



CORPORATE SOCIAL RESPONSIBILITY REPORT

January 1, 2016 – December 31, 2016

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**Letter from General Manager
Russ Knapp**

May 2017

This is the second Corporate Social Responsibility report issued by the Northstar New Jersey Lottery Group (Northstar New Jersey). It describes the efforts of Northstar New Jersey on behalf of the New Jersey Lottery (the Lottery) in the area of corporate social responsibility including Northstar New Jersey's and the Lottery's positive contributions to New Jersey's environment, society and economy.

Following the Lottery's selection of Northstar New Jersey in Fiscal Year 2014 to join the Lottery's public/private partnership business model, a dedicated staff was developed devoted to continuing and expanding the Corporate Social Responsibility (CSR) program. Historically, the New Jersey Lottery reported on its own CSR-related activities and accomplishments in its official Annual Report discussions of significant events and financial results. The Lottery will continue to mention CSR in its Annual Reports, however; Northstar New Jersey will publish this separate CSR report each year to focus attention on the importance good Corporate Citizenship, Environmental Sustainability and Responsible Gaming to the way Northstar New Jersey conducts business and the contributions made to our State.

The following report covers activities during calendar year 2016. We hope readers will find the report interesting and informative.

We appreciate your continued support as we recognize every day that -

ANYTHING CAN HAPPEN IN JERSEY!

Very truly yours,



Russ Knapp
General Manager

Who We Are

The New Jersey Lottery is an executive agency of the government of the State of New Jersey, established in 1970 by the State Lottery Law, N.J.S.A. 5:9-1 et seq., as a separate division of the New Jersey Department of Treasury. The Division of Lottery includes the New Jersey State Lottery Commission, the Executive Director of the Lottery, and various operating units. The Commission is a seven-member board that consists of the State Treasurer and six public members appointed by the Governor of the State of New Jersey; it is empowered to promulgate rules and regulations for the operation of the Lottery. The Executive Director is appointed by the Governor, with the advice and consent of the New Jersey State Senate, and acts as the Secretary and Executive Officer of the Commission with responsibility for full-time supervision and direction of the Lottery in accordance with the provisions of the State Lottery Law and the rules and regulations of the Commission.

On June 20, 2013, a competitively bid 15-year (plus a 9-month portion of the State's 2014 fiscal year) Lottery Growth Management Services contract was awarded to Northstar New Jersey for the purpose of increasing Lottery sales and net income. Through Northstar New Jersey, the Lottery receives game design, technology, sales, marketing, advertising, and other services provided by Northstar New Jersey's own staff and by Northstar New Jersey's parent companies, International Game Technology ("IGT") and Scientific Games International ("SGI"), which are the world's leading gaming companies.

Products

Licensed New Jersey Lottery Retailers are found in all of New Jersey's 21 counties. Adults 18 years of age and older can choose from draw games, including our three jackpot games: Powerball, Mega Millions, and Pick-6 XTRA; three daily games: Pick-3, Pick-4, and Jersey Cash 5 XTRA; plus CASH 4 LIFE, 5 Card Cash, and Fast Play games. In addition to draw games, we offer more than 40 different Instant Games at any given time. A current list of games can be found on the [New Jersey Lottery website](#).

DRAW GAMES AVAILABLE IN 2016



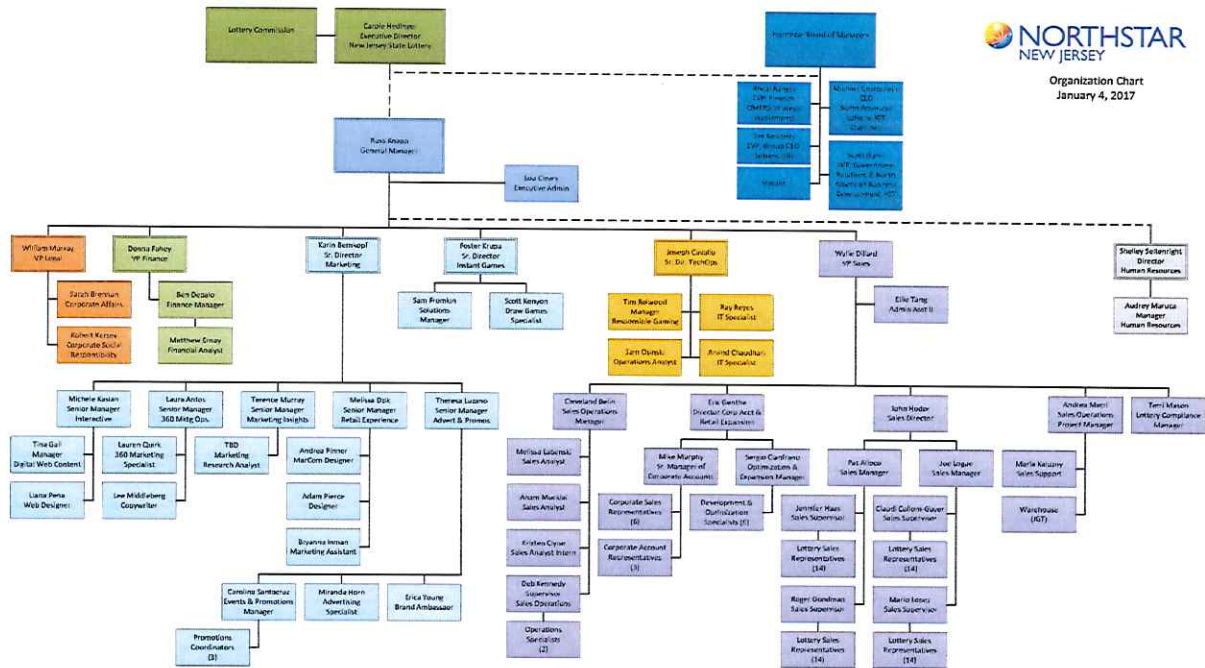
New Jersey Lottery



INSTANT GAMES AVAILABLE IN 2016



Northstar New Jersey Lottery Group:





The values of the Lottery's public/private partnership with Northstar New Jersey are set forth in the Mission Statement adopted by the New Jersey State Lottery Commission:

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Business Plans

The New Jersey Lottery's Annual Business Plans for fiscal years 2014, 2015, 2016, and 2017, proposed by Northstar New Jersey and approved by the Lottery, each consist of various pillars designed to balance profitability with responsibility:

FIVE PILLARS (October 2013 – June 2014):

Instant Games	Draw Games	Retailer Network	Marketing and Advertising	Corporate Social Responsibility
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SIX PILLARS (July 2014 – June 2015):

Draw Based Innovation	Instant Product Innovation	Retail Expansion and Optimization	Brand Refresh	Corporate Social Responsibility	Operational Efficiency and Flexibility
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SEVEN PILLARS (July 2015 - June 2016):

Draw Based Innovation	Instant Game Innovation	Retail Expansion and Optimization	Marketing and Communications	Corporate Social Responsibility	Operational Efficiency	Ongoing Innovation
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SIX PILLARS (July 2016 - June 2017)

Financial Summary	Player Engagement	Draw Based Games	Instant Games	Sales	Corporate Social Responsibility
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Establishing corporate social responsibility as a pillar equal in importance to game revenues demonstrates the commitment of the Lottery's public/private partnership to:

- Protect and respect New Jersey Lottery players and retailers.

- Safeguard, maintain and grow the New Jersey Lottery brand.
- Include standards of ethics and integrity for those affiliated with the New Jersey Lottery.

Governance

The New Jersey Lottery is governed by New Jersey State Lottery Law, N.J.S.A. 5:9-1 et seq., enacted by the New Jersey State Senate and Assembly and approved by the Governor in 1970. In addition to the State Lottery Law, the New Jersey Lottery is governed by Chapter 20 of Title 17 of the New Jersey Administrative Code, N.J.A.C. 17:20-1.1 et seq., which contains regulations adopted by the New Jersey State Lottery Commission.

Because the New Jersey Lottery is operated as a public/private partnership including the Division of Lottery and Northstar New Jersey Lottery Group, there must be a strong governance practice supported throughout the organization.

The New Jersey Lottery's commitment to responsible gaming is embodied in Northstar New Jersey's Office of Corporate Social Responsibility, which was created in October 2013. The office consists of the Director of Corporate Social Responsibility, Director of Corporate Affairs, and the Manager of Responsible Gaming, who report to the Vice President and General Counsel, the General Manager, and the Executive Director of the Lottery.

Corporate Social Responsibility activities are always reported during the regular joint staff meetings of the New Jersey Lottery and Northstar New Jersey, in which material governance issues of the public/private partnership are discussed. These executive and management level meetings afford the senior staffs of both the Lottery and Northstar New Jersey the opportunity to understand and discuss key CSR issues and to report any concerns. That active involvement by executive leaders and senior managers assures that the importance of corporate social responsibility is recognized at every level of the public/private partnership.

Employee Data

In 2016, there were approximately 98 full-time and 2 part-time employees of the Division of Lottery and approximately 208 employees of Northstar New Jersey (including employees of IGT New Jersey).

Responsible Gaming and Consumer Protection

What is Responsible Gaming?

Responsible Gaming integrates Northstar New Jersey's and the Lottery's efforts to address consumer welfare issues that may arise from the use of Lottery products, and plans for sustainable economic growth. Northstar New Jersey and the Lottery use the framework established by the World Lottery Association to address these key areas and to continuously

improve upon the Responsible Gaming program. The public/private partnership believes that a sustainable growth model must grow revenue in a socially responsible way. The public/private partnership encourages persons under the age of 18 years to abstain from lottery play, and employs a variety of methods to prevent the sale of lottery tickets to persons under the age of 18. Other responsible gaming efforts are designed to avoid, minimize, or mitigate lottery game features that could cause problems for vulnerable individuals, to inform problem gamblers that help is available, and to refer problem gamblers to treatment programs.

Stakeholder Engagement

The Northstar New Jersey/Lottery public/private partnership identifies the following groups as stakeholders important to the Lottery's Corporate Social Responsibility program: (1) Employees of the Lottery and Northstar New Jersey, (2) Lottery players, (3) Licensed Lottery Retailers, (4) Beneficiary organizations that receive financial support from Lottery revenues, (5) Individuals with gambling problems or vulnerable to gambling problems, (6) Problem gambling prevention and treatment providers, (7) Charitable organizations, (7) Chambers of commerce, (8) trade associations, (9) Academic research institutions, and (10) the general public. The public/private partnership is actively engaged with all stakeholders to provide them with a fully transparent understanding of Lottery operations and obtain the benefits of stakeholder perspectives and feedback.

Initiatives

The Northstar New Jersey/Lottery public/private partnership has adopted the World Lottery Association's responsible gaming framework and has created activities in the following areas during 2016:

Research

In March 2016 a Responsible Gaming survey was again conducted to analyze players' views on the New Jersey Lottery's responsible gaming program. The Lottery's VIP Club was invited to participate in the survey and nearly 2,101 responses were collected. Additionally, beginning in September 2015, two questions on responsible gaming were added to the New Jersey Lottery's monthly survey which is distributed to the Game Changers group of players.

Employee Training

In 2016, all employees of Northstar New Jersey and its subcontractor, IGT New Jersey, as well as the New Jersey Lottery, continued to receive ongoing training in ethical conduct, responsible lottery game design, and responsible gaming. This training included employee responsible gaming surveys and training videos featuring New Jersey Lottery Executive Director, Carole Hedinger, and draw-hostess and Lottery personality, Erica Young.

Retailer Program

For most New Jersey Lottery players, New Jersey Lottery retailers are the face of the Lottery. Therefore, the public/private partnership recognizes that responsible gaming training for retailers is of utmost importance to ensure that retailers have the necessary tools to address responsible gaming with players. As new retailers join the New Jersey Lottery network, they receive responsible gaming training in conjunction with training in lottery terminal operations and lottery financial accounting. Existing retailers receive ongoing in-service training at their retail locations from Lottery Sales Representatives and other members of the Northstar New Jersey Sales Department. As new games and play styles are introduced, retailers receive ongoing training as needed.

Each retailer equipped with a self-service lottery ticket vending machine is required to monitor the machine to prevent the purchase of a lottery ticket by a person under the age of 18 years, and each machine includes a remote control feature a retailer can use to turn off the machine to prevent a person under the age of 18 years from purchasing a lottery ticket.

Continuous communication with retailers emphasizes the importance of responsible gaming, and all retailers are required to make available to customers the Lottery's two responsible gaming brochures, entitled "Not 18 Yet? No Bet!" and "It's Only a Game." Selected retailers participate in Retailer Advisory meetings, where retailers provide feedback on a variety of topics, including responsible gaming, to the New Jersey Lottery and Northstar New Jersey.

Retailers also have the ability, from their Lottery terminals, to press a button to produce the following printed message to be given to a Lottery player when needed: "If you think you or someone you know has a gambling problem, help is available in New Jersey 24 hours a day . . . every day! Call 1-800-GAMBLER®."

Game Design

In 2016, the New Jersey Lottery again relied on Northstar New Jersey and its members and suppliers, IGT and SGI, for game design services. Each game design must comply with specific responsible gaming requirements to avoid targeting persons under the age of 18 years or vulnerable persons. Game designs may not include inaccurate or misleading information. In 2016, gamgard (previously GAM-GaRD), an independently developed analysis tool, was again used to measure the level of potential risk for every new game design. The gamgard program produces a rating of "Low Risk," "Medium Risk," or "High Risk" to indicate the potential of each game design to cause problems for underage or vulnerable persons. Since inception of gamgard testing in 2014, the New Jersey Lottery has not launched any game rated "High Risk" or "Medium Risk." Every New Jersey Lottery ticket bears 3 required responsible gaming messages: "Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call 1-800-GAMBLER®."

Advertising and Marketing Communications

The Northstar New Jersey/Lottery public/private partnership follows responsible gaming best practices by requiring all marketing and advertising communications to include 3 responsible gaming messages: “Must be 18 or older to buy a lottery ticket. Please play responsibly. If you or someone you know has a gambling problem, call 1-800-GAMBLER®.” In advertisements for a specific game, the overall odds of winning must be included.

Beginning in 2016, targeted Responsible Gaming advertisements were published in print media by the New Jersey Lottery for the first time. The target markets for the advertisements were selected in cooperation with the Council on Compulsive Gambling of New Jersey (“CCGNJ”) to assure that the advertisements would be seen most often in the New Jersey counties where the most calls to CCGNJ’s helpline number originate. The advertisements were launched quarterly and emphasized the following messages:



Player Education

The New Jersey Lottery website Home Page urges players to “Please Play Responsibly.” By clicking on that message, a webpage visitor can access a comprehensive section on responsible gaming that provides advice on how to enjoy playing lottery games without experiencing problems, how to recognize the signs of problem gambling, and where to find help for gambling problems.

Treatment Referral

The Northstar New Jersey/Lottery public/private partnership believes it can best assist players who may have gambling problems by publicizing the Council on Compulsive Gambling of New Jersey’s Helpline, 1-800-GAMBLER®, A 24-hour, toll-free telephone number that connects problem gamblers with treatment. The State of New Jersey provides funding for the 1-800-

GAMBLER® Helpline as a central tool for treatment referral to State approved providers. The Northstar New Jersey/Lottery public/private partnership publicizes the helpline number by printing it on virtually all advertising and marketing communications, and on all playslips and lottery tickets. The public/private partnership also promotes other resources for problem gamblers and their families in the responsible gaming player brochure available at all retailer locations, promotional events, and on the New Jersey Lottery website.

Responsible Gaming Achievements

In 2016:

November: Achieved Level 4 World Lottery Association Responsible Gaming Certification.

November: Awarded the World Lottery Association's "Best Innovation Responsible Gaming Award" for 2016

Consumer Health and Safety

Corporate Social Responsibility best practices have been adopted in the area of consumer health and safety through policy and complaint processing and incorporated in each annual business plan.

The Consumer Protection Internal Controls ensure that the public is fully informed of New Jersey Lottery activities and that their concerns are adequately addressed. The Customer Service, Prize Claims and Payment, Tax Requirements, Game Drawings, and Information hotline (1-800-222-0996) is posted on the New Jersey Lottery website. Inquiries can also be submitted by email to publicinfo@lottery.nj.gov.

The Northstar New Jersey/Lottery public/private partnership takes complaints and concerns very seriously. Reports on complaints are monitored by the Lottery's senior staff to ensure that the New Jersey Lottery continuously and consistently meets our players' needs.

Hotline Calls

Total hotline calls in 2016: 57,242

Economic Impact

Where the Money Goes

Each year, the New Jersey Lottery issues an annual report on its financial performance during the State's fiscal year (July to June). A digital version of each annual report appears on the Lottery's [website](#).

The ability to simultaneously maximize sales and control operational costs is critical to funding the good causes that benefit from New Jersey Lottery operations every year.

Lottery revenues are returned to New Jersey communities in the form of prize payments to winners, sales and cashing commissions to retailers, vendor and supplier payments, and aid to Education and Institutions.

The *Where the Money Goes Tour*, developed by the Lottery's Public Information Office, provides insight into the New Jersey Lottery's ultimate goal: to improve the lives of Garden State residents. The presentation outlines how the revenue generated by the New Jersey Lottery is disbursed to help fund specific State-sponsored educational programs and institutions.

In fiscal year 2016, the New Jersey Lottery supported its revenue recipients in the following amounts:

Department of Education: \$67,261,000

Higher Educational Services: \$667,273,000

Department of Human Services: \$233,400,000

Department of Military and Veteran's Affairs: \$15,656,000

In fiscal year 2016, the New Jersey Lottery awarded \$2.0 billion in prizes to winners. In fiscal year 2016, retailers were paid \$186 million in commissions.

Since its inception in 1970, the New Jersey Lottery has contributed more than \$24.8 billion to Education and Institutions in the State.

Supply Chain and Vendors

In fiscal year 2016, Northstar New Jersey received \$103.8 million in fees and expenses, which included \$24.8 million for advertising and marketing costs. Payments to other suppliers totaled \$79.0 million.

Giving Back

Community Support

The Northstar New Jersey/Lottery public/private partnership recognizes that community support is an important part of sustainable development, and we incorporate giving strategies into the Lottery's business approach. Both the Lottery and Northstar have initiatives designed to give back to the community.

Corporate Giving FY2016

Community Sponsorships (NJ Lottery Branded)	\$25,000
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(e.g., Northstar New Jersey donations to Special Olympics, Race for the Cure)

Charitable Donations (Northstar New Jersey) (e.g., After School Advantage computer labs donated by Northstar NJ to non-profit organizations)	\$32,000
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Memberships (e.g., participation by New Jersey Lottery, Northstar New Jersey, or both in the Food Council, State and Local Chambers of Commerce, North American Association of State and Provincial Lotteries, and World Lottery Association)	\$39,200
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New Jersey Lottery employees have the option to participate in the annual New Jersey State Employee Charitable Campaign. In 2016, Lottery employees contributed nearly \$1,000 to charities.

A flagship charitable program and community involvement initiative of Northstar New Jersey is the After School Advantage program (ASA), which provides qualifying nonprofit community agencies with state-of-the-art, internet-ready computer labs. In FY2016, Northstar New Jersey donated two ASA labs – one each at the Boys & Girls Clubs of Vineland and the Boys & Girls Clubs of Lodi/Hackensack at the Housing Authority facility in Hackensack. Each ASA lab included new computer equipment, furniture, and facility refurbishing, all of which was assembled and installed with volunteer assistance provided by employees of the New Jersey Lottery, Northstar New Jersey, and IGT New Jersey.

The New Jersey Lottery and Northstar New Jersey are financial contributors to the Council on Compulsive Gambling of New Jersey, sponsoring the Council's annual conference each year. Northstar New Jersey also supports the National Council on Problem Gambling with annual financial contributions. The Lottery is a member of the National Association of State and Provincial Lotteries, the World Lottery Association, and the Council on Compulsive Gambling of New Jersey. In 2016 Northstar New Jersey was a member of the New Jersey Chamber of Commerce, the North Jersey Chamber of Commerce, the Mid-Jersey Chamber of Commerce, the Chamber of Commerce of Southern New Jersey, the New Jersey Business and Industry Association, the Food Council of New Jersey, and the Asian American Retailers Association.

The Lottery and Northstar New Jersey Employees support local communities through personal contributions to organizations such as Jersey Cares, Joey's Little Angels and the American Red Cross. Employee-led blood drives, back-to-school supply collections and holiday toy drives were held in 2016 for those organizations.

In FY2016, employees from the New Jersey Lottery, Northstar New Jersey and IGT New Jersey volunteered at the Ronald McDonald House in Camden on two occasions to prepare dinner and stock the pantry for residents.

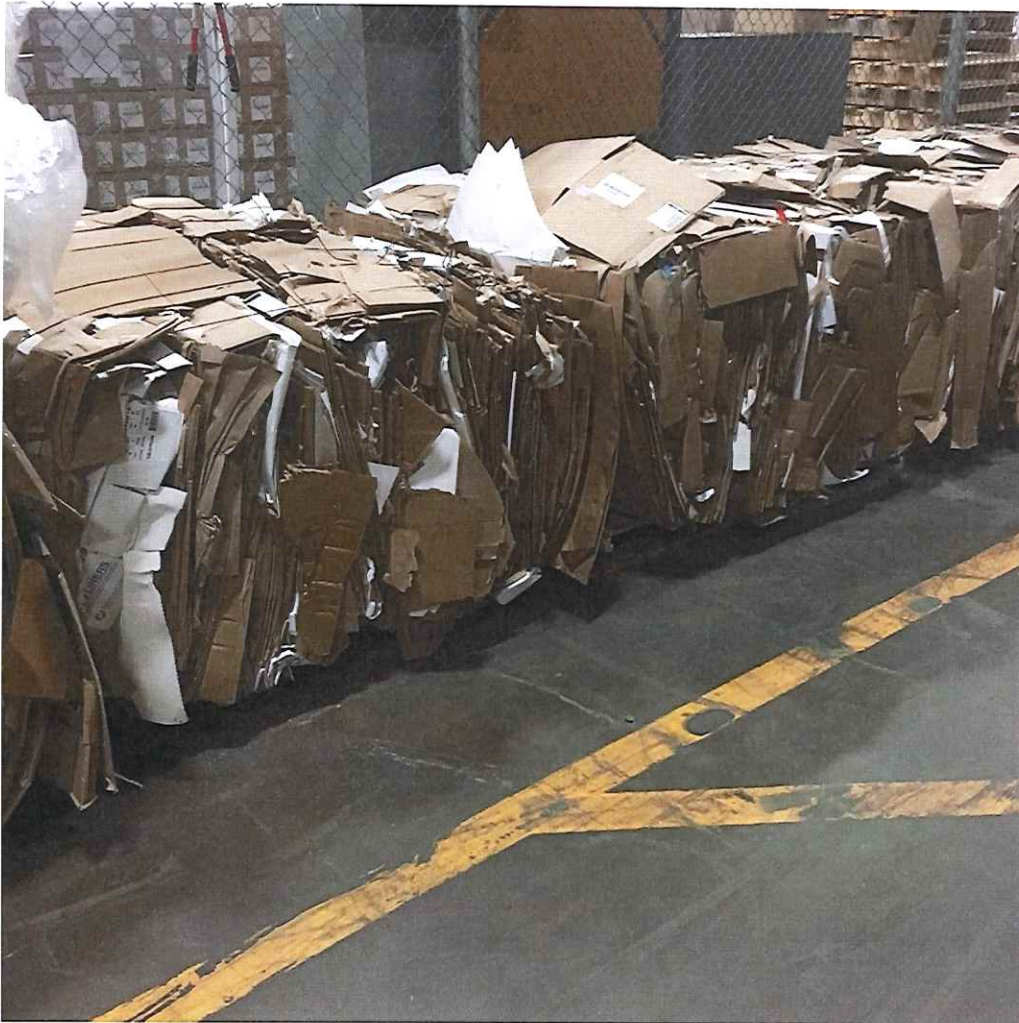
Northstar New Jersey manages all of its own charitable contributions. In accordance with the Annual Business plan, Northstar New Jersey allocates a dedicated budget to Corporate Social Responsibility and Corporate Affairs. These funds are dispensed to "Northstar New Jersey Charities," community projects and social causes in accordance with Northstar New Jersey's philanthropic philosophy. Charitable contributions are managed by the Charitable Committee of Northstar New Jersey. "Northstar New Jersey Charities" fit into one or more of the following categories: a bona fide educational, military and/or veteran's affairs organization, or a civic organization that operates in New Jersey, operates without profit to the organization's members, and is exempt from taxation under Section 501(c)(3) of the US Internal Revenue Code.

Environment

The Northstar New Jersey/Lottery public/private partnership takes its impact on the environment and recycling extremely seriously, and is committed to conducting business in New Jersey in an environmentally responsible way. The Northstar New Jersey/Lottery public/private partnership models its environmental practices on IGT's Environmental Management Systems (EMSs), which are operated in accordance with ISO 14001. IGT is ISO 14001 certified and the company is committed to conducting its business in an environmentally responsible manner. IGT is committed to complying with accepted environmental practices, including the commitment to meet or exceed applicable legal and other requirements, to strive for continual improvement in its environmental management systems, and to minimize the creation of wastes and pollution.

The ISO 14001 Environmental Certification relates to the management of major environmental issues (energy consumption and pollutant emissions; waste production and management; office paper consumption; management of supplies with environmental impact), the limitation of harmful substances, and the maintenance of IT facilities.

To lessen its environmental impact, IGT New Jersey's facility in Cranbury recycles 30 to 40 tons of cardboard and plastic per year.



In the summer of 2016, Lottery retailers throughout New Jersey received the cooler cling below to be used in their cold drink cases. This cling reminds shoppers to make their selections before opening refrigerators, in an effort to encourage energy conservation throughout the retail network. 5,000 of the cooler clings were produced and distributed.



The New Jersey Lottery also obtains instant lottery tickets from a supplier that began to use a more environmentally friendly manufacturing method in 2016.

IGT Printing developed an all water based ticket construction process. The all water based construction eliminates the use of a solvent charcoal coating as well as reformulating the other coatings into a cohesive product.

Water based inks provide a safe alternative to solvent based inks and a means of eliminating air, ground and water pollution. The move away from solvent based inks reduces IGT's carbon footprint and dependence on oil based products, improves air quality and reduces the possibility of ground contamination. Specific environmental benefits of using water based inks include:

- Reduces hazardous waste. Hazardous waste regulations adopted under the United States Resource Conservation and Recovery Act (RCRA) restrict disposal options for all wastes mixed with solvents to prevent contamination of surface and underground water systems.
- Reduces air pollution. Solvent ink contains 80-100% volatile organic compounds (VOC) that are released into the atmosphere during the drying process. Use of water based inks reduces air pollution by eliminating those emissions.
- Improves safety and reduces risk. Solvent ink is easily ignited and poses a fire risk to the facility and danger to the people using them.

The Northstar New Jersey/Lottery public/private partnership also aims to reduce its footprint by choosing to be efficient in its use of space and energy. Rather than having separate spaces for the Lottery, Northstar New Jersey, and IGT New Jersey, all three organizations are located in the same building at Brunswick Circle in Lawrenceville/Trenton. To accommodate the increased staff that resulted from the Lottery Growth Management Services contract awarded to Northstar New Jersey, indoor spaces were reconfigured to house all three members of the public/private partnership.

The reconfigured space includes environmentally sensitive measures, such as:

- It was built on a previously developed site (a former shopping center), thereby reducing pressure on undeveloped land.
- It uses efficient water and lighting fixtures to reduce waste.
- Existing walls, floors and roof were used in construction.
- Floors and walls were constructed of or covered by materials that emit low amounts of volatile organic compounds.
- Employees are educated on recycling and reusing metals, plastics, and paper.
- Administrative staff makes every effort to stock kitchens and bathrooms with "green" cleaning products and recycled paper products.
- Employees are encouraged not to print emails and other digital documents unless necessary.
- Efforts are made to discourage traveling for meetings; instead, teleconferences are used whenever possible.