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# Worn out by the financial crisis?

**Fledgling markets where investors and donors can fund enterprises with a social mission exist or are being launched in Brazil, South Africa and Mauritius. But a fully regulated stock exchange where investors can trade in the shares of social enterprises has yet to get off the ground. Stephen Brenninkmeijer, founder of social investment fund Willows Investments, explains why he is backing a London-based project along these lines.**

You have handled corporate giving for your family company. You have launched a programme to train teenagers to set up their own businesses. You have created a social investment fund through which you support entrepreneurship in developing countries. What's left for the public-spirited businessman eager to build a better world?

Why not help launch a social stock exchange?

That, right now, is the project that excites Stephen Brenninkmeijer, a tall and elegant scion of the German-Dutch dynasty that owns the multinational C&A chain of clothing stores. The idea, he says, is "to create a platform where social enterprises can list (and) raise capital and where institutional investors can invest." After several years of gestation, the embryonic Social Stock Exchange, of which he is one of the backers, is due to be incorporated early next year in London with a view to opening for trading sometime in the following 12 months.

## A contradictory concept

A social stock exchange? As a concept, it sounds like a contradiction in terms.

Social enterprises serve needs that commercial enterprises, charities and governments are failing to meet, in areas from housing and education to healthcare and rural development. While stock exchanges, traditionally, are temples of profit, most social enterprises count themselves lucky if they do not make a loss.

As profit is not their prime motive, it's hard for them to obtain funding, other than from charitable donations, to maintain and expand their activities. "If you don't find sound private investors," says Brenninkmeijer, "it is very complicated to raise capital."

Until recently, most investors would have been indifferent to such concerns. Amid the financial and economic crisis, however, traditional stock exchanges are losing their shine. Though social stock exchanges have yet to prove their worth as an alternative, their aim is to enable investors to put their money into enterprises that will produce social benefits, along with financial returns, as part of the overall reward for investment.

The concept, wrote Dermot Egan, founder of an Internet-linked network for social entrepreneurs, in a recent article for The Guardian, "represents an important first step in understanding how economies can promote and fund enterprises that deliver long-term financial and social returns."

## Beyond philanthropy

Brazil and South Africa already have forums that connect investors and donors with social enterprises; an exchange recently launched in Mauritius is now inviting listings for high impact social and environmental businesses, and plans are also being studied for a social stock exchange in Singapore. Brenninkmeijer's interest in such projects is a natural sequel to a business career that branched out from the rag trade into social philanthropy.

During the 1980s and 1990s, he was in charge of buying for C&A's U.K. stores. In 2000 he launched a charity in the U.K modeled on the U.S.-based Network for Teaching Entrepreneurship with a mission to inspire young people from disadvantaged backgrounds to recognise business opportunities and to plan for successful futures. In 2002 he created the Andromeda Fund, investing on behalf of C&A's family owners in non-listed enterprises that work with local entrepreneurs in emerging markets.

Andromeda's philosophy was to invest in what Brenninkmeijer calls "base of the pyramid investment propositions." It began by backing Latin American microfinance enterprises and trading companies in emerging markets, following a strategy based on three requirements: financial returns, social impact and an ability to grow. One of its most successful investments was in Celtel International, founded by Sudanese entrepreneur Mo Ibrahim to bring mobile telephony to Africa. It was closed in 2007, with an internal rate of return of 23 percent, and in 2008 Brenninkmeijer launched another investment firm on similar lines, Willows Investments, with his own funds.

Meanwhile, in 2007, Brenninkmeijer had been asked if he would like to back a stock exchange for social enterprises. The approach came from the two men behind the London project, Pradeep Jethi, a former product development manager for the London Stock Exchange, and Mark Campanale, a former investment fund manager with a focus on sustainable development, and from the Rockefeller Foundation, which had already funded a feasibility study.

## Preparing for take-off

Brenninkmeijer's response was immediately positive. "I felt that this was an exciting project," he recalls. "I could definitely see the benefits of funding social enterprise to raise capital because I knew, out of experience, how difficult that is."

Because of the financial crisis, combined with legal complexities and the inherent difficulty of getting social impact investors to fund a financial infrastructure project, the project took longer than planned to get off the ground. But its initiators say they have now raised US$3 million in funding, including from a number of charitable foundations. They hope to launch the exchange in 2012, with Brenninkmeijer as chairman, after systems testing and resolution of legal, regulatory and business development matters.

A number of companies have already indicated their interest in listing, including some already listed on other exchanges, and more are expected to join as the project gains momentum. To be eligible, companies must address a social or environmental challenge; be able to state their key social performance indicators and report on them; and ideally embed a social mission into their legal corporate objectives. The advantages of a listing, according to the project's initiators, are the classic benefits attached to a listing on any reputable exchange: price discovery, an entry and exit route for investors, and a platform for the launch of public invitations to invest.

As a self-avowed venture capitalist whose focus is on "social impact + financial return", Brenninkmeijer looks forward to the investment flexibility that the social stock exchange will bring. While he is ready to accept returns for his own investments in the region of between six and 12 percent, substantially lower than those required by mainstream venture capitalists, he wants them to be productive.

"I want to invest in a business to make it sustainable but also to make it scalable, so that you can grow it," he says. "When you make a financial return, you have got options about what you can do with it, reinvest it in the same business or go into other projects."

*Brenninkmeijer was a participant in INSEAD's sixth annual Social Entrepreneurship Conference held in Berlin on 7 October 2011 in partnership with the Centre for Social Investment of Heidelberg University and the Hertie School of Governance.*

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