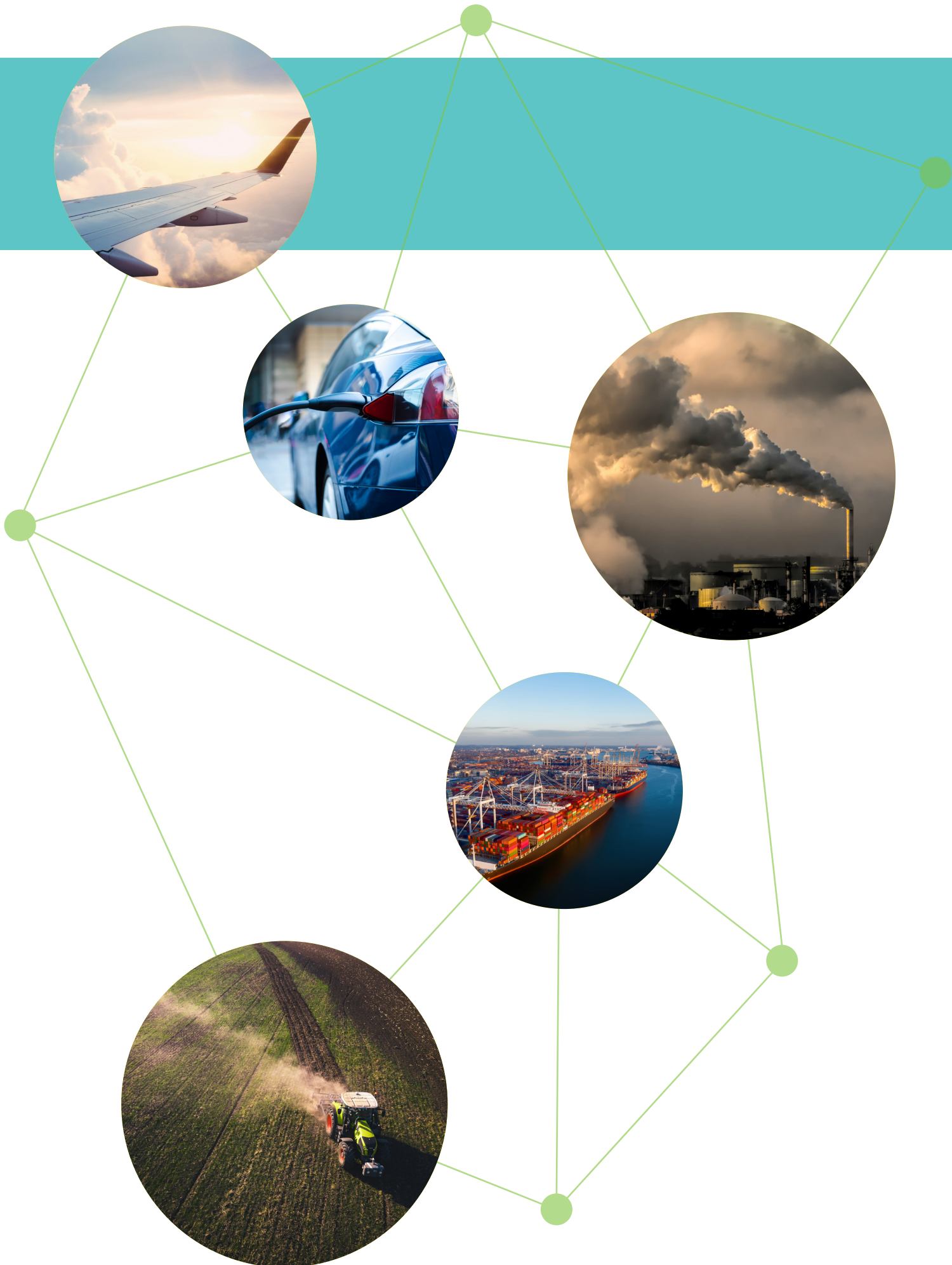

OXFORD MARTIN SCHOOL
June 2026



OXFORD MARTIN PRINCIPLES FOR CLIMATE-CONSCIOUS INVESTMENT

Second Edition





FOREWORD TO THE SECOND EDITION

The purpose of the Oxford Martin Principles for Climate-Conscious Investment remains unchanged: to inform investment and engagement decisions that support the transition to global net zero emissions.

The Principles are intended to guide investors to generate returns in a way that is consistent with avoiding the worst impacts of climate change and that does not place the burden of mitigation onto future generations.

Since the Principles were first published in 2018, the landscape of climate-related standards, disclosures, and transition-planning frameworks has expanded significantly.

At the same time, increasing attention has shifted from corporate ambition alone toward credibility, implementation, and delivery. Recent years have also seen increased emphasis on energy security, affordability, and industrial competitiveness. These priorities do not remove the need for decarbonisation. Rather, credible transition pathways must increasingly navigate all three simultaneously.

The Oxford Martin Principles provide a concise and practical framework for assessing the baseline credibility of corporate transition strategies.

The Principles are deliberately high level. They do not prescribe technologies, endorse specific pathways, or replace detailed standards and methodologies. They remain agnostic regarding which technologies prevail or the relative balance



Dr. Alice Evatt
Lead Author



Dr. Stuart Jenkins
Principal Investigator

between emissions reduction, removal, or displacement, provided lasting and verifiable reductions in net emissions are achieved.

The Principles identify a minimum set of conditions that any credible transition strategy should satisfy. In this sense, they sit alongside technical standards.

This second edition reflects developments in climate science, transition planning, energy systems, and corporate governance since 2018, while retaining the original structure and purpose of the Principles.

THE OXFORD MARTIN PRINCIPLES

PRINCIPLE 1

Commitment to Net-Zero Emissions

Has the company committed to achieving net-zero emissions in a way that is physically consistent with stabilising global temperatures?

PRINCIPLE 2

Profitable Net-Zero Business Model

Has the company demonstrated that it remain commercially viable throughout the transition to a net-zero economy?

PRINCIPLE 3

Quantitative Medium-Term Targets

Has the company provided sufficient targets to allow tracking of progress and signpost the direction of travel?



A Straightforward Credibility Test

The Principles are intended to define necessary, though not sufficient, conditions for credible transition planning.

The Principles operate as a first-pass test and provide a strong indication that a transition strategy meets minimum conditions for credibility.

A Complementary Tool

The Principles perform a distinct role in helping to establish whether a transition plan meets minimum conditions for credibility.

This does not replace standards, disclosure frameworks, sector-specific methodologies, or policy instruments. Those tools specify how transition plans are constructed, disclosed, and assessed, and remain essential for implementation, measurement, and assessment.

Where can the Principles be helpful?

The Principles are a practical tool for investors, boards, and decision-makers.

Credibility Screening

The Principles are a practical tool for investors, boards, and decision-makers.

Engagement

The Principles define the core lines of inquiry.

Escalation

Insufficient progress informs voting, engagement, and capital allocation decisions.



PRINCIPLE 1

Commitment to Net-Zero Emissions

Net global emissions of carbon dioxide (CO₂) must reach zero to stabilise global temperatures. This is a physical constraint, not a policy preference. While science alone cannot decide questions regarding climate-relevant investment in a given company or sector, a sound basis in scientific reality is a necessary starting point.

Even if transition pathways and timelines differ across sectors, a credible transition plan must align with a form of net zero in substance, and not only in language.

The central issue is not the commitment, but whether that commitment corresponds to a physically meaningful definition of net zero, and whether it is supported by credible pathways to delivery. While the Principles focus primarily on CO₂ because of its cumulative role in determining long-term warming, credible net-zero transition planning must also recognise the importance of managing other greenhouse gases including methane and nitrous oxide.

Is the company aligned with a form of net zero that is physically consistent with stabilising global temperatures?



Investors might wish to consider:

- What does the company mean by “net zero”?
- Does the approach rely primarily on emissions reduction, removals, offsetting, or offloading of emissions-intensive assets?
- What proportion of emissions is expected to remain, and how will these residual emissions be balanced?
- Are planned removals durable, verifiable, and scalable at system level?
- Are lobbying positions and external affiliations aligned with stated commitments?

Investors may look for evidence that signals credibility:

Commitment and Scope

- Commitment to a date or temperature objective
- Emissions from supply chains and products sold are included
- Plan for net-zero published

Pathway transparency

- Transparency on balance of emissions reduction, removal, and displacement or substitution of emissions sources
- Assumptions and verification explained

Residual emissions and carbon dioxide removals (CDR)

- Role, scale, and limitations of offsetting and removals explained
- Reliance upon third-party offsets, credits, and CDR removals transparent
- Residual fossil emissions are balanced with like-for-like, long-lived durable storage
- Removals are credible, scalable and feasible at system level

Policy and jurisdictional alignment

- Consistency across regulatory and jurisdictional environments



PRINCIPLE 2

Profitable Net-Zero Business Model

Plans should ensure profitability of the business and limit supply chain risks, throughout the transition to net zero.

Transition plans lacking economic credibility are unlikely to be delivered in practice, regardless of their ambition. The central issue is therefore whether the company's business model remains viable as emissions decline and transition pressures increase.

For companies that provide a carbon-intensive service or fuel for which there is no readily available substitute, a clear plan is required for contributing to the development and deployment of substitutes or remediation measures.

For products and services for which zero-carbon substitutes readily exist, a company should have a clear strategy and timescale for adopting them.

If carbon dioxide removal (CDR) plays a substantial role in the company's plans, investors should consider whether it is demonstrably additional to CO₂ that would have been removed anyway, and how it will be achieved, paid for, monitored and maintained in perpetuity.

Climate-conscious companies should seek to profitably accelerate progress through innovation, investment, and advocacy.

Can the company remain commercially viable throughout the transition to a net-zero economy?



Investors might wish to consider:

- Is the business profitable throughout the transition?
- How material are climate change impacts on the company?
- How exposed is the company to supply-chain, regulatory, or transition risk?
- Where zero-carbon substitutes already exist, does the company have a clear strategy and timescale for adoption?
- Where zero-carbon substitutes do not yet exist, does the company contribute to the development and deployment?
- If CDR plays a substantial role, can it realistically be financed, developed and maintained in perpetuity?
- If the transition strategy depends upon technologies, substitutes, remediation measures, or removals that are not yet fully deployed at scale, how will these be financed, delivered, and maintained over time?
- How robust is the business model to societal, regulatory, or legislative changes?
- Are lobbying positions aligned to the transition plan?

Investors may look for evidence that signals credibility:

Business model resilience

- Is business plan intended to maintain profitability under net-zero conditions while limiting supply-chain risks
- Demonstrates resilience to society, regulatory, and legislative responses to climate change

Transition delivery

- Demonstrates investment in transition-enabling infrastructure, technologies, or capabilities where relevant
- Demonstrates the ability to finance, deploy, and maintain transition-related technologies, substitutes, remediation measures, or removals over time

Innovation and transparency

- Seeks to profitably accelerate progress through innovation, investment, and advocacy
- Provides transparent data and information to support investor assessment

PRINCIPLE 3

Quantitative Medium-Term Targets

Long-term commitments must be supported by measurable progress.

Without observable delivery, even well-designed transition plans lack credibility.

Real-economy signals, including capital allocation decisions, infrastructure deployment, and operational change, provide stronger evidence of transition progress than high-level commitments alone.

Quantitative medium-term targets that are directly relevant to achieving a net-zero business model are essential for assessing whether companies are demonstrably delivering progress over time.

Targets should address the full life cycle impact of a companies' activities, and the products it sells.

Is the company demonstrably delivering progress toward net zero?



Investors might wish to consider:

- What measurable changes have occurred over the last 3–5 years?
- Are emissions declining in absolute terms?
- Is capital expenditure aligned with stated transition plans?
- Are operational changes and infrastructure deployment consistent with stated targets?
- Are targets linked to measurable implementation, delivery and operational milestones?
- Are targets being met, revised, or missed over time?
- Does assessment consider emissions across Scopes 1, 2, and 3, including areas where the company may exercise influence beyond direct operational control?
- What governance, accountability, or escalation mechanisms exist where progress is not demonstrated?

Investors may look for evidence that signals credibility:

Targets and delivery

- Quantitative medium-term targets directly relevant to achieving net-zero
- Consistency between targets, capital allocation, operational decisions, and infrastructure development
- Measurable indicators of implementation, delivery and operational change over time

Monitoring and transparency

- Company enables external assessment of progress through transparent reporting and measurable benchmarks
- Provides sufficient operational evidence to assess whether stated targets are being delivered in practice

Governance and Accountability

- Has governance arrangements and escalation processes for responding to missed or delayed targets
- Recognises that lack of direct operational control does not remove responsibility for action

INTERPRETING THE PRINCIPLES IN A COMPLEX AND EVOLVING WORLD

The Oxford Martin Principles for Climate Conscious Investment are intentionally simple, durable, and high-level. Their purpose remains to provide three high-level, generalisable, and durable tests for whether a corporate transition plan aligns with the physical requirements of halting global warming. They are necessary foundations for credible net-zero transition plans.

It is important to recognise that the world in which the Principles are applied is not ideal. Policy environments are often fragmented; geopolitical conditions are volatile; and companies operate across jurisdictions with differing levels of ambition, institutional capacity, and regulatory stability. This makes interpretation of the Principles essential.

The Principles do not prescribe how firms should navigate political or regulatory complexity. Rather, they clarify what must hold true in order for a transition plan to be credible despite complexity.

When applying the Principles in today's world, investors should consider:

- whether commitments made under Principle 1 remain credible even when policy support fluctuates or divergent regional pathways emerge
- whether the viability of the business model assessed under Principle 2 depends upon regulatory environments, supply-chain conditions, or policy assumptions that vary significantly across jurisdictions
- whether the medium-term targets assessed under Principle 3 remain achievable under a range of real-world conditions, including political reversals, market disruptions, viable project management, and geopolitical shocks

These considerations do not add additional constraints; they simply recognise that the three Principles must be interpreted in light of the real-world environments in which companies operate.



WHAT HAS CHANGED SINCE THE 2018 EDITION?

1. From ambition to delivery

Since 2018, thousands of net-zero commitments have been made. However, global emissions have continued to rise, and a gap persists between stated ambition and demonstrated action. As a result, attention has shifted toward verifiable progress, near-term delivery, and clearer accountability mechanisms.

2. Proliferation of standards and frameworks

The investment landscape now includes a dense ecosystem of disclosure frameworks, target-setting methodologies, regulatory requirements, and investor-led initiatives. While each serves a useful purpose, together they have created a system that is complex, overlapping, and at times inconsistent. The Principles provide a way to navigate this complexity by identifying the underlying conditions that must be satisfied across all frameworks.

3. Advances in understanding of net zero

Since 2018, there has been increased clarity on what net zero requires in practice. Stabilising the climate depends on balancing emissions with durable removals, and reliance on temporary or low-integrity offsets is increasingly seen as insufficient. There is also greater recognition that the pace of emissions reduction is critical due to the cumulative nature of carbon dioxide. This has strengthened the need for credible definitions of residual emissions and greater clarity on the role and limits of carbon dioxide removal.

4. Changing political and economic context

Recent years have seen increased emphasis on energy security, affordability, and industrial competitiveness. These factors have introduced greater variability in policy environments and added pressure on transition pathways. Investors must therefore assess not only ambition, but also the resilience of transition strategies under changing and sometimes uncertain conditions.

5. Increased focus on real-economy signals

There is growing recognition that real-economy signals provide stronger evidence of transition than high-level commitments alone. Capital allocation decisions, infrastructure development, and operational changes are increasingly seen as more reliable indicators of progress. This shift reinforces the importance of measurable, medium-term targets and the ability to track delivery over time.



SECOND EDITION AUTHORS

Alice Evatt | Environmental Change Institute; Oxford Net Zero, School of Geography and the Environment; Kellogg College: University of Oxford

Stuart Jenkins | Environmental Change Institute; Oxford Net Zero, School of Geography and the Environment; Kellogg College: University of Oxford

Alan Haywood | Oxford Martin School, University of Oxford

Tom Nelson | Oxford Net Zero, School of Geography and the Environment: University of Oxford

Charlotte Dyvik Henke | School of Geography and the Environment: University of Oxford

Helena Fazeli | School of Geography and the Environment: University of Oxford

Myles Allen | Environmental Change Institute; Oxford Net Zero, School of Geography and the Environment & Department of Physics: University of Oxford

Cameron Hepburn | Smith School of Enterprise and Environment; Oxford Net Zero, School of Geography and the Environment; Oxford Martin School: University of Oxford

Suggested Citation:

Evatt, A. Jenkins, S. Haywood, A. Nelson, T. Dyvik Henke, C. Fazeli, H. Allen, M. Hepburn, C. Oxford Martin Principles for Climate Conscious Investing (2nd Edition). 2026. Oxford: Oxford Martin School, University of Oxford.

Acknowledgements

We gratefully acknowledge the Oxford Martin School for its support in originating this work and enabling its continued development. The 2nd edition was informed by research and engagement undertaken through Oxford Net Zero and by the insights of participants at the June 2025 expert workshop convened in partnership with the Oxford Martin School. We thank all contributors for their thoughtful reflections on the evolving landscape of standards, corporate transition planning, and climate-aligned investment.



ABOUT THIS PROJECT

The Oxford Martin Principles for Climate-Conscious Investment were originally developed in 2018 (first edition) through the Oxford Martin Net Zero Carbon Investment Initiative, supported by the Oxford Martin School and developed in collaboration with the Stranded Assets Programme of the University's Smith School of Enterprise and the Environment, and the Environmental Change Institute. The briefing was adapted from Millar, R.J., Hepburn, C., Beddington, J. and Allen, M.R. Principles to guide investment towards a stable climate. Nature Climate Change 8, 2-4 (2018). The Zero Carbon Investment Initiative was directed by Myles Allen, Professor of Geosystem Science and Cameron Hepburn, Professor of Environmental Economics; supported by Richard Miller, Oxford Martin Fellow; and managed by Pete Walton.

This 2026 comment and update has been prepared by researchers affiliated with Oxford Net Zero and the Environmental Change Institute, with the support of the Oxford Martin School.

The second edition maintains the core Principles, while also reflecting: advances in climate science and corporate transition practice since 2018, and lessons from evolving standards and appraisal frameworks.

This update aims to provide high-level, enduring guidance for investors, boards, and decision-makers seeking to assess credible transition pathways in line with global Net Zero goals.

The 2018 Principles were informed by a range of stakeholders, including asset owners, asset managers, companies, and academic and non-governmental communities, to devise constructive principles for climate-conscious investment, aiming to allow both investors and companies to play their part in safeguarding the future climate. The second edition was additionally informed by perspectives gathered through the June 2025 expert workshop on the future of climate-aligned investment. We thank all contributors for their thoughtful reflection on the evolving landscape of standards, corporate transition planning, and climate-aligned investment.



Oxford Martin School
University of Oxford
34 Broad Street
Oxford OX1 3BD United Kingdom
Tel: +44 (0)1865 272898
Email: info@oxfordmartin.ox.ac.uk
Web: www.oxfordmartin.ox.ac.uk

