

[Front page]

Pearson does not directly operate in industries where there is a potential for serious industrial pollution. While most of our products are based on intellectual property, we recognise that our day-to-day operations have an effect on the world around us and that we have a responsibility to manage and measure this impact.

One way in which we have responded to these challenges was by becoming a founder signatory in 2000 to the UN Global Compact along with other companies. The Compact emerged following an address by UN Secretary General, Kofi Annan in January 1999 in which he challenged world business leaders to help build the social and environmental pillars required to sustain the new global economy. The Compact sets out nine principles in the areas of human rights, labour standards and the environment.

In our 2000 Annual Report & Accounts, we reflected the UN principles in a series of guidelines that set out our key commitments. In subsequent Annual Reports & Accounts we reported on our progress against our guidelines.

This review complements our Annual Report by describing in more detail how we have interpreted and responded to the environmental dimension of the Compact.

In 2000, Pearson set up this online review to provide information on our environmental performance to all our stakeholders including our people.

We recognise the need to seek to continuously improve our performance. The first step on the road to improving our performance was to determine our greatest impacts and therefore where we should concentrate our energies. Our work of 2001 achieved this. The next step was to measure how we currently perform on each of these issues. Only with this knowledge can we improve. Our work of 2002 has gone a long way in meeting this goal. This, our third review, describes the results of our company-wide evaluation of global environmental impacts and performance and allows us to begin to provide year-on-year comparisons of performance.

Headline performance 2003

In 2003 we increased the scope of the Pearson environmental review and it now covers the performance of around 90% of our business across 14 countries and 25,000 of our people. Described below is the company's headline environmental performance; the subsequent sections describe each environmental impact area in greater detail.

	2003
Employees covered	25,964
Total energy use	261,361,838 kWh
Total water used	301,653 Cubic Metres
Total Business travel	143,537,402 miles
Unsold product recycling	99%
Total CO₂ emissions	163,462 tonnes

[Environment policy]

Environmental Policy

Our Environmental 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.

Pearson does not directly operate in industries where there is a potential for serious industrial pollution. Our main products are based on intellectual property. However, in our normal operations we do things that have an impact on the environment in a number of ways.

PEARSON GROUP Environmental Policy

The following policy guidelines show the principal commitments we have set for ourselves:

- We comply with the relevant environmental laws and regulations applicable in each country in which we operate.
- We work with regulatory agencies and advisers as necessary in the implementation of effective environmental policies, and, where no regulations exist, we set our own guidelines.
- We take account of environmental issues when placing contracts with suppliers of goods and services.
- We will continue to introduce energy efficient systems into our buildings and to manage sensibly our energy requirements wherever we operate.
- We introduce measures to monitor our progress and report on this annually.
- A senior executive has the responsibility for ensuring that our environmental principles are followed and we progress towards the targets we set ourselves. The board will take an active interest in our progress, and each of our operating companies will nominate a senior person to take responsibility for implementing our policy in those businesses. An annual report on our progress will be reviewed by the board.
- We will ensure that this environmental policy and our annual environmental report are available to everyone in Pearson through our website, and actively encourage people to participate and contribute to the development of environmental initiatives as they affect our business.

This policy covers the entire Group. A number of our businesses have established their own environmental policy to complement that of the Group.

Wider Involvement

We believe that environmental management is an integral part of normal operating practice. As such, responsibility for activity sits with our operating businesses. We will continue with this model of operation, but are increasingly moving towards providing benchmarks against which buildings and business units can judge their progress.

We found that it is normal practice for our operating businesses to take advice from a range of sources including environmental management consultants and trade associations. We also work with regulatory bodies where appropriate.

At present, the UN Global Compact is the main external focus for environmental improvement that engages the company.

Environmental Management

The Board, on an annual basis, considers the environmental policy and the subsequent environmental review. David Bell, Director for People, is the board director responsible for the environment policy, and Alan Miller, Director of Pearson Management Services, oversees the management of the reporting process and the company response to the changing regulatory environment.

We have established two environmental impact and review working groups, one in the US and one in the UK. Membership of the working groups includes a representative from each of our main operating businesses in the US and the UK – Pearson Education, Penguin (Penguin Group US) and the Financial Times Group. They are accountable for developing and improving our environmental management practice. Each member of the working group acts as a champion on environmental issues within the company and is tasked with forging links with appropriate functions within the business such as facilities management, procurement, legal services, human resources and communications. Alan Miller chairs both working groups.

To identify our main environmental impacts, we established a reporting framework that was piloted in 2001. This framework was new to the business and helped identify gaps in data collection as well as opportunities for improving our processes in capturing information.

The data capture system was modified and in 2002 was sent to buildings housing more than 100 employees or covering more than 25,000 square feet. In 2003 the model was further refined and sent to a larger number of Pearson facilities: this time all buildings with more than 50 employees or larger than 10,000 square feet completed the survey. This represents around 90% of our people worldwide.

In addition, we have encouraged individual businesses to develop their own models and approaches to environmental management.

In 2003, we again participated in the Business in the Environment Index of Corporate Environmental Engagement. The Index measures the extent to which leading companies are managing environmental management performance. It gives us an external benchmark against which we can plot our progress. This year we scored 77.9%, up from 64.8% in 2002.

Environmental Impacts

Our core business products are knowledge management and a focus on content. Pearson uses a range of media to deliver its content including books, newspapers and magazines, multi-media and e-learning products. As such, our direct environmental impacts are minimal

relating to operational factors such as property management, use of energy and water, managing waste and travel.

Our indirect environmental impacts through our supply chain relationships are more significant in terms of our affect on the environment. We have identified three areas of particular significance. These are:

- the purchase and use of paper
- the use of third party printers, and
- distribution.

For example, third party printers handle the vast majority of our printing of both our books and newspapers on a contract basis.

The remainder of this report describes our progress so far as well as to highlight opportunities identified for development.

[Environmental Review]

Progress in 2003

We have made considerable progress over the last year. We have met many of our targets and have extended the coverage of our environmental review so that it now extends to around 90% of our activities. This has given us a much more accurate picture of where we are and what we need to do.

Highlights

During 2003 we have:

- Improved the quantity and quality of data within the environmental review
- Adopted paper sourcing guidelines
- Established a central register of our key third-party printing relationships
- Reduced the amount of air travel
- Increased the efficiency of our use of electricity and gas
- Removed and safely disposed of all Halon from our European operations
- Maintained our position within key ethical investment indexes
- Continued our work with the UN on the Global Compact

How others see our performance

We actively engage with external organisations who comment on our performance. Key among these are the Socially Responsible Investment (SRI) organisations. We are assessed on our performance by these organisations, who have made us:

- Media Sector leader in the [Dow Jones Sustainability Index](#)
- Constituent of the [FTSE4Good Index](#)
- Included in the top 100 'Companies that Count' drawn from the 2003 Business in the Community (BITC) Corporate Responsibility Index. Of 139 participating companies, Pearson was placed 60th with a much improved score
- Pearson was placed 107th out of 176 participating companies in this year's Business in the Environment (BiE) Index, with an improved score compared to last year.

In addition we are:

- A founder signatory of the [UN Global Compact](#) in 2000
- A member of [Business in the Community](#)

Our plans for 2004

We have already achieved much, but also believe there is more to be done. Over the last 12 months we have concentrated on the paper used in our products through the introduction of paper purchasing guidelines and policies. We will continue with this initiative during 2004 but will also concentrate on two areas we consider deserve particular attention:

- Energy use
- Packaging

We have developed a series of targets to help us meet our environmental goals. These range from initiatives that can be completed over the coming 12 months, to those that will run for five years. They are:

Energy

- Using 2003 as the base year, to achieve a 10% per square metre (gross internal area) reduction in electricity usage by the end of 2008
- Using 2003 as the base year, to achieve a 10% per square metre (gross internal area) reduction in gas usage by the end of 2008
- Continue to develop a network of energy efficiency monitors in our largest buildings charged with achieving our target for reduced energy use.
- UK: Explore business case for reducing CO₂ emissions through including renewable energy in the energy portfolio.
- US: Explore business case to introduce renewable energy into 2 further buildings based on the Penguin USA experience
- Create a learning forum on the Pearson Intranet to provide employees with easy to implement ideas for making energy savings at work and at home.

Business Travel

- Using 2003 as the base year, to achieve a per employee reduction in air travel by the end of 2006.
- By the end of 2006 to reduce CO₂ emissions from business car travel in the UK and US by 5% compared to 2003.

Water

- Using 2003 as the base year, to achieve a 5% per square metre (gross internal area) reduction by 31st December 2008.

Office stationary & waste

- Maintain reuse/recycle rate in excess of 95% for all unsold books and newsprint
- A key focus for 2004 is on use and sourcing of packaging materials
- Using 2003 as the base year, to achieve a 5% reduction in consumption of paper per head by 31st December 2006
- Redundant Electronic Equipment: Set minimum re-use rate of REE within the company at 75%
- Toner cartridges: to achieve a 90% recycle rate of redundant toner cartridges
- Ensure that paper recycling facilities are in place for our top 50 buildings.

Ozone depleting substances

- Continue with our programme to remove Halon from the remaining non-European properties by the end of 2006.

Supply Chain

- Review our paper purchasing policy in light of membership of WWF 95+ Group
- Ensure all contracts include clause on compliance with environmental laws & regulations
- Understand viability of introducing targets for recycled fibres in book paper and increasing recycled content in newspapers
- Map source of wood, certification methods used and recycled content for paper supplied directly by manufacturers
- Organise programme of seminars in the UK and US for production teams
- Ensure our buyers continue to communicate the Pearson paper policy to paper manufacturers, printers and paper merchants
- Consider developing a stance on chemical use by printers

About the review

A series of consultation exercises carried out in 2001 helped identify the range of environmental impacts arising from Pearson's activities. A pilot questionnaire was circulated and initial data captured. In 2002 the questionnaire was sent to buildings covering either 25,000 square feet, or housing more than 100 employees. This covered around 70% of Pearson employee.

In 2003 the survey was sent to a larger number of sites: those over 10,000 square feet, or housing more than 50 employees. As a result, around 90% of Pearson's activities are now covered, providing a more comprehensive overview of our direct operations.

Scope	2002	2003
Countries	12	14
Buildings	69	95
Area (square metres)	746,070	944,614
Employees	20,632	25,964

Throughout this Review, it is important to note that many of the figures are not directly comparable between 2002 and 2003 due to this much enlarged scope.

As a business based on ideas, our direct environmental impact is limited. Nevertheless, we occupy office space that must be lit and heated; we use computers and other office equipment that require power; we travel between our offices around the world and we have contracts with suppliers to print and distribute our products worldwide.

As a result we have a number of direct and indirect environmental impacts covered by this review:

- Property Management
- Waste
- Business travel
- Greenhouse gas emissions
- The Supply Chain

About the review – scope

Included in this review are the environmental consequences of our day to day operations over which we have practical control. We control how much energy we use, how much we travel and how much waste we produce in our offices and warehouses. Many of these impacts are directly related to the amount of business we do: traditionally the more we do the more resources we use.

What is included:

- Direct impacts of the Group's activities: resource use, emissions, waste, travel

- Our aims and objectives for reducing or eliminating these impacts
- Our approach towards improving our supply chain responsibilities

What is not included:

- Indirect impacts such as the detailed environmental impacts of our suppliers such as paper manufacturers or printers.

This year's environmental review builds on the previous three reports and offers a greater coverage of the business. There have been changes to the buildings covered by the review: some of the buildings covered by last year's report have been sold or vacated, whilst many more are this year included for the first time. Given the greater accuracy of the data, many targets will be re-set using 2003 as a benchmark year.

Furthermore, due to the greatly increased scope of the review, direct comparisons between 2002 performance figures and 2003 are often difficult. For most indicators a like-for-like per unit comparison is provided using data from locations where figures were provided in both 2002 and 2003 – this is the **baseline** figure.

Direct impacts

Pearson's principal impacts were identified during 2001. Our impacts can be described as 'direct' impacts, for which we are directly responsible and over which we have complete control, and; 'indirect' impacts, which ultimately can be attributed to our activities but over which we have no or very limited control. These impacts are described using a range of key performance indicators:

Direct impacts

- Facilities
 - Energy use
 - Water use
 - Presence of ozone depleting substances
 - Complaints from our neighbours
- Waste and recycling
 - Office paper
 - Unsold product
 - Electronic and electrical equipment
 - Furniture
 - Printer toners
 - Packaging
- Business travel
 - Air
 - Rail
 - Road

Indirect impacts

- Supply Chain
 - Paper sources
 - Production
 - Distribution

This review provides quantitative as well as qualitative evidence to describe Pearson's performance within these key areas.

Property management

Our principal direct environmental impacts derive from the occupation of our buildings. Property and facilities management is the responsibility of our individual operating businesses around the world, and can vary considerably. This presents two challenges for us: ensuring consistent and comparable data collection and ensuring policies and initiatives are effectively rolled out across the company.

We have made progress on this front during 2003: the UK and US environment groups actively shaped the programme and in particular decided that the number of buildings covered by the review be increased. As the review process matures, so does the quality of the data collection.

Energy use

We use energy from three sources: electricity, gas and oil.

The 2003 electricity use figures are as follows:

Electricity use (total)	2003 kWh
Total	189,107,771
Per Sq M - total	220
Per employee - total	8,503

The total electricity used in 2002 was 132,378,861 kWh. However, direct comparison between 2002 and 2003 totals is not consistent due to the greatly increased scope of the review this year. In 2002 year 53 buildings provided electricity use data; in 2003 this increased to 74, accounting for the significant total increase. Comparisons can be made between buildings that provided electricity use data in both 2002 and 2003, the baseline data:

Electricity use (baseline)	2002 kWh	2003 kWh	%age change
Baseline	128,951,974	130,298,751	+ 1%
Per Sq M - baseline	225	206	- 8%
Per employee - baseline	7,441	7,176	- 4%

The 2002 baseline figure shows a slight increase but, due to the increase in size of some of the baseline buildings, the per area electricity use has fallen by 8%.

Case study: FT in the UK

The Financial Times, based at One Southwark Bridge in London, has implemented the *Impact* energy-monitoring tool issued by the supplier of its electricity. The *Impact* programme gives an insight into the monitoring and consumption of electricity. From historical data it is possible to profile the use of electricity and then compare this with current electrical consumption. Any major differences in the energy profiles, from past to present, can be investigated and operational changes made especially for equipment that uses a high degree of electrical energy.

Additional efforts have been made to reduce the amount of electricity used. Flat Screen monitors are currently being installed throughout the building and new PC's are set up with power saving settings before going out to staff. The results of these initiatives are reflected in

the fact that the electricity use has increased by just 3% despite a significant increase in IT equipment and accompanying air conditioning systems.

Another source of energy is gas, often used to provide heating for buildings.

Gas (total)	2003 kWh
Total	68,435,087
Per Sq M - total	104
Per employee - total	4,388

The total gas used in 2002 was 51,444,688 kWh. However, direct comparison between 2002 and 2003 totals is not consistent due to the greatly increased scope of the review. In 2002 49 buildings provided gas use data; in 2003 this increased to 61, accounting for the significant total increase. Comparisons can be made between buildings that provided gas use data in both 2002 and 2003: the baseline data.

Gas (baseline)	2002 kWh	2003 kWh	%age change
Baseline	48,356,233	49,752,359	+ 3%
Per Sq M - baseline	127	117	- 8%
Per employee - baseline	4,970	4,763	- 4%

A trend, similar to that seen in electricity use, can be seen with gas use: a slight overall increase but also an improvement in efficiency.

Case study: Pearson Education at North Dodge St, Iowa City

With an objective of maximising the efficiency of gas-powered heating, the Pearson Education facility on North Dodge Street Iowa ensures that boilers are cleaned and burner efficiency is re-tested every year. In addition, the insulation in the facility's 40,000 sq. ft warehouse roof was increased to an R-30 rating.

Finally, our buildings use a limited amount of heavy fuel oil, which is held in reserve tanks principally to power emergency generators.

Oil (total)	2003 kWh
Total	4,885,294
Per Sq M - total	27
Per employee - total	773

The total oil used in 2002 was 3,097,654 kWh. However, direct comparison between 2002 and 2003 totals is not consistent due to the greatly increased scope of the review. In 2002 9 buildings provided oil use data; in 2003 this increased to 13, accounting for the significant total increase. Comparisons can be made between buildings that provided oil use data in both 2002 and 2003: the baseline data.

Oil (baseline)	2002 kWh	2003 kWh	%age change
Baseline	2,824,436	4,627,181	+ 64%
Per Sq M - baseline	24	38	+ 58%

Per employee - baseline	714	1061	+ 49%
-------------------------	-----	------	-------

Few of our buildings use oil as a fuel. Furthermore, usage figures refer to the amount purchased to replenish reserve tanks rather than amount consumed. As a result, large fluctuations in figures may occur.

Energy use is one of our key action areas for 2004. In 2001 we identified a target of reducing our energy consumption by 5% by 2005. We have achieved an 8% reduction in energy use per square metre compared to the 2002 figure. As we now have 90% coverage of building data we have decided to set a new energy use target.

- **Using 2003 as the new base year, we aim to reduce electricity and gas use levels across the company by 10% by the end of 2008. This performance will be on the basis of consumption per square metre of occupied space.**

In 2004 we will look to roll out a number of initiatives to help us achieve this aim, including:

- **Energy audits for our larger buildings – this has already been carried out in two sites in the UK;**
- **Extending our network of energy efficiency officers throughout our buildings**
- **Providing energy saving advice to all Pearson employees – it is envisaged that this will be in partnership with an NGO or government body.**

Water use

Along with energy, our facilities worldwide are users of water.

Water (total)	2003 Cubic Metres
Total	301,653
Per Sq M - total	0.43
Per employee - total	17.58

The total water used in 2002 was 221,146 cubic metres. However, direct comparison between 2002 and 2003 totals is not consistent due to the greatly increased scope of the review. In 2002 43 buildings provided water use data; in 2003 this increased to 52, accounting for the significant total increase. Comparisons can be made between buildings that provided water use data in both 2002 and 2003: the baseline data.

Water (baseline)	2002 Cubic Metres	2003 Cubic Metres	%age change
Baseline	164,599	198,203	+ 20%
Per Sq M - baseline	0.37	0.41	+ 10%
Per employee - baseline	13.33	15.09	+ 13%

2003 saw an increase in water use. We believe this is due to improved data collection methods within our buildings rather than any underlying trend.

- **Using 2003 as the base year, we aim to achieve a 5% reduction in water use by 2008.**

Halon

Halon is substance traditionally used in fire fighting equipment. It is a compound containing bromine, fluorine and carbon and as such is a contributor to the destruction of the ozone layer. EU legislation required us to remove, and dispose of, all Halon from our European facilities by the end of 2003. This we have done. We have also voluntarily committed to remove, and safely dispose of, all Halon from Pearson facilities worldwide by the end of 2006. We are on target to achieve this.

- **In 2004 we will continue in our efforts to remove all Halon.**

Being a good neighbour

We have a responsibility to act as a good neighbour to all communities around our facilities. We monitor any complaints received from our neighbours and act to resolve any problems. In 2003 we received 11 complaints worldwide, the majority concerning machine noise from our warehouse in Hong Kong. Changes were made to the building to eliminate the noise.

Case study: Rugby Warehouse

In 2004 consolidation of existing Pearson Education and Penguin warehouses into a single site in Rugby will result in significant environmental benefits. Energy costs for the single facility will be much lower than the previous combined totals, particularly as the building has been designed with efficiency in mind. There will be a waste processing facility on sight, foamfill will be eliminated and there will be a shift from plastic to cardboard packaging.

Considerations were also made for the local environment: the building design was careful not to impact on existing badger setts and foraging tunnels were built beneath access roads.

Waste

We generate waste from three main sources:

- Unsold product
- Packaging
- Office waste

Unsold product

We produce a variety of products, though most are paper-based in the form of books and newspapers. We are committed to recycle as much of our unsold product as possible. Sometimes this happens through industry-wide agreements – as is the case for newspapers in the UK – whilst other initiatives are specific to Pearson.

Avoiding unsold product is a business objective. Improvements in stock control and sales forecasting contribute significantly to reducing the amount of unsold product. Responsible disposal of the unsold product is a more pertinent environmental responsibility.

Recycling	2002	2003	%age change
Unsold product	94%	99%	+ 5.19%

This year, recycling rates of unsold product are up to around 99%. We aim to ensure recycling rates remain high.

Packaging

A variety of packaging is used in the distribution of our products worldwide. This is an area where work is needed and one that will be addressed in 2004.

We use four principal types of packaging: cardboard, plastic, shrink-wrap and foamfill (a void filler). We have not historically collected data on packaging waste and believe that further improvement in data collection and capture is needed.

Packaging	2002 tonnes	2003 tonnes	%age change
Cardboard	5,883	2,938	-50%
Shrink-wrap	62	72	16%
Plastic	78	213	173%
Foamfill	346	221	-36%

As can be seen, there is significant variation in the use of the main packaging components including a significant decrease in cardboard use and a significant increase in the use of plastic.

Case study: Pearson Education, Indianapolis North, IN

Pearson Education's warehouse in Indianapolis North has recently purchased a PacMaster packaging device. The machine takes waste cardboard packaging and turns it into void fill material. The process makes use of waste material and eliminates the need to purchase additional plastic or paper void fill material.

Case study: FT Interactive Data, Harrison, NY

FTID reduced its purchase of cardboard packaging from 700 boxes to 300. They are now reusing original packaging from vendors. They are also reusing plastic wrap so only one roll needed to be purchased in 2003.

- **A key focus for 2004 is on use and sourcing of packaging materials.**

Office waste

Our offices use resources and equipment some of which are consumables and some of which have a longer lifespan. Nevertheless, both result in waste. We have a responsibility to minimise the use of resources and to ensure the most environmentally benign method of disposal.

Waste	2002		2003	
	Total	%age recycled	Total	%age recycled
Office paper	573 tonnes	90%	585 tonnes	82%
Redundant furniture	-	94%	53 tonnes	47%
Redundant electronic equipment	-	96%	37 tonnes	91%
Toners	-	99%	11,596	88%

Case study: NCS Pearson, Columbia, PA

NCS Pearson in Columbia, PA, has long established relationships with a waste paper recycler and hazardous material haulier. In an effort to cut down on landfill waste, all office waste is segregated into recyclable and non-recyclable bins. Waste that is sent to landfill is therefore only non-recyclable office waste and non-recyclable containers and packaging materials from vendors.

Case study: Pearson Education, Hong Kong

The IT Department in Pearson Education's Hong Kong office collects all redundant PC and IT equipment. Equipment in full working order is stored until needed and dispatched to departments when appropriate. Faulty equipment is disassembled so that parts can be reused as spares.

Case study: "In Pearson"

Following the publication of the 2002 environmental review, an article was published in Pearson's in-house magazine *In Pearson*. The article aimed to underline the Company's commitment to the environment and raise awareness amongst employees of what can be done on an individual basis. The response to the article was positive and also brought the issue to the attention of those who would otherwise not be aware of Company-wide initiatives. We received a number of emailed comments from people highlighting areas for improvement, which were tackled throughout 2003.

Recycling rates fluctuate. It is our aim, therefore to ensure a consistent level of recycling across the business. In order to achieve this we have established a number of aims for 2004:

- **In 2004 we will ensure that paper recycling facilities are in place for our top 50 buildings.**
- **Using 2003 as the base year, we aim to achieve a 5% reduction in consumption of paper per head by 2006.**

- **We aim to achieve a minimum re-use rate of redundant electrical and electronic equipment within the company of 75%.**
- **We aim to achieve a 90% recycle rate of redundant toner cartridges.**

Business travel

As a global business, our people often need to travel between our offices worldwide. This has an environmental impact which we have a responsibility to address. We continue to monitor the amount of business travel we undertake by air, rail and road. We have improved the quality of this performance data: we gather data covering air and rail travel by our UK and US-based colleagues and road travel worldwide. This year we were able to collect accurate car use figures for the UK, something that was not available last year.

Last year we committed to explore opportunities to make greater use of telephone and video conferencing facilities in an effort to reduce our need to travel. As a result we include both business travel and 'alternatives to travel' as key performance indicators in this area.

Business travel

Last year saw a meaningful reduction in air travel. We travelled 20 million fewer miles by air, representing a 17% reduction. Road travel figures are up due to the more comprehensive data collection, in particular the inclusion of figures for the UK. Rail travel remains constant.

Business travel	2002	2003	%age change
	miles	miles	
Air	120,636,209	100,385,586	-17%
Rail	522,780	562,830	8%
Road	30,926,051	42,588,986	38%
Total	152,085,040	143,537,402	-6%

- **Using 2003 as the base year, to achieve a per employee reduction in air travel by the end of 2006**
- **By the end of 2006 to reduce CO2 emissions from business car travel in the UK and US by 5% compared to 2003.**

Alternatives to business travel

In 2003 we began to encourage greater use of alternatives to travel, in particular the use of telephone and video conferencing facilities which are available in many of our buildings worldwide. We have started to monitor the use of these facilities in order to help establish a link between increased telephone and video conferencing and a reduction in business travel. This clearly has both business and environmental benefits.

Alternatives to travel	2003
	Hours
Tele-conferencing facilities	131,059
Video-conferencing facilities	2,758

We believe these figures underestimate our actual of usage and intend to continue monitoring and promoting usage.

Greenhouse gases

In recent years, commentators have argued that the most pressing potential global environmental issue is climate change. An increase in atmospheric concentrations of 'Greenhouse Gases', resulting principally from the use of fossil fuels, has been identified as the most likely cause for this anthropogenic environmental change. Many governments are taking steps to reduce greenhouse gas emissions and businesses such as Pearson have a responsibility to manage their impact.

Pearson's direct emissions originate from two areas, property management and business travel, each comprising a number of sources:

Property management:

- Electricity drawn from the grid
- Natural gas combustion
- Heavy oil combustion

Business travel:

- Road
- Rail
- Air

Taking the performance data from preceding *property management* and *business travel* sections it is possible to calculate headline Greenhouse Gas emissions expressed in tonnes of Carbon Dioxide (CO₂), the principal Greenhouse Gas.

Property Management

This review captured data for energy consumption from three sources: grid electricity, gas and oil. The increased data collection resulted in a significant increase in headline energy use figures and a subsequent increase in the resulting CO₂ emissions.

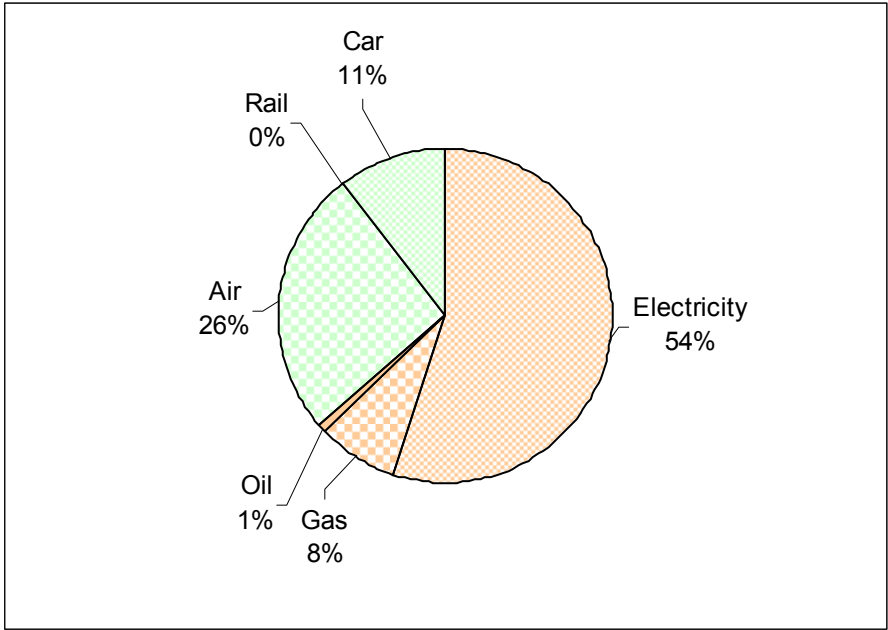
Business Travel

The 17% reduction in air travel during 2003 resulted in an equivalent reduction in CO₂ emissions. Over longer distances airplanes increase in efficiency and use less fuel per mile travelled. This is reflected in CO₂ emissions. The air use figures for 2002 were recalibrated to take into account this difference.

Coupled with increased data collection comes an increase in total CO₂ emissions, but an overall reduction per employee and per square metre.

CO2		2002	2003	%age change
		tonnes	tonnes	
Property management	Electricity	62,218	89,835	+ 44%
	Gas	9,783	13,002	+ 33%
	Oil	808	1,270	+ 57%
Business travel	Air	50,954	42,078	- 17%
	Rail	50	54	+8%
	Road	13,597	17,223	+ 27%
Overall	Total	137,410	163,462	+ 19%
	Per Sq M	0.18	0.17	- 6%

Per employee	6.66	6.30	- 5%
--------------	------	------	------



Sources of Pearson's total Carbon Dioxide (CO₂) emissions

Electricity use and air travel remain the most significant sources of Carbon Dioxide emissions for Pearson. For this reason we have established a number of targets to help us reduce these emissions. These include not only the specific energy use reduction targets described above, but also:

- **During 2004 we will explore business case for to reducing CO₂ emissions through including renewable energy in the energy portfolio. This will build on existing initiatives by Penguin in the US.**
- **Using 2003 as the base year, to achieve a per employee reduction in air travel by the end of 2006. Similarly, in 2004 we aim to reduce CO₂ emissions resulting from business car travel by 5% compared to 2003.**

Supply Chain

Responsible Purchasing

Pearson purchased approximately £2 billion of goods and services from suppliers around the world last year. In 2001, Pearson made a series of commitments to extend its positive influence across its supply chain. These commitments formed part of our response to the UN Global Compact and covered labour standards and human rights as well as environmental responsibility. This section describes the progress we have made in linking environmental responsibility to our procurement strategy. Click [here](#) to read about our work on labour standards and human rights in the supply chain.

Our Impact

In the 2002 Environmental Review, we set the focus for our environmental activity for 2003 as managing our impacts through our supply chain.

During 2002, we contacted 16,000 of our suppliers describing how our environmental policies affect our purchasing decisions and introduced them to our commitments under the Global Compact.

We believe that our major environmental impacts through the supply chain relate to paper, production and distribution.

Pearson is a major purchaser of book paper and newsprint. We also have contracts with printers around the world to produce our books, magazines and newspapers as well as contracts with distributors and shippers to bring our products to market.

Introducing Environmental Responsibility as a Contract Requirement

Contracts are a vital tool in defining the nature of the relationship that we seek to build with our suppliers. It is in the contract that we outline the standards of performance that we expect from our suppliers as well as the commitments we make as a responsible purchaser. The standards we set our suppliers reflect the standards that we set for ourselves.

As part of our response to the Global Compact, Pearson introduced specific environmental clauses for inclusion in key contracts in 2002. These clauses form part of negotiations for new contracts and for existing contracts on renewal. Many of our contracts run for several years, so the process of introducing these clauses will take some time.

In many instances, legislative and regulatory controls along with industry and company initiatives have produced high standards of integrity among suppliers. Our approach seeks to reinforce the importance of high standards of integrity.

In 2003, we reviewed our clauses in the light of supplier feedback and the introduction by Pearson of a [Code of Business Conduct](#). Some changes to the clauses were made including an explicit reference to the Code of Business Conduct.

Paper

Our books, newspapers and magazines help people learn and to access information. We have invested in new technology to provide paperless opportunities for our customers and readers to access our products. Nevertheless, we expect that our use of paper will continue to grow as a medium for delivering our products.

The amount of paper we use is determined by the news agenda of the day, our advertisers, the decisions taken by our authors, and the number of products we commission and sell. We therefore believe it is unrealistic to set targets to reduce total paper usage.

Nevertheless, we believe that we have a responsibility to incorporate environmental considerations into our paper purchasing processes. We have made a good start on meeting this responsibility during 2003. Pearson has:

- Issued [guidelines on responsible paper sourcing](#) practice
- Piloted a data collection process to map the environmental characteristics of paper purchased by Pearson
- Visited paper suppliers in Finland and Canada to review their environmental processes
- Joined the WWF 95+ Group to work on responsible paper sourcing practice

Paper policy

Pearson issued a statement on [paper sourcing policy](#) in November 2003. This followed a period of consultation with our paper buyers, our paper suppliers and others to confirm the key issues. The policy covers the following:

- Compliance with environmental laws and regulations
- Use of paper products with recycled content.
- Independent certification.
- Illegal logging of old growth forests.
- Supplier audits

The policy is disclosed on this Website.

Data Collection

In 2003, we committed to compile a central register of key paper suppliers and out-sourced printing relationships. A register has been established and will be extended and updated during 2004.

Pearson is committed to establishing a comprehensive database on the environmental characteristics of its paper supply chain. In 2003, Pearson piloted a data collection approach with some of our European buyers involving the paper directly purchased from manufacturers by Penguin UK, Recoletos in Spain and the FT. This covered in excess of 100,000 tonnes of paper and the database includes:

- Supplier Name
- Quantity purchased

- Recycled Content
- Certification
- Use of Chlorine
- Mill
- Source of wood

This has shown that:

- The majority of paper purchased for those European based businesses is sourced from European mills with the balance coming from North America
- 22% of the paper used by those companies was recycled fibres
- Paper manufacturers use a range of systems of certification. Over 50% of paper purchased is certified under the Pan-European Forest Certification PEFC system. Although the proportion of paper purchased that has Forest Stewardship Council (FSC) certification is low, Pearson will be working with WWF to increase the proportion of paper with FSC certification that we buy.

The level of recycled paper used by Pearson is driven by two main factors. Book paper grades must deliver shade, thickness, bulk and brightness to maintain the standards of touch and appearance of the printed book that readers demand. This limits the capacity to use recycled paper as book paper made of recycled fibre has a different feel from primary fibre. Second, the sources of supply of pink newsprint are limited. Pearson is committed to understand the viability of introducing targets for recycled fibres in book paper and newsprint.

- **Pearson will work with WWF to further develop this database in 2004.**

Paper supplier visits

We believe that environmental responsibility should be integrated into normal commercial practice. Our professional paper buyers and production management have visited suppliers in Canada, Scandinavia and elsewhere to discuss environmental practice among other issues. In addition, environmental responsibility is now a regular item on the agenda of team meetings for European paper buyers and production teams.

In 2004, Pearson will hold a series of seminars with its production staff to further embed awareness and action across our purchasing teams. We believe that environmental expertise should be transferred to our production people who have the most regular contact with paper suppliers.

WWF 95+ Group

In order to help Pearson meet its aims; the company has made the decision to join the WWF UK Forest and Trade Network (Formerly known as the WWF 95+ Group). This group actively promotes and facilitates increased trade in independently, credibly certified forest products and encourages good forest management worldwide.

Pearson has committed to work with WWF-UK to increase the proportion of forest products traded or consumed by us to coming from well managed forests which have been independently certified.

As part of its membership, Pearson has agreed an action plan with WWF. This includes working with WWF to increase the supply of FSC certified paper available to Pearson and the wider publishing industry.

Production

Pearson has built a central register of key UK and US out-sourced printing relationships. This has allowed Pearson to start to build a picture of the environmental performance of its printers. The register has helped us with two main initiatives.

First, the FT has completed a survey of the environmental performance of its printers across the world. This survey covers:

- Whether the printer uses a recognised system for environmental management
- Take-up of direct-to-plate technology. Pearson is committed to only use printers with this facility for new title production as this reduces the use of silver film.
- Measurement and reduction policies for water, ink, solvents, alcohol, energy and waste.

The main findings from the FT survey are as follows:

Indicator	%age of printers that measure impact	%age of printers with targets to reduce usage
Water	86%	57%
Ink	95%	71%
Solvents	91%	76%
Alcohol	67%	67%
Energy	81%	71%
Waste Production	95%	95%

The findings from this survey provides the basis for FT production teams to discuss environmental impact with suppliers during 2004.

In addition, Pearson people undertook visits to existing and potential printers in China and India. These visits provided an opportunity for Pearson to review performance standards in areas including environmental responsibility, health & safety, labour standards and human rights. The findings and issues identified have been discussed with our printers and are being managed as part of our normal commercial relationships. Further visits will take place in 2004 in these and other countries where our books, magazines and newspapers are printed

Pearson will be briefing its buyers in a series of seminars to extend this review process as an integral part of all supplier visits.

Transport / Distribution

It is normal practice for our businesses to outsource distribution and shipment of our products to third party carriers. Pearson has very few commercial vehicles of its own. The main

distributors in the UK and Europe continue to be Securicor and DHL for the books and TNT for our newspapers.

In the US, we similarly outsource distribution with UPS being the main distributor. These distributors have environmental policies and use modern fleets of vehicles. We monitor environmental performance as part of the contractual arrangements.

In 2003, we held a meeting with DHL to explore the feasibility of running a pilot system to monitor the environmental impact of our distribution systems in the UK. Pearson is currently consolidating its Penguin and Pearson Education UK warehouse facilities into a new single site at Rugby. We will look to integrate a new system for environmental data collection as part of this investment.

Case study: DHL

DHL distributes a range of Pearson products including the secure distribution of examination papers. Working with Future Forests, DHL has established a methodology for quantifying the greenhouse gas emissions associated with the distribution of their clients' products. We support this initiative and look forward to learning more about our indirect environmental impacts in a way that may enable us to better address them. DHL and Securicor merged their businesses late in 2003.

Contacts

If you have any questions on Pearson's environmental review, please contact:

Alan Miller
Pearson plc
80 Strand,
London
WC2R 0RL
Email: alan.miller@pearson.com
Telephone: 020 7010 2221