

Standing up



## Standing up

*In all we do, we aim to be brave, imaginative and decent*



**David Bell** Director for people

For the first time this year we've included a special section on corporate social responsibility in our annual report. This is not because we have just discovered it. Weetman Pearson, who led the company more than a century ago, had a reputation as one of the most enlightened employers of his time.

We have tried ever since to set the highest possible standards in the way we treat our people, our customers and the wider world in which we operate. This section focuses on the progress we are making with all three groups.

More than 30,000 people now work for Pearson in 62 countries. In the past year we have made good progress towards the goal we set ourselves some years ago. This is to be a brave, imaginative and decent company, a place where people want to work, where they treat people as they want to be treated themselves – in short one of the best employers in the world.

It goes without saying that it is our people who create the products we sell. Their strong sense of responsibility and integrity is at the heart of everything we do and all the products we make. You see this when you meet our education experts who produce teaching materials, our journalists who report and analyse the world or our editors and publishers who make the most entertaining and informative books. Pearson could not succeed without their very high standards and a deep-rooted and unswerving commitment to accuracy, independence and learning.

But that is not enough. We also want all our external 'customers' – investors, authors, readers, teachers, printers, distributors, retailers – to judge us by the same high standards. As the world's biggest publisher nothing is more important to us than that we meet these standards.

Of course we have a way to go. But we are making good progress. Opposite are some highlights of our progress so far and some of our plans for 2004.

We very much welcome comments, observations and suggestions which can be sent to me at [david.bell@pearson.com](mailto:david.bell@pearson.com).

**David Bell**, Director for people

### Our progress

1. Founding signatory of the UN Global Compact, which sets ethical and environmental standards for the corporate sector.
2. Completed a thorough review of our environmental impact, and put in place targets for annual progress.
3. Advised 16,000 suppliers of our commitments and expectations under the UN Global Compact.
4. Published a Pearson-wide Code of Business Conduct, and set up a regular process to verify compliance.
5. Implemented a company-wide framework for career appraisals.
6. Launched a four-year diversity strategy, to ensure that our company reflects the societies in which we operate.
7. Established a programme to support Pearson people who volunteer in their communities including a company award scheme and payroll giving.
8. Set up a major partnership with US not-for-profit Jumpstart, to encourage talented college students to become teachers and to support disadvantaged pre-school children.
9. Named the media sector leader in the Dow Jones World Index for corporate sustainability.

### Our plans for 2004

1. Maintain or improve our ratings in key indices of corporate sustainability.
2. Introduce business targets and milestones for our diversity strategy.
3. Work with UK book production companies to develop industry guidelines on labour standards and human rights in the supply chain.
4. Assess key printers and paper suppliers against UN Global Compact standards.
5. Continue to invest in scientific research-based education products.
6. Extend the reach of our management development programmes to more countries and parts of the business.
7. Reduce energy use in key buildings and review packaging and office waste.
8. Develop strategic community partnership for key markets outside the US.

**Our products** Our most significant social impacts arise directly from our core purpose as an education and information company. Our products play an important part in helping people to learn and get on in their lives.

In our education business in particular, we are developing a growing base of research into the educational value of our products. Here are some examples.

**Learning to read and count** We have partnered with the Waterford Institute, a not-for-profit organisation, to deliver the *Waterford Early Reading* programme. This unique computer-based instruction, based upon a decade of intensive study by top



educators, adapts to an individual user's learning pace, regardless of primary language or pre-literacy exposure. Each level provides daily instructional activities, as well as a library of take-home materials. It requires just 15 minutes each day and students are provided with immediate feedback to help direct and motivate them.

The programme has been formally assessed in schools and districts and studies show it is extremely effective in preparing young children to learn to read. Most notably, the programme brings the lowest performers in a class to

reading competency and is highly effective in helping non-English speaking children assimilate the English language more quickly.

We have recently launched the *Waterford Math and Science* programme which mirrors the proven approach of the reading programme.

**More info:** [www.pearsondigital.com](http://www.pearsondigital.com)

**Read Together, Talk Together** Research shows that children show greater language gains when they actively participate in the reading experience. In partnership with the US National Center for Learning Disabilities, we have developed *Read Together, Talk Together*, a reading programme which encourages integrated dialogue between adult and child. The programme includes picture books designed by Dorling Kindersley, classic children's books from Penguin and teacher and parent training materials including videos and prompt cards.

**More info:** [www.pearsonearlylearning.com](http://www.pearsonearlylearning.com)

**Measuring success** For over 30 years, educators in the US have been using our SuccessMaker courseware to increase student achievement. There is an increasing demand for accountability and results reflected by President Bush's 'No Child Left Behind' education act. SuccessMaker provides elementary courseware in reading, arts, maths and English language and bilingual development available online. The courseware is aligned to district and national standards and teachers can measure student achievement through reports and performance data.

**More info:** [www.pearsondigital.com/successmaker](http://www.pearsondigital.com/successmaker)

**LessonLab** In 2003 we extended our commitment to teacher professional development when we acquired LessonLab, a pioneer in education research and technology. LessonLab was founded by Dr James Stigler, director of the Third International Mathematics and Science Study, which videotaped and analysed teaching practices in more than 1,000 classrooms around the world. Through LessonLab's software, teachers can apply this research base to their own teaching methods.

**More info:** [www.lessonlab.com](http://www.lessonlab.com)

**Our publishing** As the world's largest publishing company, our editorial judgements – whether it's the comment and analysis in our newspapers and online or the authors and stories that we publish – can have a big impact. Editorial independence is a central part of our culture and we separate editorial and commercial decisions.

We are proud that Penguin has long been a champion of free speech and that its founding mission was to make literature more widely available. This goes back beyond the 1960s when Penguin published the first unabridged version of *Lady Chatterley's Lover* and continues today.

*The Financial Times* has an equally strong reputation for incisive and objective news reporting and analysis.

Our newspapers and online sites are an important channel for helping to shape the debate on key social issues and have been publishing indices of corporate responsibility and environmental management for a number of years. For the past 10 years, the FT has supported campaigning organisations such as Business in the Community and the International Prince of Wales Business Leaders Forum to bring their work to a wider audience. The FT has also teamed up with Dorling Kindersley to publish *Everybody's Business*, a practical handbook that helps managers to put corporate social responsibility on the mainstream business agenda.

Dorling Kindersley has also developed a special relationship with the United Nations Children's Fund (UNICEF) publishing books to raise awareness of the UN's Convention of the Rights of the Child. Our recent publication, *A Life like Mine*, explores the Rights of the Child through the eyes of 20 children around the world.

Through our Longman brand, our education business is very active in HIV and AIDS awareness. Since 1997 Longman has published a range of books for a spectrum of age groups which tackle HIV/AIDS and the issues surrounding it in an open and compelling way.

The programme includes the Sara series, the product of a major research project undertaken by UNICEF on the empowerment of the girl-child in Africa. These materials not only address the cultural and economic real-life issues that affect adolescents in Africa, but also focus on developing critical life skills.

**More info:** [www.mml.co.za](http://www.mml.co.za)



**Our communities** We have focused our community support around education and literacy. In 2003 we invested £2.1m in education-focused community programmes around the world and gave additional in-kind support such as book donations, publishing expertise and staff time. Our total cash and in-kind support was more than £6m in 2002.

**Inspiring the next generation of teachers** Looking to address the critical need for pre-school teachers in low-income communities, Pearson teamed up with the US non-profit group Jumpstart in 2001 to inspire talented university graduates to join the teaching profession. The Jumpstart programme pairs college students to work one-to-one with underprivileged pre-schoolers to develop their literacy and social skills. The Pearson Teacher Fellowship builds on that college experience, providing a structured training programme for Jumpstart alumni to become teachers in early learning centres serving the most needy children.

**Research indicates that children who participate in the Jumpstart programme show a 17% gain in literacy and language skills compared to their non-Jumpstart counterparts.**

Funded with an initial three-year commitment of \$2.5m, there are now 40 Pearson Teacher Fellows in 15 low-income communities across the US, with an additional 30 Fellows due to start the two-year programme in the spring 2004. Pearson Teacher Fellows receive a stipend, intensive teacher training, ongoing professional development and support, and each Fellow is partnered with a Pearson mentor to provide advice and guidance. A number of the current Pearson Fellows are now teaching in the same centres where they first worked with the Jumpstart programme, with plans to continue with post-graduate studies. And Pearson employees all around the US are adopting pre-schools so they can help Jumpstart and the Pearson Teacher Fellows succeed in their goal of preparing these at-risk children for success in school and life.

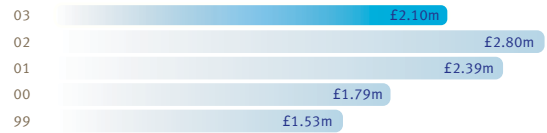
 **More info:** [www.pearson.com/community](http://www.pearson.com/community)

**Spotting new talent in China** In 2003 Pearson embarked on a significant expansion in Asia including the launch of an Asia edition of the *FT*. Alongside this the *FT*, in partnership with Beijing University, launched a financial journalism training programme. Four journalists from the programme will be awarded scholarships from the Laura Cha Fellowship and placements at the *FT* offices in London and Hong Kong.



**Left: Carol Leslie, Pearson Education** In 2003 we awarded six Pearson Community Awards to employees to recognise outstanding work in their local communities. Each winner was awarded \$2,000 for their chosen charity, including Carol Leslie for her work with The Therapeutic Nursery, a pre-school programme in New Jersey for children with autism.

#### Pearson cash charitable giving



#### Pearson cash and in-kind charitable giving\*



\*Note: Per Cent Club submissions. 2003 numbers to be reported in September 2004.

**The power of books** We have a long association with Book Aid, an international development agency that works in partnership with schools and libraries in the developing world to make books available to readers of all ages. Book Aid is also working towards a sustainable solution to the problem of book shortages through a range of projects including training and networking opportunities for fledgling African publishing and bookselling firms.

We share the Book Aid vision and over the years we have lent financial and in-kind support. In 2003 projects included an international reading project based on Dorling Kindersley's book *A Life Like Mine* and Pearson Education's sponsorship to support World Book Day. In February 2004 Puffin published a collection of short stories for children, *Eating Words for Breakfast*, in celebration of Book Aid's 50th anniversary.



**Our employees** It is important to us that we encourage and support our employees to be active in their local communities and we are proud of the contribution that they make. We do this by providing them with time, money and products. For example, in the UK, we run a payroll giving scheme where employees can make tax-free donations to their favourite charities and we will match these donations up to £500 a year. Each year we recognise their commitment through the Pearson Community Awards. In 2003 we received more than 350 applications and awarded six employees from around the world with \$2,000 each for their chosen charity.





**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:

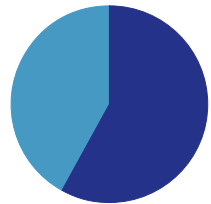
- › Have embarked on a programme of management training from the executive directors downwards;
- › Have instituted training for new recruits and also for recruiters;
- › Are building a mentoring programme;
- › Have adjusted Pearson's Senior Leadership Profile to reflect this new emphasis;
- › Plan to 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:

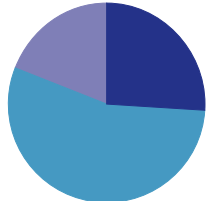
#### Our employees by gender

■ Female = 58%  
■ Male = 42%



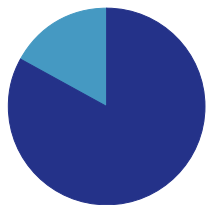
#### Our employees by age

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



#### Our employees by ethnicity\*

■ White = 85%  
■ Ethnic minority = 15%



\*US and UK only.

## 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](http://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](http://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