MEDIA BACKGROUNDER

Canada Pension Plan Investment Board Climate Risk Case

October 27, 2025

Description

Four young Canadians who will retire and receive pension benefits after 2050 are taking Canada's largest pension fund manager (the Canada Pension Plan Investment Board, or CPP Investments) to court, alleging that it is putting their benefits at risk by mismanaging climate-related financial risks, increasing the risks to the entire portfolio by continuing to invest in fossil fuel expansion, as well as misrepresenting and failing to disclose its approach to climate-related financial risks.

The case focuses on the latest scientific research on the severe impacts of climate change (including the triggering of tipping points and cascading risks) on society and financial systems beyond 1.5°C of warming and at higher degrees of warming, directly targeting the investment management entity for one of the world's 10 largest pension funds over its climate-related financial risk management.[1]

Although CPP Investments has acknowledged that climate change is a significant risk to its investments, CPP Investments backtracked on its net-zero commitment earlier this year. The case alleges that CPP Investments currently lacks adequate measures to manage climate-related financial risks as needed to protect the best interests of young contributors, particularly as CPP Investments continues to invest in companies expanding fossil fuel supply.

The case is seeking declarations from the Court regarding CPP Investments' obligations to contributors and beneficiaries to address climate-related financial risks to the funds it manages and orders for CPP Investments to disclose information about how it is approaching climate-related financial risks. The case is not seeking money from CPP Investments.

Process timeline

Over the next year, we expect records will be filed and we'll prepare for a merits hearing.

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[1] CPPIB is the 6th largest pension in the world. The *Kim Min et al. v. Kim Tae-Hyun et al.* case filed in South Korea implicates the world's 3rd largest pension but the case was filed against individuals (the Chief Executive Officer, an auditor and a director) and focusses on the climate risk of coal investments.

Significance of the filing

- Globally, it is the first climate case against a pension fund investment manager anchored in the duty of impartiality and even-handedness in a multi-generational context, i.e the duty to act fairly towards young contributors who will retire after 2050 when climate-related financial risks will be even greater.
- It appears this is the first court case in the world to advance allegations that challenge a financial institution's use of third party "black box" financial / economic models for scenario analysis. The case alleges, among other things, that CPP Investments has not adequately identified and assessed climate-related financial risks facing the pension funds, including in its use and reporting of the MSCI Climate Value-at-Risk model without describing how it applies judgement to the results despite the model being known to inadequately capture systemic risks from higher degrees of warming .

See appendix 1 for CPP Investments climate risk disclosures and criticism of the MSCI Model
See appendix 2 for climate court cases implicating pensions.

It is the first court case in Canada to:

- Take a Canadian financial institution to court alleging the mismanagement of climate-related financial risks
- Challenge Canada's largest pension fund manager, investing funds for the benefit of over 22 million Canadians, on its fiduciary duties in a public interest court case.
- Seek to interpret the expression "undue risk of loss", an expression that appears in over 40 federal and provincial Canadian laws, but on which there is no substantive case law.

About the Canada Pension Plan and CPP Investments

- As Canada's largest pension investment manager, CPP Investments currently manages the retirement funds — with nearly $732 billion in assets under management — of more than 22 million Canadians.
- CPP Investments is the 6th largest pension fund in the world and the largest of the 'Maple 8' pensions: public sector, globally invested, defined-benefit pensions. They follow the 'Canadian Model' of independent governance, active, internal asset management, and global investment.
- Canada Pension Plan contributions are mandatory for most working Canadians outside Quebec between the ages of 18 and 64. There is no opting out (except for very narrow reasons) and no choice given to contributors for how they would like their money managed.
- The CPP started in 1966 and CPP Investments was created in 1997 to "ensure that the Canada pension plan is there for future generations"

- In February 2022, CPP Investments committed to achieving net-zero emissions by 2050. However, in the spring of 2025, the pension investment manager quietly abandoned its commitment to net-zero by 2050.
- For more resources, read *Shift Action for pension wealth and planet health*'s analysis of CPP Investment's approach to climate risk.

Appendix 1 – CPPIB's climate scenario analysis disclosures and criticism of MSCI Climate Value at Risk Model

CPPIB's Reported Losses to Portfolio from Physical Risks in annual and sustainability reports 2020-2025 (using changing methodology)

	2020	2021	2022	2023	2024	2025
Estimate of Loss	4-10%		13%		15%	4%
Metric	Loss based on 1 in 20 and 1 in 100 year events		Annual loss			Loss over full period, discounted to net present value
Period	Not mentioned		Over 30 years			Over 75 years
Scenario	"business-as-usual scenario, in which carbon prices do not increase markedly from their current levels because no further meaningful action is taken to limit global warming"	"business-as-usual scenario where carbon prices do not increase markedly from their current levels"		"business-as-usual scenario where carbon prices do not increase markedly from their current levels and global decarbonization efforts are less successful"		"the most punitive NGFS scenario for physical risk – a "hot house world" in which only currently implemented policies remain in place, leading to significantly higher global temperatures"
Assets Covered	Not mentioned					Corporate securities only

Criticism of MSCI Climate Value at Risk Model

- Norges Bank Investment Manager (the world's largest institutional investor), *Climate and nature disclosures 2024: Government Pension Fund Global* at p 29: "However, when we use the CvaR model to estimate losses from physical risk, we find implausibly low loss estimates even for higher temperature scenarios."
- The Danish pension fund AkademikerPension was also highly critical of MSCI CVaR figures as it gives the impression that 3°C of global warming would be better for investments than a

transition scenario that respects the Paris Agreement due to a flawed underlying method not accounting for all the long-term negative effects including irreparable loss. The fund excluded figures from MSCI CVaR in their climate reporting due to the methodological weaknesses.

- AXA Insurance, *Annual Financial Report: Universal Registration Document 2024*, pp 180 & 230: "AXA's CVaR analysis is exposed to changes in the underlying NGFS climate scenario data and to MSCI's calculation methodology. The current methodology does not account for systemic risk, climate change tipping points (1), or second order effects from natural disasters. Due to the developing nature of CVaR, AXA has not set targets on this metric, or integrated such metric into its investment decisions."
  "The main challenge when applying the Physical Risk metric lies in capturing all possible extreme weather events. In addition, this metric focuses only on the assets owned by a particular company, as identified by MSCI, and does not account for the sustainability of the infrastructure, grids or other necessary components that enable the assets to operate and generate revenue for the Company."
- Riccardo Rebonato, Dherminder Kainth and Lionel Melin, *How Does Climate Risk Affect Global Equity Valuations? A Novel Approach* (July 2024, EDHEC-Risk Climate Impact Institute) at p 17:"Independently, NBIM, the manager of one of the world's most important sovereign funds, calculated using the MSCI 'Climate Value-at-Risk' model that the fall in valuation of their equity portfolio for a warming of almost 5°C by 2080 would be as low as 4%. We would argue that, taken together, these estimates do not even pass what economist Weitzman used to call the 'laugh test'."

CPPIB's Reported Losses to Portfolio from Transition Risks in annual and sustainability reports 2020-2025 (using changing methodology)

	2020	2021	2022	2023	2024	2025
Estimate of Loss	3-5%	6-8%	11%		12%	8%
Metric	Loss based on 1 in 20 and 1 in 100 year events		Annual loss			Loss over full period, discounted to net present value
Period	Not mentioned		Over 30 years			Over 25 years
Scenario	No more than 2°C					No more than legal (hitting net zero by 2050)
Assets Covered	Not mentioned					Corporate securities only

Appendix 2: Previous & ongoing court cases on pension funds and climate

Case	country	Date	Basis of Claim / Plaintiff's CC position

Brazilian Emissions Trading System and Insurers	Brazil	2025 - pending	Insurers and pensions alleging cap and trade system is unconstitutional (Opposes CC commitments)
Kim Min et al. v. Kim Tae-Hyun et al.	South Korea	2024 – pending	35 pension holders of the National Pension Service ("NPS"), the third largest pension fund in the world. Their claim is against the NPS CEO, NPS Auditor and the NPS Director responsible for overseeing the operation of NPS Investment Management ("NPSIM") for violating their fiduciary duties by failing to address climate-related risks in the management of pension funds, particularly by failing to implement a plan to operationalize a coal phase out commitment. They seek damages some for insured financial losses and some for health issues caused by coal-fired power plants.
SFOC et al. v. Minister of Health and Welfare	South Korea	2023 – pending	3 groups seeking access to information around coal divestment plan by South Korea's National Pension Service.
Wong v. New York City Employees' Retirement System	USA	2023 (appeal decided 2025)	Challenged the fossil fuel divestment policies adopted by three retirement plans. Rejected for lack of standing, could not show injury as they were defined benefit plans (benefits would not fluctuate as consequence of bad investment decisions).
Dawson v. Murphy	USA	2022 (dismissed 2024)	The plaintiffs. including one beneficiary, alleged that the defendants (New Jersey Governor, Treasurer and Director of Investments) had the authority to allocate investments of the New Public Employees Retirement System, which had invested in publicly traded oil and gas companies, despite the State having brought a civil suit against some of those companies. Rejected constitutional argument of stable climate in this context / not judiciable political decision.
McGaughey & Davies v. Universities Superannuation Scheme Limited	UK	2021 (dismissed 2023)	Derivative claim by members of USS pension seeking declarations on failure to design and implement a fossil fuel divestment plan. Rejected on the basis of standing to bring derivative claim as could not show any immediate financial loss.
Greenpeace Luxembourg v. Schneider	Luxembourg	2019 (won on limited disclosure)	Access to climate change information request of the plan.

New York City Employees' Retirement System v. TransDigm Group, Inc.	USA	2018 (settlement 2019)	5 NYC public pension funds sued aerospace manufacturer for refusing to accept a shareholder proposal on climate action. Shareholder proposal eventually agreed to.
McVeigh v. Retail Employees Superannuation Trust	Australia	2018 (settlement 2020)	Member of pension plan asked for disclosure of information about climate risk and alleged fiduciary duty violations Case settled with process and disclosure commitments from the defendant.
Lynn v. Peabody Energy Corp.	USA	2015 (failed because plaintiff did not plead alternative action)	Employees class action suing employer pension plan for maintaining employee stock option plans when it knew the company was headed for bankruptcy because coal producers face a declining market in the face of climate change regulation