



From extractivism to regeneration

Unlocking the transformation

■ ■ ■
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FOREWORD



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In the foundational publications, *A new economy* and *Beyond sustainability as usual*, the EY Global New Economy Unit set out a framework for transitioning to what we termed the “New Economy,” a regenerative economy founded on human and planetary flourishing. We presented guiding principles for this transition and highlighted the ways that some businesses are embracing alternative models and regenerative approaches.

However, despite hopes that sustainability would start rapidly scaling, this has yet to materialize. On the contrary, the past few years have seen, in some countries, a loud backlash against sustainability efforts, resulting in business action that's far more constrained by short-term financial objectives, often avoiding the banner of ESG and sustainability altogether; and a fragmented policy landscape. When occurring, the backlash has manifested through a cultural resentment toward what has been perceived by some as moralizing or performative discourse that is disconnected from everyday economic pressures, coupled with a recoil from markets at the rising tension between long-term sustainability initiatives and short-term returns. This has come at a time of mounting global pressures and interconnected crises that make the future of the global economy – and with it, the future of business – difficult to predict. This uncertainty is increasingly amplified by the growing influence of digital technologies and artificial intelligence, which can be seen to have the potential both to support existing troubling patterns and to reshape them in ways that are not yet fully understood.

The backlash may hide an uncomfortable truth: if sustainability had truly been delivering results – ecologically, socially and economically – would it have elicited such a strong reaction? It may be tempting to assume that once the pendulum swings back, sustainability will come back stronger than ever. But that assumes that the old model was working. The evidence we have presented in our previous work and expand on in this paper contradicts this assumption. The limited progress of sustainability so far is not necessarily just a matter of misaligned principles but rather the result of attempts to retrofit sustainability into a misaligned system, greatly reducing its transformative potential.

In this context, there has rarely been a more important moment to examine the underlying barriers that hinder the scaling of sustainability efforts and the effectiveness of our economic system itself. These barriers consistently reward short-term financial outcomes for an increasingly concentrated minority while undervaluing social and ecological costs. When extrapolated,



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this dynamic encourages patterns of excessive resource extraction which result in unaccounted economic, social and ecological losses, weakening long-term market stability and societal resilience. This paper represents the culmination of our deep dive into this concept – what we, and others, term “extractivism” – its systemic drivers and initiatives to address them, toward the scale-up of sustainable practices.

It is important to note that we do not equate extractivism with capitalism. Instead, we identify it as a distinct dynamic within our current economic system that receives insufficient analysis; a unique and identifiable form of market failure – one that captures value in the short term while eroding the social, environmental and institutional conditions required for long-term prosperity.

This unsustainable dynamic poses an existential business risk – a practical threat to long-term value creation, market stability and business license to operate. Those that ignore these systemic risks will likely face rising regulatory intervention, supply chain disruption and reputational harm. Conversely, those businesses that lead in regenerative practices should be better positioned for resilience and long-term success. It stands to reason, therefore, that beyond the social and environmental benefits, capital markets – and the broader economic system itself – will likely be direct beneficiaries of addressing the root causes of extractivism.

We invite you to join a new conversation: one that recognizes that sustainability requires profound transformation, moving beyond win-win narratives, being specific about the challenges, honest about the trade-offs and bold in seeking systemic change. We hope this work resonates with you, and we invite you to share your reactions, thoughts and ideas for action with the team at neueconomyunit@uk.ey.com.

About the New Economy Unit

The New Economy Unit (NEU) is a research and insights team within the EY Global Climate Change and Sustainability Services (CCaSS) practice. The NEU focuses on the long-term, systemic shifts toward a new, regenerative economy.

We recognize that the scale of the challenge is beyond the remit of a single company and requires collective effort to address. We want to engage, share ideas and co-create with others doing research in this space, and with anyone who's interested in bringing about a more equitable and livable future.

EXECUTIVE SUMMARY

The challenge

The modern economic system has long been a powerful engine for innovation, prosperity and societal progress. Yet today, “extractivist” practices – where financial gains are privatized by a few while costs are socialized across society and the environment – are increasingly manifesting within business models and market structures, posing existential risks not only to communities and the planet but also to the future of business itself. Ultimately, this process can undermine long term sustainable economic value creation.

We define “extractivism” as:

Extractivism: *a form of excessive extraction that privatizes gains for a minority while socializing costs, particularly when this activity exceeds planetary and social boundaries. Extractivism is distinguished from necessary extraction by its scale and impact, and is characterized by the tendency of businesses to prioritize short-term financial gains at the expense of social and ecological well-being.*

Evidence of extractivism

The economy is heading toward a critical juncture. Our analysis offers what we believe to be the first clear attempt to map extractivism at the international level during the first decades of the 21st century. It reveals that the gap between privatized gains and socialized losses has widened since the turn of the millennium. Social inequality and ecological degradation are increasing, while the benefits of growth accrue to an ever-smaller group. This indicates that legitimate value creation by businesses is at growing risk of being overshadowed by extractivism, leading to profound social and ecological consequences.

Since the year 2000, in the G7 high-consuming countries, our analysis shows:

3x faster growth in dividends paid to shareholders compared with worker wages

2x faster growth in dividends compared with taxes paid by corporations

45% increase in the economic welfare lost through inequality

60% increase in costs from biodiversity loss

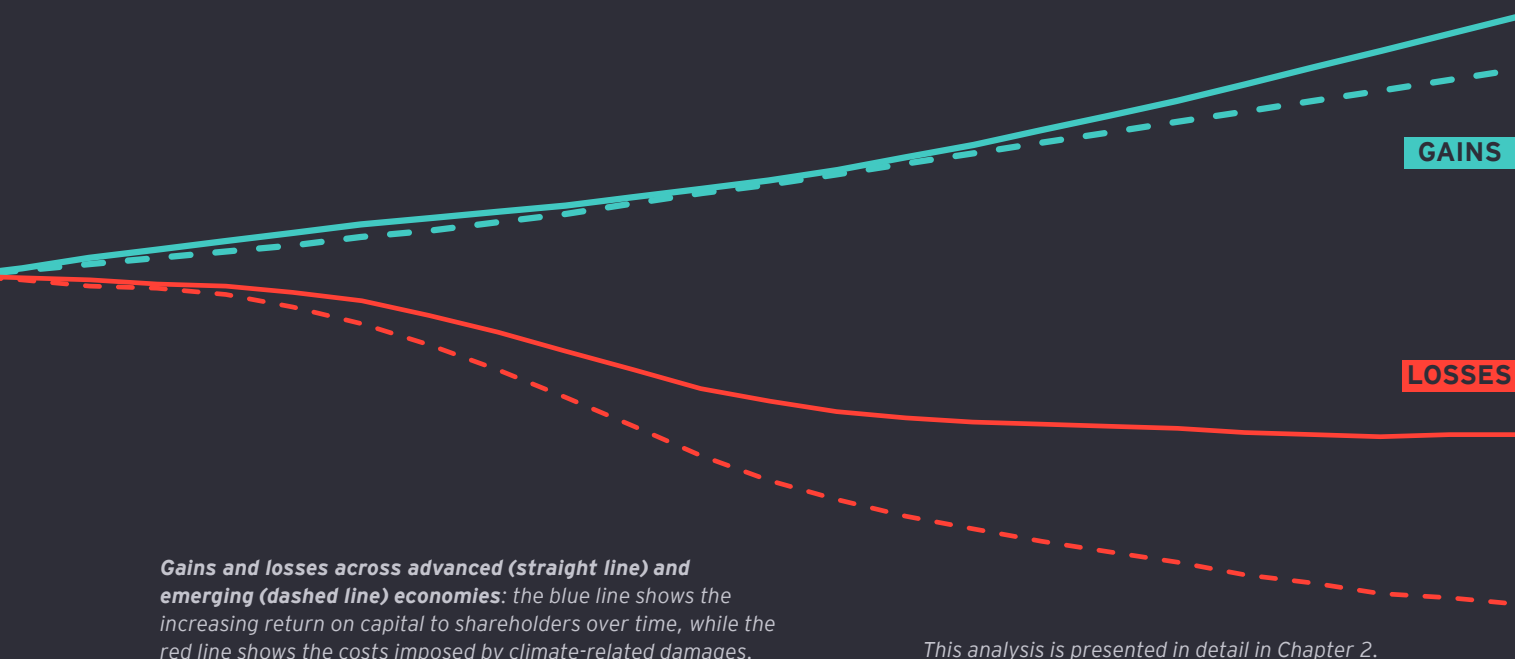
Our analysis of the same indicators across emerging economies shows:

6x higher welfare losses from inequality in emerging economies

2x faster growth in climate-related damages than in the G7

4.7x faster increase in costs from biodiversity loss relative to advanced economies

This analysis is presented in detail in Chapter 2.



Structural barriers to transformation

Extractivism in the business context manifests when legitimate business practices such as the utilization of resources, the pursuit of innovation and strategic planning are abused to extract excess gains at the expense of the environment and society. When market concentration or political power is present, these behaviors can be amplified and have an economy-wide effect. Sustainability efforts that seek to counterbalance or reverse this dynamic are often met with resistance, as incentive schemes, legal structures, and market and social norms contribute to system inertia, often allowing extractivist practices to go unnoticed and win wide acceptance in society. We explore seven structural barriers to sustainable business transformation:

- **Shareholder primacy:** a narrow definition of corporate purpose that disproportionately values the interests of shareholders over other stakeholders
- **Financial short-termism:** a persistent focus on quick results at the expense of long-term resilience, excusing sustainability inertia in business strategy
- **Self-interest:** the prioritization of individual goals by owners, managers and – by extension – businesses, over collective goals
- **Incentive structures:** performance and compensation schemes that place a focus on short-term financial metrics, undervaluing nonfinancial objectives and future resilience
- **Legal constructs:** perceived constraints of fiduciary duty, which reinforce shareholder primacy, and create uncertainty about the viability of sustainability investments
- **Ambiguity in corporate purpose:** a gap between words and action, resulting from a lack of clear frameworks to enshrine purpose into governance and accountability
- **Tax regulation:** the complexity and fragmentation of tax jurisdictions and regimes that result in opaque and inconsistent practices, often with challenging outcomes for society

These barriers often do not just permit unsustainable behaviors but – consciously or unconsciously – actively incentivize them. While they play out in the actions of business (through, for example, consistent externalization of social and environmental costs and absence of mechanisms to pay for these costs), their existence and continuation are generally owing to a multitude of policy decisions made by governments. Further, efforts to adjust these barriers are often either poorly regulated or inadequately enforced.

Pathways to regeneration

There are already clear signs that businesses can avoid extractivist practices and move toward more regenerative models of value creation. Many organizations are beginning to experiment with alternatives – shifting labor practices, redesigning supply chains, adopting more inclusive ownership and governance models, and creating products and services that restore rather than deplete social and ecological systems. These examples show that regeneration is not a theoretical ideal; it is an emerging set of practical behaviors that can strengthen long-term resilience, reduce systemic risk and broaden value for stakeholders.

But the scale of the challenge often requires more than business-level action alone. Regeneration depends on the wider system evolving in tandem, including policy frameworks that not only remediate business models premised on extractivism but also reward long-termism; financial markets that recognize the value of resilience; and civil society initiatives that support more inclusive and participatory models of economic activity while acknowledging the rising concern around inequality and injustice. Across jurisdictions, new ideas are taking shape – from alternative corporate forms and market incentives to innovative approaches to public investment, community ownership, and financial governance. Together, these developments point to a growing movement to rebalance the economic system so that value is created and shared in ways that support human and planetary flourishing.

Collectively addressing extractivism is critical to mitigate systemic risk and preserve the long-term resilience of business, the environment, and society. The complexity of the challenge makes this a long-term project itself, but practical steps and strategies should begin today. It requires bravery from many actors to pragmatically acknowledge the faults in the current system and create the required scaffolding to imagine a new and regenerative economy that tilts away from excessive extraction and toward regeneration.

We recognize the vast and systemic nature of the challenge, which typically requires cross-system

collaboration and will form a long-term project rather than a quick fix. We urge all businesses, but particularly those with significant leverage by way of their size and influence, to:

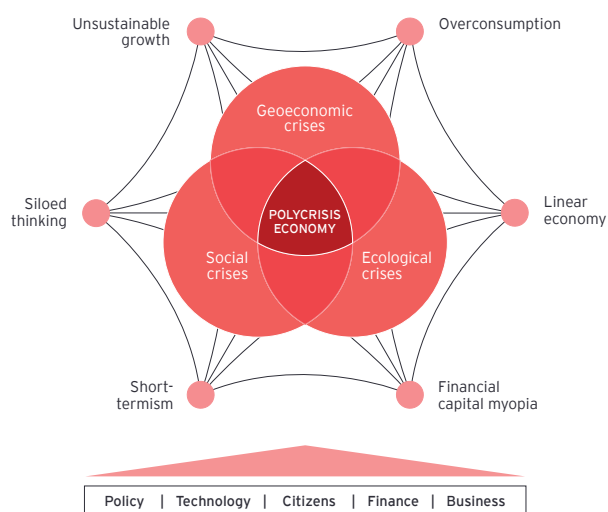
1. Act now to shape the transition: Rather than being merely adaptive in the face of volatility and uncertainty – as if powerless within the system – businesses should also become disruptive in challenging practices and norms that generate systemic risk in the first place. This requires **honest reflection on impact, a willingness to experiment beyond small-scale initiatives and the ambition to scale up regenerative solutions**. Practical first steps might include:

- Reflecting on your organization's role in the current system: the way it is contributing to extractivism vs. leading on regeneration
- Assessing exposure to systemic risks, particularly by quantifying climate, nature and social risks, and using this to underline the commercial case for long-term investment in regenerative business practices
- Imagining the alternative, including the potential scale-up of regenerative policies, financial instruments, consumer appetite and business models; and stress-testing your current strategy and model against them
- Engaging in conversation and partnership to identify opportunity spaces, model and test transition pathways, co-create solutions to address systemic barriers, and help scale-up regenerative models.

2. Advocate for the right conditions: Rather than waiting for markets or policy to somehow retrofit long-termism to a system that is wired for short-termism, advocate for system conditions that will reward regenerative practices and make unsustainable ones unattractive. This often requires mainstreaming difficult truths and trade-offs in boardrooms, investor conversations, and policy debates. Businesses would need to contend with both shareholder resistance on the value of change and the market distortions that allow unsustainable companies to “outperform.” **In doing so, they are effectively advocating both for stronger incentives and for constraints on what is currently lucrative but unsustainable.**

In a system that rewards excessive extraction but depends on resilience, what responsibility do we have to redesign the rules by which long-term prosperity for all is created?

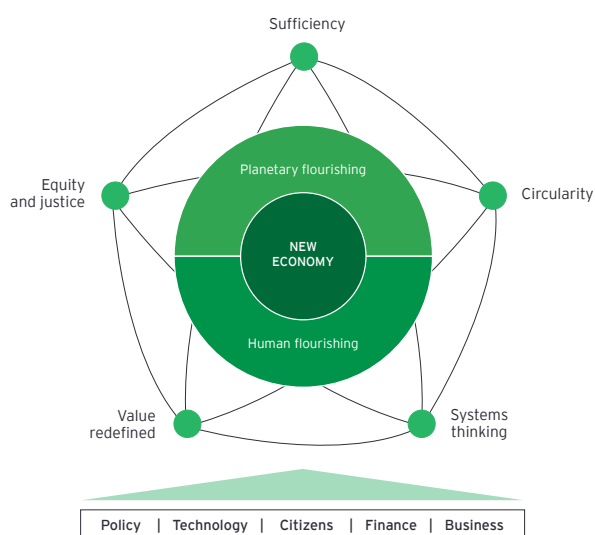
ABOUT OUR RESEARCH



In our foundational paper *A new economy*, we presented the concept of a polycrisis economy, one where current intersecting ecological, social and geoeconomic crises continue to intensify, amplifying global disruption and uncertainty. We argued that these crises and the inadequacy of attempts to avoid or address them are inevitable consequences of interconnected, whole-of-economy systemic flaws that encourage extractivist behaviors to take root, while hindering the scaling of sustainability efforts.

We defined the new economy as a regenerative economic model that places human and planetary flourishing at its core, and introduced five guiding principles, foundational to accelerating a transition to this - still plausible - future.

In our second paper, *Beyond sustainability-as-usual*, we demonstrated - with real-world business examples - that these principles are far from theoretical; they can be and are applied across different business areas: purpose, strategy, customers, people, value network, governance and ownership. However, we also identified an elephant in the room: businesses exemplifying regenerative practices have largely been set up with sustainability as a core element of their strategic vision or purpose. Despite progress made in embedding sustainability considerations into corporate ways of working, examples of large, established businesses that have transformed their business models with sustainability as the driving objective remain scarce. In fact, despite evolving regulations, standards, and the scientific-economic consensus on the need and societal value for transforming the economy, there are increasing signs of market or political backlash against those trying to take a more ambitious stance.



Diagrams from our foundational report, *A new economy: Exploring the root causes of the polycrisis and the principles to unlock a sustainable future*



This led us to our third review paper, which discusses how extractivist business practices manifest across the economy and how structural features of the market can give rise to or lock in these behaviors. This occurs even in businesses genuinely interested in pursuing sustainability as a strategic objective. We go on to explore practical interventions and interesting ideas for transitioning away from extractivism and toward a regenerative economy both at business and system levels.

We believe our role at the New Economy Unit (NEU) is to examine evidence and facts, and we seek to be specific about terminology to avoid conflicting narratives about the role of sustainability in business and the economy. We must find a way to collectively critique the problematic elements of excessive extraction. Our analysis aims to provide the clarity required for everyone to have a much more nuanced and pragmatic conversation about what should change: to move us from a polycrisis to a new economy that prioritizes human and planetary flourishing.

Reimagining the economy and business of tomorrow requires an understanding and honest, collective acceptance of the faults in the economy and business of today. We hope that our evidence-based work and open invitation to all, to suspend judgment and reflect on challenging questions, will help mainstream the concepts we discuss and accelerate the adoption of regenerative solutions.

Why EY?

You might be asking yourself why EY, as a key player in the system, is providing a point of view on this topic? We have a role, as an advisor to some of the largest businesses in the world, to anticipate and call out potential systemic risks to these capital markets. To better understand what prevents sustainable transformation and regenerative practices to scale requires us to take a deeper look into how our economy is evolving over time.

We see our role in the broader economy as providing help to create long-term value for clients, people and society, and to build trust in the capital markets. This means that we have an interest in these markets continuing to exist and thrive, but in a way that helps ensure their long-term viability as well as that of the environment and society upon which they depend. Drawing on the work of other academics, practitioners and thought leaders in the new economy space, the EY New Economy Unit aims to explore disruptive, long-term risks and trends with the potential to reshape business and the economy.

INDEX

Use the interactive map to explore the chapters and understand the path from extractivism to regeneration.

We encourage you to read the report sequentially, but should a particular chapter interest you, you can use the wayfinding icons below or the interactive toolbar at the bottom of each page to skip to a specific chapter.

What is extractivism, and why is it a critical issue in our economic system?

We define extractivism and its implications for business, society and the environment.

How can we demonstrate the impact of extractivism since the turn of the millennium?

We present data showing privatization of gains and socialization of losses since 2000, highlighting key trends in G7 countries, contrasted with emerging countries.



We also provide a link to detailed documentation outlining our methodology. Look for this icon to access it.

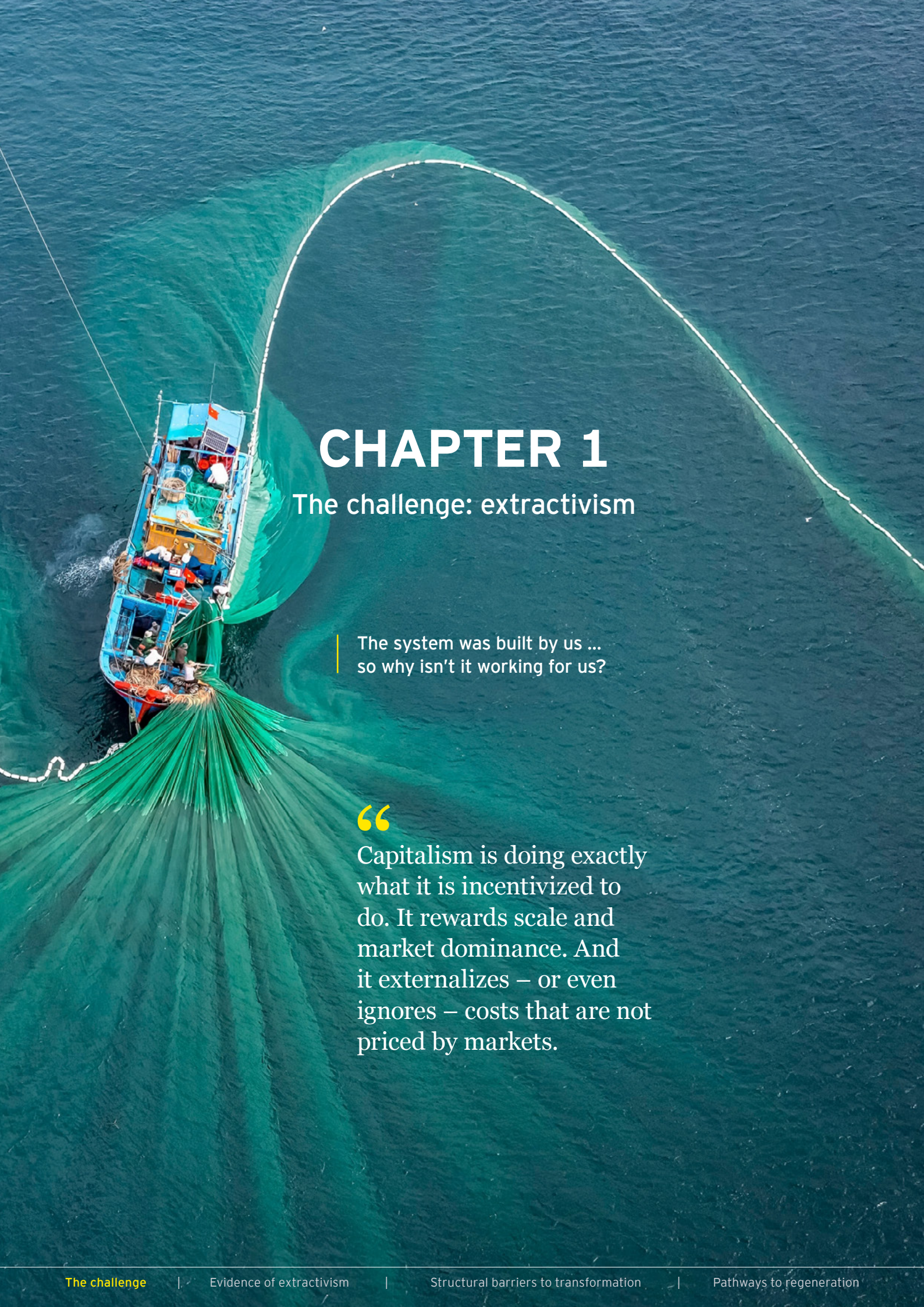
How do organizations engage in extractivist practices, and what conditions amplify these behaviors?

What systemic barriers allow this unsustainable dynamic to persist and how do they impact the transition to a regenerative economy?

We examine the structural barriers that allow extractivism to thrive, including shareholder primacy and short-termism, and how these barriers are reinforced by policy decisions.

What practical steps can be taken to transition from extractivism to regeneration?

We canvass a wide range of options to be considered by business, policymakers, civil society and markets in transitioning to a regenerative economy.

An aerial photograph of a blue fishing boat on a dark blue sea. A large, bright green fishing net is being pulled in, creating a large, curved shape in the water. The net is illuminated from above, making it stand out against the darker water. The boat is positioned at the bottom left of the frame, with the net extending from it towards the top right.

CHAPTER 1

The challenge: extractivism

The system was built by us ...
so why isn't it working for us?

“

Capitalism is doing exactly what it is incentivized to do. It rewards scale and market dominance. And it externalizes – or even ignores – costs that are not priced by markets.

Our economic system exerts a defining influence on the modern world. The more globalized it has become, the greater its impact, and that of individual businesses, on people's lives. Helping ensure that these impacts are positive – access to decent jobs, clean air, clean water, nourishing and plentiful food, and decent education, depends in part on having the right incentives (and disincentives) in place.

These incentives, as explored in EY Megatrends *Capitalism Rebalanced*, do not emerge in isolation but are actively shaped by policy choices and market design. Where these frameworks prioritize efficiency and short-term returns, they can unintentionally reinforce patterns of excessive extraction, allowing costs to be socialized, while concentrating value among a narrow set of actors.

Conversely, when incentives are aligned with the creation of long-term, multi-actor value, innovation flourishes and solutions that address social and environmental wellbeing are more likely to be adopted at scale. A key test of this alignment lies in the role of extraction within the economy. Extraction is a necessary and legitimate component of a healthy economy – but its long-term viability depends on operating within safe and just environmental and social limits,^{1 2} such as the capacity of Earth's systems to regenerate at the pace of extraction. When thinking about extraction, many people's minds may turn to natural resources, yet extraction pervades life across many other facets – for example, through the use of labor, the commodification of data for profit and financial instruments and strategies. Here again, alignment with limits – both natural and social – is key, with social limits referring to the basic expectations of fairness, dignity and wellbeing that enable people and communities to thrive.

Our current pace of extraction is becoming increasingly out of step with what can be considered safe and just. The annual extraction of materials within the global economy more than tripled between 1970 and 2024, rising from 27 billion tons to 105 billion tons; and the rate of extraction is accelerating. Based on current patterns, we'd need two Earths by 2030 and three by 2050³ to meet our needs without incurring an ecological deficit.⁴ As a result of unsustainable resource extraction and use, we have already transgressed seven out of nine planetary boundaries that define the safe operating space for safeguarding the stability and resilience of ecosystems.⁵

“

Capitalism is thriving. It is doing exactly what it is incentivized to do. It efficiently allocates capital toward activities that offer the highest short-term financial returns. It rewards scale and market dominance. And it externalizes – or even ignores – costs that are not priced by markets.

– Capitalism Rebalanced,
EY Megatrends 2026

105 billion tons

The annual extraction of materials within the global economy more than tripled between 1970 and 2024, rising from 27 billion tons to 105 billion tons.⁶

Three Earths

Based on current patterns, we'd need two Earths by 2030 and three by 2050 to meet our needs without incurring an ecological deficit.⁷

In addition, many people continue to lack basic requirements. Inequality, undernourishment, youth unemployment, lack of social support and perceptions of corruption are all too common.⁸ The impacts of the breaches in planetary and social boundaries are distributed unequally – low-income or “emerging” economies experience more of the social shortfalls, while richer, “advanced” economies contribute more to ecological overshoot. As a result, resources become scarcer, and operating conditions more volatile.

This level of excessive extraction is what we and others^{9 10} term extractivism. For the purposes of this report, we define extractivism as:

Extractivism: a form of excessive extraction that *privatizes gains for a minority while socializing costs, particularly when this activity exceeds planetary and social boundaries. Extractivism is distinguished from necessary extraction by its scale and impact, and is characterized by the tendency of businesses to prioritize short-term financial gains at the expense of social and ecological well-being.*

Businesses themselves are increasingly aware of how their own interests are becoming jeopardized through extractivism. By breaching the “safe operating space” for humans, the “social license to operate” for businesses is also threatened. Most notably, when the availability of resources is compromised, strategic foresight becomes difficult, and the resulting systemic risks undermine confidence in a long-term and resilient outlook for business. Disruptions to operations and global supply chains are already causing costs to rise and complicating future planning. In the longer term, physical risks such as floods, droughts, heat waves and fires pose a potentially existential threat to “business as usual.”

Businesses operating in certain at-risk sectors find themselves in the front line of these efforts. Agribusinesses, for example, are beginning to experience reduced crop yields, especially in regions facing water stress.¹¹ If governments have to step in to avert or manage environmental collapse, businesses may suddenly find themselves operating in a heavily constrained world. Therefore, if businesses want to have agency in the future, they should act now. As an adage goes, “there’s no business to be done on a broken planet”ⁱ – a fact to which the insurance sector is very much alert [see next page].

24% loss

The global economy could face a 24% loss in GDP per capita this century under a 3°C scenario,¹² while a recent report by the Institute and Faculty of Actuaries suggests losses could be as high as 50% of GDP between 2070 and 2090.¹³

Global labor

Global labor capacity may decrease from 80% to approximately 70% because of heat and humidity under 2°C by 2100.¹⁴

US\$80 billion

The estimated annual cost for adapting to and addressing residual damage to global crops at 2°C is approximately \$80 billion.¹⁵

ⁱ The phrase was first coined in 1986 by David Brower, cofounder of Friends of the Earth and former executive director of the US environmental network, the Sierra Club. It has since entered the lexicon of a wide range of forward-minded companies and business groups.

HIGHLIGHT

Summary: Insurers are already experiencing financial pressures from the increasing frequency and severity of climate-related disasters. This has led to higher premiums, and in some high-risk areas, limited availability of coverage. These pressures could expose businesses and individuals to significant financial risk and illustrate the broader economic implications of the polycrisis.

**How socialized costs become a reality:
insurance as a warning sign**

Insurers are directly exposed to the escalating polycrisis in the form of increased payouts due to severe weather events and other unforeseen disasters. Global natural catastrophe losses have consistently grown by 5%–7% annually in real terms over the past decade, making it incredibly difficult for insurers to accurately predict and price risk.¹⁶ Climate-induced disasters are not just increasing in frequency, but also in intensity, causing claims to spike. Over 90% of the US\$320 billion racked up in total losses in 2024, for example, were weather-related.¹⁷ And in 2025, the Los Angeles (LA) wildfires were the costliest ever wildfire event globally with insured losses reaching US\$40 billion.¹⁸ Without rapid action, the scenario is set to get even bleaker, insurers warn.¹⁹

The total annual cost of climate physical risk for companies in the S&P Global 1200, for instance, is projected to reach US\$885 billion in the 2030s. Utilities, financial institutions, and energy companies are set to be hit especially hard due to damaged assets and disrupted operations. On a per-company basis, for example, an average electric utility in the S&P Global 1200 will see its projected climate-related costs increase more than four times the projected average across all industries.²⁰

This is placing huge stress on the traditional business and risk models of insurers – with externalities now being priced in where possible. However, the unprecedented nature of the polycrisis leaves the industry struggling to accurately predict and price this array of new risks. To cover potential losses, insurers have already pushed up the price of premiums; in Europe, for example, property catastrophe reinsurance rates are now 75% higher than in 2017.²¹ It is estimated that climate change will significantly increase property risk, which could lead to US\$149–183 billion of additional property premiums between 2020 and 2040.²²

The results for business and wider society are profound. Industry analysts are cautioning that insurance in high-risk areas may become either prohibitively expensive or simply unavailable.²³ This would leave businesses and individuals potentially facing climate-related weather events without vital financial safeguards, leading to the prospect of massive write-offs, a rise in stranded assets and widespread potential bankruptcy.²⁴ Governments can step in and often do. In the wake of the 2025 LA wildfires, for example, the state of California assisted low-income homeowners in obtaining fire insurance through the California Fair Access to Insurance Requirements (FAIR) plan. When governments subsidize loss-making insurance, public funds are diverted from other priorities such as education and healthcare. An alternative is to pass the cost of climate-related disasters directly on to taxpayers. This was the case in Australia in 2010, when Queensland was hit by heavy flooding. The federal government responded by levying individuals with up to an additional 1% of taxable income to raise money for infrastructure rebuilding.²⁵

The financial sector would also very likely grind to a halt.²⁶ Banks and investors rely on the guarantee that insurance offers to disperse capital; without this assurance, the cost of capital would skyrocket, causing investment in business expansion, infrastructure development and other critical areas of the economy to plummet. The Institute and Faculty of Actuaries warns that the global economy could face a 50% loss in GDP between 2070 and 2090 under 3°C warming by 2100.²⁷

In short, the ripple effects of an insurance sector crippled by climate change could be unfathomable for businesses and society alike. The societal enabler of insurance effectively disappears, and with this, major insurers recognize that risks tied to climate change could severely disrupt market operations,^{28 29 30 31} alter risk profiles,³² and render risks uninsurable.^{33 34}

“At 3°C of global heating, climate damage cannot be insured against, covered by governments, or adapted to [...] That means no more mortgages, no new real estate development, no long-term investment, no financial stability. The financial sector as we know it ceases to function. And with it, capitalism as we know it ceases to be viable.”³⁵ – Gunther Thallinger, Board member of Allianz SE

Hence, insurers are urgently calling on actors across the economy – from governments to businesses – to effect a major course correction.



As laid out in our foundational papers, the structural flaws driving the polycrisis are deeply complex and shaped by multiple economic actors, including policymakers, businesses and civil society. At the business level, they can translate to misaligned incentives, legal structures, and market and social norms that often pose structural barriers to business transformation: entrenching short-termism and financial myopia, rewarding unsustainable business practices and even penalizing (by way of increased costs or, more recently, market access and legal repercussions) strong sustainability action and ambitious leadership. Businesses, however, are not merely subjects of these forces. As arguably the most economically powerful and environmentally impactful actors in the system, they retain tremendous scope to mobilize collective action and influence systemic change.

The Montreal Protocolⁱⁱ stands out as a powerful example that regenerative economic transformation within planetary boundaries often requires coordinated, cross-sector efforts.³⁶ It remains, to this day, the only international agreement that has successfully averted the transgression of a planetary boundary through a rule-based policy intervention on a global scale. Since then, no comparable global initiative has achieved a similar level of systemic impact.

As stated in the foreword to this paper, we identify extractivism as a form of market failure – one that is exerting growing influence over economic outcomes and business strategy alike. In a world of exacerbating economic disparities, the notion that social benefits naturally trickle down appears less convincing today. Indeed, a rising tide no longer raises all boats: in fact, many struggle to stay afloat at all. Without targeted interventions, our research shows that unsustainable practices will persist, which could undermine social and ecological resilience, and ultimately the long-term viability of many of today's businesses.

Against this backdrop, and despite – or perhaps reinforced by – strong sustainability headwinds, a growing consensus is emerging that the economy should evolve its core purpose.³⁷ Concepts such as the wellbeing economy,³⁸ the circular economy,³⁹ social entrepreneurship⁴⁰ and stakeholder capitalism⁴¹ have already given rise to a range of alternative models and frameworks. Our own New Economy framework offers a series of core principles to guide the transition to a version of capitalism that could allow society and the planet to flourish.^{42 43} However, in order for such models to scale, the systemic barriers encouraging extractivist behaviors and impeding transformation should be addressed. We explore a series of business and system-level interventions in chapter 4.

ⁱⁱ The Montreal Protocol (1987) is an international treaty that successfully phased out the production of ozone-depleting substances, like chlorofluorocarbons (CFCs), at the time widely used in cooling and refrigeration, aerosols production and other industries.

CHAPTER 2

Evidence of extractivism:
privatizing gains, socializing losses

“

Growing social and ecological pressures will increasingly influence the resilience, competitiveness and sustainability of the wider economy — and with it the strategic landscape in which businesses operate.

Our aim in this chapter is to illustrate how the dual processes – the privatization of gains and the socialization of losses – have played out over the last two and a half decades. This chapter presents the evidence for our hypothesis that patterns of excessive extraction are increasingly evident in our economic system. Specifically, we analyze changes over time in both gains and losses since the turn of the century across a range of advanced and emerging economies. Our analysis offers what we believe to be the **first clear attempt to map extractivism at the international level** during the first decades of the 21st century.



For readers wanting to dive deeper into our analysis, we provide an **extensive** methodology in [this link](#) which includes the data sources and data treatment, country selection, and methodological assumptions used in our investigation.

To understand the extent to which extractivism is occurring in its many forms within the modern global economy, we examine changes across two sets of three indicators – one set representing gains and the other representing losses – in the period between 2000 and 2023:

Indicators

GAINS

- Dividends received by households from the distributed income of corporations
- Employee compensation, including wages and non-salary benefits
- Taxes paid out by corporations to governments

LOSSES

- Climate-related damages (modeled using global climate-related damages)
- Biodiversity losses (modeled using the Living Planet Index)
- Welfare lossesⁱⁱⁱ associated with social inequality (modeled using the Atkinson index of inequality)

A note on reading our graphs: For the purposes of this analysis, losses are represented as negative to demonstrate the widening gap between the privatization of gains and the socialization of losses.

EXTRACTIVISM

A form of excessive extraction that privatizes gains for a minority while socializing costs, particularly when this activity exceeds planetary and social boundaries. Extractivism is distinguished from necessary extraction by its scale and impact, and is characterized by the tendency of businesses to prioritize financial gains at the expense of social and ecological well-being.

ⁱⁱⁱ To assess the economic value of welfare losses from inequality, we used the Atkinson Index. Unlike measures such as the Gini coefficient, which only describe the relative distribution of income, the Atkinson index allows us to directly assess the economic value of the wellbeing lost to society due to income being unequally distributed. This makes it a powerful tool for understanding not just how unequal a distribution is, but how much that inequality matters for overall wellbeing (see Methodology for details).



The following graph (Figure 1) demonstrates the privatization of gains and socialization of losses across the G7 countries for the time period studied.

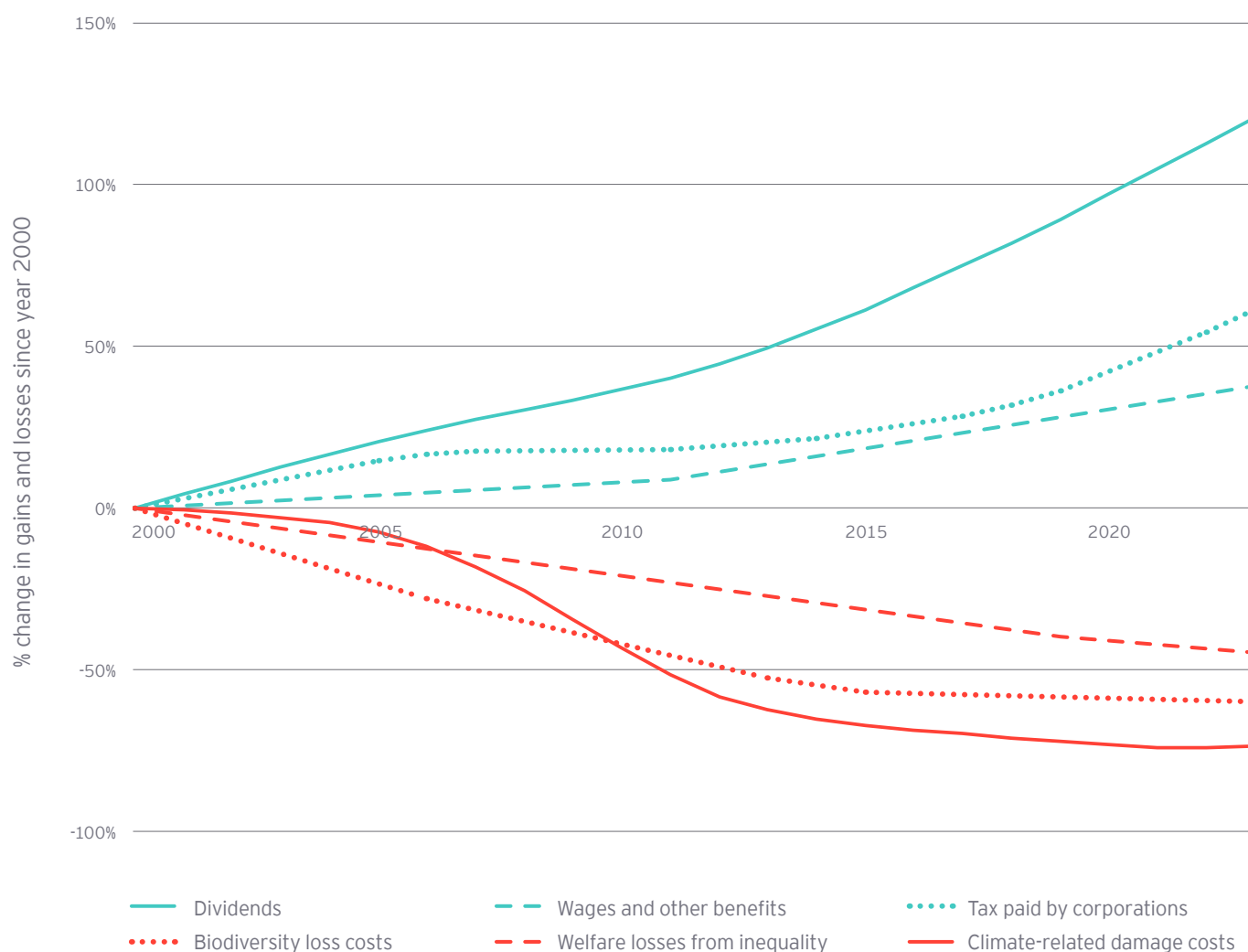


Figure 1: Extractivism as seen in Advanced (G7) economies with additional indicators: wages, taxes, biodiversity loss and welfare losses. Percentage change over time since the year 2000 based on cost data measured in constant (inflation adjusted) USD. The G7 comprises: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. For sources, consult [this link](#).

Our analysis finds that across the G7 there has been:

3x faster growth in dividends paid to shareholders compared to worker wages

2x faster growth in dividends compared to taxes paid by corporations

45% increase in the economic welfare lost through inequality

60% increase in biodiversity costs



1 The gap between financial gains and environmental losses is widening

Across G7 economies, our analysis shows a widening separation between financial gains and the social and environmental costs that accompany them. The lines in Figure 1 above illustrate our argument in its simplest form. Dividends paid to shareholders by corporations have **more than doubled** since 2000. Dividends (and sometimes also share buybacks^{iv}) are a commonly used passive income instrument for many retail investors, but – since equity ownership is heavily concentrated among the top 10% of wealth holders (and even more so among the top 1%) – this rise in income represents a relatively wealthy section of society.

Yet, during the same period, the financial losses associated with climate-related damages have increased by over 70%. This rise in climate-related costs has happened despite the “decoupling” of carbon emissions from GDP that has been achieved in the G7 nations during the last two decades. The science confirms that climate change damages are already “locked in” as a result of historical emissions, which means that even countries making progress still experience escalating losses. If we were to include the present discounted value of these future locked-in climate damage costs alongside these current damage costs, the magnitude of losses would be far greater and the trend potentially steeper.

Similarly, the costs associated with the loss of biodiversity have increased by at least 60% over the period of the study. These costs may again be understated in the sense that they don't take into account the future losses associated with long-term damages from current resource consumption. The global economy's resource use of 87 billion tons per year in 2015 significantly overshoots the estimated sustainable threshold of 50 billion tons per year, driving ecological breakdown.

2 Shareholder gains surge ahead of wages, taxes and widening social welfare gaps

Since 2000, dividend payouts to private shareholders have surged far ahead of both wages and corporate taxes, reinforcing the pattern of privatized gains. Our analysis shows dividend growth has been more than three times faster than employee compensation and over twice as fast as taxes paid by corporations. This mirrors long-running OECD trends: while productivity rose 25% in real terms between the mid-1990s and late 2010s, wages increased by just 11%,⁴⁴ with the top 1% pulling sharply away from average earners.

At the same time, profit-maximizing strategies and international tax competition have reduced corporate tax contributions,^{45 46} in turn reducing the funds available to the government from corporations for essential public services and public investment.⁴⁷

The combined effect of wage and tax growth being outpaced by shareholder returns is rising income inequality and a real economic cost. Using Atkinson's Index,⁴⁸ we estimate that welfare lost due to income inequality – the proportion of total income that would need to be redistributed to achieve perfect equality without reducing social welfare – has increased by 45% since the turn of the millennium, a conservative figure that excludes growing wealth inequality. The richest 1% now control 42% of global wealth, while the bottom half holds less than 1%.⁴⁹

^{iv} Share buybacks, while not included in this analysis given the phenomenon is relatively isolated to the US (comprising approximately 70% of global share buybacks), the practice of share repurchases would widen this gap between privatized gains and socialized costs.



3 A consistent, system-wide imbalance across advanced and emerging economies

To understand whether the same unsustainable patterns observed in the G7 countries also occur in emerging economies, we analyzed the same indicators for a basket of nine non-G7 nations (Brazil, China, Colombia, Costa Rica, Bulgaria, Hungary, Poland, Romania and Mexico). The reasons for the selection of this group of countries and graphical analysis are included in our detailed methodology, which can be found at [this link](#).

We found that emerging economies show steeper increases in losses. Welfare losses from inequality are six times higher than in G7 economies, biodiversity-related loss is nearly five times greater, and climate-damage costs are rising at twice the pace.

6x higher welfare losses from inequality in emerging economies

2x faster growth in climate-related damages than in the G7

4.7x faster increase in biodiversity-loss costs relative to advanced economies

When observed side by side, advanced and emerging economies reveal the same overarching pattern, as illustrated in Figure 3. In G7 economies, the gap between gains and losses reflects wage stagnation and slower tax growth relative to rising financial returns. In emerging economies, rapid development has come with high ecological cost, accelerating biodiversity loss and increasing exposure to climate impacts.

Across all indicators, the divergence between rising gains and rising losses signals a shared systemic issue. Economic activity continues to generate concentrated returns while distributing wider environmental and social costs across communities and future generations.



Figure 2: **Dividends and climate damages in advanced (G7) economies vs. emerging economies.** This graph shows the difference in gains (dividends) and losses (climate-related damages) between the two clusters of economies. Percentage change since the year 2000 based on cost data measured in constant (inflation adjusted) USD. For sources, consult [this link](#).



4 Uneven distribution of environmental pressures along global value chains

It is worth noting that some of the heightened losses we see in Figure 2 for emerging economies are the result of trade dynamics. These dynamics form a part of what has sometimes been called the “north-south divide,” which has arisen from historical patterns of extractivism dating from colonial times and continuing to this day.

This “ecologically unequal exchange”⁵¹ effectively channels the advantages of resource use to advanced economies while burdening emerging economies with environmental repercussions, and they are already facing disproportionate effects from climate change.

While advanced economies are reducing their production-based emissions, they are increasingly importing goods and their associated emissions from emerging economies. Socializing losses, therefore, is a phenomenon not only within economies but between the Global North and the Global South.⁵⁰

In other words, extractivism is evident not only within each country grouping but also between the Global North and the Global South.

43%

Net flows of material resources from the Global South to the Global North indicate that 43% of the impact of material consumption in the Global North (net of trade) is suffered in the Global South.

Emissions

Emissions embodied in trade (EET) have been rising, meaning that CO₂ emissions are discharged in production sites (often in the Global South, where fossil fuels represent a larger share of the energy mix) for commodities ultimately consumed in the Global North.^{51 52 53}

25%

About 25% of global CO₂ emissions are embedded in traded goods and services, highlighting the systemic offshoring of emissions through global value chains.⁵⁴



A summary of the changes across the regions is shown in Figure 3 below.

Gains and losses by country grouping

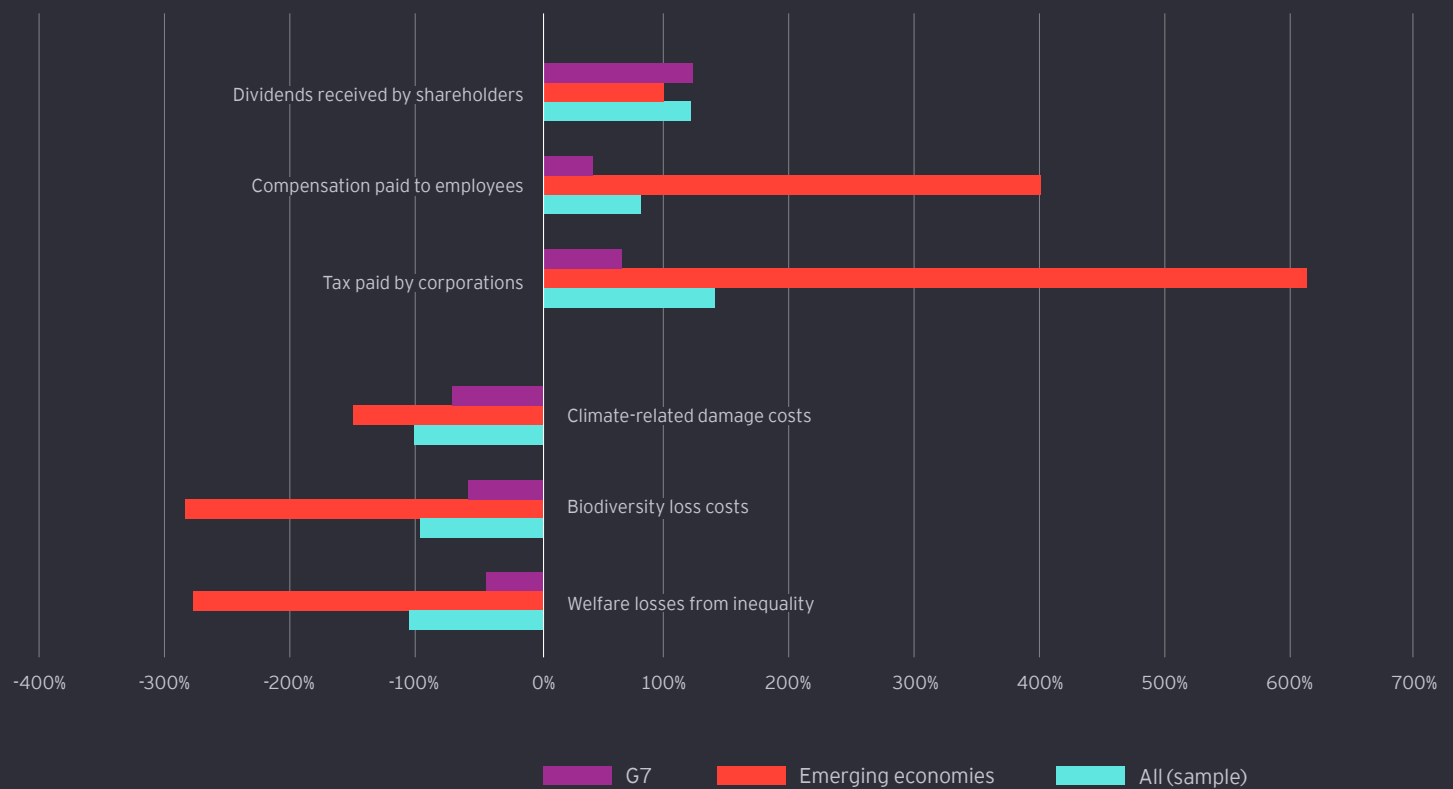


Figure 3: Total changes in gains and losses by clusters of economies. This graph shows the total change in gains and losses between the two clusters of economies and includes the total sample. The data are based on percentage changes over time since the year 2000, using cost data measured in constant (inflation-adjusted) USD. For sources, consult [this link](#).

Since 2000, emerging economies have faced much greater losses across welfare, biodiversity and climate change, while also experiencing a higher rate of change in corporate tax payments and employee compensation compared with the G7. As a result, the overall distribution of gains and losses remains comparatively unequal between these two clusters of economies.



Summary: a system under strain

The evidence across all indicators reveals a systemic pattern in which gains are concentrated upward, while losses diffused outward across society and the natural environment. For businesses, this divergence can be translated to more than just a distributional issue: it reflects a set of structural imbalances that directly shape operating conditions, market stability and long-term value creation.

Economic welfare lost through inequality weakens the foundations of social stability and labor force resilience over time. Climate- and biodiversity-related losses point to deteriorating ecological systems that underpin supply chains, resource availability, and risk forecasts. These pressures do not remain external to the business – they accumulate across the very systems companies rely on for talent, infrastructure and consumer demand.

The patterns identified in this chapter highlight the importance of businesses considering how gains and losses accumulate not only within their own operations but across interconnected economic, social and environmental systems. Ultimately, these trends reinforce a core message: growing social and ecological pressures can increasingly influence the resilience, competitiveness, and sustainability of the wider economy – and, with it, the strategic landscape in which businesses operate. The gap between financial gains and environmental and social losses cannot continue to widen in perpetuity without leading to critical failures across planetary, social and, by extension, economic systems. Therefore, the risk of extractivism is an existential risk for businesses and the economy as a whole.

Our next chapters explore how extractivism manifests at the business level, the pressures and incentives that create the enabling conditions for unsustainable practices to take root, and the interventions at both business and system levels to address them.

EXTRACTIVISM

A form of excessive extraction that privatizes gains for a minority while socializing costs, particularly when this activity exceeds planetary and social boundaries. Extractivism is distinguished from necessary extraction by its scale and impact, and is characterized by the tendency of businesses to prioritize financial gains at the expense of social and ecological well-being.



“

The loss of biodiversity is among the most serious threats to business. Yet the twisted reality is that it often seems more profitable to businesses to degrade biodiversity than to protect it. Business as usual may once have seemed profitable in the short term, but impacts across multiple businesses can have cumulative effects, aggregating to global impacts, which can cross ecological tipping points.

Stephen Polasky, Co-Chair, IPBES 2026

Questions for boards and management

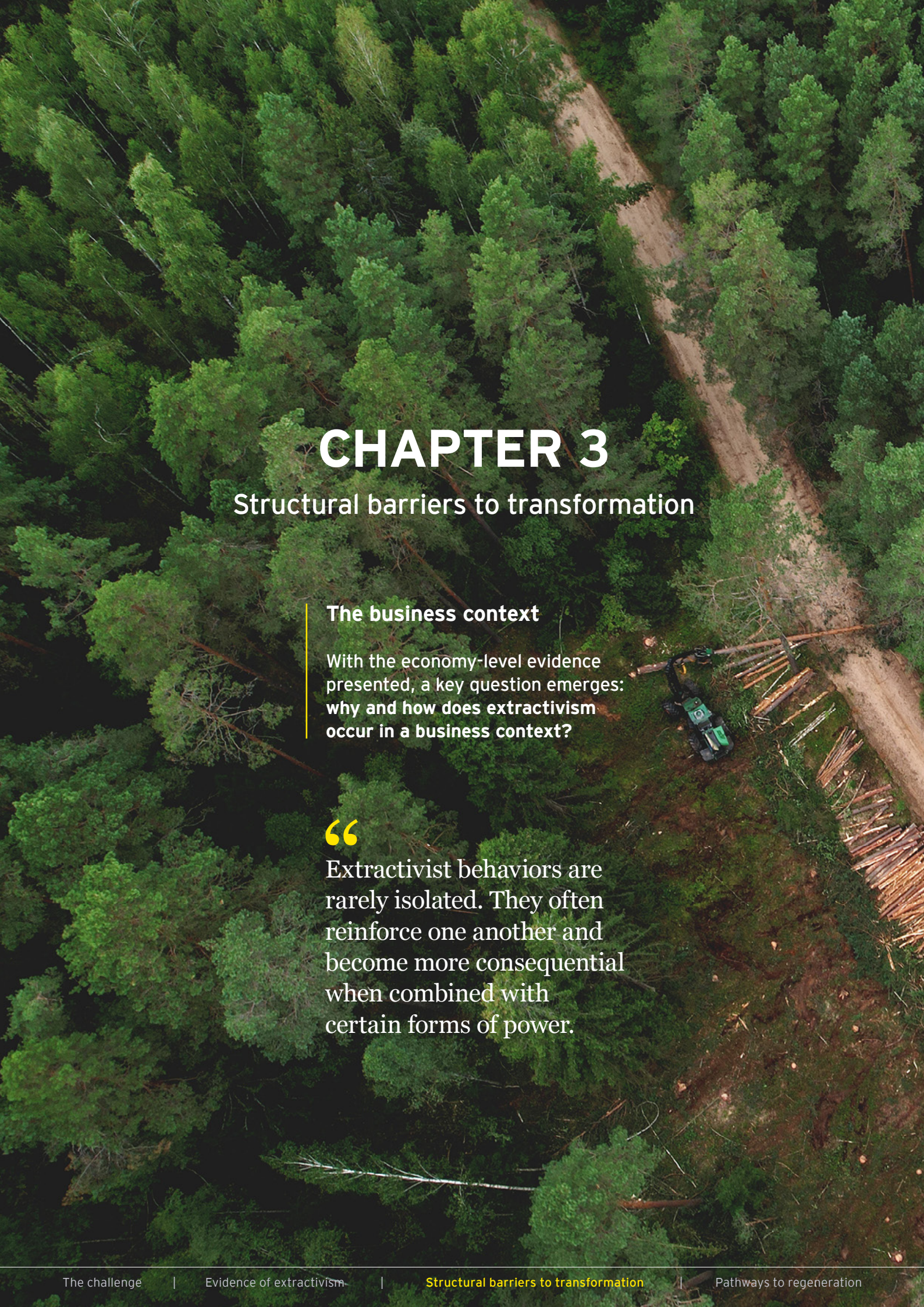
Mapping exposure to extractivism

1

How well do we understand the impact of worsening ecological, social and geoeconomic disruptions on our business strategy and long-term outlook?

2

Where in our value chain are environmental and social losses accumulating? Where do margins depend on unpriced environmental or social costs and how are we quantifying and mitigating the risk exposure if these externalities are increasingly internalized through regulation, cost pass-through, or disruption?

An aerial photograph of a dense forest. A dirt road runs diagonally from the top right towards the bottom right. A green logging machine is visible on the road, surrounded by a pile of cut logs. The trees are mostly green, with some bare branches visible.

CHAPTER 3

Structural barriers to transformation

The business context

With the economy-level evidence presented, a key question emerges: **why and how does extractivism occur in a business context?**

“

Extractivist behaviors are rarely isolated. They often reinforce one another and become more consequential when combined with certain forms of power.

Extractivism rarely appears as an explicit strategy or deliberate intent. Instead, it emerges through a set of normalized behaviors that arise when legitimate business activities are pursued in ways that exceed social and planetary limits. These behaviors are often embedded in standard operating models, competitive dynamics and governance arrangements. As a result, they are less about individual misconduct and more about how prevailing incentives shape decision-making over time.

Although often associated with extractive industries, this dynamic is sector agnostic: it can characterize a digital platform monetizing user data without meaningful consent, a commodities-driven business reaping excessive profits from market volatility, or practices that extract value by gatekeeping access to critical goods or services. The common thread is not what is extracted but how – value is pulled from workers, communities, ecosystems and future generations faster than those systems can regenerate or adapt.

At its core, this reflects a flawed design logic. Businesses are structured – and expected – to optimize for financial throughput, scale and margin expansion, allowing labor, natural capital and other forms of value to be seen as variable inputs rather than equal forms of capital. This logic can be reinforced by accounting conventions that render many impacts invisible, procurement models that cascade cost pressure down global supply chains, and growth narratives that equate scale and market dominance with success. Over time, these behaviors may become normalized and culturally accepted – to the extent that challenging them is often discouraged or penalized – shaping product design and pricing, risk management, capital allocation, and even the language leaders use to define performance.

Extractivist behaviors are rarely isolated. They often reinforce one another and become more consequential when combined with certain forms of power. Two amplifying conditions are particularly important. The first is **market concentration**, where industry consolidation leads to dominant firms gaining disproportionate power over suppliers, workers, customers and regulators. With fewer competitors, such powerful players can set terms that entrench asymmetries and define unsustainable

(+) Privatized gains

US\$4.9 trillion of private finance flows with directly negative impacts on nature in 2023⁵⁵

US\$1 trillion per year in windfall profits between 2021 and 2022 made by 722 of the world's largest companies⁵⁶

50% increase in global average CEO pay in real terms since 2019⁵⁷

(-) Socialized losses

The global economy could face a **24% loss** in GDP per capita this century under a 3°C scenario,⁵⁸ while a recent report by the Institute and Faculty of Actuaries suggests losses could be as high as 50% of GDP between 2070 and 2090.⁵⁹

2.8 billion people worldwide were unable to afford a healthy diet in 2022, due to the combination of rising food prices and income inequality in the wake of the pandemic.⁶⁰

Less than 5% of the top 2,000 global companies report paying their employees a living wage, according to the World Benchmarking Alliance.⁶¹



norms, increasing risk for the whole system. In the US, the top 0.1% of companies account for more than 80% of all sales, compared with 65% 50 years ago⁶² – a trend that, although less pronounced, is also mirrored in Europe.⁶³ At the same time, the number of new startups is declining, an observable trend even before the COVID-19 pandemic.⁶⁴ Four global commodity traders control over 60%-70% of the global grain market.⁶⁵ A fifth of total market cap in corporate US is controlled by the Big Three asset managers^{66 67}. And over 30% of the S&P's total value is represented by the Mag 7 top technology firms (compared with 25% by the top 10 technology firms during the dot-com crisis).⁶⁸

The second amplifying condition, **political influence**, further compounds these dynamics. Corporations that engage in extractive practices can impact public policy through advocacy efforts. This influence may be used defensively – to delay or soften sustainability regulation – or proactively, to shape policy frameworks in ways that favor them.

Structural barriers to regenerative business

Businesses have a significant role in avoiding exploitative practices and supporting fair value exchanges within their operations and value chains. Examples of organizations actively avoiding these mechanisms exist, as illustrated in our previous paper, *Beyond sustainability as usual*. However, such examples tend to be outliers. In fact, many businesses encounter significant barriers when designing and implementing strategies toward more sustainable outcomes. Acknowledging how these barriers influence and are influenced by business is therefore key in taking action to rebalance the system.

We examine seven structural barriers in the legal and corporate systems designed to support free-market models, as well as in established market and social norms: shareholder primacy, financial short-termism, self-interest, incentive structures, legal constructs, ambiguity in corporate purpose, and tax regulation. These can give rise to or lock in unsustainable behaviors, even in businesses genuinely interested in pursuing regeneration as a strategic objective.



1 Shareholder primacy: a narrow definition of corporate purpose

For decades, the prioritization of shareholder returns has served as a clear organizing principle for business decision-making. Yet the narrow focus on shareholders or owners can constrain how businesses weigh the interests of broader stakeholders – such as employees, suppliers, communities and ecosystems – whose health directly underpins long-term value creation.

In practice, this framing can make sustainability investments harder to justify when their benefits are diffused, long-dated or shared beyond shareholders alone. These include spending on environmental initiatives, employee welfare, supply chain resilience and community wellbeing, the full benefits of which are not adequately captured in short-term financial metrics.⁶⁹

This tension is widely felt by business leaders. According to the 2024 EY Institutional Investor Survey, 53% of large businesses experience pressure from investors to prioritize short-term earnings, limiting their ability to invest in long-term sustainability initiatives. Additionally, 20% of businesses noted that investors tend to focus primarily on quarterly profits and are indifferent to long-term sustainability investments.⁷⁰

2 Financial short-termism: quick results at the expense of long-term resilience

While shareholder primacy shapes *whom* businesses serve, financial short-termism shapes *when* financial value is expected to be delivered. Market dynamics tend to reward continuous and rapid growth, encouraging businesses to focus on short-term decision-making and near-term financial performance. This may divert attention from sustainable practices, including those aligned with planetary boundaries, and limit the potential for long-term success in an increasingly constrained operating environment.

Evidence suggests that short-term financial pressures lead businesses to favor cost-cutting measures over strategic, long-term investments and innovation, and to make choices that negatively impact employees, customers and the environment. A significant trend observed is that this emphasis on short-term gains fosters a “more is more” mindset within organizations, where the pursuit of immediate profits takes precedence over corporate social responsibility and sustainable development.⁷¹

“

The common thread is not what is extracted but how – value is pulled from workers, communities, ecosystems and future generations faster than those systems can regenerate or adapt.

53% of large businesses experience pressure from investors to prioritize short-term earnings, limiting their ability to invest in long-term sustainability initiatives.⁷²

20% of businesses noted that investors tend to focus primarily on quarterly profits and are indifferent to long-term sustainability investments.⁷³

3 Self-interest: individual goals over collective goals

Managers and owners naturally respond to the incentives, expectations, and pressures both within their organizations and their cultural environment. Self-interest in this context often leads to a focus on short-term performance. While individually rational, this behavior may pull focus from long-term objectives and have knock-on negative impacts, resulting in losses being socialized, while immediate financial gains receive priority over broader responsibilities.

A theoretical example from asset management illustrates this point. In theory, paying a living wage across the economy would support higher productivity and stronger long-term returns for diversified investors.⁷⁴ However, prevailing investment norms tend to reward margin expansion over growth in wages.⁷⁵ The norm of self-interest typically leads everyone to invest in a manner that lowers returns across the board. In a study involving 300 companies across Germany, the UK and the US, 87% of the participants confirmed that long-term strategies would benefit the business; nevertheless, 88% of the respondents still prioritize personal gain over company benefits.⁷⁶

4 Incentive structures: undervaluing the future

While self-interest drives individual behavior, incentive structures shape how that behavior is rewarded and reinforced. Compensation schemes, performance metrics and investor expectations can create a system where short-term results are disproportionately valued. This tension is further amplified by the increasing availability of financial data and technological advancements, where constant reporting and heightened scrutiny on financial performance intensify the pressure on businesses to achieve swift results. This often results in a cycle in which market expectations and internal incentives collectively promote short-term strategies, often compromising long-term financial health and negatively impacting overall societal welfare.

In practice, many organizations now include sustainability-related metrics in executive incentive plans, but despite the long-term nature of sustainability, still few include them in long-term plans⁷⁷ and the influence of those metrics remains modest compared with traditional financial performance measures. Among S&P 500 companies, for example, roughly three quarters link at least one sustainability metric to compensation, yet the weighting on those metrics is often around 5%-15% of total short-term incentives, meaning that traditional financial performance continues to dominate compensation outcomes.⁷⁸

88% of respondents prioritize personal gain over the company's benefit, even though they believe long-term strategies would benefit the business (based on a study involving 300 companies across Germany, the UK and the US).⁷⁹

5%-15% is the typical range for the contribution of sustainability metrics in short-term executive incentive plans across S&P 500 companies.⁸⁰

12.3% of the S&P 500 companies integrate sustainability metrics in both short- and long-term executive incentives.⁸¹

5 Legal constructs: the perceived constraints of fiduciary duty

Businesses can be hindered from pursuing long-term sustainability due to the perception – real or otherwise – that doing so contravenes their fiduciary duties. While corporate law grants directors broad discretion in fulfilling their duties, prevailing norms of shareholder primacy have long filled this gap, guiding behavior and corporate culture, more than explicit legal requirements.⁸²

This ambiguity has tangible effects. Businesses' access to capital for sustainability initiatives can be constrained and it could also expose them to the risk of litigation, either from climate and social activists or from activist shareholders – or both. Despite various initiatives – such as the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Investment (PRI) and Generation Foundation *Fiduciary Duty in the 21st Century* initiative – that have sought to end the misconception that fiduciary duty acts as a barrier to sustainability investment, there have been numerous cases of regulatory or investor backlash against the integration of sustainability in strategies, citing fiduciary duty breaches. As a result of these mixed regulatory and market signals, businesses may hesitate to invest in sustainability transformation, defaulting to the prioritization of shareholder primacy and the privatization of gains.

6 Ambiguity in corporate purpose: a gap between words and action

Many organizations today articulate a corporate purpose that goes beyond profit – aligning with broader social or environmental goals. However, in some jurisdictions, a lack of enforceable frameworks – such as enshrining purpose into governing documents or board accountability – creates uncertainty about how to act on these commitments. Without mechanisms to translate purpose into action, genuine commitments to sustainability and broader stakeholder value creation remain aspirational rather than operational.

This gap has in the past fueled instances of purpose-washing, where organizations promoted symbolic sustainability initiatives or goals without substantive action. A review of large organizations whose CEOs voluntarily committed to expanding the purpose of their companies to deliver value to all stakeholders found that, in the following year, those companies had higher rates of environmental and labor-related compliance violations. They were also more likely to have paid settlements related to workplace discrimination lawsuits.⁸³ This shows that without the appropriate supporting mechanisms to uphold a stakeholder-centric purpose, there can invariably be an increase in stakeholder confusion and mistrust.

80% of large US and multinational companies have adjusted their ESG strategies in response to policy shifts and backlash, including strengthening legal oversight, emphasizing business value, and adopting less politicized language, based on a survey of 125 sustainability executives.⁸⁴

70% of respondents in a global survey of 844 sustainability experts say there is a significant backlash against sustainability in their country, up 13% from 2024.⁸⁵

61% of people say their company's actions do not match their purpose statements based on a 2025 survey of more than 1,000 employees across the UK and Ireland, up from 52% in 2024.⁸⁶

88% of CEOs now see a stronger business case for sustainability than five years ago, and 99% plan to maintain or increase their commitments, yet only half feel confident communicating their progress publicly amid rising scrutiny, according to a UNGC study involving 2,000 CEOs from 128 countries.⁸⁷ A Harvard study also states that although 85% of companies in their study have kept or expanded their sustainability efforts, only 16% have publicly restated those commitments.⁸⁸

7 Tax regulation: a complex and fragmented landscape

The tax system is a powerful lever for subsidizing activities that are beneficial to society, and taxing those that are undesirable or detrimental. What falls into these categories should continuously evolve – especially as our knowledge on planetary and social well-being evolves – however, the tax system generally has not kept pace well enough.

International tax rules were originally designed to prevent double taxation and facilitate crossborder investment – not to support climate stability, ecological resilience or social equity. Even with recent OECD-led reforms, which aim to ensure large multinationals pay a minimum effective tax rate and reduce harmful tax competition, implementation remains uneven, and these measures do not address a known gap in today's tax systems: pricing environmental and social externalities.⁸⁹ This gap creates a persistent tension for business: tax models must align to complex global operations while also responding to growing expectations of fairness and transparency. High labor taxes combined with comparatively low taxes on pollution and resource use make it structurally cheaper to pollute than to employ people. This disadvantages labor-intensive circular models and constrains the scaling of green industries, which already face high capital requirements and long payback periods. As a result, the public often absorbs socialized environmental losses while private actors benefit from lower effective tax burdens and artificially low production costs.

A further challenge is the rise of dominant digital business models, which generate significant revenue in countries where they have little or no physical presence – exposing long-standing weaknesses in international tax allocation and making it difficult, particularly for lower-income countries, to capture their fair share of taxable value. Although proposals are in place for reallocating some taxing rights to market jurisdictions, progress has been slow, and the scope of reforms would need to widen to fully address imbalances. At the same time, international tax competition persists: Governments continue lowering rates or offering incentives to attract investment, even as tax reforms seek to curb this “race to the bottom.” The result is that taxing rights often remain concentrated in wealthier headquarter jurisdictions, while many countries in the Global South experience persistent revenue constraints. This in turn often constrains investment in infrastructure, education and skills – conditions essential for stable markets and resilient supply chains – and ultimately increases long-term strategic uncertainty for businesses operating across these economies.⁹⁰

11 jurisdictions

in 2025 had no corporate tax regimes or a statutory corporate income tax rate of zero.⁹¹

US\$400 billion

annual net profits were generated on production carried out in the Global South, a total of US\$6.7 trillion since 2005.⁹²

OECD data

show that low-taxed profits exist even in jurisdictions with high headline tax rates, likely due to incentives and concessions.⁹³

Indicators

of base erosion and profit shifting (BEPS) remain higher in investment hubs relative to other jurisdictions, pointing to the continued existence of BEPS activity.⁹⁴

HIGHLIGHT**Business and government interplay**

In this organic yet regulated arrangement, it may be governments that set the rules, but it is businesses that make decisions. For this reason, businesses are granted various privileges, such as the right to own property, the freedom to invest capital and trade openly, and the ability to avoid uncapped liabilities.⁹⁵ Without these concessions, private enterprises could not achieve the ultimate privilege of their license to operate: namely, the ability to generate profits for their owners.

The implicit justification for this privileged position centers on the positive societal benefits that capitalism is expected to bring. These benefits emerge from businesses finding profitable solutions to social and environmental challenges. Examples might be specific to an individual company or sector: a pharmaceutical firm inventing a life-saving drug, say, or an energy firm providing clean electricity. Equally, the societal contribution of business might be more generalized, such as its role in employment creation, infrastructure investment and tax receipts.

There is no fixed formula for the price that businesses set for providing these “social goods.” Ideally, the gains that private businesses accrue for themselves should be linked to, and preferably commensurate with, the value to society that these goods bring.⁹⁶ Historically, this tacit agreement, often referred to as the “social contract” between business and society, has been widely accepted within company circles. This tacit agreement manifests itself most evidently in the widespread practices of private sector philanthropy and corporate social responsibility.⁹⁷

“

What is needed instead is a holistic response. At the heart of such a response should be support for the evolution of new terms for a new economy.

Our research – and that of others – has demonstrated that the barriers described in this chapter are key in perpetuating the continued unequal distribution of the gains and losses in society. Up until now, the solutions proposed to resolve this have been well-intentioned but piecemeal. This is true for all levels: civil society, policymakers, financial markets and business. What is needed instead is a holistic response. At the heart of such a response should be support for the evolution of new terms for a new economy.

How could we all work together to renegotiate the terms of today's flawed system and usher in new ones? Just like the decades-long architecture built in service of today's economy, this will require a generational effort. Legal structures will need to evolve, new markets to be created, innovative financing mechanisms developed, and, most importantly, new economy narratives to be mainstreamed. Much of this is already happening, albeit in pockets. We explore these developments in the next chapter.

Questions for boards and management

Exploring barriers to transformation

1

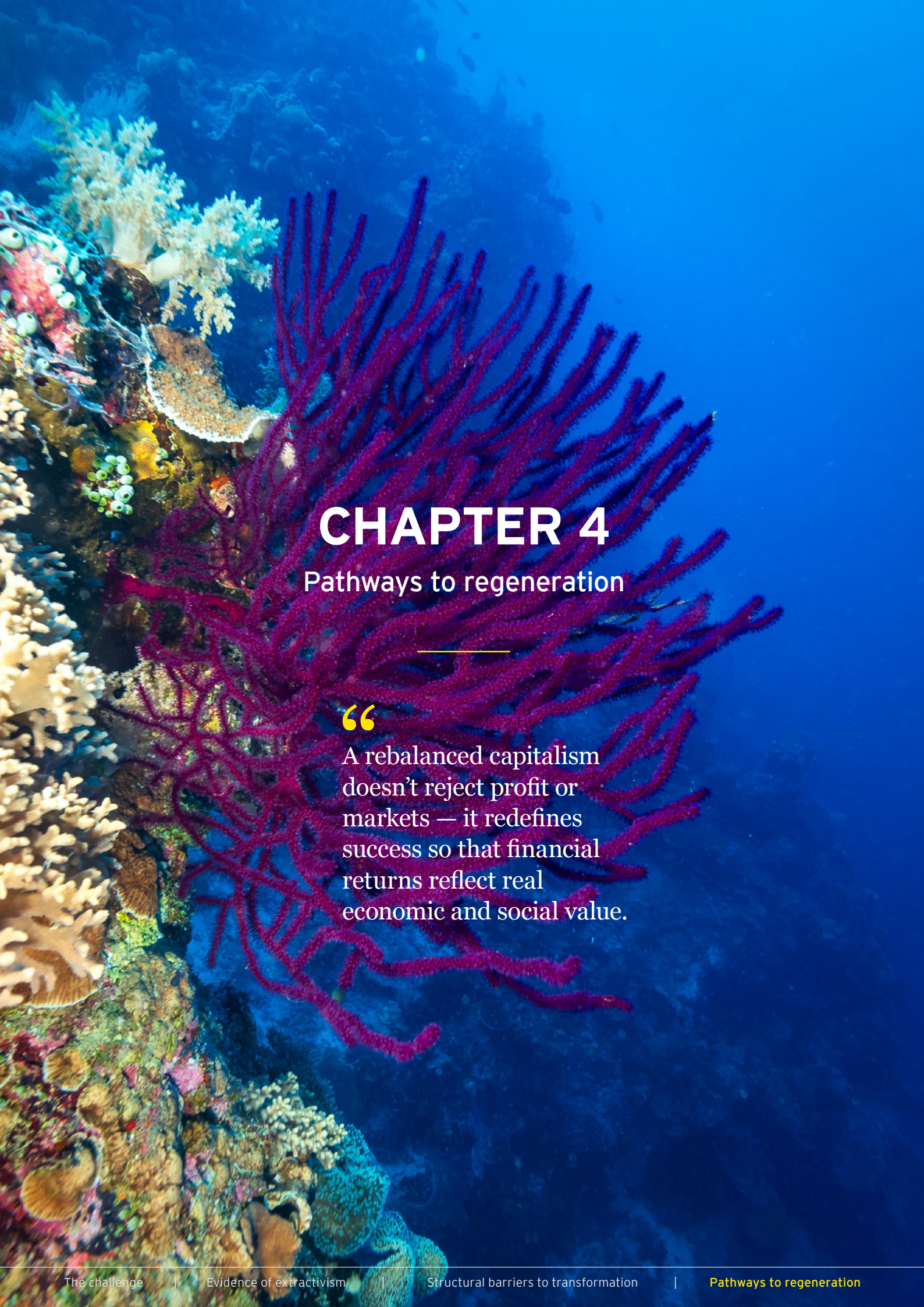
What do we see as unsustainable practices in our organization? To what extent are we tied to market viability, and what risks or trade-offs would arise from discontinuing them?

2

How does the tension between short-term financial performance and long-term sustainability targets influence your business strategy? In the absence of short-term constraints, how would your strategy change?

3

How do the barriers described in this chapter interact within our organization? Which, if any, have the strongest influence on decision-making, and to what extent do they limit the potential for broader sustainability initiatives? What can we do to overcome them?

A vibrant underwater scene featuring a diverse coral reef. In the foreground, a large, branching red coral dominates the right side. To its left, there are various other coral species, including white and yellow branching corals, and some green and blue polyps. The background is a deep blue, slightly hazy water, suggesting an underwater environment. The overall composition is rich in color and texture.

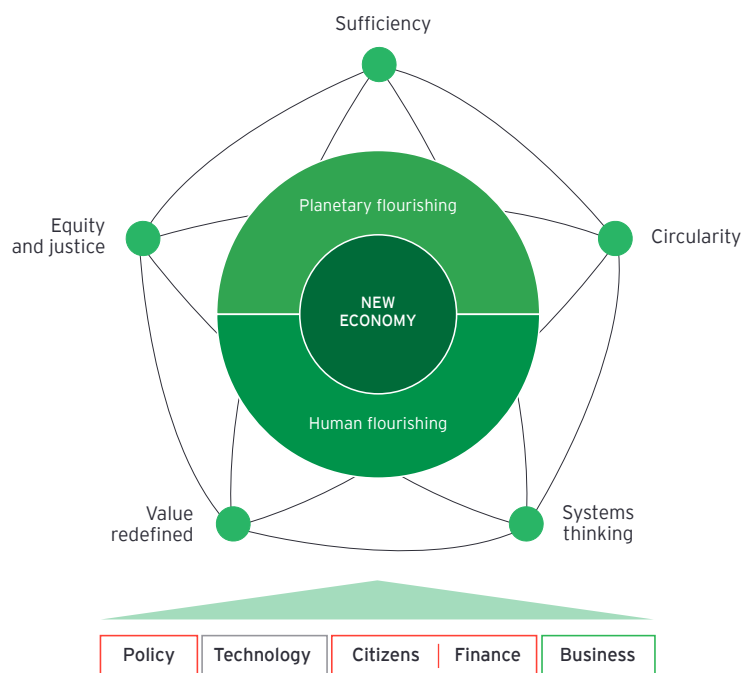
CHAPTER 4

Pathways to regeneration

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A rebalanced capitalism doesn't reject profit or markets — it redefines success so that financial returns reflect real economic and social value.

In our first paper, we defined a regenerative (what we term “new”) economy as one founded on human and planetary flourishing, and introduced five guiding principles foundational to accelerating a transition to this – still plausible – future.



A new economy and the principles to unlock a sustainable future:

- **Sufficiency** – enough for a good life within planetary boundaries
- **Circularity** – aligning production and consumption with nature
- **Systems thinking** – connecting the dots to catalyze systems change
- **Value redefined** – putting human and planetary flourishing at the heart of value creation
- **Equity and justice** – achieving shared and lasting prosperity for all

Diagram from our foundational report, *A new economy: Exploring the root causes of the polycrisis and the principles to unlock a sustainable future*

In our [second paper](#), we demonstrated that these principles are far from theoretical; they can be and are applied across different business areas: purpose, strategy, customers, people, value network, and governance and ownership.

In this paper, while we focus on the opposing forces – i.e., extractivist behaviors and the structural factors that reinforce them, we reaffirm our finding that extractivism isn't essential for business success. While it's true that many businesses currently benefit from behaviors that allow them to gain outsized profits or market share, many companies succeed in avoiding it entirely.

In this final chapter, which complements our previous publication, we continue to offer “regeneration” as the antithesis to extractivism. Having explored regenerative business practices in *Beyond sustainability-as-usual*, and recognizing the systemic nature of the barriers presented, we now explore the conditions across other economic forces that – once scaled and matured – can enable such practices and models to outperform and overtake their unsustainable peers in the market.

Specifically, we present existing and conceptual ideas across **the state, civil society, and finance and markets**, whose potential to clear a path toward the new economy merits further discussion. While the focus is not on business itself, the initiatives presented are hugely relevant to businesses, as they have the potential to fundamentally transform the

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A rebalanced capitalism doesn't reject profit or markets — it redefines success so that financial returns reflect real economic and social value.

— Hans Stegeman, Chief Economist at Triodos Bank

policy, market and consumer landscapes in which they operate. Additionally, the leadership and active advocacy of business in support of these ideas is crucial to their gaining traction and scaling at pace.

Therefore, this chapter has two core use cases for business audiences:

1. Helping businesses work backward from plausible policy, market, and civil society shifts to transition-test today's business strategies and models.
2. Providing a non-exhaustive list of advocacy points for leaders seeking to transform their businesses and business ecosystems for the new economy.

Within each of the three sections covering different economic actors in this chapter, we have included a list of strategic foresight questions for boards and management to consider as they stress test their strategy and business model for the new economy.

Questions for boards and management

← Imagining the future and assessing impact →

1

What if the fastest growing markets of the next decades are built around repair, shared services, reuse and regeneration rather than selling more products - how could our business model change while still remaining profitable?

2

What if regulators require companies to financially account for environmental damages in their balance sheets - how much of our current profit would remain and which products would be more risky?

3

What if banks, investors, and insurers begin conditioning access to capital on measurable sustainability performance - how would our current business need to change to qualify for affordable financing?

HIGHLIGHT

A plausible near-term scenario*:

As governments, financial institutions, and civil society continue to respond to ecological and social instability, a new competitive landscape is taking shape – one in which regenerative businesses are structurally advantaged rather than exceptional. This change does not take place abruptly – but through the decisive and coordinated activities of economic actors.

Responding to growing systemic disruption and bolstered by successful early adopters across major economies, policymakers are introducing tighter environmental and social guardrails: mandatory due diligence regulation, carbon and resource pricing supported by trade mechanisms, extended producer responsibility schemes, biodiversity protection and restoration requirements, executive pay caps, and incentive structures aligned to long-term value. Targeted fiscal incentives for regenerative technologies are commonplace within and across jurisdictions. Stakeholder-centric governance models that redistribute wealth more equally are bolstered by tax breaks and an engaged workforce.

Real economy businesses that are already aligning their activities for planetary limits and societal wellbeing find themselves ahead of the curve. Rather than resisting rising standards, they are increasingly aligned with them. In this environment, excessively extractive businesses face compounding pressures – through increased compliance and reporting burdens, exposure to corrective taxes and trade restrictions, litigation and liability risks, and shrinking access to unconstrained natural inputs. By contrast, early adopters of regenerative practices experience reduced risk, smoother compliance, and greater strategic foresight.

Capital markets reinforce this shift, moving beyond disclosure to repricing ecological and social risk. Climate- and nature-related stress-testing requirements deepen, impacting capital adequacy requirements for assets misaligned with planetary boundaries.

Taxonomies expand to incentivize the financing of regenerative activities. Sustainability-linked lending, transition finance and large-scale blended finance vehicles become mainstream instruments. As these mechanisms mature, capital allocation increasingly reflects forward-looking exposure to ecological volatility, resource constraints and policy tightening. Businesses dependent on fragile supply chains or extractive practices face rising insurance premiums, higher financing costs, and constrained access to long-term capital. By contrast, businesses built around regenerative practices – reducing risk, restoring natural capital and strengthening stakeholder resilience – position themselves for preferential financing, lower risk premiums and greater strategic flexibility.

Civil society and consumer expectations further accelerate this realignment. Transparency movements expose harmful practices, accelerating youth representation influences long-term policymaking and global networks push for accountability. As a result, consumer and political legitimacy shift toward businesses that contribute positively to communities and ecosystems. Participatory budgeting, citizen assemblies and collective governance amplify public expectations for fairness, resilience, and shared prosperity. In this cultural and institutional ecosystem, regenerative businesses do not merely survive – they become the default model that aligns with societal priorities, policy incentives and financial stability. Laggards, once insulated by lower accountability and short-termism, find themselves competing on terrain where their advantages have eroded.

Regenerative businesses, supported by system-wide alignment, ultimately demonstrate superior long-term performance because the economy has begun rewarding what truly sustains it.

**this is an indicative articulation of what the future could look like, should new economy conditions scale.*



System-level interventions

We present some disruptive ideas, both existing and conceptual, to catalyze the structural shifts required. This is not an exhaustive list by any means, rather an attempt to highlight that the New Economy is well and truly active in various jurisdictions and social movements. What it currently lacks, however, is mainstreaming and cohesion across the system via economic actors. Rather than mapping against the structural barriers presented in the previous chapter, we have elected to group these initiatives by actor, acknowledging the interconnected nature of the barriers themselves and the multidimensional solutions they require, leaning on each economic actor.

Existing ideas

In the tables that follow, we present a selection of existing, tangible initiatives that are currently being implemented. These are generally accepted as proven effective or promising interventions that require scaling, maturing or more widespread adoption. They are by no means prescriptive; rather a synthesis of key attempts by many people and organizations to repair capitalism toward a regenerative economy.

Future evolution

In the spirit of experimentation and finding solutions to shared problems, after each table we also point to some examples of *Future evolution*. These are conceptual or at the pilot stage. While, for some, there is broad agreement on their potential for positive impact, for others there isn't sufficient evidence on real-world effectiveness to be able to advocate for their adoption. We therefore showcase them to simply highlight the breadth and depth of work underpinning the shift toward a new economy.

The state (in all its many different manifestations, both nationally and internationally) is a **primary force within the economic system** that can enable widespread change and empower other actors to play their part. It is therefore a crucial agent of change.

Regulatory reform

(+) Enabling initiative (-) Corrective actions	Examples
(+) Legal recognition of mission-locked, stakeholder-centric businesses Embeds social or environmental goals into a company's governing documents, making them legally binding and resilient to profit-maximization pressures. This "mission lock-in" generally protects the organization's public benefit purpose even as leadership or ownership changes.	■ Public Benefit Corporations, available in many US states, balance fiduciary duty to shareholders with a stated public purpose, requiring transparent impact reporting.⁹⁸ ■ UK Community Interest Corporations are designed specifically for social enterprises, with an "asset lock" ensuring assets are used for community benefit rather than private profit maximization.⁹⁹ ■ The Société à mission framework in France allows companies to legally enshrine a social purpose in their bylaws.¹⁰⁰ ■ Colombia introduced Sociedades de Beneficio e Interés Colectivo (BICs) in 2018, legally binding adopting companies to pursue social and environmental goals alongside profit. BIC companies require clear public benefit activities, an annual impact report as mandated by law, and oversight to ensure compliance and mission integrity.¹⁰¹ Ecuador and Peru have also adopted and implemented this model.¹⁰²
(+) Enshrining purpose beyond profit into corporate governance and accountability Enable shifting from shareholder primacy to embedding social, environmental and ethical goals into a company's core governance. This often requires defining a purpose beyond profit and using it to guide strategy, performance, and executive accountability.	The EU Corporate Sustainability Due Diligence Directive (CSDDD) creates a legal duty for directors of large companies to identify, prevent, and mitigate human rights and environmental harms across their entire value chain, including adopting mandatory net-zero transition plans. The initial proposal would have created a new, explicit "duty of care" for directors to consider sustainability impacts in all decision-making but it was removed after pushback.¹⁰³
(-) Industry standards around resource and labor, including bans on harmful activities and outcomes-based requirements Set mandatory requirements for companies to design products with lower material use, higher durability, and easier repair or recycling, while also ensuring fair and safe labor conditions across supply chains. These standards cut emissions, waste, and resource extraction, and they remove the cost advantages of extractive or exploitative practices – whether environmental or labor-related.	■ Québec was one of the first jurisdictions globally to ban planned obsolescence and introduce mandatory repairability obligations. Penalties can reach up to CAD\$175,000 for individuals, or 5% of worldwide turnover for corporations, with directors presumed liable.¹⁰⁴ ■ France is the only country in the world to have legally banned some domestic short-haul flights where rail alternatives under 2.5 hours exist.¹⁰⁵ ■ In 2022, Chile passed legislation regulating platform work by defining dependent and independent gig workers. It grants full labor rights – including minimum wage, social security, paid leave and safety protections – to dependent workers, while extending transparency, training and occupational health safeguards to independent contractors.¹⁰⁶ This is widely regarded as the first national-level legislation in Latin America explicitly protecting platform economy workers.
(+) Legal recognition of the Rights of Nature Recognize ecosystems as rights-bearing entities, enabling stronger long-term protection, clearer enforcement and better prevention of cumulative harm by prioritizing ecological health over short-term economic interests.	■ Ecuador was the first country in the world to enshrine Rights of Nature at the constitutional level (Articles 71-74), granting nature (Pachamama) the rights to exist, persist and regenerate its cycles.¹⁰⁷ ■ New Zealand has granted legal personhood to the Whanganui River, providing for its long-term protection and restoration by recognizing the river as a legal person.¹⁰⁸

Financial incentives and disincentives

(+) Enabling initiative (-) Corrective actions	Examples
(+) State-backed transition finance mechanisms Include grants, subsidies, guarantees, and low interest or concessional loans that reduce the cost and risk of shifting from extractive to regenerative business models. By lowering capital barriers for cleaner technologies and long-term process changes, these instruments can make sustainable operations financially viable and structurally embed regenerative practices into day-to-day business.	■ Italy's Marcora Law serves as a "phoenix" model, allowing workers in failing companies to claim future unemployment benefits as a lump sum to start a worker cooperative, supported by state financial and technical assistance. It operates alongside Italy's cooperative system, where all cooperatives contribute 3% of profits to solidarity funds that help create and sustain cooperatives.¹⁰⁹ ■ Despite significant roll backs, the US Inflation Reduction Act, directed hundreds of billions toward the climate transition through tax credits for renewables, batteries, heat pumps, and efficiency upgrades, plus production incentives and wage-linked bonuses. These lower risk and capital costs, making regenerative investments more attractive across entire sectors.¹¹⁰
(-) Capital allocation policies that restrict excessive privatization of gains Help curb agency problems and short-term, value-destroying behaviors. They can reduce inequality-driving pay practices, realign incentives toward sustainable performance and encourage companies to redirect resources to long-term value.	■ Switzerland's 1:12 Initiative referendum in 2013 proposed that no executive should earn more in a month than their lowest-paid employee earns in a year (a 12:1 ratio). It was rejected by voters due to concerns over national competitiveness.¹¹¹ ■ The European Central Bank's temporary restriction of bank dividend payouts during the COVID-19 Pandemic boosted lending – especially to crisis-hit Small and Medium-sized Enterprises – by around 2.2 percentage points without increasing banks' risk-taking, effectively supporting broader crisis-response policies.¹¹²
(+) Industry and consumer tax incentives Lower the cost of regenerative products and raise the cost of waste- and resource-intensive ones, shifting economic signals away from the status quo. This encourages businesses and consumers to adopt durable, low-impact options and redirect spending toward repair, reuse, recycled materials, and renewable energy.	■ Supported by a subsidized government loan, a Brazilian agricultural data services firm is developing a platform for payment of environmental services, allowing farmers to receive market-rate lease payments in exchange for keeping native vegetation intact on their land.¹¹³ ■ Clean energy rebates and credits are offered by governments across multiple countries (e.g., EU, US, Brazil and South Africa), where grants, low interest loans or tax deductions are provided to homeowners for energy upgrades.^{114 115} ■ Sweden promotes repair services by halving Value-Added Tax for repairs and offering a 50% income tax deduction for large appliance repairs – directly lowering consumer cost of repair and shifting revenue to repair or refurb SMEs.¹¹⁶
(-) Corrective taxes on excess profits or unsustainable activity Internalize true social and ecological costs, disincentivize extractive activities, redirect excess gains toward public and ecological priorities, and free-up capital for regenerative investment.	■ In the UK and EU, energy windfall taxes introduced after 2021 captured excess profits from producers, and redirected funds toward household energy bill relief, renewables, grid upgrades and supporting low-income households.¹¹⁷ ■ China's national Emissions Trading System (ETS) is the world's largest, covering annual power sector emissions of around 4.5 Gt CO₂ – equivalent to the annual emissions of the world's second largest polluter, the United States.¹¹⁸

R&D and innovation

(+) Enabling initiative (-) Corrective actions	Examples
(+) Open knowledge, access, and interoperability frameworks Ensure publicly funded knowledge and technologies remain accessible, reusable, and interoperable. This includes shared or public IP models, open access to research, and open standards that prevent technological lock-in. Together, these approaches can expand equitable access, reduce monopolistic control, and enable innovation to circulate and scale for the broad societal benefit.	India's Digital Public Goods (DPG) ecosystem is a leading example of scale, multi-sector integration and regenerative potential of open access initiatives. India's DPGs provide open-source, interoperable, publicly accessible software, platforms and datasets across agriculture, energy, water, health, and geospatial information. These enable evidence-based interventions, supporting climate-smart agriculture, watershed management, renewable energy distribution and forest monitoring.¹¹⁹
(+) Benefit-sharing frameworks Ensure that value created with public or collective inputs is returned to society, not captured by a few actors. By embedding benefit sharing in funding conditions, regulation, licensing, and IP or data rules, governments can align innovation incentives with public value, increase trust in R&D spending, and encourage collaboration, openness and long-term outcomes.	■ The Philippines embed benefit sharing in law by recognizing Indigenous Peoples as rights-holders and requiring Free, Prior and Informed Consent (FPIC) before projects can proceed. Legal requirements mandate negotiated monetary and non-monetary benefits, including royalties, local employment, and community development.¹²⁰ ■ Germany's co-determination laws require worker representation on corporate boards and strong works councils, institutionalizing benefit sharing through shared decision-making over long-term value creation.¹²¹
(+) Supporting plural knowledge systems Recognize and integrate diverse expertise – scientific, indigenous and local – into innovation and decision-making, helping to ensure that solutions are resilient, inclusive, and generate lasting social, environmental and economic benefits.	■ A review of 169 conservation projects primarily across Africa, Asia and Latin America showed that conservation efforts led by Indigenous Peoples and local communities – drawing on their own governance, tenure systems and place-based knowledge – delivered far more successful and lasting ecological outcomes than externally imposed interventions.¹²² ■ In South Africa, initiatives are emerging to integrate traditional medicine knowledge with AI technologies, showing promise in knowledge preservation, research augmentation and ethical governance.¹²³

International alignment

(+) Enabling initiative (-) Corrective actions	Examples
(+) Trade and policy conditionality for regenerative outcomes Embed sustainability requirements into global trade through carbon border adjustments, sustainability-based tariffs, environmental standards and preferential trade agreements. They incentivize lower-carbon, higher-standard production, cut carbon and environmental leakage, and push firms to upgrade processes and supply chains, while protecting cleaner producers from cheaper high-emission competitors.	■ The EU Carbon Border Adjustment Mechanism (CBAM) imposes a carbon price on imports of carbon-intensive products like steel, cement and electricity, aligning the cost with the EU Emissions Trading System. Importers must report embedded emissions and surrender CBAM certificates, preventing “carbon leakage” and incentivizing cleaner production globally.¹²⁴ ■ By 2030, products sold in the EU will be required to carry a digital record (Digital Product Passport) of materials, environmental impacts, and supply chain traceability, with a centralized registry and standards established in 2026. This aims to boost transparency, support circularity, and guide sustainable production and trade.¹²⁵
(+) International adoption of ecological and social accounting including beyond GDP measures Redefine what counts as economic success. By integrating natural capital carbon and social wellbeing into decision-making, governments and investors can better assess risk, redirect capital toward regenerative activities, and align growth with social and planetary boundaries.	The System of National Accounts (SNA) sets the international standard for measuring economic activity, while the System of Environmental-Economic Accounting (SEEA) extends it to include natural capital, ecosystem services and environmental flows. The UN’s “beyond GDP” updates – including the 2025 SNA revision and SEEA Experimental Ecosystem Accounting – should enable countries to assess economic, ecological and social performance together. This will likely help policymakers design regenerative policies, track national wealth beyond GDP, and guide investments toward ecological restoration, equity and long-term wellbeing.¹²⁶

Future evolution for the state:

- (-) Mandatory social and planetary boundary assessments and associated transition plans
- (-) Environmental impact tariffs that price environmental costs (e.g., land use change, biodiversity loss) beyond carbon into trade, taking all planetary boundaries into account
- (-) Reforming campaign finance and political donations policies, aiming to improve citizen representation in political dialogue¹²⁷
- (+) Multilateral agreements to align environmental and product standards, including regen labels, measurement approaches and certification standards
- (+) Linking trade financing to regenerative performance
- (+) Universal basic services provision - including equitable access to education, healthcare, childcare, internet access, housing and transportation
- (+) Widespread inclusion of alternative economic models, for example, Doughnut economics, in government decision-making¹²⁸
- (+) Acknowledgement of “post-growth” alternatives at national government levels¹²⁹

What if ...

... mission lock became the default corporate form?

Board and management considerations for resilience in the new economy

- What if most companies were legally mission-locked, making social or environmental purpose as binding as profit - how would our strategy change if exit, acquisition or restructuring could not override purpose?
- What if boards were legally obligated to reject profitable opportunities that undermined the company's social or environmental mission - how would our portfolio change?

... sustainability became a fiduciary duty?

- What if directors were legally liable for environmental or human rights harm across the entire value chain - how would our governance need to change?
- What if boards were required to include climate science, biodiversity and social impact expertise, just as they now require financial expertise?
- What if corporate strategy had to demonstrate positive impact, not merely risk mitigation?

... extractive practices simply became illegal?

- What if labor rights enforcement across supply chains eliminated cost advantages from low-wage exploitation - how would our pricing and margins be impacted?
- What if entire business models based on volume sales became obsolete, replaced by service, leasing and circular models - what would this mean for our business?

... ecosystems had legal standing against businesses?

- What if projects required approval not only from regulators but from legal guardians of ecosystems - which projects could still move ahead?

... governments began actively financing regenerative business models?

- What if transition finance accelerated the decline of legacy industries, compressing transition timelines from decades to a few years?

... financial rules began rewarding long-term value creation instead of short-termism?

- What if policies limited extreme executive pay ratios, forcing companies to rethink incentives and compensation structures - how would our incentive schemes change?

... tax systems made regenerative products the cheapest choice?

- What if externality taxes resulted in environmental social impacts being fully priced - what would be a rough price change for our products and services?

... innovation was built on openness rather than ownership?

- What if open standards and interoperability became a default requirement for new technologies - how would our dynamic with competitors change?

Finance and markets effectively shape what is investable, scalable and durable over time. Mainstreaming regenerative practices will likely require moving beyond conventional financial models to develop new structures, instruments, and market approaches that reflect and incentivize investment into long-term, multi-stakeholder value.

Capital allocation

(+) Enabling initiative (-) Corrective actions	Examples
(+) Public and blended finance to de-risk high impact projects Help unlock capital by absorbing first-loss risks, lowering financing costs and enabling pilots that investors usually avoid. By supporting shared infrastructure and institutional capacity, it helps coordinate governments, investors, and implementers – accelerating innovation and creating investable markets that wouldn't emerge through private finance alone.	■ The GAIA Climate Loan Fund is a leading blended finance initiative that mobilizes private capital for climate adaptation and mitigation in emerging markets. By blending commercial and concessional capital, it provides long-term loans for resilient infrastructure, ecosystem protection, and sustainable development, directing a significant share to Least Developed Countries (LDC) and Small Island Developing States (SIDS).¹³⁰ ■ The Tropical Forests Forever Facility (TFFF), launched at the COP30 summit, is intended as a large, blended finance vehicle, designed to turn forest conservation into investable assets. In effect, it would seek to directly pay tropical countries that can show effective forest protection (especially of the Amazon).¹³¹
(+) Preferential or conditional lending for regeneration Channel capital toward regenerative outcomes that markets would otherwise underfund. By offering favorable terms, debt relief or concessional financing, in exchange for verified ecological or social performance, it often reduces the financial barriers to restoration and conservation projects.	■ Belize reduced its public debt by 12% of GDP and generated ~US\$180 million for marine conservation by buying back US\$553 million of its “Superbond” at a 45% discount through a US\$364 million blue loan, in exchange for committing to protect 30% of its ocean by 2026 and establishing a long-term conservation fund.¹³² ■ Uruguay issued US\$1.5 billion in 2022 with interest rates tied to targets such as maintaining 100% of native forest cover. These bonds lower borrowing costs when nature-positive outcomes are met, functioning as a preferential lending instrument directly supporting regenerative land management.¹³³
(+/-) Sustainability-integrated finance and decision-making Include sustainability-linked products as well as the incorporation of sustainability performance in credit and investment decision-making. Sustainability-linked products provide a post-issuance incentive, e.g., loan terms or interest rates adjustment, based on performance against a pre-agreed sustainability objective. Sustainability-integrated finance and decision-making can reduce access to capital for unsustainable businesses, while broadening access for sustainability leaders.	■ Several global banks increasingly incorporate sustainability into credit decisions, using them to penalize unsustainable clients with higher interest rates, lower credit limits, or even denial or financing. Unlike sustainability linked products, which reward specific targets, these approaches treat sustainability as a risk factor embedded across the portfolio. Some also publish exclusion lists for unsustainable industries.¹³⁴ ■ Triodos Bank focuses on financing real-economy outcomes, delivering fair returns by investing in activities that create “useful value” and support a more sustainable future. This includes excluding socially and environmentally harmful practices – such as fossil fuel production, fast fashion and illegal deforestation – and directing capital toward five transition themes: food, resources, energy, society and wellbeing.¹³⁵

Market infrastructure and risk

(+) Enabling initiative (-) Corrective actions	Examples
(-) Mandatory, standardized stress-testing including climate and nature for banks and insurers Mandate banks and insurers to assess and confront the financial risks of environmental degradation and climate change, showing how unsustainable activities can threaten their portfolios. By revealing these risks, regulators can push institutions to shift capital away from extractive industries and toward regenerative, sustainable activities, aligning finance flows with long-term resilience.	■ The Prudential Regulation Authority has significantly tightened climate risk management rules for UK banks and insurers, requiring them to embed climate considerations into core risk frameworks and board-level decision-making: Firms must complete an internal assessment, identify gaps, and agree a “credible and ambitious” action plan by June 2026.¹³⁶ ■ The Network for Greening the Financial System (NGFS) final nature risk framework guides central banks on how to identify and quantify risks associated with biodiversity loss and ecosystem decline – a major step in embedding nature risks into systemic risk assessments – though significant maturity will likely be needed to address the multidimensional and nuanced challenges of nature risks compared with climate.¹³⁷
(+) Scale-up and harmonization of carbon and biodiversity markets Mobilize private finance at scale, turning ecological stewardship into a tradable asset class, by assigning clear, measurable value to environmental outcomes.	■ Australia has launched the first legislated voluntary biodiversity credits market, providing a formal, national regulatory basis for credits earned through measurable nature protection and restoration.¹³⁸ ■ Launched in 2025, the multi-government Coalition to Grow Carbon Markets has committed to releasing a set of shared principles on the voluntary use of high-integrity carbon credits by businesses to provide consistency in approach across jurisdictions.¹³⁹
(+) Long-term capital infrastructure Help reshape financial decision-making to favor patient investments over short-term profit maximization by lowering the cost of holding sustainable assets, offering tax or regulatory advantages, and creating governance frameworks that reward long-term performance.	■ The Long-Term Stock Exchange (LTSE) is a US SEC-approved national securities exchange launched to foster long-term corporate governance, focusing on sustainable growth rather than quarterly results. It focuses on five key principles, including long-term stakeholder focus, executive compensation linked to long-term performance, and strategic oversight.¹⁴⁰ ■ The UK Stewardship Code is hailed as an example of strong emphasis on long-term investment for sustainability. It currently defines stewardship as the “responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries.” It is noted, however, that earlier iterations of the code made explicit mention of “sustainable benefits for the economy, the environment and society.”¹⁴¹ ■ With Project Verdi, the Monetary Authority of Singapore (MAS) provides capital relief to insurers on certain sustainable infrastructure investments. The project’s objectives are to encourage insurers to allocate capital toward sustainable infrastructure projects; build insurers’ capabilities in infrastructure investments; and support the region’s net-zero transition. It is still in pilot phase but has attracted participation from major global asset managers and insurers, showing early industry engagement and potential for scaling.¹⁴²

(+/-) Strengthened and consistently adopted standards and disclosure frameworks

Create a common language for sustainability, reducing fragmentation, greenwashing, and information asymmetry, enabling investors to compare performance, assess risk more accurately, and price environmental and social risk into business decisions.

- **The EU Taxonomy** is a science-based framework that defines environmentally sustainable activities, giving investors a common benchmark and reducing greenwashing. Large EU companies and financial institutions must disclose the share of their activities aligned with it, improving transparency and comparability. While complex and politically contested, its expanding scope and refinement could make it a core market infrastructure – systematically steering capital toward sustainable outcomes.¹⁴³
- **The International Sustainability Standards Board (ISSB)** sets a global baseline for investor-focused sustainability reporting through IFRS S1 and S2, requiring disclosure of financially material climate and sustainability risks. Several jurisdictions are moving to adopt or align with the standards, improving global comparability and reducing fragmentation. While focused solely on financial – as opposed to double materiality – if widely adopted, they could help embed climate and nature risk into mainstream financial reporting, helping capital markets more consistently price sustainability risk.¹⁴⁴

Future evolution for finance and markets:

- (+) Lower capital requirements for bank loans directed at socially or environmentally sustainable projects
- (-) Mandatory stress-testing for broader systemic risks, including tipping points tied to capital requirements and risk management mandates, which render unsustainable investment riskier and pricier
- (-) Mandatory phase-out timelines by supervisors and regulators for financing high-impact sectors
- (-) Reframing asset ownership to account for systemic risks (rather than individual company risks), for example, in proxy and shareholder voting¹⁴⁵
- (+) New ways of governing and using money, which may include a democratically accountable monetary authority that creates and registers public money supply,^{146 147} experiments in localized currencies,¹⁴⁸ and Central Bank Digital Currencies (CBDCs) offering a publicly issued alternative to privately issued digital money¹⁴⁹
- (+) New financial mechanisms for measuring flows of value that exist beyond fiat currency (money or cash)
- (+) Bioregional financing facilities¹⁵⁰ to drive the decentralization of financial resource governance and the potential development of alternative nature-based currencies

What if ...

... capital begins systematically flowing toward regenerative outcomes and away from extractive ones?

... financial risk frameworks fully incorporate climate and nature risk?

... sustainability performance becomes as visible and comparable as financial performance?

Board and management considerations for resilience in the new economy

- What if banks increasingly offer preferential lending terms to companies with verified sustainability performance, and higher borrowing costs to those without it - would our current business model still qualify for affordable financing? How would our current business model need to change?
- What if regulators increasingly require banks and insurers to stress-test their portfolios for climate and biodiversity risks, and reduce exposure to high-impact industries - what would this mean for our portfolio or sector?
- What if corporate balance sheets had to account for ecological liabilities and regeneration commitments - what would our bottom line show?
- What if sustainability reporting frameworks evolve into mandatory risk disclosures that influence credit ratings and investment decisions - how would our disclosures position us in the market?

Empowered by participatory policies and harnessing the reach of digital platforms, civil society is capable of organizing and amplifying knowledge, ideas, and trends in ways that can shape broader global consciousness.

Awareness and capacity building

(+) Enabling initiative (-) Corrective actions	Examples
(+) Training programs for citizens, farmers and entrepreneurs in regenerative methods Equip people with practical skills in soil health, biodiversity restoration, and climate-resilient farming, helping them adopt regenerative practices that improve ecosystems and strengthen their business and livelihood long-term.	■ The Nature Governance Agency (NGA) is a program of the US-based Earth Law Center that embeds Nature's voice and vote into human decision-making by appointing trained "nature proxies" who formally represent ecological interests in governance spaces, thereby helping organizations integrate the Rights of Nature into their structures.¹⁵¹ ■ The ReGENERATE project is a European initiative dedicated to showcasing alternatives to conventional farming by providing training, practical tools, and knowledge exchange for farmers and rural communities.¹⁵²
(-) Fostering transparency around company ownership and governance Strengthen public oversight of natural resource revenues, exposing corruption risks and empowering civil society to influence governance. This helps improve transparency, supports anti-corruption action and gives communities the information needed to hold decision-makers accountable.	■ The Open Ownership Initiative is a leading global organization driving transparency in corporate ownership to fight corruption, tax evasion and money laundering.^{153 154} ■ The Resource Justice Network is a network securing justice, accountability, and transparency in the oil, gas and mining industries. With their campaign "Publish What you Pay," they are advocating for the publication and disclosure of payments made by extractive companies to governments, as well as beneficial ownership to reveal the true owners of companies.¹⁵⁵
(-) Updating curricula for business schools to design regenerative organizations Equip future leaders with the skills to build resilient, future-ready organizations that can meet rising societal and environmental expectations, by embedding systems thinking, circular economy principles, and participatory leadership into core courses.	The Rethinking Economics initiative is an international student-driven movement working to make economics education more diverse, interdisciplinary and socially relevant. Rejecting a narrow, theory-heavy curriculum, they advocate teaching that reflects real-world issues, multiple economic schools of thought and broader social-science perspectives. Their work includes campaigning within universities, collaborating with faculty, producing resources and building global networks of student groups pushing for reform.^{156 157}

Citizen participation

(+) Enabling initiative (-) Corrective actions	Examples
(-) Mandatory youth participation Lead to more equitable, responsive, and effective public policies because young people contribute perspectives that reflect their lived experiences and future needs, making governance more inclusive and forward-looking.	■ In the Philippines, the National Youth Commission (NYC) and the Sangguniang Kabataan (SK) form a state-mandated youth governance system, where the NYC sets national youth policy and oversight, and the SK operates as elected youth councils at the village level representing young people in local governance and community development.^{158 159} ■ In Norway, all municipalities and counties are legally required to establish formal youth councils to ensure young people have an official voice in local decision-making.^{160 161}
(+) Participatory budgeting Strengthen democratic governance by increasing transparency, accountability and citizen trust, as it directly involves residents in deciding how public resources are allocated.	■ Participatory budgeting was formalized in 1989 in Porto Alegre, Brazil, allowing citizens to propose, debate and vote on real budget projects, becoming one of the world's most influential citizen-led budgeting models.¹⁶² ■ Medellín, Colombia, allocates 5% of its annual municipal investment budget to citizen-decided projects, with participatory budgeting officially embedded in the municipal planning system.¹⁶³
(+) Citizen assemblies Involve deliberative bodies made up of randomly selected citizens that strengthen democracy by deepening political understanding, reducing polarization through informed dialogue and producing policy recommendations with broad public legitimacy.	■ Taiwan's technology-enhanced citizen assemblies help address complex issues such as AI governance and information integrity. Through the Ministry of Digital Affairs' Alignment Assemblies, randomly selected citizens from over 100,000 invitations join large-scale online deliberations with expert input and structured discussion. These assemblies produce detailed recommendations on AI regulation, platform responsibility and safeguarding democratic values.¹⁶⁴ ■ Norway has recently established the Citizens' Assembly for Norway's Future (2025) marking its first national-level process. This assembly brought together 56 randomly selected citizens from across the country to deliberate on how Norway should use its national wealth to benefit current and future generations. Commissioned not by the government but by seven civil society organizations, it represents a new model of independent, society-driven deliberative democracy.¹⁶⁵

Community-led initiatives

(+) Enabling initiative (-) Corrective actions	Examples
(+) Creation of solidarity networks on topics of radical democracy, energy, food and agriculture, and health Help civil society actors achieve what they cannot accomplish alone by building alliances that share knowledge, build trust, and coordinate faster, more effective collective action.	■ The Global Tapestry of Alternatives (GTA) is a worldwide network that connects grassroots and community-based initiatives creating systemic alternatives to today's political and economic models. It highlights local efforts that promote ecological resilience, economic democracy, cultural diversity, and social justice, while helping these groups learn from one another and collaborate across regions.¹⁶⁶ ■ La Vía Campesina is a major transnational agrarian movement defending peasant rights, land, seeds and agroecology, advancing radically democratic governance of food systems through global alliances.^{167 168}
(+/-) Climate change litigation A legal tool can hold governments and major emitters accountable, strengthen climate targets, and empower communities by establishing precedents that make actors liable for climate-related harms.	■ The victory of <i>KlimaSeniorinnen</i> (a Swiss civil society organization) in the European Court of Human Rights is a landmark ruling that found Switzerland in breach of human rights for failing to take adequate climate measures, confirming that governments must protect people from the impacts of global warming.^{169 170} ■ The Climate Litigation Network supports communities to use legal means to protect life and the planet.¹⁷¹
(+/-) Cooperative community initiatives to provide access to basic services Strengthen local resilience by giving people shared ownership and democratic control over the systems they rely on. They improve access and affordability to basic services such as housing, energy, food, and health, and their cooperative structure supports more sustainable, locally grounded production and service models.	■ Switzerland's cooperative housing model keeps homes permanently affordable by removing them from the speculative market and placing them under nonprofit, resident-owned cooperatives. Residents buy shares and pay cost-based rents, often around 20% below market share, without earning capital gains, ensuring long-term affordability.¹⁷² ■ Japan's consumer co-ops are organized under the Japanese Consumers' Co-operative Union (JCCU) and run large-scale, member-owned supermarket and home-delivery systems that reach 30 million members nationwide and operate as Japan's third-largest retail group, combining supermarkets with community-organized food distribution networks.¹⁷³

Multi-stakeholder platforms and networks

(+) Enabling initiative (-) Corrective actions	Examples
(+/-) Global alliances of institutional investors and stewardship networks Bring major institutional investors together around sustainability objectives, helping coordinate capital allocation, and adopt consistent approaches to steer corporate behavior toward long-term environmental and social sustainability.	The UN-convened Net-Zero Asset Owner Alliance is a member-led initiative comprising 86 institutional investors with US\$9.5 trillion in assets under management. They are individually committed to aligning their investment portfolios with the goal of achieving net-zero GHG emissions by 2050.¹⁷⁴
(+) Multi-actor partnerships for regenerative systems Unite businesses, governments, and communities to tackle complex ecological and social challenges. By pooling knowledge, resources and capabilities, they help create long-term, systemic positive impact.	The Urban Living Labs foster bottom-up, practice-based system innovation with inclusivity at the core, delivering cross-dimensional value to citizens and authorities. Urban Nature Labs applied this approach in three front-runner cities (Eindhoven, Tampere and Genova) by creating demonstration areas to co-create, test and evaluate nature-based solutions for climate mitigation, adaptation, and sustainable water management with local stakeholders and residents.¹⁷⁵

Future evolution for civil society:

- Redefining economics and retraining economists to include a wider range of economic theories¹⁷⁶
- Strengthening citizen’s initiatives and cooperatives to reduce consumption and enabling sufficiency through shared services or tools
- Recognition and broad adoption of indigenous wisdom throughout communities and cultures, such as intergenerational interdependence, the interconnectedness of life, reciprocity, living in harmony with nature and holistic wellbeing

What if ...

... citizens, workers, and future leaders are equipped with the knowledge and tools to challenge extractive practices?

... civil society plays a much stronger role in shaping economic decisions and public policy?

... communities begin scaling alternative economic models from the ground up?

... collective action across sectors reshapes how industries operate?

Board and management considerations for resilience in the new economy

- What if citizens and consumers have full transparency into corporate ownership, governance structures, and externalities related to our products and services - how might that change public scrutiny of our business?
- What if future business leaders are trained to design organizations that operate in collaboration with the environment and society - how might that reshape industry norms and corporate expectations?
- What if communities increasingly participate directly in decisions about how public resources and the commons are governed - how could this reshape our access to finance and resources?
- What if courts increasingly require our businesses to compensate communities or restore ecosystems damaged by our activities or financing - would litigation become a growing risk for our business?
- What if locally owned and governed systems begin competing with conventional corporate models in key sectors - what would that look like for our sector?
- What if businesses that refuse or lag in engaging with collaborative systemic solutions become increasingly marginalized by regulators, investors and consumers?
- What if broadened global alliances, drawing from examples like the Glasgow Financial Alliance for Net Zero, coordinate stewardship strategies and jointly push businesses toward regenerative models - how would this influence the dynamic between investors and investees?

Final reflection

Identifying opportunity spaces

If existing ideas for system-level interventions across state, civil society and financial markets were to become the norm, how would this impact our current business strategy and long-term viability? Where could we create value by anticipating and advocating for such shifts?

CONCLUSION

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Around the world, new ideas, alternative business models, innovative governance structures and bold policy experiments are beginning to chart a different course.

Extractivism is not only pervasive within our global economy, but also detrimental to the global economy's long-term viability, and that of the environment and society upon which it depends. By providing a clear-eyed description of what extractivism looks like and how it operates, this paper aims to highlight one of the driving dynamics behind our current challenges; namely, the legitimization of practices that privatize gains and socialize losses. At the business level, it helps explain the perennial struggle between profit and planet, self-interest and citizenship. At a broader scale, it provides a rationale for why the promise of all boats rising is delivering diminishing returns.

Across the evidence presented in this report, a clear pattern emerges: gains are increasingly concentrated, while losses are dispersed across society, ecosystems and future generations. Businesses are not insulated from this dynamic. They both shape and are shaped by a system that rewards short-term extraction over long-term resilience, often without fully recognizing the risks this dynamic creates for their own future viability. Extractivist dynamics manifest not through one single behavior, but through a constellation of practices that have become normalized. Making matters worse is the lack of adequate countervailing pressure within the system, which encourages businesses to press ahead with little or no course correction.

Now, however, the course is running out of road and the cumulative effects of our economy's extractivist excesses can no longer be ignored.

Today's planetary and social systems are already beyond their carrying capacity. Continue to ask more of them, and they will eventually collapse under the strain. The transition from extractivism to regeneration is not optional; it is unavoidable. The only question is whether we shape it deliberately or wait for escalating risks to force it upon us.

Yet the landscape is not static. Around the world, new ideas, alternative business models, innovative governance structures and bold policy experiments are beginning to chart a different course. Scaling up these initiatives, while scaling down extractivist practices, is a vast and systemic undertaking, which will require multi-actor collaboration and form a long-term project rather than a quick fix. While no single actor can shift this system alone, business has a disproportionate ability to influence the direction and pace of change. All businesses, but particularly those with significant leverage by way of their size and reach, have an opportunity to:

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We need a new default, one that thrives on generating fair rewards *and* securing inclusive returns. In such a scenario, a repaired form of capitalism can help restore balance between profit, people and planet.

1. Act now to shape the transition: Rather than being merely *adaptive* in the face of volatility and uncertainty – as if powerless within the system – businesses should also become *disruptive* in challenging practices and norms that generate systemic risk in the first place. This requires **honest reflection on impact, a willingness to experiment beyond small-scale initiatives and the ambition to scale up regenerative solutions.** Practical first steps might include:

- Reflecting on your organization’s role in the current system: the way it is contributing to extractivism vs. leading on regeneration
- Assessing exposure to systemic risks, particularly by quantifying climate, nature and social risks, and using this to underline the commercial case for long-term investment in regenerative business practices
- Imagining the alternative, including the potential scale-up of regenerative policies, financial instruments, consumer appetite and business models; and stress-testing your current strategy and model against them
- Engaging in conversation and partnership to identify opportunity spaces, model and test transition pathways, co-create solutions to address systemic barriers, and help scale-up regenerative models

2. Advocate for the right conditions: Rather than waiting for markets or policy to somehow retrofit long-termism to a system that is wired for short-termism, advocate for system conditions that will reward regenerative practices and make unsustainable ones unattractive. This often requires mainstreaming difficult truths and trade-offs in boardrooms, investor conversations, and policy debates. Businesses would need to contend with both shareholder resistance on the value of change and the market distortions that allow unsustainable companies to “outperform.” **In doing so, they are effectively advocating both for stronger incentives and for constraints on what is currently lucrative but unsustainable.**

Building a regenerative economy that avoids all trace of extractivism will not be simple. Even visualizing it can feel difficult. The onus is on all of us to start by reimagining what “normal” looks like. We need a new default, one that thrives on generating fair rewards *and* securing inclusive returns. In such a scenario, a repaired form of capitalism can help restore balance between profit, people and planet.

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Finally, we stand on the shoulders of giants. The work to transition to a new and regenerative economy is being undertaken across businesses, non-profits, think tanks, academia and policymakers everywhere. Systemic change is possible, and we hope that this work acts as a champion and validation of collective efforts everywhere.

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A selection of books that framed our thinking for this paper:

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