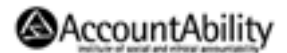


## Improving our management



**We aim to continually improve our management of corporate responsibility in line with best practice, our auditor's recommendations, stakeholders' concerns and business needs.**



During 2004/05 - in line with the commitment we made in the previous year - **we completed a strategic review of our management of social responsibility.** The review embraced external benchmarking, best practice and business objectives. The key recommendations were that we should:

- Integrate corporate responsibility risks into our risk management processes
- Enhance our CR management structures
- Identify those areas where we could contribute to thought leadership.

We have also taken into account comments from The Ashridge Centre for Business and Society, which verified our 2003/04 Social Report. They identified two broad areas: firstly we should continue to develop our CR practices by improving stakeholder engagement, developing more specific performance targets, improving environmental management and performance, and incorporating social responsibility across the business. The second recommendation was that we should consider re-modelling our social responsibility practice and performance by integrating it with strategic risk management and reviewing priority stakeholder groups.

In response to this feedback and in line with the commitments we made in the 2004 Social Report, we have acted in the following areas (which are described in the rest of this section):

- **We strengthened our CSR management structure**
- **We reviewed and revised our stakeholder groups**
- **We incorporated corporate responsibility risks into our corporate risk register**
- **We improved our environmental management**
- **We introduced a set of core indicators**
- **We identified flagship areas where we could credibly take a leadership position**



Progress in so many areas was acknowledged by a leap of 45 places in the BITC Corporate Responsibility Index, from 73 to 28. This reflected continued high performance in strategy, social impact and assurance, and improvements under the heading 'Integration'. Integration refers to:

- The impact on strategic decision making, e.g. taking into account environmental and social impact when making a decision on investment, new products, new partners and selection of pension fund managers
- Training and development (with all staff having training on Camelot's values and new staff getting corporate responsibility training during induction)
- Senior management/board training and awareness. [See BITC confidential feedback report](#)

## Strengthening CSR management structure

We have strengthened our internal management of CR and the membership of the Advisory Panel for Social Responsibility (APSR).

We created a Corporate Responsibility Board (CRB) to replace the previous Social Responsibility Group (SRG), reflecting our desire to strengthen senior management involvement in corporate responsibility and raise its profile within the company. [See Principles and processes](#). The CRB is a more senior group than the SRG. It is chaired by our Chief Executive. Its members are the Commercial and Operations Director, the Directors of Security and Facilities, Sales, Corporate Affairs, People, Regulation and Governance, and the Head of Business Assurance.

The independent APSR has been strengthened by the appointment of Ed Mayo, Chief Executive of the National Consumer Council, and Val Hammond, Chair of Roffey Park Institute. Ed takes a special interest in players and winners, and Val in employees.

We have also boosted the resources and status of the Social Responsibility Department. The Social Responsibility Manager now reports directly to the Chief Executive.

We committed **to consider a possible role for our business assurance function in the auditing of our social reporting** in future. Following discussions with business assurance, it has been decided that this is not cost-effective. Business Assurance does have a role in reviewing specific policies and strategies as needed.

## Stakeholder review

In 2004/05 we have redefined our stakeholder groups. We originally identified eight groups in 1998, as well as our "partner" bodies: the Department for Culture, Media and Sport; the National Lottery Commission; and the National Lottery Distribution Bodies.

The CRB and the APSR have now agreed to recognise the eight groups shown in the table.

Original Stakeholder Groups	New Stakeholder Groups	Explanation for the change
Public	→ <b>Players and Winners</b>	Around 70% of the public play the lottery, so we redefined "the public" as " <b>players and winners</b> " to ensure that players' specific needs can be addressed
Pressure Groups	→ <b>Public Interest Groups</b>	"Pressure groups" were redefined as " <b>public interest groups</b> " to reflect their role and our commitment to addressing broader public concerns
	→ <b>Governmental Bodies</b>	Introduced as a group, to include DCMS, other Government departments, our regulator, the National Lottery Distribution Bodies and the National Lottery Promotions Unit, all of which are critical to the current and future success of Camelot and The National Lottery
Suppliers	→ <b>Suppliers and Partners</b>	"Suppliers" were redefined as " <b>suppliers and partners</b> " in recognition of the partnerships we have built with some of our suppliers, including, for example, mobile telephone operators and other lotteries involved in EuroMillions
Community	→ <b>Local Communities</b>	"Community" was redefined as " <b>Local communities</b> ", reflecting our community priorities
Environment	→ Environment	"Environment" is a cross-stakeholder theme touching employees, local communities, suppliers and partners, and shareholders. Therefore it is more appropriate to treat it as such rather than as a stakeholder group
Retailers	→ Retailers	Unchanged
Employees	→ Employees	Unchanged
Shareholders	→ Shareholders	Unchanged

We also responded to recommendations from The Ashridge Centre for Business and Society to improve our stakeholder engagement:

- We engaged with new organisations, including our shareholders, in consultations (e.g. Retailer Forum, Public interest groups and community consultation)
- We revised the areas of stakeholder consultation that have not been sufficiently integrated into business decision-making processes (e.g. reviewed player and retailer satisfaction surveys)
- We held a cross-stakeholder environmental seminar, which was attended by representatives of local community organisations, environmental NGOs, suppliers, other companies, and one of our shareholders. See [Environmental impact](#).

## **Integrating CSR risks**

Ashridge recommended that we should integrate social responsibility practice and strategic risk management. See [Governance](#). In response, we held a cross-functional workshop to consider corporate responsibility risks. The risks which were identified were debated by the whole of our executive team. Specific social, environmental and ethical risks are now itemised in a separate corporate responsibility risk section on the corporate risk register, helping to ensure that any material risks are mitigated, monitored and reported.

Our Social Responsibility Manager now sits on the Risk Management Committee to ensure that corporate responsibility factors are taken into account in the evaluation of all other risks and our Head of Business Assurance joined the Corporate Responsibility Board in May 2005.

Our next step is to hold risk workshops with the Corporate Responsibility Board and Advisory Panel for Social Responsibility.

## **Improving our environmental management**

During the year we made considerable progress in improving our environmental performance.

Our volunteer [Green Team](#) has helped us improve our performance on waste management and recycling. We have also introduced minimum environmental criteria for our suppliers. See [chain engagement](#) and [Environmental impact](#).

We have set a number of more stretching environmental targets for 2005/06. See [Supply Next Steps](#)

## **Measuring performance**

Following Ashridge's recommendations, we have attempted to set more specific and measurable targets and commitments. We have identified 19 core indicators from the 72 included in this report. The Corporate Responsibility Board and Advisory Panel for Social Responsibility will be briefed on progress against all 19 indicators twice a year. See [Tracking performance](#).

## Reporting

For the first time, this report is in accordance with the Global Reporting Initiative 2002 Guidelines, which may aid comparability with other companies. See GRI Table.



We have also included a model to describe our socio-economic impact for the first time See Socio-economic model.

## Identifying flagship areas

As part of the strategic review of our CR, we identified a number of areas where we feel we have a role to play in sharing best practice. These are: stakeholder engagement, social reporting, corporate social responsibility management, marketplace/product responsibility and impact on communities.

We launched a number of projects in these areas in 2004/05, and will continue in 2005/06:

- We worked with HBOS, Business in the Community (BITC) and AD Little to produce "A Director's Guide to Corporate Responsibility Reporting"
- We co-sponsored an AccountAbility project with UNEP to develop a manual on stakeholder engagement
- Dianne Thompson, our Chief Executive, has taken on the role of vice-chair of BITC's Leadership Taskforce on the marketplace.

## Innovation in assurance

In 2004/05 we appointed a new independent assurance provider to assess the contents of this report and our corporate responsibility management. We find that expert external assurance is an invaluable way of providing fresh ideas and challenging us to improve further.

We have asked Reassurance Network to:

- Report on the Social Report content
- Validate our data (including GRI Index)
- Evaluate the quality of our stakeholder engagement
- Assess our management system for producing the report
- Carry out a broader review against the AA1000 principles (Materiality, Completeness and Responsiveness) focusing on the contribution of social reporting to business objectives.
- To look at two specific briefs -
  - Evaluate the new CR management structure
  - Review the use of indicators.

Reassurance Network has developed a model of assurance based on the AA1000 principles. See [www.accountability.org.uk](http://www.accountability.org.uk) . Their evaluation and feedback have improved our understanding of how a wide range of activities - including stakeholder dialogue, risk management and communications - combine to contribute to responsible practice.