

## White Paper: **3 Laws to Address Tail Risks threatening Planetary Solvency**

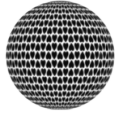
### **Executive Summary**

*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

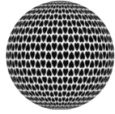
Environmental, Social, and Governance (ESG) and corporate social responsibility (CSR) programs have largely remained voluntary, resulting in inconsistent adoption with a limited impact. Traditional business models continue to prioritize short-term shareholder value, often at the expense of long-term 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 faces the risk of 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:** Corporations must not permanently degrade ecosystems or support activities that do so. This law places the health of ecosystems along with profits at the forefront of corporate decision-making.
- **The 2nd Law:** Businesses can pursue profits to ensure their survival, but only if doing so does not violate the 1st Law. This law redefines profitability, making it contingent on sustainable operations.
- **The 3rd Law:** Corporations may only override the 1st Law if they can demonstrate that the harm done will be outweighed by benefits to both humanity and the environment in the long term. This law creates a stringent accountability mechanism to prevent short-term gains from undermining long-term sustainability.

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.



## **The Innovation:**

### **A System-Changing Framework that is Actionable, Measurable and Scalable**

#### *Actionable*

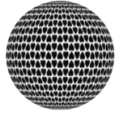
To ensure the 3 Laws are not just aspirational but actionable, the framework relies on strong governance structures and science-based metrics. The **Governance Working Group** focuses on embedding the 3 Laws into the core legal obligations of businesses, making them enforceable through corporate charters 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 define clear and measurable ecosystem and environmentally-related targets tied to these boundaries such as carbon output, biodiversity impact, water usage, and more. This allows financial actors to better assess alignment with the 3 Laws, thus allowing them to better understand the business's environmental impact and potential contribution to planetary insolvency which threatens all parties.

#### *Scalable*

Financial institutions, including banks, insurers, and investors, are critical players in ensuring the framework's scalability. These targeted and influential financial actors can play an indispensable role in scaling the 3 Laws across industries and regions by aggressively pursuing their "raison d'etre": profitability, and [long-term] solvency. 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 tied to planetary boundaries, such as carbon output and biodiversity impact, to measure success and compliance.
- **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.

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