FOREWORD

The Materiality Guide for U.S. Dairy aims to help dairy companies conduct their own materiality assessment based on the U.S. Dairy Stewardship Commitment Materiality Assessment conducted by the Innovation Center for U.S. Dairy. The national assessment outlines U.S. dairy sustainability priorities based on more than a decade of industry and external insights, research, stakeholder engagement and collaboration. It further builds on the 11 internationally endorsed Global Criteria (e.g., Animal Care and Greenhouse Gas Emissions) of the Dairy Sustainability Framework. Relevant sustainability topics are context-specific and vary by organization; therefore, the Innovation Center’s national assessment serves as a strong starting point, rather than a substitute, for company-specific materiality assessments.

A materiality assessment provides the foundation for a company’s sustainability strategy and its corporate reporting. It helps focus attention and resources on what matters most. By conducting a structured and sound materiality assessment, companies can identify and better understand their sustainability impacts and prioritize them to inform strategic, management and reporting decisions. Companies also can better communicate with the growing number of stakeholders that are interested not only in what an organization’s sustainability priorities are but also in how they are determined.

The guide outlines key steps needed to complete a robust, credible and beneficial assessment, which can then be described to stakeholders. The assessment process references the GRI Sustainability Reporting Standards, the most widely used framework for sustainability reporting worldwide.

We hope you find the guidance and insights valuable in supporting your ongoing sustainability efforts. Your comments and questions are welcome. Please get in touch at innovationcenter@USDairy.com.
About Materiality

Materiality is about what matters most to decision-makers. Although it is a common concept used in business, financial, legal, regulatory and sustainability settings, different definitions exist, which reflect the unique context and purpose of each setting.

Despite the differences, strong commonalities are clear. In its Statement of Common Principles of Materiality, the Corporate Reporting Dialogue indicates that most materiality definitions agree that “material information is any information which is capable of making a difference to the evaluation and analysis at hand.” This alignment appropriately emphasizes the central role of materiality in decision-making.

The marketplace increasingly expects dairy companies not only to report on sustainability progress but also to disclose how priorities are determined through a materiality assessment. A materiality assessment or analysis is the process of identifying and prioritizing the economic, environmental and social issues that matter most to an organization and its stakeholders. This makes it a valuable management tool. When done well, the process delivers a range of well-recognized benefits to the organization and its stakeholders (see sidebar).

Materiality Within the GRI Standards

The materiality assessment process presented in this guide is informed by the GRI Sustainability Reporting Standards, the first and most widely used global standards for sustainability reporting. The GRI Standards provide a comprehensive framework for organizations of all sizes and types and across sectors to report on a range of economic, environmental and social impacts.

GRI is the independent international organization that helps businesses, governments and other organizations understand and communicate their sustainability impacts. GRI promotes reporting what matters most to a company and its stakeholders, with materiality playing a central role in the GRI Standards. The GRI Standards’ principles-based guidance for determining materiality helps companies identify and consider their main sustainability impacts and, through engagement with their stakeholders, prioritize topics and issues for reporting as well as informing organizational decisions.

I think the benefits of going through a materiality assessment are tangible. By prioritizing certain issues, you’re by definition de-prioritizing others, so going through the process is, in a way, liberating because it frees you to really invest in the most important and most material topics for your company. It can really help set priorities and focus on those things that matter.”

— Hansel New
Manager of Sustainability Programs, Dairy Farmers of America

Benefits

A robust, credible materiality assessment process delivers multiple benefits, as it:

• **Deepens a company’s understanding** of its current and potential sustainability impacts

• **Brings focus** to the topics that impact long-term value creation
  > Provides valuable input to strategy development, risk management, product and service development, reporting and communications, and decision-making in other areas
  > Enables the business to concentrate resources and energy on what matters most
  > Helps build and strengthen the foundation of an organization’s sustainability strategy

• **Supports relationship building** through its emphasis on stakeholder engagement
  > Stimulates dialogue with individuals across organizational units/divisions and with external stakeholders such as suppliers, customers and investors and advocacy groups
  > Builds confidence and buy-in

• **Defines the key topics to be reported** and communicated
  > Improves the quality of the sustainability report and the relevance of its content
  > Increases the credibility of the report by demonstrating that the company hasn’t cherry-picked topics
  > Supports the reliability of the information covered in the report

• **Supports the integration of sustainability** considerations across management systems
Using This Guide

The purpose of this guide is to help U.S. dairy cooperatives and processors conduct their own materiality assessment using the U.S. Dairy Stewardship Commitment Materiality Assessment as a key reference for input. This resource is intended to provide general guidance and share strong practices and examples. It is not exhaustive, and the process presented should be adjusted to fit the needs and context of the individual organization.

While the intended primary readers are individuals at companies that have adopted the U.S. Dairy Stewardship Commitment, the content in this guide can be applied across the value chain and broadly across sectors. The “you” in the guide means anyone in an organization helping to lead or facilitate the materiality assessment process. Their organizational roles vary from dedicated sustainability positions to diverse functions in areas such as strategy, operations, quality and communications.

Structure

The sections in the guide move from high-level to more detailed information for conducting a materiality assessment, with the latter providing an overview for documenting the process. The section on the GRI disclosures related to materiality is also of value for those developing a GRI-based sustainability report.

- High-Level Overview: This section presents the general materiality assessment process introduce the main stages.
- Summary Process for Building on the National Assessment: This one-page reference presents the main steps in each stage and their output along the way. The summary can be used to introduce others to the process.
- Numbered Stages: These sections provide more detailed information, examples and references for the steps within each stage.
- Documenting the Process and Results: A brief discussion on the GRI disclosures related to materiality is also included for those developing a GRI-based sustainability report.
- Appendix: Definitions of key terms along with additional discussion, examples and resources are provided at the end of the guide.

Key Points

The following points are important to keep in mind as you use the guide:

- A GRI materiality assessment is a principles-based, rather than prescriptive, process. This brings flexibility: The specific approach and methods you take can be customized and scaled based on your organization and its resources and needs. The process can be as simple or complex as needed, and it can be refined and expanded over time. In addition, it allows for integration with other management processes, which increases the value of the assessment.

- The process in the guide builds on the national assessment for U.S. dairy. The steps in the following sections highlight ways to integrate and build upon the national assessment for U.S. dairy, which applied a similar GRI-based process, and incorporated other input from the Innovation Center for U.S. Dairy and related industry initiatives. To start, you should review the U.S. Dairy Materiality Assessment.

- Integration with other guidance and frameworks is encouraged. The recommended process is complementary with and considers other frameworks for sustainability, such as the United Nations Sustainable Development Goals (UN SDGs), and leading standards and guidance for ESG (environmental, social and governance) and nonfinancial reporting. Key players in the reporting space include the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC), CDP (formerly the Carbon Disclosure Project) and a range of rating and ranking agencies.

- Additional resources are plentiful. The development of this guide drew from many of the publications on this subject. Refer to the resources in the Appendix for additional information and perspectives. In addition, through the Innovation Center for U.S. Dairy and your organization’s involvement in collaborative Innovation Center programs, you and your organization have a solid foundation and a wealth of resources to support the materiality assessment process.
The process in this guide is informed by the concepts and principles within the GRI Sustainability Reporting Standards. The use of the GRI Standards provides a credible and systematic approach, which can be documented and consistently repeated.

High-Level Overview

Materiality assessment is the process of identifying and prioritizing the social, environmental and economic issues that are most significant to the business and its stakeholders.

The overall approach in this guide involves six main stages (Preparation, Identification, Prioritization, Validation, Application and Ongoing Monitoring) together with the application of the GRI Reporting Principles for defining report content (see sidebar). The principles help an organization determine its material topics by considering its activities and sustainability impacts along with the expectations and interests of its stakeholders. The diagram below presents the stages and highlights the applied GRI Reporting Principles in shaded boxes.

GRI Reporting Principles

- **SUSTAINABILITY CONTEXT** reflects an understanding and reporting of an organization’s performance in the wider context of sustainability.
- **STAKEHOLDER INCLUSIVENESS** ensures that an organization considers the reasonable expectations and interests of its stakeholders.
- **MATERIALITY** determines which relevant topics are sufficiently important that it is essential to report on them.
- **COMPLETENESS** promotes the expectation that the topics covered in the report are sufficient to reflect the organization’s significant impacts and to enable stakeholders to assess the organization.

Anatomy of a Materiality Matrix

The results of a materiality assessment are often visualized in a materiality matrix, which is an effective communication tool. Using the U.S. dairy materiality matrix as an example, the following graphic highlights and defines key terms and concepts.

---

**Topics**
The impacts and issues included in the assessment. Topics are plotted on the matrix, and those in the upper right reflect the highest-priority issues.

**Materiality Threshold**
The level at which topics become material based on the criteria the organization determines.

Multiple thresholds can be set, with the level of reporting or organizational focus following accordingly. The top threshold can be set for topics with the highest importance. These often reflect strategic priorities. Likewise, topics deemed relevant but not material might reflect those of importance to certain stakeholders or potential emerging issues.

---

**Making it your own**

Building on the national assessment for U.S. dairy to conduct your own assessment involves several key parameters for company-specific input:

- **Stakeholders**: Engage with your unique stakeholders and integrate their input at various stages.
- **Impacts/Topics**: Understand and identify the sustainability impacts relevant to your operations, which can begin with the Stewardship Commitment priorities and then include topics from other sources.
- **Significance**: Evaluate the significance of topics within the context of your organization and its sustainability impacts. The national assessment topics are likely to be deemed material, but they might be scored, and therefore prioritized, differently. In addition, you might add other criteria for significance.
- **Threshold**: Set one or more thresholds to determine materiality based on your organization’s assessment of the results.
### Summary Process for Building on the National Assessment

The following summary of the materiality assessment process outlines key steps within each stage. The sections that follow provide more detail on conducting your own assessment based on the U.S. Dairy Stewardship Commitment priorities, the national assessment and Innovation Center resources.

<table>
<thead>
<tr>
<th>STAGE</th>
<th>STEPS</th>
<th>OUTPUT</th>
</tr>
</thead>
</table>
| 1. **PREPARATION:** Set up your materiality assessment for success.  
*Participants: Internal stakeholders* | 1. Assemble the materiality assessment team.  
1.2. Define objectives for the output.  
1.3. Determine stakeholders to engage in the process.  
1.4. Establish dimensions of materiality. | ▶ Initial plans for the materiality assessment, including stakeholder engagement plan |
| 2. **IDENTIFICATION:** Identify topics to be considered in the assessment for evaluation and prioritization.  
*Participants: Internal stakeholders plus invited subject matter experts and external stakeholders* | 2.1. Compile the initial list, beginning with the Stewardship Commitment priorities outlined in the U.S. Dairy Materiality Assessment, which include the Dairy Sustainability Framework Global Criteria.  
2.2. Develop the list further by assessing the internal and external environment through various methods.  
2.3. Document descriptions for the topics, and group them into categories that follow your company’s approach to sustainability.  
2.4. Finalize the list of relevant topics to use and obtain required approvals. | ▶ List of relevant topics (Stewardship Commitment priorities plus other identified topics) |
| 3. **PRIORITIZATION:** Determine material topics through further evaluation and prioritization and threshold setting.  
*Participants: Designated internal and external stakeholders* | 3.1. Assess the significance of the associated economic, environmental and social impacts for each relevant topic.  
3.2. Consider stakeholder views on the importance of each topic.  
3.3. Evaluate the importance of each topic from a business/strategic perspective.  
3.4. Compile results and plot on a materiality matrix.  
3.5. Set one or more thresholds for materiality. | ▶ Proposed list of material topics  
▶ Initial materiality matrix with threshold(s) |
| 4. **VALIDATION:** Confirm and refine the results through additional stakeholder engagement before final approval.  
*Participants: Designated internal and external stakeholders* | 4.1. Present and discuss the results with designated stakeholders.  
4.2. Gather and consolidate the feedback for review.  
4.3. Consider feedback and make any needed adjustments.  
4.4. Obtain leadership approval for the finalized list and matrix. | ▶ Approved list of material topics  
▶ Finalized materiality matrix |
| 5. **APPLICATION:** Use the results to inform organizational decisions and define content for reporting.  
*Participants: Leadership and internal teams* | 5.1. Integrate findings into strategic and operational management systems to manage sustainability impacts and determine areas for improvement.  
5.2. Use the list of material topics to develop sustainability report content, including documenting the assessment process. | ▶ Updated strategy and objectives, report content, improvement initiatives, etc. |
| 6. **ONGOING MONITORING:** Continue to gather feedback and monitor sustainability topics for changes in the significance of impacts and stakeholder interests.  
*Participants: Internal teams* | 6.1. Set up and follow a process to detect meaningful shifts in the assessment of existing topics and the emergence of new topics or stakeholder views. | ▶ Input for future materiality assessments |
1. PREPARATION
This initial stage covers some upfront considerations and decisions to help set up your company’s materiality assessment for success. After you review the full process in this guide, return to these steps to get ready for the assessment.

1.1. Assemble the materiality assessment team
Determine the individuals who will lead and manage the process for your organization. Team members will help plan, conduct, facilitate and document the assessment. This internal team can be one or more people within an organization and might include outside support from sustainability specialists. The team members’ company roles vary by organization but often involve individuals responsible for leading and overseeing sustainability initiatives or serving in strategic management and enterprise risk management positions.

IN PRACTICE | At Schreiber Foods, the Director of Environmental & Sustainability within the Company Affairs division led the company’s assessment and worked with a consultant, which facilitated the process and conducted the analysis.

1.2. Define objectives for the output
Consider how the results of the materiality assessment will be used. The team can work with executive leaders, managers and others who can benefit from the results to set objectives for the materiality assessment. The output is often used to define report content. Materiality assessments also identify key environmental, social and governance risks and opportunities, which can inform sustainability and organizational strategies, resource planning, enterprise risk management and communications. Those who use the materiality assessment as a management tool gain the most benefit from it.

IN PRACTICE | The objectives that Dairy Farmers of America (DFA) set for conducting its materiality assessment were to inform the development of a sustainability strategy and to inform future reporting. Hansel New, DFA’s Manager of Sustainability Programs, described the approach: “When DFA went through a revision of our strategy at the corporate level, which we do every three years, it really made sense to tie in sustainability to the strategy piece and develop a sustainability strategy that rolls up to the corporate strategy. Our materiality assessment was part of that – the early work and setting the context and the most material areas for the strategy.”

1.3. Determine stakeholders to engage in the process
Stakeholder engagement is a key aspect of a strong, well-informed materiality assessment. Involving stakeholders such as shareholders, management, employees and customers in the materiality assessment and reporting process can also strengthen relationships, increase trust and build buy-in.

The GRI Reporting Principle of stakeholder inclusiveness, which emphasizes the importance of considering the reasonable expectations and interests of stakeholders, is applied throughout the assessment process. GRI defines a stakeholder as “any entity or individual that can reasonably be expected to be significantly affected by an organization’s activities, products and services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives” (2016, GRI Standards Glossary, 16).

Identifying key stakeholder groups and individuals upfront can help with planning and decision-making during and after the assessment. After you have reviewed the process, take time to consider who should be involved in the assessment and how they will be involved. Factors such as time, resources and budget can influence your decisions. Refer to page 17 in the Appendix for some suggested steps on identifying stakeholders and methods of engaging with them.

Making it your own
The national assessment for U.S. dairy considered input from representatives across the dairy value chain, including farmers, dairy processors, and retailers and brands. It also incorporated input from stakeholders beyond the dairy community, including nonprofits, government, scientists and academia. By using the national assessment, your company’s assessment will include these multiple perspectives. It is recommended, however, that you add your own unique stakeholders to the process as well.

IN PRACTICE | DFA used interviews and a survey to engage with its key internal and external stakeholders. The team interviewed senior executives, department heads and some of the members/owners of the cooperative. Team members also conducted one-on-one interviews or sent surveys to a selection of customers, nongovernmental organizations, and representatives from the dairy industry and communities.
1.4. Establish dimensions of materiality
Definitions of materiality vary, so it is important to discuss and clarify how your company will evaluate materiality. This is a great opportunity to engage with key internal stakeholders and build common understanding and support for the process. An effective approach to defining materiality for your organization is to consider its dimensions.

GRI’s dimensions: GRI’s definition of material topics identifies two dimensions: “Material topics are those that (1) reflect an organization’s significant economic, environmental and social impacts or (2) are important to stakeholders for informing their assessments and decisions” (2016, GRI 101: Foundation, 10). The Prioritization step uses these two dimensions.
• Significance of economic, environmental and social impacts refers to the positive or negative effect an organization has on the economy, the environment and/or society, which can indicate the company’s contribution to sustainable development.
• Importance to stakeholders assesses the degree to which topics influence stakeholders’ assessments and decisions about the company.

Additional dimensions: Companies also include other factors when assessing materiality (see example below). The following dimensions are commonly used, either in addition to or instead of GRI’s two dimensions. This list reflects general recommendations on determining materiality and positioning the results of the assessment for broader use.
• Importance to, or the impact on, the company and its value drivers
• Influence on business success
• Strategic significance
• Business risk or opportunity

IN PRACTICE | This example presents an approach to visualize three dimensions of materiality within the matrix. In this case, the potential impact on the company, rather than the significance of impacts, was plotted along the x axis, with the importance to stakeholders plotted along the y axis. The ability for the company to influence the topic is represented through circle size.

Source: Schreiber Foods and Navigant Consulting.
2. IDENTIFICATION

The main purpose of this stage is to identify topics that will be evaluated and prioritized in the next stage. This process looks internally and externally to identify relevant topics that reflect economic, environmental or social impacts associated with your business or that are of interest to stakeholders.

Overview

The Identification stage concentrates on the sustainability context in which a company operates and the impacts associated with its activities and its products and services. The research and information gathered in this step is carried into and built upon in the Prioritization stage.

Some teams start with established lists of topics derived from the industry; others begin with an internal review to build the initial list and then expand by referencing recognized frameworks and other external information. In practice, the process is iterative and often involves both approaches concurrently.

The team, with support from internal and external specialists, can compile the initial list of relevant topics, get input from internal stakeholders (such as through interviews) and refine the list as needed before obtaining the appropriate management sign-off on the list of topics to bring to the Prioritization stage.

General steps

2.1. **Compile the initial list, beginning with the Stewardship Commitment priorities outlined in the U.S. Dairy Materiality Assessment, which include the Dairy Sustainability Framework Global Criteria.**

2.2. **Develop the list further by assessing the internal and external environment through various methods.**

### INTERNAL BUSINESS REVIEW

- Conduct a business review of the company.
- Interview representatives of departments or business units and other internal subject matter experts.
- Begin to map the issues/topics identified to existing frameworks of recognized topics.
- Perform a value chain analysis (see page 16 in the Appendix for additional information).
- Map social, environmental and economic impacts (positive and negative) of business activities and the company’s products and services along the value chain, engaging with designated stakeholders.
- Consider the degree of control in managing the impacts. (This is further considered during the Prioritization stage.)

### EXTERNAL REVIEW

- Benchmark peer reports to understand the topics covered and identify any additional topics deemed relevant.
- Review reports from customers and suppliers for additional topics to consider.
- Review reports included in leading frameworks to identify any additional areas to add to the list, again considering the impacts your operations have in these areas along the value chain, as well as the impacts these areas have on your business.

### INPUT

- U.S. Dairy Stewardship Commitment priorities, which incorporate the Dairy Sustainability Framework Global Criteria
- Other sustainability/ESG topics
  - See the List of Potential Relevant Topics on page 11.
- Company information (public and internal): policies, annual reports, sustainability/ESG reports, strategic plans, objectives and commitments, formal management systems, etc.
- Expert feedback
- Peer and industry reports and other public information
  - Refer to the Resources section on page 24 in the Appendix for additional information.

### OUTPUT

- Impacts and where they occur along the value chain
  - See page 21 in the Appendix for further discussion and examples.
- Potentially expanded list of relevant topics

This review is likely to reinforce the topics in the Stewardship Commitment and Dairy Sustainability Framework Global Criteria while identifying additional topics for consideration. Note: The more detailed output of these individual steps informs the Prioritization stage.

2.3. **Document descriptions for the topics, and group them into categories that follow your company’s approach to sustainability.**

2.4. **Finalize the list of relevant topics to use and obtain required approvals.**

### INPUT

- Output from previous steps

### OUTPUT

- Approved list of relevant topics to prioritize with descriptions and categorization, as needed.
Narrowing the universe of topics: Starting with the Stewardship Commitment for U.S. Dairy

The universe of potential sustainability topics is vast and dynamic. It can be overwhelming, so it is helpful to keep in mind that the end result is a prioritized list of topics with a subset identified as material for reporting and for informing strategic and management decisions.

It can be reasonably assumed that the topics in the U.S. Dairy Stewardship Commitment are relevant for most, if not all, dairy cooperatives and processors. Companies that have adopted the Stewardship Commitment are recognized as Dairy Sustainability Framework members and commit to the 11 Global Criteria as valid sustainability topics. Companies are encouraged to use these topics as a starting point; however, your company might decide to limit the initial list of relevant topics to these or cast a wider net to include a broader range of relevant topics.

Refer to the List of Potential Relevant Topics on the next page.

About Impacts

GRI defines an impact as “the effect an organization has on the economy, the environment, and/or society which in turn can indicate its contribution to sustainable development” (2016, GRI Standards Glossary, 9). Impacts can be negative or positive, in line with concepts of creating, maintaining or destroying value.

The following additional considerations can help guide discussions on assessing the significance of economic, environmental and social impacts:

- **Actual and/or potential:** Potential impacts should be considered along with actual impacts that currently occur.
- **Direct or indirect:** The value chain mapping exercise discussed in the Identification stage helps identify relationships between an organization and its impacts.
- **Short term or long term:** Extending the time horizon for impacts supports a more complete assessment.

Tips:

Many companies refine topic names and designate topics in ways that are more relevant to their operations and more meaningful for the company and its stakeholders. This helps with communications and building awareness.

- Maintain a list that maps your labels/terms to those from sources such as the U.S. Dairy Stewardship Commitment and GRI Standards, and include a longer description and definitions of terms to help others understand what is covered by a topic.
- It can be a balancing act to achieve the right level of specificity to evaluate impacts and respond to stakeholder interests while maintaining a manageable number of impacts. To help manage and assess relevant topics, they are commonly grouped into categories, such as people and products.
- The list on page 11 includes food-related impacts. Schreiber Foods shared that its team divided a more general waste topic into packaging waste and food waste so these two areas could be ranked separately.
List of Potential Relevant Topics

The following list provides a reference for identifying relevant topics to include in your materiality assessment. The highlighted U.S. Dairy Stewardship Commitment priorities and the associated Dairy Sustainability Framework (DSF) Global Criteria are recommended as a starting point. The additional sustainability topics listed for consideration have been drawn from the GRI Standards and GRI G4 Food Processing Sector Disclosures, the United Nations Sustainable Development Goals and SASB’s material topics for food and beverage. Other sources include topics/factors used by the leading sustainability/ESG ratings agencies, such as ISS, Sustainalytics, Bloomberg and MSCI.

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>DSF GLOBAL CRITERIA</th>
<th>STEWARDSHIP COMMITMENT PRIORITIES</th>
<th>ADDITIONAL SUSTAINABILITY TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOOD SAFETY</td>
<td>Product Safety and Quality</td>
<td>Product Safety and Quality Ensuring the safety, quality and traceability of dairy products from grass to glass</td>
<td>Other social impacts and aspects: • Access and affordability • Food security</td>
</tr>
<tr>
<td>SUSTAINABLE NUTRITION</td>
<td>-</td>
<td>Health and Nutrition Promoting dairy’s contribution to health and nutrition within sustainable food systems</td>
<td>Environmental/ecological impacts and aspects: • Environmental compliance • Air quality • Materials • Product packaging • Waste, including subtopics of packaging waste and food waste • Deforestation</td>
</tr>
<tr>
<td>ENVIRONMENTAL</td>
<td>Greenhouse Gas Emissions</td>
<td>GHG Emissions Reducing dairy’s footprint to mitigate climate change</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>Energy Use Conserving energy and lowering production costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>Water Conservation Optimizing water use</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Soil Nutrients</td>
<td>Nutrient Management Managing nutrients to maximize growth and safeguard ecosystems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Waste</td>
<td>Resource Recovery Maximizing benefits from products and minimizing waste</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Soil</td>
<td>Feed Impact Minimizing crop production impacts on water, soil, biodiversity, land use, GHG emissions and energy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Biodiversity</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Land Use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANIMAL CARE</td>
<td>Animal Care</td>
<td>Animal Care Ensuring the well-being of the animals in our care</td>
<td></td>
</tr>
<tr>
<td>SOCIAL</td>
<td>Working Conditions</td>
<td>Workforce Development Creating positive and safe work environments</td>
<td>Employment impacts and aspects: • Labor/management relations • Training and education • Diversity and equal opportunity (and inclusion) • Nondiscrimination • Employee engagement</td>
</tr>
<tr>
<td></td>
<td>Rural Economies</td>
<td>Community Contributions Supporting healthy, vibrant communities</td>
<td>Other social impacts and aspects: • Human rights • Customer privacy • Data security • Public policy • Marketing and product labeling</td>
</tr>
<tr>
<td>SUPPLY CHAIN</td>
<td>Market Development</td>
<td>Relevant topic below threshold for reporting in the national assessment</td>
<td>Sourcing/supply chain impacts and aspects: • Procurement/sourcing practices (ingredient sourcing) • Supplier environmental assessment • Supplier social assessment</td>
</tr>
<tr>
<td>ECONOMIC</td>
<td></td>
<td></td>
<td>Economic impacts and aspects: • Economic performance • Farmer livelihoods • Anti-competitive behavior</td>
</tr>
</tbody>
</table>
3. PRIORITIZATION

The stage builds on the stakeholder input, research and information gathered during the Identification stage. Here the objective is to evaluate the relevant topics further so that they can be weighted for prioritization and selection based on the materiality threshold established.

Overview

Prioritization involves increasing the depth and breadth of the analysis of relevant topics and applying weighting to the topics. The process can involve a number of approaches and methodologies for scoring or ranking each topic on different factors including GRI's materiality tests (see next page). There is no single formula.

Each relevant topic is assessed based on a variety of criteria within the dimensions of materiality that your organization has determined (see page 8). The assessment is an objective and subjective process, combining quantitative and qualitative input and judgments to arrive at estimated values/scores for the dimensions identified. The evaluation informs how the topics can differ in importance.

Once compiled, topic ratings for the dimensions considered can be presented on a materiality matrix to visualize the prioritization and set the threshold for materiality, which is the level at which topics become material, based on the criteria you determined. GRI describes materiality as "the threshold at which sustainability topics become sufficiently important that they should be reported" (2016, GRI 101: Foundation, 10).

General steps

3.1. Assess the significance of the associated economic, environmental and social impacts for each relevant topic.
   • Apply the set of factors your company determined to weight or score the topics. See the sidebar on GRI's materiality tests on the next page.
   - Relevant topics
   - Research findings and topic-specific information
   - Scoring methodologies
   - Ratings/scores for each topic reflecting significance of impacts
   - Supporting analysis of results

3.2. Consider stakeholder views on the importance of each topic.
   • Deploy the methods selected to gather and evaluate stakeholder views.
   • If any new relevant topics are identified that the team determines are potentially material, they should be assessed for significance of their impacts.
   • Quantify the results for prioritization.
   • Refer to the tips on the following page.
   - Methods for collecting and quantifying stakeholder interest, such as surveys, interviews and focus groups (see page 17)
   - Ratings/scores for each topic representing importance to stakeholders
   - Supporting analysis of stakeholder results

3.3. Evaluate the importance of each topic from a business/strategic perspective.
   • Considerations include importance to the company and its strategy, impact on long-term value creation and any other factors identified by the team.
   - Output from above steps
   - Scoring factors and methodologies
   - Ratings/scores for each topic representing importance to business/strategy or other factors

3.4. Compile results and plot on a materiality matrix.
3.5. Set one or more thresholds for materiality.
   • Refer to page 5 for additional information and an example.
   - Output from above steps
   - List of material topics
   - Materiality matrix with threshold(s)
   - Supporting documentation and analysis of the process and results
GRI’s Materiality Tests

The following factors, drawn from the GRI materiality tests, can contribute to the weighting of a topic’s significance:

- Recognized subjects of concern for sustainable development (e.g., UN SDGs and the GRI Standards)
- Regulation or legal requirements at the local, state, national or international level
- Association with voluntary standards or agreements or commitments
- Estimable impacts based on life cycle assessments (LCAs) and other scientific research
  > To better understand dairy’s environmental impact across the value chain, refer to the LCA studies commissioned by the U.S. dairy industry. Information is available at USDairy.com/sustainability/environmental-research.
- Likelihood of impact
- Key sector- or industry-related environmental, social and governance topics from an investment or financial perspective
  > These topics are the results of independent materiality analyses (see References).
- Topics and challenges commonly reported among industry peers or addressed in industry initiatives

Organizational considerations include:

- Association with significant risks and opportunities
- Alignment with core competencies or current strategies
- Inclusion in policies, operational management systems and goals (i.e., the topic is being actively managed)
- Degree of control or influence in managing the associated current or potential impacts
- Impact on the financial and/or operational performance of the business, as well as impact on achieving its near-term and long-term strategy
- Current performance
  > Topics where performance is below average could be weighted as more important to address.

Stakeholder factors to consider include:

- Interests and expectations of stakeholders specifically invested in the company, such as employees, cooperative members and shareholders
- Interests raised by other stakeholders, such as nonemployee workers, suppliers, local communities, vulnerable groups and civil society

Tips: Gathering input from stakeholders

Surveys are frequently used to have participants rate and/or rank the topics in terms of importance and to provide additional feedback.

- Participants can be asked to rate or rank topics or select the ones most important to them. You can also provide them with opportunities to identify issues beyond the original set of relevant topics and to explain why they rated or ranked topics the way they did.
- Some teams weight the results of certain key stakeholder groups over others.

Refer to page 17 in the Appendix for additional information and examples.
4. VALIDATION

This step refines and finalizes the results of materiality assessment through additional engagement with designated stakeholders and final approval of the updated results. It helps ensure completeness, in that the results are a balanced representation of sustainability impacts.

Overview

This vetting process helps participants understand how their input has been used and offers them the opportunity to review the overall outcomes of the assessment and provide feedback. This not only helps validate and refine the results, it also builds important buy-in for the process overall.

General steps

4.1. Present and discuss the results with designated stakeholders.
   - This can occur through in-person and/or virtual facilitated workshops and discussions.

4.2. Gather and consolidate the feedback for review.
   - Prioritized list of topics, including those deemed material
   - Materiality matrix with threshold(s)
   - Feedback

4.3. Consider feedback and make any needed adjustments.

4.4. Obtain leadership approval for the finalized list and matrix.
   - The management level for formal sign-off varies but typically occurs at the CEO or similar level.

5. APPLICATION

The value of the materiality assessment increases when the results are put to use in multiple ways. Based on the objectives you set, the results can be used to inform strategic, management, communications and reporting initiatives.

Overview

Many companies use the materiality assessment as an input into their strategic planning. Colleen Geurts, Director of Environmental & Sustainability at Schreiber Foods, shared: “Our key objective for conducting the materiality assessment was to help set new goals for 2030; we wanted to do a materiality assessment to figure that out. It has helped us develop our new plan for the next 10 to 12 years.”

The findings of the assessment can also serve as input to your enterprise risk management system; help identify improvements; spur management, product or service innovation; and determine topics for reporting and communicating to stakeholders.

For reporting purposes, the list of material topics represents those that should be reported. For each material topic in a GRI sustainability report, the company is expected to discuss why it is material, where the impacts occur, and the associated management approach, along with topic-specific disclosures. Refer to the Documenting the Process and Results section on page 15 for related information.

Companies might also report on relevant, non-material topics in which certain stakeholders, such as those in the investment community, are strongly interested.

General steps

5.1. Integrate findings into strategic and operational management systems to manage sustainability impacts and determine areas for improvement.

5.2. Use the list of material topics to develop sustainability report content, including documenting the assessment process.

   - Results of the materiality assessment
   - Updated strategy and objectives, report content, improvement initiatives, etc.
6. ONGOING MONITORING

Materiality is dynamic, changing in response to shifts in the internal and external landscapes in which companies operate. New research findings, for example, can affect the significance of an impact, and the interests of stakeholders can turn quickly.

6.1. Set up and follow a process to detect meaningful shifts in the assessment of existing topics and the emergence of new topics or stakeholder views.

After completing a full assessment, many companies choose to perform an update or refresh of their assessment according to their reporting cycle (typically yearly or every other year). Others set a longer period, such as every three to five years. Frequency should be sufficient enough to detect meaningful shifts in the assessment of existing topics and the emergence of new topics or stakeholder views. In this way, the materiality assessment serves an important role in an organization’s early warning system.

Integration with other management systems can enable multidirectional flow of information throughout the year and help detect signals and emerging trends that can impact a topic’s significance or influence stakeholders’ views. Tracking changes over time can inform management decisions and identify emerging issues.

**Documenting the Process and Results**

Stakeholders increasingly expect companies to understand and identify their material topics and communicate how those topics were determined. The GRI Standards have several disclosures related to the materiality assessment process and its outcomes. These also provide useful guidance for reports developed under other sustainability/ESG frameworks.

Two general disclosures cover the process and its result:

- **GRI 102-46. Defining report content and topic Boundaries:** This general disclosure covers how the organization determined material topics and their Boundaries, GRI’s term for where impacts occur. The explanation also needs to include a specific description of how the GRI Materiality principle has been applied, including how material topics were identified based on the two dimensions of the principle.

- **GRI 102-47. List of material topics:** This list represents the output of the assessment and is often presented as a prioritized list or with the materiality matrix.

**IN PRACTICE** | In past corporate responsibility reports, Energy company RWE presented visualizations of changes in the prioritization of its 10 material issues across multiple years. The matrix below shows shifts in prioritization over three years.

![Material issues 2012 in comparison with the previous years](https://www.group.rwe/en/the-group/responsibility/cr-report-archive)

Source: RWE. Corporate responsibility report archive.

In addition, GRI has three management approach disclosures, which apply to each material topic:

- The first management approach disclosure, GRI 103-1, calls for an explanation of the material topic and its Boundary. For each material topic, the organization needs to describe why the topic is material and where the impacts occur (GRI’s concept of Boundary). The evaluation of impacts along the value chain (see page 21) contributes to the description of a topic’s Boundary.

- The other two management approach disclosures (GRI 103-2 and GRI 103-3) cover an organization’s approach to managing its impacts and to assessing and improving the effectiveness of its approach, which are beyond the scope of the materiality assessment.

Keep these disclosures in mind as you conduct and document your materiality assessment.

**IN PRACTICE** | Refer to the General Mills online sustainability report for an example of responses to these GRI disclosures.
APPENDIX

KEY TERMS

As cited, many definitions are from the GRI Standards.

dimensions of materiality
The aspects that are evaluated and quantified in determining materiality; for example, the significance of the associated economic, environmental and social impacts.

materiality threshold
The level at which topics become material based on the criteria the organization determines.

material topic
A topic that reflects a reporting organization’s significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders (GRI Standards Glossary 2016, 11).

For additional discussion on this term, refer to the Statement of Common Principles of Materiality of the Corporate Reporting Dialogue.

stakeholder
Any entity or individual that can reasonably be expected to be significantly affected by an organization’s activities, products and services, or whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives (GRI Standards Glossary 2016, 16).

sustainability context
The broader societal, economic and environmental circumstances in which an organization’s operations can be fully understood and assessed.

When capitalized, Sustainability Context refers to one of the GRI Reporting Principles for defining report content, which reflects an understanding and reporting of an organization’s performance in the wider context of sustainability (GRI 101: Foundation 2016, 9).

value chain
An organization’s value chain encompasses the activities that convert input into output by adding value. It includes entities with which the organization has a direct or indirect business relationship and which either (a) supply products or services that contribute to the organization’s own products or services, or (b) receive products or services from the organization.

Note 1: This definition is based on United Nations (UN), The Corporate Responsibility to Respect Human Rights: An Interpretive Guide, 2012.

Note 2: The value chain covers the full range of an organization’s upstream and downstream activities, which encompass the full life cycle of a product or service, from its conception to its end use.

(GRI Standards Glossary 2016, 18)

Note on the dairy value chain: The main steps in the dairy value chain, often referred to as “grass to glass” or “farm to fridge,” cover the production of feed for dairy cows to consumer use, as shown on page 4 of the 2011 U.S. Dairy Sustainability Report.

value chain analysis
An assessment of where an organization’s sustainability impacts occur along the value chain, which helps identify not only direct impacts under operational control but also areas of influence upstream and downstream.

Refer to the Value Chain Analysis of Sustainability Impacts section on page 21 for more information and examples.
TIPS & EXAMPLES

The following sections provide additional details, tips and examples for designated steps in the materiality assessment process.

Stakeholder Engagement

1.3. Determine stakeholders to engage in the process

These general steps can help the team identify key stakeholders and consider who should be involved in the assessment and how their input will be gathered.

1. Identify key stakeholder groups and subgroups for your organization.
   - Internal stakeholders: This typically covers shareholders/owners, board of directors and employees.
   - External stakeholders: Common groups are customers and consumers; suppliers at multiple tiers in the supply chain; governments (local, state and national agencies); environmental, social and sector-specific advocacy groups or nongovernmental organizations; academics and researchers; the investment community (investors, exchanges, rating agencies); and the media.
   - Creating subgroups can help to further organize types of stakeholders, as shown in the example below.

2. For each group, consider your organization’s current methods of engagement that might provide insight on stakeholder views (see sidebar).

3. Highlight the methods that could be used to inform the analysis of sustainability topics (see sidebar).
   - Leveraging the input of current methods helps streamline the process and can save resources. For example, the sales team might provide input on customer perspectives based on past conversations or customer inquiries on key topics, such as ingredient sourcing or safety practices. Consumer research can provide insights on topics of interest. See page 24 for Innovation Center and other resources.

4. Consider which stakeholder groups and subgroups will participate in the materiality assessment, at which stages and through which methods.

   - For example, representatives from different departments or business units are often interviewed to identify relevant topics, and employees and selected external stakeholders such as customers, key suppliers and community members are frequently invited to take surveys to gauge their level of interest in the identified relevant topics.

5. Start to identify specific individuals within the groups that you want to invite to participate in the assessment.

Methods of stakeholder engagement

Common approaches to gather feedback directly from stakeholders include day-to-day interaction, interviews, focus groups, workshops and surveys.

Involvement with the Innovation Center and U.S. Dairy Sustainability Alliance® and adoption of the Stewardship Commitment are key engagement mechanisms you can reference.

In addition, stakeholder perspectives can be gathered from other sources: interviews with individuals who work closely with key stakeholders, consumer research, customer questionnaires, sustainability reports (including their material topics and materiality matrices) of customers and suppliers, and material from advocacy groups.

IN PRACTICE | “We [tried] to draw upon resources that are available. We used materiality assessments done by customers and suppliers, if they had them published, and fit them into our ranking.” – Colleen Geurts, Director of Environmental & Sustainability, Schreiber Foods

Example of a stakeholder engagement planning worksheet

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Subgroup</th>
<th>Selected Individuals</th>
<th>Stage</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Senior leadership</td>
<td>All</td>
<td>Identification</td>
<td>Interviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Prioritization</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Validation</td>
<td>Review sessions</td>
</tr>
<tr>
<td></td>
<td>Functional area/</td>
<td>Department managers</td>
<td>Identification</td>
<td>Interviews</td>
</tr>
<tr>
<td></td>
<td>subject matter experts</td>
<td>and specialist</td>
<td>Prioritization</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td>General employees</td>
<td>All full-time</td>
<td>Prioritization</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Union representatives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Prioritization: Survey Design Tips

An online survey is a common, cost-effective method for capturing stakeholder perspectives on the relevant topics. A well-designed survey ensures results that support the analysis and evaluation of the importance of topics to different stakeholders. Here are some points to consider when designing your survey.

**Clear purpose and topic descriptions:** Inform participants of the purpose of the survey and how their responses will be used. For questions related to the topics in your assessment, be sure to include descriptions of the topics so that participants understand what is covered under each.

**Supplemental data to segment results:** Consider how you might want to segment results to support analysis. Common approaches include collecting the stakeholder type or group (and therefore enabling the designation of internal or external stakeholder) and the location of the respondents. Looking at results segmented by internal and external stakeholders or by stakeholder group, for example, helps you spot where there is alignment and significant differences in views on the importance of topics.

### IN PRACTICE

The matrix below from tea company Talawakelle Tea Estates PLC plots topics by level of significance from internal and external stakeholder standpoints. It shows both types of stakeholders in alignment for most topics while highlighting topics, such as transport and product and service labeling, for which the level of significance is higher for one group compared to the other.

<table>
<thead>
<tr>
<th>Materiality Matrix</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment - compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment – overall investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effluents and waste</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom of association &amp; collective bargaining</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child labour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forced or compulsory labour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Society - compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer health &amp; safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human rights - assessments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier human rights assessments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier assessments for impacts on society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grievance mechanism for impacts on society</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-competitive behaviour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect economic impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier environment assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental impacts from products and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental grievance mechanism</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity &amp; equality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equal remuneration for men &amp; women</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier assessment for labour practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human rights - investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous rights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-corruption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer privacy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Colour Code:

<table>
<thead>
<tr>
<th>Economic</th>
<th>Environment</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>

**Level of Significance - Internal Stakeholder Standpoint**

Note: ‘Environmental impacts from products and services’ aspect is categorised under medium-medium materiality criteria as compared to high-high categorisation in 2015/16.

**Rating and forced ranking:** When everything is important, nothing is important. One challenge with rating topics individually is that too many receive a high score.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Not at all important</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee training and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (includes hiring and retention)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity and inclusion (includes equal opportunity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-discrimination (includes aspects such as pay equality)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

One way to help differentiate the importance of topics is to ask participants to select a designated number of topics that are most and least important to them.

Another approach is to have participants rank their highest-rated topics across categories.

**Importance of qualitative items:** Using a combination of quantitative and qualitative items enables you to gather more information to support prioritization. Give survey participants the opportunity to add other topics and enter comments about their ratings and rankings as well share other concerns and comments. Consider combining a survey with discussions – whether through one-on-one interviews or group sessions – to enable you to gain deeper insight into why people rated or ranked topics the way they did, as highlighted in the In Practice example that follows.
Stakeholder Input Worksheet

IN PRACTICE | In conducting Schreiber Foods’ materiality assessment, Colleen Geurts, Director of Environmental & Sustainability, working with a consultant, provided a worksheet (shown below) for participants to fill out prior to an interview with them. The conversation during the interview focused on clarifying why they ranked topics the way they did. Geurts described the benefits of this approach: “If someone scored everything with equal importance, we would ask what their top two and their bottom two were. And then by asking why they scored items the way they did, we were able to gather a lot of context and more depth behind the way the surveys were answered.”

Highlights:

- Descriptions are important to help participants understand what each topic means.
- Rating the topics (in this case, from 0 to 5) is a common approach, providing quantitative data to score topics and calculate averages and other statistics.
- Notes and responses during the interview provided more context and deeper understanding of the reasons participants rated items as they did. Analysis and quantification of the qualitative data can further inform the prioritization of the topics.

### 2030 ENVIRONMENTAL SUSTAINABILITY - MATERIALITY ASSESSMENT

**Stakeholder Input Worksheet**

**Instructions:** Please rate each topic on the three criteria described below.

<table>
<thead>
<tr>
<th>Topics to Prioritize</th>
<th>Description</th>
<th>Importance to you (0-5)</th>
<th>Potential impact on Company (0-5)</th>
<th>Company’s ability to influence (0-5)</th>
<th>Notes</th>
<th>Rating Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; welfare of animals</td>
<td>Preventive medicine ensuring animal’s most basic interests, including the need to avoid suffering, are met. Through the quality of feed for cattle.</td>
<td>3 Moderate</td>
<td>4 High</td>
<td>5 Very high</td>
<td></td>
<td>0 None</td>
</tr>
<tr>
<td>Human rights</td>
<td>Business enterprises should respect human rights. This means that they should take nothing on the human rights of others and should address adverse human rights impacts with which they are involved. All components of the supply chain can be impacted by human rights issues.</td>
<td>2 Low</td>
<td>3 Moderate</td>
<td>4 High</td>
<td></td>
<td>1 Very low</td>
</tr>
<tr>
<td>Farmer livelihoods</td>
<td>Caring for farmers involves ensuring the success of our supply chain. Farmer livelihoods should be considered in both the feed and cattle positions of the supply chain.</td>
<td>1 Very low</td>
<td>2 Low</td>
<td>3 Moderate</td>
<td></td>
<td>1 Very low</td>
</tr>
<tr>
<td>Communities</td>
<td>Whether it’s donating warm blankets or food to those in need, giving blood or a gift of money, we feel strongly about helping our neighbors. Our partners around the globe give back by volunteering, donating money, and serving on boards, councils, and committees.</td>
<td>5 Very high</td>
<td>4 High</td>
<td>5 Very high</td>
<td></td>
<td>5 Very high</td>
</tr>
<tr>
<td>Hunger &amp; food scarcity</td>
<td>Animal products are used in livestock production to maintain health and productivity. These practices contribute to the spread of drug-resistant pathogens in both livestock and humans, posing a public health threat.</td>
<td>1 Very low</td>
<td>2 Low</td>
<td>3 Moderate</td>
<td></td>
<td>1 Very low</td>
</tr>
<tr>
<td>Climate change</td>
<td>The IPCC describes urban climate changes such as increased temperatures, more frequent extreme weather events like hurricanes, and unprecedented droughts. These changes in climate are linked to sea level rise, increased forest fires, changing patterns of human disease, stress on species diversity, among others.</td>
<td>3 Moderate</td>
<td>4 High</td>
<td>5 Very high</td>
<td></td>
<td>3 Moderate</td>
</tr>
<tr>
<td>Packaging waste</td>
<td>Dealing with waste poses both a challenge and a risk - a certain level of infrastructure is required in order to manage post-harvest waste (benefits in innovations, composting, etc.); and if such infrastructure is lacking, waste can pollute communities and pose a risk to human and ecosystem health.</td>
<td>0 None</td>
<td>1 Very low</td>
<td>2 Low</td>
<td></td>
<td>0 None</td>
</tr>
<tr>
<td>Food waste</td>
<td>Food waste has a significant impact on increasingly unsustainable global food systems. Globally, 33% of food is wasted, and the figure is higher, 40%, in the US. Breaking those figures down: an estimated 35% of food is wasted in agriculture, 15% in post-agricultural distribution and retail, and 50% by consumers.</td>
<td>2 Low</td>
<td>3 Moderate</td>
<td>4 High</td>
<td></td>
<td>2 Low</td>
</tr>
<tr>
<td>Water resources</td>
<td>Intensive agriculture is linked to water depletion, which puts stress on local food supply and livelihoods. Within our company’s supply chain, feed, feed and cattle have the greatest impact on water depletion, which varies greatly across the globe.</td>
<td>1 Very low</td>
<td>2 Low</td>
<td>3 Moderate</td>
<td></td>
<td>1 Very low</td>
</tr>
<tr>
<td>Deforestation</td>
<td>Deforestation is the removal of trees for the purpose of using the land for non-forest use. According to the US, the most direct cause of deforestation is agriculture, with our company’s supply chain, feed, and cattle having the greatest impact on deforestation.</td>
<td>5 Very high</td>
<td>4 High</td>
<td>5 Very high</td>
<td></td>
<td>5 Very high</td>
</tr>
<tr>
<td>Ecological impacts</td>
<td>Nutrient management involves matching field soil, climate, and crop management to crop’s needs, including levels of nutrients and timing and rates of fertilizer applications. Effective nutrient management has positive impacts on crop yields, soil quality, and reduced harmful runoff. Since we measure a fertilizer source, it has been included in the impacts considered.</td>
<td>4 High</td>
<td>5 Very high</td>
<td>5 Very high</td>
<td></td>
<td>4 High</td>
</tr>
</tbody>
</table>

Source: Navigant Consulting developed the worksheet with Schreiber Foods for its materiality assessment.
Value Chain Analysis of Sustainability Impacts

Step 2.2 in the Identification stage on page 9 references performing a value chain analysis for the relevant topics in your materiality assessment. While there are many resources available, below are some dairy-related material and examples to inform that process.

Dairy value chain analysis resources

The U.S. dairy industry commissioned life cycle assessment studies to better understand dairy’s environmental impact across the value chain. Multiple resources are available through the Innovation Center at USDairy.com/sustainability/environmental-research.

Page 11 of the U.S. Dairy Stewardship Commitment Materiality Assessment includes a summary of Stewardship Commitment priorities along the dairy value chain.

The following diagram from page 20 of the 2011 U.S. Dairy Sustainability Report presents environmental impacts along the dairy value chain.
Reporting examples

The following examples from General Mills and Unilever show how two companies mapped and presented their material topics along their value chain.

Material issues

This table summarizes the issues that are most material to our global responsibility strategy, including several priority issues ranked highest by our stakeholders. We include information about our approach to and progress on these issues throughout this report and in the Global Reporting Initiative (GRI) index.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
<th>Sub-issues</th>
<th>Impact</th>
<th>Example</th>
<th>Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Advance programs to reduce greenhouse gas emissions and help mitigate the effects of climate change throughout the value chain.</td>
<td>Sub-issues: adaptation and resilience; climate policy advocacy; mitigation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity availability</td>
<td>Maintain reliable access to key commodities and inputs.</td>
<td>Sub-issues: political disruption; severe weather; water-stressed areas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate governance and ethics</td>
<td>Operate with integrity and the highest standards of oversight, ethics and compliance.</td>
<td>Sub-issues: anti-corruption; ethics and compliance; governance processes; privacy and data protection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diverse consumer needs</td>
<td>Diversify our product offerings and meet changing consumer preferences.</td>
<td>Sub-issues: dietary needs; preferred agricultural practices; preferred ingredients</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food safety</td>
<td>Set and maintain the highest standards for food safety and quality.</td>
<td>Sub-issues: auditors; certification; recalls; training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and nutrition</td>
<td>Improve the variety and nutritional profile of our products and engage in public discussions on nutritious lifestyles.</td>
<td>Sub-issues: increasing beneficial nutrients and food groups; decreasing nutrients to limit nutrient dense foods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human rights</td>
<td>Protect and respect human rights throughout the value chain.</td>
<td>Sub-issues: child labor; discrimination; fair compensation; forced labor; freedom of association and collective bargaining; gender equality; human trafficking; land rights; safe and healthy working conditions; working hours</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible sourcing</td>
<td>Improve social, environmental and economic impacts of raw material sourcing.</td>
<td>Sub-issues: integrated pest management; organic/leguminous farming; risk assessments and audits; soil health; supplier diversity; supplier responsibility; traceability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water stewardship</td>
<td>Reduce water use and ensure appropriate water management throughout the value chain, especially in water-stressed areas.</td>
<td>Sub-issues: water use in agriculture; water use in packaging</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animal welfare</td>
<td>Ensure the humane treatment of animals throughout the supply chain.</td>
<td>Sub-issues: animal testing; antibiotic use; the “five freedoms”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Conserve a variety of plant and animal species through sustainable sourcing practices.</td>
<td>Sub-issues: agricultural practices; forestry practices; vulnerable species</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biotechnology</td>
<td>Ensure responsible use of biotechnology tools and techniques in agricultural practices and food production.</td>
<td>Sub-issues: consumer transparency; disclosure requirements; technologies (CRISPR, gene editing; genetically modified organisms)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deforestation</td>
<td>Advance strategies to reduce tree clearing and associated environmental impacts.</td>
<td>Sub-issues: biodiversity; climate change; endangered species; high-risk supply chains (tobacco, fiber, palm oil)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>Foster a diverse and inclusive workplace.</td>
<td>Sub-issues: board of directors diversity; equal opportunity/nondiscrimination; gender equality; workforce diversity; (beliefs, cultural values, gender perspectives, race, sexual orientation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee health, safety and well-being</td>
<td>Maintain a safe workplace for our employees, contractors and visitors, and help employees lead healthier lives.</td>
<td>Sub-issues: accident, injury and illness prevention; physical and emotional wellness; work/life balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee recruitment and retention</td>
<td>Provide competitive pay and benefits, and invest in training and development opportunities.</td>
<td>Sub-issues: compensation and benefits; employee engagement; employee retention; training and development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy use</td>
<td>Reduce energy use and costs throughout the value chain.</td>
<td>Sub-issues: energy efficiency; renewable energy use; total energy use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farming sustainability</td>
<td>Support farmers’ capabilities and capacity to maintain viable operations.</td>
<td>Sub-issues: economic empowerment for smallholder and women farmers; farm worker safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food security</td>
<td>Improve access to healthy, affordable food for the world’s growing population.</td>
<td>Sub-issues: donations; food access and equity; food banks; food deserts; school meal programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food waste</td>
<td>Reduce food waste and loss from field to fork and beyond.</td>
<td>Sub-issues: food rescue/recovery; packaging design to reduce food waste; product labeling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging footprint</td>
<td>Reduce the environmental impact of packaging.</td>
<td>Sub-issues: amount of materials used; lower-impact materials; materials selection (fiber, glass, metal, plastic); ocean plastic; packaging waste; bans; recyclability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public policy and engagement</td>
<td>Engage with policymakers to advance the interests of General Mills and its stakeholders, maintain the company’s license to operate, and drive social and environmental improvement.</td>
<td>Sub-issues: lobbying; policy advocacy; political contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible marketing</td>
<td>Maintain the highest standards for marketing and advertising, including through adherence to internal and industry guidelines.</td>
<td>Sub-issues: commitments and policies; marketing to children; nutrition and ingredient labeling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td>Communicate openly with stakeholders about our products and business practices.</td>
<td>Sub-issues: employment practices; ingredients; labeling; online access to information; supplier relationships</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Material Issues</th>
<th>Innovation</th>
<th>Sourcing</th>
<th>Manufacturing</th>
<th>Logistics</th>
<th>Marketing</th>
<th>Sales</th>
<th>Consumer Use</th>
<th>Consumer Insight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Sourcing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Animal Testing &amp; Welfare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communicable Diseases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumers &amp; Sustainability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Security &amp; Privacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deforestation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Inclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees Well-being</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics, Values &amp; Culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate Action</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance &amp; Accountability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural Sourcing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nutrition &amp; Oils</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging &amp; Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trusted Products &amp; Ingredients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible Marketing &amp; Advertising</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsible Use of Innovation &amp; Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax &amp; Economic Contribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitation &amp; Hygiene</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women’s Rights &amp; Opportunities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Resources

The following Innovation Center and external resources can help you learn more and inform your materiality assessment process and sustainability reporting. All works referenced were accessed on September 20, 2019.

Dairy-specific resources


General references


Consumer research

In addition to referring to these resources, coordinate with sales and marketing teams and others in your organization who closely follow consumer trends for input into the materiality assessment.

The Innovation Center for U.S. Dairy conducts consumer research and shares findings with members of the U.S. Dairy Sustainability Alliance. Page 4 in the 2016 U.S. Dairy Sustainability Report describes recent consumer research efforts and shares key insights that influenced the Innovation Center’s areas of focus and informed the U.S. Dairy Materiality Assessment.

The following publicly available resources provide some useful consumer insights:


Acknowledgments

The Innovation Center for U.S. Dairy appreciates the many individuals involved with the Innovation Center who supported the development of this guide through their review and feedback. Colleen Geurts, Director of Environmental & Sustainability at Schreiber Foods, and Hansel New, Manager of Sustainability Programs at Dairy Farmers of America – both of whom led materiality assessments at their organizations – shared valuable insights and examples that are featured throughout the guide. Navigant Consulting, which supported Schreiber Foods’ materiality assessment, also provided examples from that process.

The Innovation Center for U.S. Dairy acknowledges the work of the team at ISOS Group, Inc. in the development of this guide and Irish Design for design and production.
The Innovation Center for U.S. Dairy® is a forum that brings together the dairy community to address the changing needs and expectations of consumers through a framework of shared best practices and accountability. Initiated in 2008 by dairy farmers through the dairy checkoff, we collaborate on efforts that are important both to us and our valued customers—priorities like animal care, environmental stewardship, food safety and traceability, and community contributions.

The Innovation Center is committed to continuous improvement from farm to table, striving to ensure a socially responsible and economically viable dairy community. Learn more at www.USDairy.com.

www.USDairy.com • InnovationCenter@USDairy.com