CANADIAN DAIRY COMMISSION

2024-2025 CLIMATE-RELATED DISCLOSURE REPORT

TABLE OF CONTENTS

CONTACT US

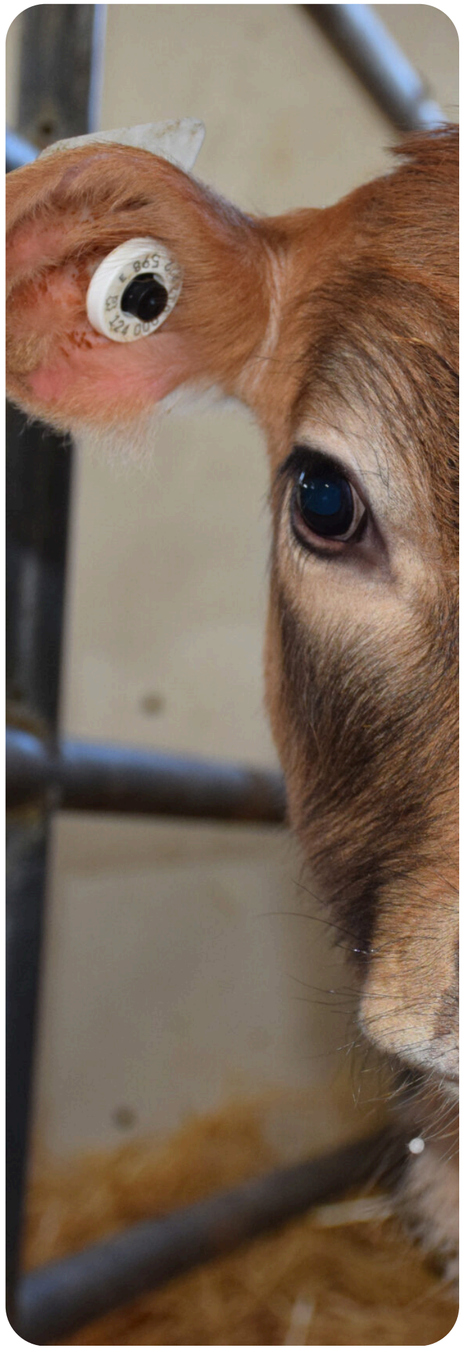
CANADIAN DAIRY COMMISSION

Building 55, NCC Driveway
Central Experimental Farm
960, Carling Avenue
Ottawa, Ontario K1A 0Z2

Telephone: 613-792-2000
Toll free: 1-866-366-0676
Email: cdc-ccl@cdc-ccl.gc.ca
Website: www.cdc-ccl.gc.ca

Commission staff is available to serve you in either official language, from 8 a.m to 4:30 p.m ET, Monday to Friday (statutory holidays excluded).

Our annual report is only available electronically. Throughout the document, you will find links to websites that offer you more information on certain topics.



ABOUT THIS REPORT

Report scope and boundary

The Canadian Dairy Commission (CDC) supports the recommendations of the Financial Stability Board's Task-Force on Climate-Related Financial Disclosures (TCFD). The CDC is committed to producing annual disclosures that address these recommendations and align with the Government of Canada's expectations for climate-related financial disclosures while highlighting our priorities and approach to climate change.

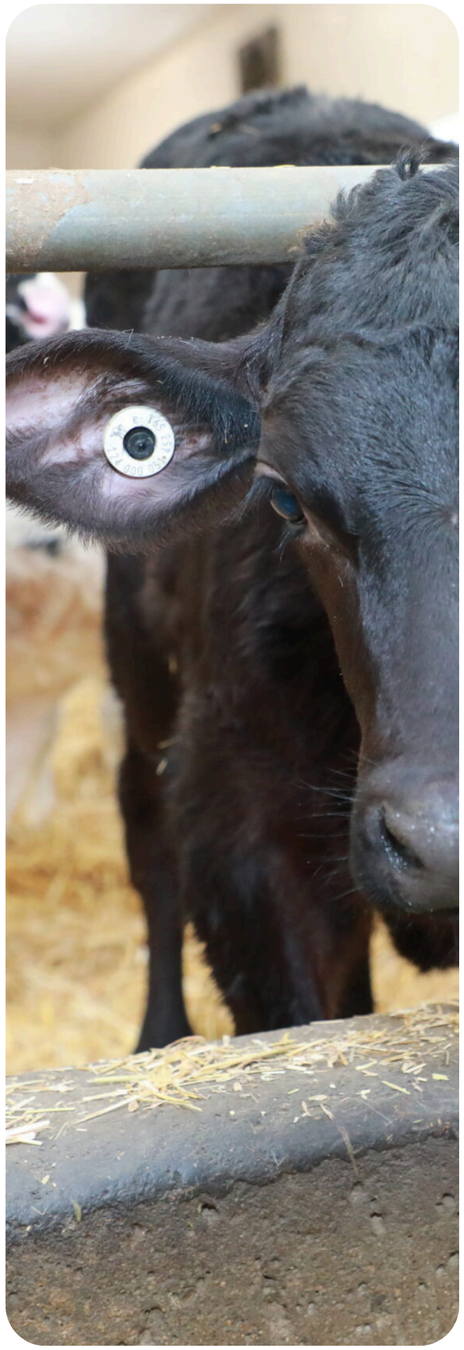
This is the CDC's first edition of the Climate-Related Disclosure Report. It is focused on the CDC's activities and operations which support the fulfillment of its role in the dairy industry and encompasses the dairy year ending on July 31, 2025. Guided by the principle of continuous improvement, we will enhance this reporting over time.

Additional reporting

The CDC provides relevant information on its mandate, strategic plan, mission and values in its 2024-25 Annual Report. You will find our reports at Planning and reporting | Canadian Dairy Commission.

Contact

We welcome questions and feedback on our report and initiatives: cdc-ccl@cdc-ccl.gc.ca.



MESSAGE FROM THE CDC BOARD

The Canadian Dairy Commission (CDC) recognizes the need to align our activities with the national and global transition toward a low-carbon economy. The CDC is a key facilitator for the country's dairy industry which places us in a unique position to support climate-conscious transformation while supporting a dynamic sustainable dairy system.

In response to evolving climate-related financial disclosure standards, including the federal government's commitment to mandatory TCFD-aligned reporting, we have begun to actively evaluate the risks and opportunities posed by climate change across our operations and the broader supply chain. This includes assessing:

- Physical risks such as extreme weather events affecting the CDC's activities and the industry more broadly.
- Transition risks related to evolving regulations and consumer preferences; and
- Opportunities to support the industry in its climate transition and demonstrate leadership at the national level.

This report marks a pivotal step in our commitment to transparency, improvement, and collaboration. With the cooperation of industry partners, policymakers, and researchers, we remain committed to fostering a dairy sector that balances economic strength, environmental responsibility, and consumer trust.

The Board is committed to integrating climate considerations into the CDC's governance, strategy, and risk management frameworks. We believe that a thriving dairy sector must also be a climate-responsible one—and we are determined to support that evolution.

Benoit Basillais
Chief Executive Officer

Jennifer Hayes
Chair

Shikha Jain
Commissioner

Our approach to climate change

Greenhouse gas emissions in the dairy industry

Canadian dairy farming accounts for 1% of national greenhouse gas (GHG) emissions[1]. With a projected annual increase in demand for dairy products averaging 2-3% over the coming years, the dairy industry faces the challenge of increasing production while lowering emissions. The vast majority of Canada's dairy production is for domestic consumption; hence it does not have much of an influence over global dairy-related GHG emissions. However, Canada leads in reduced dairy production emissions, with half of GHG emissions compared to the global average of GHG emitted during the production of a litre of milk.[2] Canadian dairy producers and processors plan to further reduce emissions (Dairy Farmers of Canada and Dairy Processor Association of Canada) and reach the national goal of net-zero emissions by 2050.[3,4]

In our activities which support the national supply management system, and in the delivery of various programs which aim to encourage innovation within the industry, the CDC can take concrete steps to complement and support existing efforts within the value chain to achieve GHG emissions objectives.

Key climate trends in the industry

Dairy production contributes to climate change, mainly through methane emissions, while also being increasingly vulnerable to its effects, as extreme weather events, shifting climate systems, and rainfall patterns impact dairy cows, feed crops, and water availability.

The Canadian dairy industry is reshaping itself in response to climate change. Transformation efforts are currently focusing on the following core areas to reduce its carbon footprint and build further resilience: efficiency, regenerative and sustainable farming, water and feed efficiency, innovation and methane reduction, and data-driven decisions.[5]

We are committed to reviewing our activities and operations as a stakeholder in the dairy sector chain to identify ways that we can support these key areas of focus. We are also aiming to help industry stakeholders navigate the challenges and opportunities of climate change, while ensuring our supply management system remains resilient, responsive to disruptions and continue to deliver high-quality products for consumers and a fair return to efficient producers.

[1] National inventory report: greenhouse gas sources and sinks in Canada

[2] Dairy Farms Environmental Footprint | Dairy Nutrition Canada

[3] DFC targets net-zero greenhouse gas emissions by 2050 | Dairy Farmers of Canada

[4] Dairy Sustainability - DPAC

[5] How to Reduce Dairy Emissions | Dairy Farmers of Canada

GOVERNANCE

Board governance overview

In the past year, the Board of Directors has enhanced its oversight of Environmental, Social, and Governance (ESG) issues and opportunities by establishing an ESG Committee within the CDC's governance structure, recognizing the growing importance of related issues and opportunities in its corporate strategy.

The Board oversees climate-related corporate strategies, by including a quarterly standing agenda item for ESG updates in Board meetings. The ESG Committee also works in conjunction with other internal committees[6] to help identify and mitigate risks and explore opportunities relating to ESG. This aspect of its activities further supports the Board with its oversight of ESG-related risks, via the Audit Committee, ensuring the risk management framework stays current and comprehensive.

The Board is committed to enhancing its understanding of climate management. In 2023-24, the Board participated in an information session and a workshop to better understand the implications of the TCFD recommendations for the CDC and the role they would play in their implementation.

This comprehensive approach ensures that the Board remains actively engaged in overseeing and guiding the organization's ESG and climate-related strategies, fostering a sustainable and responsible corporate governance framework while fulfilling the CDC's mandate.

Senior management team role

Our senior management team (SMT) members play a direct role in the CDC's climate-related activities. This includes involvement from the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Executive Director of Corporate Services, Executive Director of Programs and Commercial Operations, Executive Director of Audit and Evaluation, Executive Director of Policy and Economics, Chief Information and Security Officer (CIO and CSO), and Corporate Secretary.

On a quarterly basis, the SMT reviews the ESG committee reports and updates before they are submitted to the Board for information purposes or for final review and approval.

Members of the SMT continue to advance their knowledge about climate management through interactive seminars, and discussions facilitated by internal teams and external experts.

ESG Committee responsibilities

The CFO and Executive Director of Corporate Services co-chair the ESG Committee. This committee directs the CDC's ESG strategy and leads the integration of climate considerations throughout the organization.

In 2024-25, the ESG Committee received specialized information sessions focused on ESG and on TCFD recommendations/framework and had the opportunity to provide feedback on the CDC's evolving approach to ESG considerations. These discussions included a focus on the actions that the CDC can take to reduce any GHG emissions in its own operations and how climate change is impacting the organization. The CDC's role in support of stakeholder's efforts to reduce GHG emissions will be further defined in the coming years.

[6]The Internal Audit and Program Evaluation Advisory Committee (IAPEAC) and the Corporate Risk and Security Committee (CRSC).

STRATEGY

Among the range of activities undertaken by the CDC, key activities that influence or may be influenced by climate change are highlighted below:

Coordinator/Facilitator

The CDC helps coordinate federal and provincial dairy policies, ensuring consistency across jurisdictions.

Plays a key role in dairy supply management:

- Balancing supply with demand using production targets;
- Providing fair returns to producers, setting the butter support price, calculating the National Pricing Formula, and calculating associated milk component price changes for provincial approval.

It chairs and works closely with the Canadian Milk Supply Management Committee (CMSMC), offering fact-based analysis and recommendations on market trends and dairy policy issues as well as by providing secretariat services.

The CDC operates as a neutral facilitator at the national level, balancing the interests of all dairy industry stakeholders: producers, processors, consumers, and all levels of government.

Program administrator

On behalf of the industry, the CDC buys, stores, and sells certain dairy products (butter and cheese) to manage seasonal fluctuations in supply and demand as part of its Domestic Seasonality programs.

With the support of the industry, and on behalf of the Government of Canada, the CDC acts as the receiver of butter imports under the World Trade Organization (WTO) tariff rate quotas (TRQ) through federal permits since 1995 and directs this product to the further processing sector through butter manufacturers.

The CDC administers the Dairy Innovation and Investment Fund on behalf of Agriculture and Agri-Food Canada (AAFC) as well as the application process for the Market Growth Program on behalf of the provincial milk marketing boards.

The CDC encourages growth and innovation in the manufacturing and use of dairy products and components.

As a crown corporation dedicated to fulfilling these key roles, the CDC is committed to exploring climate-change opportunities and mitigating associated risks. This is essential in maintaining the resilience of both Canada’s supply management system and the CDC’s operations in the context of climate change.

Climate-related risks and opportunities

The tables below outline the main climate-related risks and opportunities considered by the CDC in support of its climate-resilience approach. When selecting the time horizons for these considerations, the CDC aligned with its planning framework where short term (ST) is defined as 0 to 12 months (operational), medium term (MT) as 12 months to three years (tactical), and long term (LT) as beyond three years (strategic).

Risk: Extreme weather events (Physical-acute)

Definition	Floods, droughts, wildfires, and storms can damage infrastructure, reduce feed availability, and disrupt milk production and transportation.
Time horizon	ST
Impact areas	Coordination, Program and Financial Administration
Potential CDC implications	Extreme weather events may result in damages to CDC's facilities, equipment and staff or to contracted warehouses used for its program administration related to butter storage on behalf of the industry. Such events could also result in supply chain disruptions (production, processing, transportation) affecting the CDC's supply management activities (for events impacting dairy producers or processors). This may have an impact on the CDC's capacity to balance the seasonal demand and supply of products for the domestic market. Damages caused by such events may result in an immediate increased cost for the repair/replacement of facilities and equipment. Over a longer period, there may also be an increase in cost for insurance premiums (CDC and other industry stakeholders).

Risk: Changes in climate pattern (Physical-chronic)

Definition	Changes in climate patterns include effects such as rising global temperatures, shifting rainfall/snowfall zones, longer periods of drought, and rising sea levels that would occur in a region over many years.
Time horizon	MT, LT
Impact areas	Coordination, Program and Financial Administration
Potential CDC implications	Changes in climate patterns will occur and will have impacts on the various stakeholders of the Canadian dairy industry, particularly on the production side, which will vary between regions of Canada. As an example, longer periods of drought or rainfall will influence cattle health and milk production as well as crop yields which in turn will have implications for production levels, producer revenue and the cost of production at varying degrees from one region to another. These are key considerations as part of CDC's supply management activities. As climate patterns evolve at varying degrees between regions within Canada, the impact on production levels and productivity may result in adjustments to the geographical distribution of warehouses contracted by the CDC as part of its program administration to ensure it remains optimal and as cost effective as possible. The evolution of climate patterns at the international level will also be of interest for the CDC in the fulfillment of its role in the administration of the WTO TRQ for butter and butter oil. As weather patterns shift, global productivity may influence world prices. This may impact the availability and price of imported products. The Canadian system will need to be able to adapt rapidly to ensure adequate supply to Canadians. In addition, as global temperatures rise over the years, increased storage costs are anticipated as energy cost increases. Warehouses under contract with the CDC for storage services may add electricity surcharges to reflect the higher cost of electricity for frozen storage.

Risk: Market (Transition)

Definition	Shifting market preferences towards competing products with fewer carbon emissions.
Time horizon	MT, LT
Impact areas	Coordination
Potential CDC implications	A shift in market preferences towards competing products with fewer carbon emissions, such as plant-based alternatives, may result in a reduced demand for dairy products, a key consideration as part of CDC's supply management activities.

Risk: Policy and legal (Transition)

Definition	Canada's transition to a low-carbon, net-zero economy and resulting emergence or acceleration of climate regulations.
Time horizon	ST, MT, LT
Impact areas	Coordination and Financial administration
Potential CDC implications	The emergence of climate regulations within Canada and the diversity of provincial objectives with regards to environment may have a considerable impact on CDC's coordination and facilitation roles if national alignment is sought. Depending on the level of coordination and facilitation' effort required by the CDC, this support may result in increased costs.

Risk: Reputation (Transition)

Definition	Stakeholder perception on accountability and management of climate-related issues.
Time horizon	ST, MT, LT
Impact areas	Coordination and Program administration
Potential CDC implications	Dairy industry stakeholders' perception of the CDC's accountability around climate-related issues may require a communication strategy to explain the boundaries (legal, mandate and political) within which the CDC must operate and in what capacity we can support such issues (coordination and facilitation to some extent).




Opportunities: Climate leadership

Definition	Ability and commitment to drive meaningful action in response to climate change
Time horizon	ST, MT, LT
Impact areas	Coordination, Program and Financial administration
Potential CDC implications	As a national organization in the Canadian dairy industry, the CDC is well positioned to demonstrate climate leadership. Leveraging its coordination and facilitation roles at the national level, the CDC could demonstrate leadership by supporting the coordination and facilitation of discussions on environmental initiatives that may become national in scope and ensure the provision of a transparent and reliable source of information to consumers. The CDC can also demonstrate climate leadership as part of its commercial operations by prioritizing procurement of warehousing and transportation services from suppliers who adopt emerging low-carbon technologies. This opportunity may result in increased costs of storage and transportation.




Opportunities: Industry support

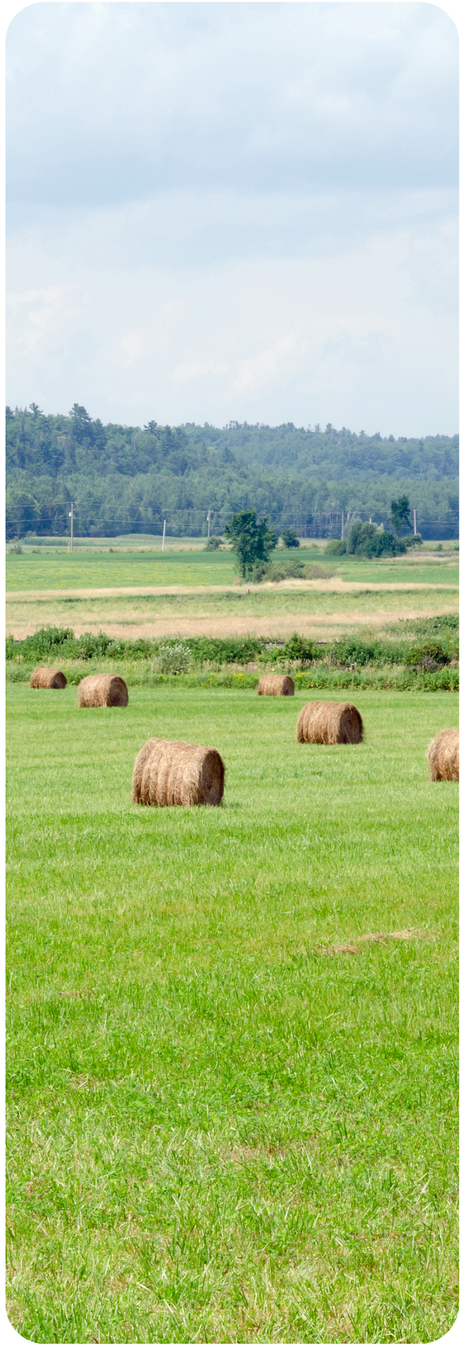
Time horizon	ST, MT, LT
Impact areas	Program and Financial administration
Potential CDC implications	As the dairy industry transitions towards net-zero and implements best management practices on farm and invests in new technologies to reduce carbon emissions, the CDC could leverage its role as program administrator to ensure programs under its control support to a certain extent the implementation of such practices and investments.

Climate scenario analysis

As part of our commitment to enhancing climate-related financial disclosures, we recognize the importance of scenario analysis in assessing the resilience of our strategy under a range of plausible scenarios. While we have not yet conducted a formal scenario analysis, we acknowledge its value in identifying potential risks and opportunities associated with climate change.

In future reporting cycles, we intend to explore the development of scenario analysis and assess their impact on the above list of physical and transition risks.

RISK MANAGEMENT



The CDC has an annual Corporate Risk Management process, which identifies organizational risks and related mitigation measures. The consideration of risks related to climate-change is being integrated into the existing process. The annual process begins mid-year for the following dairy year (August 1 to July 31). Risk management planning is documented in the CDC's Corporate Risk Profile, which is approved by the Audit Committee and the Board no later than March prior to the new year.

Low impact, short-term risks (all types, including ESG risks) typically are managed during the regular course of business. The Corporate Risk Profile deals with the most important risks only, which are then considered in the development of the CDC's strategic plan for the next dairy year. Risk monitoring by the IAPEAC and its quarterly reporting to the Audit Committee assesses risk levels and mitigation steps' interdependencies, including if/when mitigation measures would be outside of the CDC's control. The main factors outside of the CDC's [direct] control that influence the activities and outcomes of the CDC include dairy industry needs and decisions, government policies, international trade agreements, and workforce trends.

Moreover, as part of the corporate risk management process the CDC will consider risks impacting the industry ESG goals in which the CDC has a role to play, as well as the Government of Canada's Greening Government Strategy.

METRICS AND TARGETS

As part of our commitment to transparency and alignment with the recommendations of the Financial Stability Board's and emerging Canadian Sustainability Disclosure Standards (CSDS), we are initiating the development of climate-related metrics and targets relevant to our operations.

The CDC assessed that it had no **Scope 1** (direct emissions from owned or controlled sources) **and Scope 2** (indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting company) emissions to report on based on the following:

1. **Nature of Operations**: The CDC's primary role is regulatory and administrative, focusing on setting milk prices, managing production targets, and coordinating federal and provincial dairy policies. It does not directly engage in dairy production or processing, which are activities typically associated with significant Scope 1 and Scope 2 emissions.

2. **Limited Physical Infrastructure**: As an administrative body with 85 employees, the CDC has minimal physical infrastructure, and its office space is leased. This means its direct and indirect emissions from energy use (Scope 1 and Scope 2) are negligible and not entirely under its control.

3. **Focus on Policy and Coordination**: The CDC's mandate is to provide efficient producers of milk and cream with the opportunity to obtain a fair return for their labour and investment, and consumers of dairy products with a continuous and adequate supply of dairy products of high quality. Therefore, its activities are more aligned with policymaking and coordination rather than operational processes that generate significant greenhouse gas emissions.

While we believe that our activities are not emissions-intensive, we recognize the importance of tracking and managing greenhouse gas (GHG) emissions. These metrics will inform our internal sustainability efforts and support broader government climate objectives.

At this stage, we have not yet commenced Scope 3 emissions assessments, but we acknowledge their relevance and intend to explore appropriate methodologies and data collection strategies in future reporting cycles, in line with federal guidance and evolving best practices.

The CDC's Scope 3 emissions assessments will cover upstream and downstream activities including:

- Programs administered by the CDC (purchased goods and services)
- Industry-related activities (including committee-related travel)
- CDC Operations (including employee commuting, IT infrastructure, etc.)

The CDC will work to develop a detailed list of categories and emission sources. The 2024-2025 dairy year will be used as the baseline measurement upon which targets will be set for future years as it is a fair representation of the CDC's annual activities.