

SOCIAL AUDITING

starting a dialogue

Camelot consulted a wide range of stakeholders to create two landmark social reports that analyze the impact of its business activities on different groups. Its award-winning social auditing work has helped to consolidate its position as UK national lottery operator and offers investment opportunities for the future

Trust is everything when it comes to running a national lottery. To help build that trust, and to demonstrate its social responsibility, the UK national lottery operator Camelot has been carrying out an ambitious social audit of its activities that has led to two social reports – the first published last year and the second released in May 2001.

Camelot, a six-year-old private company, has put significant resources into analyzing the impact of its business activities on a wide range of interested parties, including employees, customers and lottery ticket sellers. In the process it has tackled head-on a number of sensitive issues, such as directors' bonuses, under-age gaming and the impact of its activities on the incomes of poor families.

The audit led directly to the publication of the first social report, which appeared in April 2000 and has been acknowledged as a landmark in the new discipline of corporate social reporting. Only 19 of the FTSE 350 companies listed as of May 2000 have produced reports detailing their social performance, according to UK-based Next Step Consulting, which maintains a database of all publicly available corporate reports that include social and environmental information. But the number is rising. Camelot's work in this area has helped to blaze the social reporting trail.

The quality of its social report was recognized at this year's UK Social Reporting Awards, where Camelot won the award

for best newcomer in social reporting. The report had 'good objectives, policy statements and performance measures', the judges said, and a strong stakeholder dialogue process.

Ed Mayo, executive director of the New Economics Foundation, a non-profit body that has pioneered social auditing in the UK, says Camelot's social report is 'one of the most complete social audits conducted by any company world-wide'.

Work on the audit began in mid-1998, when Tim Holley, the then chief executive, decided the company needed to focus more on corporate social responsibility measures. 'The feeling was that we were doing very well, but taking criticism over various matters, such as "fat cat" pay and our profit

levels' says Andrew Jones, Camelot's head of public affairs. 'We had a good track record on community investment, had established the Camelot Foundation and were giving more than four per cent of our profits to community investment, but there was no focus for our work on corporate social responsibility. We wanted to open ourselves up to the scrutiny of our stakeholders and to find a mechanism for benchmarking our performance against expectations.'

GETTING AN INDEPENDENT VIEW

In autumn 1998 Camelot appointed Sue Slipman as director of social responsibility. Slipman, the former head of the Gas Consumers Council, assembled a three-strong team to carry out the audit. Working with the New Economics Foundation, the team set up an independent panel to oversee the work. Each panel member represented one of the company's eight stakeholder groups, identified as the public, employees, community, retailers, suppliers, pressure groups, subsidiaries and shareholders. The panel's chair became a non-executive director on the Camelot board, allowing stakeholders' views to feed into the highest levels of governance at Camelot.

Meanwhile, an internal steering group comprising representatives of each company department was set up to make audit recommendations. 'Before talking to stakeholders, we needed further to develop policies on community investment, staff, responsible gaming and so on', says Jones.

Once the policies were in place, the social audit team spent a year collecting and analyzing the views of 6000 stakeholders. This established the degree to which each stakeholder group thought Camelot's policies reflected its stated values, and issues they

the chair of the independent panel that represents the stakeholder groups sits on the board of Camelot



Camelot's social audit team spent a year collecting and analyzing the views of 6000 stakeholders, including lottery ticket sellers

felt were important. In this way, Camelot was able to identify how best to improve its social performance.

A total of 479 people were consulted on a one-to-one basis and another 5,469 through polls, focus groups and questionnaires. Questions relating to the company's social performance were added to Camelot's regular surveys of satisfaction levels among players, staff and retailers. Ten per cent of Camelot's 900 staff were involved in some form of dialogue, along with suppliers and distributors.

The audit team consulted a range of organizations to assess the National Lottery's impact on low-income families, people with gambling addiction problems, the under-16s and disabled people.

The findings were brought together in the social report, which was subjected to the same disciplines as an annual report. Covering the period January to December 1999 and written in-house, the 44-page document featured performance indicators such as:

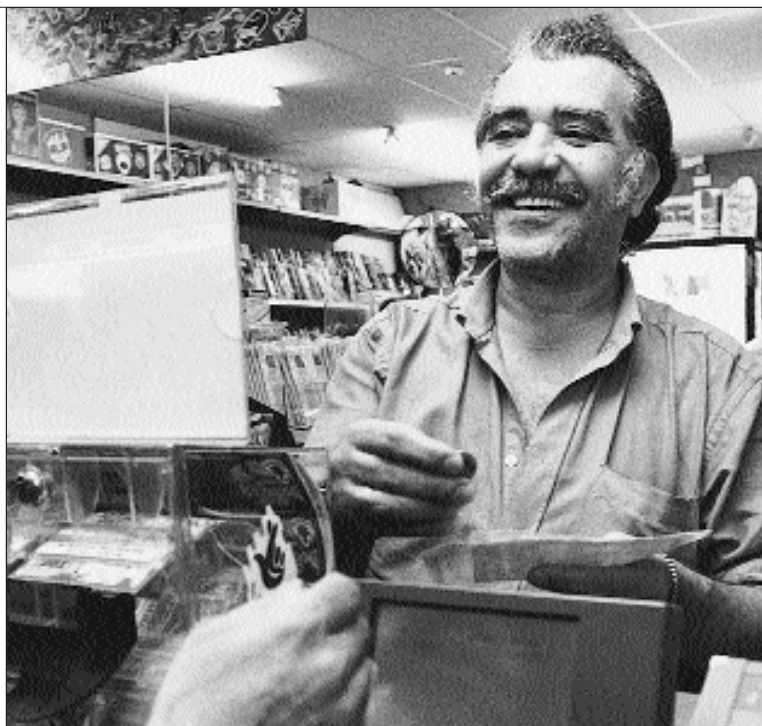
- the number of players who feel the National Lottery is trustworthy
 - the number of employees in accredited training
 - percentage of pre-tax profit put into community investment
 - the number of complaints received from retailers.
- Issues which were identified as being of concern to stakeholders were mapped out, and in the second social report Camelot focused on what was actually being done to tackle those issues. For example, a 'model company group' was set up to look at how the company can achieve best practice in all areas of the business.

'We were aware that given our high public profile, we might have been accused of producing a social report that was just a public relations exercise', says Jones. 'It was therefore important to create a thorough methodology and validation process. New Economics validated the report and helped to ensure we were asking the right questions.'

Camelot believes social reporting has positively influenced its business performance, and will continue to do so. 'The real benefits are yet to come in terms of perception of the business,' says Jones. The company is now working towards a reporting approach covering a combination of financial, social and environmental performance and will publish a report drawing all three elements together in autumn 2002.

Its first social audit cost £250,000, plus £100,000 for web site development. These figures include set-up costs, but not all associated staff costs. The second social report cost considerably less. 'This was an investment for us,' argues Jones. 'The social reporting process has helped us to embed strategies for social responsibility across the business. The better we can perform as a business, the more money we can raise for good causes, which in turn can help transform lives and communities around the UK. That's a real win-win situation.'

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the company

Camelot operates the UK National Lottery, employs 900 people and had pre-tax profits of £56million on lottery ticket sales of £5billion in 2000. It:

- has a disability policy that promises to 'dismantle social and practical barriers' for disabled lottery players and staff
- won a commendation in Business in the Community's 2000 Impact on Society Awards for 'outstanding work in the field of corporate social responsibility'
- gave £1m to the Camelot Foundation during 2000 for distribution to community initiatives
- spent £385,000 to tackle 'excessive lottery play' during 2000.

the background The number of entries to the UK Social Reporting Awards rose last year, from 13 to 25.

■ the social report assessed the potential impact of National Lottery ticket sales on low-income families, people with gambling addiction problems, the under-16s and disabled people



comment **CAMELOT**

Camelot is a good example of how triple bottom line accounting can be used to build trust. The growing number of companies experimenting with such reporting is welcome; transparency is vital to reputation management.

The lessons to be learned from this case include:

- CSR is more profound than mere philanthropy
- A commitment to CSR and ethical conduct requires leadership from the top of the organization
- Social reporting and stakeholder dialogue have to be done professionally if they are to be meaningful. They are neither easy nor cheap to do well.
- Key performance indicators and independent verification of social reports are essential for external credibility
- There is a payback for investing in stakeholder dialogue in the contribution to strategy development and improved operating practices.

In time, we would like to see integrated triple bottom line reporting rather than a proliferation of reports. The Company Law Review could stimulate moves in that direction.

KEN RUSHTON, INSTITUTE OF BUSINESS ETHICS