



Our people Our business is about brains and brands so we rely heavily on the skills and talents of our 30,000 people. Last year we conducted an employee survey across Pearson. The feedback shaped our action plan for last year and here's some of our progress:

Performance reviews We've put in place a framework for performance reviews across the entire company and trained managers on how to conduct them;

Internal promotion We remain committed to promoting internally rather than hiring from outside where that's possible – in fact, over 22% of our senior managers have worked in more than one country, division or function within Pearson. We introduced career discussions across Pearson and relaunched Pearson Partners, a website which gives details of all the vacancies across the Pearson businesses worldwide;

Staff roadshows Once a year we run a series of staff roadshows where our management team meet our employees and update them on the business. In 2004 we will run these in 50 locations around the world. We also post regular messages and announcements on our intranets and Marjorie e-mails everyone through the year with important news. Staff are encouraged to e-mail her with their comments and questions;



Code of Business Conduct In 2003 we launched our new Code of Business Conduct. A confidential hot line allows employees to raise any issue covered in it in complete privacy. Each year we will e-mail our employees to confirm that they are happy with the way we are operating it. Any breaches or concerns are followed up by our group control team and reported to the audit committee;

Job benefits We offer a range of benefits tailored to location and we've worked hard to make them even easier to understand – over 80% of our people can now go online to our new My Pay and Benefits site.

Management leadership evaluations We have introduced the Pearson leadership profile which sets out the most important attributes for leadership in Pearson. We use this to evaluate the performance and potential of our senior management and aspiring leaders and it forms the basis of our new leadership programme launched in August 2003. More than 25% of senior managers have gone through this in less than five months and by the end of 2004, all our senior managers will have attended.

Functional forums Over 350 of our people have come together cross-company and cross-region in functional or learning forums to share information and best practice. These forums have been held in finance, HR, technology, design, marketing, communications and editorial. We also hold an annual meeting of over 100 of our talented managers across Pearson to listen to their ideas and for them to hear more about the businesses we're in.

Diversity and the future Last year we launched a four year diversity programme to make sure diversity is at the centre of everything we do. We are not in favour of setting specific targets for recruitment, retention or promotion. But our goal is clear: we want to be at least the best in our industry for diversity.

Our plan falls into three phases:

Phase 1 The first phase, now complete, involved a systematic analysis of our workforce by gender, age and ethnicity. The headline results of this are set out here and we have benchmarked our performance in the key areas of the US and the UK where we operate.



Phase 2 In the second phase we are concentrating on external recruitment and on removing any perceived obstacles to advancement. As a result:

- › We have designed a pilot programme to focus in depth on 'hidden' issues which may be perceived to hinder promotion. The first focus groups under this programme will be held in spring 2004;
- › We have made it a condition of being on our preferred supplier list that recruitment agencies send us diverse lists of candidates and we are monitoring the performance of each agency;
- › We are tripling the size of our internship programmes and working hard to increase awareness of them in ethnic minority communities. Working with INROADS in the US, and setting up our own programmes in the UK, we plan to offer work experience to at least 60 people this year;
- › The proportion of ethnic minority recruits onto our business graduate training programme in the UK has increased from 12% in 2002 to 50% in 2003;
- › To increase diversity, we are holding special days in key cities in the UK and US to introduce Pearson and to encourage applicants.

Phase 3 The third phase of the plan, which we have already begun, is to focus on the pipeline of people already in the organisation and to make sure that they thrive within Pearson. To this end we:

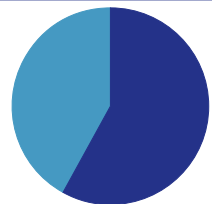
- › Have embarked on a programme of management training from the executive directors downwards;
- › Have instituted training for new recruits and also for recruiters;
- › Are building a mentoring programme;
- › Have adjusted Pearson's Senior Leadership Profile to reflect this new emphasis;
- › Plan to tie part of the bonus of each senior manager to diversity from 2005 onwards;
- › Are monitoring the number of women and ethnic minorities who go through our development programmes, and it is our aim that the numbers remain constant or improve year-on-year;

- › Will continue to work with our recruitment agencies to ensure that the proportion of our entry level recruits from diverse backgrounds remains constant or improves year-on-year;
- › Will begin focusing on more senior levels and working with various organisations to encourage more diverse applicants.

This is how our company looks today:

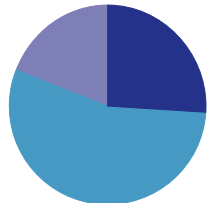
Our employees by gender

■ Female = 58%
■ Male = 42%



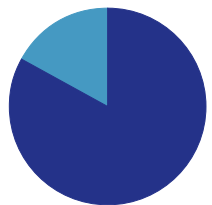
Our employees by age

■ 30 or under = 26%
■ 30 to 50 = 55%
■ 50 plus = 19%



Our employees by ethnicity*

■ White = 85%
■ Ethnic minority = 15%



*US and UK only.