



# Australian Dairy Industry Materiality Assessment Report 2019

FINAL REPORT March 2020





## About this report

This report has been prepared for Dairy Australia (on behalf of the Australian Dairy Industry Sustainability Steering Committee<sup>1</sup>). The services provided in connection with this engagement comprise an advisory engagement, which is not subject to Australian Auditing Standards or Australian Standards on Review or Assurance Engagements, and consequently no opinions or conclusions intended to convey assurance have been expressed.

Point Advisory and STR Consulting act in a professional manner and exercise all reasonable skill and care in the provision of its professional services. The reports are commissioned by and prepared for the exclusive use of the Australian Dairy Industry Sustainability Steering Committee, and stakeholders across the industry as a whole. They are subject to and issued in accordance with the agreement between Dairy Australia and Point Advisory with STR Consulting. Point Advisory and STR Consulting are not responsible for any liability and accepts no responsibility whatsoever arising from the misapplication or misinterpretation by third parties of the contents of its reports.

### Disclaimer

The content of this publication including any statements regarding future matters (such as the performance of the dairy industry or initiatives of Dairy Australia) is based on information available to Dairy Australia at the time of preparation. Dairy Australia does not guarantee that the content is free from inadvertent errors or omissions and accepts no liability for your use of or reliance on this document. You should always make your own inquiries and obtain professional advice before using or relying on the information provided in this publication, as that information has not been prepared with your specific circumstances in mind and may not be current after the date of publication.

© Dairy Australia Limited March 2020. All rights reserved.

ISBN: 978-1-925347-89-0

[dairyaustralia.com.au](http://dairyaustralia.com.au)

[sustainabledairyoz.com.au](http://sustainabledairyoz.com.au)

Except where expressly stated, Point Advisory and STR Consulting do not attempt to verify the accuracy, validity or comprehensiveness of any information supplied to Point Advisory and STR Consulting for its reports. We have indicated within this report the sources of the information provided. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

## Contents

<b>Australian dairy industry Sustainability Framework – Context for 2019 Materiality Assessment Report</b>	<b>1</b>
<hr/>	
<b>1 Executive summary</b>	<b>2</b>
<hr/>	
<b>2 Introduction</b>	<b>4</b>
2.1 Background	4
2.2 Purpose of the materiality assessment	4
2.3 Why is materiality important for the industry?	5
2.4 What sustainability standards have been applied?	5
<hr/>	
<b>3 Materiality assessment approach</b>	<b>6</b>
3.1 Summary of key steps undertaken	6
3.1.1 Identified “topic universe” through a desktop analysis of five key sources of documentation	6
3.1.2 Prioritised the topics based on their impact and importance to industry and stakeholders	6
3.1.3 Mapped and validated the most material topics to inform sustainability reporting in the future	6
3.1.4 Reviewed these material topics in consultation with key industry stakeholders	6
3.2 Identification of the “topic universe”	8
3.3 Stakeholder engagement	9
3.3.1 Stakeholder mapping	9
3.3.2 Stakeholder engagement activities	10
3.4 Scoring methodology used for prioritising topics	10
3.4.1 Industry impact (the X-axis score)	12
3.4.2 Stakeholder (the Y-axis score)	14
3.5 Understanding and managing inherent limitations in materiality processes	15
<hr/>	
<b>4 Results and findings</b>	<b>16</b>
4.1 Stakeholder feedback	16
4.1.1 External stakeholder interviews	16
4.1.2 Consultative forum workshop	18
4.1.3 Online stakeholder survey	19
<hr/>	
<b>5 Next steps</b>	<b>26</b>
<hr/>	
<b>Appendix 1</b>	
Topic descriptions and industry’s level of influence	28

<sup>1</sup> The Australian Dairy Industry Sustainability Steering Committee oversees implementation of the Australian Dairy Industry Sustainability Framework. For more information on the governance of the Sustainability Framework see: [sustainabledairyoz.com.au/framework-principles](http://sustainabledairyoz.com.au/framework-principles)

# Australian dairy industry Sustainability Framework – Context for 2019 Materiality Assessment Report

**The Australian dairy industry Sustainability Framework outlines the industry’s commitment to providing nutritious food for a healthier world. We do this through our four Sustainability Commitments: creating a vibrant industry that produces nutritious, safe, quality food while caring for our animals and the environment and meeting the challenge of climate change. We reported our progress against our 2030 goals and targets in our publicly released Sustainability Report 2019 (see [sustainableairyoz.com.au](http://sustainableairyoz.com.au)).**

Food industries like dairy are at the centre of many of the sustainability challenges facing the world today, with issues such as land degradation, biodiversity loss, climate change, population growth, water scarcity, animal welfare, public health, human rights and technological disruption challenging the way food is made.

As a sector that requires land, water and animals, people and technology, the Australian dairy industry is working to meet these challenges and, in doing so, sustain the trust and support of the community and consumers.

For people who care about how food is produced the Framework offers hard evidence – facts and figures – that dairy foods are made in a way that is good for people, animals, the environment and producers.

For those people who produce dairy foods, sustainability presents opportunities such as increasing access to markets and investment, building confidence in the integrity of dairy foods, enhancing community trust, rewarding industry people and producing nutritious food that the world cannot live without.

The Australian Dairy Industry Sustainability Framework will continue to be revised and enhanced to include what our stakeholders consider to be priority issues and topic areas. New goals and targets will be set, existing goals and targets refined, and action plans developed to support achieving outcomes. In 2019, a Materiality Assessment Report was undertaken to ensure the industry’s priorities are in line with stakeholder expectations.

This Assessment Report was commissioned by Dairy Australia on behalf of the Sustainability Steering Committee who is responsible for implementing the Framework. Details on the governance of the Sustainability Framework are outlined in the Sustainability Report or can be found here: [sustainableairyoz.com.au/framework-principles](http://sustainableairyoz.com.au/framework-principles). The Assessment Report was undertaken by independent consultants Point Advisory ([pointadvisory.com/about-us/](http://pointadvisory.com/about-us/)) and STR Consulting. It builds on the Materiality Reviews undertaken in 2012 and 2016.

## List of tables

Table 1. Stakeholder engagement activities used to develop topic scoring	12
Table 2. Industry Significance – X-axis	13
Table 3. Stakeholder Significance – Y-axis	14
Table 4. Interviewee’s perspectives on the key impacts and strategic topics across the industry	17
Table 5. Consultative Forum (CF) attendee perspectives on the level of influence and ownership of the industry on selected topics	18
Table 6. Ranking of raw stakeholder survey responses for each topic	21
Table 7. Topic list with descriptions and industry’s level of influence over the topic	28

## List of figures

Figure 1. Australian dairy materiality matrix	2
Figure 2. Overall approach to this materiality assessment	7
Figure 3. Summary of topic universe	8
Figure 4. Australian dairy industry stakeholders and interests	9
Figure 5. Scoring methodology used for this materiality assessment	11
Figure 6. Outcomes of impact category weighting/ranking exercise	13
Figure 7. Types of stakeholders that participated in the survey	19
Figure 8. Regions where survey respondents operate	20
Figure 9. Australian dairy materiality matrix	24

# 1 Executive summary

The Australian dairy industry has a long-standing legacy of social responsibility, including caring for cows, producing healthy, nutritious products and managing land responsibly. To build on these positive impacts in 2012, the Australian Dairy Sustainability Framework (ADSF) was developed to demonstrate the industry's commitment to creating a vibrant industry that produces nutritious, safe, quality food while providing best care for animals and being good stewards of the environment.

As part of the ongoing evolution of the Australian Dairy Sustainability Framework, Dairy Australia engaged STR Consulting and Point Advisory to refresh the previous materiality work conducted for the industry in 2011-12 and 2016. A Materiality Assessment Action Plan was developed, agreed and implemented, to confirm and prioritise the areas where the Australian dairy industry should focus its efforts and resources, based on the significance of impacts and the decisions of stakeholders.

The materiality assessment included alignment with Global Reporting Initiative (GRI) Standards, Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (UN SDGs) frameworks, as well as the Dairy Sustainability Framework (DSF) and the Sustainable Agriculture Initiative (SAI) Dairy Working Group's Sustainable Dairy Partnership to support B2B commercial transactions, reflecting broadest stakeholder expectations, investor focus and the global goals.

Materiality was defined according to two dimensions:

- 1 Significance of the industry's economic, environmental and social impacts.
- 2 Significance to and influence on stakeholder assessments and decisions.

Each topic was assessed and prioritised according to these two dimensions, with the results plotted on the x and y-axes of the resulting materiality matrix

(Figure 1). This method reflects best practice in materiality and helps the industry remain in-step with the relevant and evolving global and industry materiality standards, particularly the GRI Standards 2016, and recent guidance from the EU.

For this engagement, two thresholds for materiality were set to differentiate topics across three levels from 'Important', 'Material' and 'Highly Material', and this is represented by the curves on the matrix. These thresholds are set as a guide to help the industry in considering relative priorities in its strategic responses to those topics and nature of disclosures in sustainability reporting. It is important to note that there is no specific guidance provided across the various sustainability standards on how and where to set specific materiality thresholds, and therefore the thresholds applied are based on our experience and input from the Steering Committee of what would constitute appropriate thresholds. Specifically:

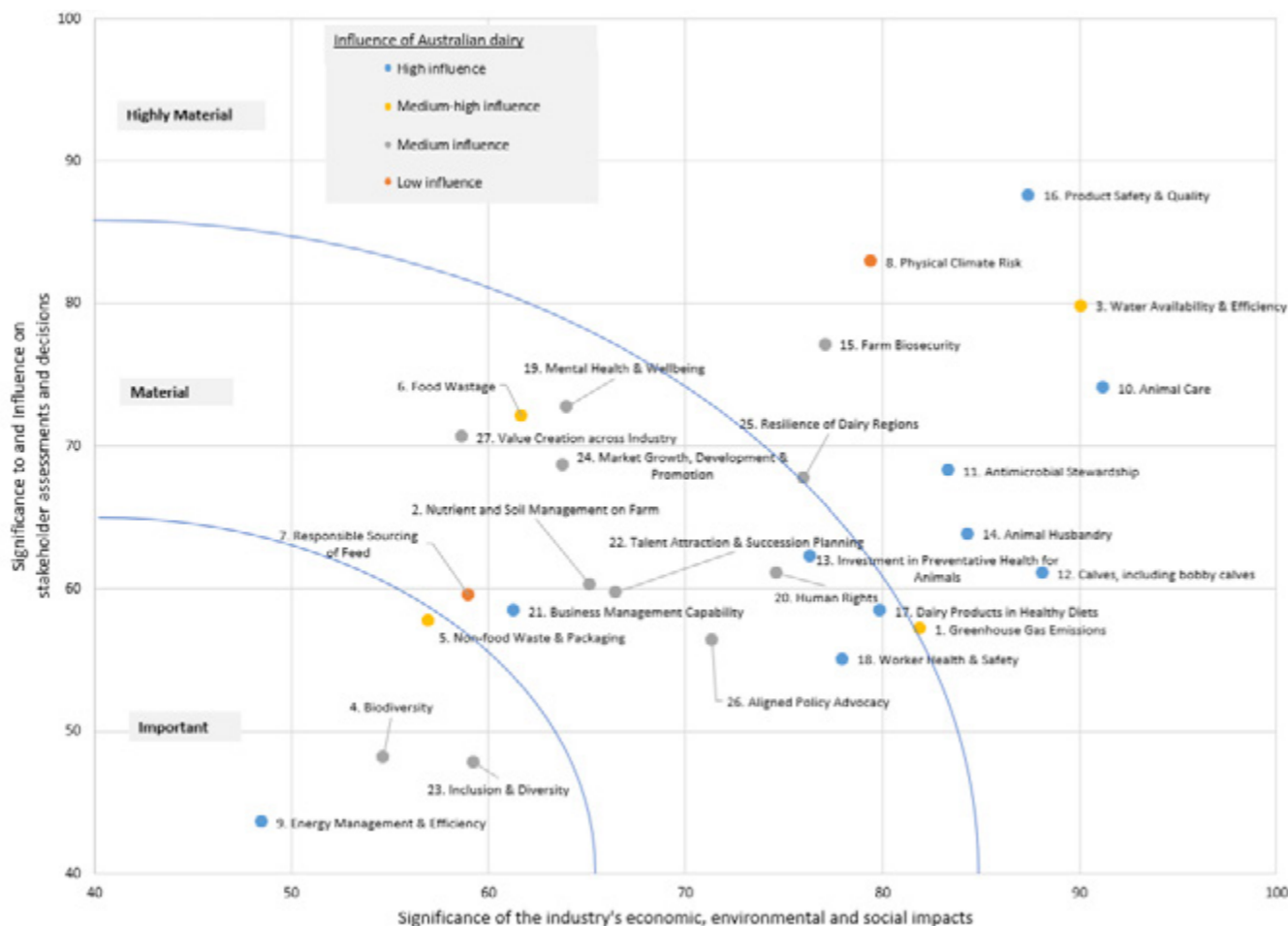
- The first threshold is set at 65 on both axes; topics beyond this curve are named as 'Material', while topics below are named as 'Important'
  - Topics beyond the upper threshold, which is set at 85 on both axes, represent the highest-ranked topics (and named as 'Highly Material'):
- 16 Product Safety & Quality
  - 3 Water Availability & Efficiency
  - 10 Animal Care
  - 8 Physical Climate Risk
  - 15 Farm Biosecurity
  - 11 Antimicrobial Stewardship
  - 12 Calves, including bobby calves
  - 14 Animal Husbandry
  - 25 Resilience of Dairy Regions
  - 1 Greenhouse Gas Emissions

confirmed and validated internally by the Dairy Industry Sustainability Steering Committee and Consultative Forum members, and the matrix validated by Steering Committee members.

The materiality assessment reinforced the sustainability work that the industry has been undertaking since 2012, in that high priority topics include animal welfare issues and safe, high-quality products. It also reinforced high priority topics such as Water Availability & Efficiency and Physical Climate Risk, that previously fell under one broad grouping of "Reduce CO2 emissions", and have seen an increase in priority since previous assessments. Two previously emerging topics, Antimicrobial Stewardship and Human Rights are also now seen as a priority for the industry. In addition, Mental Health & Well-being, particularly for farmers, has emerged as an issue as a result of the assessment.

While the main objective of a materiality assessment is to prioritise topics for strategic purposes and disclosure, the insights developed throughout this engagement will also be used to inform the ongoing development of the Australian Dairy Sustainability Framework, and further stakeholder engagement initiatives.

FIGURE 1. AUSTRALIAN DAIRY MATERIALITY MATRIX



Point Advisory/STR Consulting

In addition, we have indicated the level of influence the industry has over the various topics. This will guide industry as to where potential opportunities lie in updating the targets and goals included in future iterations of industry strategy and sustainability reporting. A large number of the highest priority topics are also those over which the industry has high or medium influence.

To inform the development of this matrix, the engagement considered a range of inputs, including materiality assessments conducted by the Australian dairy industry's peers, and involved engagement with both internal and external stakeholders. The development and description of topics has been



## 2 Introduction

### 2.1 Background

The Australian dairy industry has a long-standing legacy of social responsibility, including caring for cows, producing healthy, nutritious products and managing land responsibly. To build on these positive impacts in 2012, the Australian Dairy Sustainability Framework (ADSF) was developed by the Australian Dairy Industry Council, Australian Dairy Farmers, Australian Dairy Products Federation and Dairy Australia, which also acts as the Secretariat for the Framework. A sector-wide materiality assessment was undertaken by the industry in 2011–2012 to inform the development of the ADSF, with an update performed in 2016 to confirm and refresh the consideration of issues.

### 2.2 Purpose of the materiality assessment

As part of the ongoing development of the Australian Dairy Sustainability Framework, Dairy Australia engaged STR Consulting and Point Advisory to refresh the previous materiality work conducted for the industry, as part of its Materiality Assessment Action Plan 2019.

The key objectives of the materiality assessment were to:

- Undertake an in-depth exercise to review and confirm the range of topics that are material (significant) to the Australian dairy industry and to inform the continued refinement of the ADSF;
- Align and remain in-step with the relevant and evolving global and industry materiality standards to enable the Australian dairy industry and its members to effectively respond to broader stakeholder expectations including investors and regulators and the UN Sustainable Development Goals; and
- Set the foundation for a transparent and practical materiality methodology that can be used by Australian dairy industry members to inform their own materiality assessment processes.

### 2.3 Why is materiality important for the industry?

The insights developed as a result of conducting the industry-wide materiality assessment and reported in this document will be used to inform the ongoing development of the ADSF. In addition, these insights have been included in the industry's 2019 public sustainability report.

Materiality assessment also helps the industry to effectively communicate its sustainability performance in a way that it is relevant to a diverse range of stakeholder audiences who have articulated their interests through the process. In addition, it is an important principle of the GRI Standards and the SAI DWG Sustainable Dairy Partnership. Conducting a materiality assessment places the Australian dairy industry in a **leadership position** regarding the rigour underpinning the ADSF.

### 2.4 What sustainability standards<sup>2</sup> have been applied?

The materiality assessment includes alignment with Global Reporting Initiative (GRI) Standards, and Sustainability Accounting Standards Board (SASB), United Nations Sustainable Development Goals (UN SDGs), as well as the Dairy Sustainability Framework (DSF) and the SAI Dairy Working Group's Sustainable Dairy Partnership to support commercial B2B transactions, reflecting broadest stakeholder expectations, investor focus and the global goals.

<sup>2</sup> Including the: Global Reporting Initiative (GRI) Standards, AccountAbility AA1000 (AA1000) Materiality Principle, Sustainability Accounting Standards Board (SASB) and United Nations Sustainable Development Goals (UN SDG) frameworks, as well as the global Dairy Sustainability Framework (DSF) and the draft SAI Dairy Working Group's Sustainable Dairy Partnership.



### 3 Materiality assessment approach

The following sections summarise the detailed methodology used to undertake the materiality assessment.

#### 3.1 Summary of key steps undertaken

The following steps were performed to identify the material topics for the industry:

##### 3.1.1 Identified “topic universe” through a desktop analysis of five key sources of documentation

- i. Industry sustainability reports,
- ii. Previous stakeholder consultation documentation,
- iii. Peers sustainability disclosures,
- iv. Dairy industry media articles, and
- v. Existing standards, frameworks, and regulations.

See Section 3.2 for a description of how these topics were identified, and the results of this exercise.

##### 3.1.2 Prioritised the topics based on their impact and importance to industry and stakeholders

This was carried out through various stakeholder engagement activities, including workshops with Steering Committee and Consultative Forum members, face-to-face interviews with key industry stakeholders, and an online stakeholder survey widely and openly distributed among industry and across stakeholder groups, to obtain detailed perspectives on each topic.

See Section 3.4 for a detailed description of the methods used to prioritise these topics.

In addition, see Section 4.1 for a summary of the outcomes of the various stakeholder engagement exercises.

##### 3.1.3 Mapped and validated the most material topics to inform sustainability reporting in the future

The topics were mapped using a materiality matrix, in order to identify the highest priority/most material topics for the industry and its stakeholders. This materiality assessment applied a scoring method that incorporates the “Significance of Impact and Influence on Stakeholder decisions”.

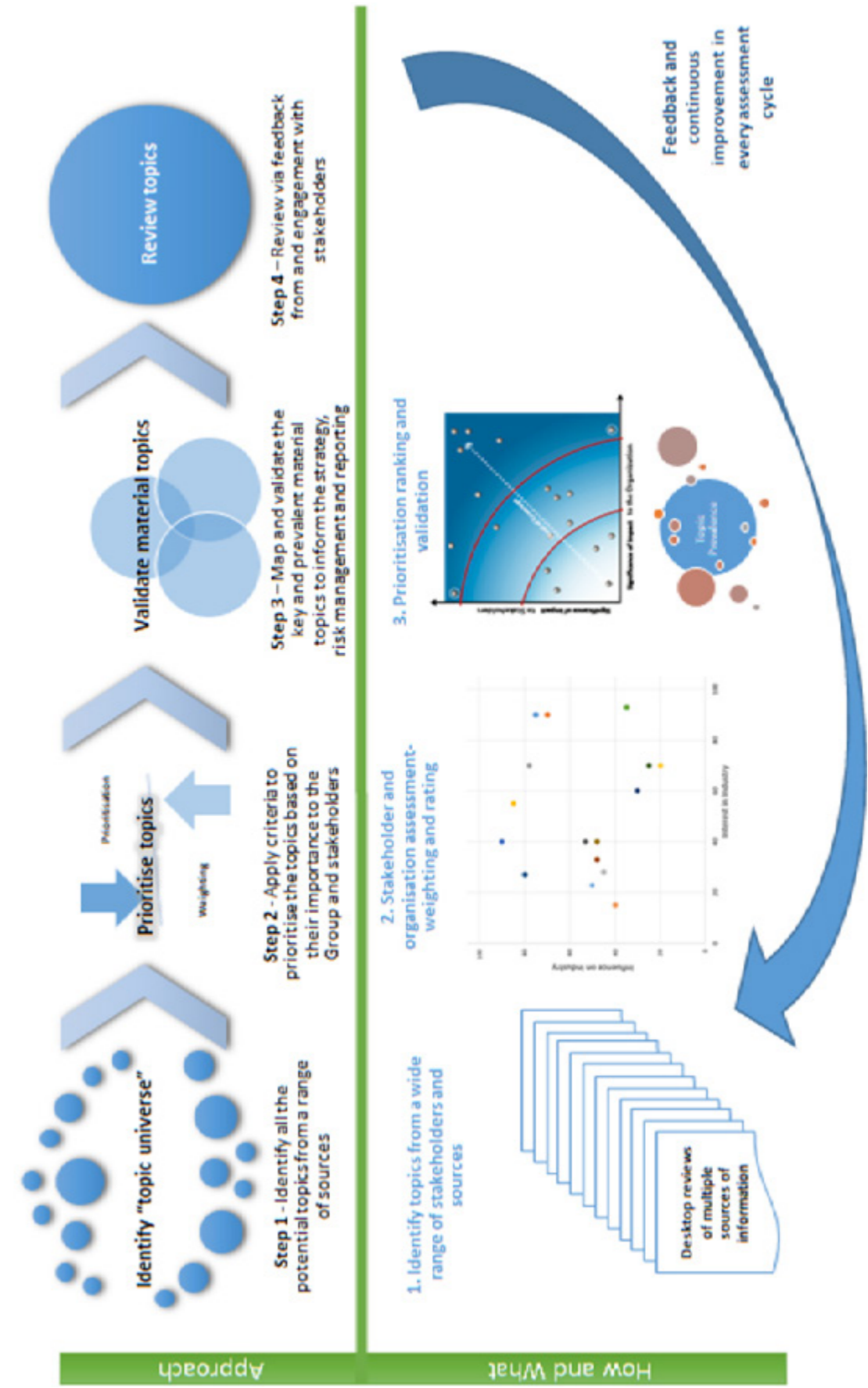
See Section 3.4 for how this materiality matrix was developed and Section 4.2 for the results of this assessment.

##### 3.1.4 Reviewed these material topics in consultation with key industry stakeholders

The draft materiality results were presented to Steering Committee members at a workshop on 7th November 2019, to review and validate the results.

Their feedback has been used to inform the recommendations and next steps presented in Section 5.

FIGURE 2. OVERALL APPROACH TO THIS MATERIALITY ASSESSMENT



### 3.2 Identification of the “topic universe”

The first stage in the materiality assessment process was to identify a comprehensive list of sustainability issues relevant to the Australian dairy industry. To identify this “topic universe”, a desktop analysis of five key sources of documentation was undertaken:

- 1 Industry documentation, such as the dairy industry sustainability reports, and previous materiality assessments.
- 2 Previous stakeholder consultation documentation.
- 3 How the Australian dairy industry’s peers reference material topics in their sustainability disclosures.
- 4 Media articles related to the Australian dairy industry over the last 14 months (over 130 articles reviewed).
- 5 The external landscape (industry and societal norms) – existing standards, frameworks, and regulations.

Figure 3 presents a summary of the resulting 27 topics relevant to the Australian dairy industry as identified through the desktop analysis and further refined through: feedback from the Dairy Industry Sustainability Steering Committee on 11th September 2019, comments from stakeholders at the Consultative Forum on 17th October 2019, and further feedback gathered following the presentation of draft results to the Dairy Industry Sustainability Steering Committee on 7th November 2019.

FIGURE 3. SUMMARY OF TOPIC UNIVERSE

Reducing environmental impact	Providing best care for all our animals	Improving wellbeing of people	Enhancing economic wellbeing and livelihoods (Part A)	Enhancing economic wellbeing and livelihoods (Part B)
<ul style="list-style-type: none"> <li>• 1 Greenhouse gas emissions</li> <li>• 2 Nutrient and soil management on farm</li> <li>• 3 Water availability &amp; efficiency</li> <li>• 4 Biodiversity</li> <li>• 5 Non-food waste &amp; packaging</li> <li>• 6 Food waste</li> <li>• 7 Responsible sourcing of feed</li> <li>• 8 Physical climate risk</li> <li>• 9 Energy management &amp; efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• 10 Animal care</li> <li>• 11 Antimicrobial stewardship</li> <li>• 12 Calves, including bobby calves</li> <li>• 13 Investment in preventative health for animals</li> <li>• 14 Animal husbandry</li> <li>• 15 Farm biosecurity</li> </ul>	<ul style="list-style-type: none"> <li>• 16 Product safety &amp; quality</li> <li>• 17 Dairy products in healthy diets</li> </ul>	<ul style="list-style-type: none"> <li>• 18 Worker health &amp; safety</li> <li>• 19 Mental health &amp; wellbeing</li> <li>• 20 Human rights</li> <li>• 21 Business management capability</li> <li>• 22 Talent attraction &amp; succession planning</li> <li>• 23 Inclusion &amp; diversity</li> </ul>	<ul style="list-style-type: none"> <li>• 24 Market growth, development &amp; promotion</li> <li>• 25 Resilience of dairy regions</li> <li>• 26 Aligned policy advocacy</li> <li>• 27 Value creation and profitability across industry</li> </ul>

Appendix 1 provides further details of the outcomes of the desktop review and definitions/scope of each topic.

### 3.3 Stakeholder engagement to prioritise the topics

Engagement with internal and external stakeholders was an important step of the materiality assessment to obtain stakeholder views on:

- the impacts of the industry on each topic and of each topic on the industry; and
- how the industry’s response to topics influences stakeholders’ decisions about the industry.

#### 3.3.1 Stakeholder mapping

Figure 4 presents the key groups and sub-groups of stakeholders, historically consulted through the Steering Committee and the Consultative Forum, as well as through consultation with industry representative bodies and other stakeholders on specific issues facing the industry.

FIGURE 4. AUSTRALIAN DAIRY INDUSTRY STAKEHOLDERS AND INTERESTS<sup>3</sup>

Stakeholders		Stakeholder interests
Industry	Producers, dairy companies, dairy industry organisations	• The profitability of dairy farmers
Customers	Major Australian retailers/ multinational companies	• Consumer and community perceptions
Suppliers	Financial institutions	• Animal health and welfare
Government	Federal departments, state departments	• Managing people • Provenance
NGOs and special interest groups	Community development groups, environmental NGOs, Animal welfare groups	• Modernisation • Health and nutrition
Other primary industry	Beef	• Climate change and water
Other	Sustainability practitioners, researchers	• Food waste • Ethical investment/ responsible sourcing

During the Steering Committee meeting in September 2019, these stakeholder groups were refined further into sub-groups. This revised list of stakeholder types is provided below. It was agreed that these revised stakeholder sub-group types could also be used for future stakeholder related engagement activities or for disclosure purposes in future sustainability reports.

Industry Organisation	State Government
Dairy Company/Processor	Supplier of industry inputs
Dairy Farmer	Research Institutions
Regulator	Local Government
Bank or Investor	Beef Industry
Australian retailers	Other Primary Industry
Multinational Enterprise	NGO – Animal Welfare
Federal Government	NGO – Environmental NGO

### 3.3.2 Stakeholder engagement activities

The following engagement mechanisms were used to capture stakeholder input to the materiality assessment:

#### • Direct stakeholder engagement

- **Input and validation** from the Dairy Industry **Sustainability Steering Committee** throughout the assessment process.
- **One-on-one interviews** with six external stakeholders providing broad coverage of the industry's key stakeholder groups, including customers, suppliers, NGOs and other primary industry. The questions asked included:
  - What do you see as the top three most significant **strategic topics** (in terms of risk or opportunity) for the dairy industry?
  - What do you see as the top three most significant **positive impacts** and **negative impacts** the dairy industry creates for society, the economy, the environment?
  - Do any of the above topics or impacts **differ in importance by region**?
  - What **modes of communication** do you find useful in relation to the industry's sustainability performance?
- **Consultative Forum Workshop** on 17th October 2019 to seek perspectives designed to consider the completeness of topics, industry's impacts and influence on those topics. Based on our consultants' extensive experience in this area, it was determined that the workshop was an appropriate forum to gather a large number of stakeholders' perspectives and feedback, and was used to supplement and enhance the feedback gathered through the face-to-face interviews.
- An **online stakeholder survey** widely and openly distributed in October 2019 among industry and across stakeholder groups, including Consultative Forum attendees, to obtain detailed perspectives on each topic. Stakeholders were asked to respond to the following questions:
  - Which best describes you or the organisation you work for?
  - What region(s) do you operate in?
  - For each of the 27 topics, participants were asked to respond to the following three questions:

- How much of an impact does the industry have on this topic?
- How much does the industry's response to this topic influence your decisions about the industry?
- How much of a role should the industry have in actively managing and/or engaging on the topic?

Overall, based on our consultants' experience in conducting materiality assessments for other industries, it was determined that the breadth of stakeholder engagement activities carried out for the dairy industry for the 2019 materiality assessment was comprehensive, and in line with best practice.

### 3.4 Scoring methodology used for prioritising topics

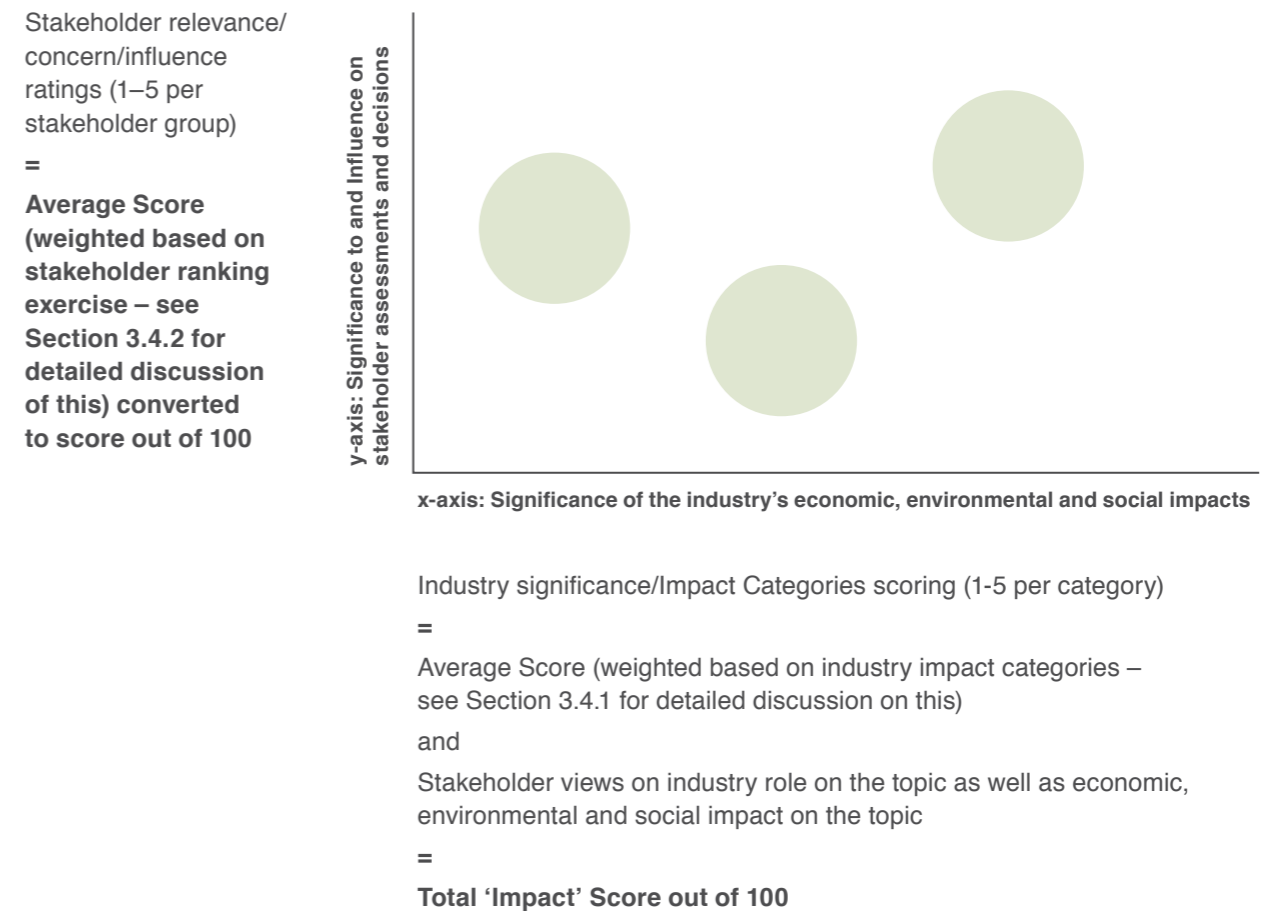
In order to identify the highest priority/most material topics for the industry and its stakeholders, the materiality assessment applied a scoring method that incorporates the "Significance of Impact and Influence on Stakeholder decisions".

This method reflects best practice in materiality and helps the industry remain in-step with the relevant and evolving global and industry materiality standards. Specifically, the method was informed by the GRI Standards 2016, clarifications on materiality issued by GRI<sup>4</sup> and recent guidance from the EU regarding the EU's non-financial reporting directive and reporting on climate-related information<sup>5</sup>.

Figure 5 presents a schematic of the method used to prioritise topics for the materiality assessment:

- **The X-axis score reflects the industry impact scoring:** In terms of the industry's economic, environmental and social impacts on the topic, but also the industry's role in managing or engaging on the topic. This impact was assessed using a combination of stakeholder feedback gathered through interviews, workshop activities and the online stakeholder survey.
- **The Y-axis score reflects the stakeholder perspectives scoring:** In terms of how significantly the industry's management of the topic will influence stakeholder decisions about the industry.

FIGURE 5. SCORING METHODOLOGY USED FOR THIS MATERIALITY ASSESSMENT



<sup>4</sup> globalreporting.org

<sup>5</sup> ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines\_en.pdf



Table 1 presents the various stakeholder engagement activities and how the results from each were used to develop the X and Y-axis scores.

**Table 1. Stakeholder engagement activities used to develop topic scoring**

Stakeholder engagement activity	X-axis Significance of industry's economic, environmental and social impacts	Y-axis Significance to and influence on stakeholder assessments and decisions
<b>Direct stakeholder engagement</b>		
Interview questions	<ul style="list-style-type: none"> <li>What do you see as the top three most significant <b>positive/negative impacts</b> the dairy industry creates for society, the economy, the environment?</li> </ul>	<ul style="list-style-type: none"> <li>What do you see as the top three most significant <b>strategic topics</b> (in terms of risk or opportunity) for the dairy industry?</li> </ul>
CF workshop questions	<ul style="list-style-type: none"> <li>Impacts the industry has on each of the economic, environmental and social aspects of the selected topics.</li> <li>Impacts that selected topics have on the industry</li> <li>What level of influence does the industry have on this topic?</li> <li>What level of ownership of the topic should the industry have?</li> </ul>	
<b>Online Survey</b>		
Questions	<ul style="list-style-type: none"> <li>How much of an impact does the industry have on this topic?</li> <li>How much of a role should the industry have in actively managing and/or engaging on the topic?</li> </ul>	<ul style="list-style-type: none"> <li>How much does the industry's response to this topic influence your decisions about the industry?</li> </ul>

**3.4.1 Industry impact (the X-axis score)**

**Industry impact scoring**

In order to develop the industry impact scoring, four key impact categories were identified and confirmed with Steering Committee members on 11th September 2019 and refined following feedback from the Consultative Forum on 17th October 2019. These four impact categories were:

**1 Business Model impacts** – For example, impacts on tangible and financial assets, product and industry competitiveness, profitability and viability, sourcing of production inputs, and supplier and partner relationships.

**2 Reputation impacts** – For example, impacts through loss of license to operate and reputational damage, and conversely enhancement in these areas to enhance industry competitiveness and product demand.

**3 Operational impacts** – For example, impact on farmers/processors' ability to operate their sites effectively, efficiently and safely.

**4 Regulatory/Compliance impacts** – For example, impacts relating to the incurred or avoided costs of compliance and management of mandatory and voluntary regulations.

Table 2 illustrates the importance of the ranking scale used for each impact category. A score of 1-5, where 5 is most significant/important was allocated to each impact category, and then the average weighted across these four categories was converted to a total impact score for each of the 27 topics.

**Table 2. Industry Significance – X-axis**

How important does industry regard this issue?	
Score	Impact/Opportunity Scale
	<p><b>Basis for assessment</b></p> <ul style="list-style-type: none"> <li>Existing sources of information including desktop review of standards, legislation and peers' materiality assessments</li> <li>Aggregated assessment of direct input (interviews, workshops, surveys) received from individual stakeholders</li> </ul>
1	No measurable or minor short term negative/positive impact
2	Limited/short term negative/positive impacts
3	Moderate/medium term negative/positive impacts
4	High/long term negative/positive impacts
5	Significant/long term negative/positive impacts

**Industry impact weighting**

As the industry values the four impact categories differently, weightings based on feedback gathered at the Consultative Forum on 17th October 2019 were applied (see Figure 6).

Business model impacts were deemed to be the most important, with operational impacts least important for the industry as a whole.

**FIGURE 6. OUTCOMES OF IMPACT CATEGORY WEIGHTING/RANKING EXERCISE<sup>6</sup>**

Impact categories	Business model	Reputation	Operational	Regulatory/Compliance	Rank
Business model		R	R	R	1st
Reputation			R	R	2nd
Operational				B	4th
Regulatory/Compliance					3rd

<sup>6</sup> For each impact category pair, we chose the letter corresponding to the colour of the principle that CF stakeholders considered more important. For example, "R" was chosen when the lighter shaded category in the vertical axis was deemed more important (i.e. Business Model) than the darker shaded category (Reputation).

### 3.4.2 Stakeholder (the Y-axis score)

#### Stakeholder scoring

In order to develop the stakeholder perspective scoring, a score of 1-5 was applied, where 5 is when a topic is viewed as representing a high level of widespread concern/interest across the industry. Table 3 illustrates the proposed stakeholder significance scale for each stakeholder group.

**Table 3. Industry Significance – Y-axis**

How important do they regard this issue?	
Score	Concern/Interest/Influence Scale
	<p><b>Basis for assessment</b></p> <ul style="list-style-type: none"> <li>– Existing sources of information documenting the perspectives of different stakeholder groups</li> <li>– Aggregated assessment of direct input (interviews, workshops, surveys) received from individual stakeholders</li> </ul>
1	Awareness amongst few, but no real concern/interest or influence on decisions
2	Broader awareness, but little concern/interest or influence on decisions
3	Considerable concern/interest or influence on decisions amongst a minority
4	Considerable concern/interest or influence on decisions amongst many
5	High level of widespread concern/interest or influence on decisions

#### Stakeholder weighting

The views of stakeholder groups can be considered differently depending on the group's level of influence/interest within the industry. Therefore, with various views and perspectives needing to be balanced for this analysis, each of the major industry stakeholder groups were weighted according to how the Steering Committee viewed their influence on and interest in the industry (this occurred during the Steering Committee meeting in September 2019).

### 3.5 Understanding and managing inherent limitations in materiality processes

Materiality as a principle and materiality methodologies have constraints and limitations which need to be considered when reviewing results:

- Range of evolving standards on materiality**
  - There is an ongoing evolution of standards that relate to materiality which make it difficult for organisations to establish and maintain an approach that is consistent over time and appropriate for its context and stakeholders. The internationally recognised GRI, SASB, AA1000 standards as well as local frameworks such as the ASX Corporate Governance Guidelines each serve slightly different purposes or stakeholders and frames of reference, and they are each important and valuable. The assessment process and scoring methodology applied have taken those standards into account and crafted an approach appropriate to a sector-wide application. It is worth remaining abreast of their ongoing development, particularly in relation to the degree of ongoing relevance and suitability of the results and outcomes over time.
- Variable depth of stakeholder topic understanding**
  - With regards to all stakeholder engagement activities, not all stakeholders may have the same level of understanding of all the material issues for the industry, and their comments may reflect this. Given these limitations it is important to consider the stakeholder perspectives outlined in this report as an input to the integrated analysis that will provide conclusions and recommendations for the industry to use as part of the continual evolution of the Australian Dairy Sustainability Framework.
- Interview breadth and depth**
  - With regards to interpreting and analysing the information retrieved from the interviews specifically, the following limitations should be considered:
    - **Small sample size:** One-on-one engagement was conducted with a limited number of stakeholders across each stakeholder group. Out of eight contacted, only six stakeholders were able to be interviewed during the engagement. These six stakeholders did not represent the entirety of the identified stakeholders.

- **Indicative perspective:** We were not able to perform interviews with stakeholders representing all stakeholder categories/groups. Other stakeholders may have additional or differing perspectives.
- **Semi-structured interviews:** The nature of semi-structured interviews provide flexibility for the interviewee and interviewer to expand in areas of particular interest and expertise, however their general structure can restrict in depth explorations of topics/issues.
- Sample size variability**
  - With regards to interpreting and analysing the information retrieved from the online survey specifically, although the survey was widely disseminated across multiple stakeholder groups, it was not possible to ensure all stakeholder groups participated in the survey. In some instances, there may not be a statistically sound sample for some of the less represented groups. That being said, through the other stakeholder engagement activities undertaken throughout the course of the engagement, and through review of previous stakeholder consultation documentation<sup>7</sup> for the desktop review aspect of this engagement, the diverse set of industry stakeholder views have been taken account of for this materiality assessment. Overall, based on our consultants' experience in conducting materiality assessments for other industries, it was determined that the breadth of stakeholder engagement activities carried out for the dairy industry for the 2019 materiality assessment was comprehensive, and in line with best practice.

Based on the above inherent limitations, reliance is not placed solely on one source of information. Instead, all information sources are considered and input into the scoring approach described in section 3.4.

The analysis presented in the following sections is based on our consultants' own analysis and the information gathered through the project and is valid at a specific time of writing and within the boundaries of the assessment.

<sup>7</sup> **Nous Group 2019:** Australian Dairy Plan – Report on the key themes from stakeholder engagements, 24 July 2019, **Nous Group 2019:** Australian Dairy Plan – Engagement with the processing sector, Final Report, 17 July 2019, **Futurity 2015:** An "outside-in" view of the dairy industry – a survey of social licence, and **Currie Communications 2015:** List of issues presented at the External Consultative Forum in 2015 to inform the previous materiality considerations.

## 4 Results and findings

The following sections provide two key sets of results:

- A summary of the key themes and perspectives gathered across the three key stakeholder engagement activities (interviews, consultative forum workshop and online survey).
- The 2019 materiality matrix for the industry, with an analysis of how it has evolved since the 2016 assessment.

### 4.1 Stakeholder feedback

The following sections illustrate key stakeholder perspectives gained from various activities across each of the 27 topics.

#### 4.1.1 External stakeholder interviews

Stakeholders were asked for their opinion on the top three most significant positive/negative impacts of the industry and the three most strategic topics in terms of risk/opportunity. The key findings are presented in Table 4.

Below are some overall comments from the stakeholder interviews:

- The industry was seen to be quite pro-active and comprehensive in addressing and managing long term (sustainability) issues that are important to the dairy industry, especially when compared to other primary industries such as beef and cotton. Large customer: the industry's *"active management of long-term sustainability issues is good and has likely avoided some issues for the industry."*
- Most interviewees highlighted the economic importance of the dairy industry, and its esteemed position for Australia as a whole, but especially for regional areas.

Table 4. Interviewee perspectives on the key impacts and strategic topics across the industry

Positive impacts	Negative impacts
<ul style="list-style-type: none"> <li>• The majority of stakeholders highlighted the dairy industry's contribution to good and affordable nutrition for all Australians as a key positive impact of the industry.</li> <li>• The majority of stakeholders also noted that the dairy industry contributes positively to rural and regional economies, in terms of both employment and also an earner of export income.</li> </ul>	<ul style="list-style-type: none"> <li>• The majority of stakeholders mentioned broader animal welfare issues and specifically the management of bobby calves as being a negative impact of the industry.</li> <li>• Many stakeholders identified both the industry's role and impact on emissions related to climate change and the impact of changes to climate (e.g. exacerbation of drought conditions) on the industry as significant negative impacts. <ul style="list-style-type: none"> <li>– In terms of the industry's impact on climate change, one large customer mentioned that consumer perception is that dairy is less desirable than plant-based alternatives due to industry's contribution to GHG emissions.</li> <li>– In terms of the impact of climate change on the industry, several stakeholders mentioned that certain areas that rely on irrigated pasture may become marginal over time. A lack of water availability may require a transition of the industry to more intensive and less traditional farming systems.</li> <li>– Despite this, several stakeholders mentioned that the industry is good at proactively managing the environmental impacts of its operations, for example in terms of water use efficiency and feed efficiency.</li> </ul> </li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>• Key benefits of dairy stated were that it was a <i>"great, nutritious food, that is not highly processed"</i> – Large customer, and there are opportunities to do more to promote and build on this nutrition perspective, which is in direct contrast to the red meat industry.</li> <li>• One NGO noted that there are opportunities associated with changing the current system for treatment of bobby calves, to create value. This stakeholder noted that there is the potential for farmers to raise bobby calves for veal, as identified in the 2019 study by Dr. Sarah Bolton<sup>8</sup>. This would help address public perceptions as well as contribute to diversification of farm outputs. However, as dairy cattle veal is not a common commodity in Australia and might not be appealing to customers, this opportunity would require a considered marketing and awareness raising strategy.</li> <li>• One large customer noted that there was an opportunity to improve the viability of the industry through the provision of business management training and succession planning services to farmers, and that this could work to secure the long-term profitability/financial viability of farms, and help stop farmers leaving the industry.</li> </ul>	<ul style="list-style-type: none"> <li>• Two stakeholders (retailers) identified antimicrobial resistance as a key risk the industry is facing. One stakeholder mentioned that the industry may not have as strict management/restriction of usage as other primary industries. In addition, the development of an antibiotics use policy (similar to what one large retailer has with the beef industry), could work to eliminate/minimise the use of antibiotics for prophylaxis.</li> <li>• The industry is seen as riskier than other primary industries. In terms of financial viability of the industry, a number of stakeholders identified that the industry has faced hardship in recent years, which has impacted the viability of individual farms, primarily as a result of rising input costs and supply chain pressures (low milk prices). One stakeholder (investor) noted that there is the opportunity to generate 3-5% operating return on dairy farms, which is similar to other primary industries, however the level of risk associated with dairy is significantly higher.</li> <li>• One large retailer noted that there is potential that soy and palm oil are used in dairy feed rations, with associated deforestation related impacts, and that this could be an environmental hotspot for the industry.</li> </ul>

<sup>8</sup> [australiandairyconference.com.au/wp-content/uploads/2019/02/Sarah-Bolton-ADC-presentation.pdf](http://australiandairyconference.com.au/wp-content/uploads/2019/02/Sarah-Bolton-ADC-presentation.pdf)

Interviewees were also asked about whether topics or impacts differ in importance by region, with stakeholders stating that **climate change issues such as droughts/less rainfall** are more exacerbated in the northern part of Victoria, New South Wales and Queensland. In addition, the “other primary industry” stakeholder noted that Victorian farmers are potentially less impacted by cheaper milk prices as more milk goes towards other dairy products, compared with other dairying regions.

When asked about preferred modes of communications in relation to the industry’s sustainability performance, a few interviewees generally found that it is **important to continue to report on industry’s commitment and to communicate the extent of what the industry is doing on behalf of farmers, and especially how farmers can benefit from the actions and outcomes** (e.g. sustainability framework). When communicating, a number of stakeholders stated that special emphasis should be given to simplifying language so that messages can be understood and interpreted by all stakeholders, particularly farmers and consumers. Additionally, it was mentioned that general awareness amongst the public on the existence of the sustainability framework is low and the industry should seek to improve this.

#### 4.1.2 Consultative forum workshop

Attendees at the CF workshop on 17th October 2019 were asked to provide their perspectives on the completeness of the universe of topics, and industry’s impacts and influence on these topics.

Overall, the 27 topics resonated with stakeholders for salience and completeness. For several topics, stakeholders noted that the scope and impact of the associated issues needed to be clarified, and this feedback has been taken into account for the development of the topic universe in Figure 3 in Section 3.2, and the detailed descriptions provided in Table 7.

CF attendees were divided into seven groups and asked to provide their views on the level of influence and ownership the industry should have for two topics that were most important to them. The results of this exercise are presented in Table 5. This influence/ownership analysis is particularly important for the industry to understand how it can address particular material issues across its sustainability strategy into the future, and is presented in the materiality matrix in Section 4.2.1, and the justification for the level chosen across each topic is discussed in detail in Table 7.

**Table 5. Consultative Forum (CF) attendee perspectives on the level of influence and ownership of the industry on selected topics**

Topics	What level of influence has the industry on the topic?	What level of ownership should the industry take?
1 Greenhouse gas emissions	Medium to High	High
4 Biodiversity	High	High
5 Non-food waste & packaging	Medium	Medium
8 Physical climate risk	Medium to High	High
12 Calves, including bobby calves	High	High
15 Farm biosecurity	Low	Medium
16 Product safety & quality	High	High
17 Dairy products in healthy diets	Medium to High	High
22 Talent attraction & succession planning	High	Medium to High
23 Inclusion & diversity	High	Medium to High
26 Aligned policy advocacy	High	High
27 Value creation and profitability across industry	High	High

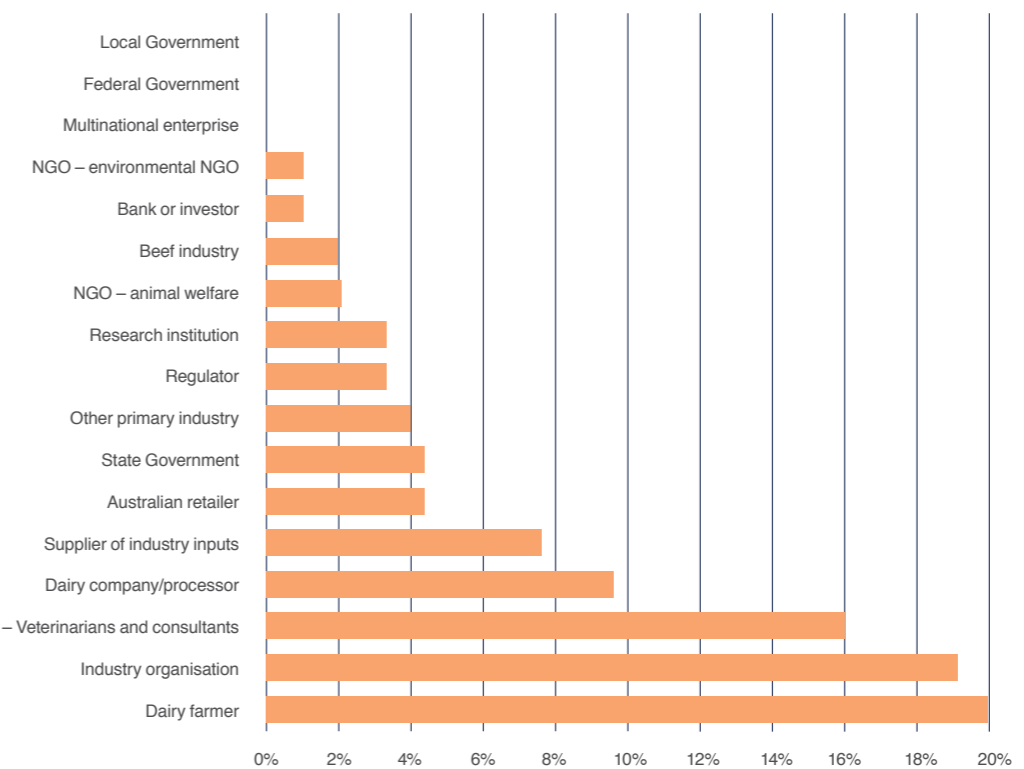
#### 4.1.3 Online stakeholder survey

The survey was sent directly to approximately 250 stakeholders on 13/10/2019 and closed on the 28/10/2019. The survey received a total of 94 responses from industry stakeholders, with 77 respondents completing the full survey.

Figure 7 presents a breakdown of the various stakeholder groups that responded to the survey. These are aligned with the stakeholder sub-groups identified in collaboration with Steering Committee members.

The majority of survey participants were either farmers, industry organisations (primarily Dairy Australia), with veterinarians and processors being the next most highly represented stakeholder sub-group.

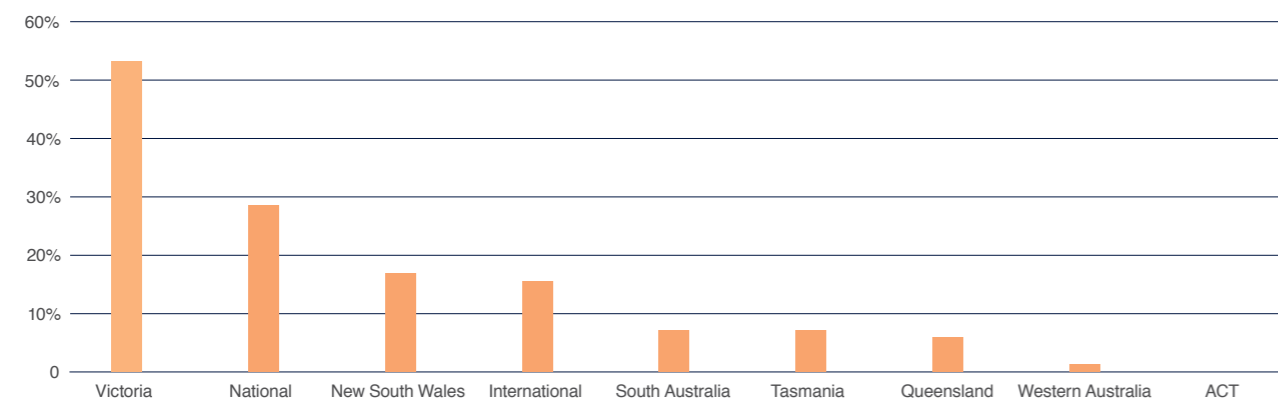
**FIGURE 7. TYPES OF STAKEHOLDERS THAT PARTICIPATED IN THE SURVEY**



When asked in what region participants operate in, over 50% of the participants responded Victoria, with most of these stakeholders operating in Western Victoria and Gippsland. None of the participants operate in the ACT.



FIGURE 8. REGIONS WHERE SURVEY RESPONDENTS OPERATE



**Overall results**

The topics that ranked highest overall in terms of scores across the three key questions asked of stakeholders found that animal welfare issues ranked most highly followed by product safety & quality and antimicrobial stewardship. Table 6 presents this ranking of topics based on combined responses from stakeholders.

Table 6. Ranking of raw stakeholder survey responses for each topic

Topic	Ranking
10 Animal care	1
14 Animal husbandry	2
12 Calves, including bobby calves	3
16 Product safety & quality	4
11 Antimicrobial stewardship	5
3 Water availability & efficiency	6
13 Investment in preventative health for animals	7
18 Worker health & safety	8
15 Farm biosecurity	9
2 Nutrient and soil management on farm	10
17 Dairy products in healthy diets	11
8 Physical climate risk	12
25 Resilience of dairy regions	13
19 Mental health & wellbeing	14
26 Aligned policy advocacy	15
21 Business management capability	16
24 Market growth, development & promotion	17
1 Greenhouse gas emissions	18
27 Value creation and profitability across industry	19
22 Talent attraction & succession planning	20
7 Responsible sourcing of feed	21
9 Energy management & efficiency	22
4 Biodiversity	23
5 Non-food waste & packaging	24
20 Human rights	25
6 Food wastage	26
23 Inclusion & diversity	27



The following sections provide a high-level overview of the feedback for the three key survey questions across the following groupings of stakeholders:

**1 Major stakeholder groups** as identified in previous sustainability reporting for the industry (see Figure 4).

**2 Internal stakeholder sub-groups:** farmers, processors and Dairy Australia. Based on feedback from the Steering Committee on 7th November 2019, we understand that there is considerable interest in understanding the difference in perspectives across these specific stakeholder groups.

**3 Internal versus external stakeholders:** Similar to the internal stakeholder sub-groups, it is valuable to understand if internal and external stakeholders have widely varying perspectives on what are the most important topics for the industry to focus on. For this exercise the stakeholders have been classified as follows:

– **Internal stakeholders:**

- Dairy Processors
- Dairy Farmers
- Dairy Australia
- Australian Dairy Industry Council
- State Dairy Farmer Organisations

– **External stakeholders:**

- Australian Retailer
- Multinational Enterprise
- Bank or Investors
- Supplier of industry inputs
- Government – Federal, State and Local
- Regulator
- Research Institution
- NGO – Animal Welfare, Environmental
- Beef Industry
- Other Primary Industry
- Other – Veterinarians and Consultants

*Results compared for major stakeholder groups*

Overall it was shown that there was general alignment across major stakeholder groups in terms of most important topics across the three questions asked, illustrating that as a whole, the industry is relatively consistent in what should be the areas of focus for sustainability. That said, there were some instances of differences in perspectives which are described below.

**Q1. How much of an impact does the industry have on this topic?**

- Customers (retailers) place **lower emphasis** on the industry's impact on topics related to enhancing industry livelihoods and overall economic viability (24 Market Growth, Development and Promotion, 25 Resilience of Dairy regions, 27 Value Creation and Profitability across Industry) than the other stakeholders.
- Customers (retailers) and NGOs place **higher emphasis** on the industry's impact on 7 Responsible Sourcing of Feed than the other stakeholders.
- Government place **higher emphasis** on the industry's impact on 21 Business Management Capability than other stakeholders.

**Q2. How much does the industry's response to this topic influence your decisions about the industry?**

- NGO's decisions about the industry are most influenced by industry responses to animal-related issues and GHG emissions.
- Customers are more influenced by industry responses to animal-related issues than value creation across the industry.
- All stakeholders, except NGOs, are more influenced by industry's responses to physical climate risk impacts (drought, heat stress) than the release of GHG emissions from the industry.

**Q3. How much of a role should the industry have in actively managing/engaging on this topic?**

- 3 Water Availability & Efficiency ranks among animal-related issues for all stakeholders when considering industry's role in managing this topic.
- NGOs expect the industry to have a role in diverse issues including: 7 Responsible Sourcing of Feed, 20 Human Rights and 4 Biodiversity

*Results compared for internal stakeholder sub-groups*

**Q1. How much of an impact does the industry have on this topic?**

- Overall, farmers view the industry's impacts across all topics as lower significance than processors and Dairy Australia.
- Farmers place **lower emphasis** on the industry's impact on environmental topics (3 Water Availability & Efficiency, 2 Nutrient & Soil Management on farm, 1 Greenhouse Gas Emissions) than processors and Dairy Australia.

**Q2. How much does the industry's response to this topic influence your decisions about the industry?**

- Processors and Dairy Australia's decisions about the industry are most influenced by industry responses to waste and water related issues, in comparison with farmers, who did not rate these topics as highly.
- Farmers decisions about the industry were less influenced by industry responses to mental health issues, than processors and Dairy Australia.
- All of these stakeholders are more influenced by industry's responses to animal welfare issues than social issues such as human rights and diversity in the industry.

**Q3. How much of a role should the industry have in actively managing/engaging on this topic?**

- Dairy Australia expect the industry to play a relatively large role in managing waste related issues, whereas farmers and processors do not place as much emphasis on this topic.

*Results compared for internal versus external stakeholders*

**Q1. How much of an impact does the industry have on this topic?**

- External stakeholders place **lower emphasis** on the industry's impact on topics related to enhancing industry livelihoods and overall economic viability than internal stakeholders.
- External stakeholders place **higher emphasis** on the industry's impact on 7 Responsible Sourcing of Feed than internal stakeholders.

**Q2. How much does the industry's response to this topic influence your decisions about the industry?**

- Both internal and external stakeholders' decisions about the industry are most influenced by industry responses to animal-related issues, product safety and quality and water availability and efficiency.

**Q3. How much of a role should the industry have in actively managing/engaging on this topic?**

- Both internal and external stakeholders share views on the relatively high-level role industry should have in managing the well-being of people through dairy products.

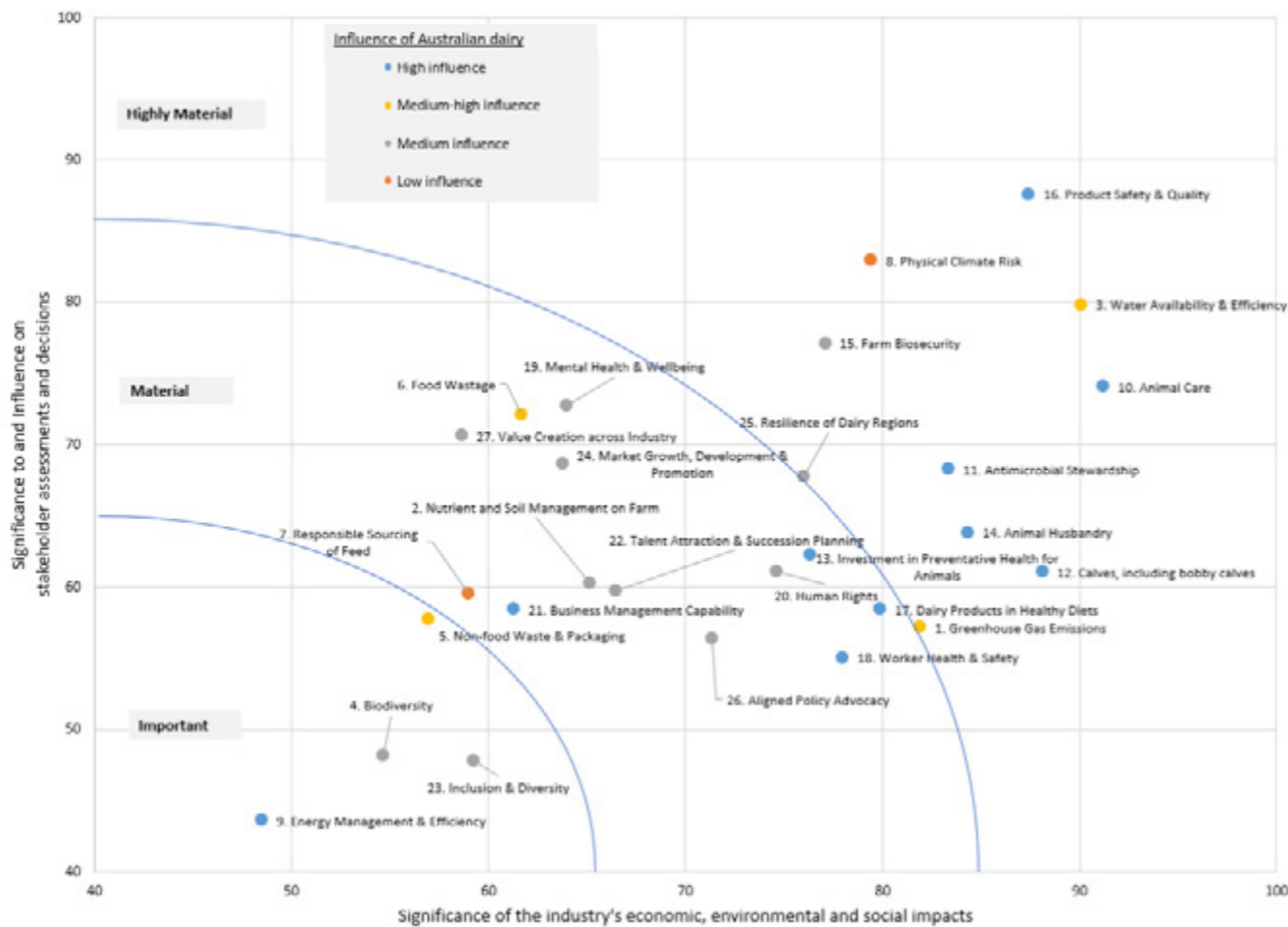
## 4.2 Prioritisation of topics

Using the information gathered through stakeholder engagement activities, desktop review and consultation with the Steering Committee, each topic has been prioritised, based on economic, environmental and social impact, and significance to and influence on stakeholders' perspective relative to the industry.

### 4.2.1 Materiality matrix

Figure 9 shows the materiality matrix developed for the Australian dairy industry and presents the relevant topics for the industry.

FIGURE 9. AUSTRALIAN DAIRY MATERIALITY MATRIX



For this engagement, two thresholds for materiality were set to differentiate topics across three levels from 'Important', 'Material' and 'Highly Material', and this is represented by the curves on the matrix. These thresholds are set as a guide to help the industry in considering relative priorities in its strategic responses to those topics and nature of disclosures in sustainability reporting. It is important to note that there is no specific guidance provided across the various sustainability standards on how and where to set specific materiality thresholds, and therefore the thresholds applied are based on our experience and input from the Steering Committee of what would constitute appropriate thresholds. Specifically:

- The first threshold is set at 65 on both axes; topics beyond this curve are named as 'Material', while topics below are named as 'Important'
- Topics beyond the upper threshold, which is set at 85 on both axes, represent the highest-ranked topics (and named as 'Highly Material'):
  - 16. Product Safety & Quality
  - 3. Water Availability & Efficiency
  - 10. Animal Care
  - 8. Physical Climate Risk
  - 15. Farm Biosecurity
  - 11. Antimicrobial Stewardship
  - 12. Calves, including bobby calves
  - 14. Animal Husbandry
  - 25. Resilience of Dairy Regions
  - 1. Greenhouse Gas Emissions

In addition, we have provided an indication of the level of influence the industry has over the various topics (expanded upon in Table 7 of Appendix 1). This will guide industry as to where potential opportunities lie in updating the targets and goals included in future iterations of industry sustainability reports. A large number of the highest priority topics are also those over which the industry has high or medium influence.

### 4.2.2 Discussion

The materiality assessment reinforced the sustainability work that the industry has been undertaking since 2012, in that high priority topics include animal welfare issues and safe, high-quality products. It also reinforced high priority topics such as Water Availability & Efficiency and Physical Climate Risk, that previously fell under one broad grouping of "Reduce CO2 emissions", have seen an increase in priority since previous assessments. Two previously emerging topics, Antimicrobial Stewardship and Human Rights are also now seen as a priority for the industry. In addition, Mental Health & Well-being, particularly for farmers, has emerged as an issue as a result of the assessment.

Over the coming months, the industry may formulate a response for how it responds to these changes across topics through the Australian Dairy Sustainability Framework and other mechanisms.

## 5 Next steps

In continuing to build on and improve the industry's response to material sustainability topics, the project team have developed the following recommendations for the industry:

- **Review the findings for their implications on the overall Australian Dairy Industry Sustainability Framework**

- Review the current themes, goals, targets and progress of the Framework and compare these with the results of this materiality assessment, to identify gaps, strengths and weaknesses.
- Identify current projects and activities in the industry addressing the most material topics and identify possible gaps and likely responses.
- This review could be done as part of one or more workshops in 2020 with the Steering Committee and involve stakeholders through mechanisms such as the Consultative Forum meetings.

- **Materiality Assessment Process:**

- Review materiality assessment internally annually and continue an external full review/refresh cycle every 3-5 years.
- As part of an annual review, conduct a new media and peer review to confirm that the language of topic descriptors remains relevant.
- Potentially engaging different stakeholders each year, for example at the Consultative Forums, to ensure views are captured and used to update stakeholder scores in a timelier manner. The benefit of this would be that a full review/refresh could be every 5 years rather than 3 years.





## Appendix 1. Topic descriptions and industry's level of influence

Table 7 provides the list of significant topics for the industry, with their descriptions and also the level of influence the industry has in managing these topics. The assessment of influence was based on our consultant's knowledge of the industry, feedback gathered through the CF workshop in October 2019 and the online stakeholder survey, combined with an analysis of how the US industry has assessed this aspect in their recent Materiality Review.

**Table 7. Topic list with descriptions and industry's level of influence over the topic**

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
1	Greenhouse gas emissions	This topic relates to GHG emissions across the full value chain being quantified and reduced through all economically viable mechanisms. In recent years, there has been increasing consumer pressure to reduce emissions from food and beverage products, as the sector is both a significant driver of global climate change, and among those most adversely impacted by climate change. This is hurting companies' bottom lines – and more importantly, hurting small-scale farmers and communities at the other end of the value chain, who bear the brunt of the physical impacts associated with extremes in weather.	Reducing environmental impact	<b>Medium-high.</b> Dairy farmers and processors have a medium-high degree of operational control over emissions reductions at their sites. At farms GHG reductions can be achieved through various measures, including increasing milk yield per cow, whereas at factories, processors have operational control over energy consuming equipment and processes.
2	Nutrient and soil management on farm	This topic focuses on the management of nutrient application at farms to minimise impacts on water, i.e. nutrient runoff into streams and waterways, while maintaining and enhancing soil quality. This can be achieved through the development of nutrient management plans and excluding stock from waterways. In addition, soil should be managed so as to protect it from the problems of compaction, erosion, poor drainage, soil acidity and nutrient deficiencies.	Reducing environmental impact	<b>Medium.</b> Dairy farmers have operational control over manure and fertiliser management on farms.
3	Water availability and efficiency	Water availability is managed responsibly and efficiently throughout the dairy value chain. This is becoming increasingly important, as the ever-increasing challenges and physical impacts of climate change on Australian agriculture is linked to more water scarcity and drought conditions. The efficient use of water across the supply chain will help to increase resilience of the industry and maintain productivity.	Reducing environmental impact	<b>Medium-high.</b> Dairy farmers have limited influence over water use in feed production, however they have a large degree of control over water on-farm. Processors also have a high degree of operational control over water use at manufacturing sites.
4	Biodiversity	Land managed for agriculture includes assets important for biodiversity conservation. Typical biodiversity assets on dairy farms include remnant native vegetation (such as patches of forest, woodlands, shrublands and grasslands). It is important that direct and indirect biodiversity risks and opportunities are understood and strategies to maintain and enhance it are established. On-farm revegetation represents additional benefits to the industry (on top of biodiversity services) in terms of shade and shelter for stock, shelter for crop and pasture production, improvement of amenity and land value, as well as potential generation of carbon offsets that would have marketable biodiversity characteristics.	Reducing environmental impact	<b>Medium-high.</b> Farmers have a large degree of control over managing their sites for biodiversity conservation. However, improving the industry's performance on this topic is very much linked to farmers realising the co-benefits associated with it.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
5	Non-food waste and packaging	This topic relates to non-food waste and packaging across the industry. It is important to manage and cut out these waste streams along the value chain and minimise waste to landfill. Packaging should be recyclable, compostable or reusable when possible. This allows the industry to make more efficient use of resources and reduce its environmental impact.	Reducing environmental impact	<b>Medium-high.</b> Dairy farms and processors generally have a high degree of operational control over the waste that their operations generate. They have some influence on how their waste is treated, but the ability to recycle or repurpose certain waste streams depends on the availability of local programs or markets, and waste management infrastructure.
6	Food wastage	Food waste includes waste produced across the dairy value chain (according to the 2018 Australian Dairy Industry Sustainability Reports, up to \$129 million of milk is either lost or wasted annually) and also that produced by consumers, which includes the deliberate discarding of uneaten food. This issue could pose an opportunity across the supply chain to improve efficiency, resource use and industry competitiveness. Successfully reducing food waste could also have benefits for people facing food insecurity across Australia.	Reducing environmental impact	<b>Medium-high.</b> As for 5.
7	Responsible sourcing of feed	Unsustainably sourced feeds such as soy and palm oil meals should not be used as a feed source in the industry. The Australia grain industries import both soybean meal (mainly from Latin America) and palm kernel meal (from South-east Asia) for use as livestock feeds. There is a risk that these feeds may have significant deforestation impacts associated with their production.	Reducing environmental impact	<b>Low.</b> Dairy farmers have limited influence over biodiversity impacts related to feed production in the supply chain. However, as a whole the industry could work with the grains industries to understand and address the importation of unsustainably sourced feeds into Australia.
8	Physical climate risk	Climate change impacts including water scarcity can affect milk supply and the viability of the industry in some regions. In recent times, as limited rainfall continues to place pressure on water supplies across the country, farmers in Victoria's north and the Riverina region of NSW are being directly impacted. In addition, climate change related temperature increase can result in additional heat stress for animals. This can have a significant impact on animal welfare, and can affect feed intake and therefore milk production, milk composition and fertility. Other extreme weather events such as heavy frosts can impact dairy farmers, due to stalled pasture growth.	Reducing environmental impact	<b>Low.</b> The industry has limited influence over climate change impacts as this is largely due to factors outside of the industry's operational control. However, adaptation is critical. Failure to adapt will have major impacts on economic and social aspects.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
9	Energy management and efficiency	Purchased electricity/other fuels is a significant operating cost for dairy companies. Efficient energy usage is essential to maintain a competitive advantage in this industry, as purchased fuels and electricity account for a significant portion of total production costs. Decisions regarding the use of alternative fuels, renewable energy, and on-site generation of electricity versus purchasing from the grid can play an important role in influencing both the costs and reliability of the energy supply.	Reducing environmental impact	<b>High.</b> Dairy farmers and processors have a high degree of operational control over energy use at their sites.
10	Animal care	It is important that dairy animals are treated with care based on the five freedoms that describe society's expectations for the conditions animals will experience when under human control, namely: <ul style="list-style-type: none"> <li>• Freedom from hunger or thirst by ready access to fresh water and a diet to maintain full health and vigour</li> <li>• Freedom from discomfort by providing an appropriate environment including shelter and a comfortable resting area</li> <li>• Freedom from pain, injury or disease by prevention or rapid diagnosis and treatment</li> <li>• Freedom to express (most) normal behaviour by providing sufficient space, proper facilities and company of the animal's own kind</li> <li>• Freedom from fear and distress by ensuring conditions and treatment which avoid mental suffering.</li> </ul>	Providing best care for all our animals	<b>High.</b> Dairy farm owners, managers, and employees directly impact the quality of care their animals receive. It is farmers responsibility to establish the farm's policies for cow care and work with veterinarians to ensure proper health and nutrition.
11	Antimicrobial stewardship	Antibiotics are used by dairy farmers to protect the health and welfare of dairy herds. This topic relates to the increasing concern of the use of antibiotics in livestock production due to the potential impacts on public health. Antibiotics used in livestock production that are of critical importance to humans may promote the development of antibiotic-resistant strains of bacteria. It is important that the industry promotes the responsible use of antibiotics i.e. as little as possible, as much as necessary – for effective animal health treatments.	Providing best care for all our animals	<b>High.</b> Dairy farmers have a high degree of operational control over animal health management practices that impact antibiotic use.
12	Calves, including bobby calves	For cows to produce milk, they have to give birth to a calf. 'Bobby Calves' are newborn calves that are less than 30 days old and not kept with their mothers and sold for meat or reared for dairy-beef. Around 400,000 of these calves are processed each year in Australia, supporting local jobs and providing a valuable protein resource. Care of these calves is a high priority for the dairy industry, and therefore it is important that calves are managed appropriately. To this end the dairy industry is investing in research, development and extension to improve the welfare of calves which will not enter the dairy herd as adults, no matter their fate. The sustainable integration of bobby calves into the beef chain is being prioritised.	Providing best care for all our animals	<b>High.</b> As for 10.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
13	Investment in preventative health for animals	When dairy farmers invest in preventative health for dairy animals, it helps to ensure the outcome of increased cow longevity and health, thus contributing to the enhanced sustainability of the industry. Examples of preventative health include installing cooling infrastructure, developing strategies for lameness, animal nutrition and fertility.	Providing best care for all our animals	<b>High.</b> As for 10.
14	Animal husbandry	The welfare of cows is important to the Australian dairy industry, as they must be in peak condition to deliver safe, quality dairy products, and ensure the future sustainability of the industry. It is therefore important that producers move to end husbandry practices that may cause unacceptable levels of pain, distress or deleterious health consequences. The industry has many welfare practices/targets in place to manage the welfare of livestock, including for example no calving induction by 2022, no tail docking, providing pain relief for disbudding horns, and promoting positive stock handling practices.	Providing best care for all our animals	<b>High.</b> As for 10.
15	Farm biosecurity	Biosecurity is vital for protecting individual farms, the dairy industry and Australian agriculture as a whole, against the spread of pests and diseases on and between farms, and from overseas. If not managed correctly, it can have serious economic and social consequences. The industry works to manage this risk directly, as it is the responsibility of farmers to have an active biosecurity plan and communicate any requirements for staff and visitors coming onto their farms. At a sovereign level, the industry is protected from biosecurity issues as a result of strict biosecurity controls at Australia's borders.	Providing best care for all our animals	<b>Medium.</b> Farmers have a high degree of control over the management of biosecurity at a site level. However, biosecurity also requires management at the sovereign level and the industry has less influence over this.
16	Product safety and quality	This topic is about maintaining the safety and quality of dairy products throughout the supply chain, in a transparent manner. This acts to ensure all dairy products and ingredients sold are safe.	Improving well-being of people	<b>High.</b> Dairy farmers and processors have a high degree of operational control over management and production practices that impact food safety.
17	Dairy products in healthy diets	In recent years, there has been an intensified consumer focus on diet and healthy lifestyles, and this has prompted product transformations and new innovations centred on natural, wholesome and organic ingredients. This topic focuses on how healthy and organic foods have emerged as major growth categories and will remain in the spotlight for food manufacturers as consumer awareness regarding social and environmental impacts of food products continues to grow. As part of this healthy eating mega trend, there is an increasing demand for plant-based beverages such as soy and almond. In this area, it is important that the dairy industry promotes the role of dairy in a nutritionally sustainable diet.	Improving well-being of people	<b>High.</b> The industry can exert a high degree of influence over raising awareness of what constitutes a healthy diet and dairy's role in this.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
18	Worker health and safety	This topic focuses on safe working environments and workers' rights to health and no harm across the dairy value chain. By developing a strong safety culture and reducing dairy industry employees' exposure to potentially harmful situations, companies can proactively guard against accidents and improve workforce health and safety.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>High.</b> Dairy farmers and processors have a high degree of operational control over the conditions of their workplaces and policies/practices that promote safety.
19	Mental health and wellbeing	Isolation, drought and economic hardship can take their toll on dairy workers' mental health. In addition, stress and anxiety significantly impact job performance, worker satisfaction and retention and ultimately affect the achievement of the industry's objectives to deliver greater profitability across the supply chain. Building personal and family resilience is a process that can help dairy workers manage difficult times and get the most out of dairy life. It is important to link rural communities, families and individuals with the most appropriate services and information.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>Medium.</b> Although dairy farmers and processors can work to create workplaces that do not contribute to poor mental health and well-being, their overall control over individual's mental health is more limited than with their workers' physical health.
20	Human rights	Respecting the rights of individuals working across the industry and those whose rights are potentially impacted in relation to the industry's business activities. For workers, this is recognised in the International Labour Organisation's core conventions, the Ethical Trading Initiative base code, and SA8000 standards on social accountability in the workplace. Respecting human rights also includes the provision of reasonable remedy where the industry causes, contributes or is linked to human rights breaches or violations. This includes and is not limited to child labour, forced/bonded labour, safe and hygienic work environment, harsh or inhumane treatment of workers.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>Medium.</b> The industry has a moderate level of influence in ensuring that dairy farmers and processors do not contribute to human rights breaches.
21	Business management capability	Supporting dairy industry workers' capability and business performance is important to manage business volatility. There is great volatility across the whole industry, and dairy workers at both farms and processing facilities need more business management skills and tools to manage this. For example, many farmers do not have key business documents such as budgets and business plans in place. It could be beneficial for the industry if both farmers and workers at processing facilities, were provided with opportunities for more education and training in business management. Providing this support could also help to improve dairy workers' mental health in relation to the stressors associated with successfully managing a business.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>High.</b> Dairy farmers and processors have a high degree of operational control over the training that they provide their workers. In addition, industry organisations such as Dairy Australia can develop training materials and resources for the industry as a whole.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
22	Talent attraction and succession planning	In order for the industry to attract and retain workers on farms and in factories, the right conditions need to be provided, including the promotion of proactive succession planning. This helps to maximise knowledge transfer across the industry and engages a new generation of dairy industry workers. Ultimately, this will lead to dairy businesses being empowered to better plan for the future, manage risk better and increase long-term profitability.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>Medium.</b> Although dairy farmers and processors have a high degree of operational control over the training that they can provide their workers, there are external factors outside of the industry's control that may mean industry workers leave the industry.
23	Inclusion and diversity	Providing equal opportunities, combating discrimination and promoting inclusion and diversity. Effective diversity management can lead to productivity improvements and helps foster more accountable practices and industry innovation through diversity of thought. This is relevant within industry and its members, as well as in dealings with stakeholders across the value chain.	Enhancing economic wellbeing and livelihoods (Part A – Industry)	<b>Medium.</b> Although dairy farmers and processors have a high degree of operational control over the workers they hire, there are external factors, such as a lack of diverse workers seeking employment in the industry, that reduce the level of influence.
24	Market growth, development and promotion	This topic considers both domestic and export markets. Market growth and development would be supported by increased investment e.g. in agricultural transport infrastructure, which in turn drives down the cost of reaching key markets and supports greater profitability across the supply chain. Market growth and development could also be supported by increased R&D and innovation in commercial tools, products, and services that give the dairy industry a competitive edge. Increased industry marketing and promotion will also help market growth and development.	Enhancing economic wellbeing and livelihoods (Part B – Viability and innovation)	<b>Medium.</b> The industry has a moderate level of influence when driving market growth and development through supporting the correct R&D programs and promoting the industry domestically and abroad.
25	Resilience of dairy regions	The dairy sector contributes to the resilience and economic viability of farmers and rural communities, including regional job creation, now and into the future, ensuring the industry remains competitive and profitable. It is important to understand the contribution the dairy industry makes to supporting the economies of dairy regions, and to promote the contribution of dairy so that it is recognised in relevant local and state government strategies (especially growth and investment strategies). This topic has linkages with 27 as it has valuable social and economic benefits.	Enhancing economic wellbeing and livelihoods (Part B – Viability and Innovation)	<b>Medium.</b> Increasing/maintaining the resilience of dairy regions relies on a number of factors within the industry's control i.e. improving business management capability, but also multiple factors that lie outside it i.e. climate change impacts such as drought.

No.	Topic	Topic description	Relevant ADSF commitments	Influence of industry
26	Aligned policy advocacy	Favourable government policy settings are critical to the long-term success of the Australian dairy industry as a whole. The advocacy landscape is changing – it is increasingly important to demonstrate that the industry has broad community support to get any traction with government. In addition, unity is important – fragmented industries are increasingly the target for activists, agitators and splinter groups. Therefore, it is important that the industry comes together to work on policy issues and advocates for policy change using one united voice. Historically, that has sometimes been a challenge, but in order to achieve the most favourable policy outcomes for the industry in the future, the establishment of ever stronger partnerships and networks will be required.	Enhancing economic wellbeing and livelihoods (Part B – Viability and innovation)	<b>Medium.</b> Although the industry has a high degree of control over how it chooses to advocate for policy change, external factors, reduce the industry's overall influence.
27	Value creation and profitability across industry	It is important that the dairy industry is profitable at both the farm and processor level to ensure the long-term viability of the industry. This topic relates to maintaining profitability and the generation of greater value throughout the supply chain, which works to increase external confidence in the industry and allows for calculated risks, leading to increased innovation and greater resilience. In addition, it considers the sharing of this profitability throughout the supply chain, in a balanced and equitable manner.  It is also about building greater transparency through the supply chain in ways that help to restore trust, in particular between farmers and processors, rather than regulating price or supply. It is important that the whole industry continues to advocate for the value of dairy and to promote the generation of greater value to be maintained and shared across all of industry.	Enhancing economic wellbeing and livelihoods (Part B – Profitability, Viability and innovation)	<b>Medium.</b> As for 25.



## Contact

### **Chris Griffin**

Chair, Dairy Sustainability Steering  
Committee and Consultative Forum  
T +61 3 8621 4200 (ADIC Office)

### **Helen Dornom**

Manager, Sustainability including  
Food Safety & Integrity  
T +61 419 395 374  
E [helen.dornom@dairyaustralia.com.au](mailto:helen.dornom@dairyaustralia.com.au)

### **Dairy Australia**

Level 3, HWT Tower,  
40 City Road, Southbank 3006

[dairyaustralia.com.au](http://dairyaustralia.com.au)

[sustainableairyoz.com.au](http://sustainableairyoz.com.au)

