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White Paper:

3 Laws to Address Tail Risks threatening Planetary Solvency

ExecutiveSummary

The accelerating degradation of the global environment requires a transformative approach to corporate governance and business practices.

The **3 Laws of Business** framework outlined in this white paper acts as a set of guiding principles that redefine corporate fiduciary duties and tie business success to planetary health by embedding sustainability into the core operations of businesses. The Laws act as a legally-binding, system-changing framework which aligns sustainability and ecological imperatives with the drive to make profits, making corporate sustainability not just a strategic choice but a core responsibility. **This ensures that profitability and ecological well-being are equal partners in the quest for profits**.

***Who Should Read this Paper*:**

- *Business leaders, policymakers, financial institutions, and sustainability professionals* who are seeking robust and enforceable frameworks that address environmental risks and promote long-term resilience;

- *Corporate boards & governance experts,* and those responsible for regulatory compliance will find the 3 Laws Framework an essential tool for aligning business objectives with planetary boundaries;

- *Investors and financial professionals* will appreciate how the framework integrates environmental resilience into financial decision-making, offers clear pathways to drive corporate accountability and attracts capital to sustainable enterprises.

The Problem

Environmental, Social, and Governance (ESG) and corporate social responsibility (CSR) programs have largely remained voluntary, resulting in inconsistent adoption with a limited impact. Traditional business models continue to prioritize short-term shareholder value, often at the expense of long-term environmental sustainability. This approach has led to systemic overshoot, with six of the nine planetary boundaries already breached. Without a fundamental change in how corporations operate, the world risks ecological collapse and mass insolvency.

The Solution: The 3 Laws of Business

The **3 Laws Framework** addresses these systemic issues by redefining corporate governance and holding businesses legally accountable for their environmental impact. These laws require companies to prioritize ecological and social sustainability alongside profitability. The framework is built around the following principles:

- ***The 1st Law***: A corporation may not engage in activities that exceed its precise, entity-specific allocations of vital capitals*, ensuring operations remain within the defined ecological and economic thresholds. Companies must operate within these exact limits to avoid breaching minimum or maximum capital levels, sustaining the integrity of all forms of capital upon which they and other stakeholders depend.

- ***The 2nd Law***: A corporation may pursue profits to ensure its continued existence so long as such pursuit does not conflict with law #1.

- ***The 3rd Law***: To ensure "strong sustainability", a corporation may exceed its allocated share of capital* ONLY if it can offset such excess by drawing from reserves or establishing a compensatory arrangement strictly within the same capital* type. This approach - no cross-capital compensations - ensures that any adjustments stay within defined capital* limits, preventing unintended impacts on other forms of capital.

The 3 laws will provide the anchoring principles for the Scorpion's Club Members; guiding 4 working groups (governance, metrics, finance and innovation) for each of the 4 financial sectors (insurance, banks, investment, pensions), each working to embed the 3 Laws into policy papers and draft legislation.

* Refers to 7 forms of capital: natural, cultural, human, social, political, financial, built/manufactured

The Innovation:
A System-Changing Framework that is Actionable, Measurable and Scalable

Actionable

To ensure the 3 Laws are not just aspirational but actionable, the framework relies on strong governance structures and science-based metrics. The **Governance Working Group** focuses on embedding the 3 Laws into the core legal obligations of businesses, making them enforceable through corporate charters and mandatory compliance standards. This shift moves beyond voluntary ESG frameworks, mandating that companies operate within planetary boundaries.

Measurable

The **Metrics Working Group** aims to set precise, measurable targets for ecosystem and environmental health directly aligned with each vital capital threshold, including carbon output, biodiversity impact, and water usage, among others. These standardized metrics enable financial actors to assess corporate alignment with the 3 Laws, providing clarity on each business's environmental impact and its role in addressing or contributing to potential planetary insolvency.

Scalable

Financial institutions, including banks, insurers, and investors, are critical to the framework's scalability. These influential actors play an indispensable role by prioritizing adherence to vital capital boundaries as part of their investment and lending strategies. By aligning financial practices with the 3 Laws, they ensure sustainable profitability and resilience, driving corporate compliance across industries and regions. And with these goals top of mind, in collaboration with government to integrate the 3 Laws into regulatory governance and national legislation, the framework (in pursuit of profits and continuity) will naturally guide companies towards a new global standard for sustainable business operations. By incentivising businesses to adopt the 3 Laws to access capital [or enjoy preferential terms], financial markets can drive widespread adoption of the new 3 Laws-based paradigm, leading to systemic change.

Key Takeaways

- ***Change via Targeted Influencers*:** Influential business and financial leaders alongside receptive policymakers will be the ones to fight for economic solvency.

- ***Transformative Governance*:** The 3 Laws redefine corporate fiduciary duties to include environmental sustainability, moving beyond voluntary ESG standards to mandatory and legally enforceable governance.

- ***Science-Based Metrics*:** Companies will use standardized, third-party-verified metrics directly tied to the precise boundaries of each capital type - such as carbon output for natural capital and biodiversity impact - to measure success and ensure compliance. This system prevents compensations across capitals, maintaining ecological balance within each form of capital.

- ***Scalability*:** The framework is designed to be implemented globally, scaling through capital requirements from financial institutions and national legislation that mandates adherence to the 3 Laws.

- ***Incentivizing Positive Change*:** Businesses that comply with the 3 Laws will benefit from preferential access to capital, stronger consumer trust, lower insurance costs, fewer regulations and red tape, and greater opportunities in sustainable markets.

Conclusion

The 3 Laws Framework offers a revolutionary yet practical approach to addressing the root causes of the global climate crisis—overshoot and overconsumption. By leveraging existing corporate and financial structures and embedding sustainability into the core of business governance, the 3 Laws provide a pathway for businesses to operate within the safe limits of our planet. This framework has the potential to not only prevent planetary insolvency but also to unlock new markets, attract investment, and foster long-term ecological and economic resilience.