

The UN Global Compact

Pearson was a founder signatory of the UN Global Compact which sets out worldwide standards for the corporate sector. The nine principles of the UN Global Compact are:

Human rights:

1. **Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and**
2. **make sure that they are not complicit in human rights abuses.**

Environment As a business based on ideas, our direct environmental impact is limited, but we are committed to understanding the effect we have and to setting targets for managing and reducing our impact.

Reducing our impact Where we do have a more significant impact is in the production and distribution of our books, magazines and newspapers. These products use paper and inks and are packaged for transportation around the world. We recognise that we must work with the suppliers who provide us with the paper, production services and the distribution capacity we need to get our ideas into the hands of our customers.

Our most visible environmental impact is through our use of paper and was, therefore, a particular priority for us during 2003. Following consultation with many of our paper buyers, paper suppliers and other groups, Pearson adopted a policy statement that sets out the guidelines we follow when purchasing paper. We started a programme of review visits with key suppliers and developed an approach to help us better understand the source and origin of the wood used. As part of this focus, Pearson has become a member of the WWF 95+ Group, a partnership between businesses and the conservation organisation WWF working together on the issue of responsible purchasing policy for paper. As a member of the group, Pearson will have access to information and practical guidance on responsible paper sourcing issues.

Environment Policy Our Environment Policy was adopted in 1992. It was fully rewritten in 2000 and will be further reviewed this year to reflect our increased focus on supply chain issues. The Pearson Environmental Review 2003 is published on the company website. This now covers 95 of our buildings (up from 69 in 2002) and ranges over 14 countries where we have a significant presence (12 in 2002). The environment review covered 85% of our workforce (71% in 2002).

The usage of electricity and gas per employee fell by 4% and per square metre by 8% in 2003, compared to our targeted reduction of 5%. We also met our commitment to remove all halon from buildings in our European operations by the end of 2003. The company's air travel was reduced by 17% compared to 2002.

More information on Pearson environmental impacts, targets and commitments are available at:

 www.pearson.com/community/envr.htm

Labour standards and human rights Pearson spends around £2bn each year with our suppliers across the world. This places a responsibility on us to encourage our supply chain partners to share our commitments and respect for human rights.

This is not an easy task as all our companies must be sensitive to the diverse cultures in which they operate. To help clarify our priorities, Pearson became a founder signatory to the United Nations Global Compact in 2000. The Global Compact sets out a series of nine principles in the areas of labour standards, human rights and environmental management and provides companies with a framework for managing these responsibilities. Pearson interpreted these principles into a series of guidelines which we use to assess and report on our performance.

We recognise that our first responsibility is through the businesses we directly own across the world. In 2001, we introduced an annual survey of our workforce concerning labour standards and human rights to ensure that we live up to the commitments in our guidelines. The 2003 survey covers 83 business operations in 37 countries. As a result, we are confident that we meet our guidelines with regard to equal opportunities, employment conditions, dignity at work, fair pay and human rights.

Last year, we extended our survey to include our major subcontractors. We prepared the ground in 2002 by consulting with 16,000 of our suppliers around the world, to advise them of the commitments we made under the Global Compact. As key contracts came up for renewal or new contracts were negotiated, particularly those relating to paper supply, printing and distribution, we introduced contractual commitments relating to the Global Compact. These commitments are now included in many agreements. This will rise further this year.

In 2003, we began a programme of supplier visits to discuss our commitments and to review supplier performance. As a pilot, a Pearson team including the executive responsible for environmental issues and others from the Group's production departments visited a number of our printing subcontractors in China.

Labour standards:

3. **Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and**
4. **the elimination of all forms of forced and compulsory labour; and**
5. **the effective abolition of child labour; and**
6. **eliminate discrimination in respect of employment and occupation.**

Environment:

7. **Businesses should support a precautionary approach to environmental challenges; and**
8. **undertake initiatives to promote greater environmental responsibility; and**
9. **encourage the development and diffusion of environmentally friendly technologies**

The team discussed issues including health and safety, fair pay, environmental management as well as working and living conditions. Issues identified through the visits have been highlighted and are being followed up through our commercial relationships. Another production team raised similar issues in a separate visit to printers in India.

As well as looking at our own supply chain, we try to play our part in working towards an industry-wide commitment. Pearson, along with other major book publishing companies in the UK, is working to further develop industry standards and we will seek to replicate such a scheme in the US.

In addition to the direct environmental commitments outlined above we also plan a rolling programme to assess how our top printers and paper suppliers perform against our commitments under the Global Compact.



ethical procedures and code of conduct to ensure they are of the highest possible standards. Specifically the FT editorial team has reviewed and reissued all its policies and procedures covering journalistic standards of conduct to ensure compliance with PCC guidelines and best practice.

Rating our performance In 2003 we participated in a range of industry wide performance surveys.

Dow Jones rated Pearson as media sector leader for the second year in both the DJSI World Index for corporate sustainability and the DJSI STOXX index of European sustainable investments. EIRIS (the Ethical Investment Research Service) considered that our environmental policy and management systems were good but felt that further improvement in our performance and reporting was possible. We will address this in 2004. Pearson was recognised as a Top 100 company in the Business in Community CR Index.

Pearson submitted a Communication on Progress to the UN. This annual report describes our performance against the nine principles that form the Global Compact.

View in full at:

www.pearson.com/community/ethics/progresscommunication.htm

Managing our risks Managing our risks, particularly reputational risks, is very important to us. As we reported last year, we regularly review our social, environmental and ethical (SEE) risks as part of our normal risk management processes. Semi-annually each business formally reviews and reports on these risks to our group control function, who provides a regular update on SEE matters, via the audit committee, to the board.

As described, we believe we are proactively managing our SEE risks. We consider the most important to be compliance with the UN Global Compact (both for ourselves and our suppliers), the environmental impact of our products and our ethical standards.

Our 2003 risk reviews did not identify any significant issues that the Group was not managing.

We pride ourselves on the integrity and quality of our journalistic reporting. In the light of recent well documented failings in journalistic standards and reporting elsewhere, we paid special attention to our

How others rated our performance in 2003

Dow Jones DJSI World Index for corporate sustainability in media sector: Leader

Dow Jones DJSI STOXX Index of European sustainable investments in Media sector: Leader

FTSE4 Good: Member

Business in the Community CR Index: Top 100 company