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ESG in Consumer Goods: The Relationship Between Financial Materiality and the United Nations Sustainable Development Goals (SDGs)

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Resumo
Financially material, sustainability accounting is critical to catalyzing private sector funds to achieve the UN Sustainable Development Goals (SDGs) by 2030. Environmental, social, and governance (ESG) information within the consumer goods sector is regularly found to have a weaker relationship to the SDGs when compared to other sectors. In this essay, we discuss the roadmap for pairing Sustainable Account Standards Board (SASB) material indicators for the consumer goods sector with the SDGs indicators.

Palavras Chave
SDG, ESG, Corporate sustainability

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ABSTRACT

Financially material, sustainability accounting is critical to catalyze private sector funds to achieve the UN Sustainable Development Goals (SDGs) by 2030. Environmental, social, and governance (ESG) information within the consumer goods sector is regularly found to have a weaker relationship to the SDGs when compared to other sectors. In this essay, I discuss the roadmap for pairing Sustainable Account Standards Board (SASB) material indicators for the consumer goods sector to the SDGs indicators. SASB's ESG framework is regarded as industry best-in-class and is supported by investors with over US$81T in assets under management (AUM). The goal of this exercise is to identify weak and strong linkages between the SASB ESG framework and the SDG indicators, through an analysis of SASB's 7 different consumer sector industry frameworks with the 248 UN SDG indicators. The results identified SDGs that remain unaddressed or have weak linkages to industry interpretations of consumer sector ESG materiality. Understanding the overlaps and gaps between public and private sector impact frameworks will enable greater cross-sector collaboration, and help companies align or better understand their impact and ESG strategy that not only mitigates risk, but creates long-term value that aligns to the goals and initiatives of community stakeholders and public sector institutions.

KEY WORDS: SDG, ESG, Corporate Sustainability

Introduction

Amid the corporate hunt for environmental and socioeconomic impact, and pressure from stakeholders to highlight non-financial risks, engagement in global sustainability reporting frameworks has skyrocketed. According to a 2020 Governance & Accountability Institute (G&A) report, S&P 500 companies publishing sustainability reports rose from 20% in 2011 to 90% by 2019. They found that in addition to the growing number of sustainability reports being published in the last decade, environmental, social, and governance (ESG) information focused on material aspects are increasingly being included in corporate narratives. Over 90% of the S&P 500 publish some form of ESG report, in addition to 70% of the Russell 1000 (G&A, 2021).

The Sustainability Accounting Standards Board (SASB) is one of the most influential and widely used ESG frameworks, and is supported or used by over 260 institutional investors representing US$81T, to inform their investment decisions. The majority of the S&P Global 1200 are SASB reporters, and that figure continues to rapidly grow amid evolving industry norms. In 2020, SASB mapped their standards to the United Nations Sustainable Development Goals (SDGs). "Understanding the linkages between SASB standards and the Goals can inform shareholder engagements, facilitate capital allocation toward specific SDG targets, and help prioritize SDG-related activities based on industry-specific drivers of value," wrote then SASB CEO Janine Guillot (2021). SASB noted that their standards could help investors and businesses identify SDG targets most relevant to material, financial and operational performance across respective industries. SASB's mapping exercise found that 98% of the industry-specific topics included in their standards are related to one or more SDG targets. However, SASB only mapped their industry-specific topics, and not the specific financial material indicators to the SDG targets. The latter analysis would provide a more comprehensive look inside the areas of SDG overlap within the SASB framework.

BlackRock, the world's largest asset manager with around $9T in assets under management, has claimed that the there is significant overlap between the SDGs and corporate indicators that are financially material to long-term performance. The asset manager said in a report in summer 2021 that it had found that the SASB indicators matched with the SDGs as high as 70 percent. For the consumer goods industry, the materiality of ESG information has been found to be more distant from the SDGs. BlackRock's (2019) own assessment found that the SASB indicators in the consumer sector only mapped to approximately 30 percent of the SDG indicators. Additionally, ESG research by S&P Global has found that environmental and social risks were "overall modest" and evenly balanced from a credit perspective within the consumer goods sector.

Consumer demand for brand responsibility outpaces the sector's perceived ESG materiality. Edelman (2021) has found that over 60 percent of consumers believe they can force brands to change, while nearly 80 percent want to exert their power on brands to make society better. A McKinsey (2019) survey found that more than 70 percent of consumers who purchased across the automotive, construction, electronics and packaging said they would pay 5 percent more for a sustainable product if it met the same standards as a non-sustainable alternative. Research by Bain & Co. (2021) covering 8,000 European consumers and more than 60 brands across eight consumer goods categories found that brands delivering the most environmental and social value generated five times the revenue growth of companies delivering the lowest environmental and social value. Yet, the SDGs which are critical to social and environmental progress, are not sufficiently perceived as financially material for investors within the consumer goods sector. The existing consumer sector SASB frameworks may capture risk more comprehensively and unlock new value drivers through alignment with the SDGs.

The following essay seeks to explore: *Which SDGs are deemed particularly irrelevant or relevant to financial materiality in the consumer goods sector? What are the potential industry and development consequences of this disconnect in the consumer goods sector?*

Rationale and Discussion

Materiality Matters

Why is the concept of ESG materiality, or the financial materiality of ESG information, so important? Corporate disclosure has thus far been defined as firms being required to disclosure material information. Materiality, as defined by regulators, has been conceptualized as solely economic information. Financial materiality can traditionally be defined as a concept controlled by the government's narrow interpretation of economic information related to a firm. The U.S. Securities and Exchange Commission (SEC) claims that a 'matter is "material" if there is a substantial likelihood that a reasonable person would consider it important (1999). What ESG information should be considered material remains hotly contested. The existing, narrow scope of government-defined materiality hinders business decision-makers from interpreting and integrating ESG information. Disagreement over what constitutes materiality, including pressure from sustainability organizations, has kept ESG factors from being integrated into business operations (Jebe, 2019).

Investors are increasingly dissatisfied with the traditional definition of materiality and have begun to recognize the relevance of how businesses respond to issues such as climate change, waste management, supply chain management, and workplace policies. In this environment, investors are dissatisfied with the quality and variability of these non-financial disclosures, and are seeking better information on what ESG information is financially material (Maiden, 2021). Materiality, Jebe (2019) explains, is used by the government to shape legal obligations, and used by investors as part of information deemed relevant to make investment decisions. Thus, ESG materiality can be explained as ESG information that investors deem important to inform decision-making.

Academic literature on SDG corporate reporting and ESG financial materiality remains in a nascent stage, despite global acknowledge that we are well behind on achieving the SDGs. The question whether accounting that supports development goals can be integrated with conventional accounting remains a debated topic (Hopper et al., 2017). Between US$3.3-4.5 trillion must be deployed if nations hope to achieve the SDGs by 2030. Developing countries face an average funding gap of $US2.5 trillion annually, in both public and private investment in SDG-related sectors (UN, 2018). Even prior to the pandemic, an analysis of SDG progress by Barbier and Burgess (2019) found a decline in indicators associated to environmental goals SDGs 11–15.

> *"Whilst the need for financial reporting will remain, there is a pressing need for reporting to measure, monitor and make accountable organisations' obligations to help achieve sustainable development goals established by global institutions such as the United Nations." (Hopper, 2019, p. 2)*

Since the adoption of the SDGs in 2015, the UN has regularly called on the "fundamental role" of the private sector to advance and lead in driving the global goals. However, research on how sustainable accounting can further advance the UN Sustainable Development Goals is lacking. BlackRock (2021) has explained that there is no consensus on how to report on SDG alignment despite increasing recognition of the private sector's role. Prior academic SASB framework SDG mapping exists, which omits certain SDG targets that were deemed irrelevant to investor materiality. Academic research that maps all 17 SDGs and all 248 SDG indicators to the SASB framework is limited. Research by Bebbington and Unerman (2018) into accounting and the SDGs found that SDG infused publications, particularly in business, management, and accounting were a substantially small portion of volume, lagging behind social sciences.

> *"Regardless, it was our impression that the study as to how the SDGs might be understood and articulated as a holistic point of engagement with business and management scholarship was not as evident as we might have hoped for." (Bebbington & Unerman, 2018)*

SDGs are increasingly mentioned alongside ESG reporting

Though the degree of overlap and how the SDGs should be interpreted by companies remains contested, the SDGs are increasingly mentioned alongside ESG reporting. The G&A Institute found that in 2020, 240 companies within the Russell 1000 reference the SDGs in their ESG reporting disclosures; 32% of reporting companies in the Russell 1000 discussed alignment to the SDGs. In additional, G&A analysts mapped the companies and industries in the Russell 1000 who discussed SDG alignment in their reporting. They found that the top three industries aligning their reporting to the SDGs were (i) material, (ii) consumer discretionary and (iii) consumer staples. The consumer sector represented the second and third industries who were most closely aligning their strategies or disclosures in sustainability reporting, to the SDGs. Of note, this does not indicate that they are mapping *material* ESG information to the SDGs.

G&A analysts also mapped the 17 SDGs to the Russell 1000's broader sustainability reporting within the consumer sector. They found that the consumer discretionary and consumer staples industries were most strongly aligned with SDG 13 Climate Action (30% and 39%), SDG 8 Decent Work and Economic Growth (32% and 34%), and SDG 12 Responsible Consumption and Protection (31% and 34%). It's important to note that these percentages have been derived from an analysis of broad sustainability reports which may or may not have used a range of reporting methodologies, including SASB, Task Force on Climate-Related Financial Disclosures (TCFD), Climate Disclosure Project (CDP), and the Global Reporting Initiative (GRI).

This essay and mapping exercise seeks to identify the relationship of the SDGs to *material* sustainability reporting within the consumer goods industry. Identifying SDGs that do not overlap with consumer brand financial materiality may help industry stakeholders identify strong and weak points in their SDG impact.

> *"Aligning strategy and disclosure with the SDGs can lead to better relationships and mutually beneficial partnerships with important stakeholders such as investors, local governments, communities, employees, and others." (G&A Institute, 2021, p. 19)*

The SASB metrics are interconnected with the SDG indicators

Before discussing the methodology of this mapping exercise for the 7 consumer goods industries in detail, it is important to examine whether there is value in discussing SASB metrics and the SDG indicators. As discussed, the SASB metrics were derived by industry-wide consensus on what constitutes a *firm's* ESG information that are financially material, with different metrics applied to each industry. The SDG indicators are metrics that measure a *country's* progress along its SDG journey. Although the SASB metrics measure a firm while the SDG indicators measure a country, these measures are deeply interconnected. BlackRock (2019) explains that the SDGs are a framework for global social and environmental framework objectives that demonstrate dependencies between financial and sustainable performance. These claims are tied to their mapping of the SASB metrics to the broad, 17 SDGs. In their assessment, BlackRock (2019) mentions that there is no universal approach to report on SDG alignment. As mentioned in the G&A Institute report, 32% of reporting companies in the Russell 1000 discussed alignment to the SDGs—without a consistent approach.

SASB recognizes that the SDGs were primarily designed for use by countries, however, they add that broader stakeholders including investors and companies are expected to contribute toward achieving the SDGs. Mapping the SDG indicators to SASB metrics enables the creation of a foundation to inform shareholders about the relevance and linkages of the goals, and help them prioritize SDG-specific value creation. Understanding the connections between SDG indicators and SASB standards can improve capital allocation toward specific development goals, and help create clear guidelines on which industry activities can lead to SDG impact. However, it is important to note that SASB disclosure metrics are generally backward looking—an accounting of financially material ESG metrics. The SDGs are forward looking goals, while the SDG indicators are backward looking as they are disclosed as part of an annual reporting package called a Voluntary National Review (VNR). VNRs are reports in which UN member states disclose their annual progress against the 248 SDG indicators.

The seven SASB consumer industries explained

The SASB Standards identify ESG issues most relevant to financial performance across 77 industries. The frameworks, which differ across industries, are designed to help reporting companies explain ESG information that is financially material to their investors. The SASB Standards for the consumer goods sector includes 7 of these industries. In this research, I examine all 7 industries which represent the consumer goods sector, as identified by SASB. The industries are as follows: (1) Apparel, Accessories & Footwear, (2) Appliance Manufacturing, (3) Building Products & Furnishings, (4) E-Commerce, (5) Household & Personal Products, (6) Multiline and Specialty Retailers & Distributors, (7) Toys & Sporting Goods.

Although all 7 industries represent the consumer sector, each have differing ESG metrics which have been deemed material to the specific industries. For example, the SASB framework for the E-Commerce industry includes disclosure guidance for specific metrics regarding data security, data privacy and advertising standards, and employee recruitment, inclusion and performance. Meanwhile, the SASB framework for the Toys & Sporting Goods industry does not include the aforementioned metrics, but instead, lists others, including metrics on chemical and safety hazards of products and labor conditions in the supply chain. SASB explains that their standards for each industry were developed through a rigorous process involving evidence-based research, expansive and balanced participation from experts, companies, and investors, and oversight and approval via the independent SASB Standards Board.

The SDG indicator framework explained

While the broader SDGs were adopted by the UN General Assembly in 2015, the SDG indicator framework was developed and agreed upon two years later in 2017. The SDG indicator frameworks consists of 248 indicators assigned to the 17 SDGs. The indicators are metrics that can be used to track progress along each SDG. For example, SDG 1 No Poverty has a total of 13 indicators. Below are a sample of 3 of these indicators associated to SDG 1 No Poverty:

- Indicator 1.1.1. Proportion of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural)
- Indicator 1.5.2. Direct disaster economic loss in relation to global gross domestic product (GDP)
- Indicator 1.a.2. Proportion of total government spending on essential services (education, health and social protection)

The SDG indicators provide guidance for nations and development stakeholders to implement and track data to monitor progress, guide policy, and enforce stakeholder accountability. *In essence, the SDG indicators are the underlying KPIs for the SDGs that determine how nations are tracking against the development goals.* By comparing the specific material metrics asked by the SASB framework, with the specific indicators used to track SDG progress, this exercise reveals the real overlap between ESG materiality and the SDGs.

The mapping exercise

The mapping processes consisted of four stages. First, the SASB consumer industry metrics were organized into Microsoft Excel with 7 tabs to reflect the different metric criteria for the 7 different SASB consumer industries. Second, each SASB ESG metric was mapped against the 248 SDG indicators. Using the spreadsheet, I assigned specific SDG indicators to each SASB accounting metric across the 7 industries. This was done by adding SDG indicators that track the same SASB ESG metric into the corresponding Excel row. Third, because each SASB ESG accounting metric is explained in multi-page, descriptive detail, the mapping process required a robust review of SASB's detailed guidance to ensure all SDG indicators are captured and appropriately assigned. I employed descriptive statistics for all ESG accounting metrics across the 7 SASB consumer industries, based on the detailed guidance provided by SASB for each metric. The SDG indicators were assigned accordingly based on this analysis. Fourth, in order to ensure quality control, SDG indicator assignments were cross-checked across the 7 SASB consumer goods industries. If the same ESG metric repeated itself in two or more of the consumer industries, the SDG indicator assignments were double-checked to ensure that they are consistent and comprehensive. Following the mapping exercise of the 7 consumer goods industries, I am able to visualize the extent to which the SASB consumer framework covers the SDG indicators.

Table 1 provides an example of this mapping exercise for 1 of the 7 consumer industry frameworks. Below is a breakdown of the columns in the table.

- SASB Disclosure Topic – The disclosure topic is a high-level, industry-specific category that is determined by SASB to be reasonably likely to be material information.

- SASB Accounting Metric – The accounting metrics are quantitative or qualitative metrics that companies disclose to measure their performance against the respective disclosure topic. Each accounting metric had pages of instructions on what and how firms should disclose. Descriptive statistics were deployed to determine which indicators overlap with these instructions and disclosure details.
- SDG Indicator – The indicators are metrics that can be used to track progress along each SDG.

Table 1 shows the full mapping exercise conducted for the Appliance Manufacturing industry. For this industry, SDG indicators were mapped to each of the 6 accounting metrics (see Table 1 rows) that were covered by SASB. Again, each accounting metric has a detailed breakdown and instructions for how companies should disclose the information. Descriptive statistics were deployed to identify the SDG indicators that map to the detailed SASB explanation for disclosing the accounting metric.

Table 1: Appliance Manufacturing– SASB-SDG mapping exercise

Appliance Manufacturing SASB Standards		
Topic	**Accounting Metric**	**SDG Indicator**
Product Safety	Number of (1) recalls issued and (2) total units recalled	None
Product Safety	Discussion of process to identify and manage safety risks associated with the use of its products	**3.9.3** Mortality rate attributed to unintentional poisoning
Product Safety	Total amount of monetary losses as a result of legal proceedings associated with product safety	None
Product Lifecycle Environmental Impacts	Percentage of eligible products by revenue certified to the ENERGY STAR® program	**7.2.1** Renewable energy share in the total final energy consumption **7.3.1** Energy intensity measured in terms of primary energy and GDP **7.b.1** Installed renewable energy-generating capacity in developing countries (in watts per capita) **12.1.1** Number of countries developing, adopting or implementing policy instruments aimed at supporting the shift to sustainable consumption and production
Product Lifecycle Environmental Impacts	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	**7.3.1** Energy intensity measured in terms of primary energy and GDP **9.4.1** CO2 emission per unit of value added **12.1.1** Number of countries developing, adopting or implementing policy instruments aimed at supporting the shift to sustainable consumption and production **13.2.2** Total greenhouse gas emissions per year
Product Lifecycle Environmental Impacts	Description of efforts to manage products' end-of-life impacts	**12.1.1** Number of countries developing, adopting or implementing policy instruments aimed at supporting the shift to sustainable consumption and production **12.4.1** Number of parties to international

		multilateral environmental agreements on hazardous waste, and other chemicals that meet their commitments and obligations in transmitting information as required by each relevant agreement **12.4.2 (a)** Hazardous waste generated per capita; and (b) proportion of hazardous waste treated, by type of treatment **12.5.1** National recycling rate, tons of material recycled
SDG Count		**SDGs Coverage (5/17)**
SDG 3 Good Health and Well-being SDG 7 Affordable and Clean Energy SDG 9 Industry, Innovation and Infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate Action		29.41%

The SDG Count at the bottom of Table 1 displays all SDGs which have at least 1 indicator that maps to the Appliance Manufacturing framework's accounting metrics. The number of SDGs that appear were then divided by 17—the total number of SDGs—to determine the SDG Coverage percentage. Both the SDG Count and SDG Coverage data are analyzed in the following discussion and results.

All 7 SASB consumer industry frameworks were mapped against the 248 SDG indicators, in an exercise consistent with Table 1. Table 2 visualizes the SDGs that appear within the respective industry framework. An SDG is added only if one or more of the respective SDG indicators overlaps with a specific SASB industry metric. For example, Table 2 shows that SDG 6, 9, 7, 12 and 13 all had at least one indicator (underlying SDG KPI) that overlapped with a disclosure metric for the SASB e-commerce industry framework. The 'SDG Coverage' column is a simple percentage that takes the number of SDGs in which one or more indicators is applicable and divides by the 17 total SDGs.

Table 2: Share of the 17 SDGs covered by each consumer sector SASB framework (n=17)

Consumer Sector SASB Frameworks	SDGs Overlapped	SDG Coverage (n=17)
E-Commerce	SDG 6 Clean Water and Sanitation SDG 9 Industry, Innovation and Infrastructure SDG 7 Affordable and Clean Energy SDG 12 Responsible Consumption and Production SDG 13 Climate Action	29.41%
Apparel, Accessories & Footwear	SDG 3 Good Health and Well-being SDG 6 Clean Water and Sanitation SDG 7 Affordable and Clean Energy SDG 8 Decent Work and Economic Growth SDG 9 Industry, Innovation and Infrastructure SDG 10 Reduced Inequality SDG 12 Responsible Consumption and Production SDG 13 Climate Action SDG 15 Life on Land SDG 16 Peace, Justice, and Strong Institutions	58.82%

Appliance Manufacturing	SDG 3 Good Health and Well-being SDG 7 Affordable and Clean Energy SDG 9 Industry, Innovation and Infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate Action	29.41%
Toys & Sporting Goods	SDG 3 Good Health and Well-being SDG 8 Decent Work and Economic Growth SDG 10 Reduced Inequality SDG 12 Responsible Consumption and Production SDG 16 Peace, Justice, and Strong Institutions	29.41%
Building Products & Furnishings	SDG 3 Good Health and Well-being SDG 6 Clean Water and Sanitation SDG 7 Affordable and Clean Energy SDG 9 Industry, Innovation and Infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate Action SDG 15 Life on Land	41.18%
Multiline and Specialty Retailers & Distributors	SDG 5 Gender Equality SDG 6 Clean Water and Sanitation SDG 7 Affordable and Clean Energy SDG 8 Decent Work and Economic Growth SDG 9 Industry, Innovation and Infrastructure SDG 10 Reduced Inequality SDG 12 Responsible Consumption and Production SDG 14 Life Below Water SDG 15 Life on Land SDG 16 Peace, Justice, and Strong Institutions	58.82%
Household & Personal Products	SDG 3 Good Health and Well-being SDG 6 Clean Water and Sanitation SDG 8 Decent Work and Economic Growth SDG 9 Industry, Innovation and Infrastructure SDG 12 Responsible Consumption and Production SDG 13 Climate Action SDG 15 Life on Land	41.18%

Most relevant SASB consumer industries

The mapping of the consumer sector SDG indicators and SASB metrics has revealed weak overlap overall *(Table 2)*. Of note, financially material ESG metrics within the *Apparel, Accessories & Footwear* and *Multiline and Specialty Retailers & Distributors* industries marked the strongest overlap with the SDG indicators. SASB metrics mapped to at least one indicator in 59% of the SDGs (*Table 2*). The SASB frameworks for these industries provide broad material guidance for the disclosure of worker safety, environmental health, water and resource management, and diversity and equality, and nondiscrimination. The aforementioned SASB frameworks overlap with the SDG indicators because of the frequent inclusion of 'S - Social' reporting guidance. This includes disclosures around enforcement of labor codes of conduct for the firm and its suppliers, worker health and safety discussions, and auditing.

ESG-SDG connections: Multiline and Specialty Retailers & Distributors industry

The *Multiline and Specialty Retailers & Distributors* industry is defined by SASB to include the traditional retailers that consumers think of when they imagine consumer companies. This includes department stores, home product stores, warehouse stores, and more specific distributors and wholesalers related to industries like electronics and automotive. Other than the distributors, these companies deal with complex global supply chains, have brick-and-mortar storefronts, and are generally low margin. SASB describes the industry as highly competitive and the relatively substitutable nature of retail creates an environment that exposures firms to reputational risks. This interpretation of the *Multiline and Specialty Retailers & Distributors* industry has enabled SASB to create a robust industry ESG framework that touches 10 of the 17 SDGs *(Table 2)*. The majority of consumers surveyed by McKinsey (2019) who purchased across the automotive, construction, electronics and packaging said they would pay 5 percent more for a sustainable product if it met the same standards as a non-sustainable alternative. However, the SASB Multiline and Specialty Retailers industry categorization remains too broad for companies to leverage sustainability efforts, given that consumer price sensitivities differ by essential and non-essential goods. The ESG risks of electronic wholesalers compared to regular department stores differs substantially and cannot be encompassed by a single industry framework. Further research should be conducted into sustainability consumption habits by consumers across different categories such as: electronics, automotives, household goods, etc.

The consumer industries with the weakest linkages

The consumer industries with the weakest linkages include *E-Commerce*, *Appliance Manufacturing*, and *Toys & Sporting Goods.* SASB metrics mapped to at least one indicator in 29% of the SDGs (*Table 2*). The SASB disclosure guidance for both the *E-Commerce* and *Appliance Manufacturing* industries largely revolved around water, energy and resource use. Although there was reporting guidance around diversity and gender equality within *E-Commerce,* there was no mention of labor codes of conducts for firms and suppliers. *E-Commerce* was the only SASB consumer industry that provided reporting guidance related to SDG 5 Gender Equality *(Table 2)*. Despite this, *E-Commerce* and *Appliance Manufacturing* remained particularly weak in 'S – Social' disclosure, and lacked overlap with SDGs including SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequality, and SDG 16 Peace, Justice, and Strong Institutions.

Understanding the dangers of ESG-SDG disconnects—E-Commerce

The e-commerce sector, per the MIT Real Estate Innovation Lab, has been said to produce 36% less emissions than its in-store counterpart (Prologis, 2021). However, the sector is plagued with scandals in the U.S., particularly as it relates to the treatment of delivery and warehouse workers. Despite labor abuses and frequent lack of accountability and supply chain transparency, *e-commerce* growth appears inevitable. In 2022, the global ecommerce market is expected to reach approximately US$5.55 trillion. The market continues to grow and total sales from online purchases is expected to reach nearly 25% by 2025, up from 17.8% in 2020 (Keenan, 2022). Amid these concerns, SASB's framework for *E-Commerce* does not mention labor codes of conduct for firms and their suppliers. This can be translating to (i) investors and broader industry stakeholders do not find these worker safety issues—which would be housed under S in ESG—financial material enough to inform business decision-making, or that (ii) SASB's framework for *E-Commerce* requires updating in order to capture regulatory and legal risks that firms will face in the near-future and will impact the financial bottom-line.

Understanding the opportunity of ESG-SDG disconnects—Toys & Sporting Goods

The *Toys & Sporting Goods* SASB industry standards focus exclusively on chemical and safety hazards of products and labor conditions in the supply chain. The industry framework notably omits a host of climate-related and land and water related SDGs. According to the mapping exercise, SDG 12 Responsible Consumption and Production does overlap due to a single indicator which focuses on the development of policy instruments related to shifting toward sustainable consumption and production—an insufficient assessment of environmental and resource related risks and how they impact corporate value *(Table 2)*. According to a 2014 UN Environment Programme (UNEP) report, the global toy industry is the most plastic intensive industry in the world. The UNEP analyses presented in the report looks at the exposure of various industries to risks by expressing quantities of plastic used as a natural capital cost. Nature capital cost is the value of environmental resources that companies depend on. Specifically, UNEP found that the toy and athletic goods companies used the most plastic in products per US$1 million revenue. The report also found that the toy, athletic goods and footwear sectors have the highest natural capital intensity, meaning that a higher proportion of their revenue carries these associated risks. Lego Group is one example of a company that is taking on the challenge of product sustainability. The Danish company has sought to sustainably source and produce all packaging materials by 2025, and in 2020 said it would invest US$400 million in social responsibility and sustainability initiatives. Lego saw sales jump 17% in the first half of 2022 and saw massive gains during the pandemic through its appeal across audiences of all ages. As a company at the forefront of plastic innovation with a sophisticated strategy that addresses environmental and social concerns across the entire product life cycle, Lego continues to remain relevant in today's consumer ecosystem. Recent research on global plastic legislative trends has found that the total number of national policies introduced to address negative environmental impact has steadily increased over the passed two decades (Karasik et al., 2022). Though Lego's appeal and consumer demand may be largely attributed to the company's ability to produce products that remain culturally relevant, it is a missed opportunity for the SASB framework to not integrate environmental risks and related to plastics and relevant legislative and regulatory trends into the *Toys & Sporting Goods* SASB industry standards.

Most relevant SDGs

The mapping exercise has also revealed the relevance of the 17 UN SDGs to the 7 SASB consumer frameworks (*Table 3)*. 12 UN SDGs mapped to at least 1 of the SASB consumer sector industries. Notably, 5 UN SDGs—SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 4 Quality Education, SDG 11 Sustainable Cities and Communities, SDG 17 Partnerships for the Goals—did not map to any of the 7 SASB consumer frameworks. SDG 5 Gender Equality and SDG 14 Life Below Water appeared only once, each within the SASB *Multiline and Specialty Retailers & Distributors* framework. Notably, SDG 12 Responsible Consumption and Production appeared in all 7 SASB consumer frameworks. SDG 9 Industry, Innovation and Infrastructure appeared in 6 of 7 SASB frameworks.

Table 3: SDG Relevance, measured by the number of times an SDG appears across the 7 SASB consumer sector frameworks(n=7)

SDG	Occurrence	% Occurrence within the 7 SASB Consumer Goods Industries
SDG 1 No Poverty	0/7	0%

SDG 2 Zero Hunger	0/7	0%
SDG 3 Good Health and Well-being	5/7	71%
SDG 4 Quality Education	0/7	0%
SDG 5 Gender Equality	1/7	14%
SDG 6 Clean Water and Sanitation	5/7	71%
SDG 7 Affordable and Clean Energy	5/7	71%
SDG 8 Decent Work and Economic Growth	4/7	57%
SDG 9 Industry, Innovation and Infrastructure	6/7	86%
SDG 10 Reduced Inequality	3/7	43%
SDG 11 Sustainable Cities and Communities	0	0%
SDG 12 Responsible Consumption and Production	7/7	100%
SDG 13 Climate Action	5/7	71%
SDG 14 Life Below Water	1/7	14%
SDG 15 Life on Land	4/7	57%
SDG 16 Peace, Justice, and Strong Institutions	3/7	43%
SDG 17 Partnerships for the Goals	0/7	0%

Least relevant SDGs

The mapping exercise between the SASB consumer industry ESG metrics and the UN SDG indicators highlights clear gaps that industry stakeholders must address. Particularly if they want to deliver SDG impact through actions that are beneficial for their organization's financial bottom line. Within the consumer sector, it is concerning that five important UN SDGs—SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 4 Quality Education, SDG 11 Sustainable Cities and Communities, SDG 17 Partnerships for the Goals—did not map to any of the 7 SASB consumer frameworks. These SDGs are frequently mentioned across corporate sustainability reporting, yet the SASB framework is unable to articulate value-driving business actions that advance these development goals.

Conclusion

There is much room for overlap between SASB's ESG metrics and the SDGs in the consumer sector that can address growing stakeholder pressure on businesses in the sector—to improve both the financial bottom-line and impact. The mapping exercise with the UN SDG indicators highlights that there are several development goals that remain unaddressed or have weak linkages to consumer sector ESG materiality. The results from the mapping exercise found that SDG 1 No Poverty, SDG 2 Zero Hunger, SDG 4 Quality Education, SDG 11 Sustainable Cities and Communities, and SDG 17 Partnership for the Goals had no linkages to ESG financial materiality in the consumer goods sector. SDG 5 Gender Equality and SDG 14 Life Below Water only mapped to financial materiality in the consumer goods sector for 1 of the 7 SASB consumer sector industries. The SDGs, which are critical to achieve global socioeconomic progress, are not sufficiently understood as financially material for managers and investors in the consumer goods sector—a sector in which consumers, particularly younger generations, are increasingly making choices to purchase from conscious brands.

The SASB consumer goods framework that does not effectively align with the SDGs can create missed opportunities to unlock business value and fail to identify long-term risks associated to climate change, regulatory trends, global supply chains, and shifting consumer habits, among others. In addition, SASB's interpretation of financial materially in the consumer sector hinders the deployment of corporate resources toward sustainable innovation to meet customer demand—failing to stress the important role the private sector plays in catalyzing capital needed to achieve the SDGs.

Wink linkages between ESG materiality and the SDGs may also prevent managers and investors in the consumer sector from steering their businesses to meet increasingly sophisticated stakeholders that scrutinize corporate impact communications and commitments. A 2022 Harris Poll research found that 72% of shoppers think that brands inflate their sustainability efforts (Bounfantino, 2022). Separate research conducted by Harris Poll and Google Cloud found that executives are skeptical themselves of green hypocrisy within their organizations, with 58% agreeing that their firm's sustainability efforts are overstated (2022). In order to combat this skepticism, the consumer industry could reevaluate the ESG metrics that it deems financial material with the SDG indicators to strengthen linkages between impact and value-driving business and investment decision-making. Research finds that 79% of executives said their businesses must do more to align skills and capabilities to deliver sustainability goals (L.E.K., 2022). However, more research is needed to understand management best-practices for integrating ESG and SDG indicators into operating decisions, especially as ESG is not fully recognized as a value-driver.

The mapping exercise has revealed that more research is needed to understand the potential synergies between specific ESG frameworks, beyond SASB, and the UN SDG indicators. This mapping exercise is limited to the consumer sector industries in the SASB framework. To better understand the full breadth of the consumer sector ESG relationship with the SDGs, similar mapping exercises should be conducted with other ESG frameworks such as the GRI, TCFD, and CDP. Moreover, similar exercises could be conducted for different industries to deepen our understanding of how different sectors have varying levels of financial materiality and SDG overlap. The results from mapping the SASB consumer sector ESG frameworks to the SDG indicators reinforce existing academic calls for additional, broad research on the intersection of ESG and SDG corporate reporting.

Finally, as discussed in the essay, the mapping exercise was conducted between the SASB ESG framework, which is meant to measure metrics for for-profit enterprises, and the UN SDG indicators, which are development indicators meant to track progress within countries. Despite clear differences in the institutions measured by these frameworks, it is important to reiterate that a comparison between the frameworks is necessary to catalyze collaboration. This study adds to our nascent understanding of how firms and their investors disclose impact and material ESG issues, and how these disclosures map to the national KPIs that underscore the SDGs. Understanding the overlaps and gaps between public and private sector impact frameworks will enable greater cross-sector collaboration, and help companies align or better understand their impact and ESG strategy that not only mitigates risk, but creates long-term value that aligns to the goals and initiatives of community stakeholders and public sector institutions.

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