



ESG Pulse: Sustainable Finance Roadmaps

23 January 2025

Contents

- 01** Sustainable Finance: Setting the Scene
- 02** Deeper dive:
CDs sustainable finance measures
- 03** Next steps for your business
- 04** Q&A

01

**Sustainable
Finance:
Setting the Scene**

ESG: What's the market doing?

Long-term growth... but mixed signals



Favourable:

- Climate-focussed funds doing well: AuM surged by 16% in 2023
- Optimistic outlook in APAC: Japan 6% CAGR to 2030 (vs. 1.5% in US)
- Pitchbook reports no “underperformance” by ESG-committed managers



Unfavourable:

- Trump 2.0: outflows, backlash & politicisation
- “Greenhushing” and scaling back of ambitions
- S&P predicts US ESG fund consolidation (but continued growth)

60%

of EU funds are now Article 8 or Article 9 SFDR
(Morningstar)

\$40trn

Expected size of the ESG assets by 2030 (Bloomberg)

25%

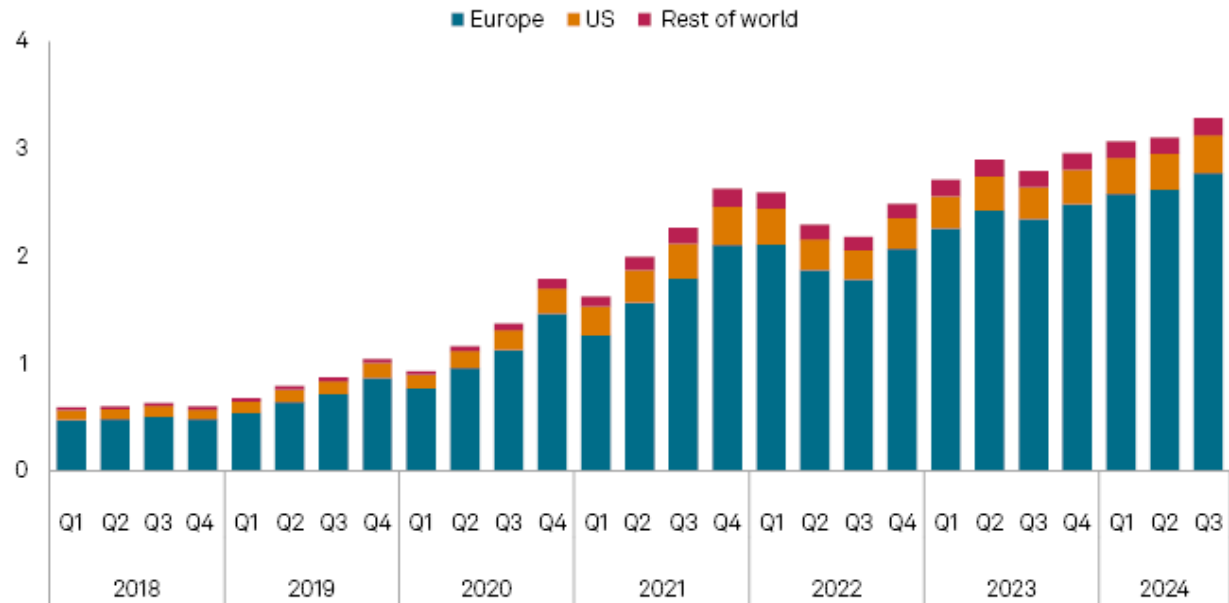
of global AuM will be ESG assets by 2030
(Bloomberg)

Europe

Remains the key region for ESG investment activity, but APAC also gaining

ESG Assets continue to grow despite headwinds, as market matures

Global ESG fund assets, 2018–2024 (\$ trillion)



Data accessed Jan. 7, 2025.

Shows total value of assets as of September 2024.

Source: Morningstar Sustainalytics.

ESG in the Top 2025 Risks

ESG features heavily in the WEF's 2025 Global Risk Report:



The rise of ESG regulation: a global trend

United Kingdom

Key developments include:

- **FCA TCFD Disclosures:** mandatory climate disclosures already in force for range of listed/large corporates, asset managers, banks
- **UK SDRs:** new fund disclosures and labelling regime in force 2024
- **Anti-Greenwashing:** introduction of a “general” rule for all FCA-regulated firms in May 2024
- **ISSB:** UK to adopt via the UK Sustainability Disclosure Standards in Q1 2025
- **UK Green Taxonomy:** consultation coming up but delayed

European Union

Key developments include:

- **Sustainable Finance Disclosure Regulation (SFDR):** earlier reclassifications show still a work in progress, updates to RTS, consultation on functioning of SFDR regime
- **Corporate Sustainable Reporting Directive (CSRD):** new ESG disclosure regime being phased in, will catch 50k+ EU companies plus non-EU parent companies from 2028

United States

Mixed picture with further confusion following election:

- **State-Level Measures:** contrast California climate disclosure laws with “Red State” (FL/TX) anti-ESG
- **Litigation taking its toll:** rulings on possible anti-trust and fiduciary duty concerns
- **Some SEC rules likely to be scrapped:** Climate-related Disclosure Rule unlikely now to ever come into force, Private Funds Advisor rules overturned
- **SEC greenwashing crackdown to wind down?** Fund Names rule remains in place, but ESG and Climate taskforce dismantled... enforcement action to slow?

International Finance Centres?

IFCs are also developing regulatory approaches:

- **Singapore:** mandatory TCFD reporting for Listed Issuers on SGX. ISSB from 2025, extending to large non-listed corporates from 2029
- **Switzerland:** mandatory climate disclosures for large and listed companies from 2024, consulting on expanding to ISSB
- **Crown Dependencies:** see further slides for expected regulatory developments

Sustainable Finance Landscape Across the CDs

The Crown Dependencies have not implemented mandatory sustainability reporting requirements as of yet. However, key steps have been taken in each of our islands to drive the finance sector toward a more sustainable future.



Jersey

Sustainable Finance Consultation and Action Plan

- Consultation held in early 2024 to discover **appetite for extensive regulatory and policy intervention** in support of sustainable finance
- **62%** of respondents favoured a moderate to advanced approach
- Action Plan issued late November 2024, covering disclosures, regulatory changes and enablers/incentives



Guernsey

Discussion Paper on Future of Sustainability Reporting

- Issued in **July 2024** (closed Oct)
- Aim was to gather information & views from finance sector on **potential impact of introducing ISSB reporting**
- Responses not yet published
- Builds on existing developments – fund labels, anti-greenwashing guidance, corporate governance etc.



Isle of Man

Sustainable Finance Roadmap

- Released on **5th Nov 2024**
- Consists of a **3-year plan** for the IOM to position themselves as an **IFC for sustainable finance**
- Outcomes of the roadmap will be:
 - Regulatory framework
 - Product development
 - Upskilled workforce
 - Mobilisation of capital
- Plan has backing and funding from Gov and FSA
- Early stages to involve **stakeholder engagement and focus groups**

02

**Deeper dive:
CDs sustainable
finance measures**

Sustainability Disclosures

A common theme across the CDs, and beyond, is the exploration, and potential adoption, of corporate sustainability disclosures. Sustainability disclosures aim to increase transparency of the impact CDs entities have on the climate and broader sustainability topics and provide the users with decision useful sustainability related information.



Jersey

As part of their Sustainable Finance Action Plan, the Government of Jersey have stated their aim to be “one of the first IFCs to adopt a robust and proportionate disclosure framework, aligned to internationally recognised sustainability disclosure standards”.

Timeline

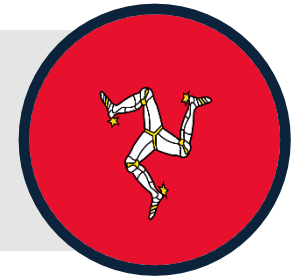
Consultation expected in coming months with first implementation being in **2027**.

Timeline

Action point deadline is **2025/26**.

Isle of Man

Finance Isle of Man have stated an action point in the Sustainable Finance Roadmap that “the development of a sustainability disclosure regime will be explored, that would support firms’ strategies and target for transition to a net zero and nature positive position”.



Guernsey

The GFSC issued a discussion paper on “The Future of Sustainability Reporting in the Bailiwick of Guernsey” in 2024. The discussion paper sought “to gather information and views from the finance sector on the potential impact of the introduction of the standards that have been issued by the ISSB”.

Timeline

Unknown at present. Industry awaiting further update from GFSC based on feedback obtained.

Sustainability and Climate Risks

Various elements of the roadmaps and actions plans released across the CDs touch on different aspects of sustainability and climate related risks, from ensuring our jurisdictions are mitigating the risk that we are used as a vehicle for supporting environmental crime, to the instilling of sensible sustainability risk management practices as part of our ongoing governance obligations.

What is Sustainability Risk?

Sustainability risk refers to the potential negative impact on an organisation's financial performance or reputation due to ESG factors.

What is Climate Risk?

Climate risk refers to the potential negative impact on an organisation or society due to climate change. These are often split between **Physical** and **Transition** risks.

Physical Risk: This refers to the direct impact of climate change on physical assets and infrastructure.

Transition Risk: This involves the financial and operational risks associated with the transition to a low-carbon economy.

What is Nature Risk?

Nature risk refers to the potential negative impact on an organisation or society due to the degradation of natural ecosystems and biodiversity.

What we are seeing in the CDs



The Sustainable Finance Action Plan calls out “Sustainability Risk Management” as an action point, aiming to embed sustainability risk management obligations into the regulatory framework so that financial services businesses are required to consider their sustainability risk exposure. **Expected implementation is 2026.**



The Sustainable Finance Roadmap includes an action point to “assist in embedding climate and nature-related financial risks into financial services firms’ governance and risk management systems. **Expected implementation is across 2025 and 2026.**



Specific question noted in the Discussion Paper asking whether the respondent had any observations on a potential amendment to the Code of Corporate Governance to include board consideration of environmental risks in addition to climate risks. **Expected implementation currently unknown.**

Greenwashing

Greenwashing is a fundamental issue which sustainable finance centres must tackle if they are to gain credibility and to ensure that financial market participants can trust the sustainability related claims of the entities with which they do business. As such, this key issue is present throughout each of the sustainable finance documents which have been released across the CDs:



Jersey

- Described in the Action Plan as ESG Business Integrity Risk.
- Plans to expand existing principles-based anti-greenwashing measures at both a product and corporate level.
- Aim to ensure business advertising and client services are transparent, well informed, and substantiated.
- **Implementation expected in 2026.**



Isle of Man

- Plan to build upon existing requirements.
- Aim to reinforce regulatory conduct supervisory approach.
- Will highlight greenwashing and other sustainable-finance related misconduct.
- **Implementation expected H1 2026**



Guernsey

- Dedicated section of the Discussion Paper to the issue of Greenwashing.
- Indicates consideration of a general anti-greenwashing rule applicable to all licensees to mirror FCA rule issued in May 2024.
- GFSC considering articulating expectation that licensees providing directorship services should take steps to ensure client companies not engaging in greenwashing.
- **Expected implementation unknown.**



any dishonest practices used by businesses to represent themselves as more sustainable either by giving a false impression or providing misleading information as to the sustainability of a product/service.”

Products, Skills, and More

The respective documents released across the CDs also touch on important enablers to building a successful finance centre, such as developing sustainable finance products that serve the need of the market, building the skills, knowledge, and experience of our people to deliver these products, and various other elements which act to raise the profile of our jurisdiction in this sector.

Products



Jersey

- Commitment to review the current financial product suite.
- Plan to develop new products, where possible, to maximise attraction of sustainable capital.
- **Expected in 2026**



Isle of Man

- Plan to explore feasibility of developing a sustainable investment product label framework.
- Specifically notes managed funds within the insurance and pension industries.
- **Expected in 2026/2027**



Guernsey

- Currently offers Guernsey Green Fund and Natural Capital Fund regimes.

Skills



Jersey

- Commitment to support upskilling financial services industry to better grasp the opportunities that sustainable finance can bring.
- **Expected across 2025 and 2026**



Isle of Man

- Plans to establish a 2-year sustainable finance capacity building programme.
- Starts with an analysis of existing skill sets and gaps in knowledge before building a programme to advance sustainable finance skills at the policy, regulatory, and market level.
- **Expected across 2025 and 2026**

More



Jersey

- Fiduciary Duty – States existing trust law is flexible enough to accommodate sustainable considerations in exercising fiduciary duties. Support the development of client service excellence in this area. **(2025)**
- Promote opportunities from current legal framework to offer services to philanthropy sector. **(2025)**



Isle of Man

- Plans to position the IoM as a leading Nature Finance Hub. **(H1 2025)**
- Establish the IoM as a “living lab” for sustainable finance product and service innovation. **(H1 2025)**
- Deliver public-private campaign to promote IoM in sustainable finance and host annual Sustainable Finance Day event. **(2025/2026)**

03

Next steps for your business

What are the next steps?

Transform reporting

- Design the future state of your reporting.
- Identify any data gaps and deficiencies in the control environments
- Deploy your target operating model, including training as well as support for change.

Assess maturity

- Review the integration of ESG into your business: strategy, governance, risk, etc.
- How mature are these aspects and where do they need to get to?

Understand the impact

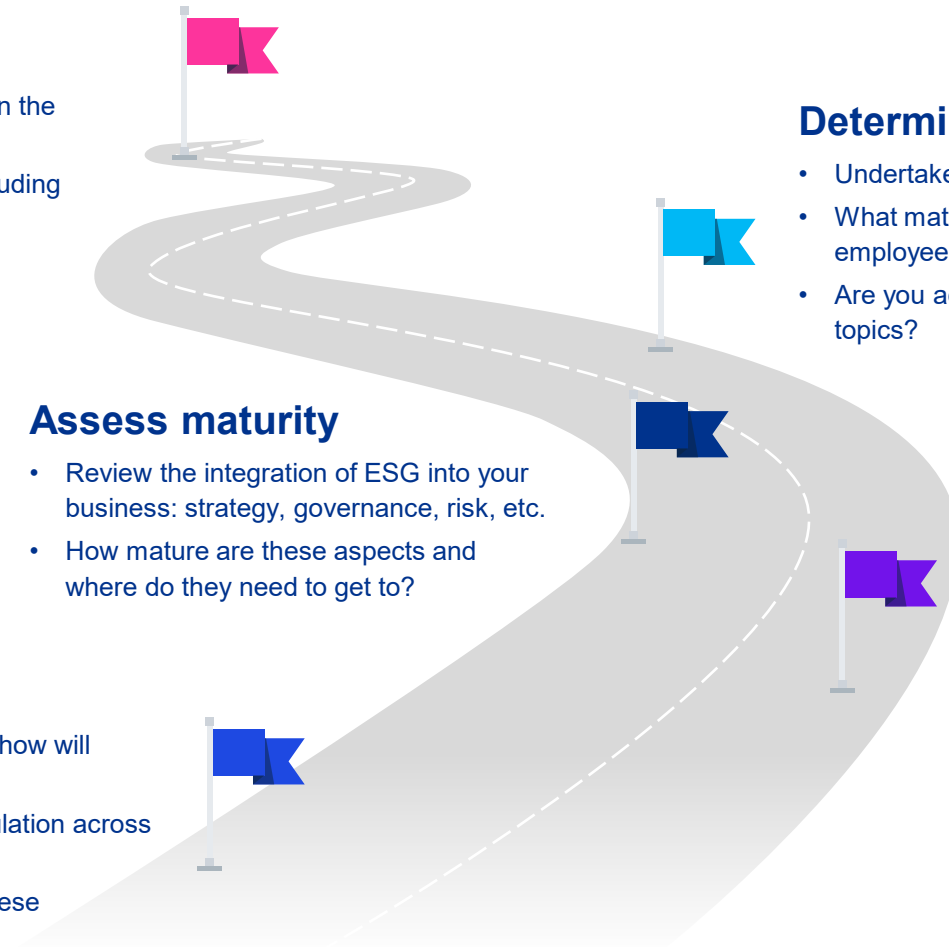
- Review the roadmaps/action plans: how will these affect you and your clients?
- What is the potential overlap of regulation across your business' footprint.
- What risks (and opportunities) do these measures create for your firm?

Determine materiality

- Undertake (or refresh) materiality assessment.
- What matters most to your clients, investors, employees?
- Are you adequately monitoring & acting on these topics?

Engage in the policy process

- Get involved through trade bodies, agencies, consultation processes etc.
- Shape the development of regulation and policy to support sustainable finance in the CDs.



How KPMG can help

Helping you drive sustainable growth and have a positive impact

Our expert multi-disciplinary team bring together a deep understanding of financial services business models coupled with new thinking and innovation around ESG.

If you would be interested in learning more about how KPMG can assist you on your ESG journey, please feel reach out to a member of the ESG team.

Examples of our service offerings include:



ESG Strategy



Sustainable Finance Implementation



ESG Policy and Procedures



ESG Reporting



ESG Assurance



ESG Risk Transformation



ESG Deals Support

Thank you
Any questions?

Please post
questions in the
Teams Chat

OR

Raise your
hand



Get in touch with our ESG experts:



David Postlethwaite

Director, ESG

dpostlethwaite@kpmg.com

+44 1534 632513



Cillian Casey

Manager, ESG

cilliancasey@kpmg.com

+44 1481 755785



Adam Creamore

Senior Manager, ESG

acreamore@kpmg.co.im

+44 1624 681037



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



kpmg.com/cds

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG in the Crown Dependencies is the business name of a group of Jersey and Isle of Man limited liability entities each of which are member firms of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Document Classification: KPMG Confidential