

Progress Report 2009

United Nations Global Compact

A Progress report on Pearson's performance

Pearson is proud to be one of the founding signatories to the Global Compact. Since 2000, the Global Compact has successfully engaged many thousands of global companies in considering their responsibilities towards Labour Standards, Human Rights, Environmental Management and in tackling corruption. As a former member of the Advisory Council, Pearson is pleased to have played a role in this success by guiding the early development of the Global Compact and we remain a staunch advocate of the principles.

Each year, we communicate our progress against each of the principles, set out the Pearson specific commitments and provide links to relevant sections of our Website which describe our policies, systems of management and performance. In addition, we publish a [corporate responsibility report](#) on our wider progress on sustainability performance which is available on our Website. Our corporate responsibility report also sets out the [targets](#) we set ourselves relevant to the Global Compact.

We are a global business and participation in the Global Compact continues to provide a vital framework to challenge our thinking as we develop and grow.

Robin Freestone
Chief Financial Officer

Highlights from 2009

This Communication on Progress provides links to the sections of our Website that describe in full our performance against the Pearson commitments. Some highlights from 2009 are:

- We were named for a third year as media sector global leader in the Dow Jones Sustainability World Index.
- We have been a member of the FTSE4Good indices since their introduction.
- Environmental Data Services' magazine classified Pearson as one of 100 Brand Emissions Leaders out of 600 brands surveyed citing our ambitious carbon reduction targets and strong disclosure
- Pearson was ranked 62nd in a list of the Global 100 Most Sustainable Corporations by Corporate Knights
- Reflecting past performance, Pearson remains ranked "Platinum", the highest tier in the Business in the Community (BITC) Corporate Responsibility Index.

Human Rights

Global Compact Principle	Pearson Commitments
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human	Pearson companies and people operate globally. Our products are produced and manufactured across the world and sold in many countries, often by companies we do not own which are operating on our behalf. In the course of conducting business in 'high risk areas', we are committed to ensure that we are not complicit in human rights

rights within their sphere of influence	abuses and continue to monitor this. If we were to find ourselves inadvertently implicated in abuses of human rights, we would take immediate steps to rectify such a situation
Principle 2: make sure that they are not complicit in human rights abuses.	

Human Rights: Our Approach and Progress in 2009

Principle 1

- Our [Code of Conduct](#) describes the standards that we set ourselves. Compliance is reviewed annually and material issues reported to the Board.
- Pearson participates in UN Global Compact Leaders Summits and is a member of the Global Compact Network in the UK - a group dedicated to implementing the principles and attracting additional companies to join the Compact.
- Pearson in the UK is a founding member of Publishers Resolution for Ethical Manufacturing Standards (PRELIMS). PRELIMS has introduced a common set of standards relating to labour standards & human rights based on an existing model developed by the toy industry. The PRELIMS model continues to be used by our purchasing departments around the world.

Principle 2

- Each year, our Chief Executive Officer sends everyone in the company an e-mail strictly about the Pearson [Code of Conduct](#), highlighting some areas, making sure everyone is paying attention to it and understands it; and each member of staff has to reply.
- As part of our risk reporting systems, Pearson operating companies review and report on their business risks, including Social, Environmental and Ethical (SEE) risks, to our group internal audit function on a semi-annual basis. The results of these reviews are reported via the audit committee to the board. The last review of SEE risks took place in December 2009.
- We report on our SEE process in our [Annual Report](#). Our 2009 risk assessment did not identify any significant under-managed SEE risks, nor have any of our most important SEE risks, many concerned with reputational risks, changed year-on-year. These are: journalistic/author integrity, ethical business behaviour, intellectual copyright protection, compliance with UN Global Compact standards, environmental impact, people and data privacy
- Each of our businesses report on their performance against each of the commitments we set relating to human rights and labour standards. The survey does not cover sales offices or joint ventures where Pearson does not have management control.

Labour Standards

Global Compact Principle	Pearson Commitments
Labour Standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the	We comply with the relevant laws relating to employment and employment conditions in each country and business surveyed. Subject to relevant laws in the countries where we operate, we fully respect the right of our people to freedom of association and representation either through trades unions, works councils, or any other appropriate

right to collective bargaining	forum.
Principle 4: the elimination of all forms of forced and compulsory labour	We recognise that labour standards and conditions may vary from country to country. Pearson companies conduct business in many of the poorer countries of the world where living standards are low. Where Pearson companies directly control their activities in a country, we ensure that our people have satisfactory wages and working conditions, and that there is no exploitation of labour.
Principle 5: the effective abolition of child labour	
Principle 6: eliminate discrimination in respect of employment and occupation.	We offer equal employment opportunities to all. The people we recruit and promote are selected on merit and suitability, and are not discriminated against because of gender, race, origin, background, religion, marital status, sexual orientation, disability or age. Our focus on progressing diversity within Pearson continues.

Labour Standards: Our Approach and Progress in 2009

Principle 3

- Pearson employees are participants in trade unions across the group.
- Representation takes many forms, for example, in Europe we have an Employee Forum in which employees and senior executives discuss the strategic development of the company.

Principles 4 and 5

- Each year, we carry out a survey of our business operations with regard to compliance with our commitments. This typically covers 100 business operations across 60 countries. This confirms that Pearson meets its commitments in this area.
- We have set the standards we expect of all our suppliers and for our key suppliers; we continue to introduce specific clauses relating to these standards into our contracts. These standards include the rejection of forced and compulsory labour and a minimum age to work on Pearson projects.
- We have written to many thousands of our suppliers to advise them of our commitment to the Global Compact, and our Code of Business Conduct. This was last undertaken in 2008.
- We carry out an ongoing programme of supplier visits to assess compliance with the Global Compact and our own standards. These visits reinforce our commitment to the abolition of child labour and all forms of forced and compulsory labour.
- Our process for new supplier selection includes communication to prospective business partners on our commitment to the abolition of child labour and all forms of forced and compulsory labour as an integral part of our terms of business.

Principle 6

- We have an established network of Diversity Councils and Leaders across our operating businesses to progress our programmes.
- Pearson efforts on diversity have been recognised through a number of awards. In the UK, Pearson was ranked second out of the 44 participating companies in the 2009 Race for Opportunity benchmarking exercise. In the US, Pearson was once again included on the 100 Best Companies for Working Mothers list for 2009.
- We have developed quarterly reports to executives focusing on key retention and promotion measures in their business.

- We have benchmarked our programmes against best practice through participation in surveys and studies by Diversity Inc., AARP and Working Mother among others.
- We are continually updating our diversity websites for both internal and external users with news stories from across the business. The website is available at <http://diversity.pearson.com>

Environment

Global Compact Principle	Pearson Commitments
Principle 7: Businesses should support a precautionary approach to environmental challenges	Our Environment Policy on our corporate Website and our Environmental Management System describes our main commitments.
Principle 8: undertake initiatives to promote greater environmental responsibility	Our products help us educate, entertain and inform. Our Environmental Review describes some of the ways that our businesses have met these principles.
Principle 9: encourage the development and diffusion of environmentally friendly technologies	

Environment: Our Approach and Progress in 2009

Principle 7

- Pearson reported on the outcome of its commitment to become climate neutral across the company operations existing as the year end 2007 by the end of 2009. Our climate neutral commitment been extended into 2010 and now covers existing businesses as at the end of 2009.
- Our Environmental Executive Committee chaired by Robin Freestone, a main board director, and attended by senior personnel, continues to oversee our global activity on environmental matters

Principle 8

- As part of our programme to map our path towards climate neutrality, we established a new baseline and introduced new reduction targets for energy and other sources of GHG in 2007. Our Greenhouse Gas (GHG) emissions total under this was baseline was 200k tonnes of Carbon Dioxide (CO²e). By 2009, we reduced our carbon footprint by over 12% on a like-for-like basis compared to 2007 levels. By a combination of GHG reduction, the purchase of green electricity and a commitment to offsets, we met our target.
- Our reuse/recycle rate for unsold books was in excess of our ongoing target of 95%.
- Our Environment Funds in the UK and the US funded projects including an investment programme in video-conferencing technology in the US.

Principle 9

- Dorling Kindersley and Penguin in the UK both retain Forest Stewardship Council (FSC) chain of custody certification allowing their books to also carry the FSC label. DK continues its "Made with Care" range of titles which sets new standards of ethical responsibility.
- Our businesses in North America started the process of seeking to attain FSC chain of custody.

- We were the first global publishing company to publicly disclose our policy with regard to the environmental characteristics of the paper we purchase. Our policy was updated in 2008.
- As well as certification systems such as FSC, we have our own procedure to track paper back through the production process to the original forest allowing us to verify the sustainability of the papers we use.
- We are a member of the WWF Forest & Trade Network and through this group work with WWF and other company members to improve environmental standards of paper purchase.
- We entered into partnerships to raise awareness on Climate Change issues and provide opportunities for readers to get involved. An example is the Penguin partnership in the US with the Nature Conservancy Council as part of their campaign to help [plant a billion trees](#). In addition, the FT has entered into a partnership with [Children's Tropical Forests UK \(CTF\)](#) to invest in and raise funds for the purchase and protection of a substantial area of primary tropical rainforest in Costa Rica

Anti-Corruption

Global Compact Principle	Pearson Commitments
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery	Our Code of Conduct describes the standards that we set ourselves

Anti-Corruption: Our Approach and Progress in 2009 Principle 10

The guiding document through which Pearson manages its compliance to this principle is the Pearson [Code of Conduct](#). The key characteristics of the Code are:

- Reporting. Material issues are reported to Senior Management and to the Audit Committee.
- Independence. Group Legal Counsel and Group Internal Audit have responsibility for the management of the Code. A confidential whistleblowing process is in place for employees to raise issues. All incidents are investigated by the head of internal audit and reported to the relevant senior management and audit committee.
- Awareness. An annual e-mail is sent to all-employees to confirm Pearson compliance with the Code of Conduct.

IMPLEMENTATION - FISCAL YEAR TO DECEMBER 2009

The key elements for Pearson in furthering our compliance with the Global Compact Principles are:

- Board Accountability. Robin Freestone, Chief Financial Officer was the Executive Board Member responsible for the Pearson response to the Global Compact during 2009.
- Practitioner Engagement. Networks in the UK and US guide implementation of aspects of the Pearson response and reporting on performance. The UK and the US are our most significant centres of employment and our global operations report into our businesses in these countries. In addition, South Africa has established an Environment Committee adding to existing groups in Canada, Australia and India.
- Clarity of commitment. Pearson commitments under the Global Compact form part of our corporate governance and risk management procedures and are placed in the public domain.
- Independence. We use an independent consultancy with specialist expertise to support us in meeting our commitments.
- Risk Management. Operating companies are responsible for managing their own risks. As part of our risk reporting systems, they review and report on their business risks, including Social Environmental and Ethical (SEE) risks, to our group internal audit

function on a semi-annual basis. The results of these reviews are reported via the Pearson Audit Committee to the Pearson Board. This reporting is supplemented by risk review sessions - facilitated by group internal audit - with the operating companies and the Pearson Management Committee.

How does Pearson intend to build on its commitment?

We believe that openness and transparency are the most important levers for improving our performance.

As far as possible, Pearson uses existing communication channels and management processes to review, improve and demonstrate our progress. We will continue to use the Pearson Website and the Annual Report as our primary means to engage our stakeholders. We also report on corporate responsibility issues in a dedicated section of our corporate Website.

Contact

For further information, or if you have any questions or comments, please contact, Alan Miller, Director of Group Affairs at Pearson plc on alan.miller@pearson.com. Alan Miller is the senior executive for environmental matters at Pearson and is directly responsible to Robin Freestone.