



January 31, 2018

Jean Rogers, PhD, PE CEO  
Sustainability Accounting Standards Board (SASB)  
1045 Sansome Street, Suite 450  
San Francisco, CA 94111

Dear Dr. Rogers,

We appreciate the opportunity to provide high-level comments regarding the proposed SASB Standards, which are widely considered the most comprehensive set of metrics for measuring and quantifying sustainability related information for public companies in existence today.

### **Company Background**

As the pioneer of Wellness Real Estate™ and founder of the WELL Building Standard™, Delos is transforming workplace, homes, schools and other indoor environments by placing health and wellness at the center of building design and operations. Informed by seven years of research and rigorous analysis of environmental health impacts on people, Delos has fostered research collaborations with renowned institutions, such as the Cleveland Clinic and Mayo Clinic, to introduce wellness standards, programs and solutions improving occupant's health and well-being through the built environment. Delos has evolved the conversation from environmental sustainability to include human sustainability.

### **Purpose Statement**

The purpose of this letter is to argue for the expansion of health and well-being disclosure topics and underlying metrics within the proposed SASB Standards to extend beyond the current Workforce Health & Safety disclosures and include a more comprehensive and quantifiable framework for investors.

We believe the expanded disclosure of health and well-being metrics will provide investors with information that materially affects financial outcomes for publicly traded companies. Growing evidence supports our assertion of financial impact.

Further, we intend to address how health and well-being serves to enhance Recruitment, Retention & Development (a sub-issue within Human Capital) for public companies.

### **Section 1. Exploration of the Human Capital Sustainability Dimension**

SASB's sustainability topics are organized under 5 broad sustainability dimensions. Within the Human Capital dimension, SASB Standards have identified 5 key sub-issues:

- Intellectual Capital

- Recruitment, Retention & Development
- Worker Rights
- Health & Safety
- Diversity & Inclusion

The Human Capital dimension is intended to address the management of a company's human resources. **We view a company's employee base to be its most important asset to delivering long-term value and financial performance.** Our argument for the expansion of metrics addressing employee health and well-being is grounded in current research that demonstrates healthier work environments correlate with quantifiable improvements in worker productivity and employee engagement.<sup>1</sup> Health and well-being mandates can also serve to attract and retain employees in highly competitive markets for talent, skills, or education. The growing body of experimental and applied research supporting our claim will be further addressed in Section 2 of this letter, but our assertion that healthier working environments foster productivity enhancement is central to our claim on material financial impact.

**We specifically argue that the Health & Safety sub-issue of the Human Capital dimension should include expanded sustainability accounting metrics for employee health and well-being.** The sub-issue's heavy reliance on safety incidents, recordable injury rates, and exposure to hazardous materials is primarily financially relevant to industries operating in dangerous working environments. More broadly, we see employee health & well-being as a key asset to delivering long-term value, independent of the safety considerations of a company within an industry. We implore SASB to provide companies with expanded sustainability accounting metrics that specifically address employee health and well-being. Central to our argument is the growing academic and experimental research that demonstrate healthier work environments bring about quantifiable improvements in worker productivity, and serve to enhance recruitment, retention and development of the workforce.

## **Section 2. Financial Impact of Employee Health and Well-being**

The promotion of employee health and well-being has become a key material factor in many industries, but is currently not adequately captured by ESG reporting agencies in general, and SASB standards specifically.

Work in the United States looks vastly different than it did a century ago. Fueled by advances in technology and automation, the demand for knowledge work is now rising faster than industrial work. Predominant health concerns for knowledge workers are different than manual workers. Office workers are more often affected by chronic (lifestyle) diseases, illnesses, and injuries rather than acute injuries or infectious diseases that more frequently occur in manual work with machinery or hazardous materials.<sup>2</sup> Furthermore, the effects and opportunity costs of disengaged employees is becoming ever more transparent. The American Psychology Association for instance estimates that over \$44 Billion is lost annually due to depressed workers reporting to work even when they are unwell.<sup>3</sup>

**Recent research suggests that passive health interventions, through building design and operations, could also have positive impacts on employee performance.** A 2015 Harvard study suggests that

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<sup>1</sup> Willis Towers Watson, "Employee Health and Business Success Global Research Summary.", 2016

<sup>2</sup> Pollard TM. Western Diseases: An Evolutionary Perspective. Cambridge University Press; 2008.

<sup>3</sup> AdvancePCS Center for Work and Health, JAMA. 2003 Oct 22;290(16):2218

indoor air quality improvements can improve cognitive function.<sup>4</sup> A recent McKinsey study revealed new longitudinal evidence suggesting that 80% of public companies that took concrete actions on health and wellness saw disproportionate improvements in financial performance.<sup>5</sup> **Given the evidence surrounding correlation between employee health promotion and corporate financial value, the SASB Standards should do more to help investors identify companies who are implementing health promotion measures, with emphasis on passive interventions.**

We also recognize that identifying evidence of financial impact to argue the further expansion of employee health and well-being as a key component of the Human Capital dimension is simply the first step of the process. At the level of accounting metrics, SASB must consider the availability of such information and if such data is comparable, complete, verifiable, and free from bias. Goldman Sachs recently published research revealing that the US lagged Western Europe on numeric disclosure across a wide universe of ESG metrics.<sup>6</sup> Perhaps even more challenging to investor implementation, is the fact that nearly two thirds of all ESG related metrics fall below a 20% disclosure threshold. Despite these challenges, we believe technological advancements in data and sensor automation will bring about quantifiable ESG metrics for health and well-being. SASB should set the standard for wide-spread expansion of this important topic.

### **Section 3. Pan-industry Application and Proposed Metrics**

While recognizing that general sustainability topics often have unique implications to different industries, we see employee health and well-being as having considerable impact across the industry spectrum. Simply put, **health and well-being initiatives should be a central objective across all publicly traded companies – based on the value creation implicit in pursuing them.** Furthermore, certain health and well-being aspects of company environments could be disclosed under SASB standards to help investors make informed decisions on critical dimensions of sustainability performance. We can further imagine the establishment of industry health and well-being benchmarks so that peer-to-peer comparisons can be made and industry benchmarks can be established.

With respect to individual accounting metrics, we now have the ability to measure, both adequately and accurately, health and well-being parameters of the built environment that can be compared across industries – an important feature for investors with diversified portfolios.

One parameter with pan-industry application would be the assessment of indoor particulate matter air pollution. Studies have shown that the pursuit of superior indoor air quality correlates with marked increases in productivity levels and cognitive function.<sup>7</sup> Conversely, poor indoor air quality could pose considerable health risks. In China for example, where air quality is a critical issue, the installation of

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<sup>4</sup> Allen JG, MacNaughton P, Satish U, Santanam S, Vallarino J, Spengler JD. Associations of Cognitive Function Scores with Carbon Dioxide, Ventilation, and Volatile Organic Compound Exposures in Office Workers: A Controlled Exposure Study of Green and Conventional Office Environments. *Environ Health Perspect.* 2015;124(6). doi:10.1289/ehp.1510037.

<sup>5</sup> McKinsey & Company, “Organizational health: A fast track to performance improvement”, McKinsey Quarterly, September 2017

<sup>6</sup> The Goldman Sachs Group, Inc, “The PM’s Guide to the ESG Revolution”, April 2017

<sup>7</sup> JLL|PureLiving China, “Every breath we take – transforming the health of China’s office space”, December 2015

PM2.5 sensors - which measure particulate matter pollution sized 2.5 microns or smaller – is now common place.

We also emphasize clean air monitoring as a material aspect for workplace retention – as studies further indicate that companies who pursue health and well-being initiatives experience correlated increases in employee loyalty and retention. A recent study indicated that 87% of employees said they consider the wellness programs of a prospective employer.<sup>8</sup> In summary, we see the pursuit of clean indoor air for employees of all companies to be a material aspect, deserving of investor scrutiny and central to investment decision making. We offer this metric as just one example of a host of health and well-being parameters that could be incorporated into the current proposed SASB standard, that would serve to inform investors on factors that influence productivity and talent retention for public companies.

In conclusion, we appreciate the opportunity to work closely with SASB to inform sustainability reporting principles, particularly as they relate to the Human Capital dimension. We strongly encourage your consideration toward the expanded disclosure of health and well-being metrics beyond current Workforce Health & Safety disclosures to provide a more comprehensive and quantifiable framework for employee health and well-being.

Sincerely,

Craig James

SVP, Head of Sustainable Finance  
Delos Living LLC

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<sup>8</sup> VirginPulse Study, “The Business of Healthy Employees: A Survey of Workplace Health Priorities”, 2014