

Idaho Milk Products 2022 Materiality Assessment Report





Our First ESG Materiality and Prioritization Assessment

In 2022, we developed our first materiality and prioritization assessment to identify key Environmental, Social, and Governance (ESG) topics important to both our business and our stakeholders. From our previous Corporate Social Responsibility (CSR) report in 2018, the move towards an ESG approach reflects the fact that material issues are broader in nature and require a more aligned data driven approach with metrics and associated actions. Addressing the material topics is essential for the growth of the organization and acts as a force to further integrate them into business operations to support our continuous improvement efforts. Furthermore, the materiality assessment guides our strategy, helping us to focus on the right areas and ensuring that we continue to work on the sustainability topics that are important to our stakeholders.





Methodology

Multiple steps were followed in the Materiality Assessment process. Again, the main objectives of this exercise were to identify, assess, and prioritize potential material topics for Idaho Milk Products and our stakeholders. Firstly, we conducted desk research to identify a comprehensive list of ESG material topics relevant to the broader dairy processor industry. We aligned our list with the Materiality Guide of the Innovation Center (IC) for U.S. Dairy to build a foundation and subsequently identify the most relevant topics for Idaho Milk Products. As an adoptee of the Stewardship Commitment and an active member of the Sustainability Alliance with the IC for U.S. Dairy, our affiliation leverages and aligns associated Dairy Sustainability Framework (DSF) global criteria, Global Reporting Initiative (GRI) standards, the United Nations Sustainable Development Goals (SDGs), and Sustainability Accounting Standards Board (SASB) material topics for food and beverage. Internal workshops were conducted with our Sustainability Team to examine the material topics. The team consisted of twelve members from various departments of the company who have in-depth knowledge of the day-to-day operations of the business. This process led to defining and consolidating 20 material topics that best fit with our operations across our entire supply chain. Definitions of all our material topics are provided in the “How We Define Our Material Topics” section.

Next, we conducted a comprehensive survey to rank the material topics in terms of their importance to the stakeholder and the organization as well as the impact we can have on the topics. We engaged with a broad group of internal and external participants ranging from senior management, processing plant employees, dairy employees, customers, local regulatory authorities, and others. The survey used a Likert Scale where respondents rated the importance of the 20 topics from a range of 1 (not important at all) through to 10 (extremely important) and the impact from a range of 1 (no impact) to 10 (extremely high impact). Out of 201 surveys, we received 102 responses from our diverse set of internal and external participants.

During the last step, we reviewed and prioritized the topics with the Sustainability team for the greatest importance and impact on the environment, economy, and society, and identified the topics that matter most to our stakeholders. The final materiality matrix is based on this prioritization process and the normalized average score for each respective material topic.



How We Define Our Material Topics

Economic Stewardship

- **Business Resilience** - Keeping our operations going around the clock supporting access to nutritious and affordable food products.
- **Economic Contributions** - Significant direct and indirect economic value at the local, state, and national levels by supporting millions of jobs and billions of dollars in wages, creating an overall economic impact.

Environmental Stewardship

- **Air Quality** - Ensuring healthy local air quality by adopting appropriate control measures.
- **Biodiversity** - Maintaining and promoting healthy ecosystems in the communities where we operate.
- **Energy Efficiency and Renewables** - Implementing solutions to optimize energy efficiency and recovery throughout the organization.
- **Greenhouse Gas Emissions** - Minimizing Greenhouse Gas emissions resulting from operations and supply chain.
- **Materials / Packaging** - Minimizing product packaging and increasing recycled content and recyclability of materials, where possible.
- **People Health and Safety** - Creating and promoting a safe, secure, and healthy environment for all employees at all levels of the organization.
- **Resource Recovery** - Extracting the maximum practical benefits from products and waste, including animal feed, recycling, and composting, while minimizing landfill use.
- **Soil and Nutrient Management** - Optimizing soil health and quality by promoting responsible nutrient management practices to include the use of fertilizers and manure.
- **Water Efficiency** - Advancing efforts for responsible use of water across the value chain and protecting water resources through efficiency measures.
- **Water Quality** - Maintaining high standards of water quality for our organization, the natural ecosystems, and surrounding communities.



How We Define Our Material Topics

Social and Governance Stewardship

- **Animal Care** - Humane treatment of animals as per the U.S. Dairy Industry guidelines and standards for cow care. Sourcing from FARM enrolled farms.
- **Community Support** - Being a source of good in the communities in which we operate.
- **Diversity, Equity, and Inclusion** - Promoting diversity, equity, and inclusion for all associated with the organization.
- **Health and Nutrition** - Relentless pursuit to unleash the full nutritional value of milk for generations.
- **Human Rights** - Promoting and respecting human rights in our operations including agricultural supply chain.
- **Product Innovation** - Leading innovation in product development and processes to address customer and market needs.
- **Product Safety and Quality** - Delivering safe, high-quality food products to customers.
- **Workforce Development** - Growing and expanding the skills of the current workforce and providing employees with technical, professional, and leadership development opportunities through training and continuous education.





How We Define Our Material Topics

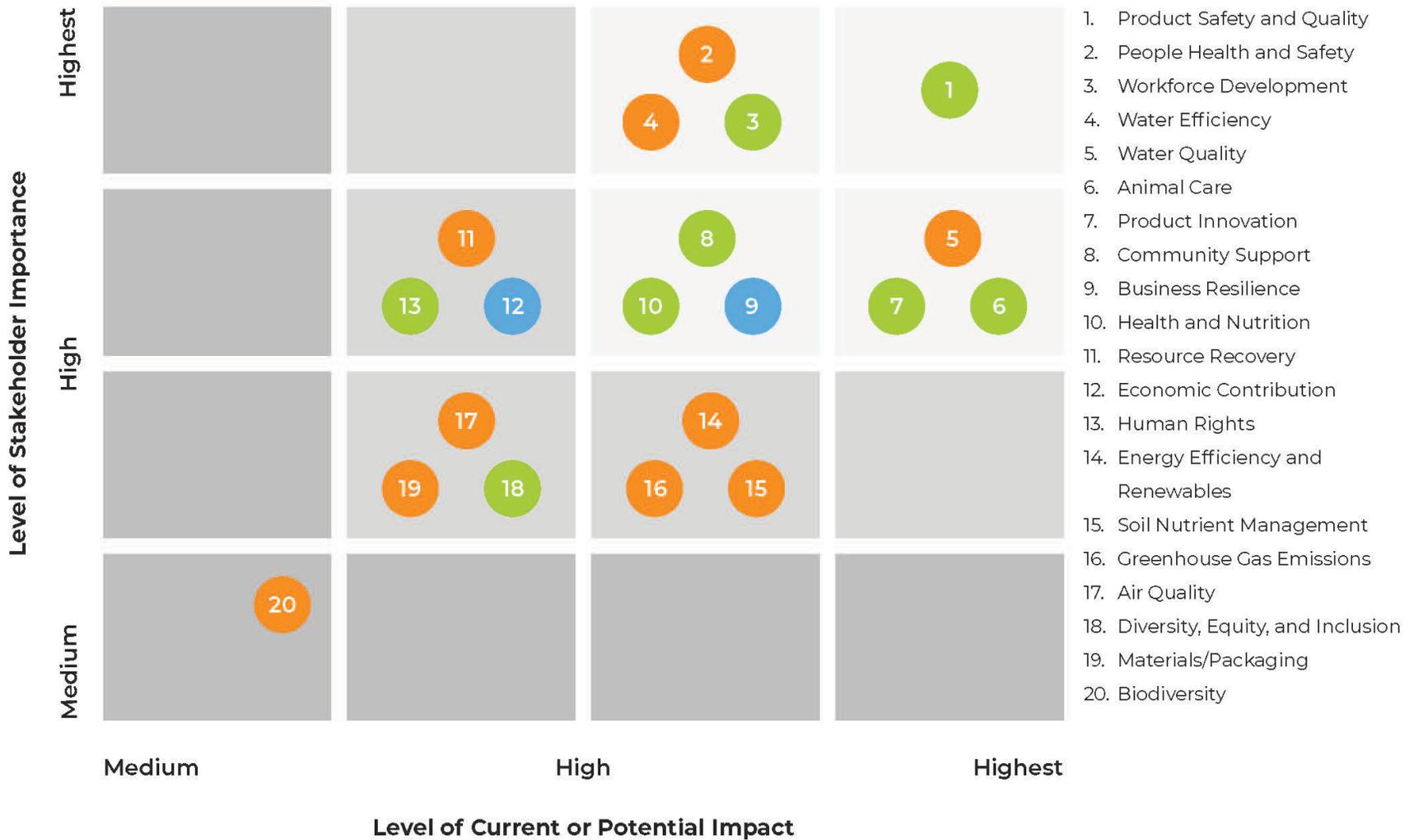


Material Issues

The materiality matrix illustrates the findings from the stakeholder engagement process and denotes each key topic by their ESG related focus area. It further highlights the importance of stakeholder feedback in prioritizing our ESG strategy in alignment with our purpose, vision and values. The assessment reveals that no organization is completely immune to emerging external socio-economic and environment risks. Continuous improvement towards sustainability efforts present important opportunities to strengthen and build a robust and resilient Idaho Milk Products.

The material topics are organized under Economic, Environment, and Social and Governance pillars, which enables us to align our sustainability initiatives within the context of our broader business strategy. Under such framework, the top material topics as identified are **Product Safety and Quality**, **People Health and Safety**, **Workforce Development**, **Water Efficiency**, **Water Quality**, and **Animal Care**. Several other topics including **Product Innovation**, **Community Support**, **Business Resilience**, **Greenhouse Gas Emissions**, and **Health and Nutrition** have been deemed as high material topics for the organization.

We recognize that many of the material topics have various degrees of interdependence and are intrinsically linked to each other. **People Health and Safety** and **Workforce Development** in many ways reinforce each other through practices that makes Human Resources as one of the key pillars of our organization.



1. Product Safety and Quality
2. People Health and Safety
3. Workforce Development
4. Water Efficiency
5. Water Quality
6. Animal Care
7. Product Innovation
8. Community Support
9. Business Resilience
10. Health and Nutrition
11. Resource Recovery
12. Economic Contribution
13. Human Rights
14. Energy Efficiency and Renewables
15. Soil Nutrient Management
16. Greenhouse Gas Emissions
17. Air Quality
18. Diversity, Equity, and Inclusion
19. Materials/Packaging
20. Biodiversity





As we emphasize on the critical material topics identified through our stakeholder engagement process, we also understand that these topics are dynamic in nature. Thus, we asked our participants to identify the top three priorities that we as a business should focus on over the next five years. The participants ranked **Product Safety and Quality**, **Workforce Development** (tie), **Business Resilience** and **Product Innovation** as the main focal areas. This also highlights the perceived impact of the sudden vulnerabilities experienced during the COVID-19 pandemic for example, and thus the focus on building internal resilience to such risk or shocks in the future. As we expand on our ongoing sustainability agenda, we shall work to remain committed and advance our efforts to all 20 material topics when thinking about our ESG strategy holistically.

Alignment with the United Nations Sustainable Development Goals (SDGs)

We are fully conscious of the global challenges of sustainable development and are committed to ensuring that our growth aligns in accordance with the seventeen SDGs of the United Nations. As seen above, the assessment identified and ranked twenty issues most important to our stakeholders and business. Those twenty issues were then mapped against the seventeen Global Goals to identify SDGs directly or indirectly relevant to our business operations. The SDG Compass was used to guide this mapping process. The objective of the SDG Compass seeks to assist in aligning our strategies as well as create metrics to measure and manage our contribution towards the Sustainable Development Goals.



Contribution to SDGs



Category	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND
Business Resilience		■					■	■				
Economic Contribution							■					
Air Quality			■								■	
Biodiversity												■
Energy Efficiency and Renewables						■	■	■			■	
Greenhouse Gas Emissions						■					■	
Materials/Packaging										■		
Resource Recovery								■		■		
Soil Nutrient and Management												■
Water Efficiency					■		■			■		
Water Quality					■		■			■	■	
Animal Care								■		■		
Community Support	■	■	■									
Diversity, Equity, and Inclusion				■			■		■			
People Health and Safety			■									
Health and Nutrition			■					■				
Human Rights							■		■			
Product Innovation							■	■		■		
Product Safety and Quality			■				■	■				
Workforce Development							■	■	■			



Next Steps

We will continue building the results of our 2022 materiality assessment into ESG strategy, develop KPIs for the issues that are material for our company, engage in relevant actions, and evaluate our progress over time. We will also use this assessment to shape the context of our next ESG report, which we plan to publish later in 2023. The relevance and validity of the determined material topics from this assessment will be reviewed and examined every few years, to ensure we continue on the sustainability pathway most meaningful to us and our stakeholders. For more information about Idaho Milk Products' sustainability journey, visit us at <https://www.idahomilkproducts.com/about-us/corporate-responsibility/>. To learn more about the Innovation Center for U.S. Dairy Stewardship Commitment, Dairy Sustainability Alliance, or how to get involved, please visit <https://www.usdairy.com/about-us/innovation-center>.



Roadmap Timeline





P R O D U C T S

Improving lives through dairy

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