



TD Bank Group – Facilities Management Vested Outsourcing® Partnership

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Headquartered in Toronto, Canada, with more than 85,000 employees in offices around the world, The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group (TD). TD offers a full range of financial products and services to approximately 24 million customers worldwide through three key business lines:

- Canadian Retail including TD Canada Trust, Business Banking, TD Auto Finance, TD Wealth, TD Direct Investing and TD Insurance.
- US Retail including TD Bank, America's Most Convenient Bank, TD Auto Finance, TD Wealth and TD's investment in TD Ameritrade.
- Wholesale Banking including TD Securities

TD had CDN \$1.1 trillion in assets on July 31, 2015. TD also ranks among the world's leading online financial service firms with approximately 10 million active online and mobile customers. The Toronto-Dominion Bank trades on the Toronto and New York stock exchanges under the symbol "TD".

Through 25 million square feet of real estate – including more than 2,500 retail stores and branches, 190 corporate offices and almost 5,000 ATMs – Enterprise Real Estate (ERE) provides a variety of services to support all of TD Bank's business units across North America and internationally. ERE is responsible for the company's retail and corporate global real estate portfolio along with strategies and solutions that align with the objectives of the Bank's business units; always ensuring that service delivery is timely, cost effective and meets business needs.

ERE is comprised of a team of professionals and thought leaders across six departments: Corporate Real Estate, Retail Real Estate, Architecture & Design, Critical Environments, Facilities Management, and Shared Services. As a North American business group, ERE works collaboratively to provide best in class real estate services, including Location Strategy, Market analytics, Space Planning, Lease and Tax administration, Asset Reinvestment, Building/Project Management and Energy and Sustainability.

Many of these services are delivered through a North American Vested Outsourcing® partnership with Brookfield Global Integrated Solutions (BGIS) and CB Richard Ellis (CBRE) also known as BGIS/CBRE. This complex partnership extends across of all TD's North American network and also includes an extension and alignment to TD Brand, Culture and Customer Service philosophy.

Our journey originally began in April 2009, with the original five- year standard Master Services Agreement with BGIS/CBRE, which was very much like any traditional outsourcing agreement. It was rigid, restrictive and highly prescriptive. It allowed little opportunity for further efficiencies or innovation, and for the most part, it did not tell us where we were going and what was truly important to us. We were operating in a traditional owner/supplier model, focusing on transactional outcomes and oversight of the vendor to manage the relationship.



Outsourced providers may have been willing to invest in new technology, stronger account resources or even serious commitment in the last year of fixed contract, but they didn't know what the renewal process would be, or whether they would be awarded the renewal. This type of approach creates a lack of innovation, and, more importantly, adds stagnation to the client or end-user, who is expecting premium service to be delivered for the full term.

Nevertheless, we achieved great successes in the first five years of our relationship, which aligned our thinking and gave us a clear idea of what we were trying to achieve. However, we came to realize we had outgrown the traditional FM outsourcing model, and we were ready to advance the relationship to the next level in order to drive innovative solutions.

Leadership at both companies recognized we needed to advance the service delivery model for the future. We believed a mutual focus on TD's goal to deliver Legendary Customer and Employee Experiences, combined with the collective knowledge and expertise of provider could not only reduce further costs for TD but also increase profits for Brookfield GIS/CBRE. The main goal was finding a way for both organizations to win. Can you imagine how few end-user clients would want to ensure a financial interest in the service provider increasing its profit margin? It's unheard of in any, industry but we believe this is the future approach to outsourcing in general, and where the market is headed.

What exactly is Vested Outsourcing®? It's a partnership-based business model, methodology and mindset for creating highly collaborative business relationships that enable true win-win relationships. Both parties are equally committed to each other's success. The model is based on applied research and business thinking pioneered at the University of Tennessee's Center for Executive Education.

What had to happen in order switch from a traditional outsourcing agreement to a Vested Outsourcing® agreement? Firstly, a Shared Vision was jointly created to reflect our mutual strategic direction and to enlist others in a shared view of the future. Not all relationships need to create a shared vision. Simply entering into a basic transactional relationship (such as buying a non-strategic commodity) likely does not need a shared vision. However, companies who would like to develop a strategic relationship create a shared vision. A shared vision for a partnership literally breathes life into a relationship. It gives people in the relationship a bigger purpose. Our shared vision reads as follows;

“We are aligned to deliver innovative and sustainable real estate solutions that create unparalleled value for our stakeholders. Our success is mutually dependent. We attract and retain top talent, promoting a culture of loyalty and brand excellence, resulting in legendary Customer and Employee experiences on our journey to be the Better Bank”.

Along with the vision statement, we then identified 4 key desired outcomes this agreement is measured against. They were jointly created to reflect our aspirational goals and reflecting the spirit of the relationship as a guide to ensure alignment and measure our progress. The desired outcomes include;

- Drive economic value to the organization through fair and transparent financials
- Provide holistic world-class real estate services
- Be an environmental leader
- Be an innovative organization



Based on these desired outcomes that we mutual set and agreed too, BGIS/CBRE now has full autonomy to deliver services to meet our end goals. They do so following 5 basic concepts:

Outcome based versus transactions

In the traditional FM outsourced service delivery model, most organization dictate tasks they want the service provider to perform, and how often they want them performed. For example, a task may be to clean the windows every month, vacuum carpets every night, pick-up the trash every week, etc. It's a very prescriptive set of standards and tasks based various activities and the service provider is measured against delivering them. Under our Vested® FM model, TD only stipulates that we want clean stores/offices and happy customers, which is our desired outcome. Does it really matter how often we prescribe when the windows should be cleaned or carpet is vacuumed? In reality, every location has unique needs given its vintage, location, exposure to the elements and traffic pattern. Instead of applying one set of standards across the board , TD trusts that BGIS/CBRE would best know what is needed at each location. As long as each retail/office work environment is clean every day to a reasonable appearance standard, it doesn't really matter to us how our desired outcome of clean stores every day is being achieved. In reality this is what matters to our employees and customers so why not align the agreement to reflect that objective. The benefit in this approach is a vendor empowered to make appropriate decisions to meet our desired outcomes.

Focus on the 'what' the not the 'how'

Our Facilities Management department focuses on the "what" not the "how." Does it really matter to TD which company is being used to vacuum carpets, fix repairs, service HVAC or how it's done? No. As a financial institution, our focus is on servicing customers. We leave the "how" up to BGIS/CBRE, our trusted experts. So whether they want to self-perform, hire specific service vendors, use building landlords or any other hybrid solutions becomes less important to TD than ensuring our desired outcomes are being met. This approach allows for innovation and flexibility to take place for BGIS/CBRE to make decisions on their own, or to consult with their TD peer as needed. Rather than having TD FM subject matter experts managing and dictating to BGIS/CBRE FM experts as typically occurs in the industry. Our TD roles are more focused on allowing the service provider to deliver core functions as they see fit while TD has a focus on breaking down barriers that limit their ability to be successful all while finding innovation in delivering service to our end users.

Peer to Peer 'Two-In-A-Box' Model

In the peer to peer service delivery approach model between TD and BGIS/CBRE, employees are encouraged to use their best judgment to resolve issues with their peer(s) instead of escalating issues within their own organization. A peer(s) should always be the first point of contact, with the goal of keeping both companies informed and aligned. The peer-to-peer model is designed to empower decision-making at all levels, and we believe that this model will allow most issues to be resolved quickly and efficiently while improving customer service. A Peer differs from a colleague and is defined as follows:

- Has equal level of position and responsibilities to you
- They are important to your work



- Spend lots of time working together
- No authority over each other
- Generally is a little closer to you, personally

Clearly defined and measureable desired outcomes

In order for this to happen, you need clearly defined and measureable desired outcomes that define the Performance Model. This comprised of structured Service Level Agreements (SLAs) and Key Performance Indicators (KPIs) which was developed to align with achieving the Desired Outcomes while incentivizing both parties to achieve and exceed through monetary reward and contract extension as well as opportunity to increase scope and services. Original generation KPIs were scorecards that tracked performance at an operational level and measured service delivery, quality, and Customer Satisfaction levels. With over 40 KPIs, evaluating success using these tactical metrics is typical in a traditional outsourcing contract. In our Vested® model, we shift the standard by which we measure success to one that evaluates progress towards achieving our Desired Outcomes. There are now eleven KPIs in our Vested® contract – nine of which are tied to a one-year contract extension and two that are vital to the success of this relationship. This small set of high-level metrics captures the impact of our work and adds clarity to our mutually defined outcome-based goals. If BGIS/CBRE meets all the desired outcomes at the end of each year their five-year contract gets automatically extended by that one year. In this model, BGIS/CBRE will always have time in the agreement to invest in new technology or resources which provides a better foundation for innovation.

Pricing model with incentives that optimizes the business

A critically important success measure in our Vested® agreement is how the pricing model works. First, a full end-to-end "taxonomy" (another word for detailed survey inventory) had to be completed between BGIS/CBRE and TD to understand current roles, duplicate efforts and how services were being delivered. Through the taxonomy, all tasks that were performed by TD and the BGIS/CBRE collectively, including everything from identifying the number of steps, hand-offs and approvals and people involved, all had to be calculated from a time resource element. This drilled down into each and every task by people in both organizations. Next, we calculated a financial all-inclusive rate including support areas that it cost to deliver that specific task. For example, a simple request to replace an HVAC unit may go from the HVAC service vendor to the outsourced FM representative, then to TD Relationship FM for capital approval, then to their boss for approval, then to Finance, then to back to outsourced provider, who then gets a purchase order issued, who then contact the vendor to action, then its project managed. You can imagine all the steps, touch points and hand-off connections right down to project close out, payment, warranties, etc. In "taxonomy" you calculate the time spent, expense value of people touching each steps and then adding all the proportionate support infrastructure costs such as IT, computers, HR, pensions, real estate space, etc. When you summarize all the tasks, time spent and labour costs associated with thousands of activity, you get to a value called "Total Cost of Ownership". What this means is in order to deliver that specific task that is total real cost to deliver that activity for TD.

In a Vested® agreement, the pricing model is fully transparent in both organizations and is designed to optimize the business. In this approach, if the BGIS/CBRE teams can deliver services that require fewer hand-offs or total cost of ownership to deliver that function, they can



receive an incentive that is mutually shared. So while the service provider may increase their expenses to deliver this function, if the total cost of ownership comes in less, both TD and BGIS/CBRE benefit in this win-win example. In a traditional FM outsourcing relationship, the only way a service provider would want to change staff is to reduce expenses and increase their net profit margins typically at the expense of service delivery. In our case, as long as the service remains the same, BGIS/CBRE may receive a bonus. Since all costs are flow-through as part of a Vested® agreement, the service provider does not try to squeeze profit while impacting service.

This balanced model was developed to equalize 'risk and reward' for both parties and balance 'business as usual' costs with investments to pursue Innovation. Sharing financials was critical with full transparency into labour, materials and third party costs. The value created through innovation is shared by each party after investments are paid off.

Insight versus Oversight governance structure

In the Vested® model, our role as TD FM Relationship Managers is to provide insight versus the traditional approach of provider oversight from a governance perspective. The focus is more on the solutions needed to achieve our desired outcomes and vision of being a market leader, rather than oversight in managing our BGIS/CBRE as another vendor. TD doesn't waste time supervising the supplier as in the traditional model. We work together to improve business and make everyone happy.

Partnership, Performance, Progress.

A goal under this partnership is to operate as one team and 'leave our logos at the door'. To support this, we designed a **joint identifier** which represents our mutual focus on partnership, performance and progress. This symbol represents our new culture as one team. As such, we needed to do more than just create a logo. Communication both during initial transition to this new model and day to day is vital to ensuring our all affected stakeholders are kept informed and motivated improve performance. In order to achieve this we implemented a series of measures including;

- A network of Change Champions to help educate and identify issues on the ground.
- A tiered Rewards & Recognition program to identify and celebrate key behaviours.
- Newsletters, blogs and wikis to educate, communicate updates and success stories.
- Tailored training and information sessions for new employees.
- Assessments and questionnaires to help facilitate peer interaction.
- Quarterly full team 'town halls' to celebrate successes with participation from all levels of the organization.



In addition, we developed a quarterly Trust and Relationship survey to measure the level of trust and quality of peer-to-peer relationships among Governance Committee members. It also measured the overall operational delivery and satisfaction, which can be used to find correlations between relationship and trust with performance. This also served as a means of



gathering formal feedback on how we can improve the relationship through the use of open-ended questions. Results of this survey are included on our Balanced Scorecard that measures performance.

To aid in a visual interaction reference and while recognizing the importance of open communication, the “**Angry Bird**” concept was introduced as a way to encourage and support constructive conversation in a safe environment. A light hearted character from the popular “Angry Bird” game franchise is used as a reminder when someone needs to adjust his/her counterproductive behavior they can place the Angry Bird on the table during difficult face-to-face conversations. It's surprising to see how such an ordinary item can reinforce the spirit of being open and honest and staying focused on the desired outcomes. In the FM industry it would be unheard of for the service provider to call out the client even in large group gatherings. At TD we encourage that behavior as you cannot move forward if you don't have mutual trust with your service provider to be open and honest.

It's impossible to go into detail about the great results and innovations that have come to fruition through our Vested Outsourcing arrangement. However, through a more formal presentation we can provide great insight into Energy and Sustainability, Expense Control, Emergency planning, Occupant Satisfaction, Construction, Customer Service or even bank business results that has yielded positive outcomes beyond the facility department for both TD and BGIS/CBRE. We want to highlight this as a best practice approach, and we believe this FM outsourcing model will revolutionize the industry.