

Memorandum of BRICS DFIs Principles for Responsible Financing

1. New emerging global challenges anticipate a proactive agenda from government institutions and businesses. The Heads of States and Governments of BRICS Countries have declared their commitment to promote and implement the UN 2030 Agenda for Sustainable Developments, including poverty eradication, Environment protection, digitalization, Climate Change adaption and mitigation, sustainable use of natural resources as well as to promote responsible consumption. COVID-19 raised new challenges for the governments and forced them to make swift decisions to prevent the spread of the virus and ensure economic stability.
2. BRICS is designed as a platform for cooperation among the countries jointly comprising 30% of the global territory and 43% of the worldwide population, 18.5% of global commodity trade, and 10% of global trade in business services. The Heads of States and Governments have declared their commitment to promote sustainable consumption and sustain practical use of natural resources as well as taking urgent actions to combat climate change.
3. The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 emerged as a blueprint for achieving a better and more sustainable future and wellbeing for all. Those goals address the global challenges, including those related to poverty, inequality, environmental degradation, climate change, knowledge gap, and corruption. The SDGs are designed to discover new market opportunities and business models. According to recent UN estimates, the achievement of the SDGs by 2030 will create new markets totaling \$12 trillion and generate 380 million jobs.
4. All members of BRICS have expressed demand for infrastructure development, quality of life improvement, and labor productivity growth as national strategic priorities. To accomplish that, the Development Finance Institutions (DFIs) and concerned public institutions seek to ensure that the private sector provides its business activities in compliance with the sustainable development agenda committed under the respective national policies.
5. BRICS DFIs play a key role in driving global sustainability through promoting the 2030 Agenda and the Paris Agreement, in conformity with the respective national policies, as well as seeking to address associated environmental and social risks, including the risks that are caused by COVID-19.
6. The DFIs have the desire and the capacity to accompany the markets in adopting new sustainable business models, helping achieve a smooth transition of BRICS countries to environmentally friendly, energy-efficient, low-carbon, and climate-resilient economies.

DFIs significant financial resources and stakeholder articulation capabilities can further stimulate the markets by adopting a set of Principles for Responsible Financing. These Principles are in line with national targets, the international agreements to which all BRICS nations are signatories; they are also conducive to enhance the prospects of BRICS countries in achieving the SDGs and will contribute to the competitiveness of the BRICS countries and aid the development of new green financing models. In this respect promoting global convergence on responsible business conduct standards for DFIs will be important to ensuring a level playing field, comparability of expectations and good practice.

7. Currently, several international organizations are working on setting the international principles for DFIs as well as for other institutions. The United Nations Global Compact, the UN Principles of Responsible Investments, the UNEP Finance Initiative, the OECD Guidelines for Multinational Enterprises, and other initiatives are aiming to set up an international framework for financial institutions and other credit entities, that will help achieve SDGs. Major rating agencies have included Environmental, Social and Governance (ESG) indicators in their assessments' checklists. Still, BRICS DFIs do not have a comprehensive set of principles that reflect the specific economic and social features of these countries and that, at the same time, address sustainable development challenges.
8. In recent years, BRICS has gained more experience in public regulation and in promoting environmental responsibility among national financial institutions. The members of the BRICS Inter-Bank Cooperation Mechanism have already adopted national approaches for responsible financing, including measures for environmental and social assessment of the projects. However, today we recognize the need to harmonize these mechanisms and measures to strengthen the cooperation and the effectiveness of joint projects.
9. The BRICS countries are committed to strengthening an open, transparent, rules-based multilateral trading system with the WTO at its core. Going forward, there is a need to ensure that requirements for responsible business practices will not create barriers in international trade. By endorsing responsible financing practices, the DFIs will stimulate market agents and increase the competitiveness of local economies.
10. Therefore, to promote sustainable development and foster fair international trade and investments, BRICS DFIs are proposing the common BRICS DFIs Principles for Responsible Financing.

The BRICS DFIs

taking into account the United Nations Global Compact, the UN Principles of Responsible Investments, the United Nations Environment Programme Finance Initiative;

acknowledging the UN Addis Ababa Action Agenda 2015 in which the States affirm their political commitment to address the challenge of financing and creating an enabling

environment at all levels for sustainable development in the spirit of global partnership and solidarity, therefore reducing social, environmental and economic vulnerabilities;

stressing the importance of the principles enshrined in the Paris Agreement;

agreeing to promote the consolidated position of the BRICS DFIs on responsible business conduct standards, governance and due diligence practices, as detailed below, as well as other international initiatives, as applicable to the mandates of the different DFIs and to continue the work on responsible financing issues, sharing the best practices and exploring the ways for mutually beneficial cooperation on the topic,

embrace
the following Principles for Responsible Financing
and will

1. Integrate assessment of economic, environmental and social progress to achieve sustainable development in their respective lending processes.
2. Develop new financial products and services that target transition to inclusive economies, and stimulate sustainable finance, including green finance.
3. Encourage clients to conduct business in an environmentally friendly way, promote investments in natural capital and contribute to the implementation of the Paris Agreement.
4. Encourage meaningful stakeholder engagement at all stages of project development and implementation among the clients.
5. Reinforce the need to be people-centered and promote inclusive solutions among the clients.
6. Reinforce the need to conduct business in compliance with good corporate governance practices, including but not limited to national laws regarding tax, anti-corruption, consumer protection, and competition, among the clients.
7. Promote financing that contributes towards digital, innovative and sustainable solutions that will support local communities in developing innovations, promote skills development, and drive inclusive growth.
8. Provide transparent and accountable information on financial activities, while observing commercial confidentiality and privacy of clients.

For and on behalf of Brazilian Development Bank (BRAZIL)

**For and on behalf of State Development Corporation “VEB.RF”
(RUSSIAN FEDERATION)**

For and on behalf of Export-Import Bank of India (INDIA)

For and on behalf of China Development Bank (CHINA)

For and on behalf of Development Bank of Southern Africa (SOUTH AFRICA)
