practices, with a structured approach to involve FM in the design, commissioning and knowledge transfer exercise. Evidence of examples where this has been implemented.
SOCIAL	
Health and safety	The company carries out internal and external health and safety audits and the board manager with responsibility undertakes regular site visits. Performance data and targets are available externally and certified (OHSAS 18001).
Employment	The company has a commitment to employing local labour. It can provide examples of local employment initiatives and strategies for combating long-term unemployment.
Sustainable communities	The company is dedicated to developing a relationship with the local community. It can provide examples of projects where it has developed a long-term community engagement strategy.
Stakeholder engagement	The company has identified its key stakeholders and can provide examples of detailed stakeholder dialogue as well as open, proactive relationships with NGOs and other organisations seeking to promote best practice in sustainability.
Supplier management	The company engages with its supply chain in a proactive manner to encourage innovation. It provides timely payment terms and promotes the use of small and medium enterprises to work in collaboration
Employees	Regular two way dialogue with staff, including POE studies to optimise working conditions, productivity and wellbeing leading to reduced sickness and turnover rates. Evidence of practices that have been used to achieve the aims.

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Acclaro Advisory is a specialist consultancy providing organisations with a range of carbon management and sustainable business solutions. We work with multinational corporations, governments and NGOs. We are a values-driven company and thereby make a dedicated effort to live by our values by applying sustainability principles in our daily business management. This includes sourcing environmentally and socially responsible suppliers, offsetting work-related CO_2 emissions and encouraging employees to play active roles in their community. This approach supports an environment where sustainability and quality becomes a part of our culture. www.acclaro-advisory.com

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