



**B Lab Controversial Issues Statement -
Charity Lotteries
Updated as of April 2022**

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 [Public 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, interviews with expert stakeholders 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 Standards Management team at standardsmanagement@bcorporation.net.

Charity Lotteries and B Corp Certification

B Lab and its independent Standards Advisory Council have rendered the following decision regarding the charity lottery industry's eligibility for B Corp Certification:

Privately-run lotteries that are not Charity Lotteries are currently ineligible for B Corp Certification.

Charity Lotteries are eligible for B Corp Certification if they meet these additional standards:

1. Responsible gambling policy: The company has a publicly available responsible gambling policy that outlines practices that mitigate the risk of negative impacts.
2. Regulated market: The company operates in markets that have regulations for charity lotteries (e.g., minimum percentage of revenue donated to charities).
3. Charitable purpose: The company demonstrates that they operate in-line with their purpose of raising money for charities by meeting the following requirements:
 - a. The company has a publicly available document that indicates how the company's revenue is allocated amongst charities, prize money, and expenses.
 - b. The company has a publicly available policy on how they balance growth with purpose. The policy includes the company's commitment to optimize charitable contributions and an explanation of the company's current and steady-state percentage of revenue donated to charities.
 - c. The company has a publicly available policy on their approach to government affairs (e.g., lobbying, advocacy).
 - d. The company is structured so as not to have private profit distributions because they recognize that the purpose of a charity lottery is to raise funds for charitable organizations, not to enrich private individuals. Executive compensation is reviewed by an independent body and is comparable to similar-sized peer organizations.

Industry Overview

A charity lottery is a type of lottery that, while it may be structured in a way to meet B Corp Certification eligibility requirements as a business, operates on a not-for-profit basis, and in which a portion of the proceeds is donated to charities and other social causes. Lotteries, in general, exist as a legalized form of gambling in many parts of the world and are typically managed by government agencies. However, many jurisdictions in both the United States and Europe also allow privately-run lotteries, including charity lotteries.

In Europe, the Association of Charity Lotteries in Europe (ACLEU) describes itself as an international non-profit organization, established in 2007 to promote the charity lottery model and to give a voice to charity lotteries and their beneficiaries in the European debate on games of chance and in all matters relating to fundraising through charity lotteries. In 2020, the 14 members of ACLEU collectively raised 830 million euro to support 12,000 projects and civil society

organizations.¹ ACLEU members support a wide range of civil society organizations including Amnesty International, WWF, and UNICEF, as well as local charities.

The organization provides the following definition of charity lotteries, which focuses on their distinction relative to traditional state-owned lotteries or commercial gambling. This definition is referenced by other secondary sources, including the [International Center for Not-For-Profit Law](#).

1. A charity lottery is privately operated, with a license from the national government, but not operated nor owned by the government. This is to ensure that funding is additional to government subsidies, instead of replacing them.
2. Following from 1): there is no political interference in the distribution of the funds – funding decisions are made by an independent board. After all, when politics are involved distribution funds can change, especially after elections, in order to match government policies.
3. The primary aim of a charity lottery is to raise funds for charitable organizations; the lottery is just a tool. The fundraising efforts are not used as a mere excuse for organizing the lottery, but are indeed the main reason. Therefore, no private profits should be made.
4. Following from 3): a substantial part should go to the benefiting organizations. What is considered substantial depends on the maturity of the lottery, the legal national requirements and the market situation. In an ideal situation, with a level playing field and optimal legislation, the funds for charities and the prize money for players are equally divided.
5. A charity lottery provides institutional support - beneficiaries can spend the money as they see fit. A charity lottery supports the objectives of an organization rather than specific projects or activities.
6. A charity lottery should be a reliable partner to the organizations it supports, therefore funding should be long-term.

Risks and Material Issues

B Lab can best summarize the stakeholder concerns regarding charity lotteries as follows:

Problem Gambling and Disproportionate Impacts on Low Income Individuals

As a form of gambling, lotteries in general are subject to controversy, and their negative societal effects have been of interest to researchers for decades. An oft-cited study published in the *American Journal of Public Health* states, “The proliferation of legalized gambling in the United States constitutes a public health issue because of the adverse effects that new forms of gambling can have on overall prevalence rates [of pathological gambling] as well as on at-risk groups in the

¹ [ACLEU](#)

general population.”² Another study published in the *American Journal of Economics and Sociology* found a “strong and positive relationship between [lottery] sales and poverty rates.”³

In regards to charity lotteries, there are multiple studies that assess whether specifically charity lotteries may lead to problem gambling.⁴ While the risk of problem gambling exists, charity lotteries are perceived as a low-risk activity due to their performance on structural characteristics that lead to problem gambling. Structural characteristics that vary between types of gambling include:

- Perceived probability of winning
- Amount of gambler involvement
- Illusion of having almost won
- Amount of skill that can be applied
- Continuity of the activity
- Magnitude of potential winnings

Relative to other types of gambling, charity lotteries score lower across these dimensions. For example, while games with higher perceived probability of winning and applied skills (e.g., sports betting, horse racing) may contribute to problem gambling, charity lotteries do not exhibit these characteristics. Likewise, although continuous activities (e.g., slot machines, casino games) are more likely to be associated with problem gambling, this issue is rarely observed in non-continuous activities (e.g., weekly or bi-weekly lotteries) in which outcomes may be unknown for days. Nevertheless, because the nature of charity lotteries is to help society, charity lotteries should be motivated to protect potentially vulnerable players.

Related to problem gambling, lotteries, in general, have been argued to be a “regressive tax” given the disproportionate purchases from low-income individuals and the low odds of those individuals benefiting financially through winnings.⁵ According to the National Association of State and Provincial Lotteries, the demographics of lottery participants largely are equal to the demographics of the general population, but other studies claim that it is disproportionately purchased from the poor.⁶ A 2012 study published in the *Journal of Gambling Studies*, which surveyed a representative national sample, reports “those in the lowest fifth in terms of socioeconomic status had the highest rate of lottery gambling (61%) and the highest mean level of days gambled in the past year (26.1 days).” The same study concludes that “increased levels of lottery play are linked with certain subgroups in the U.S. population — males, blacks, Native Americans, and those who live in disadvantaged neighborhoods.”⁷ While these are not specific to charity lotteries and no charity lotteries-specific figures could be found, they raise important ethical questions about the potential for disproportionate purchases from low-income individuals in the

² [American Journal of Public Health](#)

³ [American Journal of Economics and Sociology](#)

⁴ [International Center for Not-For-Profit Law](#), [nfpSynergy](#), [Woods Valldata](#)

⁵ [Visual Capitalist](#)

⁶ [Metrocosm](#); [The Atlantic](#)

⁷ [Journal of Gambling Studies](#)

charity lotteries industry, either for the purpose of giving or the purpose of winning. Studies have, however, indicated that purchasers of charity lotteries perceive their participation more as donation than gambling.⁸

While the risk of problem gambling and regressive tax may be low for charity lotteries, companies may address the topic by having policies and practices that recognize and minimize the risk of problem gambling, including audits of games offered, maximum spending limits, staff trainings, and responsible marketing practices.

Please see [B Lab's Controversial Issue statement on the Casino industry](#) and [nfpSynergy's report on Responsible Play](#) for additional information.

Charitable Purpose

Stakeholders also raise concerns related to the performance (charitable donations expressed as an absolute amount or as a percentage of revenue) and transparency (publicly available data) of charity lotteries' donations to charities. The purpose of a charity lottery is to raise funds for charitable organizations, and as per the ACLEU, a "substantial" part of revenues should go to the benefiting operations.

When a charity lottery applies for a permit from the national or state gambling regulator, the permit specifies a minimum percentage of revenue that has to be donated to "good causes" (e.g., charities). Therefore, the charity lottery has a regulatory requirement to meet this percentage. The minimum percentage of revenue for charities may vary by market and by charity lottery. For example, in Europe, minimum percentages may range from 20% (UK) to 40% (Netherlands). Charity lotteries may also be involved in lobbying or policy advocacy efforts to influence the industry regulation, including the minimum percentage of revenue for charities.

Beyond the regulatory floor, there exists debate on whether there is an appropriate percentage of revenue that charity lotteries should donate to charities. The ACLEU previously outlined a clear threshold that operational costs of the lottery do not exceed 20% of turnover, with the remaining 80% equally divided between donations to charities (40%) and prize money (40%) but has since changed this guidance. A charity lottery's percentage donated to charities can be affected by market factors such as the degree of competition from other lotteries (including state-owned lotteries). For example, in newer markets, charity lotteries may invest in user growth (e.g., marketing spend, bigger prize pot) in order to increase the absolute value of their overall revenues as well as donations to charities (while still meeting the regulatory minimum percentage of revenue donated to charities).

Regarding transparency, while this revenue allocation data is shared with regulators, historically, charity lotteries could choose to what extent the data is publicly available.⁹ However, the public

⁸ [Journal of Nonprofit & Public Sector Marketing](#)

⁹ [Third Force News](#)

and regulators are increasingly demanding more transparency for the public so that customers can make informed choices about charity lotteries. For example, the Lottery Council in the UK has an open consultation that includes the following proposals:

- Making it clear to consumers before they buy a lottery ticket exactly which society or charity the lottery proceeds are going to.
- Publishing how much money raised from lottery ticket sales is being returned directly for the purposes of the society.¹⁰

Charity lotteries can demonstrate their commitment to a charitable purpose and address these concerns, however, by among other things operating within regulated markets, making transparent their overall contributions to charity, and being transparent about their own government affairs and lobbying.

Rationale for the Standards Advisory Council Decision

Companies in the Charity Lotteries industry serve as important fundraising avenues for charities and other social organizations. Because of this social impact, and because the risks of problem gambling are lower in the case of charity lotteries than other types of gambling, charity lotteries are therefore eligible for B Corp Certification. While there are industry risks related to problem gambling and ensuring a charitable purpose, companies following the specified best practices set out in the requirements above can mitigate these risks and optimize their social impact.

As outlined in the industry overview above, relative to other gambling activities, studies indicate that charity lotteries are viewed as a low-risk activity for problem gambling, in part because of the nature of lottery games. Furthermore, participants tend to see their participation as a donation rather than a form of gambling. Companies can further mitigate this risk by having a company policy or code of conduct focused on reducing problem gambling.

While concerns may exist about whether a company is truly fulfilling its charitable purpose, specific practices can exist to ensure that is the case as outlined above, including donating at or above the regulated minimum percentage of revenue to charities, and operating without private profits.

Beyond these overarching practices, in order to ensure the charity lotteries are operating in-line with their stated purpose, there is still a need for scrutiny on revenue allocations to charities, prizes, and costs, as well as lobbying practices of the company to ensure that they are not subverting democratic procedures, hence the need for additional public transparency about a company's practices. While a charity lottery particularly in a new market could want to spend more to stimulate revenue growth and it is therefore not possible to stipulate a specific percentage of revenues that should be donated (as even regulatory requirements vary by market), it is nonetheless necessary for a company to balance their growth with their purpose, rather than

¹⁰ [Gambling Commission](#)

measure their success only by the absolute value of donations made. The allocation of the incremental revenue growth should be weighted towards donations to charities, particularly over time. For example, revenue growth should have an outsized benefit on the amount donated to charities, not on the amount paid out to the charity lottery's executives.

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

This statement is effective as of April 2022 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.