

THE ESG DATA CLEARINGHOUSE

A TRUSTED INFRASTRUCTURE FOR EVIDENCE-BASED RATINGS

Executive Summary	2
Governance and Legal Architecture	3
Operational Workflow	4
Risk Management: The 'Three Lines of Defence'	5
Commercial Model (The Licence Model)	5
The Isle of Man	6
Important Disclaimer	7

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EXECUTIVE SUMMARY

THE STRATEGIC CONTEXT

Regulators in the UK (FCA) and EU (ESMA) are tightening rules on ESG ratings. They no longer accept "black box" scores – they demand to know the provenance of the underlying data.

This has resulted in the ESG market being plagued by greenwashing accusations and a lack of data provenance. Corporate issuers are hesitant to share granular, raw data – such as supply chain logs, energy telemetry – due to fears of IP leakage and competitive exposure.

THE ESG DATA CLEARINGHOUSE CONCEPT

Utilising the Isle of Man's Data Asset Foundation (DAF) structure, a data consortium could establish a data clearinghouse designed specifically for ESG ratings. This initiative could create a new data market infrastructure: a neutral, regulated "vault" where corporate issuers deposit raw, granular data (e.g. telemetry, supply chain logs).

THE VALUE PROPOSITION

This proposition transitions any rating provider from a "claim-based" rating model to an "evidence-based" model. By leveraging the DAF structure, including the immutable Data Asset Register, this proposed approach could potentially create a statutory chain of custody, insulating any participant from greenwashing liability while unlocking access to private, high-value datasets that data providers currently refuse to share due to IP risks.

Functioning like a "Swiss Bank for Data," this DAF would act as a neutral, legally ring-fenced vault. Issuers deposit raw data into the Foundation; technology partner's algorithms access the data to generate verified scores; the raw data never leaves the vault.

GOVERNANCE AND LEGAL ARCHITECTURE

Our suggested approach would be to utilise a "hub-and-spoke" model, where data consortium acts as the central Founder and data providers act as Dedicators.

THE LEGAL ENTITY

- **Name:** the ESG Data Clearinghouse Foundation.
- **Jurisdiction:** Isle of Man (established under the forthcoming Foundations (Amendment) Act 2026).
- **The Founder:** data consortium or one party (provides infrastructure, brand and initial endowment).
- **Technology Partner:** provides the algorithm to process the raw data.
- **Beneficiary:** the founder(s) could receive any surplus capital distributions declared by the Council.
- **The Objects:** to securely steward environmental and social data, verify its accuracy through accredited assurance, and facilitate the issuance of trusted ratings while preserving the confidentiality of the data originators.

THE 'SPLIT-INTEREST' DATA MODEL (IP PROTECTION)

To resolve client concerns regarding ownership, the DAF utilises the "dedication" mechanism defined in the Foundations (Amendments) Bill 2025 (the "Bill"). This separates legal title from beneficial usage.

- **Retention of title:** the Data Originator (Client) could retain full intellectual property rights and ownership of the source material.
- **Restricted grant:** the Client executes a Data Asset Dedication Instrument. This instrument could grant the DAF a specific, restricted permission: the right to access, validate and process the data for a specific purpose (rating).
- **Statutory vesting:** upon registration, a personal property right could vest in the DAF, effectively tokenising the usage right without transferring the underlying copyright. The rating could become the data product (asset).

THE 'KILL SWITCH' (STATUTORY REVISION)

A critical risk control for clients is the statutory guarantee of reversion. Under the Bill, if the asset is de-registered or the DAF is dissolved, all rights and permissions automatically revert to the Deducator. This could provide clients with a legislative safety net superior to standard contractual terms.

By using the Isle of Man data asset foundation, the Founder(s) could offer the world's first 'Private-Public' ESG rating: companies could safely disclose sensitive data via a DAF without giving it to their competitors. The Founder(s) get the best data; clients get the best score; investors get the truth.

OPERATIONAL WORKFLOW

PHASE 1: INGESTION (THE ‘SMART LICENCE’)

Clients do not need to establish their own legal entities. They execute a standardised Data Asset Dedication Instrument (a standardised deed). This instrument could explicitly restrict the Foundation from commercially reselling the raw data, limiting usage strictly to the calculation of the ESG score.

PHASE 2: THE ‘CLEAN ROOM’ (PROCESSING)

The DAF could operate a secure Azure tenant (or equivalent), which could potentially mean that:

- Technology partner’s scoring algorithms are granted "compute-to-data" access.
- The algorithm enters the environment, validates the raw evidence against the Data Governance Framework, and generates the score.
- The raw data never leaves the DAF’s legal boundary; only the resulting score is extracted.

PHASE 3: ASSURANCE AND OUTPUT

Before a rating is issued, the asset undergoes a statutory accreditation determined by the Data Governance Framework regulations, based on the DCAM and CDMC frameworks. An Accredited Assurance Provider (AAP) verifies that the data meets the requirements of the Data Governance Framework and corresponds with the record of the information on the Data Asset Register. This could potentially result in a "Verified ESG Rating" backed by a statutory audit trail.

RISK MANAGEMENT: THE ‘THREE LINES OF DEFENCE’

The Bill mandates a robust governance structure that reduces the Founder(s)'s operational liability.

Line of Defence	Role and Statutory Function	Benefit to the Founder(s)
1. The Council	Fiduciary duty to act in the best interests of the Objects and to care for data.	Ensures data management is driven by fiduciary duty, not just commercial expediency.
2. The Assurance Provider	An independent, accredited body that issues the Data Asset Accreditation Report.	The Founder(s) relies on the third-party accreditation, sharing the burden of data verification with internal analysts.
3. The Data Enforcer	An independent oversight role with statutory powers to report non-compliance to the Registrar.	Demonstrates to the FCA/ESMA that the rating process has independent, external oversight built-in.

COMMERCIAL MODEL (THE LICENCE MODEL)

To maximise commercial reach while maintaining regulatory independence, the Pilot would utilise a licensing and distribution model, which could potentially look as follows:

1. The Data Asset Foundation (The Asset Owner)

Role: acts as the "factory". It processes the raw data and manufactures the Verified ESG Rating.

Revenue Stream: it charges a licence fee to the Founder(s) for the right to distribute the ratings.

Legal Status: the DAF operates with a commercial object to sell the Verified ESG Ratings.

2. The Founder(s) (The Distributor and Beneficiary)

Role: acts as the distributor. The Founder(s) integrates the verified ratings into its existing platforms.

Monetisation: The Founder(s) retains the commercial margin on sales to end-investors.

Beneficial interest: as the Beneficiary, The Founder(s) is entitled to any surplus capital distributions declared by the Council, ensuring no "trapped cash" remains within the DAF structure.

3. The Data Originator (The Client)

Role: data rights dedicators. The Client grants rights to the DAF royalty-free.

Incentive: in exchange, the Client receives the "Verified" badge on their rating – a premium asset that lowers their cost of capital and increases their investability in Green Funds.

THE ISLE OF MAN

A self-governing nation in the heart of the British Isles, the Isle of Man is renowned for its political stability, forward-looking regulation, and collaborative business environment. As home to one of the world's most agile digital economies, it is the ideal jurisdiction to pioneer the future of data.

DIGITAL ISLE OF MAN

Digital Isle of Man is an Executive Agency within the Isle of Man Government, driving the Island's digital future by creating the environment for business success, shaping policy, and leading innovation. It empowers businesses to grow and lead globally, positioning the Isle of Man as a hub for digital excellence.

EDM ASSOCIATION

To deliver the Data Asset Foundations initiative, Digital Isle of Man has partnered with the EDM Association – the world's leading global association for data management, standards and analytics. With more than 700 member organisations spanning financial services, technology, government, and numerous industries, the EDM Association sets the global standards for data best practices, governance, and value realisation.



JOIN THE FUTURE OF THE DATA ECONOMY

This is your opportunity to shape global standards, pioneer new business models, and unlock the full commercial power of your data.



www.digitalisleofman.com/data-asset-foundations



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IMPORTANT DISCLAIMER

The strategies, structures, commercial models and functionality outlined in this document are hypothetical and illustrative and are intended to support discussion of potential Data Asset Foundation use cases in the context of the proposed Foundations (Amendment) Bill 2025 and associated programme in the Isle of Man. These measures are proposed only and remain subject to parliamentary approval, amendment and Royal Assent. Any operational mechanisms – including Data Governance Frameworks, controls, standards, assurance processes and any functional specifications for a Data Asset Register – remain in draft/development and may change materially as legislation, regulations, procurement and system design are finalised.

This document is not: (a) legal, tax, accounting or financial advice; (b) a definitive statement of law, regulation or government policy; (c) an offer, commitment or guarantee to implement any model, capability, timetable or outcome; or (d) an endorsement that any described approach will be compliant or acceptable to auditors, regulators, counterparties or markets. Any valuation, accounting treatment, governance approach or commercial structure must be assessed on its specific facts and may be subject to auditor and regulatory judgement. Nothing in this document addresses all considerations relevant to Data Asset Foundation use cases, including (without limitation) data protection and privacy, confidentiality, intellectual property and data rights, sector-specific regulation, cross-border transfers, information security, or contractual enforceability. Participants should conduct their own due diligence and obtain independent professional advice before relying on or implementing any approach described.

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