

**BOVESPA and the Social Stock Exchange:  
Mobilizing the Financial Market for Development**

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**Executive Summary**

Pledging its commitment to corporate social responsibility, BOVESPA, the Brazilian Stock Exchange in São Paulo, was the first stock exchange worldwide to join the United Nations Global Compact. BOVESPA is developing innovative approaches to leveraging financial markets to help solve pressing social problems, including the eradication of poverty in Brazil. In June 2003, BOVESPA launched the Social Stock Exchange (SSE), a pioneering social responsibility program that underscores the evolving nature of business in society.

The SSE is a novel approach to fundraising in which the “value creation environment” of the traditional stock exchange is replicated to connect non-governmental organizations (NGOs) that require funds with “social investors”, or donors, who are willing to support social development programs and projects. Charitable investments in the SSE yield a “social profit” – that is, positive impact on the sustainable development of Brazil. The SSE is closely linked to the core business of BOVESPA, and uses the expertise, rules, and tools of the daily stock exchange activities. This close connection guarantees credibility, transparency, and accountability for all “social investments” that are made through the SSE. In return, the SSE program helps BOVESPA demonstrate the importance and operations of the capital market, while also attracting new investors.

The SSE raises funds for education projects that benefit children and youth who live in poor communities throughout Brazil and range in age from 7 to 25 years old. To apply, NGOs complete an entry form and give a description of their project with an estimate of the needed funds. In the first year of operation, the SSE received more than 1,000 project applications. In its selection, the SSE favors projects that are developed and

supported by local communities, particularly of small NGOs that do not have the visibility of the major social development organizations, but that pursue high-quality work and are willing to share expertise and models that can help others.

At any time, the SSE lists a portfolio of 30 carefully selected projects. When participating NGOs have sold all their “social shares,” they make way for the listing of new projects. In October 2003, the first 30 NGOs began trading their social shares, with a total value of R\$ 9.2 million (around US\$ 3 million), and a value of R\$ 1 (around US\$ 0.33) per share. Social investors can buy shares through the SSE website and through BOVESPA’s 120 member brokerage firms.

BOVESPA absorbs all costs related to the operation of the SSE, and ensures that all funds raised are transferred entirely to the listed NGOs. It does the back-office work of processing the social investment transactions, and maintains the SSE website. BOVESPA has outsourced the management of the SSE to Atitude Marketing Social. This consulting firm, specializing in corporate social responsibility services, was BOVESPA’s partner in the development of the SSE. Atitude has a technical staff of specialists in education and the third sector. They select the projects for listing on the SSE, work closely with the NGOs, and monitor the progress of the funded activities. In addition, they facilitate a social network through which participating NGOs can share experiences and best practices. Atitude promotes the SSE initiative to BOVESPA’s investors and the general public. BOVESPA has appointed a Board of Governors of the SSE, with representatives of the Brazilian government, UNICEF, UNESCO, and other cultural, educational, and environmental institutions. The Board oversees and approves the work of the technical staff.

In September 2004, each of 30 listed projects had received donations, with eight of them fully funded, and the SSE assisted 38 NGOs in their social development work. Almost a year after trading started, the total investment in social shares was R\$ 1,1 million, or 12% of the initial portfolio. The impact of the SSE is in fact larger than these numbers indicate. For instance, through dialogue and the use of new concepts and

language (e.g. social investment, social shares), the SSE is playing a unique role in bridging the divide between investors and NGOs, business and the community, and the rich and poor. It promotes a more inclusive approach to social development, and advances a culture of social inclusion in Brazil.

BOVESPA's creation of the SSE is recognized by the Global Compact as a unique example of how to mobilize financial markets for the purpose of social development and poverty reduction. The Global Compact Office encourages other stock exchanges to consider replicating the initiative, and encourages individuals and organizations to consider investing in the SSE.

For more practical information, one can visit the SSE website ([www.bovespasocial.com.br](http://www.bovespasocial.com.br)), or contact BOVESPA ([mcosta@bovespa.com.br](mailto:mcosta@bovespa.com.br)) and Atitude ([cgrecco@atitudemarketingsocial.com.br](mailto:cgrecco@atitudemarketingsocial.com.br)).

## **Introduction**

On June 15, 2004, an unusual crowd gathered on the trading floor of BOVESPA, the Brazilian Stock Exchange in São Paulo. Investors and high-ranking officials of BOVESPA stood shoulder to shoulder with representatives of small non-governmental organizations (NGOs) and children from poor communities. For the first time in history, the center of the capital market was transformed into a meeting place for powerful economic players, people dedicating their life to social development, and youth with dreams of a better future. A young man from one of the NGOs remarked enthusiastically: "This is the first time I am seeing the stock exchange as something concrete." Until then it had been a virtual world to him, a space that in his imagination had been a kind of casino. The officials of BOVESPA, on the other hand, were touched to see unfamiliar faces on their floor. Looking at the children, they saw the impact of the Social Stock Exchange (SSE), their new social responsibility initiative. The SSE is an innovative approach to fundraising in which the environment of the stock exchange is recreated to connect NGOs that require funds with "social investors" who are willing to support their

programs and projects. In spontaneous speeches, the officials of BOVESPA proclaimed that this kind of initiative is part and parcel of their role in society. They realized that with their capital and efforts, they make an important investment in a better future for Brazil. People came together that day to mark the first anniversary of the SSE and to celebrate the early success of its operations. Their meeting was symbolic for the bridges that the SSE is building between investors and NGOs, between the rich and the poor. It gave a hopeful image of the important role the capital markets can play in the creation of just and sustainable societies.

The SSE is a bold project that illustrates BOVESPA's commitment to the advancement of social development and poverty eradication in Brazil. It is an example of how BOVESPA has recently furthered its role as a player in the field of corporate social responsibility. Another such example is its Novo Mercado, a special listing segment for the trading of shares issued by companies that agree to abide by governance practices and disclosure requirements that go beyond those requested by Brazilian legislation. BOVESPA took a pioneering step when, on April 8, 2004, it became the first stock exchange worldwide to join the United Nations Global Compact, pledging its commitment to the ten principles that promote responsible global corporate citizenship.

The Global Compact welcomed BOVESPA's decision to join, because it is acutely aware of the vital role that financial markets can play in the creation of a more stable and inclusive global economy. In a recent report with the promising title "Who Cares Wins," the Global Compact explores why and how financial market actors should strive for a better integration of environmental, social and governance issues in their analysis, asset management, and securities brokerage services. The report, endorsed by major financial institutions, argues that the promotion of investment decisions that reward companies that take a leading role in the development of socially responsible business practices will benefit those companies, but will also lead to stronger and more resilient investment markets and more sustainable societies. On March 15, 2004, Secretary-General Kofi Annan convened a meeting with one of the key segments mentioned in the report, namely the world's leading stock exchanges. The purpose of the meeting was to

discuss their role in dealing with sustainability issues, and to obtain their support in helping to advance the Global Compact and its principles throughout the business world. Since that meeting, first BOVESPA, and later the Jakarta Stock Exchange and the Istanbul Stock Exchange, have joined the Global Compact. In addition, ten stock exchanges have formally announced their agreement to explore collaboration and partnership with the Global Compact. Several exchanges are actively sharing information on the Compact with their listed companies

In early 2004, BOVESPA was the only stock exchange in the world with a social project in place. Their SSE is recognized as a unique example of how to mobilize financial markets for the purpose of social development and poverty reduction. At the Global Compact meeting for stock exchanges on March 15, 2004, the SSE was adopted as a case study and model to be emulated by stock exchanges globally. UNESCO has also given its stamp of approval to the SSE and is supporting BOVESPA in making the project a success. What renders the SSE special, in the eyes of the Global Compact, UNESCO and others, is that it creates a reliable and transparent medium for fundraising, through which donors (social investors) can make their socially responsible investments. The twist, of course, is that the return on investment doesn't go to the investors in the form of financial profits and dividends. Instead, their investments yield a "social profit," a beneficial impact on the sustainable development of Brazil.

This case story gives a portrayal of the SSE as an innovative approach to the funding of social development projects. It describes how the idea to mobilize the stock market for social causes was born, and gives a detailed overview of how the SSE operates. The story incorporates the perspectives, experiences and aspirations of the key players in the SSE. It describes the first results, the difficulties, the lessons learned, and the plans for the coming years. The case story places the importance and potential of a SSE in the context of the Brazilian society with its challenge to overcome social inequalities and a wish to create a more inclusive nation. It explores the question whether, and under what conditions, the SSE can be replicated in other places. The purpose of this case story is not only to inform, but also to inspire. This story – of how a powerful player

in the private sector can be creative in fostering investments for the public good of society – is shared with the intent to spark the imagination and commitment of others to launch similar initiatives.

## **The Story: Fundraising through the Social Stock Exchange**

Early in 2003 the leadership of BOVESPA was evaluating its social program. For decades BOVESPA had made regular donations to NGOs in the São Paulo area and had supported a number of community-based initiatives. Against a backdrop of pressing social issues in the country, and fueled by internal discussions around concepts such as “corporate governance” and “transparency,” BOVESPA started to question its habitual philanthropic approach of spreading available funds over a relatively large number of projects. What were the NGOs doing with the money they received? Did BOVESPA’s donations have any social impact? Was their support causing any transformations in the NGOs? They had no clear answers to those questions. Moreover, whenever people demonstrated against issues such as unemployment, hunger and injustice, they would gather outside BOVESPA to vocalize their discontent with the capital markets as major culprits of global troubles. Instead of accepting the blame for Brazil’s problems, BOVESPA decided to become a recognized part of the solution. Since giving money was not enough to help change society, they were looking for a way to get more actively involved in the sustainable development of Brazil. Wondering what to do, BOVESPA’s Board of Governors decided to ask some consulting firms that specialize in corporate social responsibility services, for their advice. One of these firms, Atitude Marketing Social, suggested that BOVESPA should launch a Social Stock Exchange (SSE).

The idea that inspired the invention of the SSE is that the stock market is basically a “value creation environment,” where corporations and investors meet for the trading of shares with the intent of adding worth for both parties. This environment can be recreated for the selling and buying of “social shares,” where NGOs build strength and return investments in the form of “social profits.” Here, all parties involved benefit from the advancement of a more just society with greater opportunity for underprivileged children and youth. The idea to create a SSE was both simple and powerful. The project is so completely linked to the core business of BOVESPA, so close to what they have been doing for over a century, that it was undeniably easy to implement. BOVESPA could capitalize on their expertise and use the language, rules and tools of their daily activities

to make the SSE a success. BOVESPA's prestige as an established stock exchange would add credibility to the listed NGOs, and expand their access to necessary funds. The SSE would promote and reward best social development practice in an environment that guarantees transparency and accountability for all charitable investments. BOVESPA itself could also gain from the existence of a SSE. The project would be helpful in its endeavors to show the importance and operations of the stock exchange to the people of Brazil, to build public confidence in the capital market, and to attract new investors.

The first step in the move from concept to reality was taken in June 2003, when the SSE was launched at DirecTV Music Hall in São Paulo. Some 1,300 guests from the Third Sector, the financial community, public companies, and the press, attended the ceremony. This launch gave the needed publicity to the novel idea of a SSE, and soon enough NGOs started to submit their project applications. To apply, NGOs had to complete an entry form and write a proposal with a description of their project and an estimate of the needed funds. In the first 60 days Atitude, the organization that manages the SSE, received more than 500 entries from NGOs all over the country.

The focus of the SSE program is on education projects that benefit children and youth who live in poor communities and range in age from 7 to 25 years old. The listed projects are grouped in the following seven thematic areas: health education, literacy, citizenship, culture, education and training, psychosocial care, and environment. The conveners of the SSE made the deliberate choice to identify and select small NGOs, born from their community, with innovative and effective solutions for their local social issues. They also wanted those NGOs to represent all regions of Brazil. Since these small organizations in sometimes remote areas of the country are much less visible than the large NGOs and Foundations, little may be known about their interesting work which gives them less access to available funds. A listing in the SSE gives publicity to their activities and heightens their chances to attract donations.

Soon after the first entries were received the technical staff of Atitude, who are all specialists in education and the Third Sector, started their careful process of analyzing the



proposals in order to select a first portfolio of important and socially profitable projects. In their selection of projects, the technical staff favored NGOs that: are developed and supported by their local community; do high quality work, but lack the reputation and the visibility of the large, well-known development organizations; have the knowledge and experience that can advance the objective of the SSE to establish a network of best practices. From all applications they pre-selected the 40 NGOs with the most interesting projects. In September of 2003, they visited all those NGOs and spent one or two days with each one of them. They would observe their work and obtain in-depth knowledge about their history, present activities, and social impact. In accordance with the rules of the regular stock exchange, NGOs were asked to disclose their operations, performance and legal status. Back in São Paulo, the team made its final selection of 30 NGOs. This portfolio was presented to the Board of Governors of the SSE who approved their recommendations.

The funds obtained through the SSE help the listed NGOs to implement, expand, or maintain a variety of projects, like for example: a shrimp farming school for the next generation of artisan fishermen to remedy the depletion of shrimp stocks and thereby protect the livelihood of their community; a family restructuring program that helps children repeatedly hospitalized with conditions such as pneumonia and their families to break the vicious circle of poverty and disease; and a cultural center in the middle of one of the poorest and most violent neighborhoods of São Paulo city. All projects benefit not only the participating children and youth, but also their families and other members of their community. The website of the SSE ([www.bovespasocial.com.br](http://www.bovespasocial.com.br)) gives a detailed overview of the participating NGOs and their projects. NGOs stay listed on the SSE until their projects are completely funded.

In October 2003, the selected NGOs began “trading” their social shares through the SSE website and BOVESPA’s member brokerage firms. At that time the portfolio was worth R\$ 9.2 million (around US\$ 3 million), the sum of the funds that the thirty listed NGOs wanted to raise. Individuals, and organizations that want to make a socially responsible investment, can buy shares in only one project or create their own portfolio of

social shares. With a value of R\$1 (around US\$ 0.33) per social share, an investment in the SSE is quite affordable. But, why would someone who can afford to donate money for social causes decide to do so through this channel? According to a financial market actor, an important reason would be that BOVESPA offers a simple, fast, and trustable way for the making of such philanthropic donations: “Someone who wants to invest socially but does not personally know an institution, would look for BOVESPA as a safe choice, and then buy social stock knowing that the money will certainly be used in sound social projects and indeed make social profits.”

In order to make social investments attractive and convenient, BOVESPA offers the choice to either make donations with the help of one of its 120 brokerage firms (called “social brokers”), or independently through the SSE website. BOVESPA has created a user friendly website where investors can donate money with their Visa card, and track the progress of their investments. A recent English version of this website makes it easy even for international donors to contribute to Brazil’s social development. Because of the meticulous selection process and a continuous monitoring of the NGOs, BOVESPA can assure social investors that the listed projects will return significant benefits to society. Through its partnership agreements with Visa and the Brazilian bank, Banco Nossa Caixa, BOVESPA can also guarantee that all raised funds are transferred entirely to the NGOs without deductions for commissions or payment of other fees. BOVESPA maintains the SSE website and does the back-office work of processing the social investment transactions. It absorbs all costs related to the operation of the SSE, such as payments for the work of the technical staff, advertising expenses, consulting fees, and taxes.

BOVESPA has asked Atitude to manage and promote the general operations of the SSE, and to communicate this novel social development program to investors and the general public. The technical staff of Atitude maintains continuous close contact with the listed NGOs. Members of the staff visit the projects to monitor their progress and assess the social impact on the respective communities. The staff gives advice to the NGOs on how to improve their activities and helps them with practical matters such as the writing

of funding proposals. An important objective of the SSE is to create a network among the listed NGOs through which they can connect and share their experiences and knowledge. The technical staff has begun to facilitate such a network, for instance through the organization of video conferences. Although the number of applications has decreased since the first hectic months following the launch of the SSE, new entries come in every week and the technical staff continues to analyze those projects. The work of the staff is being approved and furthered by the Board of Governors of the SSE. Members of this board are prominent people in Brazil who represent government, cultural, educational, environmental and international development institutions. UNESCO for instance, has a representative on the Board to show its support to the SSE and to share the organization's global knowledge about social and educational programs. The Board approves the NGOs to be listed on the SSE, receives regular follow-ups, and inquires about the progress of the different projects.

Looking at the sheer number of project applications received from all over the country – more than a 1,000 within the first year – one gets the impression that the SSE is welcomed by Brazil's small NGOs. According to the technical staff of Atitude, this is indeed the case. The SSE is attractive to these NGOs because the rules are relatively simple, a broad definition of education allows for a wide range of projects, and the specific focus on NGOs that are community-based gives those organizations an unusual and welcome publicity. The launch of the SSE awakened new hope in the NGO community that social change is possible: "People pay attention, when a big player like BOVESPA says that something needs to be done about Brazil's social issues." It may motivate other powerful players to take similar steps. The president of one of the listed NGOs echoes the sentiment that the SSE is perceived to be a great idea: It brings the work of the NGOs closer to people who normally are concerned with money rather than social issues. Ideally social stocks should become stocks like any other, and the SSE a priority of the stock exchange rather than a derivative. However, after one year of operation, much work needs to be done to translate the ingenious idea of a SSE into robust reality.

The number of projects listed in the SSE, 30 at any time, is kept relatively small on purpose. This way, incoming funds are not spread too thin, which heightens the chances that all listed NGOs will benefit, and early successes can be shown. Indeed, in September 2004, eight of the projects had been fully funded and each one of the NGOs had received donations. The NGOs that sold all their social shares made way for the listing of eight new projects. This means that in the first year of operations the SSE assisted a total number of 38 organizations in their social development work. Although it is inspiring that some NGOs received all the money they requested, the total amount of funds raised through the SSE remains somewhat disappointing. In September 2004, the total investment in social shares was R\$1,1 million, or just 12% of the original portfolio.

How should one interpret the early results of the SSE? On the one hand the program is well received by NGOs, and enjoys recognition and attention from UNESCO, the UN Global Compact, and others who want to learn more about its operations and underlying ideas. On the other hand, the total amount of funds raised seems to indicate that this enthusiasm about the SSE initiative is not yet met by an active participation of investors. But numbers may be deceiving. The conveners of the SSE realize that these are early days in the life of an ambitious endeavor. The novel approach, that invites people to make philanthropic donations through the stock exchange, is also an effort to change a habit of charity into a culture of social investment. The SSE provides a connection between the rich and the poor and wants to facilitate their joint efforts to build a better society for all. Even though many social shares remain unsold, the SSE is already yielding social profits and is making a positive impact on the lives of many young people in Brazil. In order to fully appreciate this impact, one has to place the SSE initiative in the context of the challenges that face the Brazilian society.

## **Discussion: A Culture Change from Charity to Social Investment**

### *Creating social justice in Brazil*

Brazil is a developing country that has to deal with big social problems and inequalities. It is a land of contrast. In 2001, Brazil was the world's fourth largest food exporter, but 28% of its population didn't have regular access to sufficient food to meet their basic needs and sustain health. The country has rich natural resources and its economy ranks about 10th in the world, but of its 170 million inhabitants more than 50 million live in poverty. Wealth and income are very unevenly distributed, and the gap between the rich and poor is growing. Many are denied proper living conditions, health care, and education. The lack of public safety is worrisome in places like São Paulo city where the wealthy tend to retreat in heavily guarded homes. Social injustice has no doubt hampered Brazil's economic performance. The country is highly indebted, and a lack of confidence in the economic situation has led to turbulence in its financial markets.

Until not long ago, Brazil did not treat its social issues as an acute problem with negative consequences for all its inhabitants. True, many NGOs were actively involved in bettering the conditions of the poor. Many rich people and corporations were donating money for good causes. But both parties were upholding a culture of charity in which little was done to diminish the divide between the social classes. Only recently, there is a growing common understanding that social disparities are a significant obstacle to sustainable economic development, and that wealth concentration has decreasing benefits for everybody. Many people now communicate the need for social-economic inclusion: the creation of a just society in which everybody has access to nutritious food, proper health care, good education, and much more. They acknowledge that it is important to be actively involved in the solution of the problems, and that just giving money is insufficient. Thus, from a tradition of charity, the contours of a culture of social participation are slowly emerging.

Lately, forces are coming together to create a burst of sustainable development activities. In 2002, Brazil elected a left wing President for the first time in about half a century. The election of President Luiz Inácio Lula da Silva raised hopes and expectations that the country's social issues would be addressed. On the day of his election, Lula announced that he would make the eradication of hunger by tackling the structural causes of poverty, the highest priority of his presidency. His Zero Hunger program has induced government partnerships with civil society organizations and private enterprise. His government realizes that it needs the collaboration of NGOs, international organizations, and business corporations for the development and successful implementation of its social policies.

Brazil has the fastest growing Third Sector in the world. After years of dictatorship, the 1988 Federal Constitution established freedom of association and recognized civil society organizations as a conversational partner of the government. This constitution paved the way for the establishment of the NGO community that currently includes 250,000 organizations. The number of people engaged in volunteer activities is high and growing very fast. Clearly, there are many who care about the future of Brazil, and business leaders are amongst the caring. Whether in the form of public-private partnerships with the government, in joint efforts with NGOs, or in initiatives of their own, Brazilian companies are increasingly involved in social change. They take corporate social responsibility seriously, because they realize that both society and their business have much to gain. Companies share practice and knowledge of socially responsible business through national organizations such as Instituto Ethos, and in international forums such as the UN Global Compact. A noticeable number of Brazilian business organizations have joined the Global Compact, and BOVESPA was the first stock exchange in the world to become a signatory.

### ***The impact of BOVESPA's Social Stock Exchange***

The current circumstances in Brazil seem to prepare fertile ground for the SSE initiative. There is a growing sense of urgency to deal with the country's social issues,

and a large number of professional NGOs can meet BOVESPA's standards of transparency and accountability. Clearly, the SSE has the potential to be an important meeting place for people who want to make contributions to social causes, and small NGOs striving to fund their sustainable development projects. There is a catch however. BOVESPA wants to advance the work of selected NGOs through a channel that many people in Brazil don't use, namely: the stock exchange.

Although BOVESPA is the leading stock trading center in Latin America, the capital market of Brazil is not yet well developed and presently caters to just a small number of active investors. Of the 170 million people in Brazil, around 35 million earn enough to save, 6 million own shares, and only 150,000 are directly involved in regular trading transactions. The low participation in the Brazilian stock exchange has two clear reasons. First, many years of high inflation discouraged people from saving money for future purposes. Second, a volatile market resulted in investment losses for many families and made others wary of investing their savings in the stock exchange. The general public lost trust in the capital market. According to BOVESPA's CEO, they perceived the stock exchange as "a gambling place for a few rich people, a place with little importance for the rest of the country."

BOVESPA is working hard to overcome that negative perception and to attract new investors, through a nationwide program that is called "BOVESPA goes where you are." True to its name, this program goes all over Brazil – to the beaches, airports, subways, theatres, industrial plants, schools, etc. – to inform people about the workings of the stock exchange and the importance of the capital market for the growth of the Brazilian economy.

The existence of a SSE is beneficial in BOVESPA's efforts to popularize the stock market. It gives a positive example of how a stock exchange works, and helps to explain what it means to be a shareholder and how one can invest in shares. At the same time, the success of the SSE is dependent on the attractiveness of the general stock exchange. For instance, when it becomes easier for BOVESPA's brokerage firms to trade

regular stocks, they can become bolder in their marketing of social shares. Thus there is a clear synergy between BOVESPA and its SSE: The initiative may bring new investors to the stock exchange, and listed NGOs may obtain funds from people they previously couldn't convince to support their work.

Nearly a year after the launch of the SSE, 12% of its original portfolio of social shares is sold, and 8 of the 30 projects got fully funded. Although these results may look humble, they gain importance when one realizes how daring the SSE initiative really is within the Brazilian financial market environment. To fully appreciate the early achievements, one has to take a closer look at the impact of the SSE in terms of its social profits, and other influences. BOVESPA measures social profit as the accomplishment of the objectives of a specific NGO project. Sometimes those achievements are very tangible. For instance, one can see that a new classroom gives space for 30 children who would otherwise spend their day in the street. Other effects are more indirect, and may show in the pride of a mother in the slum who volunteers to work for a project. The many, and sometimes surprising, benefits from a listing in the SSE are illustrated by the experiences of one of the NGOs: the Carapicuíba Education and Training Center.

Carapicuíba is one of the poorest cities in São Paulo state, where many kids drop out of school because they need to earn money for the family. The Education and Training Center was established by a group of young guys who were fortunate enough to go to evening school, pass the entrance examination for public university, and enjoy a college education. Their NGO now helps others in Carapicuíba to do the same. With the funds that they obtained through the selling of a portion of their social shares, they have started to improve the learning conditions of their students: upgrading classrooms, renewing equipment, and installing proper electrical systems. But these were not the only gains. As soon as their project was listed on the SSE, the NGO started to receive assistance from Atitude's technical staff. They got help, for instance, with the writing of a funding proposal, which they sent to a number of foundations and other potential donors. Soon they discovered that with their use of the SSE logo, they could appeal to novel funding sources with positive results. One of those new supporters, a major international



bank, told them that they had decided to make a donation because they recognized the NGO's listing on the SSE as a mark of quality. The participation in the SSE has raised the self-confidence of the young adults who established the NGO, and has increased their sense of importance. They realize, that they make a significant contribution to their community, and deliver a high quality service. No doubt, this realization will further benefit their students.

### ***Promoting a culture of social inclusion***

The story of the small NGO in Carapicuíba shows the ripple effects of the SSE. The social impact of the initiative is much larger, than a first glance at the relatively small trade in social shares indicates. Indeed, the SSE is producing a promising return on investment. But it seems that more is needed to motivate people to buy social stocks. All conveners agree that the real challenge for the SSE is whether it can advance the creation of a culture of social inclusion. This would mean that the privileged abandon a habit of charity, and get actively involved in the development of a just society. Such a profound change will take time and effort. The SSE needs to convince people that buying social shares is a more effective contribution to social development, than when they give their money to a stranger in the street. But that is only the beginning. The SSE can serve as a conduit for dialogue between investors and NGOs, business and community, the rich and poor. It can bridge the divide between those groups, because it offers an environment for people who normally don't speak with one another to start to understand each other's worlds. What's more, the SSE gives them a new vocabulary that facilitates connections between their distinct realities.

The use of terms such as "social investment," "social shares," and "social profit," is not merely a play with words, or just an analogy to the stock exchange trading system. In actuality, this application of investor's language to social work can have a profound effect on the creation of an inclusive society. UNESCO applauds this innovative use of language, because it helps them in their efforts to show the governments of Brazil and other countries that money paid for education is not an expense, but an investment. The

idea of a social profit connects those with dreams of a better future, with others who are interested in concrete projects with measurable outcomes. It matters when “not for profit organizations,” change into “social profit organizations.” Instead of apologizing for what they are not, social profit organizations affirm their significant role in the creation of a sustainable society. The invention of a “social investment” vocabulary clearly helps to pave the way for more participative approaches to social development.

### *Next steps and future aspirations*

The key players in the SSE – the BOVESPA leadership, the Atitude consultants, and people in the listed NGOs – realize that the creation of a social investment culture is a slow process. They themselves are learning about the meaning and scope of the intended changes. They know that language and talk are not enough to achieve social justice, and that bold actions are required. But they are optimistic about the potential of the SSE, and committed to turn that potential into actuality.

Based on the experiences during the first year of operations, the team of Atitude is currently making plans to improve on the early successes. The focus of these plans is threefold: to attract more investors; to strengthen the social network of the participating NGOs; and to further develop social profit indicators.

One of the approaches that Atitude now uses to increase the number of social investors, and the amount of their donations, is to send a “social investment balance” to BOVESPA’s active investors. They receive this information together with their monthly regular stock balance. This social investment balance includes four or five stories about the work of listed NGOs, and invites investors to make a contribution to their projects. Atitude has asked the NGOs to help promote the SSE among their donors. They are currently developing a joint communication strategy. Atitude encourages brokerage firms to display the seal of social broker and to market social shares through a “social ambassador,” a representative who assists clients with their social investments. Atitude

gets many requests for information about the SSE. It will continue to communicate about the program, for instance in presentations to interested audiences.

An important objective of the SSE is to develop a social network through which the listed NGOs can exchange experiences and best practices. The promotion of such a network is a unique initiative. According to Atitude, Brazil doesn't have a culture of networking, and philanthropic organizations normally don't get their beneficiary NGOs connected, or provide them with consultancy services. The goal is to establish connections between NGOs, so that an organization located in a big city somewhere in the north of the country can benefit from smart solutions developed by another NGO in a small city thousands of miles to the south. In the coming period Atitude will facilitate the development of this network, and will encourage members to visit and teach one another. Thus, NGOs will join forces to make their projects a success.

Atitude works with the NGOs to develop measurements of their social impact and ways to make, sometimes subtle, achievements visible. One of the aspirations of BOVESPA's leadership is to develop a "social profit index," that will show in an easy way how a specific project is evolving.

BOVESPA wants to see a high turnover of projects listed in the SSE, so that many NGOs can benefit from the selling of social shares. Where the focus is currently on the funding of education projects, the plan is to gradually widen this scope so that a more diverse group of NGOs can participate. Ideally, more and more people will realize that the SSE provides them with a great way to get involved in social development activities. BOVESPA's vision is, that people will develop a habit of making regular charitable investments in social shares.

BOVESPA's leadership has a strong belief in the importance of their corporate social responsibility program. They are actively promoting the idea of a SSE in other Latin American countries and beyond. They are committed to giving free advice and making their tools (e.g. software) available to other stock exchanges. They don't tell

people how to operate a SSE, because the “how” is very easy. Instead, they explain to others “why” they should follow BOVESPA’s example. That explanation is also simple: Not only does the SSE help build a just and sustainable society, it also improves the image, and therefore the business, of the stock exchange itself. The SSE has helped BOVESPA in interactions with the government and other parties: “They look at you differently, because you show that you are regular people with an interest in the future of your country.”

## **Conclusion**

Is the idea of a SSE replicable in other countries? The conveners of the Brazilian SSE think it is. They encourage others to follow their lead and are eager to share their growing expertise. This case story intends to inform interested stock exchanges so that they can assess the viability of a SSE in their unique local circumstances. In this regard, the Global Compact plans to play a catalyzing role. There indeed seems to be potential for a similar program in widely different societal contexts. In countries with a well-established stock exchange, it provides a convenient and trustworthy channel for people who want to make socially responsible investments. In societies like Brazil, with a developing capital market, a SSE may help to explain the operations of a stock exchange. In all instances, a SSE can democratize the access to philanthropic resources, and give further credibility to the work of NGOs. Last but not least, the SSE gives a positive, human face to pivotal financial-economic institutions, and helps to build public confidence in the good intentions of these powerful global actors.