

## **Elite Convergence through the Financial World in Brazil**

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### ***Abstract***

Social classes and groups can be heterogeneous in any society, resulting in a structure that could hamper social order and economic progress. Yet there are institutions that can blend and empower them such as ideologies. Corporate social responsibility (CSR) is a doctrine adopted by Western businesses in the 1990s that involves a commitment to take into account the interests of their stakeholders in all aspects of their business operations.<sup>1</sup> CSR has shown different meanings and trajectories in Brazil. While originating in business' religious and philanthropic movements, CSR has been principally assumed by the financial sector, which, during economic ascendancy, has transformed it to bring visibility to their investment onto their stakeholders' social interests and, at the same time, reaffirm their commitment to democracy. CSR has met the Corporate Governance Movement, culminating in the creation of the Corporate Sustainability Index (ISE) in December 2005. Under an economic sociology approach, some evidences have shown that the *financialization* in Brazil incorporates the concept of sustainability, which might create an elite's convergence. This convergence is interpreted as an intervening movement towards the gradual improvement in the acceptance of the financial world into Brazilian Development Culture.

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<sup>1</sup> The World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." (CSR: Meeting Changing Expectations, 1999 - <http://www.wbcsd.org/DocRoot/RGk80O49q8ErwmWXIwtF/CSRmeeting.pdf> ) Accessed in 01/05/2007

**Key Words:** Corporate Sustainability Index; Elites Convergence; Corporate Social Responsibility.

### ***Introduction***

Brazilian appropriation of the financialization represents more than simple economic domination. According to Grün (2005), what is seen in Brazil is much more a spread of the financialization logic than of financialization itself. His proposition is that when the domination tools of financial logic reach society, they suffer great transformation, significantly altering their scope and performance however, the maintainability of original language, which is previously legitimated by the opinion makers, generates the effect of thinking to be in front of a simple copy of financial tools used in other places.

Brazilian evidences of these financial tools are the coming of Corporate Governance Movement, the policies of financial inclusion such as the expansion of micro-credit, the increased availability of books like “Rich dad, Poor dad” from Robert T. Kiyosaki<sup>2</sup>, and even the explicit proposal from Sao Paulo’s stock exchange market with its “Bovespa vai ate voce” program [Bovespa comes to you], with the purpose of divulging stock market concepts<sup>3</sup>.

As the financial logic reaches Brazilian Society, it creates a social space that includes Associations, Non Governmental Organizations, Syndicates, Corporations and Government. But, what is the element that is bonding these different groups together? My argument is that the element could be the sustainability concept appropriation by the financial field, represented in this paper by the Corporate Sustainability Index created in

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<sup>2</sup> There are examples such as: “Nice girls don’t get rich” from Lois P. Frankel and also “Meninas normais vão ao shopping, meninas iradas vão à bolsa” [normal girls go shopping, cool girls go to the stock market] from Andre Assef and Mara Luquet.

<sup>3</sup> The summer of the year 2007, Bovespa will visit the beaches of five Brazilian states with this campaign. See more at [www.bovespa.com.br](http://www.bovespa.com.br) accessed in 01/05/2007

December 2005, the social place of the elite's convergence, which, is a tool for the insertion of the financialization logic in Brazil. A new elite may be formed based on an ideology, which might create another spirit of capitalism<sup>4</sup> based on an ideology of sustainability.

This paper aims to forward a discussion about Corporate Sustainability, which creates a convergence of Elites through the Financial World in Brazil, by showing the changes of connotation of the term Corporate Social Responsibility (CSR) until it meets the Corporate Governance (CG) Movement, culminating in the creation of the Corporate Sustainability Index<sup>5</sup> (ISE). ISE is a pioneer initiative in Latin America, and has a deliberative board that might point out a possible convergence of Elites based on the incorporation of social and environmental issues in the financial field. Such context might be the reason why financialization is gradually seen as “taken for granted” in Brazil.

This paper brings a possible chronology mapping out the most important social actors involved with the construction of Corporate Social Responsibility's meanings and the gradual appearance of the ISE's board composed of different elites<sup>6</sup>.

It is important to emphasize that this paper is a part of a doctorate thesis and shows mostly evidences that supports its hypothesis<sup>7</sup>. This paper is also divided into

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<sup>4</sup> Spirit of capitalism's idea comes from Weber, who in his book “The protestant Ethic and the spirit of capitalism” correlated ideology with an emerging capitalist class. The spirit of capitalism constitutes in general, *an ideology that justifies the enrollment into the capitalism*. This definition of the spirit of capitalism comes from the book “Le nouvel esprit du capitalisme” from Luc Boltanski e Eve Chiapello, 1999 Coll. NRF Essais, Gallimard page 42.

<sup>5</sup> For more information see [http://www.bovespa.com.br/Market/MarketIndexes/ise\\_i.shtml#topo](http://www.bovespa.com.br/Market/MarketIndexes/ise_i.shtml#topo) accessed in 01/04/2007.

<sup>6</sup> The gradual arrangement of the ISE's board shown in this paper is based on a theme search in one of the most important business newspaper in Brazil called “Valor Econômico”. More information about this newspaper see [www.valoronline.com.br](http://www.valoronline.com.br)

<sup>7</sup> Following my research schedule, by the time of ASA's conference, in August 2007, more data that could support my hypothesis should be in hands.

three parts: the changing meanings of CSR, its meeting with the CG Movement, and the Corporate Sustainability Index as a field<sup>8</sup> of elite convergence in Brazil.

### ***1 The changing concept***

It's possible to divide the history of CSR into three distinct moments in Brazil. In the first moment, it's all about philanthropy. In the second, CSR acquires the meaning of corporate strategy and also its current name<sup>9</sup>, followed by a third moment when CSR meets the ideas of Corporate Governance - The CSR's and CG's concepts are joined together, which means that the entrance of CSR in the financial field culminates in a financial connotation of the word *sustainability*.

#### ***1.2 Philanthropy***

According to Cappellin and Giuliani (2004), The *Associação de Dirigentes Cristãos de Empresas do Brasil*<sup>10</sup> (ADCE-Brazil), a branch of The International Christian Union of Business Executives (UNIAPAC), was the first group to prompt a social conscience in the corporate field. The ADCE was founded in Sao Paulo in the year of 1961. The publication of the *Carta de Principios do Dirigente Cristão de Empresas*<sup>11</sup> in 1965 by the Sao Paulo's Group prompted a debate about the social role of companies. In 1974, the Group published another important document, the *Decalogo do Empresariado*<sup>12</sup>, which contained, for the first time, an explicit proposal to link business management with social responsibility. The Group became a national network in 1977,

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<sup>8</sup> The term "Field" refers to the term applied by the French Sociologist Pierre Bourdieu which means "a relatively autonomous structured domain or space, which has been socially instituted, thus having a definable but contingent history of development. One condition of the emergence of a field is that agents recognize and refers to its history. (...) A field is an arena of constant struggle for 'stakes', particular types of field-specific and generic *capitals*". In Warde Alan "Practice and Field: revising Bourdieusian concepts". For a Bourdieu Book see: Bourdieu P. 1996 [1992] The rules of art. Oxford: Polity.

<sup>9</sup> Corporate Social Responsibility.

<sup>10</sup> Brazilian Christian Company Directors Association.

<sup>11</sup> The Letter of Principles of Christian Company Directors. For more details access <http://www.adcesp.org.br/principios.htm> (accessed in December 14th 2005).

<sup>12</sup> Entrepreneurs decalogue.

developed by ADCE, it created new tools and reactivated the Catholic tradition of charity.

Cappellin and Giuliani (2004) wrote that the *Fundação Instituto de Desenvolvimento Empresarial e Social*<sup>13</sup> (FIDES) was founded in 1986, in co-operation with ADCE. These scholars interviewed the FIDES' president in November 1999, and later in 2001, and they concluded that FIDES focus its attention on “humanizing the firm and promoting its relationship with society<sup>14</sup>” (Cappellin and Giuliani, 2004:03). The authors also demonstrated that the mission of FIDES is to develop special education and intellectual tools, as well as creating dialogues with trade unions and relationships with ecumenical authorities, such as the National Bishops Committee.

The creation of ADCE and FIDES proves that at first in Brazil, the entrepreneurial groups talked about the *social* activities with Catholic backgrounds based on charity, which would give moral feedback to the entrepreneur.

The change from a philanthropic scope to CSR as a corporate strategy comes, among other factors, from the spread of the third sector in Brazil.

Landim and Fernandes<sup>15</sup> (1988) cited by Carrion and Garay (2000) affirm that the development of the third sector in Brazil has four moments: the first begins with Brazil's colonization and lasts until the middle of the 20th century, and corresponds to the development of the voluntary associations based on Christian ideas. The second begins in the thirties during president Getulio Vargas' government, in which the State assumed the benevolent politics as a government strategy. The Church has also assumed the responsibility for benevolent deeds serving as a powerful ally of the State in

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<sup>13</sup> Institute Foundation for Entrepreneurial and Social Development. For more information access the web-site <http://www.fides.org.br/> (accessed in December 14th 2005).

<sup>14</sup> In their paper the authors don't cite the FIDES' president's name, interviewed in November 1999.

<sup>15</sup> For more details read: Fernandes, RC. 1988 Sem fins lucrativos [Without lucrative aims] pp. 8-23 in Landim (Org.) Sem fins lucrativos: as organizações não-governamentais no Brasil. [*Without lucrative aims: the non-government organizations in Brazil*] ISER Rio de Janeiro.

controlling social dissatisfaction. The third moment inserts itself in the context of the seventies, when the benevolent and philanthropic organizations joined the Social Movements and began to deny the situations of repression, inequality and social injustice. It is during that time that Non-Governmental Organizations (NGO) arose. The fourth moment is related to the promulgation of the 1988 Constitution, which defines the concept of *citizenship* and the philosophical background of social policies elaboration.

The changing of meaning from philanthropy to CSR in Brazil can be noted especially from the third moment on, when the union of ideas from entrepreneurial Philanthropic Institutions and the Social Movements took place.

### ***1.3 CSR as a strategy***

NGOs were formed in the seventies, but it was only in the early eighties that the social manifestations that are still in practice today (even stronger) reached a greater importance in Brazilian society. There are a few institutions that played a central role in the consolidation of CSR such as the *Pensamento Nacional das Bases Empresariais*<sup>16</sup> (PNBE), which was created in 1987. The PNBE admits that conflicts exist among social, political and economic issues and recommends a “social pact” be reached through the act of bargaining.

From the nineties on, the Social Movements lost their political characteristics and started to act with demands on humanistic and universal issues, expressed through their campaigns for the preservation of the environment, for children and adolescent rights, against hunger, poverty and etc. According to Neveu (2002), these issues have an important role in the construction of identities, within the symbolic universe on which the dawn of the Social Movement can be sustained.

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<sup>16</sup> National Thinking of the Entrepreneurial Basis. For more details access [www.pnbe.org.br](http://www.pnbe.org.br) (accessed in december 14th 2005).

Humanistic issues begin to be part of the agenda of the Social Movements characterizing, legitimizing and modifying them in a stabilized political and economic context. Issues such as: “The Environment” and “Universal Human Rights” are topics that lead to actions that are not based on political-party causes, but on the needs and the rights of human beings. Thus, Gohn (2000) writes that it is important to emphasize that part of the actions, which come from an individual conscience other than a collective one have mobilized a great number of people in the nineties. They are more concentrated in establishing values such as human solidarity and less in political party projects as in the eighties.

Gohn (2000) also states that the collective movements in the nineties present themselves more as *campaigns*, which have had the NGOs as their representatives. NGOs started to be the link between organized collectives as well as private groups and governmental institutions making it possible for a new Public Sphere to appear, characterized by partnership policies.

It is necessary to emphasize that the loss of capacity from the State to rule, along with the re-democratization of the country, fortified NGOs and increased their engagement with society against social injustice.

Claudia Mansur, responsible for the implementation of the Social Accountability Report from IBASE<sup>17</sup> (Brazilian Institute of Economic and Social Analysis), said that

(...) thinking about the private sector: there have been a great dispute between NGOs and executives, it always have been. (...) Then, there was our campaign against hunger, which was a public project that people joined in the entire country. Companies had come to us wanting to donate food, to loan trucks for transporting the food, to loan warehouses to keep the food, providing their staff to help in the campaign for the first time(...) they started the first contact between NGOs (the third sector) and the second sector, the companies. Then, Betinho (who was a very special person) thought that the companies

<sup>17</sup> [www.ibase.br](http://www.ibase.br) accessed in 01/05/2007

could help. He didn't want a prompt aid, but a permanent enrollment, a change of position from their part. (Mansur, 2004)<sup>18</sup>.

In 1995, the formal creation of the *Grupo de Institutos, Fundações e Empresas* (GIFE)<sup>19</sup> occurred. According to Carrion and Garay (2000), the GIFE was formally created by representatives of 25 private national groups, among which were: Bradesco, Volkswagen of Brazil, Victor Civita, Grupo Itau, Odebrecht and Rede Globo, with the objective to develop a systematic aid from private companies to the society. According to its website, GIFE has the mission to generate private resources for the common good and to diffuse the concept of Private Social Investment.

Private social investment, according to GIFE, is the voluntary donation of private resources in a planned, monitored and systematic manner to social, environmental and cultural projects of public interest. It is included the donations carried out by companies, foundations and enterprise's institutions as well as families and individuals. The preoccupation with planning, monitoring and evaluation of the social projects is an intrinsic part of the concept of Private Social Investment, and one of the basic elements which differentiates the Private Social Investment from philanthropic actions. Differently from the concept of charity, which carries a meaning of donation, the social private investors are concerned with results, the effective transformations generated and community enrollment in social action development.

The idea of CSR as a Private Social Investment is part of a society with partnership values. The Executive Robert Egydio Setubal<sup>20</sup> speech demonstrates that the society of partnership is the background for the development of the CSR in his bank. He said, "The solution of our social problems is intrinsically associated with the

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<sup>18</sup> The interview took place and was recorded in June 3rd 2004. This speech was translated into English by the author of this paper.

<sup>19</sup> Group of Institutions, Foundations and Companies. [www.gife.org.br](http://www.gife.org.br) accessed in december 14th 2005.

<sup>20</sup> President of the Itaú Bank in 2001.

commitment of the society as a whole. The positive demonstrations of partnerships politics between government and society lead us to believe each day more in a better country” (Setúbal, 2001:3).

When a company associates with a NGO through a politic of partnership, an “exchange of favors” happens. The companies and the NGOs, each one with its objective, develop a win-win policy. Elkington<sup>21</sup> and Fernnel (1998), in their study about partnerships between NGOs and companies, demonstrated that there are many reasons for an NGO to associate with a company and vice versa.

The companies have the intention of improving their marketing through the credibility that the NGOs have with citizens and also through their necessity of external challenge, easiness in allocating resources, exchange of experiences, desire to diminish public confrontations and to attract shareholders. (Elkington and Fernnel 1998)

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Moreover, when a NGO becomes a partner with a company that generates resources, the NGO in general receives greater recognition before the society.

## ***2 CSR and Corporate Governance***

According to Ocasio and Joseph (2001), the first time the term Corporate Governance was heard in the United States was in December of 1972. The authors state that Ralph Nader provided the first theoretical analysis about Corporate Governance,

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<sup>21</sup> It's important to emphasize that John Elkington is a British Sociologist who founded in 1987 the SustainAbility an important consultancy and Think Tank on this issue. For more information see [www.sustainability.com](http://www.sustainability.com)

which was also known as Democratic Governance. Soon, other social actors such as, the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), the American Assembly, business leaders and also theorists began to pronounce on the subject.

The Corporate Democracy approach was about organizations having to give information to the people they served. In the late seventies, the American Assembly published a book about Corporate Governance, part of which reads

...[We] should say that Corporate Governance is related to Corporate Responsibility, to the needs of the shareholders and other interested parties, as consumers, workers and community. The term refers to the management the American Corporation via-a-vis a lot of expressions for change. The term is also an expression in the government circuit and is talked about what an enterprise must or mustn't do. (Ocasio and Joseph, 2001:12).

According to Ocasio and Joseph (2005), activism growth of the institutional investors during the eighties, and the financial scandals of companies such as Enron, WorldCom and Tyco in 2002, had unchained a suspicious chain that raised the Corporative Governance to a national consciousness.

Shareholders started to demand government regulation's policies and stronger external control. From these events, CG received a new meaning that identifies itself with the policies of "protection to" and "control from" the shareholders.

(...) The category of activities directly related as Corporate Governance, had moved, from an initial focus on business, public policy and the CSR, for the preoccupation with the board organization, executives and decision-making. Previous references made by Nader et al. (1976), participants of the American Assembly (1978) and of the Business Roundtable, considered the Corporate Governance in a broader context with the role of Corporate Governance in the society and how the corporations should render account, not only to their shareholders, but for all their interested parties. (Ocasio and Joseph 2005).

Thus, with the financial scandals of accountability and the growing preoccupation of institutional investors with the decision-making and the composition of board of directors in command of the companies, CG raises a connotation related to the relationship between the agent (the manager) and the principal (the owner).

## ***2.1 Sustainability in Brazil***

Corporate Governance came to Brazil through the Brazilian Institute of Corporate Governance<sup>22</sup> (IBGC). According to Grün (2005), there are three general pillars of the Corporate Governance in Brazil: the respect to minority shareholders' rights, transparency in the companies' procedures and the possibility of acquisition of the companies' share control through their purchase in the financial markets.

For IBGC, Corporate Governance consists of the way shareholders claim to be heard by the companies and also how societies are monitored, involving the relationship between Shareholders/Corporate shareholders, Management Board, Direction, Independent Auditor ship and Statutory Audit Committee. Good practices of Corporate Governance propose the increasing of society value in facilitating its access to the capital and for contributing for its survival<sup>23</sup>.

While contributing for the survival of society, Corporate Governance uses the discourse of sustainability, in which the CSR discourse is also present. The sustainable development, among other definitions, “meets the needs of the present without compromising the ability of future generations to meet their own needs<sup>24</sup>”

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<sup>22</sup> See [www.ibgc.org.br](http://www.ibgc.org.br)

<sup>23</sup> Available in <http://www.ibgc.org.br/ibConteudo.asp?IDArea=2> (Accessed in 06/05/2005)

<sup>24</sup> Brundtland Report available in [http://www.are.admin.ch/are/en/nachhaltig/international\\_uno/unterseite02330/](http://www.are.admin.ch/are/en/nachhaltig/international_uno/unterseite02330/)

CG and CSR aim at the same purpose, which is to guarantee the survival of the company however, CG currently follows the direction of shareholders' value creation, while CSR goes in the direction of hearing the interests of all stakeholders, developing actions that create value to them.

According to the definition of the Ethos Institute of Social Responsibility<sup>25</sup>, CSR is hearing the interests from *all* stakeholders, however when it comes to the financial world, CSR is part of CG concept, creating value for shareholders.

In the later years, there have been significant evidence of the CSR insertion in the idea of Corporate Governance within the financial market, especially the Corporate Sustainability Index.

The ISE<sup>26</sup> is legitimized by the development of CSR ideas in Brazil. The hypothesis is that the movement of finances is gradually taken for granted in Brazil because it incorporates the sustainability concept and that could create a convergence among Elites considered opponents. The ISE can be considered the space par excellence of the convergence of Elites and evidence of the strength the financial world could acquire incorporating the sustainability ideas.

### ***3 The Corporate Sustainability Index***

It is important to emphasize that the creation of the Corporate Sustainability Index consolidates an institutional space of convergence of CG and CSR, in a society that is incorporating financial cultural values. It works in the triple bottom line principle: economic, social and environmental sustainability.

The institution of the Corporate Sustainability Index brought about a debate among its creators not only in the general concept of social responsibility but because of

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<sup>25</sup> [www.ethos.org.br](http://www.ethos.org.br)

<sup>26</sup> There's also the international influence that already existed: The Dow Jones Sustainability Index in 1999 in the USA, The FTSE4Good in 2001 in London and The SRI in 2003 in South Africa.

the newness that the subject announced. The Sao Paulo Stock Exchange announced a new Index that would evaluate the commitment of the companies with the welfare state in July of 2004. The idea of the ISE comes from the international success of the Dow Jones Sustainability Index: “The Index lists actions of a group and takes financial solidity to a position of environment and social responsibility. Its performance has been consistently better the one registered by the Dow Jones General Index (DJGI)” (Exame Magazine, 2004).

According to Gonzalez (2005),

The development of socioeconomic indicators to evaluate the companies in actions of sustainability is the guideline of the day. The segments of investment, credit, risk or rating appeal in a growing manner to decide - or not - if they should or not recommend to the investors, write reports, make analyses. This tendency is the result of organized and conscientious actions of society in many countries, among them Brazil, that pressures for socially responsible practices. In other words, corporations should present a socioeconomic commitment to the public that is affected because of their existence. (...) The offers of socially responsible investment fund might extend in the Brazilian market. The existence of an Index becomes very important where fund Managers can evaluate the performance of the enterprises they invest in. The São Paulo Stock Exchange debated this subject for the first time in 1999 with the APIMEC<sup>27</sup>. In 2003, when the first socially responsible fund of opened variable income in Brazil was completing two years, a team of the Bank responsible for this fund looked for the staff of the Brazilian Stock market with one suggestion: to create a Corporate Socially Index, after all, the fund didn't present an adequate reference<sup>28</sup>.

One of the most important business newspaper in Brazil - Valor Econômico – covered ISE implementation and the articles from January 1<sup>st</sup>, 2005 to November 2006 created a chronology of such implementation.

According to those articles, there was an initial delay in the implementation of the ISE in Sao Paulo Stock Exchange due to a social polemic about the authorization of

<sup>27</sup> Association of Capital Markets Analysts and Investment Professionals

<sup>28</sup> Translated into English by the author of this paper.

companies dedicated to production considered harmful to society thus, promoters of a social irresponsibility. The tobacco, alcohol and firearms' Companies defended their interests in entering the list of the Index. According to Camba (2005), a reporter from the Valor Econômico Newspaper,

The main point is that some companies don't accept to stay out of this Index and fear the negative impact to their social role and their image. They argue that they are companies legally installed in the country and they generate thousands of jobs, they pay taxes and possess exemplary programs of social responsibility. The companies alleged that it would be unjust to be excluded of the Index simply for being sectors seen by some as not socially responsible.<sup>29</sup>

During this polemic, Aflried Ploger, president of ABRASCA<sup>30</sup> reveals that he's against the creation of the ISE and in favor of the exclusion of the companies considered harmful. In the same article, the Getulio Vargas Foundation (that has the role to develop the methodology of ISE through its Sustainability Center) and Bovespa<sup>31</sup> appear as central social actors in the implementation of the ISE.

Later, in an article from March 30th 2005, important social actors in the implementation of ISE started to appear: ABRAPP<sup>32</sup> is presented as part of the deliberative board and is against the preemptive exclusion of certain enterprises. Others appear as part of the deliberative board, as well such as, the ANBID<sup>33</sup> (at that time without manifesting its opinion), the APIMEC<sup>34</sup> (against the exclusion), the IBASE (in favor of the exclusion) and the Ethos Institute of Social Responsibility (also without manifesting an opinion). There is also CEBDS<sup>35</sup> that takes a position against the exclusion, but wasn't invited to be part of the deliberative board. In April 2005, the

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<sup>29</sup> Translated into English by the author of this paper

<sup>30</sup> Brazilian Anonymous Society Association

<sup>31</sup> Bovespa was the first stock market to sign the *Global Compact*.

<sup>32</sup> Brazilian Association of Pension Funds

<sup>33</sup> National Association of Investment Banks

<sup>34</sup> Association of Capital Markets Analysts and Investment Professionals

<sup>35</sup> Brazilian Entrepreneurial Board for the Sustainable Development

newspaper presents two more institutions<sup>36</sup>: the IBGC<sup>37</sup> and the International Finance Corporation (IFC)<sup>38</sup>, the latter being one of the most important financial sponsors for the ISE. Also in April, while the board decides not to exclude the candidate enterprises from ISE, IBASE decides to abandon the ISE's board.

In August 2005 another issue starts to occupy the ISE agenda: the enterprises' complaint that they wouldn't know how to attribute weight to the different issues in question in the questionnaire, which had been placed in public audience in May 2005. This issue lasted until September, when it was decided that the enterprises wouldn't have knowledge of the weight of the issues in question.

During the months of October and November 2005, the next issue was that only half of the enterprises that were asked to answer the questionnaire did in fact do it and ISE couldn't reach the minimum of listed enterprises, which in the beginning were 40. In December, the ISE started to work and the Ministério do Meio-Ambiente<sup>39</sup> was cited in the newspaper as a part of the ISE's deliberative board for the first time.

In December there were two issues being discussed; the possible initial step by ISE for the development of the socially responsible mutual funds and the ISE portfolio being composed mostly by banking and electric sectors, which could compromise the real idea of sustainability as a value for shareholders.

During the year of 2006, especially during the first semester, the newspaper talked about the great rentability of ISE. In May and June of that year, there was an article announcing the changes the questionnaire would go through: it would have questions concerning human rights, corruption, elections and it would be necessary an audit of the documents brought to BOVESPA. The Pricewaterhousecoopers' name

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<sup>36</sup> Not meaning that these institutions weren't in the process before April, but the valor Econômico showed them just in April.

<sup>37</sup> Brazilian Institute of Corporate Governance

<sup>38</sup> IFC is a branch of the World Bank.

<sup>39</sup> Brazilian Ministry of the Environment.

appears as the auditing enterprise given its involvement with Dow Jones Sustainability Index (DJSI) in the USA, which suggests the insertion of this social actor in the field of Brazilian Sustainability<sup>40</sup>.

In November 2006, 60 enterprises answered the questionnaire and in December of the same year, Petrobras becomes part of the portfolio with a weight of 25 per cent while the prevalence of the financial sector diminishes from 60,7% to 43,6%<sup>41</sup>.

The banking major composition of the portfolio might suggest a sequential hypothesis that more recently large Brazilian banks blended CSR into their concept of CG to produce a widely publicized measure of their social and economic achievements, the Corporate Sustainability Index. This banking elite activity could be viewed as merely “demand following”, meaning that, banks have been viewed as responding to economic, if not, political progress initiated by other elites. Yet this activity could be viewed as a “supply leading” strategy or the financialization of Brazil where banks adopt CSR to converge and dominate other elites and persuade society at large to believe in their social transformation as at least adherents, if not leaders, in philanthropy and democracy.

#### ***4 Final Comments***

The composition of the deliberative board of ISE today consists in the participation of BOVESPA, ABRAPP, APIMEC, ANBID, Ethos, IBGC and Ministério do Meio-Ambiente, through the Secretaria de Desenvolvimento Sustentável, the Center for Sustainability Studies of the Business Administration School in Sao Paulo -CES-FGV (as the methodology proponent), the IFC (as its financial sponsor), and, possibly, Pricewaterhousecoopers, as a new actor in the audit issue<sup>42</sup>.

<sup>40</sup> The Pricewaterhousecoopers is already part of the technical board of ISE.

<sup>41</sup> Data from Valor Econômico newspaper from 12/01/2007.

<sup>42</sup> According to a document published by CES-FGV, Ricardo Nogueira from Bovespa, cite that the initial formation of the deliberate board includes the Social Observatory Institute which “is an organization that studies and analyzes the behavior of multinational, national and state companies in relation to the fundamental rights of workers. These rights are assured principally by the International Labor

According to a document available in the ISE's website<sup>43</sup>, the deliberative board has the mission of defining the scope and approving ISE portfolio. As the document shows, there are two brand new characteristics in Brazilian Index: (1) the development of the selection criteria through consultancy and with the participation of stakeholders' representatives and (2) ISE's validation from civil society, which can illustrate the particular characteristic of a financial tool in the improvement of democracy and turns the Brazilian ISE an interesting sociological case of study.

The following table aims to show the ISE's board organizations and the interests they represent.

**Table 1**  
**ISE Deliberate Board and their Representatives**

<i>Social Actors</i>	<i>Reach</i>
Bovespa (Stock Exchange Market) (President)	<i>Enterprises, shareholders, investors</i>
International Finance Corporation (IFC)	<i>Worldwide, politicians</i>
Brazilian Association of Pension Funds (Abrapp)	<i>Workers, pension funds managers</i>
Association of Capital Markets Analysts and Investment Professionals (Apimec)	<i>Investors, capital market analysts</i>

Organization (ILO) conventions that deal with freedom of association, collective bargaining, child labor, forced labor, discrimination against gender and race, the environment, health and occupational safety (...). The Social Observatory is an initiative of CUT Brasil in cooperation with CEDEC (Center of Studies of Contemporary Culture), DIEESE (Inter-Union Department of Statistics and Socio-Economic Studies) and UNITRABALHO (Inter-University Network of Studies and Researches on Work). More information see <http://www.observatoriosocial.org.br/portal/index.php?option=content&task=view&id=933&Itemid=126> Although the Valor Econômico newspaper mentioned the exit of IBASE from the deliberate board, the reason why Social Observatory Institute left was not in the newspapers articles.

The document published by CES-FGV is available in [http://www.ces.fgvsp.br/arquivos/conferencia\\_internacional\\_p7%20bovespa.pdf](http://www.ces.fgvsp.br/arquivos/conferencia_internacional_p7%20bovespa.pdf)

<sup>43</sup> See <http://www.bovespa.com.br/pdf/Indices/ResumoISENovo.pdf> accessed in 01/04/2007

National Association of Investment Banks (Anbid)	<i>Banks</i>
Ethos Institute of Social Responsibility (NGO)	<i>Enterprises, Scholars</i>
Brazilian Institute of Corporate Governance (IBGC) (NGO)	<i>Shareholders</i>
Brazilian Ministry of The Environment	<i>Government</i>

Source: Partially in the ISE's Document available in <http://www.bovespa.com.br/pdf/Indices/ResumoISENovo.pdf> and partially elaborated by the author. This table will be strengthened along with the development of the author's doctorate study.

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