



B Lab Controversial Industries Statement Companies Working in the Casino Industry

B Lab's Approach to Controversial Issues and B Corp Certification

As for-profit companies that meet the most rigorous standards of overall social and environmental performance, accountability, and transparency, Certified B Corporations are leaders in the movement to use business as a force for good.

Whether through information a company provides in its [Disclosure Questionnaire](#), an issue raised by a third-party through B Lab's formal [Complaints Process](#), or public discourse on B Corp certification requirements and standards, difficult and complex questions regularly arise as to how controversial issues in the world of business should affect a company's eligibility for B Corp certification. Judgments on these issues are then determined by B Lab's independent [Standards Advisory Council](#) as part of a disclosure review process.

B Lab's Disclosure Questionnaire forms the basis of the disclosure review process, which covers sensitive industries, practices, outcomes, and penalties and is based on third party screenings and standards like the IFC Excluded Industries List and International Labor Organization Conventions. Recognizing that any list of sensitive issues may be incomplete, however, B Lab also reserves the right to conduct similar reviews on issues that are not currently featured in the Disclosure Questionnaire but are deemed subject to material stakeholder concern and a potential violation of the B Corp movement's Declaration of Interdependence.

When new industries or issues where a decision making model has not already been developed arise, B Lab conducts research into the issue in order to guide the Standards Advisory Council's decision. Research is based on secondary sources compiled by B Lab staff, with the overall intent of identifying and understanding the different concerns related to the industry or issue and the different perspectives of stakeholders. This includes a review of press related to the industry and its impact, how the issue is covered by other standards, existing public policy and public policy recommendations from non-profit organizations and other topical experts, examples - potentially both good and bad - of actors within the industry, and other public commentary and perspectives. This content is in turn used to develop the framework for Standards Advisory Council review, and determines the types of questions that individual companies are required to answer as part of their review.

Particularly when it comes to industries that are controversial, there is a natural and healthy tension between the inclination to exclude all companies in those industries from eligibility for B

Corp Certification, and *the need for leadership* that has the potential to transform the culture, behavior, and impact of those industries. While B Lab and its [Standards Advisory Council](#) may determine that an industry as a whole is ineligible for certification because of its negative impacts or practices, they also recognize that in controversial industries it may be possible for companies to be meaningfully managing those potential negative impacts or controversies. In these circumstances, the need may be greatest to distinguish between good and bad actors, as well as good, better, and best performance by using rigorous standards of verified social and environmental performance, legal accountability, and public transparency. All stakeholders are best served by the existence of credible and transparent standards that facilitate improved policy, investment, purchasing, and employment decisions.

Along with the recognition that there are many diverse and reasonable perspectives as to what contributes to a shared and durable prosperity for all, B Lab and its Standards Advisory Council will make determinations regarding eligibility for B Corp Certification and, if eligible, will require companies in controversial industries, with controversial policies, or engaged in controversial practices to be transparent about their practices and how they work to manage and mitigate concerns. B Lab will also document and share these positions publicly in order to enable all stakeholders, including citizens and policymakers, to make their own judgments about a company's performance, as well as further thoughtful, constructive public discussion about important issues. Existing B Lab statements and frameworks on controversial issues are available [here](#).

These frameworks, like B Lab's standards generally, are works in progress, and we look forward to improving upon them in the future. B Lab invites other perspectives as it continues to refine its views and, hopefully, contribute to a constructive conversation about the role of business in society.

Independent of eligibility for B Corp Certification, all companies in any industry are able to use the [B Impact Assessment](#) as an internal impact management tool to assess and improve their overall practices, and/or adopt a stakeholder governance legal structure (such as [benefit corporation](#)) appropriate to the company's current corporate structure and jurisdiction.

If you have questions or comments about B Lab's approach to the below issues, please email B Lab's Director of Standards Dan Osusky at dosusky@bcorporation.net.

Companies Working In The Casino Industry And B Corp Certification

Casinos are considered controversial due to the potential harms of their service, including the enabling of problem gambling and the broader societal impacts on the communities where they operate. These potential harms are exacerbated by the structure of their business model, which is dependent upon the financial loss of its customers in which the odds favor the company.

In response to these controversies, B Lab and its independent Standards Advisory Council have rendered the following decision regarding their eligibility for B Corp Certification:

For Companies who have a meaningful and strategically connected involvement in operating casinos: Companies who operate in the casino industry are eligible for B Corp Certification only if they are able to demonstrate that they have met the highest possible set of practices to sufficiently manage the potential negative impacts of their business model.¹ If a company, in the opinion of the Standards Advisory Council, is able to meet this standard, then the company will also be required to have incremental disclosure on their B Corp public profile that outlines the specific ways in which the company has met them. More information about potential expected practices are outlined below.

For companies that have a limited and not strategically connected exposure to casino gambling: Companies are eligible for B Corp Certification with incremental disclosure on their B Corp public profile outlining the exposure and how the company approaches and mitigates its potential negative impacts. In the case of casino-related entities that are independent of the rest of a business, those entities will need to be evaluated on their own merits related to this requirement and therefore may be ineligible for the certification on their own, and will therefore not be able to make use of the B Corp IP.²

More details about what qualifies as a meaningful and strategically connected involvement is also provided below.

Industry Overview and Associated Risks

Companies that operate casinos range from large scale casino multinationals that rely on gambling as their sole source of revenue, to others involved in different industries such as tourism or retail, and have casinos integrated into their operations. Examples of the latter include resorts, cruise ships, shopping malls and other tourist attractions. While casinos are

¹Based on the research undertaken by B Lab to inform this position, it was not possible to identify a particular casino that would likely be currently meeting the standard outlined in this document.

²The subsidiary would still need to complete the BIA and meet a minimum score of 80 which would be rolled up into the parent company's overall score.

simply considered to be a form of entertainment by some, there is also an inherent conflict regarding the nature of its service, since their business model is reliant on a zero-sum game that favors the company, wherein the more a consumer gambles (and the more they lose), the more the company makes. While specific details vary by jurisdiction, their approval and specific practices are generally highly regulated.

While for most individuals gambling is an enjoyable and harmless activity, it can become addictive and have severe negative consequences. Problem gamblers, continue to gamble despite being aware that they are doing serious harm to themselves and their families, including the following types of impacts:

- personal (for example, depression, anxiety, ill-health, suicide);
- interpersonal (divorce, separation);
- vocational (poor performance, absenteeism, job loss);
- financial (debts, asset losses, bankruptcy); and
- legal (obtaining money for gambling illegally).³

Problem gambling was recently classed as an impulse control disorder in the Diagnostic and Statistical Manual of Mental Disorders under DSM-5 and parallels have been drawn between the addictive behaviour of problem gambling and drug addiction.⁴ Studies carried out across the globe show that between 0.1 - 5.8% of individuals meet the diagnostic criteria for problem gambling.⁵ While statistics vary by country, consistent results have been found in regard to socio-demographic characteristics: Problem gambling is more likely to occur among men, single or divorced individuals, young adults, individuals with lower levels of education, marginalised groups, the unemployed, and those with low incomes.⁶ Further research shows that 15-50% of gambling revenue comes from problem gamblers, depending on the jurisdiction and time period.

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There are many different types of gambling and some have higher rates of usage by problem gamblers than others as a result of how accessible they are and how they function. Compared to forms of gambling such as lotteries and bingo halls, which have longer time periods between placing bets and winning or losing, as well as lower financial wagers, games associated with casinos and online gaming tend to have higher rates of problem gambling.⁸ This can be due to

³ <https://aic.gov.au/publications/tandi/tandi256>

⁴ <https://www.verywellmind.com/what-is-gambling-disorder-22015#:~:text=Gambling%20Disorder%20is%20a%20behavioral,the%20field%20of%20mental%20health>

⁵ Problem Gambling Worldwide: An update and systematic review of empirical research (2000 -2015)

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5370365/#:~:text=Gambling%20and%20problem%20gambling%20worldwide&text=Most%20studies%20on%20problem%20gambling,%2C%20North%20America%2C%20and%20Oceania.&text=More%20specifically%2C%20in%20North%20America,Europe%200.1%25%20to%203.4%25>

⁶ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5370365/#:~:text=Gambling%20and%20problem%20gambling%20worldwide&text=Most%20studies%20on%20problem%20gambling,%2C%20North%20America%2C%20and%20Oceania.&text=More%20specifically%2C%20in%20North%20America,Europe%200.1%25%20to%203.4%25>

⁷ https://prism.ualgary.ca/bitstream/handle/1880/51141/Williams_AGR12016_What_Proportion_of_Gambling_Revenue_is_Derived_from_PG.pdf;jsessionid=FC20E157EE21E294C987DDFA7240AFA?sequence=18

⁸ https://docs.wixstatic.com/ugd/c47eec_20053e598420480d8b83f319518814ac.pdf

the instantaneous gratification or loss felt by gamblers from these kinds of activities and the larger financial wagers, which can result in problematic and irresponsible behaviour.

Beyond the individual effects on those who gamble (and their relations), there are also broader social impacts that casinos have on communities, both positive and negative. Negative community impacts include higher incidences of crime. One New Zealand study showed that 30% of problem gamblers had been involved in gambling related illegal acts and 15% of prison inmates committed crime to finance gambling or gambling debts. Casinos can also attract other forms of illegal activity such as organized crime, loan sharks and prostitution. A report in the US followed crime in communities where casinos operate, and found a direct correlation between increasing levels of crime and increasing levels of gambling.⁹ They also found that 8.6% of property crimes and 12.6% of violent crimes were due to the presence of the casino in the community.

On the other hand, proponents cite that the positive benefits of casinos include: increased revenue for local communities from tax,¹⁰ increased revenue for local businesses as a result of increased tourism, increased job opportunities for locals,¹¹ provision for socializing and entertainment for locals in remote areas, and additional facilities such as high-end restaurants, festivals and other cultural events organised by the casino. In at least one study the positive socio-economic effects were confirmed, but the positive impact was marginal,¹² and the results of research on the whole is varied.

Best Practices for Companies Operating in the Casino and Gambling Industry

Given the inherent risks and potential negative impacts within their business model, companies that operate in the casino industry that wish to become Certified B Corps would need to demonstrate that they have met the highest possible set of practices that sufficiently manage negative impact. While not exhaustive or definitive, the following are examples of potential business practices that would collectively go above and beyond regulatory compliance, and frequently current industry norms, that would be considered by the Standards Advisory Council to determine company eligibility:

- 1. Risk Management:** Company-wide policies and procedures demonstrating innovative and best-in-class risk management practices that include the application of a risk framework methodology to operations, carrying out regular third party audits specific to gambling risks, incorporating robust anti-corruption procedures, transparent and effective grievance mechanisms and whistle blowing policies, a dedicated risk and compliance

⁹<https://www.encyclopedia.com/reference/social-sciences-magazines/economic-and-social-effects-casinoS>

¹⁰The Economic and Social Effects of Casinos

¹¹ <https://www.encyclopedia.com/reference/social-sciences-magazines/economic-and-social-effects-casinos>

¹²<https://www.aq.ndsu.edu/news/columns/spotlight-on-economics/spotlight-on-economics-do-casinos-have-a-positive-effect-on-economic-growth/>

team, and specific human rights policies to mitigate industry risks such as illegal prostitution and human trafficking.

2. **Responsibility and Communication:** Placing a firm and public focus in overall company strategy on responsible gambling and fully accepting the important role companies play in the prevention and treatment of problem gambling; Proactively tackling these risks through increased transparency and effective communication in a variety of mediums, both within the company's facilities and externally within the communities where one operates; Setting aspirational targets to address problem gambling and publicly reporting on their progress in an annual impact report.
3. **Staff Training:** Ensuring that staff are adequately trained at the outset of starting work in the casino and provided updated training annually to recognise, approach, and intervene with problem gamblers; Performing ongoing staff performance reviews and implementing other governance and procedural measures to ensure that training is followed and utilized.
4. **Registration and Entry:** Operating a strict age limit policy compliant with local jurisdiction and allowing entrance to the casino only with national identification and/or a casino membership card; Where allowed by local regulation, using registration as a means to track and monitor player entry and highlight problematic gambling behaviour.
5. **Minimizing Risky Practices:** Prohibiting offering credit to customers or accepting any form of credit as payment i.e. credit cards, travellers cheques, etc.; Not allowing ATMs to be located on casino gaming floors and incorporating other design aspects to ensure that the casino environment does not promote risky behaviors.
6. **Treatment for Problem Gamblers:** Clearly communicating the availability of assessments to identify early warning signs; Providing a variety of treatment options such as player limits, voluntary self exclusion and third party exclusion; Proactively informing and raising awareness around addictive behaviour and treatment services offered by the company; Having an on-site psychologist to support problem gamblers and offering treatment referral programs.
7. **Collective Action on Risk and Negative Impact Mitigation:** Actively engaging and supporting ongoing research on the causes and impacts of problem gambling and supporting local initiatives that offer treatment to problem gamblers financially and/or by providing anonymised gambling data for research; Supporting legislation and regulation that mitigates risks associated the gambling industry, and not hindering efforts to do so that might negatively affect the financial performance of the company; Encouraging meaningful industry-wide collaboration and collective action to identify and promote innovative best practices.

Rationale for the Standards Advisory Council Decision and Disclosure:

While B Lab and its [Standards Advisory Council](#) may determine that an industry as a whole is ineligible for certification because of its negative impacts or practices, we also recognize that in controversial industries it may be possible for companies to be meaningfully managing those

potential negative impacts or controversies. In some cases, it may mean that no company within the industry is currently meeting that level of performance at the current time, and it may be unclear whether it would be possible to do so in the future.

In the case of casinos, given the high level of risks inherent to the business models as described above, B Lab's Standards Advisory Council has determined that while casinos could potentially be eligible for the certification, they would need to demonstrate that they meet the expectations of sufficiently managing the risks to the highest standard. **To date, no casino has achieved B Corp Certification nor have any been deemed to have met this standard.**

Simultaneously, decisions around eligibility for B Corp Certification also take into consideration the relative scope and materiality of a company's involvement in that controversial industry. In some cases, any exposure or involvement within the industry may be grounds for ineligibility, if either the industry on the whole is prohibited or if the relevant part of the business is not meeting the defined expectations for the industry. In other circumstances, while still acknowledging controversy and potential negative impact, but also taking into consideration the balance of a company's performance on the whole, minor exposure to a controversial industry may warrant a different level of expectation around performance, while nonetheless requiring transparency and disclosure.

In the case of casinos, while still recognizing their potential negative impacts, given the potential for positive impact on the whole it was acknowledged that in circumstances where a company has a marginal, and non-strategic, exposure to casinos they could nonetheless be eligible for B Corp Certification if all other requirements were met, and with incremental transparency about their involvement and how they manage their impact. **While specific thresholds weren't formally set in order to recognize the importance of context in making such decisions, it is expected that such a judgment would require at minimum under 1% of the company's revenues. Furthermore, an assessment of "strategic" involvement would consider things including the number of sites or entities with such exposure, historic trends regarding the overall scope of such involvement, any future growth or expansion plans and projections, and other factors.** All companies with any exposure to casino operations, therefore, will be reviewed by the Standards Advisory Council in accordance with this position statement. The disclosure requirement in the Standards Advisory Council's decision is intended to recognize that reasonable people may disagree with the position outlined by the Standards Advisory Council and should have the relevant information to make their own judgment regarding the company's social and environmental performance.

Further, specific, material and credible complaints about Certified B Corporations will be investigated through B Lab's formal Complaints Process.

The decision of the Standards Advisory Council has been informed by independent research conducted by B Lab and stakeholder consultations including industry experts and practitioners.

This statement is effective as of May 2020 until further judgment from the Standards Advisory Council.

Please send your feedback or questions to B Lab's Standards Management Team at standardsmanagement@bcorporation.net.