



2025 Materiality Assessment Guide for U.S. Dairy

A SUPPORT RESOURCE

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This Materiality Assessment Guide for U.S. Dairy was produced by the Innovation Center for U.S. Dairy (Innovation Center). Founded by Dairy Management Inc. (DMI), the Innovation Center is an organization that works with leaders from across the dairy value chain to align on pre-competitive priorities, drive progress and speak with one voice. DMI and its related organizations work to increase sales and demand for dairy through research, education and innovation, and to maintain confidence in dairy foods, farms and businesses. DMI manages the dairy checkoff which was created by American dairy farmers and is funded by the nation’s dairy farm families and those that import dairy into the U.S. DMI, the Innovation Center and its related organizations cannot and do not seek to influence governmental policy or action.

The information provided in this Materiality Assessment Guide is informed by industry-wide assessments and general analysis of marketplace needs and best practices. The information provided is not based on actual assessments of your dairy company’s operations or business needs. As such, the information provided in this Materiality Assessment Guide should not form the basis for decisions with financial ramifications without first obtaining appropriate professional, scientific, and/or legal advice specific to your company.

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This guide contains references to and citations from the following guidance publications (collectively “referenced guidance”): [GRI 3. Material Topics 2021](#), [1. Guidance to determine material topics](#) and [European Financial Reporting Advisory Group \(EFRAG\) IG1: Materiality Assessment Implementation Guidance \(IG1\)](#). Both GRI and EFRAG work to serve the public interest through the standards and guidance they develop.

Foreword

The Materiality Assessment Guide for U.S. Dairy aims to help dairy companies conduct their own materiality assessment based on the 2025 U.S. Dairy Materiality Assessment.

In 2024, the Innovation Center for U.S. Dairy conducted the industry's third national materiality assessment and its first double materiality assessment. A "double materiality" approach harmonizes leading materiality standards to systematically consider impacts on the environment, society and economy ("impact materiality") as well as the sustainability-related risks and opportunities that might affect financial performance ("financial materiality"). To ensure a robust, evidence-based assessment, the process undertaken to determine topics material to the U.S. dairy industry applied principles and methodologies within the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) for impact materiality and the European Financial Reporting Advisory Group (EFRAG) IG1: Materiality Assessment Implementation Guidance (IG1) for both impact and financial materiality.

The 2025 U.S. Dairy Materiality Assessment remains aligned with the 11 Global Criteria of the Dairy Sustainability Framework (DSF). The assessment is also recognized by the Sustainable Agriculture Initiative Platform (SAI Platform) within the Sustainable Dairy Partnership (SDP) supply chain assurance model.

A materiality assessment provides the foundation for a company's sustainability strategy and its corporate reporting, as it brings attention to what matters most. By conducting a structured and sound materiality assessment, companies can identify and better understand their sustainability impacts, risks and opportunities, and prioritize them to inform strategic, management and reporting decisions. Companies also can better communicate and engage with stakeholders that are interested not only in an organization's sustainability priorities but also in the way they were determined.

The national assessment outlines U.S. dairy sustainability priorities based on more than a decade of industry and external insights, scientific research and data, and engagement and collaboration with stakeholders and experts. Based on well-recognized impacts, risks and opportunities along the dairy value chain and reinforced by broad input from stakeholders and subject matter experts, the national assessment serves as a strong foundation for dairy farms, cooperatives and processors. The material topics are likely to be material for most dairy companies to address; however, the relative ranking and prioritization of the topics might vary by organization. This guidance helps companies consider, evaluate and apply their own organizational factors, such as business activities, relationships and location-specific aspects, to complete their individual assessment.

In this way, the guide serves as a companion resource to the national assessment report to help companies meet company-specific materiality assessment requirements within the [U.S. Dairy Stewardship Commitment](#), SDP and other stakeholder expectations related to materiality disclosure, thereby simplifying the overall process. It outlines key steps for dairy companies to use the national assessment to complete a credible and beneficial assessment at the organizational level.

We hope you find the guidance and insights valuable in supporting your ongoing sustainability efforts, including participation in the U.S. Dairy Stewardship Commitment. Your comments and questions are welcome. Please get in touch at innovationcenter@usdairy.com.

"Double materiality is more than a compliance exercise or reporting requirement—it's a strategic imperative. It equips leaders with the insight needed to navigate growing expectations and evolving risks. U.S. dairy's first double materiality assessment underscored how interconnected sustainability and financial viability truly are. This guide provides a practical framework U.S. dairy companies can use to leverage national findings and conduct their own assessments—translating industry-level insight into company-specific action that supports long-term resilience and value."

*– Emily Bishop
Senior Vice President, Social Responsibility
Innovation Center for U.S. Dairy*

Introduction

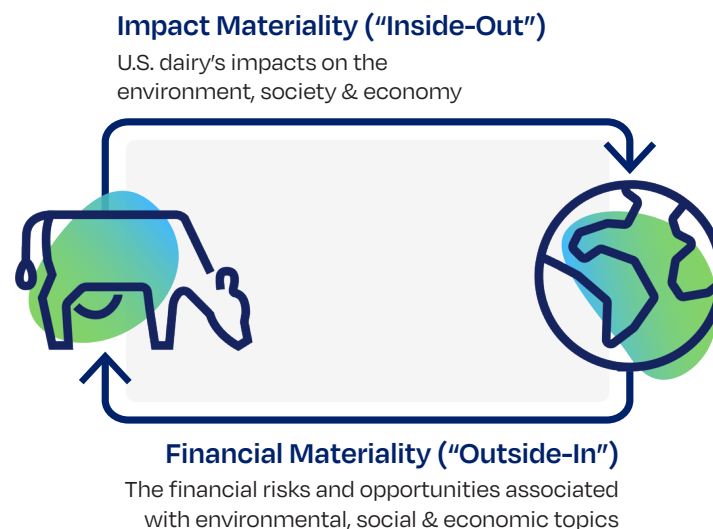
About Materiality

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 that 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 convey 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 is the process of identifying and prioritizing the economic, environmental and social issues that matter most to an organization and its stakeholders.

In recent years, concepts of materiality have developed to address considerations of significant positive or negative impacts on people, the environment and the economy, as well as sustainability matters that are financially material or may affect enterprise value. The “double materiality” approach brings these perspectives together. The process considers the significance of impacts of an entity's activities, products and services on the environment, society and economy (“impact materiality”) as well as the sustainability-related risks and opportunities the entity faces that might affect financial performance (“financial materiality”).

Figure 1. Double Materiality Concept



“The U.S. dairy double materiality assessment is fundamental to shaping and guiding a resilient and forward-looking industry. By evaluating both the financial implications of sustainability risks and our broader impact on society and the environment, we can align our strategy with the expectations of tomorrow. This dual perspective enables us to drive long-term value creation while fulfilling our responsibility as stewards of sustainable progress.”

– Jeremy Pike
Director of Sustainability
Idaho Milk Products

About the 2025 U.S. Dairy Materiality Assessment

The process outlined in the guide was designed to help dairy companies conduct an organization-level materiality assessment by leveraging the results of the national assessment. By considering company-specific circumstances and context, companies can confirm applicability of the topics and results, adjust the ratings and prioritization, and/or add additional topics or deem others as not relevant.

The materiality matrix categorizes topics based on the significance of U.S. dairy's impacts and the financial significance of sustainability risks and opportunities. Related to their placement along those two dimensions, topics were categorized within the following materiality tiers: Important, Material, Highly Material and Most Material. A fifth tier, Relevant, includes remaining topics that were assessed with low-to-moderate financial and impact significance at the national level for U.S. dairy. The full list of topics is provided on *page 15* within the Identification phase. To learn more about the national assessment, refer to the 2025 U.S. Dairy Materiality Assessment report available at usdairy.com.

Scope

The guide covers the topics, boundaries and prioritization in the national assessment. The scope of the national assessment was limited to dairy feed and milk production, dairy processing and packaging within the United States (collectively referred to as "U.S. dairy") but also considered activities and relationships along the full dairy value chain along with their associated impacts, risks and opportunities. High-level guidance is provided for consideration of topics, activities, products and services outside of the scope of the national assessment.

Process Guidance & Standards

The Innovation Center for U.S. Dairy is committed to conducting robust materiality assessments that are guided by international standards and best practices. To ensure a rigorous, evidence-based assessment, the process undertaken to determine topics material to the U.S. dairy industry applied the following guidance and incorporated materiality requirements from sustainability standards, as applicable for an industry-wide national assessment (collectively "referenced guidance"):

- GRI 3. Material Topics 2021, 1. Guidance to determine material topics: Past assessments have applied this impact-based guidance.
- EFRAG IG1: Materiality Assessment Implementation Guidance: This guidance is for double materiality assessments to support sustainability reporting.
- AccountAbility's AA1000 Core Principle of Materiality: This standard outlines that decision makers should identify and be clear about the sustainability topics that matter.

It is recommended that individuals leading the assessment process for their organization review this referenced information.

External Verification

The Innovation Center sought external verification that the process undertaken followed the referenced guidance described in the *Process Guidance & Standards* section on this page and that the reporting meets the referenced GRI disclosure requirements, as applicable for a national assessment. The verification process also confirmed how the use of this assessment can help dairy companies partially or fully meet requirements for conducting a materiality assessment within the Sustainable Agriculture Initiative Platform's Sustainable Dairy Partnership (SDP). The external verification statement is included in Appendix D of the 2025 U.S. Dairy Materiality Assessment report.



Figure 2. Materiality Matrix From the 2025 U.S. Dairy Materiality Assessment

The double materiality matrix below presents the final prioritization of topics within the following tiers: Important, Material, Highly Material and Most Material. The full list of topics assessed, including those categorized as Relevant, can be found on *page 15*.



About This Guide

The purpose of this guide is to help U.S. dairy companies conduct their own materiality assessment based on the 2025 U.S. Dairy Materiality Assessment. This resource is further intended to provide general guidance to conduct an assessment in line with the requirements of global sustainability reporting frameworks and programs such as the U.S. Dairy Stewardship Commitment and SAI's Sustainable Dairy Partnership. It is not exhaustive, and the process presented should be adjusted to fit the needs and context of each individual organization.

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

Structure

The sections in the guide move from high level to more detailed information on preparing for and conducting a materiality assessment (Phases 0 through 3).

Post-assessment steps in Phases 4 and 5 provide overviews for applying the results and monitoring topics over time, with the latter providing an overview for documenting the process. The section on GRI disclosures related to materiality is also of value for those developing a GRI-based sustainability report.

The Appendix contains definitions of key terms.

SDP: Notes are included where applicable to highlight aspects of the process related to Sustainable Dairy Partnership requirements for conducting a materiality assessment.

Companion Resources

This guide has been designed to be used with the following companion resources, which are available on the [Research and Resources page at usdairy.com](#):

- **2025 U.S. Dairy Materiality Assessment:** Information in this report serves as a foundation for your own assessment.
- **Materiality Assessment Workbook:** This Microsoft Word file, referenced as "MA Workbook" throughout the guide, supports the documentation of key input and output from the process. This detailed information helps support internal efforts and external verification. It can also be used to produce a summary materiality assessment report. The file is set up to follow the process in the guide with phase and step identifiers added for easy reference between the two resources. Similarly, the Resources notes at the start of each phase reference the use of this file.
- **MA Excel File:** This Microsoft Excel file is set up to review relevant topics, record assessment ratings or impacts, risks and opportunities (IROs) and support the prioritization of topics. The Resources notes at the start of each phase reference the use of this file.

Referenced Standards and Guidelines

While the guide follows the referenced guidance applied to the national assessment (*page 3*), it is highly recommended that individuals leading the assessment process for their organization review these three sources:

- [GRI 3. Material Topics 2021, 1. Guidance within the GRI Sustainability Reporting Standards](#)
- [EFRAG IG1: Materiality Assessment Implementation Guidance](#)
- [AccountAbility's AA1000 Core Principle of Materiality](#)

Note: Organizations preparing reports in accordance with the European Sustainability Reporting Standards, as part of the EU's Corporate Sustainability Reporting Directive, will need to refer to specific standards and requirements, which are beyond the scope of this guide.

Reminders Before Starting

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

- **The process of identifying and assessing impacts, risks and opportunities typically involves iterative and increasingly in-depth assessments.** The use of the national assessment, as outlined in this guide, provides a foundation by prioritizing well-recognized sustainability topics for U.S. dairy. The process will vary for organizations based on their existing due diligence and sustainability practices; their approaches to risk, strategic and operational management; and any supporting assessments they have already conducted.
- **A materiality assessment is a principles-based, rather than prescriptive, process.** 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 leverages the results of the national assessment for U.S. dairy.** The assessment is based on the extensive body of evidence on dairy's economic, environmental and social impacts. Its results incorporate input from experts and stakeholders and align with multiple frameworks and standards, which also incorporate input from multistakeholder processes. The topics and prioritization groupings are therefore likely to be material for most dairy companies to address, while the relative ranking of the topics might vary. This makes the U.S. Dairy Materiality Assessment a solid starting point for U.S. dairy companies.
- **Integration with other guidance and frameworks is encouraged.** The recommended process is complementary with and considers other frameworks for sustainability and leading standards and guidance for environmental, social and governance (ESG) and nonfinancial reporting. Specific reference is made to the GRI Standards, the SASB Standards and their sector-specific guidance.

Guide Development & Pilot Assessment

The Innovation Center for U.S. Dairy worked with Harbor, a Terracon Company, to develop the guide and supporting resources. To inform the development of this guide, Harbor led a pilot assessment with Idaho Milk Products, a U.S. Dairy Stewardship Commitment Adopter since 2022. Owned by Idaho dairy farmers, Idaho Milk Products is a leading processing company and supplier of high-quality dairy ingredients to food formulators worldwide.

The objective of the pilot was to gain in-practice learning by applying the approach in the draft guide to conduct a company-level double materiality assessment based on the 2025 U.S. Dairy Materiality Assessment. The scope of the pilot was limited to five facilitated sessions covering Phases 0 through 3, focusing on three topics (Water Use & Availability; Workforce Attraction, Development & Retention; and Cybersecurity & Data Protection).

The pilot process helped confirm the updated approach developed for the 2025 guide and strengthen the guidance and resources based on participants' valuable questions and constructive input. Highlights and learnings from the pilot sessions are featured in Phases 0 through 3.

The Innovation Center extends its gratitude to the team at Idaho Milk Products for their time and participation to support this project.

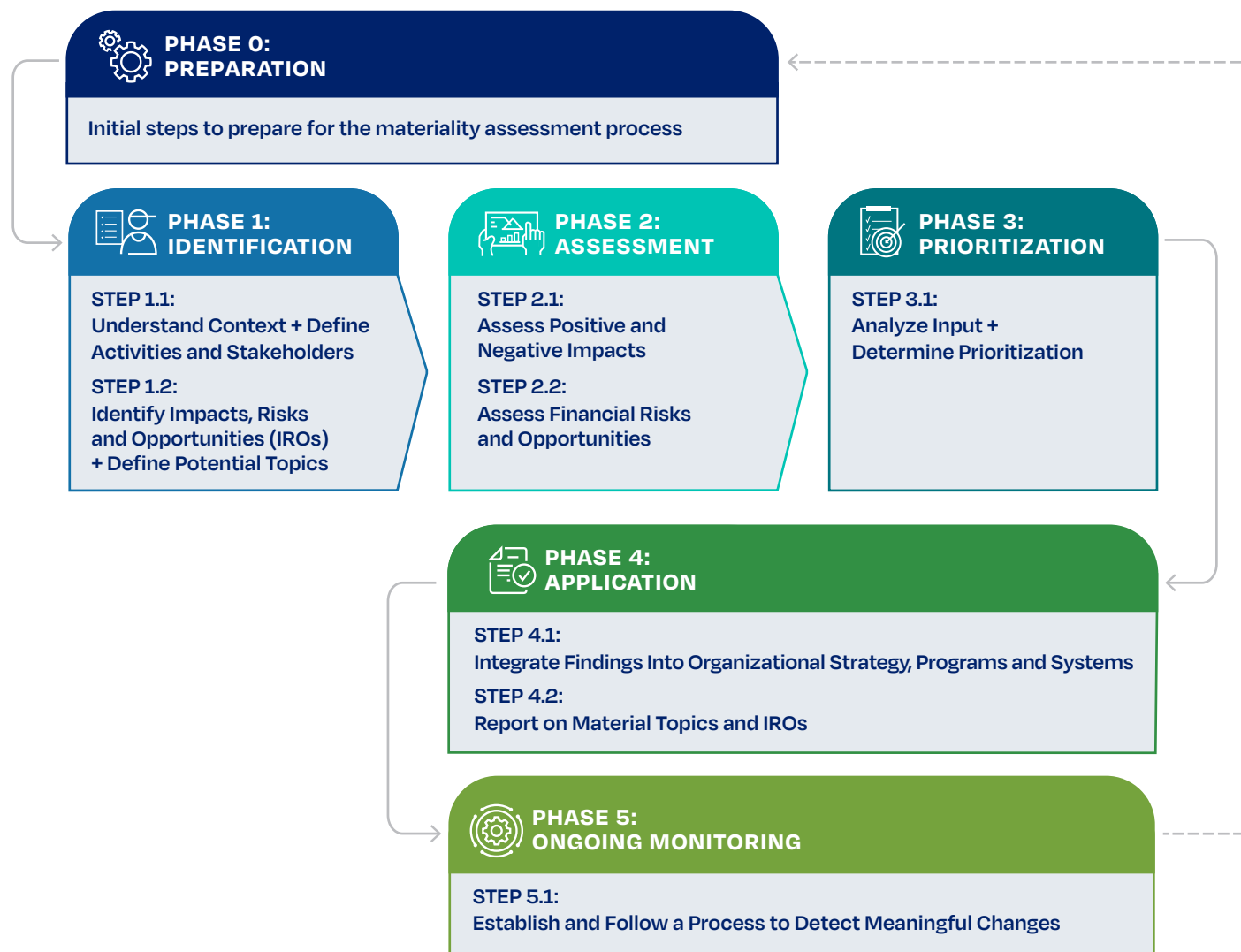
"Having a clear, structured guide for conducting a double materiality assessment is invaluable. This guide not only brings consistency and clarity to a complex process but also empowers teams across the organization to meaningfully engage throughout this process."

*– Daragh Maccabee
Chief Executive Officer
Idaho Milk Products*







Materiality Assessment Process

The process in this guide builds on the approach used to conduct the 2025 U.S. Dairy Materiality Assessment (also referred to as “the national assessment”), incorporating considerations for an organization-level assessment and adding phases before and after the main assessment.

Figure 3. Materiality Assessment Process



The following summary of the materiality assessment process outlines key steps within each phase.

PHASE	STEPS	OUTPUT
PHASE 0. PREPARATION		
	0.1. Plan and Prepare for the Materiality Assessment	> Initial plan for the assessment, including objectives and governance structure
PHASE 1. IDENTIFICATION		
	1.1. Understand Context + Define Activities and Stakeholders 1.1.1. Develop a high-level organizational overview. 1.1.2. Review activities and business relationships within a sustainability context. 1.1.3. Map stakeholders across the value chain. 1.1.4. Identify stakeholders to engage in the assessment.	1.2. Identify Impacts, Risks and Opportunities (IROs) + Define Potential Topics 1.2.1. Review the national assessment topics in the context of your organization. 1.2.2. Identify any additional topics and IROs, as needed. 1.2.3. Update the list of relevant topics and descriptions. 1.2.4. Obtain required approval of the relevant topics and descriptions.
		> Organizational profile with activities, business relationships and stakeholders > List of approved relevant topics
PHASE 2. ASSESSMENT		
	2.1. Assess Positive and Negative Impacts 2.1.1. Establish the assessment criteria. 2.1.2. Assess impacts beginning with the national assessment.	2.2. Assess Financial Risks and Opportunities 2.2.1. Establish the assessment criteria. 2.2.2. Assess risks/opportunities beginning with the national assessment.
		> Preliminary topic/IRO assessment ratings and significance categorizations
PHASE 3. PRIORITIZATION		
	3.1. Analyze Input + Determine Prioritization 3.1.1. As needed, aggregate or regroup IROs into topics. 3.1.2. Review and prioritize topics. 3.1.3. Determine which topics are material.	3.1.4. Validate the prioritization and material topics with designated stakeholders. 3.1.5. Obtain executive approval of the assessment results.
		> Approved list of prioritized material topics
PHASE 4. APPLICATION		
	4.1. Integrate Findings Into Organizational Strategy, Programs and Systems	4.2. Report on Material Topics and IROs
		> Updated strategy and objectives, improvement initiatives, report content, etc.
PHASE 5. ONGOING MONITORING		
	5.1. Establish and Follow a Process to Detect Meaningful Changes	> Input for future materiality assessments



PHASE 0. PREPARATION

This initial phase addresses key considerations and decisions that lay the foundation for a successful materiality assessment.

PARTICIPANTS: Members of the materiality assessment (MA) team along with other internal stakeholders and designated participants

INPUT: Organizational information

RESOURCES: The MA Workbook has prompts and tables to document this step from 0.1.1 through 0.1.3.

OUTPUT: Initial plan for the assessment, including objectives and governance structure, and supporting planning documents

Step 0.1. Plan and Prepare for the Materiality Assessment

0.1.1. Assemble the materiality assessment team.

Determine and recruit the individuals who will help lead and manage the process. 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.

Note: This team will be referred to as the "MA Team" throughout the rest of the guide.

SDP: For stage 2, it is a requirement to provide evidence that the materiality assessment is conducted by qualified individual(s).

0.1.2. Define objectives and standards for the materiality assessment.

Define the following aspects of the assessment with the MA Team.

Objectives: Identify and align on the purpose and objectives of the materiality assessment by considering how the results will be applied.

- Materiality assessments serve multiple strategic functions, including informing organizational and sustainability strategies, supporting reporting disclosures, guiding resource allocation, enhancing enterprise risk management and shaping communications.
- If relevant, an objective may also be to meet the requirements established by the Sustainable Agriculture Initiative's Sustainability Dairy Partnership (SAI SDP) and/or the U.S. Dairy Stewardship Commitment.
- Organizations that approach the materiality assessment as an ongoing management tool tend to derive the greatest value from the process. To maximize its impact, the MA Team should collaborate with executive leadership, managers and other key stakeholders to define clear and relevant objectives aligned with the organization's strategic priorities.

Assessment Type: Determine the materiality assessment type: impact (single) or double.

- The 2025 U.S. Dairy Materiality Assessment implemented a "double materiality" approach to consider both impact and financial materiality. The concept of "double materiality" instructs entities to consider how their activities impact the environment, society and economy ("impact materiality," described as an inside-out view) as well as the sustainability-related risks and opportunities that might affect their financial performance ("financial materiality," described as an outside-in view).
- If the MA Team determines to limit the type of the assessment to focus on only impact, the MA Team can skip *Step 2.2. Assess Financial Risks and Opportunities*.
- Please note that SAI SDP and the U.S. Dairy Stewardship Commitment does not dictate the type of materiality assessment. However, organizations should be aware whether it is subject to regulations that require the use of a double materiality assessment in relation to mandatory reporting requirements, such as the EU Corporate Sustainability Reporting Directive (CSRD).

Standards/Guidance: Determine any standard(s)/guidance the process will follow.

The 2025 U.S. Dairy Materiality Assessment applied the following guidance and incorporated materiality requirements from sustainability reporting standards, as applicable for an industry-wide national assessment (collectively "referenced guidance") to ensure a robust, evidence-based assessment:

- [GRI 3. Material Topics 2021, 1. Guidance](#) to determine material topics, which covers the process for an impact-based assessment
- European Financial Reporting Advisory Group (EFRAG) [IG1: Materiality Assessment Implementation Guidance \(IG1\)](#), which describes how to conduct a double materiality assessment
- [AccountAbility's AA1000 Core Principle of Materiality](#), which outlines that decision makers should identify and be clear about the sustainability topics that matter

SDP: The requirements within the SDP do not dictate which standards/guidance must be followed but do outline that the organization should use an existing methodology, available guidelines developed by the Dairy Sustainability Framework, or guidelines by a national program such as this guide.

0.1.3. Develop a plan for the assessment.

Before initiating the assessment, it is essential to follow and incorporate established internal project management procedures. The considerations outlined below are critical to effective planning:

Governance: Governance, in the context of a materiality assessment, defines roles and responsibilities. A governance body provides oversight, guidance and accountability for the materiality assessment process. This body is often responsible for decisions such as approving scope, allocating resources, determining the threshold for materiality, approving the final list of material topics, and validating and approving the final results.

According to GRI, the organization's highest governance body should oversee the process and review and approve the material topics. In cases where such a body does not exist, a senior executive or group of senior executives should assume this responsibility. The same governance body is often responsible for the use and implementation of the materiality assessment for strategic planning, reporting and due diligence efforts. Types of governance roles can include:

- **Recommendors:** Members of the MA Team who lead the collection of information, identify key options and present informed recommendations.
- **Reviewers:** Internal or external stakeholders serving as subject matter experts (SMEs) or interested parties to review outputs of the assessment.
- **Final approvers/decision-makers:** The individual or group responsible for making key decisions and approving the results. It is best practice for the organization's highest governance body to approve the list of material topics.

Note: While an in-depth review of stakeholders occurs in Phase 1 (1.14) on *page 11*, the MA Team can start to identify individuals who will likely participate in a governing capacity.

Scope: Determine any initial scoping aspects to your assessment, including any limitations or exclusions. The scope of the national materiality assessment was limited to dairy feed and milk production, dairy processing and packaging within the United States. While the primary focus was from "field to processor gate," the assessment considered activities and relationships along the full dairy value chain along with their associated impacts, risks and opportunities. Your assessment might begin with this scope or expand it based on your organization's circumstances, as covered in Phase 1. For example, an organization could document whether the assessment has excluded consideration of impacts associated with certain business relationships.

Timing: Develop an initial schedule for the assessment, incorporating any constraints or dependencies. The depth and breadth of assessments can vary, which can affect the duration of the process. The MA Team can refine the schedule as it learns more.

Pilot Highlight

Idaho Milk Products conducted its first materiality assessment in 2022, so it was able to build on its results and leverage the team's prior experience.

The Director of Sustainability led the pilot assessment for Idaho Milk Products. Ahead of the first pilot session, the Director of Sustainability assembled a cross-functional team for the pilot. Team members included the Chief Executive Officer (CEO), Director of Supply Chain, Director of Quality and Food Safety, VP of Sales and Marketing, and Farm Liaison and Sustainability Coordinator.

While establishing the scope of the assessment, the team decided to include consideration of business activities associated with current products and new ones launching in the near term. The team's decision to consider short-, near- and long-term objectives demonstrated robust integration of the company's strategic initiatives within the materiality assessment.

SDP: Stage 1 requires an action plan for conducting an assessment, including the following:

- a description of the assessment's scope, including any limitations or exclusions
- an overview of the relevant regional stakeholders in the named sourcing origins of the milk (refer to Phase 1 on *page 11*)
 - For example, if your organization operates nationally, each region of the country can be categorized as a named sourcing origin of milk.
- plans to consider the 11 DSF Criteria and four SDP Foundational Elements (refer to Phase 1)
- If all topics from the national assessment (listed on *page 15*) are assessed, then this requirement will be satisfied. Note that this requirement does not mandate these topics are material but rather mandates that these topics are evaluated in the assessment.
- a methodology (e.g., GRI Standards) to evaluate the outcome of the materiality assessment and set priorities such as high, medium and low, in the named sourcing origins of the milk



PHASE 1. IDENTIFICATION

The main purpose of this phase is to identify key stakeholders and the topics for which economic, environmental or social impacts, risks and opportunities will be assessed in the next phase. It involves creating a high-level overview of an organization's activities, business relationships and stakeholders, along with the sustainability context in which it operates.

PARTICIPANTS: MA Team with contributions from identified subject matter experts

INPUT: Organizational information from sources such as past materiality assessments and other assessments, annual and sustainability reports, strategic plans, management systems documentation and evaluation reports, website content, etc., and from departments and functional areas such as operations, human resources, legal and compliance, marketing and sales, procurement/sourcing, research and development, and investor relations

RESOURCES: The MA Workbook has prompts and tables to document each step in this phase. The MA Excel file has a worksheet to support with Step 1.2.

OUTPUT: Organizational profile with activities, business relationships and stakeholders, the approved list of relevant topics with descriptions and associated IROs, and supporting files

Step 1.1. Understand Context + Define Activities and Stakeholders

1.1.1. Develop a high-level organizational overview, including activities and business relationships along the value chain.

Establishing an initial, high-level profile of your organization and its specific circumstances helps the MA Team identify, better understand and evaluate impacts, risks and opportunities, and who is impacted. It will also begin to highlight relevant information to gather for use during the assessment.

Note: The consideration of organizational and sustainability context, activities, relationships and stakeholders often occurs concurrently and iteratively through discussions and information gathering. If your company has already conducted a materiality assessment, you can reference the information used for that assessment and make any necessary updates.

The following elements of an organizational profile provide context for the activities and business relationships:

- Organization's purpose, mission and core values
- Business model(s), strategy and objectives
- Description of organization's value chain, including the sectors in which it is active, which it supports and with which it interacts.
- Types of activities it carries out (e.g., milk production, product manufacturing, marketing, distribution, etc.) and value chain activities
- Products and services offered and markets, including description of customer segments and the geographic locations where products and services are available
- Types of business relationships, such as business partners, suppliers, customers and other downstream entities
- Geographic locations of direct operations and assets and of key entities/business relationships along the value chain
- Systems in place to comply with laws and regulations

If this information is not already consolidated, be sure to summarize it as part of the documentation of your materiality assessment. Much of this information is often included in sustainability reports.

1.1.2. Review activities and business relationships within a sustainability context.

Organizations should develop a comprehensive understanding of the sustainability context in which their organization's activities and business relationships occur, including how these activities and relationships can impact sustainable development. Sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."¹ This understanding is essential for identifying sustainability-related impacts, risks and opportunities, as well as for effectively managing and communicating them.

- The MA Team should identify, consider and discuss key aspects including:
 - Economic, environmental and social, including human rights, issues at the local, regional and global levels relevant to the organization's sectors and geographic locations (see the *Sustainability Context* box below)
 - Applicable legal and regulatory landscape with consideration of present and potential developments over near- and long-term time horizons
 - Responsibilities to adhere to authoritative intergovernmental instruments
 - Commitments to external initiatives, e.g., the U.S. Dairy Stewardship Commitment

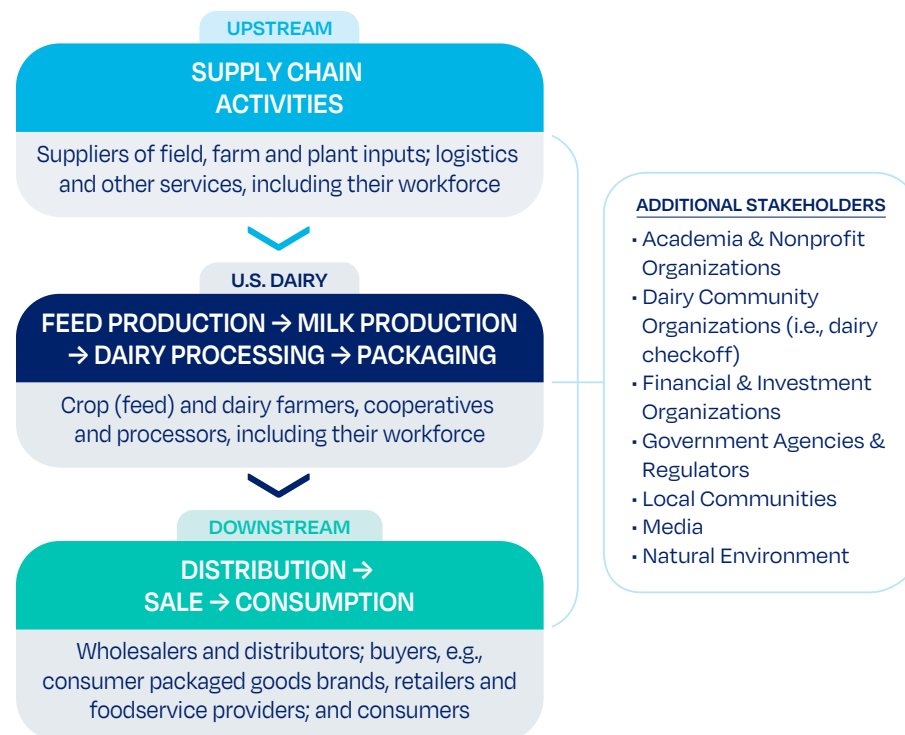
Sustainability Context

The 2025 U.S. Dairy Materiality Assessment considered U.S. dairy within the wider context of sustainable food systems and sustainable development overall. The sustainability context for global food systems and for dairy's contributions and impacts within them has been well studied and documented. At the broadest level, the Sustainable Development Goals (SDGs) within the 2030 Agenda for Sustainable Development provide a holistic representation of the objectives for peace and prosperity for people and the planet, now and into the future.

For example, the 11 Global Criteria of the Dairy Sustainability Framework, with which the national assessment aligns and upon which the SDP is based, describe global dairy's role within sustainable food systems. The 2025 U.S. Dairy Materiality Assessment builds on this global view to provide the national context for U.S. dairy companies.

During Phase 1 of the national materiality assessment, the most common activities in the dairy value chain were mapped with an overlay of where the identified stakeholders would most likely fit and/or be affected (Figure 4). This can provide a starting point from which dairy companies can detail their specific activities, business relationships and types of stakeholders.

Figure 4. Main Activities & Stakeholders within U.S. Dairy Value Chain



Source. 2025 U.S. Dairy Materiality Assessment report

1 World Commission on Environment and Development. (1987). Our Common Future, 16.

1.1.3. Map stakeholders across value chain activities and business relationships.

Identify stakeholders across value chain activities and business relationships identified in the previous steps.

- *Figure 4* on the previous page illustrates the key stakeholder groups relevant to the U.S. dairy industry.
- Stakeholders may be categorized based on activities, products and services, specific projects or other groupings that are meaningful to the organization.
- It is important to include stakeholders who may not be directly engaged by the organization, such as supply chain workers, or those unable to represent their interests or experiences, including infants or future generations.

1.1.4. Identify stakeholders to engage in the assessment.

Organizations should maintain a continuous understanding of stakeholder interests and concerns. Stakeholder perspectives help to identify and assess IROs and, therefore, are considered critical for a strong, well-informed materiality assessment. Engaging stakeholders such as shareholders, management, employees and customers during the materiality assessment process can also strengthen relationships, increase trust and build buy-in.

- The 2025 U.S. Dairy Materiality Assessment collected perspectives and input from a wide range of relevant stakeholders, experts and information users (see the *Stakeholder Inclusion in the National Assessment* box on the right). By leveraging the national assessment, organizations can consider how to integrate this wide range of perspectives. However, the MA Team should also evaluate and include relevant internal and external stakeholders specific to their organization's context, such as employees.
- Review current methods of engagement. Information gathered from various engagement methods on an ongoing basis can be used in the assessment. For example, sustainability surveys from customers convey topics that matter to them, and information submitted through employee or customer grievance mechanisms can provide insights into areas of concern and potential impacts.
- Determine areas where stakeholder input is needed and where you want to engage directly with certain stakeholder groups during the assessment process. This is often iterative in nature during the process.
- After you have reviewed the process, begin to identify who should be involved in the assessment and how and when they will be involved or how their concerns and perspectives will be incorporated. Factors such as stakeholder input already collected as well as time, resources and budget for the assessment are common considerations.

Consultation with affected stakeholders helps your organization understand how they may be impacted, which can be used to identify and assess IROs. Engagement with internal and external SMEs and information users can support the identification and assessment of IROs and validation of the results of the materiality assessment.

Stakeholder Inclusion in the National Assessment

GRI defines a stakeholder as an “individual or group that has an interest that is affected or could be affected by the organization's activities” (GRI 1: Foundation 2021, 31). Other definitions consider individuals, groups or organizations that affect and/or could be affected by an organization's activities, decisions or products or services and/or those whose actions could affect the organization's ability to implement its strategy. Other terms for stakeholders include interested/affected parties or groups.

The EFRAG IG 1: Materiality Assessment Implementation Guidance describes two groups of stakeholders: affected stakeholders and users of the sustainability statement (information users). Stakeholders can be included in both groups.

Engaging with stakeholders enables organizations to understand how they might be affected by the organizations' activities as well as their expectations about sustainability topics, management practices and performance. The 2025 U.S. Dairy Materiality Assessment considered the views of a wide range of relevant stakeholders. The assessment team requested and considered input from representatives across the dairy value chain, including dairy farmers, processors, retailers and brands. You or individuals from your organization—and your customers—might have directly contributed feedback. Input from experts and stakeholders beyond the dairy community also was incorporated.

More than 150 representatives from over 100 organizations nationwide provided direct input for use in the national assessment.

Research integrating the perspectives of affected stakeholders was also incorporated in the assessment.

Refer to the referenced guidance as well as AccountAbility's AA1000 Stakeholder Engagement Standard (AA1000SES) for more information on stakeholder inclusion and engagement.

Step 1.2. Identify Impacts, Risks & Opportunities and Define Potential Topics

The national assessment identified environmental, social and economic impacts, and risks and opportunities associated with the industry's activities, which were grouped under relevant topics (*page 15*). These topics are likely to be relevant for most U.S. dairy farms, cooperatives and processors; therefore, this step begins with a review of this list. The MA Team and other participants should read the topic summaries in Appendix A of the 2025 U.S. Dairy Materiality Assessment report.

In addition, the MA Team, with support from internal and external SMEs, can identify additional IROs for inclusion in the assessment. The list might also be adjusted based on new insights and input that arise during later steps in the assessment.

1.2.1. Determine the applicability of the topics in the national assessment to your organization's circumstances.

The table on the next page lists the topics in the national assessment. The MA Workbook provides the list of topics with brief descriptions.

If you have previously conducted a materiality assessment, map your list of topics to those in the national assessment.

- The MA Team can identify topics and associated IROs through reviews of the organizational profile and assessment results, external sources, and discussions with cross-functional representatives, experts and stakeholders.
- Consider the organization's relationship to the impacts; i.e., whether its activities cause, contribute to and/or are linked to the impacts (see *Figure 4*). This affects how companies manage these areas to mitigate negative impacts and promote positive ones.
- If any topics are determined not to be relevant based on your specific circumstances, the reason for that determination should be described.

1.2.2. Identify any additional topics and IROs as needed.

Topics that are outside of the scope of the national assessment (e.g., impacts associated with non-dairy ingredients, or locations and business relationships outside of the United States) can be added to your list based on our organization's specific circumstances.

Additional IROs can be identified through internal and external sources.

1.2.3. Update the list of relevant topics and descriptions for your organization.

Develop the list by refining the topic labels and descriptions and grouping topics into categories as appropriate for your organization.

- Include descriptions of types of impacts (see highlight to the right).
- Coordinate reviews and updates with designated participants, as needed.

About Impacts, Risks and Opportunities

Impacts are effects the organization has or could have on the economy, environment and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development (GRI Standards Glossary 2021, 11).

Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Sustainability-related financial risks are those arising from environmental, social, and governance matters that could negatively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium, and long term.

Sustainability-related financial opportunities are those related to environmental, social or governance matters that could positively affect the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium and long term.

1.2.4. Review the list of topics and descriptions with designated individuals and obtain required approvals.

Finalize the list with input from designated approvers.

It is important to recognize that the list of relevant topics can be updated as new insights and input are considered during later phases in the assessment.

Topics Assessed in the 2025 U.S. Dairy Materiality Assessment with Mapping to Dairy Initiatives

Topics are sorted by category and then by materiality tier.

Notes: Topics in *italic* reflect partial alignment. SDP Foundational Elements beyond the 11 Dairy Sustainability Framework (DSF) Criteria are designated with an asterisk (*).

Refer to the MA Excel file for a table that includes interconnected topics and mapping with reporting standards.

Category	Topic	Materiality Tier	U.S. Dairy Stewardship Commitment	DSF Criteria + SDP Foundational Elements*
Environmental	GHG Emissions & Energy	1. Most Material	GHG Emissions; Energy Use	Greenhouse Gas Emissions
Environmental	Water Quality & Nutrient Management	1. Most Material	Water Quality; Nutrient Management	Water Availability and Quality; Soil Nutrients
Environmental	Water Use & Availability	1. Most Material	Water Quantity	Water Availability and Quality
Environmental	Climate Resilience	2. Highly Material		
Environmental	Materials & Packaging	3. Material	<i>Packaging; Resource Recovery</i>	
Environmental	Soil Health & Quality	3. Material	Nutrient Management; Land Use (within Feed Impact)	Soil Quality and Retention; Soil Nutrients
Environmental	Waste & Resource Recovery	3. Material	Resource Recovery; <i>Packaging</i>	Waste
Environmental	Air Quality	4. Important		
Environmental	Biodiversity	4. Important	Biodiversity	Biodiversity
Environmental	Land Use & Conversion	4. Important	Land Use (within Feed Impact)	Deforestation*
Social/Socioeconomic	Animal Care	1. Most Material	Animal Care	Animal Care; Animal Welfare*
Social/Socioeconomic	Food Safety & Product Quality	1. Most Material	Product Safety & Quality	Product Safety and Quality
Social/Socioeconomic	Health & Nutrition	1. Most Material	<i>Product Contributions; Product Safety & Quality</i>	
Social/Socioeconomic	Worker Health, Safety & Well-Being	1. Most Material	Workforce Development	Working Conditions; Human Rights*
Social/Socioeconomic	Economic Contributions	2. Highly Material		Rural Economies
Social/Socioeconomic	Economic Viability & Resilience	2. Highly Material		Rural Economies; Market Development
Social/Socioeconomic	Food/Nutrition Security & Accessibility	2. Highly Material	Product Contributions	
Social/Socioeconomic	Workforce Attraction, Development & Retention	2. Highly Material	Workforce Development	
Social/Socioeconomic	Working Conditions & Labor Practices	3. Material	Workforce Development	Working Conditions; Human Rights*
Social/Socioeconomic	Community Impact & Engagement	4. Important	Community Contributions	
Social/Socioeconomic	Other Human Rights: Rights of Indigenous Peoples; Land & Resource Rights	5. Relevant		Human Rights*
Governance	Cybersecurity & Data Protection	2. Highly Material		
Governance	Responsible Marketing & Product Labeling	4. Important		
Governance	Business Conduct: Anti-Competitive Behavior; Anti-Corruption	5. Relevant		
Governance	Responsible Sourcing	5. Relevant		
Governance	Transparency: GMO Management; Public Policy	5. Relevant		



PHASE 2. ASSESSMENT

The purpose of the second phase is to assess the significance of the relevant impacts and the financial significance of relevant sustainability-related risks and opportunities. This phase integrates available objective data with input from affected stakeholders and subject matter experts into the assessment process.

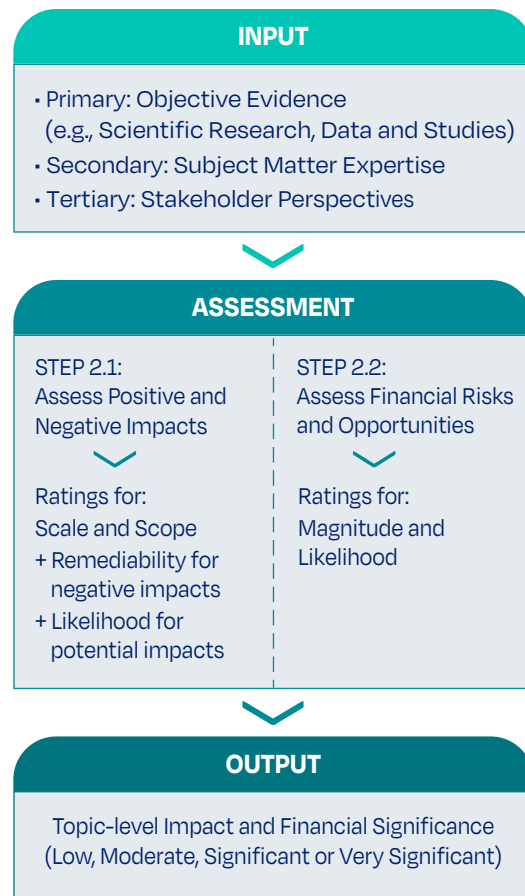
PARTICIPANTS: MA Team with contributions from subject matter experts by topic/ groups of topics and from affected stakeholders (initially identified in Phase 1 and further updated during this phase)

INPUT: See the *Sources of Information and Input for the Assessment Phase* box below

RESOURCES: The MA Workbook has tables and prompts to document each step in this phase. The MA Excel file supports with Steps 2.1 and Step 2.2.

OUTPUT: Preliminary impact and financial ratings, as well as significance categorizations, for each reviewed topic and associated IROs

Figure 5. Overview of the Assessment Process



Sources of Information and Input for the Assessment Phase

During this phase, and throughout the review of each topic, various sources of information should be considered to provide supporting evidence for assessment outcomes. These sources may include:

- Organizational profile and context information from Phase 1
- Results and supporting information from a previous materiality assessment, if applicable
- Existing sustainability and annual financial reports
- Internal processes that can be leveraged, such as approaches to identify and assess IROs and to determine financial materiality, and their output
- Objective evidence about impacts, risks and opportunities, such as:
 - Topic-specific performance metrics
 - Assessments of environmental aspects and impacts identified as part of an environmental management system, lifecycle assessment findings, and audit findings
 - Existing assessments of workplace hazards, human resources reports, levels of employee engagement, input into employee and customer grievance mechanisms, and audit findings
- Output from due diligence and risk management processes; existing information on external triggers that could cause financial effects, such as from environmental scanning, strategic early warning systems and SWOT analysis; existing evaluations of external impacts (such as those associated with Climate Resilience and Cybersecurity & Data Protection)
- Previously compiled research, such as consumer insights, product research and community evaluations
- Direct and indirect input from internal and external subject matter experts and from affected stakeholders
 - Individuals involved in overseeing the management of individual or groups of topics and associated IROs, such as functional specialists or managers
 - External individuals or organizations with topic-specific knowledge
 - Individuals and communities affected by the IROs, or their representatives
 - Information gathered through stakeholder engagement channels such as customer and employee surveys, focus groups and interviews

Note: The steps that follow provide general guidelines and in practice are not entirely linear. Given that actual and potential impacts carry risks and opportunities, you might find it more efficient to work through Step 2.1 and Step 2.2 on a topic-by-topic basis.

Step 2.1. Assess Positive and Negative Impacts

This step examines the significance of impacts associated with each topic. Impacts include those that are positive or negative, intended or unintended as well as actual (meaning already occurring) or potential. The assessment of impacts should consider relevant time horizons.

2.1.1. Establish the assessment criteria.

Organizations should define and document the criteria and thresholds for assessing the materiality of economic, environmental and social impacts. While the referenced guidance provides a standardized framework for assessment criteria, each organization is responsible for establishing its own rating systems and defining relevant parameters such as short-, medium- and long-term time horizons and materiality thresholds. It is recommended to incorporate relevant existing impact and risk assessment practices already in use within the organization—such as those applied in due diligence, risk assessment or hazard management processes.

This foundational information must be clearly documented. For detailed guidance, refer to the source materials cited.

Criteria: Based on the referenced guidance, the following criteria are used to assess the significance of economic, environmental and social impacts.

Define a rating scale to describe low to high values for each criterion.

- **Scale:** Magnitude of the impact, i.e., how detrimental/damaging (negative) or beneficial (positive) an impact is
 - Example ratings of slightly, moderately or very detrimental (numeric scale of 1 to 3)
- **Scope:** How widespread the negative or positive impacts are
 - Example ratings of site specific or limited, community area or concentrated, regional or medium, national, or global or total (numeric scale of 1 to 5)
- **Remediability (for negative impacts):** The extent to which negative impacts can be addressed, remedied or reversed

Note: The label “Irremediability” is also commonly used.

 - Example ratings of remediable, remediable with effort or irreversible (numeric scale of 1 to 3)
- **Likelihood (for potential impacts):** The likelihood of the impact occurring
 - Example ratings of unlikely, likely or highly likely to occur (numeric scale of 1 to 3)

Relevant time horizons: The assessment should consider relevant short-, medium- and long-term time horizons, in particular when evaluating likelihood. Time horizon definitions may be aligned with those established in an organization's financial, strategic or due diligence processes. For example, the short term may be defined as up to one year, the medium term as one to five years, and the long term as beyond five years.

The application of impact criteria, following the referenced guidance, is based on the nature of the impact.

Impact	Positive	Negative
Actual	Beneficial impact <ul style="list-style-type: none"> • Scale • Scope 	Severity (negative impact) <ul style="list-style-type: none"> • Scale & Scope • Remediability
Potential	Beneficial impact (from above) & Likelihood	Severity (from above) & Likelihood

EXAMPLE: Impact Table

This example table shows the criteria in use to record the results for the assessment criteria for different types of impacts associated for a topic. Each impact must be assessed independently, and positive impacts do not offset negative ones. Refer to the *Phase 3 Pilot Highlight* on page 24 for additional considerations.

Sustainability topic	Impact on people or environment	Impact classification		Scale	Scope	Remediability (for negative)	Likelihood & time horizon (for potential)	Significance category	Material from impact perspective?
Topic	Impact 1	Negative	Actual	3 out of 3 (Highly detrimental)	4 out of 5 (National)	2 out of 3 (Remediable with effort)	–	Very significant	Yes
	Impact 2	Negative	Potential	2 out of 3 (Moderately detrimental)	3 out of 5 (Regional)	2 out of 3 (Remediable with effort)	2 out of 3 (Likely in the medium term)	Moderate to significant	Yes
	Impact 3	Positive	Actual	1 out of 3 (Slightly beneficial)	2 out of 5 (Community area or concentrated)	–	–	Low	No

Significance categories: To support the assessment process, the MA Team can establish significance categories to group combinations of criteria ratings, as highlighted in the example matrix to the right. This can help with communication and ongoing management of topics.

Threshold for materiality: Quantitative and/or qualitative thresholds must be established to assess the materiality of impacts connected to an organization's activities and those directly linked to its operations, products and services throughout the upstream and downstream value chain.

While general thresholds can be defined, the referenced guidance describes conditions based on the type of impact, such as the following notes about negative impacts:

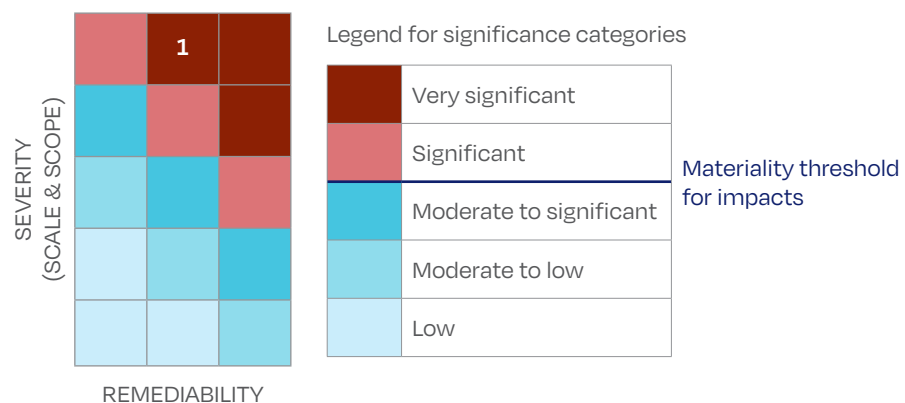
- Any of the three characteristics (scale, scope, and remediability) can make a negative impact severe or significant, and therefore material.
- In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

The criteria and significance categories support making informed judgments about the materiality of the impacts. All updates and clarifications made during the assessment process should be thoroughly documented.

EXAMPLE: Matrix for Severity of an Actual Negative Impact

In this example for actual negative impacts, a matrix visualizes the severity (scale and scope) and remediability ratings in a color-coded grid. Five categories were defined ranging from low to very significant, as noted in the legend. The threshold for materiality includes the significant and very significant categories.

Using the actual negative impact in the table above as an example, the initial criteria ratings place impact 1 in the very significant category, which is above the designated threshold for impact materiality.



2.1.2 Assess impacts beginning with the national assessment.

Note: The depth of the impact assessment should reflect its intended purpose and the ways in which the results will be applied. An iterative approach may be employed based on available resources and organizational needs. Additional guidance is available in the *Guidance on Level of Assessment* box at right and in the referenced guidance.

- If a prior materiality assessment has been conducted, the results from the previous assessment should be mapped and reviewed in relation to the results of the 2025 U.S. Dairy Materiality Assessment.
- If the topic was deemed material in the previous assessment, the next step should be pursued to build on that assessment, particularly in either of the following scenarios:
 - The previous assessment was based primarily on subjective data (e.g., survey responses) rather than objective information (refer to *Sources of Information and Input for the Assessment Phase*).
 - There have been changes in organizational performance or other internal or value chain factors that could affect the assessment of impacts and, where applicable, related risks and opportunities.
- If these scenarios do not apply, the previous assessment may be confirmed as valid. This review and the rationale for the decision should be documented before proceeding to Step 2.2.
- Review the topic-level results of the national assessment (see the topic summaries in Appendix A of the 2025 report) in the context of the organization, with consideration given to the significance of both impacts and financial relevance.
 - Many topics, such as Animal Care and Food Safety & Product Quality, are broadly recognized as material within the dairy industry and may not require as detailed an assessment as others.
 - Some topics that were not deemed material at the national level, such as Land Use & Conversion and Public Policy, are strongly recommended for organization-specific assessment.
 - **Note:** Where alignment exists between the national assessment and organizational priorities, it is appropriate to leverage the national analysis and supporting objective evidence, supplemented by any available internal data. In such cases, a detailed reassessment may not be required; however, topics should still be evaluated in relation to one another upon completion of individual assessments.
- As needed, assess the primary impacts associated with each topic.
 - If not already identified, the main environmental, social, and economic impacts for each topic should be determined.

Guidance on Level of Assessment

EFRAG's implementation guidance (IG 1, 3.31 Impact materiality assessment) recognizes the appropriateness of an impact level determination of materiality:

"Depending on the kind of impact, it may not always be necessary to assess in depth each of the criteria of severity, based on the undertaking's specific facts and circumstances, to determine whether the impact is material or not. For example, when there is an established scientific consensus about the severity of a particular kind of global or localised environmental impact, the undertaking can conclude that it is indeed material without having conducted an in-depth analysis of its scale, scope and irremediability. Therefore, the undertaking shall exercise judgement, informed by the available evidence, to determine what the appropriate level of the assessment of the severity criteria is."

Many actual and potential impacts associated with material topics in the national assessment, in particular those in the most material tier, meet this circumstance.

- Consider available input from all relevant sources to inform the assessment, including objective data and insights from affected stakeholders and subject matter experts (see *Sources of Information and Input for the Assessment Phase*).
 - Begin documentation of key considerations, including identified impacts, current management approaches, evidence of significance, and other supporting data that inform the impact ratings. This information provides the basis for conclusions and should be recorded in the MA Workbook.
- Assess each impact at the appropriate level of detail. See *Guidance on Level of Assessment* above, which describes situations when judgment of materiality can be made without an in-depth assessment of each criterion.
 - **Negative impacts** should be prioritized in line with due diligence practices.
 - **Positive impacts** may also be considered but do not offset or negate identified negative impacts.
 - **Potential impacts** should be evaluated in terms of likelihood and mapped to the relevant time horizon.
- Determine applicable significance category, if using, and materiality in relation to the threshold established for the type of impact.
- Complete the documentation on the inputs used, rationale and conclusions for each impact criterion and for the overall materiality determination.
 - If the significance of a topic's impact differs from that identified in the national assessment, a clear explanation of the reasons for the variance should be provided.

Step 2.2. Assess Financial Risks and Opportunities

This step focuses on assessing the financial significance of the risks and opportunities associated with each topic. These risks and opportunities may stem from the impacts assessed in Step 2.1, from organizational dependencies, or from other topic-specific factors.

Financial effects are considered significant if they affect an organization's development, financial position, financial performance, cash flows, access to finance, or cost of capital over the short, medium, or long term. Risks refer to potential negative financial effects that may occur within the short, medium or long term. Opportunities refer to potential positive financial effects over those same time frames.

A risk or opportunity is considered material if it could reasonably be expected to result in significant financial impacts on the organization.

2.2.1. Establish the assessment criteria.

Organizations are responsible for establishing their own financial risk and opportunity assessment criteria, rating schemes, and materiality thresholds. These definitions must be clearly documented and disclosed. Refer to the relevant guidance for further detail on best practices.²

Where applicable, existing organizational practices—such as those within due diligence, enterprise risk management, or hazard identification processes—should be leveraged. For instance, some organizations employ Job Safety Analyses (JSA), which commonly use a severity and likelihood rating system that can be adapted for this context.

Criteria: In accordance with the referenced guidance, the financial significance of risks and opportunities should be evaluated using the following two criteria:

- **Magnitude:** The potential scale of financial effects that a risk or opportunity could pose across the following dimensions—business development, financial position, financial performance, cash flows, access to capital, and cost of capital (over the short, medium or long-term)
 - Example ratings of low/minimal, moderate/noticeable or high/significant financial effect (numeric scale of 1 to 3)
- **Likelihood:** The probability that the risk or opportunity will materialize over the applicable time horizon (short, medium, or long term)
 - Example ratings of unlikely, likely or highly likely to occur (numeric scale of 1 to 3)

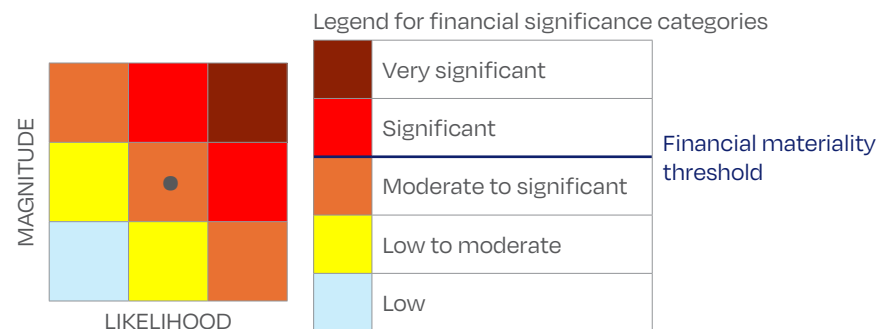
Relevant time horizons: The assessment should consider the short-, medium-, and long-term time horizons, particularly when evaluating likelihood. These timeframes should be consistent with those used in organizational financial planning, strategy, or due diligence processes. For example, a company might define short term as one year, medium term as up to five years, and long term as more than five years.

Threshold for materiality: Quantitative and/or qualitative thresholds should be applied to determine whether a risk or opportunity is financially material. Organizations are encouraged to align this threshold with established risk management and financial decision-making processes. All updates and refinements made during the assessment process must be documented, including the rationale and supporting evidence.

Significance categories: To aid in communication and management, organizations may group results into significance categories, similar to the approach utilized in Step 2.1.1.

EXAMPLE: Matrix for Significance of Financial Effects

A visual matrix can support this step by mapping magnitude and likelihood into defined tiers of financial significance (e.g., low to very significant). In the example matrix below, the threshold for financial materiality includes only the upper tiers (e.g., significant and very significant). Topics falling below this threshold—such as one rated as moderate to significant—would not be deemed financially material.



² EFRAG IG 1, section 3.3.2 Financial materiality assessment (24-25).

2.2.2. Assess risks and opportunities beginning with the national assessment.

Note: The depth of the assessment should reflect its intended purpose and the ways in which the results will be applied. An iterative approach may be adopted based on organizational needs and available resources.

- Begin by reviewing the topic-level findings from the national assessment, as outlined in Appendix A of the 2025 U.S. Dairy Materiality Assessment report. These findings should be evaluated in relation to the organization's context, with particular attention to the significance of identified impacts and their financial relevance.
 - **Note:** When there is alignment with the organization's circumstances, the analysis and scientific evidence from the national assessment can be leveraged alongside any readily available, company-specific information. While an in-depth assessment might not be necessary for all topics, organizations will need to document the applicability of the national results to their activities and operations, complete this step, and then consider the topics in relation to one another after the assessment of all topics has been completed (Phase 3 on page 23).
- Where additional evaluation is required, conduct an assessment of the main risks and opportunities associated with each topic, following referenced guidance or other applicable resources.
 - If not already completed, identify the primary risks and opportunities linked to each topic.
 - Incorporate all relevant input to inform the evaluation of risks and opportunities, (see *Sources of Information and Input for the Assessment Phase*), including: information on the organizational context, assessment of actual and potential impacts, objective data, and insights from stakeholders and subject matter experts.
 - Begin documenting key considerations related to risks and opportunities, including any relevant scenario planning or research, and the evidence supporting assessments of magnitude and likelihood. This documentation forms the basis for conclusions related to each topic.
- Assess each risk and opportunity at the appropriate level based on the input reviewed.
- Determine materiality in relation to the threshold previously established for financial significance.
- Complete the documentation of inputs used, decision rationale, and conclusions for each criterion reviewed and for the overall materiality determination.

Types of Risks

Risks and opportunities may arise from actual or potential impacts; from organizational dependencies—such as reliance on natural resources (e.g., water) or skilled labor; and from external factors, including changes in regulation, consumer preferences or in the environment.

A topic is considered to present a financial risk and/or opportunity if it affects, or has the potential to affect, an organization's financial performance, financial position, cash flows, or its access to and cost of capital. Financial risks and opportunities can be associated with one or more categories:

- **Operational:** Circumstances that may affect day-to-day operations, potentially leading to a loss in productivity (risk) or an improvement (opportunity)
- **Strategic:** Factors that could weaken (risk) or strengthen (opportunity) an organization's ability to achieve its strategy and objectives
- **Regulatory/Legal:** Issues related to compliance with laws, regulations or industry standards
- **Reputational:** Events or developments that could harm (risk) or improve (opportunity) public perception, brand image, or stakeholder trust

Many organizational risks are interconnected, with the presence of one risk or opportunity often increasing the likelihood or severity of others. For instance, a regulatory compliance failure may disrupt operations, which in turn could lead to reputational damage.

Topic summaries included in Appendix A of the 2025 U.S. Dairy Materiality Assessment report provide additional information on the risks associated with each topic.

Phase 2 Pilot Highlight

The topics designated for the pilot were Water Use & Availability, Workforce Attraction, Development & Retention, and Cybersecurity & Data Protection. The Idaho Milk Products' MA Team invited internal experts in these areas to contribute their perspectives and knowledge, underscoring the importance of targeted stakeholder engagement during the assessment phase.

The facilitated discussions for Step 2.1 and Step 2.2 brought to light several important aspects when conducting a materiality assessment.

- While impacts, risks and opportunities (IROs) are evaluated individually with their specific criteria, the discussion about IROs is often interconnected and concurrent. For example, while considering associated impacts related to Workforce Attraction, Development & Retention, participants naturally shifted to describing the risks associated with attracting and/or retaining its workforce—and, likewise, the opportunities associated with high levels of engagement and retention.
- The significance of IROs can vary over time, underscoring the need to consider multiple time horizons. When discussing Workforce Attraction, Development & Retention, for example, the team discussed associated IROs in relation to the present situation as well as scenarios based on the company's medium- and long-term strategy. In addition, external trends that could alter the labor market in the coming years were considered.
- Any one of the assessment criteria can make an IRO or topic material, as noted on *page 11*. During the discussion of Cybersecurity & Data Protection, the magnitude of the financial implications of a major cybersecurity incident that could disrupt plant operations factored more into the risk being deemed material despite its low likelihood. Ongoing investment in protecting data and systems at Idaho Milk Products reinforced the significance of the topic.

“Participating in the double materiality assessment provided a powerful opportunity to elevate the voice of our workforce in strategic decision-making. By identifying people-related risks, opportunities and impacts—such as talent attraction, employee well-being and future skills—we underscored that human capital is recognized as both a driver of value and a key dimension of our sustainability platform.”

– Christina McFarlin
Sr. HR Generalist-Talent Acquisition
Idaho Milk Products

“Contributing to the double materiality assessment allowed us to highlight how cybersecurity, data privacy and digital trust are not just technical issues, but strategic ones at Idaho Milk Products. These areas carry significant risks and opportunities that can have a direct impact on stakeholder confidence and long-term value. Embedding them into the assessment further supports our ability to stay ahead of emerging threats while building a more secure, resilient and sustainable digital future.”

– Tyler Lassen
IT Manager and Systems Administrator
Idaho Milk Products



PHASE 3. PRIORITIZATION

The purpose of this phase is to consolidate the results of the impact and financial assessments conducted in Phase 2, in order to support the prioritization, review, and final determination of material topics.

PARTICIPANTS: MA Team with contributions from designated internal and external stakeholders (initially identified in the plan as Reviewers and Final approvers/decision-makers and further updated during Phase 1)

INPUT: IRO assessments and documentation from the previous phase

RESOURCES: The MA Workbook has tables and prompts to document each step in this phase, with the MA Excel file supporting particularly 3.1.1 through 3.1.3.

OUTPUT: Approved list of prioritized material topics and completed MA documentation

Step 3.1. Analyze Input + Determine Prioritization

The approach taken in this step may vary depending on the objectives of the assessment, the level of detail applied during Phase 2, and any applicable requirements outlined in relevant standards.

Note: The guidance primarily draws from the GRI Standards, given the broader context of the assessment and application beyond mandatory reporting, while integrating guidance from IG 1. It is recommended that organizations apply the guidance most appropriate to their intended use of the assessment results.

3.1.1. As needed, aggregate or regroup IROs into topics.

While the previous phase focuses on assessing individual impact, risks and opportunities (IROs), the detailed findings can be consolidated to the topic-level for the purpose of reviewing and finalizing in this phase. This does not apply if the assessment was completed at the topic-level, instead of at the IRO-level.

- Example: For a topic such as "Food Safety & Product Quality," the assessment may have considered actual and potential impacts related to food safety incidents and noncompliance with customer requirements. In this phase, those details can be aggregated under the broader topic heading for prioritization.

3.1.2. Review and prioritize topics based on their associated impacts and financial assessments.

Topics should be prioritized relative to one another, ranked from most to least significant in terms of impacts and associated financial significance.

- Topic-level significance categories can be applied based on the IRO assessments, to reflect the most significant associated IROs (not an average of them).
- In the context of a double materiality assessment, a materiality matrix may be used to visualize both impact significance and financial significance—similar to the national assessment approach illustrated in *Figure 2 (page 4)*.
- The MA Workbook can facilitate this topic review and ranking process along with the placement of topics on a matrix.

- Prioritization of topics is important when it is not feasible to take action to address all topics simultaneously. It enables an organization to focus on what matters most or where improvement is most needed (GRI Standards, 103).

3.1.3. Determine which topics are material based on the threshold established.

A topic is typically deemed material for reporting purposes if it meets the threshold for either impact significance or financial significance. While meeting both criteria is not required, topics that do so may be considered to have greater overall materiality.

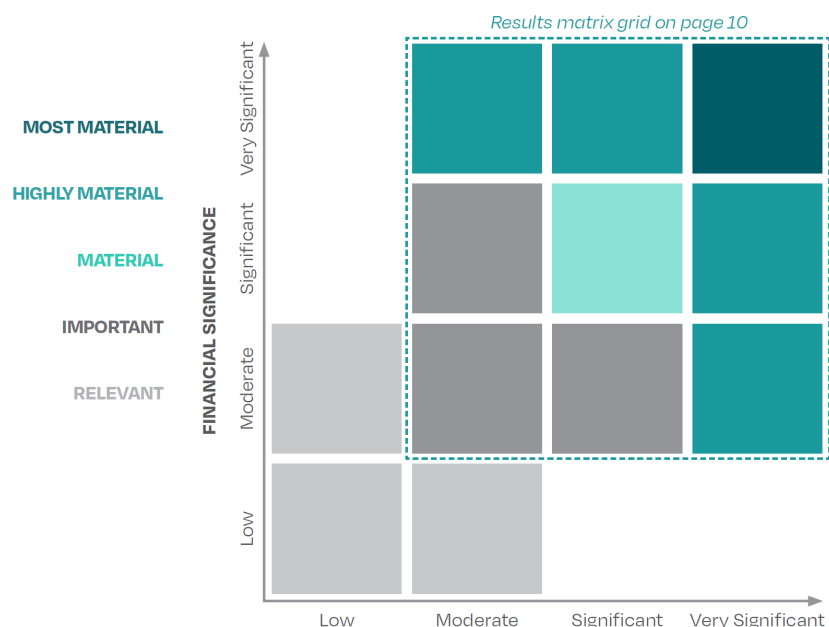
- Apply the threshold for materiality defined in Phase 2.
- Optionally, establish prioritization tiers or categories to further classify topics based on their significance and to support reporting and organizational decision-making. (Refer to *Figure 5* on the following page for an example.)

3.1.4. Validate the prioritization and material topics with designated stakeholders.

Validation involves reviewing the identified material topics for completeness and alignment with sector standards and initiatives, and engaging stakeholders for feedback.

- Compare the identified topics against applicable sector standards and initiatives, including the national assessment, to ensure completeness. Although the national assessment includes alignment with leading frameworks, organizations should identify any material topics not covered within its scope.
- Engage designated stakeholders to gather feedback on the aggregated results, including the finalized list of material topics. Although the national assessment was reviewed by a broad range of stakeholders and subject matter experts, it remains essential for each organization to consult its own stakeholders—such as internal leadership, information users and subject matter experts—to ensure relevance and completeness.
- Document stakeholder input and any resulting adjustments made during this validation process.

Figure 5. Materiality Assessment Matrix with Prioritization Tiers



Source: 2025 U.S. Dairy Materiality Assessment report. The national assessment placed the topics within five prioritization tiers (most material to relevant) based on the significance of U.S. dairy's impacts and the associated financial significance. Those in the material and above tiers were determined to be material for taking action to address and for communicating to stakeholders.

3.1.5. Obtain executive approval of the material topics and assessment results.

- Phase 0 (0.1.3) covered governance decisions to document in the assessment plan, including the identification of the individuals or groups responsible for approving the assessment results. This sign-off is often provided by the board of directors, the chief executive officer or a designated group of senior executives.
- Those responsible for approving the results have typically been involved in or updated about the materiality assessment at various point in this process, as outlined in Phase 1. (1.1.4).
- Approaches can include one or more sessions during which the MA Team presents the results and attendees can discuss, ask questions and recommend any final adjustment before approving the results. Depending on the level of engagement ahead of this step, this can be an iterative process.
- Document the outcomes of this approval step, including any resulting updates, the rationale for decisions made, and the supporting evidence leveraged in the decision-making process.

Phase 3 Pilot Highlight

During a facilitated working session, the Idaho Milk Products' MA team discussed and confirmed topic-level impact and financial significance categories for the three pilot topics (Water Use & Availability, Workforce Attraction, Development & Retention, and Cybersecurity & Data Protection). These entries were made in the MA Workbook to review the topics in relation to each other and record the materiality tier associated with the combined significance categories.

An important part of the MA team's discussion was considering the range in severity that can exist between actual adverse impacts, which might be relatively low, and potential adverse impacts and their associated risks, which tend to be more severe. The MA Workbook provided a place to describe different types of IROs and various scenarios, without the need to rate the criteria in depth for each one. Following standard guidance, a focus on the most significant IROs associated with the topics, building upon the national assessment with the organization's specific context, provided a solid basis for topic-level decisions.

Due to the limited scope of the pilot, the Idaho Milk Products MA team will move through the final steps to validate and approve the topics' significance and prioritization after the assessment of all relevant topics identified is completed.



PHASE 4. APPLICATION

The value of the materiality assessment increases when the results are applied in multiple ways. This phase varies based on the objectives established in Phase 1, as the results can be used to inform strategic, management, communications and reporting initiatives.

PARTICIPANTS: MA Team and those using the materiality assessment

INPUT: Final results of the materiality assessment and documentation in the MA Workbook

OUTPUT: The outcomes of this phase will vary depending on the intended application and may include updates to strategy and objectives, development of improvement initiatives, and preparation of report content.

Step 4.1. Integrate Findings Into Organizational Systems

Many organizations leverage materiality assessments to inform strategic planning and goal-setting processes. The prioritization of topics can help sequence improvement efforts, particularly when it is not feasible to address all issues simultaneously. Additionally, assessment results may contribute to enterprise risk management, support the development of new management approaches, products or services, and inform decisions on reporting and stakeholder communication.

The Innovation Center will leverage the national assessment's results, insights and learnings to inform strategic planning, reporting and communications as well as stakeholder engagement efforts as appropriate.

Step 4.2. Report on Material Topics and IROs

For reporting purposes, the list of material topics should inform the content reported to stakeholders, such as through a sustainability report. For example, in a GRI-aligned sustainability report, each material topic should be accompanied by an explanation of its materiality, the location of related impacts, the organization's management approach and any relevant topic-specific disclosures. Additional guidance can be found in the *Reporting the Process and Results* box on the right.

Reporting the Process and Results

GRI 3: Material Topics 2021 within the GRI Standards covers disclosures related to the process for determining material topics and its outcomes. The information within these disclosures also provides useful guidance for reports developed under other sustainability/ESG frameworks.

- *Disclosure 3-1 The process to determine material topics* requires a description of how the organization determined material topics, including details on how the organization determined actual, potential, positive and negative impacts on the economy, environment and people, including impacts on human rights across organizational activities and business relationships. This disclosure also requires the organization to specify the stakeholders and experts who informed the process of identifying material topics.
- *Disclosure 3-2 List of material topics* requests the list of material topics for reporting along with a description of any changes to the material topics compared to the previous reporting period. The topics are often grouped within relevant categories, which reflect the organization's sustainability framework or reporting structure.
- *Disclosure 3-3 Management of material topics* requires the organization to describe the positive and negative impacts associated with each material topic, which helps readers understand their significance, and how the organization manages the topics and related impacts. Aspects of the management approach include policies or commitments, actions taken to manage the related impacts, information about how the organization tracks the effectiveness of those actions, and a description of engagement with stakeholders to inform the actions taken and evaluate their effectiveness.

It can be helpful to keep these disclosures in mind as you conduct and document your materiality assessment. Refer to *GRI 3: Material Topics 2021* for specific disclosure requirements and additional guidance..



PHASE 5. ONGOING MONITORING

Materiality is dynamic, evolving in response to major changes in internal and external landscapes and reflecting shifts in the significance of impacts, risks and opportunities. This phase outlines the need for establishing processes to continuously identify and evaluate relevant topics and IROs over time.

PARTICIPANTS: MA Team and managers/experts associated with the MA topics

INPUT: Final results of the materiality assessment, supporting evidence and documentation in the MA Workbook

RESOURCES: The MA Workbook has tables and prompts for organizational and topic-specific information, which can be updated between assessment cycles.

OUTPUT: Input for future materiality assessments and updates to the MA Workbook

Step 5.1. Establish and Follow a Process to Detect Meaningful Changes

After completing a full assessment, many companies choose to perform an update or refresh 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.

The Innovation Center for U.S. Dairy intends to reassess materiality at least every four years and reserves the right to refresh the results on an as-needed basis. The Innovation Center will continue to monitor emerging trends, shifts in stakeholder interests and expectations, and updates to the latest available science and standards.

Companies are encouraged to apply due diligence to assess and mitigate negative impacts associated with new business activities or relationships. Such changes can involve new products, services, processes/technology or locations, or changes in suppliers or customers, among other developments.

New research findings can also affect the significance of an impact, and the interests and expectations of stakeholders can change over time. The frequency of materiality assessments, therefore, should be sufficient to respond to changes in the organization's context and associated impacts, risks and opportunities.

Integration with other management systems can enable the multidirectional flow of information throughout the year and help detect meaningful signals and emerging trends that can impact a topic's significance or impact stakeholders' views.

SDP: Stages 2 and 3 require that the materiality assessment is revised at least every three years. For Stage 3 only, the revised materiality assessment must always be verified. If there are significant changes to the materiality assessment prior to the three-year revision cycle, an external verification should be conducted within one year of the changes.

Appendix

Key Terms

As noted, many definitions are from the GRI Standards and EFRAG publications.

business relationships: Relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services (GRI Standards Glossary 2021, 4).

double materiality: Materiality process that involves two dimensions: impact materiality and financial materiality. Impact materiality pertains to the material information about an organization's impacts on people or the environment related to a sustainability matter; financial materiality pertains to the material information about risks and opportunities related to a sustainability matter (EFRAG IG 1, 9).

impact: Effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development.

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section 2.1 in GRI 1: Foundation 2021 for more information on 'impact'. (GRI Standards Glossary 2021, 11)

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

material topic: Topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights and/or that pertain to risks and opportunities that may trigger material financial effects on an organization.

Material information is related to significant sustainability matters that are relevant to decision-making by the organization and its stakeholders.

stakeholder: An individual or group that has an interest that is affected or could be affected by the organization's activities. (GRI Standards Glossary 2021, 17)

Broader definitions consider individuals, groups of individuals or organizations that affect and/or could be affected by an organization's activities, products or services, and/or those whose actions could affect an organization's ability to implement its strategies and achieve its goals.

sustainable development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development, Our Common Future, 1987).

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 sustainable development (GRI 101: Foundation 2016, 9).

sustainability-related financial opportunities: Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking's business model, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may affect its decisions and those of its business relationships with regard to sustainability matters. Like other opportunities, sustainability-related opportunities are the combination of an impact's magnitude and the probability of occurrence (EFRAG, Appendix VI - Acronyms and glossary of terms).

sustainability-related financial risks: Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking's business model, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may affect its decisions and those of its business relationships with regard to sustainability matters. Like other risks, sustainability-related risks are the combination of an impact's magnitude and the probability of occurrence (EFRAG, Appendix VI - Acronyms and glossary of terms).

value chain: The range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use.

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain (GRI Standards Glossary 2021, 19).

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 indirect impacts upstream and downstream.

