

OUR BUSINESS AND SOCIETY

Welcome to our report on 'Our Business and Society' for 2005. Social responsibility is core to our business, whether we're helping students achieve the best possible results at school, encouraging college students to become teachers or helping business people make better decisions.

In everything we do, our aim is to combine a commitment to our commercial goals with a clear understanding of our responsibilities in the wider world and our performance has continued to improve over the past year.



We have seen a terrible succession of disasters and man-made tragedies across the world – from the earthquake in Pakistan and India, to the hurricanes in the US and the terrorist attacks in London. In each case, the spirit and practical response of people all around Pearson was characteristically generous and inspiring. We have continued to develop our relationship with Jumpstart and Book Aid International and we're pushing forward with the work of the Pearson Foundation in the US.

As a creative business, we rely heavily on the imagination and brainpower of the thousands of people who work here and we continue to place great emphasis on the need for the makeup of our businesses to reflect the communities in which they operate.

It may sound like a cliché, but it is true that we believe our people are our greatest asset. For us, corporate responsibility does not belong in a 'box' somewhere out of sight. It is a daily part of what the company strives to be: brave, imaginative and decent in the way it treats its customers, its suppliers, its own people and the wider world in which it operates.

The following pages briefly outline how we performed against last year's targets and set some standards for us to reach in 2006. The full report is available at www.pearson.com/community/csr_report2005. Please do not hesitate to send questions or comments to david.bell@pearson.com.

A handwritten signature in black ink, appearing to read "David Bell".

David Bell, *Director for people*



Above: This year Pearson and non-profit organisation Jumpstart will create the largest ever shared reading experience. Jumpstart, Pearson's long-term partner in the US, has chosen a special edition of Penguin's *The Little Engine That Could* to be the official book for the Read for the Record event in August 2006. Each book sold will fund an hour of individual Jumpstart mentoring for an at-risk pre-school child.

OUR PROGRESS IN 2005

In 2005 we focused on some specific targets. Here's how we performed against them:

1. Continue to advance in key indices of social responsibility. We again improved our score in the Dow Jones Sustainability Indices 2005. We also moved forward again in the 2004 Business in the Community Corporate Responsibility Index and have been included in the FTSE4Good Indices since inception. And for the second year, Pearson was ranked as a top 100 company in the Most Sustainable Companies in the World listing by Innovest.

2. Commission an independent review of social, environmental and ethical (SEE) processes. With an independent consultancy, we carried out a review of the SEE risk processes in our UK businesses. The review found that overall the current processes were appropriate, but made some recommendations to strengthen our approach which we are now implementing.

3. Work with UK media companies and industry bodies to benchmark measurements of good practice. We continue to work with the CSR media forum. This group consists of many of the major media companies in the UK and meets regularly throughout the year. We also presented our sustainable paper sourcing policy in the UK to other national newspaper publishers through the Newspaper Publishers Association.

4. Introduce independent verification for targeted areas of social responsibility activities. Our environmental review was independently verified and the statement can be viewed at www.pearson.com/environment. Pearson also joined with several UK publishing groups under the auspices of Publishers Resolution for Ethical International Manufacturing Standards (PRELIMS) to introduce a social accountability audit of the printers we use around the world. From 1 January 2007, none of the signatories to PRELIMS will use a printer who has not satisfactorily engaged in this process, by either achieving the standard or having in place an acceptable plan for improvement.

5. Complete the register of the environmental performance of our key printers. We have added further printers to our register during the year and this objective is broadly complete. This register is updated regularly.

6. Map the sources of wood, certification methods used and recycled content for the paper supplied to us for our books and newspapers. We have established a new process to receive annual returns data from our main global paper suppliers on the source, certification and recycled content of the paper we use. This information is helping us meet our commitments on improved certification of the paper we use. We continue to work with WWF UK Forest and Trade Network as we enhance our responsible paper sourcing practice.

7. Continue to assess key printers and paper suppliers against UN Global Compact standards. Our programme of supplier visits in China, India and elsewhere continued in 2005. Some existing plants were revisited, particularly where we had concerns, and the programme was extended to include South Korea.

8. Continue to reduce energy used in our buildings. We achieved progress towards our target of a 10% reduction in electricity and gas usage per square metre of our space, from 2003 to 2008. Energy use figures are included in our environmental review at www.pearson.com/environment.

9. Continue to recruit and promote people from diverse backgrounds as well as increase the number of women in senior management roles. In 2005 we created and circulated our 'diversity mid career hiring strategy' to senior managers in the UK and the US. Each company has been asked to develop an approach to encourage more recruitment from diverse backgrounds, especially in areas which are currently under-represented. Pearson hosted the first main event for the National Newspaper Diversity Forum (NNDF) in 2005 – the prize-giving ceremony for the School Journalism Competition. NNDF was set up in 2004 to generate more interest in journalism among under-represented groups in society and is chaired by David Bell.

10. Develop a strategic community partnership in the UK. Pearson is piloting a new community programme in the UK, giving a free book to every five year old in Warwickshire and Southwark in their first term of primary school. The programme aims to promote the pleasure of reading, encouraging children and parents to take time to read together. Pearson is working on the programme with Booktrust, an independent national charity. If the pilot is successful, the programme will be extended more widely across the UK in 2006.

OUR PLANS FOR 2006

- Continue to advance in the key indices of social responsibility.
- Examine ways to minimise the environmental impact of book packaging.
- Extend our environment and labour standards auditing to our printers in South Africa and Latin America.
- Continue our drive for independently verified certification to ensure the suitability of paper we purchase for our books and newspapers – this will expand to include jackets and covers.
- Conduct our biennial employee survey.
- Continue to recruit and promote people from diverse backgrounds and increase the number of women in senior management roles.
- Introduce networking groups in the UK and US to develop future leaders and retain key employees.
- Conduct a full evaluation of the pilot of our UK community programme and, subject to that, roll out the project more widely.
- Continue to develop our partnership with Jumpstart in the US, to support and encourage college students to become teachers.

REMEMBER, FOR THE DETAILED REPORT VISIT
WWW.PEARSON.COM/COMMUNITY/CSR_REPORT2005