

OUR BUSINESS AND SOCIETY

Welcome to our report on 'Our Business and Society'. In the pages that follow – and in much greater detail on our website at www.pearson.com/community/csr_report2004 – we set out the progress in social responsibility that we have made in the past year. Our record – whether it's on our UN Global Compact commitments, the diversity of our people or our charitable giving including the three relief funds we set up last year – has continued to improve, though we know that we have a lot still to do. We are particularly pleased that we have been able to set up our Pearson Foundation which makes our educational resources available to those who may lack access to them otherwise. Through this, we are already involved in educational projects from Manila to the Bronx.

As a creative business, we are entirely dependent on the minds and imagination of our 33,000 people. We think that what attracts people to work for us, and prompts many of them to stay, is that we feel a strong sense of responsibility for everything we do. It's their commitment to create the most inspiring textbooks, the best educational testing, the most accurate newspapers, the most original fiction, and the most effective services to governments that make Pearson a company to which we are all proud to belong. We think 'responsible' behaviour is inseparable from what we do every day: our greatest social impact arises from the products and services we create.

In the following pages you will see that we have set out our performance against the targets we set last year and also laid down some new goals for 2005. You will find our full report online at www.pearson.com/community/csr_report2004. I hope you will not hesitate to contact me with any questions or comments at david.bell@pearson.com.



David Bell, *Director for people*

Our Progress in 2004

In 2004 we focused on some specific targets. Here's how we performed against them:

1. Maintain or improve our ratings in key indices of social responsibility We held our position as media sector leader in the Dow Jones Sustainability Indices 2004 for the third year running. Pearson was also included in the Innovest ranking of the 100 Most Sustainable Corporations in the World, the top 100 in the 2003 Business in the Community CR Index and the FTSE4Good Indices.

2. Assess key printers and paper suppliers against UN Global Compact standards We have continued our programme of supplier visits in China, India, Malaysia, Australia, Singapore and Western Europe. We have also run a series of seminars with our main purchasing and production teams in the UK and US to incorporate the review of our commitments under the Global Compact into our terms of business.



We are working with Book Aid to support mobile reading tents in East Africa

3. Develop strategic community partnerships for key markets outside the US Our new Pearson Foundation has built a number of partnerships in countries such as Jordan, South Africa and the Philippines to share our educational programmes with young people who otherwise lack access to our resources. In 2004 we launched a three-year programme with long-term partner Book Aid International to encourage reading in East Africa through a series of mobile reading tents.

Our Progress in 2004 *continued*

- 4. Work with UK book production companies to develop industry guidelines on labour standards and human rights in the supply chain* Pearson, along with other major book publishing companies in the UK, has successfully worked on setting industry standards for Social Accountability. The standards follow the principles relating to labour standards set out in the UN Global Compact and have been endorsed by the industry trade association, the Publishers Association.
- 5. Reduce energy use in key buildings and review packaging and office waste* Using 2003 as the base year, in 2004 we achieved a 4% reduction against our target of a 10% reduction in electricity and gas usage per square metre of our space by the end of 2008. Paper recycling facilities are in place for 46 of our top 50 buildings and we started to review our use of packaging.
- 6. Continue to invest in scientific research-based education products* Last year we continued our commitment to provide scientific research to validate the educational value of our products and services. For example, in 2004 we commissioned 21 independent scientific research studies into our School maths, reading and science products.
- 7. Extend the reach of our management development programmes to more countries and parts of the business* In 2004 we rolled out our senior leadership masterclasses around the world with 150 senior managers from Europe, the US, Asia and Australia taking part. In addition, each operating company has worked hard to improve their own management development, coaching and mentoring programmes around the world.
- 8. Introduce business targets and milestones for our diversity strategy* To ensure that we continue to make progress against our goals we have introduced quarterly reporting where each head of business reports to Marjorie Scardino on diversity. Our progress in diversity was recognised by the Race for Opportunity survey where Pearson was named 'most improved company'.

Our Plans in 2005

Continue to advance in the key indices of social responsibility

Commission an independent review of our social, environmental and ethical (SEE) processes, initially in our UK businesses

Work with UK media companies and industry bodies to develop understanding of our main social responsibilities

Introduce independent verification into targeted areas of our social responsibility activities

Complete the register of the environmental performance of our key printers

Map the sources of wood, certification methods used and recycled content for the paper supplied to us for our books and newspapers

Continue to assess key printers and paper suppliers against the UN Global Compact standards

Continue our drive to reduce the energy used in our buildings

Continue to increase the recruitment and promotion of people from minority backgrounds, as well as the number of women in senior management roles

Develop a strategic community partnership in the UK



Remember, for the detailed report visit
www.pearson.com/community/csr_report2004