



ENVIRONMENT



GOVERNANCE



SOCIETY

SUMMARY REPORT

The Sustainable Facilities
Management Index 2016

The Sustainable



Index

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2016 PARTNERS



WINNER



RISING STAR



ABM UK

AMEY UK

BABCOCK SUPPORT SERVICES

BAM FM LTD

BOUYGUES ENERGIES & SERVICES

CARILLION

COMPASS GROUP

ELIOR SERVICES

EMCOR UK

ENGIE SERVICES

G4S

GALLIFORD TRY

INTERSERVE

ISS FACILITIES

KIER

MEARS GROUP

MITIE

NOONAN SUPPORT SERVICES

OCS

SERCO

SERVEST

SKANSKA FACILITIES SERVICES

SODEXO UK

SPIE UK

VINCI FACILITIES

*One organisation did not want to be named.

ASSESSED ORGANISATIONS

EXECUTIVE SUMMARY

This is the 4th year of the Sustainable Facilities Management Index (SFMI), and we proudly present this Summary Report that is designed to provide an easy to digest 'ESG' performance of the FM sector.

This year's critical finding has been the identification of The Three Groups: Top, Middle, and Bottom. These groups express clear attributes in how these organisations respond to the subject of sustainability and how it is implemented within their organisations. These three distinct groups are bound by a clear disparity: how well they understand the value of sustainability, and how well they communicate this value to their end users.

An understanding of the groups, and the characteristics of each, is important to help FM providers develop the structures and systems to improve. It also allows organisations procuring services to better understand the best fit for their own business operations and how the services the FM provider will deliver.

Secondly, the continuation of the 'ceiling to sustainability' as identified in 2015. This metaphorical ceiling represents a barrier to future progression, and requires an inherent change in current business models to break the mould. Empowerment of staff at all levels within the organisation coupled with collaborative approach is key enablers.

And finally, the sector's performance has largely 'stood still' this year, and with marginal declines in some scoring areas, the research purports to expose a short term thinking mentality of many FMs. Moving beyond regulation and greater engagement in corporate goals will help bridge this gap and optimise the relationship.

Current findings of short-term thinking and reductions in the sustainability of risk management and board commitment are highlighting the reduced role of management in the sustainability process.



A BIT OF CONTEXT...

There is an on-going fallout from the major corporate scandals last year. These scandals have shone a light on the perceived difference between the self-certification approach and the ability to provide transparency on company operations. The Index's approach to involve auditing and testing of the operational systems seeks to counter the perceived failures of other benchmarking approaches.

The interpretation and implementation of the UNFCCC's COP21 process has the potential to shape the approaches to decision making on sustainability across the FM sector. Where clients and investors/shareholders are engaged with the agenda themselves, Facilities Managers need to be well-placed to deliver the necessary products and services to meet common goals. The process has also enshrined the need to have long-term commitments, such as setting targets towards zero emissions. Furthermore, the Sustainable Development Goals launched in December 2015 defined 169 targets within 17 environmental, social, and governance goals that seek to guide international governments and corporate activities. Engaging with these outputs aids any organisation by providing a meaningful context for setting targets.

Social aspects of delivering FM contracts is climbing up the corporate agenda as legislation, including the Social Value Act, places obligations to measure and monitor how contracts have positively impacted both the environment and the local community. There are a number of ways companies have engaged with this requirement that include adopting existing methodologies or collaborating with external bodies on monitoring and measuring contract successes. What is consistent, however, is the growing need to gather data on non-financial aspects of contracts.

Finally, the Index will be informed by the growing trend for collaboration, helping companies develop their supply chain relationships, joint products & services, and strengthen communications. This may come from a variety of activities including sharing innovation across business groups, local enterprise partnerships, joint ventures, and where an integrated approach for large projects will deliver a better service.

TOP 3 FINDINGS



THREE DISTINCT GROUPS

3 groups of assessed organisations based on their approaches to integrating sustainability into the management and implementation of their business operations. Each of the 'Top', 'Middle' and 'Bottom' group defines a certain expectation of service sustainability, from the moment of procurement. The key message here is that organisations who are in the top group will provide lasting sustainable solutions.



THE SUSTAINABILITY CEILING PREVAILS

In 2015, we spotted a 'ceiling' to the FM sector's sustainability, which has been maintained this year. Without systemic changes to approaches to business, FM providers cannot achieve full environmental, social, and governance sustainability.



SHORT TERMISM

All 2016 results point towards a growing complacency with the sustainability agenda, and lack of vision on its value to both providers of FM, and their clients. Short term thinking is inextricably linked to the predomination of low margins in the sector's contracts, however, a sustainable business model is key to addressing and achieving further value from existing and new accounts.

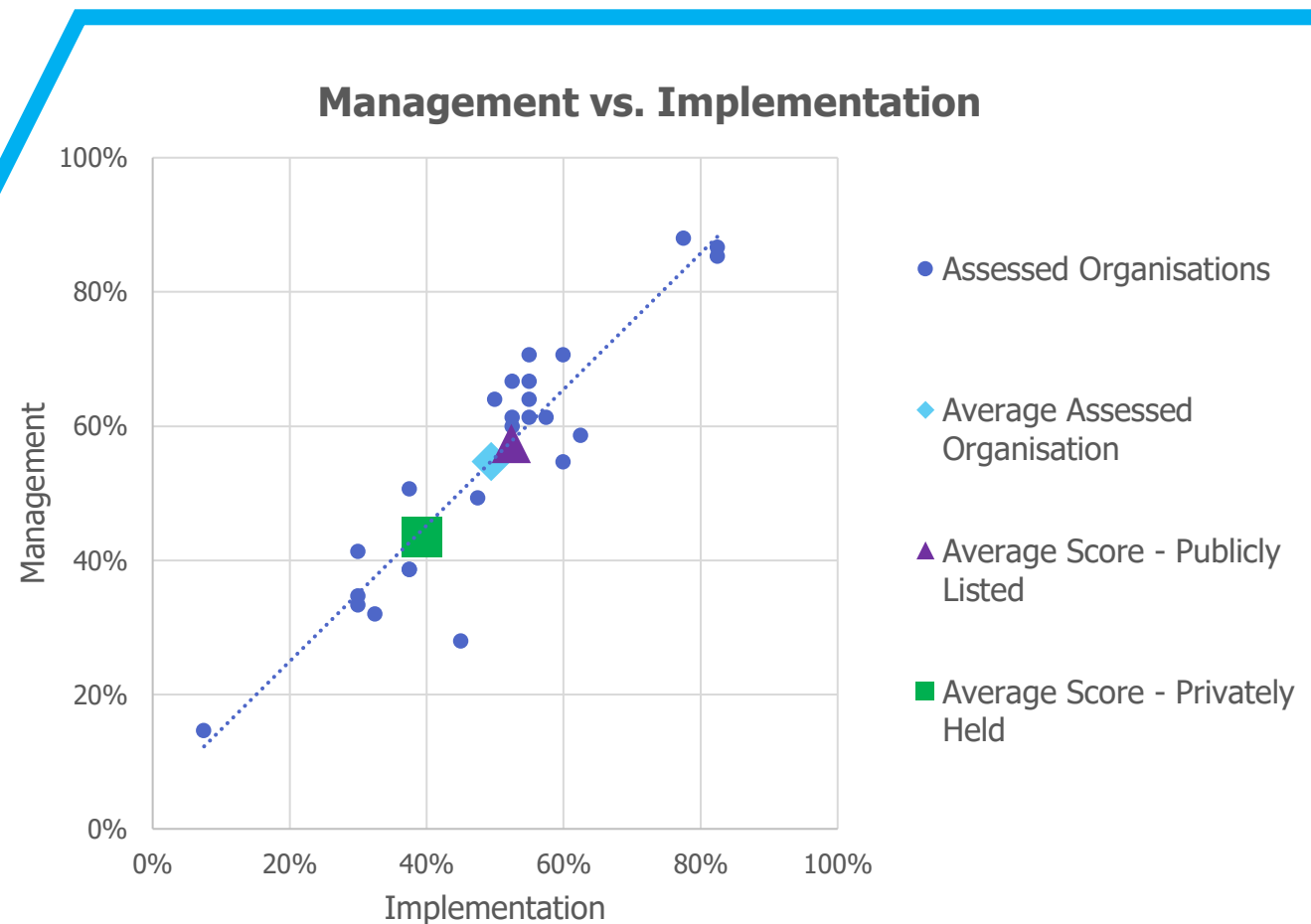
INDEX ASSESSMENT MODEL

The SFMI utilises a simple and robust model for assessing organisations, scoring each organisation from '0' to '5' ('0' being poor, and '5' being industry best practice) against 23 'ESG' sustainability [criteria](#). These criteria evolve year-on-year to ensure relevance to the Facilities Management sector, and that the highest scores take into consideration best available techniques.

Unlike other benchmarks, the SFMI compares like-for-like providers of Facilities Management services – with an understanding of the organisational culture a key facet of our auditing process. This Index is not a tick-box exercise, but a tool for continual improvement against an industry focused suite of criteria.

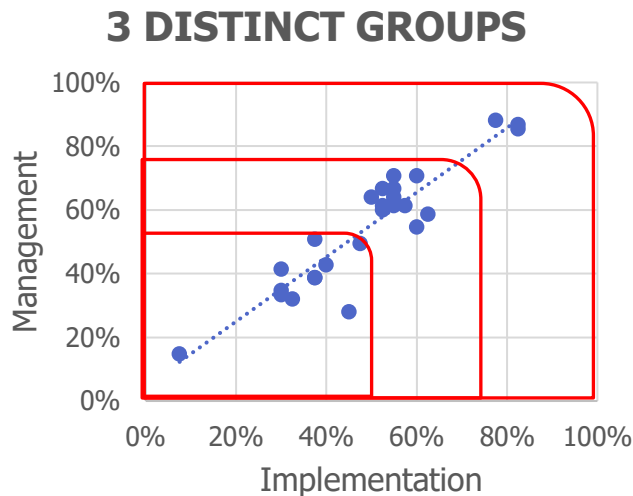
The central output of the annual research is the 'Management vs. Implementation' profile. We create this profile by labelling each 'ESG' criteria as either a 'Management' or an 'Implementation' criteria. For more information, the split can be seen online.

There is a strong positive correlation between the management and implementation of sustainability, suggesting that both the bottom-up and top-down approaches to a sustainability agenda can act as triggers to kick-start a successful sustainable business model. However, without commitment from both strategic and operational sides, it will not deliver lasting value to the business or to clients.



THREE DISTINCT GROUPS OF SUSTAINABLE FM

The spread of organisations within the Index Assessment Model identifies a series of groups demonstrating clear attributes in how these organisations respond to the subject of sustainability and how it is implemented within their organisations. These three groups are bound by a clear disparity: how well they understand the value of sustainability, and how well they communicate this value to their end users.



The characteristics of Top Groups are the inter-connectivity of:

- Clear leadership and accountability;
- Networks of opportunity and engagement;
- Investing in the future of energy and people;
- Long-term strategic planning, and;
- A culture of sustainability

The top group ensure their values align with decision making, have crystal clear KPI chains that link corporate and contract level targets, and differentiate themselves through thought leadership. Critically, the language used to convey sustainability thinking within the organisation is aligned with the values and integrated into all business processes.

The middle group organisations are closely clustered together and demonstrate an aspirational desire to improve. They tend to have a 'tick-box' mentality, often silo based within the respective business units, using sustainability dialogues to sell services, but may be green-washing in the process. The language of sustainability has not been defined limiting the understanding and interpretation into day to day business.

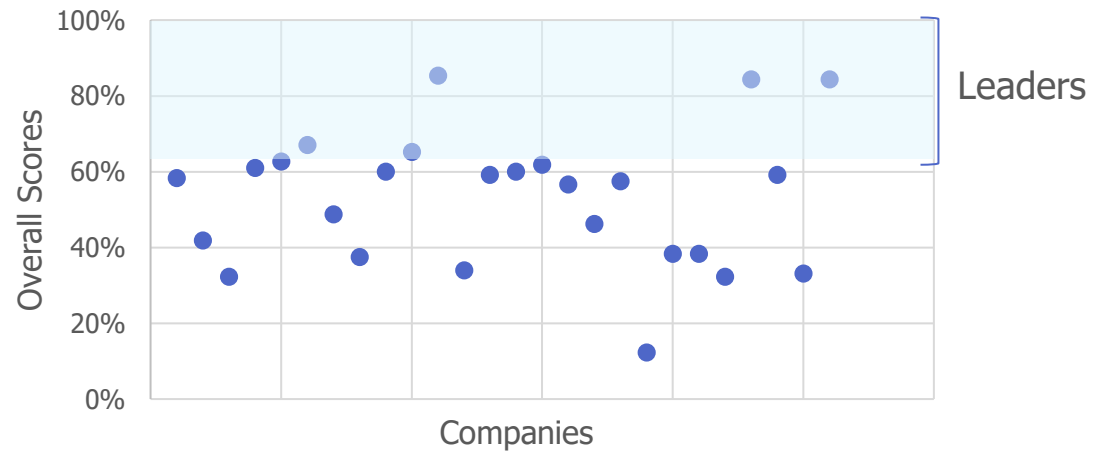
The bottom group provide a distinctive service and are characterised by organisations that cater for clients who are uninterested in the agenda, requiring task based service delivery. As such, Sustainability thinking is limited and poorly thought through across the whole business, with a focus at the corporate level. Service delivery incorporating sustainability criteria and requirements are therefore limited.

The three groups captures a suite of distinctive characteristics that define the operational activities of each cluster, but also the services and values provided. An understanding of these three groups, and the characteristics of each, is important to help FM providers develop the structures and systems to improve. It also allows organisations procuring services to better understand the best fit for their own business operations and how the services the FM provider will deliver.

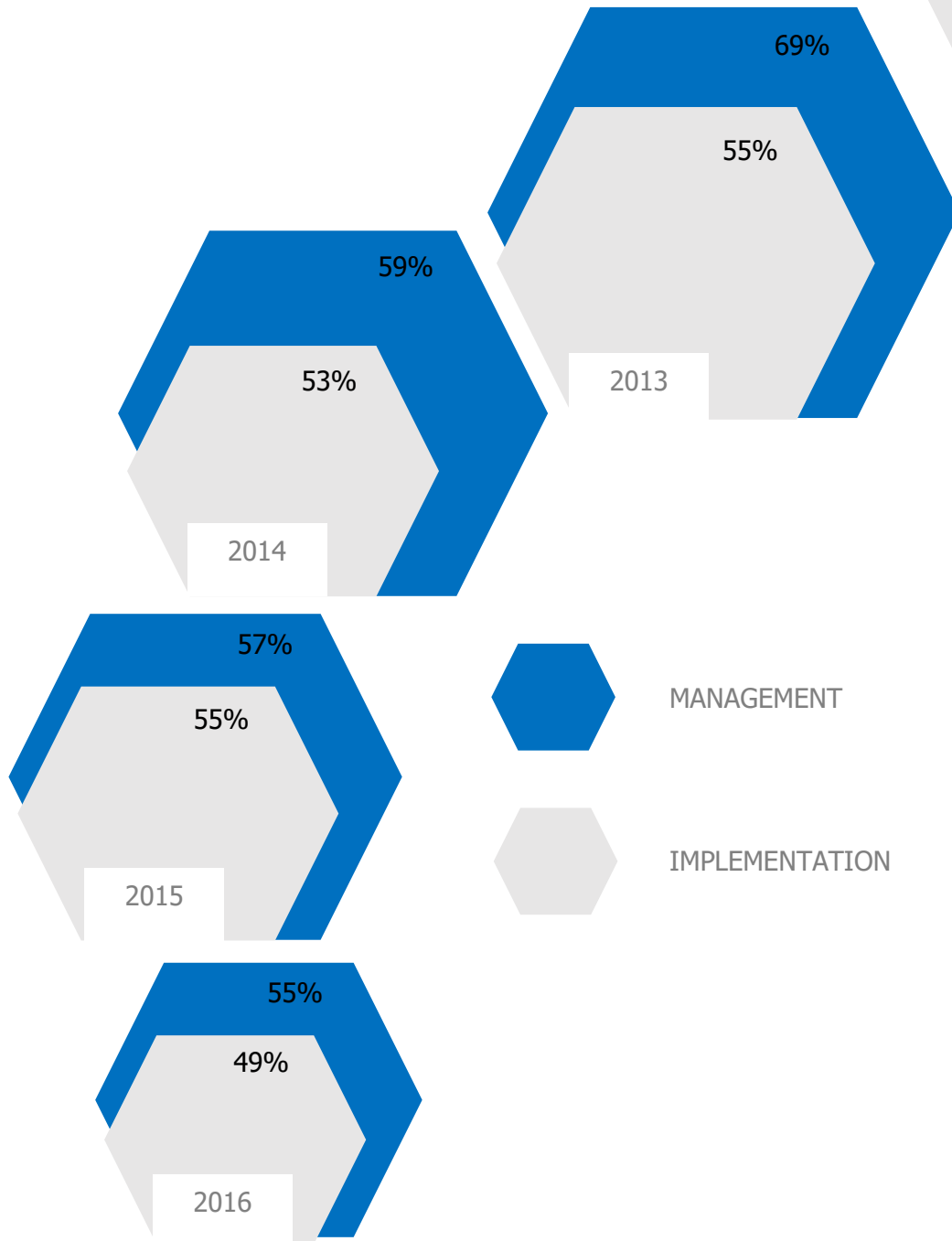
WHO ARE THE LEADERS?

The Leaders, listed below, are the organisations that are competent and confident in their delivery of sustainability and as such are leading the sector in 2016. They communicate the value of sustainability to their clients well, and have aligned their own corporate values to their independent goals and sustainability agenda. The Leadership list is taken from the top quartile of organisations in the Index.

This year's Leaders are:



4 YEAR FORECAST



The average capability of the UK's Facilities Management sector to deliver sustainability has been reducing year-on-year. Therefore, understanding who to work with has become important to support organisations meet their own sustainability targets.

Governance scores are falling, linked to the trend of reducing central resources, giving less of a focus on Governance and more on Implementation.

However, Implementation scores this year has been marked by a significant fall. A number of regulatory and market pressures affecting the marketplace such as modern slavery and circular economy, has required a sharp increase in performance.

The declining capacity of the sector compounds the context of 2016 where some organisations are questioning the value outsourced providers bring, due to the on-going issue of short-term thinking.

MAKING A PREDICTION

The capacity of the industry to deliver sustainability will diversify as The Three Groups continue to pull their own sustainability agendas. There will also be an increase in the number of top group companies, as those not currently in the group begin to communicate the value of sustainability in a clearer way.

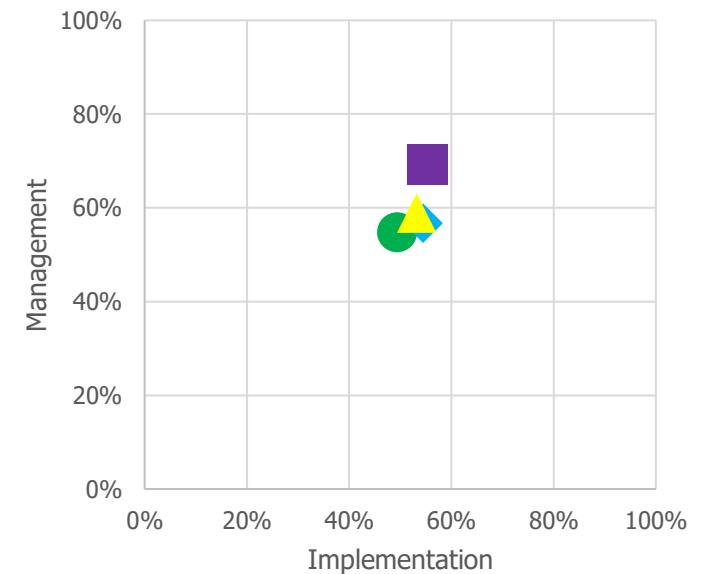
Current findings of short-term thinking and reductions in the sustainability of risk management and board commitment are alluding to a reduced role of management in the sustainability process. This is gearing the sector towards an increased implementation of sustainability, driven predominantly by regulation and the growing role of contract level employees.

Clients are experiencing a slow dawning of sustainability's value in their FM contracts, which will complement the need to have more service providers presenting choices within the top group.

Understanding which group your organisation wants to procure is the first task to realise in the procurement of services. After this has been established, clients and end users will be empowered with an understanding of what to expect from their choice of service delivery provider.

Average Sustainability Rating across 4 Years

- 2016 Average
- ▲ 2015 Average
- ◆ 2014 Average
- 2013 Average



CATEGORIES OVERVIEW



ENVIRONMENTAL

2016 Findings

With progress in Circular Economy requirements (BS8001, EU Package), the SFMI framework has adapted scoring to incorporate it. As a far deeper and ambitious strategy, scoring has reflected the need to continually improve along these lines.

A 3% decline in this category's overall score is contrasted with an increase in the average score for 'Energy' – due to the ESOS regulations and the aftermath impact on obligations placed on assessed organisations.

2016 Sector Average

47%

Vs. 2015

=



SOCIAL

Social aspects of sustainability are still taking precedence over environmental and governance areas. However, the trend is negative. Regulatory changes are having a significant impact on social interaction as Modern Slavery and Social Value require increased collaborative frameworks between clients and providers, which are currently under-developed.

60%

↓



GOVERNANCE

The 2015 findings of downward trends of 'Board Commitment' and 'Risk Management' continue to feature in 2016 as assessed organisations struggle to understand sustainability from a financial *and* non-financial point of view. 'Contracts' has also witnessed a decline in this year's scoring.

However, 'Compliance' scoring has increased from 2015. This is potentially linked to the number of high profile pieces of legislation passed to increase transparency in the private sector.

52%

=

↑ Score increased by over 4%

↓ Score decreased by over 5%

= Score did not change more than 4% either way



ENVIRONMENTAL PERFORMANCE

Results in this category have remained largely static in 2016. The Environmental category scorecard and 'Key Findings' are presented here, establishing benchmarking evolutions, and how the FM sector is maintaining a static approach to many aspects of scoring. We also feature two short case studies on good practice from this year's 'Rising Star' BAM FM Ltd and 2016's 'Winner of the SFMI' - ENGIE.

KEY FINDINGS

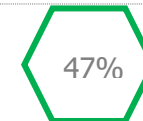
- ➔ The Role of Regulation: Environmental performance improvements are driven largely by regulatory action. The majority of activities are reactive to compliance.
- ➔ Energy: The sustainability of approaches to 'Energy' has increased, which is expected to stem from the ESOS regulations introduced last year.
- ➔ Circular Economy: Performance against 'Waste' and 'Materials' in 2015 was high, however, the more sophisticated strategy is not.

The SFMI Environmental scorecard is presented here, with an indication as to whether the score has increased or decreased from last year. To see the full 4 year trend for each criterion – please enquire on info@sfmi.uk and ask for a copy of our new 2000+ Data Report.

BALANCE SCORECARD

CRITERION	Sector Average	
	2016	vs. 2015
Management Systems	62%	=
Ecology	24%	=
Energy	61%	↑
Water	32%	=
Circular Economy	47%	N/A
Transport	54%	=
Projects	50%	=

CATEGORY AVERAGE



↓ 3%

For more information on performance required for top scores, download [here](#).

KEY FINDINGS

A STATIC OVERALL PERFORMANCE

Performance across most of the Environmental criteria has not changed in 2016. Although energy has rebutted the trend, the sector, in general, is not keeping abreast with a progressing sustainability agenda. Limited regulatory intervention means a drive to improve is not in place.

ENERGY

Energy is the only environmental performance area that has increased its score. The introduction of Energy Savings Opportunity Scheme (ESOS) meant that energy has become a more visible subject and of greater importance to both FM providers and their clients. Acting on this engagement is important to maintain further potential.

CIRCULAR ECONOMY

Performance against the 'Circular Economy' criteria has been poor. A lack of over-arching principles in the assessed organisations exists. FM providers are engaging with the waste hierarchy well, and focus more on reducing landfilling as a task, rather than developing sophisticated systems for dealing with all waste streams.

CASE STUDIES

BAM FM's NEW ENERGY BUSINESS

Part of BAM FM, BAM Energy coordinates the design, installation, operation and financing of a range of energy systems for clients. This new venture for BAM FM allows the company to integrate energy offerings with existing contracts, and represents a wider discourse within the sector that has been propelled by ESOS regulations. Reid Cunningham – Director BAM Energy explains, "we can now give the customer what they want, whilst meeting our own commercial goals." Equally many of BAM FM's customers occupy old buildings where there is a lot of scope for improved energy performance and cost savings.

LINKING TRANSPORT & HEALTH

ENGIE's innovative research into air quality represents a facet of their winning approach to sustainability. This subject is often overlooked despite its clear linkages to health and wellbeing.

ENGIE has partnered with Kings College London and Global Action Plan in developing internal and external air quality monitoring tools supported by end user surveys and the ENGIE Air Quality App which helps employees and clients to avoid high pollution commuter routes on their journeys to and from work.



SOCIAL PERFORMANCE

Continuing the trend of minimal improvements on performance in 2016, the Social category scorecard and 'Key Findings' are presented here, which illustrate where the FM sector is maintaining a static approach to social aspects. We also feature two short case studies on good practice detailing the increasing popularity of well-being health-checks and Skanska Facilities Services' employee engagement.

KEY FINDINGS

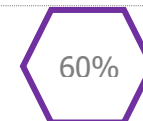
- ➔ Static Overall Performance: this performance area has not experienced any particular progress across the last year, however, the various activities including the well standard are anticipated to challenge this.
- ➔ 17% point drop in Stakeholder Engagement: Identifying stakeholders and maintaining knowledge of their needs, at various levels, is not well embedded in your average FM organisation.
- ➔ Sustainable Communities scoring declines for the first time, reflecting the rise of Social Value and the need to measure and report against it.

The SFMI Social scorecard is presented here, with an indication as to whether the score has increased or decreased from last year. To see the full 4 year trend for each criterion – please enquire on info@sfmi.uk and ask for a copy of our new 2000+ Data Report.

BALANCE SCORECARD

CRITERION	Sector Average	
	2016	vs. 2015
Health & Safety	66%	=
Employment	59%	=
Sustainable Communities	64%	↓
Stakeholder Engagement	53%	↓
Supply Chain Management	61%	=
Employee Wellbeing	55%	=
Employee Development	61%	=

CATEGORY AVERAGE



↓ 4%

For more information on performance required for top scores, download [here](#).

KEY FINDINGS

A STATIC OVERALL PERFORMANCE

The over-arching trend across all categories this year is a lack of progress. Although social aspects are gaining importance, a sense of tokenism and gesturing has appeared this year that lacks the vigour of a truly sustainable approach. This materialises in the form of repetition of initiatives, and lack of understanding of the final value these initiatives are producing.

17% POINT DROP IN STAKEHOLDER ENGAGEMENT

The move away from centralised resourcing and increase in regulation affecting stakeholder engagement has led to a sharp decline in the score. This reduction is reflected in the low scoring of the 'Collaborations' criteria, as assessed organisations continue to struggle to identify relevant stakeholders and understand their needs.

SUSTAINABLE COMMUNITIES

A historically high scoring criterion, 'Sustainable Communities' has declined by 6% points this year. Understanding the value that activities are producing for both FM providers and the targeted communities is currently under-developed. As Social Value continues to grow in importance, so too will the need to maintain this level of knowledge and reportable data.

CASE STUDIES

HEALTH CHECKS

Whether the assessed organisations are collaborating with charitable groups, purchasing their own equipment to present a mobile offering, or inviting public services to sites – the popularity of health check-ups in the progressive FM providers is growing. More interest is being shown by decision makers of these companies on their employee's welfare, however, there remains a missing connection between having this services and understanding how both mental and physical health impacts upon the operational activities of a company.

UNDERSTANDING YOUR EMPLOYEES

'SaY' the annual Skanska employee engagement survey is an engagement tool. Managers review the feedback and involve employees in the team when developing action plans based on the feedback. Actions are then shared to optimise engagement in the process.

This surveying method is common amongst the Leaders of the Index, as it often incorporates a mechanism to establish how well employees are engaged with the FM providers' values.



GOVERNANCE PERFORMANCE

The Management & Governance category scorecard and 'Top 3 Findings' are presented here, and express how the FM sector is not progressing as much as forward-thinking clients would like them to be. We also feature two short case studies on good practice from ABM UK and, the SFMI 2015 Winner, VINCI Facilities.

KEY FINDINGS

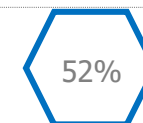
- Risk & Board Commitment: Further reductions in the management of sustainability have been noted in these criteria.
- Collaborations: Poor scores and lack of understanding the value from collaborating.
- Compliance: The sustainability of approaches to compliance has increased, as there have been a number of them to deal with recently.

The Management & Governance balance scorecard is presented here, with an indication as to whether the score has increased or decreased from last year. To see the full 4 year trend for each criterion – please enquire on info@sfmi.uk and ask for a copy of our new 2000+ Data Report.

BALANCE SCORECARD

CRITERION	Sector Average	
	2016	vs. 2015
Risk Management	55%	↓
Board Commitment	55%	↓
Sustainability Frameworks	63%	=
Disclosure	59%	=
Financial	41%	=
Compliance	52%	↑
Contracts	48%	↓
Diversity	55%	=
Collaborations	39%	N/A

CATEGORY AVERAGE



↓ 3%

TOP FINDINGS

RISK MANAGEMENT & BOARD COMMITMENT CONTINUE THEIR GRADUAL DESCENT

These two cornerstones of a sustainable business model continue to be under-appreciated. This reflects the trend of short term thinking in the sector, where delegation of accountability and tokenism is seen as key to passing tender award stages. However, the Thames Water fine is part of case law covering the new sentencing guidelines affecting Directors and Investors.

COLLABORATIONS

'Collaborations' focuses on how FM providers structure their partnerships, how value is measured, and mechanisms to verify or repeal established links. The average performance has been poor, indicating an under-developed understanding of how these collaborations provide and reap value to clients and the provider themselves.

PROGRESS ON COMPLIANCE

Although a modest 5% increase, 'Compliance' has risen in this year's benchmark of performance. This is also an important finding for clients of the assessed organisations as higher scores indicate an increased awareness of future legislation, and the ability to ensure managed sites are similarly aware and brought into compliance where appropriate.

CASE STUDIES

ABM UK's DIRECTOR HOTLINE

Every Wednesday, ABM's directors are available to receive calls for a short time that allow employees to contribute towards business strategy. Andy Donnell, MD at ABM UK, explains: "we have looked at how we can ensure our Senior Leadership team are more accessible to all our staff and introduced new initiatives to ensure we create as many opportunities for actual human interaction".

ABM's openness to connect the highest management level with the frontline employees marks a commitment to continual improvement that is not common amongst assessed organisations in the SFMI.

VINCI FACILITIES' V-MOST

The V-MOST framework provides structure to all VINCI Facilities' activities and represents a structured approach to embedding sustainability into their business model. The framework cascades from a corporate VMOST, through to business unit VMOSTs, and even down into contract level VMOSTs. This provides a clear reporting and accountability network for managerial and operational activities. Tony Raikes, MD states "the V-MOST structure allows a flow of knowledge and innovation that encourages best practice and presents progress, risks and opportunities in a transparent way".

RECOMMENDATIONS

CLIENTS

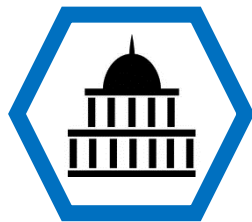
- Ask your FM team how they performed in the SFMI 2016, and what their plan is to improve against criteria that is important to you.
- Consider undertaking a contract appraisal that will assist your understanding on what could be achieved through your FM contracts.
- Understand what FM provider best delivers the service you require: Top, Middle, or Bottom Group.
- Collaborative approaches will increasingly be necessary to move beyond regulatory compliance and embed sustainability into day to day

- Disclosure is key. Understand where data needs to be clear, and optimise the internal processes to enable its ability to be reported externally. This will build trust in your company.
- Collaborate to succeed. But make it obvious how these decisions are made.
- Focus on a well-rounded approach, instead of on high profile activities that result in the neglect of everyday operations.
- Sustainability needs to be integrated within your corporate values
- Training must be provided to empower contract level employees who are increasingly becoming the drivers of FM providers' sustainability agendas
- Leadership is fading; the role of management in the embedding of a sustainable culture is not to be under-estimated.

FM PROVIDERS

METHODOLOGY

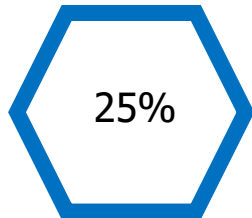
To become an automatically assessed organisation, you must meet at least 2 of the 3 criteria below:



Supplier to the UK Government



Stock market listed



25% of turnover is from Facilities Management

Publicly available information is then used to provide each assessed organisation with an Initial Assessment Report. All recipients of this report are invited to participate in an internal audit of processes.

A follow-up report is provided that prompts further evidence to be submitted and interviews with operational staff and clients to be undertaken.

The SFMI then closes submissions, collates all scores and evidence, and announces the winner at a launch event in Central London. Soon after, Partners of the SFMI receive a Scorecard Report and presentation to relevant stakeholders.

The
Sustainable



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RESPONSIBILITY AND
SUSTAINABILITY



SFMI 2016

SFMI 2017

Contact david@sfmi.uk for more information on the 2017 cycle.

Benefits of Engagement:

- The SFMI does not ask for reams of evidence, but instead features an audit process to reduce physical workloads
- Empower decision making to focus on continual improvement in a structured manner, with targeted goals based on an understanding of what your areas of improvement are
- Partners receive a 'Peer Analysis', 'Public Profile Assessment' and 'Scorecard' findings data
- We work with your company to provide meaningful and anonymous feedback, supported by expert FM knowledge.

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#askyourFM

Check out our webpage: <http://www.acclaro-advisory.com/sustainable-fm>