



ISDA Launches Sustainability-linked Derivatives Clause Library

NEW YORK, January 17, 2024 – The International Swaps and Derivatives Association Inc. (ISDA) has launched a clause library for sustainability-linked derivatives (SLDs), designed to provide standardized drafting options for market participants to use when negotiating SLD transactions with counterparties.

SLDs embed a sustainability-linked cashflow in a derivatives structure and use key performance indicators (KPIs) to monitor compliance with environmental, social and governance (ESG) targets, incentivizing parties to meet their sustainability objectives. While the market is still in its infancy and is highly bespoke, a [survey conducted by ISDA in 2022](#) showed that there is demand for standardized terms and clauses in specific areas to support the development of this product.

The ISDA SLD Clause Library provides standard-form drafting options in several key areas, including provisions stipulating what evidence of sustainability performance must be delivered and when, mechanisms to adjust cashflows depending on whether relevant ESG targets have been met, and options available to counterparties following disruption and review events.

“By their nature, SLDs are highly bespoke transactions, but the language that describes the terms and the objectives doesn’t have to be. The ISDA SLD Clause Library is designed to eliminate unnecessary differences and bring greater standardization to this market. This will bring more efficiency to the negotiation process and reduce risks, setting the foundations for this market to develop further,” said Scott O’Malia, ISDA’s Chief Executive.

Prior to the SLD Clause Library, ISDA had developed a number of resources relating to SLDs, including a [paper that described the details of the early transactions](#), a set of [proposed guidelines for drafting KPIs](#) and an [analysis of the key regulatory issues](#). Following the 2022 survey, ISDA began drafting standard terms to improve efficiency while also retaining the necessary flexibility to allow SLDs to be tailored to meet firms’ sustainability objectives.

The ISDA SLD Clause Library is available via the ISDA MyLibrary platform, allowing users to read and navigate the various provisions in a digital format with search functionality and comparability tools. The MyLibrary platform can be accessed [here](#).

For more information or to set up a subscription, please contact the ISDA MyLibrary team at OnlineLibrary@isda.org.

Frequently asked questions on the ISDA Clause Library are available [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

Information about ISDA and its activities is available on the Association's website:

www.isda.org. Follow us on [X](#), [LinkedIn](#) and [YouTube](#).