# RICS

November 2018

# RICS Responsible Business Leaders' Forum
UK report

# In attendance at the first UK Responsible Business Leaders' Forum

**Sunil Shah**, Acclaro Advisory (Chair)

**Paul Bagust**, RICS

**Deborah Rowland**, Sodexo

**Fiona Daly**, NHS

**Caroline Reilly**, Living Wage Foundation

**Aneysha Minocha**, Quantenergy

**Phil Birch**, John Lewis Partnership

**Allan Wickham**, RBS

**Claudia Dahinten**, Ditto Sustainability

**Andrew O'Brien**, Social Enterprise UK

**Chris Havers**, SFMI

# Introduction

With the increased urgency for environmental management, widening social imbalances across the world, and the continued implementation of powerful technology, the need for businesses to act responsibly is a priority now.

Global and local initiatives over recent years have pushed the agenda. The most widespread and successful are the adoption of the UN Sustainable Development Goals (SDGs) by businesses worldwide. This approach combines the integration of the ten principles of the UN Global Compact, while aligning the SDGs that a company holds a relationship to.

RICS has established the Responsible Business Leaders' Forum that aims to guide the property sector's role as a global responsible business leader. It explores how a business and its service providers should act to give social value and navigate its way through the turbulent ESG challenges that manifest themselves today and into the future. But to do so, we must consider the regional starting points.

Where environmental, social and governance issues were once considered superfluous to business risk, over the past two decades the tide has turned. Corporate engagement in these areas have risen, albeit at varying rates.

Starting with the Environment – the corporate agenda is based on differing environmental priorities of the moment. Air pollution may play a vanguard role in China and India, deforestation in the tropics, water scarcity in high stressed regions such as South Africa. Globally however, it is generally agreed that environmental issues should be managed – as shown by the Paris Climate Change Agreement.

However, priorities and abilities differ based on the individual nation. The same is true for social risks. Cultural differences will draw disparities surrounding working hours and employee well-being. Encouraging the creation of social value from the private sector will ultimately depend on the pressures in a country at the time. As an example, in August 2018, the UK government released its Civil Society Strategy, which sets out the government's ESG vision for the UK to better connect communities, neighbours, businesses and create social value.

This web of social and environmental approaches is linked through the governance of business – diversity of the board and staff, board commitment to social and environmental issues, and long-term financial sustainability are linked to Economic, Social and Governance management, but again standards and perceptions differ between countries and sectors. Specifically, the facilities management (FM) sector in the UK, shows a widening gap between the best-in-class and the majority of service providers.

Now there are new opportunities and pressures on business that link to the ESG issues. The twenty-first century has seen an unparalleled technology boom, giving us ingenious solutions to our ESG problems – for example, applications of artificial intelligence and blockchain are constantly being created and developed. This provides streams of data to analyse and frees up the workforce for new tasks. However, for management of property in particular, service providers will need to weigh the associated social and governance risks. For example, how is data managed and shared? What is the impact on customer privacy? In a personnel-heavy industry with a high number of low-skilled jobs, are staff trained for the influx of technology that can displace jobs, especially among soft services?

This first RICS forum opens the debate in the UK and sets the tone of the conversation. This report captures the conversation and focuses this wide topic down to what a responsible business looks like, how business engages with its service providers and what challenges we are dealing with in the UK.

RICS will be organising similar discussions across the world and gathering opinions that highlight cultural and regional approaches to the questions we pose. We are taking a collaborative approach that pulls in a variety of stakeholders; from corporations to NGOs, industry bodies, consultants and suppliers related to property services and management. The built environment industry requires a collective and collaborative approach to responsible business leadership.

# Summary

Discussion from this leaders' forum focused on three key areas, which were seen as potential options for incorporating responsible business standards. These three areas will be expanded on and explored further in this report.

### 1. Embedding responsible corporate values

With the need to recruit younger, more diverse workers into the property management sector more than ever before, new talent is driven by value. So, responsible corporate values used well, can help businesses look to long-term social value, underpinned by sustainable profit, rather than short-term profit seeking.

### 2. Defining corporate responsibility ambition

The vast remit of sustainability needs to be defined for the property industry to identify which topics are most applicable. Within these definitions, corporations work well given an ambition to achieve rather than a rigid framework to follow. This is even more important on a global scale as cultural differences and circumstances need to be considered. Creating an ambition as an end-point allows a business to innovate and collaborate to achieve its target.

### 3. Upskilling personnel for technology disrupters

Technology is key to mitigating ESG risks, but its speed of development makes it a major disrupter that needs to be managed correctly to prevent further social and governance risks. Adapting to step changes of new technology requires upskilling the workforce and managing more data than ever. Future gazing is difficult but identifying the skills gaps for business will be valuable. A responsible long-term business needs to not only upskill its workforce for the future technological changes, but also gain the trust of its workforce while introducing technology and handling endless streams of data collection.

Expanding on these topics, the group discussed these ideas, highlighting challenges, opportunities and solutions.

# Corporate Values

## Current standards

Are current standards and regulations providing businesses with a coherent approach to becoming a responsible business?

There is a plethora of benchmarks, certifications and stamps of approval that businesses will use to show that they are a sustainable business. For example, the ISO standards indexes such as CDP and Dow Jones Sustainability Index (DJSI), and certifications such as Leadership in Energy and Environmental Design (LEED). These have helped to drive corporate environmental approaches to where they are today, but are they enough?

Fiona Daly from the NHS stated that *"Unless standards are put to practice in a responsible way, then they cannot be completely trusted. They are a good benchmark, but the reliability comes down to the individuals who are implementing them".*

This point was widely agreed. Standards set the benchmark, but some standards fall short by being unable to regulate those who reach the goal. This can cause dis-trust in the outcome.

For a company to live and breathe a standard, Deborah Rowland from Sodexo thinks that the company should abide by a set of values that are embedded in everything that individuals do in the business. *"Values have got to be at the heart of business".*

The group agreed and, as Andrew O'Brien from Social Enterprise UK stated: *"having the values in the constitutional structure means that you don't get the slide back after ticking the box for a standard"*.

Phil Birch gave the perspective of the John Lewis Partnership, who has a public-facing constitution that incorporates responsible business management. *"Even though it is 90 years old, it is still relevant today and can be referred to during discussions on the direction of the business"*.

Therefore, having public values is more engaging, and makes the business accountable to the values against which decisions are made.

This conversation on values also showed a clear insight into the future of the sector and was highlighted by Fiona Daly, and Caroline Reilly. The younger generation (millennials) use corporate values as a key part of deciding for whom they work. Therefore, the company that can embed responsible corporate values will attract a talented workforce fit for the future.

## Long term vs short term, cost vs quality

The challenge to responsible corporate values comes when costs and economic pressures are factored into the equation. Allan Wickham suggested that middle managers are often a crunch point between cost, service and values. They are often forced into working towards more short-term cost savings rather than the longer-term strategy. They will often be caught between decisions that come down from senior management whereby they need to improve service operations while adhering to environmental targets, and at the same time, reducing budget spends. This causes a huge dilemma for them and tests their values. Responsible corporate values can become a guide for the decision-making process so that cost can be challenged as the fall-back common denominator.

Short-term budgetary savings against quality of service is pushing further risk to business. This is highlighted by the recent release of a Parliamentary enquiry into the Carillion collapse. It states that the UK government's preoccupation with driving short-term costs down has led to a greater impact on service and forced private companies to take unacceptable risk.

Long term vs short term is key in the battle over social and environmental issues. The large ESG risks to business are all long-term issues and are often at odds with short-term thinking through corporations, government and shareholders.

Can entrenching responsible corporate values across a business be a driving force for combatting short-termism issues across all levels of a company? In doing so, can they form a part of a responsible business standard?

# Corporate ambition

### Enforcing the outcome not the process

There are plenty of examples in the UK, and indeed across the world where legislation is put into effect that is too onerous to enforce. One of many examples is the TM44 legislation around air conditioning inspection regulations. On the flip side there are examples where there is no regulatory requirement to implement the suggestions, such as Energy Savings Opportunity Scheme (ESOS). These regulations have their role, but the group felt that the wrong part of the system was being regulated. The government targeted the process rather than the outcome.

It is difficult for responsible businesses to keep up with a complex range of regulations. Priorities that have more tangible outcomes than non-compliance tend to become lower priority or drop off the list. If this is true for a responsible business, then there is a huge risk of serious non-compliance for less responsible businesses, when the governing body police the regulation.

Administration of standards and legislation is also an age-old issue that can often stamp out innovation because it is time consuming. The soon-to-be defunct CRC energy efficiency scheme is a classic case of this.

Public accountability is a potential way to combat this, for example, the Living Wage Foundation. Caroline Reilly described how if a company has the Living Wage Foundation logo, then they are held to public accountability. Staff and stakeholders can whistle blow if the company does not abide by the rules.

So, is public accountability the key to enforcing standards? In the age of social media, public relations are a greater risk to business than fines.

A key challenge surrounding standards and regulations is the process that is upheld. The forum discussed the idea of setting a target for corporate ambitions as a potential solution. Allan Wickham shared his thoughts that creating long-term ambition for business allows them to achieve it in a flexible manner. The forum group agreed: *"an outcome-based ambition gives business the scope to innovate and reach the target"*. It is also important to articulate the impact that the outcome will have.

There are good examples of this in practice:

- RE100 campaign;
- end to plastic waste;
- reducing vehicle emissions.

Once these ambitions have been set, it's important to allow consultation to further the discussion. This is because there will also be technical issues that need to be overcome, and dialogue with industry will help to highlight them. Remember that ambition setting requires an element of the unknown. Ten years ago, the world was a different place. The iPhone® was only released in 2007 and this revolutionised smartphones and the way that we use mobile devices today to interact with our surroundings. Can we set our ambitions for a responsible business without knowing the technology changes in the next ten to 20 years? It is difficult, but there are examples of this happening now.

Defined output measures will give business the direction of travel needed, however it will also require flexibility. From a global perspective, while environmental targets can be broadly aligned, each country has differences in social context based on cultural and governmental differences. There are also geographical factors at play, which give different value to different resources. Therefore, flexibility is required in any approach that includes corporate ambition setting across a plethora of responsible issues.

# Preparation for the future – employees, technology and data

The future is technology driven, and technology can play a key role in achieving sustainability visions and ambitions. It therefore becomes an enabler but is also a disrupter and a risk if not managed. Technology will affect the roles of employees and can even displace people from their jobs and cause social issues. On top of this, employees will be managing more (often fragmented) data than ever. Our forum discussed how responsible businesses managed the application of new technology alongside the risks – responsible data management, upskilling employees, and the changing role of employees.

Scenario planning was being used for upskilling and skills shortages from technology. Recruiting a more diverse workforce is one challenge for the sector. Understanding how traditional roles are changing due to technology improvement can be very valuable for the sector. For example, facilities managers are required to manage more and more data from buildings, and potentially relating to staff. They are required to work flexibly with new hardware technology and new software packages. Yet as a workforce, FM is not attracting a younger, diverse employee base, and is not tapping into the pool of talent for the future technology skills that the sector will need.

Our forum highlighted the need to plan for these skill gaps;

- assessing today's workforce, and appreciating their skills;
- identifying the potential technology impacts on the sector;
- identifying the skills that will be needed for the future;
- identifying the gaps in the workforce and strategising to fill them.

This summarised approach is currently being played out at large organisations such as RBS and the NHS. However, it is no easy job to predict the future. It is interesting that this topic ties in well with our discussion about setting ambitions for a responsible business. Corporate sustainability ambitions have the potential to link with the concept of scenario planning for technology change and automation. It could play a part in recruiting and developing the right skills for future roles that incorporate sustainability and responsibility in the workplace, thus, preparing the sector for the challenges that lie ahead.

This discussion highlights a potential need for giving business the practical frameworks that they need to understand the risks of the future, and how a responsible business can manage them.

Furthermore, we discussed the need to integrate a responsible approach when capitalising on technology and data. The applications of technology and data can be used as a significant driver for responsible business management. For example, enhancing energy efficiency, improving well-being, tracking mental health and tracking water consumption. However, our discussions often came back to the theoretical responsible boundaries for data use, and the application of technology, which can result in mistrust and public relations disasters. We have the ability to track staff movements around the office, which has applications for ensuring that resources can be used to optimum efficiency. However, tracking people requires trust. Our forum was fast to close the loop on this discussion with earlier points made: "*trust in data collection will also depend upon the trust in the corporate cultural values and the trust that the company embeds within its staff*".

# Conclusion

For a business to become a responsible business leader there are multiple factors that the forum has brought to light:

- Long-term ambition is a mechanism to drive companies towards their goals. Rigid processes can stifle innovation, so a framework should have flexibility and ambition to drive a business.

- An approach should embed responsible corporate values across a business, so that standards don't slip to become a tick box PR exercise, and business decisions can be upheld against them.

- Public accountability is a less burdensome method of policing standards, and has a higher impact on compliance.

- Future disruptions from technology and data could be a force for good, or could have significant social and governance risks to business. Managing this will affect a company's ability to achieve sustainability ambitions.

- The sector is changing fast and being able to upskill the current workforce and make the sector attractive for tech-savvy workers will help to manage the social and environmental risks of the future.

- Embedding responsible corporate values has the potential to build trust in the wider application of technology.

These are key discussion points that came out of the Responsible Business Leaders' Forum and sets the tone of the conversation for future forums.

## Next steps

This report from the UK Forum helps us understand the need for setting an approach that integrates responsible business leadership in the property sector, and what it looks like from a UK perspective. It highlights the needs and challenges for the property management industry and takes on board best practice from other industries. The UK Responsible Business Leaders' Forum aims to reconvene and continue the discussion. But we will also begin to roll this out to different regions of the world to capture the differences and best practice from all responsible business leaders.

RICS is calling on strategic thinkers and decision makers across the supply chain who have a desire to embed responsible corporate values in their business, to join the conversation. Together we can deal with challenges and look to shape clear solutions and drive responsible business leadership. Our aim is to gather further information from the UK and set a framework for discussion that will engage global participation through regional forums.

Global insight gathering discussions are to take place in early 2019. We will produce a report to highlight the findings and identify solutions to these challenges, at the World Built Environment Forum Summit, New York in May 2019.

ww2.rics.org/uk/wbef/the-summit/

To get involved in these discussions and for further information on what RICS is doing in this area, contact either:

**Ana Bajri**
Property Standards Project Manager, RICS

**+44 20 7 695 1687**
**abajri@rics.org**

**Paul Bagust**
Global Property Standards Director, RICS

**+44 20 7695 1615**
**pbagust@rics.org**

# Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

## Americas

**Latin America**
ricsamericalatina@rics.org

**North America**
ricsamericas@rics.org

## Asia Pacific

**Australasia**
australasia@rics.org

**Greater China (Hong Kong)**
ricshk@rics.org

**Greater China (Shanghai)**
ricschina@rics.org

**Japan**
ricsjapan@rics.org

**South Asia**
ricsindia@rics.org

**Southeast Asia**
sea@rics.org

## EMEA

**Africa**
ricsafrica@rics.org

**Europe**
ricseurope@rics.org

**Ireland**
ricsireland@rics.org

**Middle East**
ricsmiddleeast@rics.org

**United Kingdom RICS HQ**
contactrics@rics.org

**rics.org**