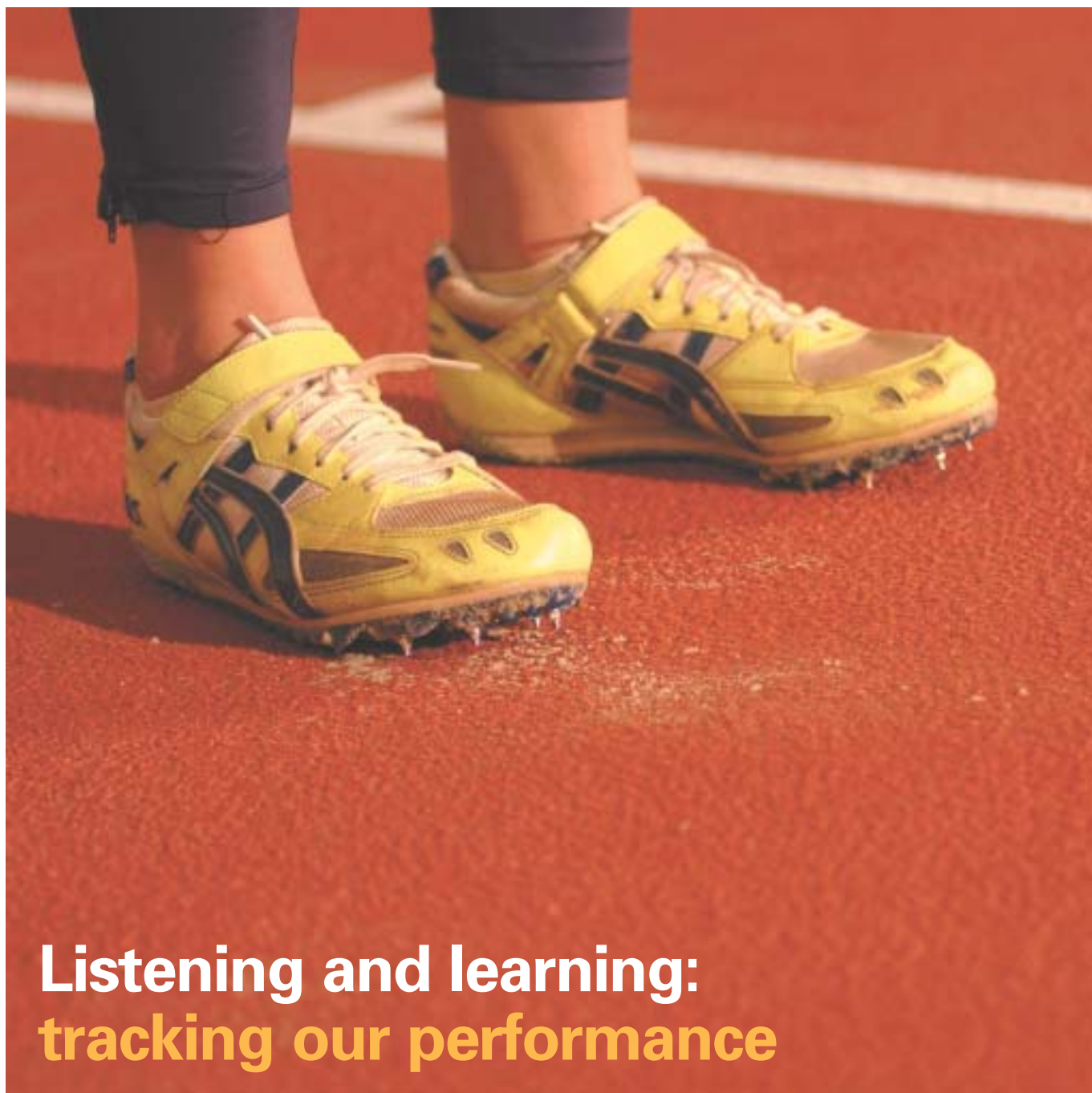




Social Report Summary 2003



**Listening and learning:
tracking our performance**

Welcome to Camelot's Social Report Summary 2003. Along with our full report website: www.camelotgroup.co.uk/socialreport2003 this summary demonstrates our real commitment to open reporting of our social performance. It addresses real issues, real concerns and real opportunities.

Welcome to our Social Report Summary for 2002/3. It has been a challenging year. However, our prime strategic objective remains to maximise returns to Good Causes in a socially responsible way. And our biggest challenge is 'to build a growing and respected National Lottery'.

Sales and returns to Good Causes both fell slightly and this, together with a perceived lack of information about how lottery money is spent, contributed to falling confidence in both The National Lottery and Camelot. We also, regrettably, had to make 82 people redundant following a strategic cost review.

To achieve our primary goals, we have created a new strategy for growth – and at its core is a sustained effort to build new and stronger links between our players and the Good Causes the lottery supports. At the same time, our stakeholders remain at the very heart of our approach to social responsibility so we also focus on how we are working to further improve relationships with key stakeholder groups.

I hope you find this summary informative and useful – and I would encourage you to view the full document online at www.camelotgroup.co.uk/socialreport2003

Dianne Thompson
Chief Executive, Camelot Group plc



www.camelotgroup.co.uk/socialreport2003



✔ A full version of Camelot's social report can be viewed online. It provides full details of:

- our company
- our priorities
- our performance

✉ tell us your views

Please let us know your opinions: via our website:

www.camelotgroup.co.uk/socialreport2003
by e-mail: socialreport@camelotgroup.co.uk



Cover: Birmingham hosts World Indoor Athletics Championships

In March 2003, Birmingham hosted the ninth annual IAAF World Indoor Athletics Championships at the National Indoor Arena – the largest indoor sports event in the UK. £1.1 million of Lottery cash supported the event.

Camelot is unique – a single purpose private company running a national institution for the public good. Our prime business objective is to maximise returns to Good Causes in a socially responsible way.

Our Company

Camelot is the operator of The National Lottery. We manage The National Lottery data network, design games, provide marketing support for lottery products and run the 33,000-strong retailer network that sells lottery products to players. National Lottery games include draw-based games such as Lotto, Lotto Extra, Lotto HotPicks, and Thunderball, as well as Instant Win Games and National Lottery scratchcards.

We only operate in the UK and employ around 965 staff based mainly in Watford, Aintree, Northampton and three additional regional centres. The Camelot Board is made up of representatives of our five shareholder companies (Cadbury Schweppes plc, De La Rue Holdings plc, Fujitsu Services Ltd, Royal Mail Enterprises Ltd and Thales Electronics plc), three independent non-executive directors, plus an independent chair and three executive directors.

Vision, Values & Behaviours

Our vision is to 'To serve the nation's dreams through The National Lottery'. We have developed a series of Company values and a series of behaviours that help bring these values to life. Our values are:

FITTER

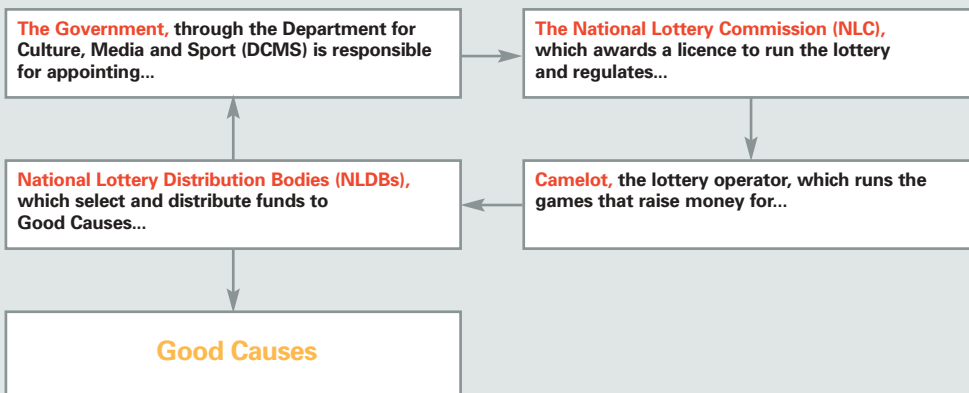
- We believe in **Fair** play for our people
- We behave with **Integrity**
- We can be **Trusted** to deliver
- We work as a **Team**
- We seek **Excellence** in everything we do
- We discharge our **Responsibilities**

Our behaviours, developed following extensive cross-company dialogue, are:


- **Passionate**
- **Creative**
- **Empowering**
- **Partnering**
- **Ownership**

Camelot's role in The National Lottery

Our role is critical to the success of The National Lottery.



40%
We return 40% of lottery revenue to society through Good Causes and lottery duty.



£4,574.5m
In 2002/3, our net sales were £4,574.5 million, down 5.4% from 2001/2.



74%
In 2002/3, 74 per cent of the UK adult population played the National Lottery.



Our approach

To be successful, we believe, we need to integrate social responsibility into everything we do.

www.camelotgroup.co.uk/socialreport2003/our-company/accountable.htm

AA1000

Our overall approach is in accordance with the AA1000 Accountability Standard covering process, consultation, verification and reporting.

Our social reporting processes are designed to help us measure how well we live our values. They help us develop our accountability to our stakeholders, to embed what we learn in our wider operations and to improve our business performance. People are the key to all this. We have identified eight stakeholder groups which provide a framework within which we review our social responsibilities. These eight groups are:

- **The Public** including non-players, players and winners
- **Employees** our 965 staff based mainly in Watford and Aintree
- **Community** the local and national communities in which we operate
- **Retailers** our network of around 33,000 retailers from all sectors
- **Suppliers** around 800 large and small suppliers of goods and services to Camelot
- **Pressure Groups** charities and research organisations representing those who may be at risk from gambling products, for example young people, those on a low income or those who may play excessively
- **Environment** groups representing environmental protection and best practice
- **Shareholders** our five corporate shareholders

We aim to be accountable to each group by listening and learning through a regular programme of consultation which involves surveys, meetings, publications and focus groups. Three permanent consultative and advisory bodies also help to facilitate stakeholder feedback. These are:

- **The Advisory Panel for Social Responsibility** includes individuals with professional expertise in issues and areas of concern across our eight key stakeholder groups.
- **The Staff Consultative Forum** is made up of 19 representatives elected by staff and drawn from all parts of Camelot, covering 23 company constituencies.
- **The Retailer Forum** represents all 33,000 National Lottery retail outlets across the four nations and from every retail sector.

Stakeholder engagement is therefore the key that helps us understand our social responsibility priorities. In the past year this has enabled us to identify nine priority areas (see priority map opposite). However, it is management commitment at the highest levels that enables us to translate that understanding into the codes, policies and stakeholder relationships that help us to make progress in social responsibility.

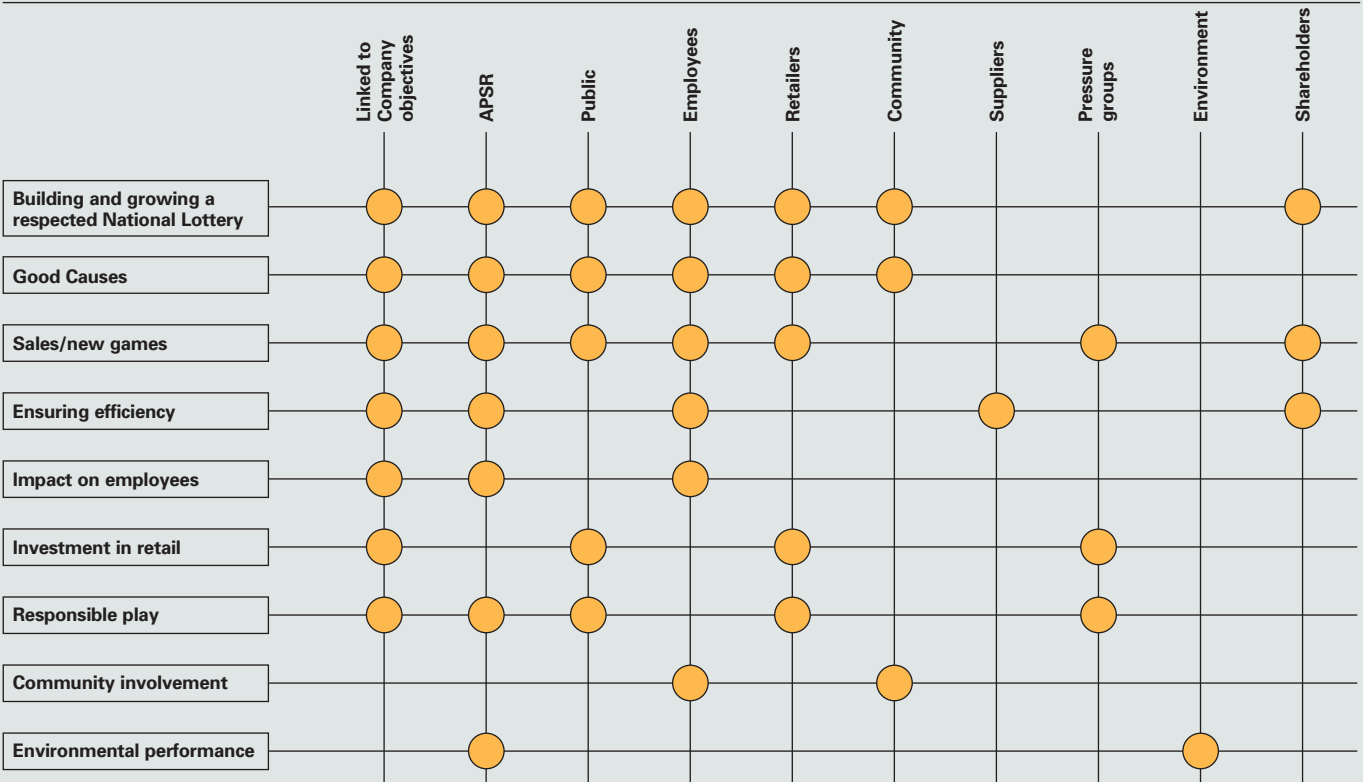


"We have changed the way we manage social responsibility to reflect both our new Company structure and the seriousness we place on this issue. Our core internal steering group, the Social Responsibility Group (SRG), now consists of representatives of the Company from the very highest levels, including two executive directors, two other directors and two senior managers. The group's task is to ensure that we meet our social responsibilities by aligning practices with policies."

Steve Thompson
Director of Human Resources and Social Responsibility

Priority map

In 2002/3 we assessed what is material for our business and our stakeholders by mapping the issues that directly affect stakeholders or were raised in stakeholder consultation, that were discussed with the Advisory Panel for Social Responsibility (APSR) and those critical to meeting our Company objectives – see below. These issues are discussed in this summary and in full on the report website.



www.camelotgroup.co.uk/socialreport2003/our-priorities/mapping-our-priorities.htm

A respected National Lottery

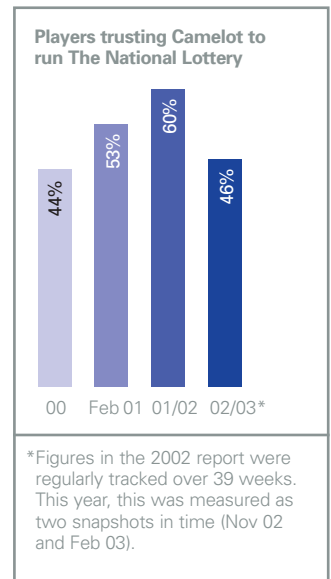
We want the public to have a high degree of confidence in the integrity of The National Lottery.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-building-growing.htm

For the second licence period, we have identified our key Company goal as being 'to build a growing and respected National Lottery'.

In the past year, public perceptions of falling sales (often based on figures for Lotto only, rather than looking at the total sales across the whole portfolio of games) and lack of information about how lottery money is spent have contributed to falling public confidence in both The National Lottery and Camelot.

We are addressing this with a strategy to build sales across the portfolio – we expect to see The National Lottery return to modest growth in 2004/5 – and by working with our partners to promote awareness of where lottery funding has been awarded. We expand upon these two priorities on the following pages.



Good Causes

People playing The National Lottery want to know how Good Causes money is spent.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-good-causes.htm

£12.7 bn

Camelot has raised £12.7 billion for Good Causes since 1994.



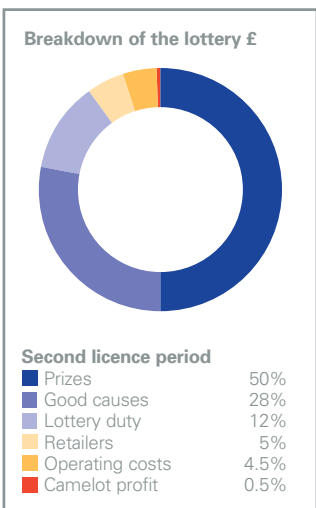
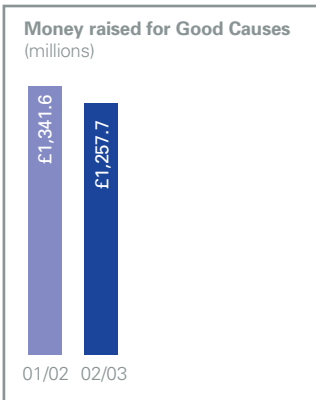
Camelot's core purpose is to raise returns to Good Causes. In 2002/3 returns to Good Causes were £1,257.7 million, down 6.2 per cent from 2001/2. Improving sales performance and returns to Good Causes is our priority.

There has been much debate about the distribution of National Lottery funds. Although we have no say in how the money is distributed, we do have a role to play alongside that of our partners – DCMS and the Distributing Bodies – in ensuring the overall health of The National Lottery.

And it is our belief – supported by feedback from players, the public and retailers – that providing better information on where Good Causes money is spent will improve the reputation of The National Lottery as a whole. As a result, we launched a marketing

campaign in January 2003 that combines Good Causes and game messages and builds the link between players and beneficiaries. This campaign is designed to help illustrate the breadth and depth of lottery funding across the UK.

For the same reason, we joined with the DCMS and the Distributing Bodies to establish a Joint Promotional Unit (JPU) which will promote to the public where Lottery money is being spent. The Secretary of State has also expressed a desire to see a National Lottery plaque on projects funded by The National Lottery. This is something we have long campaigned for – and we are now working with our partners to feature plaques retrospectively on 10,000 lottery-funded projects.



St George's Market, Belfast
The Heritage Lottery Fund contributed £2 million to Belfast Council's £5 million restoration of St George's Market. Built during the 1890s, St George's is the city's only surviving original market. After a facelift in 1999, St George's once again hosts markets as well as major events such as the Ulster Motor Cycle Show.



Stakeholder snapshot: Public

We consult regularly with both playing and non-playing members of the public through research, with a particular focus on their views about The National Lottery and the individual games. In 2002/3 we ran a player satisfaction survey and monitored levels of trust and integrity in The National Lottery and Camelot through telephone polls and focus groups.

Feedback from the public highlighted falling public trust in both

The National Lottery and Camelot. People also made it clear that they wanted to know where the money was going and they had strong ideas on what kinds of Good Causes should be supported. The results of our consultation have helped to shape our strategy for growth.

Commitments

We delivered against five of our eight commitments in this area. Achievements included the introduction of simplified information for players at the point of sale and completing the evaluation of the Parental Awareness campaign. Non-achievements included not providing winners of lower prize amounts with advice due to low take-up of a trial of this service. Meanwhile, our commitments for 2003/4 include working to improve public attitudes to The National Lottery through:

- advertising linking products/players with beneficiaries
- working in partnership with DCMS and distributors to establish a Joint Promotional Unit to raise awareness of Lottery beneficiaries.

Details of our performance, new commitments and consultation for our public stakeholder group can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/public-success.htm

Sales and new games

We are expanding our portfolio of games and providing exciting new ways to play.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-sales.htm

HotPicks

Lotto HotPicks offers players three new ways to play and win on the main Lotto draw by picking and matching two, three or four numbers to win £40, £450 or £7,000 respectively. This means that players can win bigger prizes for matching fewer numbers.



In common with the experience of other lotteries, 2002/3 saw a continuing gentle decline of sales of the main game, Lotto, while new games have boosted sales across the portfolio. Total sales were £4,574.5 million down 5.4 per cent on 2001/2.

Improving sales performance is our priority. And our strategy is to counter the declining sales of Lotto by expanding our portfolio – non-Lotto sales were up 21 per cent year on year. Based on this strategy, we expect to see a return to modest growth in 2004/5.

In May 2002, we re-launched the main game with a special promotion and new name, Lotto, to clearly establish it as one brand within our portfolio. A degree of confusion surrounding the re-launch among players and retailers contributed to disappointing longer term results but we also learnt many lessons which we applied to

subsequent more successful launches. For example, in July 2002, we launched Lotto HotPicks – which has performed above expectations with sales of £216.4 million in 2002/3 – and in October 2002, we launched the new midweek Thunderball draw.

A £45 million investment in our interactive strategy has also begun to deliver. In February 2003, we launched Instant Win Games on the Internet. We will also launch Lotto on the Internet in 2003 and on digital TV in 2004. With all these interactive games, we are taking our responsibility to protect vulnerable players very seriously.

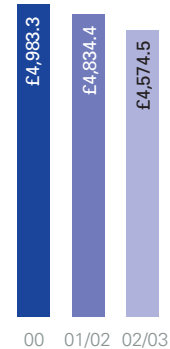
Other plans, subject to Licence approval, include launching a daily game in 2003 and a European game in Spring 2004, as well as expanding The National Lottery onto mobile telephones in Summer 2004.

1st

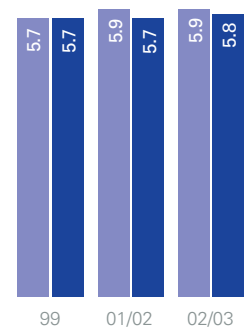
The UK National Lottery was ranked first out of 77 European lotteries by sales for 2001 and third in the world for sales during 2002.



Sales figures (millions)

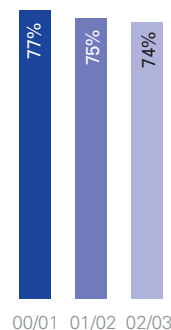


Overall player satisfaction with service received (based on a scale of 1-7, where 1 is terrible and 7 is excellent).



Legend: Draw-based lottery games (light blue), Scratchcards (dark blue)

% of UK adults playing



Stakeholder snapshot: Shareholders

Our five shareholder companies are Cadbury Schweppes plc, De La Rue Holdings plc, Fujitsu Services Ltd, Royal Mail Enterprises Ltd and Thales Electronics plc.

In January 2003, we issued a shareholders' survey which covered a range of topics including social reporting, key indicators, issues around publicity for the Company, the third franchise for the lottery, confidence in

management and work-life balance. Shareholders expressed concern about the need to build a respected National Lottery and felt that a key priority will be generating positive press coverage.

The Return on Capital Employed for 2002/3 was 40.7 per cent and a final dividend of £29.2 million was declared by the board based on profits for the full year to 31 March 03.

Commitments

We delivered against the one commitment made to shareholders which was to improve and extend the information we provide to our shareholders. Our commitments for 2003/4 are to:

- undertake a review of the Higgs and Smith Reports to assess whether we will comply or explain in our financial statements for the year ending 31/03/04
- improve positive press coverage about Camelot and The National Lottery.

Details of our performance, new commitments and consultation for our shareholders can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/shareholders-success.htm

Ensuring efficiency

We want to ensure that we continue to operate The National Lottery efficiently.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-ensuring-efficiency

94%

In our survey, 94 per cent of suppliers said they were satisfied or completely satisfied with their relationship with Camelot.

We completed a strategic review across all our operations to identify opportunities for cost savings and efficiency improvements. This was necessary to ensure the future health of the Company.

As a result, in October 2002, we closed five of our regional centres, reduced excess capacity on our retailer hotline and telesales, and streamlined head office services.

Despite these changes and the subsequent redundancies, the impact on players and retailers has been limited. More winners can now collect their prize money

from Post Offices – with the limit up from £10,000 to £50,000 – although some winners claiming over £50,000 may now have to travel further to collect their winnings. The retailer hotline and all our call centres continue to meet their robust service targets.

Other initial cost saving steps taken included implementing tighter cost control measures and setting up a new intranet-based purchase order and invoice payment system. Such measures – and there will be more – have already helped to improve our relationships with suppliers.

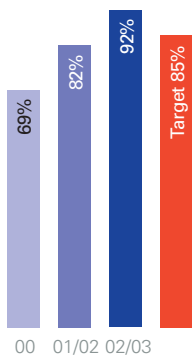


Supplier opinion

“Camelot invested time and effort to help us through the learning curve as a new supplier – strategically, operationally and in terms of building a sound business relationship.”

From a supplier questionnaire

Total value of invoices paid within terms



Stakeholder snapshot: Suppliers

We see our suppliers as key partners in our efforts to deliver excellence in everything we do. In January 2003, we sought our suppliers' views on a wide range of subjects. Our questionnaire secured a 25 per cent response rate, a considerable improvement on 2001/2. Issues raised included the need for clearer briefs but overall, 94 per cent of companies responding said they were satisfied or completely satisfied with their relationship with Camelot.

It is clear that our new Purchasing & Tendering Policy has helped.

This year, 92.8 per cent of respondents, up from 67.6 per cent last year, said they were satisfied or completely satisfied with our tendering process.

We also saw an improvement in suppliers' satisfaction with our levels of communication but we recognise more could still be done in this area. Reflecting this, we will hold a supplier workshop in 2003 to discuss our expectations of each other and our performance.

Commitments

We have achieved 11 out of the 14 commitments we made to suppliers. Commitments achieved included completing a review of best practice in purchasing and tracking our business in relation to suppliers' turnover. We did not achieve commitments to expand our dialogue with suppliers. Looking forward, our commitments for 2003/4 include:

- work towards implementing a formal supplier approval/ accreditation system that will take into account social, ethical and environmental aspects
- build better communications through supplier visits and ensure that contract reviews are meaningful to suppliers and Camelot alike.

Details of our performance, new commitments and consultation for our suppliers can be found at www.camelotgroup.co.uk/socialreport2003/our-performance/suppliers-success.htm

Impact on employees

We need to improve staff morale, satisfaction and performance management.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-impact.htm

Employee opinion

“ Our key now should be to make sure that the reward system is linked to performance.”

“ There’s not quite as much understanding between departments as there used to be”

Views from employees participating in consultation



Following our strategic cost review, we made 82 people redundant – about eight per cent of headcount. Throughout this process, we worked with a sub-group of the Staff Consultative Forum formed to represent those staff under threat of redundancy. Key outputs included a reduction in the number of compulsory redundancies and revised procedures for voluntary redundancies. We also provided redundancy terms that were more generous than the statutory minimum and offered all employees who were made redundant support with finding another job through a special advisory service.

Staff morale has also been affected by this and other events over the past year. Criticism of The National Lottery and of how Good Causes money is distributed, disappointment following the re-launch and media coverage

of declining sales have all played their part. We have taken steps to address these wider issues that impact on employees in our strategy for growth and now share our plans and progress against them through company-wide briefings. We are piloting team challenges in the community to boost morale and build links between staff and lottery-funded projects. We are also working with the DTI on piloting flexible working practices.

Against this backdrop, we continue to expect the highest levels of ethical behaviour from our staff. These are outlined in The Camelot Code – our code of conduct. In 2002/3, we invested significant time and resource investigating and, where appropriate, disciplining staff who failed to meet the high standards of this code of conduct. Two investigations are still ongoing.

965

We employ around 965 staff based mainly in Watford, Aintree, Northampton, London and three other regional centres in Belfast, Cardiff and Glasgow.



Stakeholder snapshot: Employees

We are committed to being a fair and responsible employer. From the rigorous implementation of Health and Safety Policies through dedicated staff development – highlighted in our most recent Investors In People assessment – and continuous consultation, we always aim to meet the needs of all employees. The Staff Consultative Forum is the main vehicle for consultation on issues affecting our

employees. The Forum consists of a group of 19 representatives and meets every six weeks. In 2002/3, the Forum has provided input into reviews of our Whistleblowing, Expenses, and Drugs & Alcohol policies. The Forum has also taken on responsibility for consulting with staff on health and safety issues. Following the strategic review and consequent redundancies, we surveyed staff to assess morale and seek feedback. Among the

issues raised, it was clear that employees felt there were inconsistencies across the business in terms of internal communications, cross-functional working and performance management.

Addressing these issues has now been given priority in our commitments for 2003/4.

Commitments

We achieved eight out of 13 commitments made to employees in 2002/3. Achievements included introducing a career succession planning programme and reviewing the use of ‘Lifeworks’, our free confidential staff helpline. Areas where we did not achieve our commitments include implementing a work-life balance policy and improving representation of minority ethnic staff at senior levels. Our commitments for 2003/4 include:

- improve performance management
- improve cross-functional working (improvement in staff survey scores on interdepartmental working and conflict resolution)
- improve staff survey scores on organisation climate and staff satisfaction.

 Details of our performance, new commitments and consultation for our employees can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/employees-success.htm

Investment in retail

All our retailers are seen as critical partners in the ongoing success of The National Lottery.

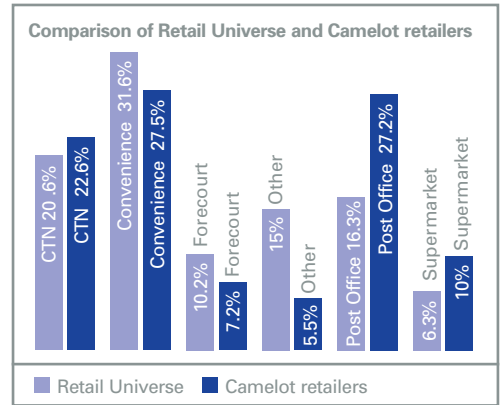
www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-investment-retail.htm

Retailer opinion

"The Retailer Forum provides an opportunity for open discussion and constructive debate."

"Some decisions seem to have already been made pre-meeting by Camelot."

Views from members of the Retailer Forum

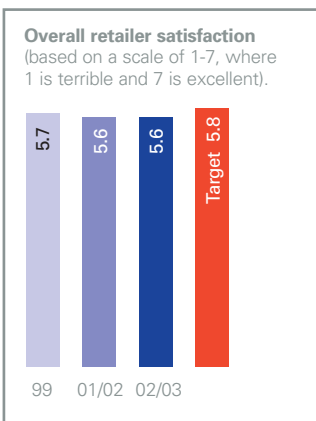


33,000

We have a network of over 33,000 retailers who sell lottery products to players.

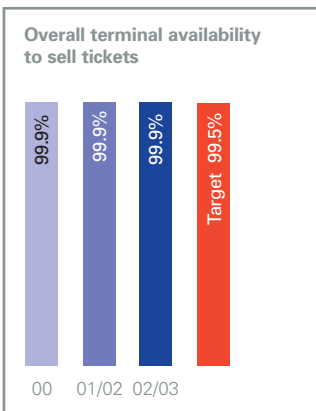
We have invested heavily in replacing all National Lottery permanent signage with new equipment to revitalize in-store presence. Between November 2002 and May 2003, new in-store 'playstations' and permanent point of sale materials were installed in nearly 25,000 draw-based retailers. Both players and retailers were involved at the design stage and the manufacturer worked to Disability Discrimination Act guidelines.

and had their terminals removed. A total of 821 retailers have been identified as community outlets where the Sales Improvement Programme does not apply. Some retailers have expressed concerns about the fairness of the programme and we continue to discuss this with the Retailer Forum.



We continued to work with retailers to maximise returns to Good Causes through our Sales Improvement Programme. This programme offers sales support and advice and 27 per cent of the retailers taking part have increased their sales to achieve the minimum weekly sales target. A total of 388 retailers failed to meet this minimum target

Following our investment in new terminals in 2001/2, we installed new ISDN lines for 58 per cent of retailers during 2002/3. These initiatives have helped to improve the reliability of terminals for both retailers and players. Finally, we strive to maintain a fair balance between the independent and multiple sectors – currently 66 per cent of our retailers are independent and 34 per cent are multiples.



Stakeholder snapshot: Retailers

While our retail sales team is responsible for maintaining direct relationships with retailers, we also gather feedback from retailers through the Retailer Forum.

In 2002/3, the Forum discussed the Sales Improvement Programme, retailer selection criteria and credit terms for National Lottery scratchcards. We also sent a questionnaire to all members to evaluate the effectiveness of the Forum. As a result, we have implemented a

range of measures designed to improve the flow of information to members.

We also continued to consult directly with retailers via a range of surveys and ad hoc discussion groups.

Issues arising included the importance of improving terminal reliability, cashflow difficulties relating to scratchcards and the need for improved scheduling of sales visits. Our commitments for 2003/4 address many of the issues raised via consultation.

Commitments

We have achieved 11 out of the 13 commitments in this area. Our achievements include improving our understanding of The National Lottery's economic impact on retailers and streamlining our communications with retailers. We did not achieve commitments to promote to retailers best practice on supporting players with disabilities and sources of help for problem gamblers. Our commitments for 2003/4 include:

- continue to manage the Sales Improvement Programme to maximise returns to the Good Causes
- maintain a fair balance between independent and multiples in line with the national trend
- raise awareness of the work of the Forum among retailers.

Details of our performance, new commitments and consultation for our retailers can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/retailers-success.htm

Responsible play

We strive to promote responsible play, prevent harm and support treatment where necessary.

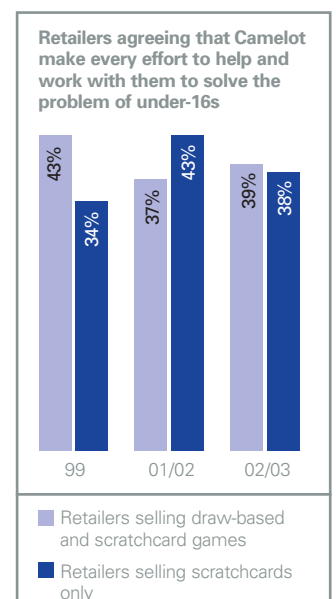
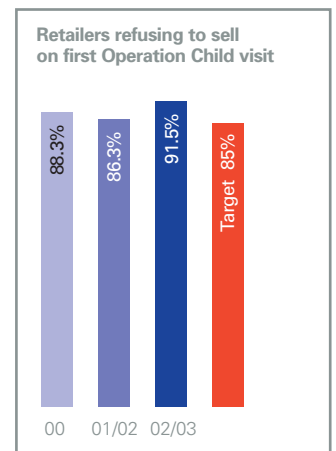
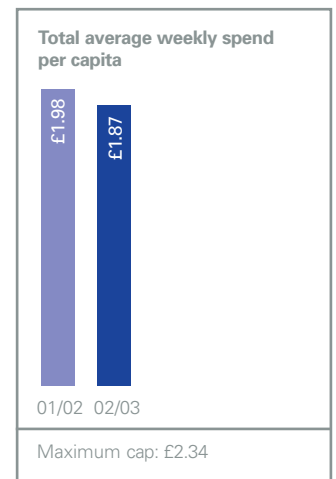
www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-responsible-play.htm

We continue to ensure that the design, promotion and selling of National Lottery games do not target vulnerable people, including young people, people on low incomes and people likely to play excessively. We test games at the design stage, undertake around 10,000 test purchasing visits a year, train retailers and apply our Advertising and Sales Promotion Code.

In July 2002, we re-doubled our efforts to prevent underage sales through the Retailer Vigilance Campaign and strengthened the sanctions against retailers who sell to under-16s or allow staff under-16 to sell National Lottery products. A concentrated campaign reminded retailers of their responsibilities and, as a result, we saw a further improvement in the number of retailers refusing to sell to under-16s on our test purchasing scheme – ‘Operation Child’. Indeed, in the past four years, the percentage of retailers refusing

to sell to someone under-16 has risen from 74 per cent to 91.5 per cent. In 2002/3, three retail outlets had their terminals removed as a result of making sales to under-16s on three test purchase occasions.

We also introduced an industry-leading system to prevent underage and excessive play via the internet. The system – which includes registration checks, spend limits and other controls – was developed with input from GamCare and the National Lottery Commission. This year we invested over £2 million on preventing underage and excessive play, £1.3 million of which was a one-off investment setting up the interactive system. As we continue to promote a wider portfolio of games, we will work with pressure groups and our regulator to understand the complex issues around excessive play.



Pressure Group opinion

"I am very pleased to see that Camelot has made a policy decision that people will not be able to register online without authentications of identity and is linked to data collaboration systems."

Member of pressure group seminar

Stakeholder snapshot: Pressure groups

Pressure groups are key stakeholders. They include gambling pressure groups, low pay pressure groups, disability rights organisations and other groups representing the needs and rights of the more vulnerable people in society. We are determined to protect The National Lottery's more vulnerable players and so we look to actively involve representatives of pressure groups as part of our wider team in developing policy and strategies.

In March 2003 we held a seminar to

discuss responsible play of The National Lottery with representatives from 11 relevant pressure groups. On the whole, there was wide support for Camelot's work to promote responsible play. Issues raised included the contribution we make to supporting treatment for problem gamblers and how important our role is in leading best practice in the prevention of excessive play via interactive channels. Our responses to these issues are reflected in our commitments for 2003/4.

Commitments

We achieved seven out of the 14 commitments we made for 2002/3. The commitments achieved included introducing our Game Design Protocol and introducing systems to prevent inappropriate play through interactive channels. Commitments we did not manage to achieve include extending our research on problem play and supporting retailers with advice about vulnerable players. Our commitments for 2003/4 include:

- undertake 10,000 Operation Child test purchasing visits and continue to exceed target of 85 per cent of retailers refusing to sell on first visit
- continue to work with pressure groups and our regulator to understand the issues around excessive play as we introduce more games and encourage people to play across the portfolio
- work to gain accreditation of CitizenCard's Interactive Age Check scheme and accreditation to GamCare's internet scheme.

Details of our performance, new commitments and consultation for pressure groups can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/pressure-success.htm

Community involvement

Over and above returns to Good Causes we support local communities through our community involvement programme.

www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-community-involvement.htm

Camelot Foundation case study
Transforming Lives: Hi8us Projects Ltd
 The Transforming Lives programme is a key initiative organised by the Camelot Foundation. It supported a range of imaginative projects among vulnerable young people. These included Hi8us Projects Ltd which received a grant to develop an interactive drama using video and the web to enable 11-15 year olds to explore issues relating to relationships, sexual health and pregnancy. The videos and website will be backed up by a virtual advice centre and a network of peer advisors. Find out more at:
www.camelotfoundation.org.uk



Community Involvement
April 02-March 03
 using the London Benchmarking Group model (£)

£3.1m 

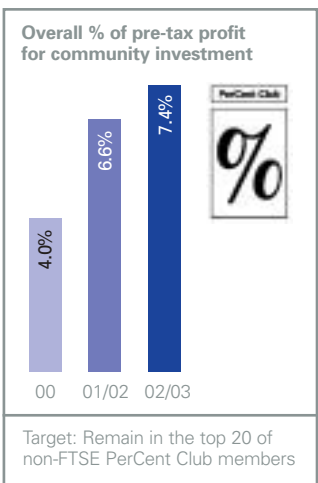
Charity	£2,072,006
Community investment	£697,127
Commercial initiative	£279,329
Management costs	£94,525
Total	£3.1 million
Business basics	£740,300,000

In 2002/3, over and above the funds we raised for Good Causes, we contributed over £3.1 million to the community, including £2 million to the Camelot Foundation – equivalent to 7.4 per cent of our pre-tax profit. Our 2001/2 pre-tax profit contribution of 6.6 per cent was benchmarked against other companies participating in Business in the Community's PerCent Club and Camelot was ranked 10th in an index of 100 non-FTSE givers.

During 2002/3, we supported the Oyster Awards, which recognise campaigners throughout the UK who have taken positive action in their community and promoted the work of The Camelot Foundation through a series of roadshows. Re-launched in April 2002, the Camelot Foundation is a registered charity committed to helping marginalised

young people reconnect with society. In particular, it supports work with young parents, young people with mental health problems, young asylum seekers and young disabled people.

Prior to our strategic review, our 10 regional centres raised £122,145 via community fundraising activities (including £47,800 of match funding). The subsequent closure of five of the centres has naturally had an impact on this type of work but we do remain committed to supporting employee community involvement. However, our approach is changing. We no longer provide central support but ask staff to manage their own community activities. We will however pilot company-led team challenges in the community in 2003/4.



Stakeholder snapshot: Community

Camelot's core purpose is to raise returns for the Good Causes – this is our primary commitment to our community stakeholders. Over and above, we support local communities through the Camelot Foundation, employee involvement and our community investment activity. We focus our investment in four priority areas – developing skills, opening up opportunities, supporting communities and social responsibility in our industry.

In March 2003 we held a seminar with representatives from community and charity organisations and others that promote best practice in community investment. Attendees felt that Camelot's policies and contributions were excellent, particularly praising the Camelot Foundation for its funding of less popular causes. However, attendees also suggested community-based employee participation programmes and improved measurement of the impacts of our community investment activities.

Commitments
 We achieved five out of 14 of the commitments we made last year. Those we did achieve included raising awareness of our community involvement policy and ensuring that community involvement opportunities are advertised internally. Commitments we did not achieve were around the management and promotion of employee volunteering and piloting online consultation with community groups. Our commitments for 2003/4 include:

- review corporate community investment priorities
- maintain high rate of giving to the community and benchmark our performance
- build social evaluation criteria into corporate community investment partnerships.

Details of our performance, new commitments and consultation for the community stakeholder group can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/community-success.htm

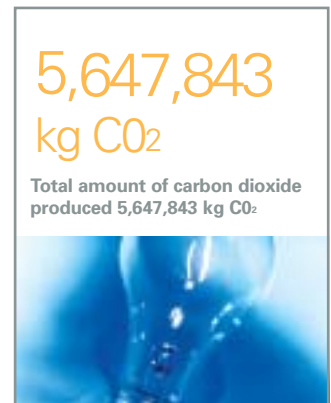
Environmental impact

We made progress in understanding our impact on the environment – and recognise we have more to do. www.camelotgroup.co.uk/socialreport2003/our-priorities/nine-environmental-impact.htm

In 2002/3, we worked with staff across the business to generate ideas to improve our environmental performance, established an environment steering group, improved our recycling initiatives and enhanced the breadth and quality of information we are able to report on.

We are now able to report on the total carbon dioxide emissions resulting from our office based operations and we can now gather information on carbon dioxide emissions from employee travel, as well as energy. We have reduced our energy

consumption by making our offices more open plan and implementing efficiency improvements in air conditioning and lighting. We still have more to do to improve our understanding of our environmental impacts and to set targets for reducing them where possible, as well as raising the profile of environmental matters throughout the Company.



Good practice example Recycling

We recycled over 25,000 old lottery terminals – breaking them down and recycling the metal and plastic parts, with the plastic being re-used for field drainage purposes.

This year we also reviewed our office-based recycling opportunities and introduced new systems.

As a result, we successfully recycled 13,000 kgs of paper, 50 kgs of plastic, 4,500 kgs of cardboard and almost 1,000 fluorescent lighting tubes from our head office in Watford.

Stakeholder snapshot: Environment

Camelot is committed to meeting its responsibilities as a good corporate citizen, including its environmental responsibilities. We believe we have a responsibility to minimise any adverse impact on the environment from our activities and we will help all our employees understand their environmental responsibilities.

In April 2003, we discussed our Environmental Policy and practice with seven environmental specialists, including

environmental practitioners from businesses (both national and local to our head office) and the public and voluntary sectors. Participants confirmed that we are moving in the right direction but also made several suggestions. These included a proposal that we review our Environmental Policy to make it more proactive and a suggestion that we undertake a baseline review to assess our environmental impacts. We have addressed many of the specialists' suggestions in our commitments for 2003/4.

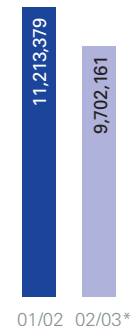
Commitments

We achieved 13 out of the 20 commitments made for this stakeholder group. The commitments we delivered included holding an internal think-tank on environmental programmes and undertaking a comprehensive review of recycling. We did not achieve our commitment to set quantitative reduction targets for energy use or commitments around promoting environmental responsibilities to staff. Our commitments for 2003/4 include:

- undertake an energy efficiency review for all main sites
- include environmental issues in staff communications to improve education and involvement
- assess whether to undertake a base line environmental review across our activities.

Details of our performance, new commitments and consultation for the environment can be found at: www.camelotgroup.co.uk/socialreport2003/our-performance/environment-success.htm

Total amount of energy used at Camelot main sites (kWh)



*Reduction in energy use has been as a result of making our offices more open plan and efficiency improvements in air conditioning and lighting.

Priorities moving forward

The priorities required to improve our performance are outlined below.

✉ www.camelotgroup.co.uk/socialreport2003/our-priorities/moving-forward.htm

These address the most significant issues for the business and our stakeholders, and are linked to our strategic objectives. Our overall Company goal is **to build a growing and respected**

National Lottery. Our primary objective is **to maximise returns to Good Causes in a socially responsible way.** Underpinning both these are the following priority commitments:

Sales	Public confidence	Performance culture	Product responsibility
<ul style="list-style-type: none">• Improve sales performance across the portfolio of games• Continue to implement Sales Improvement Programme to ensure maximum sales	<p>Improve public attitude to The National Lottery through:</p> <ul style="list-style-type: none">• advertising linking products/players with beneficiaries (improve score across a range of attitude statements)• working in partnership with DCMS and distributors to establish Joint Promotional Unit to promote lottery beneficiaries	<p>Improve internal organisational performance, specifically:</p> <ul style="list-style-type: none">• cross-functional working (improvement in staff survey scores on inter-departmental working and conflict resolution)• performance management (improvement in staff survey score on organisational climate)• staff satisfaction (improvement in staff survey scores on staff satisfaction)	<ul style="list-style-type: none">• Undertake 10,000 Operation Child test purchase visits per year and continue to exceed target of 85 per cent of retailers refusing to sell on first visit• Work to gain accreditation of CitizenCard's Interactive Age Check scheme and to GamCare's internet scheme



"The completion of our strategic review has provided the foundations we needed to look to the future with renewed confidence. We have also set ourselves a clear goal – to build a growing and respected National Lottery – and we will remain focused on this throughout the second licence period. With the new Company structures and vision in place, we expect to see a return to modest growth in 2004/5. We will continue to report our progress."

Phil Smith
Commercial Director

✉ feedback

We actively welcome feedback on this summary, the full report and the issues discussed in these documents. You can access the full report online at:

www.camelotgroup.co.uk/socialreport2003

To make your views known, please contact:

socialreport@camelotgroup.co.uk

Or write to: Clare Griffin, Social Responsibility Manager, Camelot Group plc
Magdalen House, Tolpits Lane, Watford WD18 9RN

Summary assurance statement 2003

The Ashridge Centre for Business and Society carried out the verification process for this, Camelot's fourth social report.

✉ www.camelotgroup.co.uk/socialreport2003/our-company/accountable-verification.htm

In its assessment, Ashridge made extensive use of the AA1000 Assurance Standard, endeavouring to ensure that the assurance assignment complied with the guiding principles of this standard. Ashridge's work as assurance provider comprised three principal tasks.

- 1 Ensuring the stakeholder consultation processes allowed an open and objective assessment of the interests and concerns of all stakeholders.
- 2 Offering advice and guidance on the appropriate performance measures to be included in the report.
- 3 Verifying the evidence and information presented in the report to ensure it provides a reliable and balanced view of the Company's performance.

Completeness Ashridge is of the opinion that Camelot has effective processes in place for identifying and understanding its direct social and environmental impacts. This includes a rigorous stakeholder consultation process.

Materiality In addition, the subject matter covered in this report reflects those issues that are material to Camelot's stakeholders. In Ashridge's view, no information material to stakeholders has been deliberately omitted from or misrepresented in this report.

Responsiveness Ashridge is also satisfied that Camelot has in place the management systems and processes necessary to respond to the issues and challenges raised in this report. There is evidence from internal management files and reports, and from discussions with members of the senior management team, that many of the measures and indicators are used to inform strategic and operational decision-making within Camelot.

The full assurance statement includes a commentary on recommendations Ashridge made last year to Camelot on issues related to the reporting process. In addition, the full statement provides recommendations for the way forward. Specifically, Ashridge identifies five areas where Camelot can continue to advance its approach to social and environmental reporting:

- Ensuring the quality of stakeholder engagement remains high and affords real opportunities for people to express their views on how Camelot is performing against its stated objectives.
- Closing some of the gaps in reporting on environmental performance, especially the indirect environmental impacts of the Company.
- Further improving the materiality and accessibility of the report by better demonstrating the strategic intention of the organisation.
- Working with internal and external stakeholders to ensure people understand the relevance and significance of the data appearing in the social report.
- Ensuring that the principles of social and environmental management and reporting are applied to the Company's future activities, including international joint ventures.

Finally, Ashridge believes that this summary of the full technical report presents a fair overview of the material issues facing the Company and the major issues raised by stakeholders through the consultation process.

To view the full assurance statement please go to www.camelotgroup.co.uk/socialreport2003/our-company/accountable-verification.htm

Ashridge Centre for Business and Society

Verification

The Ashridge Centre for Business and Society carried out the verification process for Camelot's full social report (the Report) covering the period April 2002 to March 2003.

The management of Camelot is responsible for producing the Report. Ashridge was asked to verify that the Report is valuable to stakeholders in making assessments of the Company.

In its verification, Ashridge made extensive use of the AA1000 Assurance Standard endeavouring to ensure that the assurance assignment complied with the guiding principles of this standard.



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Please visit

www.camelotgroup.co.uk/socialreport2003
for our full social report

We welcome your comments on this summary and the full report. Please write to:

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Tolpits Lane
Watford WD18 9RN

socialreport@camelotgroup.co.uk