

## Environment 2007

### Introduction

Every person and every company has an impact on the environment and Pearson and the people who work here are no exception. Our books, magazines and newspapers use paper - a vitally important natural resource. We use energy to heat, cool and light our buildings and to power the computers we rely on to share our ideas, products and stories. Our people travel to and for work.

Over the last few years, the scientific evidence about the changes we are seeing to the climate has become overwhelming. Our aim as a company is to play our part to, first and foremost, reduce our impact and then to offset the rest. We know that many of our people and wider stakeholders are passionate about environmental issues.

Our climate neutral commitment is providing a focus for us to develop new ideas and ways of working. This Environmental Review describes the progress we made in 2007 and shares some of our plans for the coming two years.

Pearson plc

### Performance in 2007

We continue to make progress in furthering environmental management within the company. Some highlights from 2007:

- For a fourth year, we were ranked top of our sector in the **Business in the Community Environment Index 2007**. Environmental Management at Pearson was again ranked as "platinum", the highest performance tier within the index.
- We achieved our target to reduce energy use by 10% compared to our 2003 baseline last year, two years ahead of target. We introduced a stretch target of a further 2% reduction for 2007 and achieved a 1.8% reduction over 2006 levels.
- As part of our programme to map our path towards climate neutrality in our company operations by the end of 2009, we have created a new baseline and introduced new reduction targets for energy and other sources of GHG. Our new baseline Greenhouse Gas emissions total is 216k tonnes of Carbon Dioxide (CO<sup>2</sup>). By the end of 2007, we reduced our total in the UK by 1k tonnes.
- Dorling Kindersley has joined Penguin in the UK in securing Forest Stewardship Council (FSC) chain of custody certification allowing its books to also carry the FSC label. DK worked on introducing its recently launched "**Made with Care**" range of titles which sets new standards of ethical responsibility.
- We were the first global publishing company to publicly disclose our policy with regard to the environmental characteristics of the paper we purchase. This was updated in 2007 and is available for review. This policy concerns Pearson's preference for FSC where available and affordable. It also recognises the PEFC, SFI and CSA. It is our policy to increase papers from these sources.
- 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.
- Working with WTA, our main shipping agent, we reduced the carbon emissions relating to the shipping of our printed books around the world by over 4%.
- Our reuse/recycle rate for unsold books was maintained at 99%. This was in excess of our target of 95%.
- We report on our progress to the UN as part of our commitment to the **Global Compact**.

### Towards a carbon neutral future

Good environmental management is an issue that is growing in importance.

In April 2007, Pearson announced its commitment to continue the process of becoming a carbon neutral company with a view to completing that globally by the end of 2009. This followed a paper on corporate responsibility including Climate Change being tabled for discussion by the Board of Directors of Pearson. A

second paper was tabled for Board review in April 2008 providing an update on progress made on corporate responsibility matters including environmental responsibility.

Pearson continues to view the decision to work towards becoming carbon neutral as a means to first and foremost focus the business on identifying opportunities for reducing its carbon footprint. A series of activities to take place over the next three years that will

- Reduce our own company impact
- engage our employees
- influence our suppliers to adopt their own standards where these are not in place

Our most significant country of operation is the United States. Rich Glicini, a senior executive continues to lead our environmental work in the US.

### **Plans for 2008**

- Review our approach and use of renewable energy
- Continue to explore aspects of our wider product related carbon footprint.
- Maintain inclusion in the key indices of social responsibility.
- Continue to raise employee awareness of the steps we are taking on corporate responsibility and how they can help.
- Continue to minimize the environmental impact of packaging and distribution in our book companies.
- Continue our drive for independently verified certification to ensure the suitability of paper we purchase for our books, newspapers and magazines.
- As part of an increased focus on employee engagement on environmental matters, we will introduce a new summary staff version of this review. The summary will complement this fuller version.

### **Our Targets for 2007**

- Using 2007 as the base year, we aim to reduce energy use across the company by 5% by the end of 2009.
- Using 2007 as the base year, we aim to reduce our Greenhouse Gas emissions by 25% by the end of 2020
- Using 2007 as the base year, we aim to achieve a per employee reduction in air travel by the end of 2009.
- Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%.

We will report on our progress against these targets in the relevant section of our environmental review next year.

The Executive responsible for our global activities on environmental matters is Alan Miller, Director of Group Affairs. If you have any comments please email Alan Miller on [alan.miller@pearson.com](mailto:alan.miller@pearson.com)

### **About our reporting**

#### **Our impacts**

The main environmental impacts for Pearson are classified by us as being either "direct" or "indirect". Direct environmental impacts are those for which we are directly responsible and from sources controlled or owned by the company. For us, these are:

- Offices, call centres and distribution centres:
  - Energy Use
  - Water Use
  - Presence of ozone depleting substances
  - Being a good neighbour
- Packaging and Waste
  - Unsold Product

- Office Paper
- Electronic and Electrical Equipment
- Printer toners
- Packaging
- Business Travel by air, by rail or by road

Our most significant direct environmental impact is emissions to air relating to our properties.

Indirect environmental impacts are those which can ultimately be attributed to our activities but over which we have limited or no control. Typically, these relate to the supply chain. We recognise that it is these indirect environmental impacts that are also significant for our business and we have developed programmes to use our influence in a positive way.

### **What we include**

We report on:

- Data relating to the direct environmental impacts of running our operations
- Our aims, objectives and targets for reducing or eliminating these impacts
- Our approach towards improving our supply chain responsibilities
- Data relating to how we use our positive influence with our suppliers

We report on 100% of our businesses including affiliates where we have a majority shareholding. [Pearson at a glance](#) provides more information on our market-leading businesses in education, business information and consumer publishing.

What we do not include is the environmental impacts of our suppliers such as paper manufacturers or print suppliers. We have started work to assess the carbon footprint relating to some of our products and report on our progress in this area in this environmental review.

Our products educate, entertain and inform. Our newspapers stimulate debate and help shape opinion. One of our guiding principles is to protect the editorial independence of authors, journalists and editors. As such, decisions on how environmental issues are covered in our books, magazines and newspapers are not included in the scope of this review.

This environmental review covers our activities for the 2007 calendar year.

### **Baseline Data**

Each year, changes to our business operations affect our property portfolio. We are conscious that these changes can distort the reporting of our underlying environmental performance. This is why we provide both a like-for-like comparison of buildings from our baseline year of 2003 through to 2007 in addition to our absolute performance figures.

Adjustments are made for buildings no longer used by Pearson and those new to the company are not included in the baseline figures. An example of such changes would be the opening of our new Distribution Centre in the UK during 2004 which was a significant factor behind the increase in our absolute energy use in the last two years. As this building was opened in 2004, it is not included in our baseline figures.

Two significant changes affecting the baseline this year were the sale of Pearson Government Solutions and the Les Echos businesses. Les Echos and Government Solutions accounted for more than 6,000 employees with offices in France, the US, the UK and in other countries and together were a significant part of Pearson environmental reporting. Neither business was included in our baseline or report for 2007.

Adjustments mean that the baseline and absolute figures for 2003 will not be identical to previous years reporting.

### **A New Baseline for 2007**

This year, Pearson has made a decision to adopt a new baseline. This decision was based on:

- Having achieved early the most significant environmental performance targets set for the 2003-2008 period
- That Pearson has now adopted a climate neutrality commitment

- Changes to the business portfolio since 2003 means that a number of important buildings are currently outside the 2003 baseline

Pearson will continue to report on both absolute and like-for-like performance as in previous years

### Scope of Audit Review

Our environmental survey was first introduced in 2001 following an extensive consultation process that identified our main environmental impacts. The survey is reviewed each year by the members of our two standing environmental networks in the UK and the US.

Over the seven years of environmental reporting, we have gradually increased the scale and scope of the reporting process and consistently achieved coverage in excess of 90%. Reporting is through a detailed reporting survey that is completed by all Pearson sites over 10,000 square feet in size or house more than 50 employees.

For 2007, the scale and scope of our review process has been significantly expanded to include a detailed assessment of the environmental impact of buildings below our reporting threshold and international properties. As a result, the baseline 2007 environmental database now covers 26 countries and 236 individual buildings. The absolute data now reports an assessment of 100% of the Pearson property register and we have expanded coverage for business travel to include our main markets - the US, the UK, Canada, India, Australia and New Zealand.

This is the most detailed review carried out to date and as a result we have adopted 2007 as a new baseline. As the scope of data covered is materially different from previous years, we have not included a comparison within this text.

### Buildings Audit

	2002	2003	2004	2005	2006	2007
Countries	12	14	17	17	19	26
Buildings over 10,000 square feet or included in the environment database	69	95	99	104	106	236

The 26 countries included in this survey are:

- Argentina
- Australia
- Brazil
- Canada
- Chile
- China
- Columbia
- Costa Rica
- Ecuador
- France
- Germany
- India
- Japan
- Korea
- Malaysia
- Mexico
- New Zealand
- Peru
- Poland
- Singapore
- Spain
- Taiwan

- Thailand
- Turkey
- UK
- USA

## Property Management

Our main direct environmental impacts derive from the occupation of our offices, data centres, call centres and distribution centres.

Property and facilities management is the responsibility of our individual operating businesses around the world. Operating environments vary considerably, e.g. an office in India is very different from a distribution centre in the US Midwest. It is an ongoing challenge to capture consistent and comparable data and to ensure that policies and initiatives are effectively rolled out across the company.

This year, the scope of our absolute reporting has been significantly expanded to include all buildings. In addition, the sale of Les Echos and Pearson Government Solutions have together had a significant impact on baseline data as these were excluded from the total this year.

### A note on printing

Less than 0.5 per cent of Pearson products are printed by our own operations. We have two small digital print operations as part of our Pearson NCS and Pearson Educational Measurement businesses. These operations provide short-run & print-on-demand products, typically custom client applications. As these operations are not materially significant for Pearson operations, we do not consider emissions to water as an issue for our reporting.

#### Energy Use - Absolute Total

	2007 kWh
Absolute total	342,156,848
Per Sq M - total	281
Per employee - total	10,466

#### Energy Use - Like-for-Like performance using 2003 baseline

	2003 kWh	2004 kWh	2005 kWh	2006 kWh	2007 kWh	% change 07-06	% change 07-03
2003 Baseline	216,377,806	203,501,013	199,951,789	205,770,821	201,649,780	-2.0%	-6.8%
Per Sq M - baseline	282	259	253	258	253	-1.8%	-10.21%
Per employee - baseline	12,206	11,093	10,837	11,326	11,526	1.8%	-5.6%

**Using 2003 as the base year, our target is to reduce energy use across the company by a further 2% to 13% per square metre of occupied space by the end of 2008.**

Energy use for Pearson in order of importance is electricity, gas and fuel oil. Energy use across Pearson shows a significant performance improvement for a fifth year.

Most significant is the 1.8% fall in energy use per square metre achieved on a like-for-like basis against our target of 2%. Last year, we reported an overall 11% energy use reduction on a per square metre basis.

Recalculating our baseline to take into account the disposals during the year reduced this to 8.41%. Our performance this year means that we remain ahead of our target of a 10% reduction target by 2008.

Our success in meeting our target has been achieved from a wide range of initiatives. The most significant development has been the creation of a roadmap to climate neutrality. This includes a commitment to develop a comprehensive carbon management strategy. In both the US and the UK, we are working with a specialist consultancy to achieve this objective. In the UK, our work is being jointly funded by Pearson and The Carbon Trust.

We continue to carry out site energy audits, allocating responsibility for energy efficiency to named individuals and promoting energy awareness through eco-committees at Pearson offices and on the Pearson intranet. The current high financial cost of energy also provides an additional incentive to control cost increases and further improve efficiency.

Having achieved our reduction target two years ahead of schedule, we have reviewed opportunities for energy reduction at Pearson. Our work is ongoing, but our current targets are:

- Using 2007 as the base year, we aim to reduce energy use across the company by **5%** by the end of 2009.
- To establish a global Environment Fund to encourage capital investment projects that deliver significant GHG reductions.
- To investigate the viability for Pearson to invest in generating its own renewable energy at all sites above 1 million square feet.
- Using 2007 as the base year, we aim to reduce our Greenhouse Gas emissions by **100%** by the end of 2009 for those operations excluding new acquisitions. Where it is not possible to reduce our emissions by other means, we expect to purchase carbon credits.

## Case Study

### 195 Harry Walker Parkway, Newmarket, Ontario, Canada.

Our building in Newmarket, Ontario has achieved an average 14% reduction(685,000 KWh per annum) in electricity usage this year following an investment in improved lighting. Newmarket is a combined office space and distribution centre serving the Canadian market. Lighting was identified as an opportunity for environmental improvement and the investment programme included occupancy sensors and the use of energy -efficient light bulbs.

## Electricity

### Electricity - Absolute Total kWh

	2007 kWh
Absolute total	244,586,972
Per Sq M - total	200.21
Per employee - total	7,482

### Electricity Use - Like-for-Like performance using 2003 baseline

	2003 kWh	2004 kWh	2005 kWh	2006 kWh	2007 kWh	% change 07-06	% change 07-03
2003 Baseline	153,820,791	138,937,993	141,994,188	149,568,985	144,242,803	-3.6%	-6.2%
Per Sq M	201	177	180	187	181	-3.3%	-9.6%

- baseline							
Per employee - baseline	8,677	7,574	7,696	8,233	8,245	0.2%	-5.0%

In 2007, we continued our programmes for both investing in energy saving technology and for highlighting energy awareness among employees which delivered the reduction achieved.

## Gas

### Gas Use - Absolute Totals

	2007 kWh
Absolute total	94,295,856
Per Sq M - total	77.19
Per employee - total	2,884

### Gas Use - Like-for-Like performance using 2003 baseline

	2003 kWh	2004 kWh	2005 kWh	2006 kWh	2007 kWh	% change 07-06	% change 07-03
2003 Baseline	58,655,064	60,153,663	54,385,098	53,239,358	54,820,636	3.0%	-6.5%
Per Sq M - baseline	76	76	69	67	69	3.2%	-9.9%
Per employee - baseline	3,309	3,279	2,948	2,930	3,134	6.9%	-5.3%

On a like-for-like basis gas usage reported by some of our larger buildings increased this year. There is a clear link between electricity and gas use and therefore, we will continue with our single energy use target.

## Fuel oil

Our buildings also use a very limited amount of heavy fuel oil, which is mainly held in reserve tanks to power emergency generators.

### Fuel Oil - Absolute Total

	2007 kWh
Absolute total	3,274,020
Per Sq M - total	2.68
Per employee - total	100

### Fuel Oil - Like-for-Like performance using 2003 baseline

	2003 kWh	2004 kWh	2005 kWh	2006 kWh	2007 kWh	% change 07-06	% change 07-03
2003	3,901,951	4,409,357	3,572,503	2,962,479	2,586,342	-12.7%	-33.7%

Baseline							
Per Sq M - baseline	5	6	5	4	3	-12.5%	-36.1%
Per employee - baseline	220	240	194	163	148	-9.3%	-32.8%

### Renewable Energy

Renewable energy can also be used to lessen the environmental impact of energy we use. The Penguin US distribution centres and a small number of other buildings in the US purchase energy generated from renewable sources. Lack of availability of renewable energy supply limits our ability to progress this further.

Last year, we committed to review our approach and use of renewable energy as part of our wider commitment to climate neutrality. This has been completed and it is standard in the UK for Pearson to consider renewable energy in contract renewal for energy supplies and is being investigated in other markets such as the US. Existing contracts limit capacity to make early changes to the renewable energy purchased

### Water Use

#### Water

	2007 m <sup>3</sup>
Absolute total	515,267
Per Sq M - total	0.42
Per employee - total	16

#### Water

	2003 m <sup>3</sup>	2004 m <sup>3</sup>	2005 m <sup>3</sup>	2006 m <sup>3</sup>	2007 m <sup>3</sup>	% change 07-06	% change 07-03
2003 Baseline	263,682	223,238	224,276	220,300	272,286	23.6%	3.3%
Per Sq M - baseline	0.34	0.28	0.28	0.28	0.34	23.9%	-0.5%
Per employee - baseline	15	12	12	12	16	28.4%	4.6%

Water is not a major environmental impact area for us. Our offices do not use water beyond basic needs. We saw a significant increase in usage compared to 2006 levels this year and did not achieve the target we set ourselves last year. This was due to:

- Over 15,000m<sup>3</sup> of water was used as part of a stone cleaning programme at our headquarters building at 80 Strand in London. This will not be repeated in the period to the end of 2012.
- Improved data collection in line with our increased focus this year on extending the scope and reach of our survey process in line with our climate neutral commitment

In line with our commitment last year, we have made a decision to adopt a new target based on the new 2007 baseline, we set the following targets:

**Using 2007 as the base year, our target is to reduce water use across the company by 10% per square metre of occupied space by the end of 2012.**

### Case Study

## Mesa, Arizona

Mesa, part of Phoenix Arizona is surrounded by desert and gets less than 12 inches of rain a year. Phoenix is also gaining thousands of new residents each month, so demand for water is growing. Pearson achieved a 65% reduction in water usage since 2003. This performance has been achieved through a range of measures including a review of how water is used at the site and investment in a more resource efficient misting system.

## Being a good neighbour

We have a responsibility to act as a good neighbour to the communities around our properties. We monitor complaints received from our neighbours and act to resolve the small number of problems that arise each year.

During 2007, we received a single complaint, down from 17 last year. The complaint related to litter around one of our buildings.

## Business Travel

Pearson is a global business; our people need to travel to visit clients, suppliers or between our offices worldwide. Our people travel by air, by rail and by road. We continue to encourage alternatives to travel such as video-conferencing but have found reducing travel to be one of the most challenging areas for us as personal relationships continue to be important in our business. We report on business travel for our two largest centres - the US and UK.

## Air Travel

Air travel has an environmental impact and we set a challenging target to achieve a per employee reduction in air travel by the end of 2007 based on 2003 figures. The 2003 figures were artificially low due to a moratorium on air travel in parts of our US businesses that year. Although the absolute number of miles traveled by air increased, we slightly improved our air per employee performance.

### Business travel

	2003 Miles	2004 Miles	2005 Miles	2006 Miles	2007 Miles	% change 07-06	% change 07-03
Air	100,385,586	120,653,662	125,533,049	122,303,677	130,409,691	6.63%	29.91%
Air per employee	3,866	4,305	4,068	3,997	3,989	-0.20%	3.18%
Rail	562,830	970,503	4,424,561	1,560,508	1,317,161	-15.59%	134.02%
Road	44,712,459	43,725,604	42,993,988	48,450,457	50,394,102	4.01%	12.71%
Total	145,660,875	165,349,769	172,951,598	172,318,639	182,120,954	5.69%	25.03%

We continue to promote a range of programmes including:

- Using alternatives to business travel such as tele-conferencing and video-conferencing.
- Using rail over air travel where sensible to do so.
- Using web-based communication tools such as Web Conferencing technology

Alternatives to travel such as video and tele-conferencing are one way of containing usage. We monitor how much we use the equipment in order to assess whether there is a link between video conferencing and a reduction in business travel. Reflecting our investment in video-conferencing, we can report a substantial increase in usage this year. Data collection on tele-conferencing remains incomplete, and this is not reported this year.

## Case Study: Penguin USA

Bringing together sales staff in conferences are an important way to share information on the latest developments and generate ideas for the future. Penguin in the US holds 4 sales conferences each year. In

2007, the company piloted holding one of the conferences on the web using Webinar technology. The pilot was a success and is planned to become more regular for the future.

#### Alternatives to travel

	2003 hours	2004 hours	2005 hours	2006 hours	2007 hours
Video-conferencing	2,758	7,010	5,261	9,170	21,433

Another strategy to reduce air travel is to promote rail as an alternative to air where this is practical and viable. Through promotion and improved data collection, we can report an increase in rail travel in the UK over 2003 levels. However, due to limited coverage of the rail network in the US, rail usage is dependent on the routes travelled.

#### Penguin UK

The Frankfurt Book Fair is a major date in the book industry calendar. It is the place to learn about latest industry trends and where exhibitor, agents, trade visitor and others meet. As part of a wider commitment to reduce air travel, delegates from Penguin in the UK will travel to Frankfurt by train.

The UK and US Environment and Health and Safety Working Groups regularly take advantage of tele-conferencing facilities and the newly established Executive Environment Committee meets by video-conference.

Air travel is a significant element of our carbon footprint. In light of our commitment to become climate neutral by the end of 2009, we have set ourselves the following targets:

- Work with our travel agency partners in the UK and US to consider introducing a "Is this trip necessary message" for all web-based flight bookings
- To make travellers aware that carbon credits information is available
- To invest in enhanced video-conferencing technology

This year, we extended our data collection to encompass Canada, Australia and India. Our revised data for 2007 is as follows:

#### Revised data for 2007

	2007 Miles
Air	134,051,305
Air per employee	4,100
Rail	1,317,161
Road	58,158,737
Total	193,527,202
Miles per employee	5920

Reflecting the challenges we have set ourselves the following targets:

- Extend data coverage to include our top 10 markets
- Limit miles travelled per employee to less than 6,000 per year

#### Air Travel - Indirect Impacts

Pearson is a significant publisher of travel and guide books through its Rough Guides and Dorling Kindersley imprints. Rough Guides set itself the following targets:

- To develop a stance on climate change that extends to its own impacts
- To seek to work with Lonely Planet, a competitor, to build an agreed approach

Rough Guides has achieved both these objectives. The Rough Guides position on climate change and responsible tourism can be viewed in its guide books and at [www.roughguides.com/climatechange](http://www.roughguides.com/climatechange). Rough Guides encourage travelers to think about how often they fly and to consider making their flights climate neutral. Together with Lonely Planet, Rough Guides and other concerned partners in the travel industry are supporting a carbon offset scheme run by Climate Care. Rough Guides offer a carbon calculator and offset service through their website. Rough Guides has also worked with individual employers on bespoke books providing easy to understand guides to reducing environmental impact.

As part of this initiative, all the Penguin imprints in the UK are also using Climate Care to offset their business flights.

### Travel by road

The number of absolute miles travelled by company car has increased by over 4% in the last 12 months representing continued growth in our US businesses. In the UK, we worked with our specialist fleet lease provider to manage down the CO2 emission profile for the UK fleet.

In the US, we have started work on reviewing the composition of our fleet and our purchasing policies in light of our commitment to become climate neutral by the end of 2009.

In the UK, a new company car policy has been introduced. For the first time, Pearson has introduced a company wide cap on CO2 emissions per vehicle.

### Employee travel

Employee travel to work was reviewed through our audit for the first time in 2004.

#### Travel to Work

	2004	2005	2006	2007	% change 07-06
Facilities for cyclists	46	59	60	42	-30%
Facilities that encourage use of public transport	56	63	56	37	-34%

The objective for introducing a focus on reporting on employee travel is to held stimulate increased interest and improved practice across the Group. Our focus on the climate neutrality commitment has meant that this has not been a focus in 2007. The reduced number reflects the sale of Les Echos and Pearson Government Solutions

### Case Study

#### Phoenix, Arizona, United States

Pearson sites supports and participates in the Maricopa County Trip Reduction Program (TRP). The purpose of the TRP is to encourage the regular, frequent use of alternate transportation and Pearson, as part of that program provides free bus cards and encourages carpooling.

### Climate Neutrality

2007 was a watershed year for Pearson and environmental responsibility. In April 2007, Pearson announced a commitment to continue the process of becoming a climate neutral company for its existing businesses with a view to completing that globally by the end of 2009.

We made this commitment against a backdrop of growing international concern on matters relating to climate and the use of energy. In 2007, the Stern Review Report on the economics of climate change set out the context:

"The scientific evidence is now overwhelming.  
Climate change presents very serious global risks and it demands an urgent global response."

Concern over climate change is no longer the preserve of the scientific community, but we have seen politicians, investors, business leaders, religious groups and many others express deep concern over changes in the climate around the world.

At the same time, current demand for fuel exceeds supply and we have seen significant increases in price. Reduced dependence on carbon-based fuels and energy makes sense on both economic as well as environmental grounds. Saving energy will help us to save money by reducing our energy costs.

As an office-based organisation, Pearson has a relatively insignificant impact. However, this misses the point. All actions, however small, contribute to a global effort. Through our commitment, we aim to inform, engage and to enthuse our employees to get involved in our plans as they develop.

## **Climate Change**

Changes to the climate are occurring due to an increase in atmospheric concentrations of 'Greenhouse Gases' (GHG), particularly carbon dioxide (CO<sub>2</sub>). In addition to natural changes, man-made sources such as burning fossil fuels like coal, oil and natural gas to produce heat and electricity have been identified as one of the causes along with expansion in agriculture.

As a result, it has been getting hotter almost everywhere for some time. The 1990s were the warmest recorded decade of the Millennium. We have also seen changes in rainfall - floods and droughts. Both the US and the UK, our two largest countries of operation have experienced both in recent years.

The forecast is more of the same with the Inter Governmental Panel on Climate Change (IPCC) predicting average temperatures to rise by up to 6°C this century.

### **Towards a carbon neutral future**

There are four components to our strategy:

- A carbon management programme designed to reduce our impact. Primarily, this focuses on energy efficiency in our buildings through investing in equipment that reduce emissions such as lighting and IT
- Seeking opportunities to invest in generation of renewable energy at our sites
- Purchasing electricity from renewable sources where it is available and affordable to do so
- Purchase carbon offsets.

Pearson views the decision to work towards becoming carbon neutral as a means to first and foremost focus the business on identifying opportunities for reducing its carbon footprint. We have started on a range of activities that will:

- Reduce our own company impact. Our aim is to reduce our footprint by 20% by the end of 2009.
- Continue to engage our employees
- influence our suppliers to adopt their own standards where these are not in place

Our two most significant countries of operation are the United States and the UK which together account for 87% of our carbon footprint. These two countries continue to be a focus for us.

Throughout this environmental review, we highlight the different areas where we have taken practical action to help us meet our commitment. In 2007, our CO<sub>2</sub> emissions were around **220,000 tonnes**.

### **Realising our commitment**

To sharpen our focus on meeting our commitment, we knew that we had to do more internally to identify opportunities for improvement. Our focus for 2007 was to set up a new governance structure for environmental matters.

The most significant development was to establish a new Environment Executive Committee. This Committee comprises two Executive Directors of the Pearson plc board as well as senior executives from operations, communications and those leading implementation across the business.

Following the appointment of a senior executive in early 2007, to lead our environmental work in the US, a series of Committees focusing on buildings, business travel and employee engagement have been established to further our work there.

We are most advanced in the UK, where in addition to our country committee; we have established eco-committees at key buildings to look for additional opportunities for improvement.

In both the UK and the US, we have commissioned comprehensive reviews of our buildings to identify opportunities for reduction. In the UK, we are working with the Carbon Trust to develop our plans.

In addition, country committees have been established in Australia, Canada, India and South Africa.

### **Our direct emissions**

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 use
- Fuel oil for use in buildings

#### **Business travel:**

- Air
- Road
- Rail

### **A new baseline**

In line with our climate neutral commitment, we have reviewed our baseline. We have

- Reviewed the emission factors we use and adopted the latest
- Extended the scope to cover all buildings. Previously we focused on buildings over 10,000 square feet
- Added new factors including hotel stays, use of couriers, embodied energy from waste and water use.

For our UK, we have adopted the conversion factors recommended by the UK Government Department for Environment, Food and Rural Affairs (DEFRA). In part, this is in preparation for the proposed new legislation in the UK on carbon management. The carbon footprint in the UK was separately calculated by the specialist consultancy working on our carbon management activities.

Outside of the UK, all of our CO<sub>2</sub> emissions except those relating to air and road transport are calculated using the latest conversion factors in the UNEP Guidelines for calculating Greenhouse Gas Emissions for Businesses and Non-Commercial Organisations. For air and road transport, we have adopted the latest conversion factors recommended by the UK Government Department for Environment, Food and Rural Affairs.

As we have adopted a new baseline, we have not reported previous years' emissions this year. Comparative data for the period 2003-2006 can be viewed in our [2006 Environmental Review](#).

### **Our Performance**

Taking the performance data from the [property management](#) and business travel sections it is possible to calculate headline greenhouse gas emissions expressed in tonnes of carbon dioxide (CO<sub>2</sub>), the main greenhouse gas.

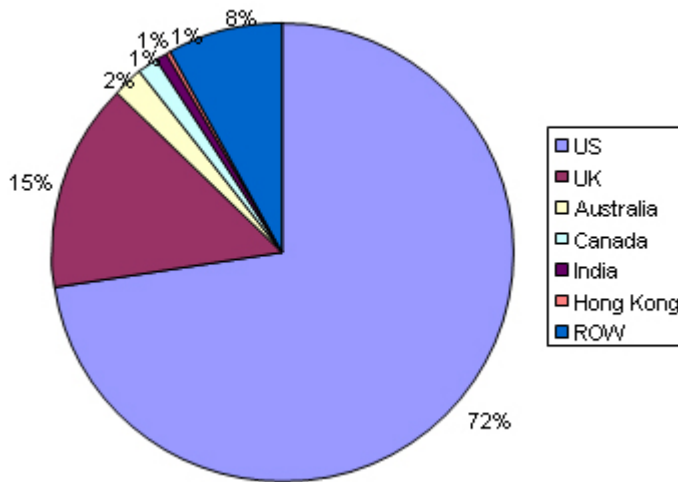
#### **CO<sub>2</sub>e Emissions**

	2007 tonnes
--	-------------

Electricity	137,041
Gas	17,684
Oil	830
Air*	26,620
Rail	174
Road	26,392
Total	217,014
Per Sq M	0.18
Per employee	6.64

\*N.B. The air travel figure includes 857 tonnes of CO2 relating to air travel by Penguin in the UK. Penguin purchase carbon credits to offset air travel.

The breakdown of emissions by country:



The Greenhouse Gas Protocol is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. It is used by Pearson and a split by scope and country is as follows:

Country	Scope 1	Scope 2	Scope 3
US	31466	101092	24714
UK	8590	18367	5241
Australia	1031	3137	466
New Zealand	178	99	69
Canada	1109	1519	358
India	259	1089	289

Hong Kong	0	1106	0
Rest of the World	3586	10632	2619

## Waste and Recycling

The three most significant areas for consideration are:

- Unsold product
- Packaging
- Office waste including food primarily where office cafeteria's are offered

### Unsold product

We sell a variety of products. Most of our products are paper-based in the form of books and newspapers. Less than 1% of our sales are products such as CDs and DVDs. Sales of magazines are also small. 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 key business objective. Improvements in stock control and sales forecasting contribute significantly to reducing the amount of unsold product. Responsible disposal of unsold product is a significant environmental responsibility for us.

### Recycling

	2003	2004	2005	2006	2007	%age change 2007 - 2006
Unsold product	99%	98.3%	96.8%	98%	99%	1%

**Our target is maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%.**

This has been maintained since 2003 and we again improved our overall recycling rates of unsold product. This remains a high priority for us.

### Packaging

We use a variety of packaging materials in the distribution of our products worldwide: cardboard, plastic, shrink-wrap and foamfill (a void filler).

### Packaging

	2003 tonnes	2004 tonnes	2005 tonnes	2006 tonnes	2007 tonnes	%age change 2007 - 2006
Cardboard	2,983	2,886	4,737	5,168	2,381	-53.93%
Shrink-wrap	72	78	254	275	29	-89.41%
Plastic	213	123	56	73	33	-54.59%
Foamfill	221	41	37	53	95	79.86%

A particular objective for us has been to reduce the use of plastic and foamfill in favour of packaging based on natural materials. Our use of plastic has reduced by over 85% over the last four years and foamfill use is over 50% less than 2004. We have started to collect data on books handled to allow us to normalize the indicators we use.

Pearson has a number of distribution centres around the world that use and receive packaging and we encourage sharing of good practice. For example, Penguin has adopted the environmentally-friendly carton packing system pioneered by Pearson Education in the US as an alternative to plastic popcorn packing. Penguin has also worked with the printers to redesign cartons to reduce the amount of corrugation used. During 2007, our distribution centre team in the US reviewed practices at our warehouses around the world and made recommendations on operational and environmental efficiency. Packaging continues to be a priority for us.

### Case Study - Pearson Australia

By working closely with its customers, Pearson Australia has been able to eliminate the use of packing slips in loose pick cartons in 95% of the 1.3m cartons shipped annually. Pearson Australia estimate savings of 2.5k reams of copy paper over a 12-month period - the equivalent of approximately 150 trees each year.

### Office waste, redundant electronic equipment and toners

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 methods of disposal. We have a series of targets to promote recycling across the business.

This year, we introduced a new system to collect data relating to tonnages recycled. Consequently, the data is not comparable and we found that the quality of data submitted varied considerably. We will review our reporting approach in this area this year.

### Paper purchased

Paper is the most significant natural resource we use in our offices. Our original target was **to achieve a 5% reduction in consumption of paper per head by 2006 using 2003 as the base year.**

#### Paper - UK and US

	2005 kg	2006 kg	2007 kg	% change 2007 - 2006
Bought	553,662	598,656	637,470	6.48%
Per employee	21.03	19.57	19.50	-0.36%

However in 2005, the US paper consumption figure rose as the centralised purchase arrangement was extended. As the scope of coverage changed so significantly, we adopted 2005 as the new baseline. We reduced consumption slightly this year bringing the overall reduction to 7%. Our new target is **to achieve a 15% reduction in consumption of paper per head by 2010 using 2005 as the base year.**

### Recycling at One Southwark Bridge, FT

The FT has led the way within Pearson in achieving high rates of recycling. As part of a wider building refurbishment, a new waste collection system has been introduced. The key features include:

- Removal of individual bins to focus attention on reducing resource use.
- Establishment of a new recycling focal point service centre. Standard waste (paper, newspapers and magazines, cardboard, plastics) is now mechanically sorted in a single on-site compactor
- Continuation of an initiative to recycle alkaline, lithium and nickel cadmium batteries.
- 443 toner cartridges recycled compared to 383 in 2004
- Can recycling with proceeds donated to Action Aid.
- Increased recycled tonnes of cardboard from an average of 0.633 tonnes per month in 2005 to 0.877 in 2006.
- Fluorescent light tubes recycled.
- A major refurbishment of One Southwark Bridge is underway. Redundant furniture has either been reused at other Pearson sites or donated to charities. No furniture has been sent to landfill.
- Employee engagement through initiatives such as posters to promote recycling in common areas and ideas for recycling at home and at work

### Supply Chain

#### Responsible Purchasing

Pearson purchases in excess of £2 billion of goods and services from suppliers around the world each 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**

Managing the environmental impacts arising from our supply chain was first identified as a priority in the 2002 Pearson Environmental Review. This focus has continued ever since.

Pearson is a major purchaser of paper for books and newspapers. We also have contracts with printers around the world to produce our books, magazines and newspapers as well as with distributors and shippers to bring our products to market. We believe that our major environmental impacts are supply chain related, particularly relating to the supply of paper, printing and also to distribution.

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. In 2006 we wrote again to our top 850 global suppliers re-emphasising our commitment to the UN Global Compact and our Code of Business Conduct.

Introducing Environmental Responsibility as a contract requirement is 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 agreed from 2002 onwards. These clauses were reviewed following supplier feedback and the introduction by Pearson of a [Code of Business Conduct](#). Changes made included an explicit reference to the Code of Business Conduct. These clauses are now part of our standard negotiations for new contracts and for existing contracts on renewal. Many of our key contracts run for several years, so the process of introducing these clauses is ongoing.

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 responsibility and integrity.

### **Paper**

Our books, magazines and newspapers all use paper. We lead the way in investing 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. Paper is a priority issue within our wider programme of considering the environmental impact of our supply chain. Pearson has:

- Held a series of training sessions for our production teams around the world on both labour standards and environmental responsibility issues
- Worked with the members of the WWF UK Forest and Trade Network since joining in 2004 on responsible paper sourcing practice and disseminated the ideas to our production teams around the world
- Helped found PREPS (Publishers database for responsible environmental paper sourcing), an industry collaboration to map the environmental characteristics of paper
- Communicated and reinforced our guidelines to our key paper suppliers through direct dialogue

Last year, we introduced into our annual paper report our first set of quantitative targets relating to the environmental characteristics of the paper we purchase.

### **Paper sourcing policy**

Pearson first issued a statement on paper sourcing policy in November 2003. This was revised during 2004 following a further period of consultation with our paper buyers, our paper suppliers and others to confirm the key issues. In light of our commitment to become climate neutral by the end of 2009, we decided to review our policy again in 2007. A revised [paper sourcing policy](#) has been adopted and continues to cover:

- Compliance with environmental laws and regulations
- A rejection of illegal logging of old growth forests.
- Our interest in using paper products with recycled content.
- A commitment to sourcing paper that is manufactured using timber from certified, well managed forests.
- Supplier audits

In addition, the revised policy now:

- Reflects our concerns with regard to climate change
- Formalises our preference to purchase paper using fibre sourced from forests that carry Forest Stewardship Council (FSC) certification where this is available, affordable and appropriate.
- Sets an expectation that paper mills have an environmental management system such as ISO14001 in place
- Sets a commitment to global targets linked to the policy

The [policy](#) is available on this Website.

### **Challenges & Dilemmas**

Our products help people learn, relax and make informed decisions. Our social obligation to make our products accessible and affordable for our readers is our paramount responsibility.

Our primary environmental obligations with regard to paper purchasing are also clear and are reflected in our paper sourcing policy.

One challenge in meeting our environmental obligations is that there continues to be insufficient supply of independently certified timber entering the paper manufacturing supply chain. Only around a half of Europe's forests and one third of forests in North America carry any type of certification. FSC certification is growing but still accounts for just 5% of the forests in North America.

Shortage of supply and growing demand can result in an "environmental premium" and we believe that to achieve our long-term goals, there will need to be changes to the way the market is structured to erode and eradicate this premium.

We welcome the continued volume growth in the forests that carry certification. We use our influence as a purchaser of paper products to encourage and support this trend. Through dialogue with our paper manufacturers, we discuss issues relating to our policy, our interest in data collection and how our policy relates to our commercial purchasing decisions. However, the industry is large and complex and it will take many years to change.

### **Data Collection**

Pearson has established a comprehensive database on the environmental characteristics of its paper supply chain. Work on this database began in 2003 with a pilot data collection approach for the paper directly purchased from manufacturers by Penguin UK and the FT Group including our then businesses in Spain. This covered in excess of 100,000 tonnes of paper. Our database is now global and in 2007 covered over 350,000 tonnes of paper. This represents over 95% of all the paper we purchase around the world and includes data from manufacturers, paper merchants and printers that purchase paper on our behalf.

The data collection process is lengthy and involved taking some three months collecting data on some 200 grades of paper. The paper industry is large and complex. It is not easy to establish a chain from forest to product. Paper mills can both be integrated with sawmills and pulp mills or standalone. Some mills are supplied by hundreds of separate forest owners. We continue to work on improving our database, but we have got the best insight ever into where our paper comes from. Our database includes:

- Supplier and Paper Name
- Quantity purchased

- Recycled Content, both pre-consumer and post-consumer
- Certification methods used
- Mill name
- Species of wood
- Source of wood

A [report](#) on the characteristics of the paper purchased by the company is produced each year.

### **Certification**

The purchase of timber from certified sources is a straightforward method to meet our policy commitments relating to legality and sustainability. We follow the assessment adopted by the UK Government which recognises:

- The Forest Stewardship Council scheme (FSC) and the Programme for the Endorsement of Forest Certification Schemes (PEFC) which are both international in scope.
- The Sustainable Forestry Initiative (SFI) which is applicable in the US and Canada.
- The Canadian Standards Association scheme (CSA) which is applicable in Canada.

The UK Government also recognises the Malaysian Timber Certification Council Scheme (MTCC) which is applicable in Malaysia. We do not purchase paper that originates from Malaysian timber at present.

Of these four systems of certification, our preference set out in our policy is to purchase paper that has been certified under the Forest Stewardship Council scheme (FSC). However, for many of our grades of paper, FSC paper is currently unavailable or uneconomic to use. We continue to encourage our paper suppliers to adopt the FSC standard. This commitment is reflected in the increased volume of FSC certified pulp this year. In addition, our Penguin business in the UK has now expanded its chain-of-custody certification to include its Dorling Kindersley business. This means that Dorling Kindersley as well as Penguin can use the FSC logo on certain titles. FSC accreditation is one of the features of the [Made with Care](#) range of titles recently launched by Dorling Kindersley.

### **Recycled Content**

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 for the Financial Times are limited and 100% recycled is not always suitable for the printing equipment we use. Pearson continues to hold discussions with suppliers with regard to increasing for recycled fibres in both book paper and newsprint. We recognise that the nature of Pearson products means that only limited further use of recycled content will be possible.

### **Paper supplier visits**

We believe that environmental responsibility should be integrated into normal commercial practice. Our paper buyers and production management have visited suppliers in Canada, US, Scandinavia, China and elsewhere to discuss environmental practice among other issues. We have also carried out review visits with our paper manufacturers dedicated to dialogue on environmental issues. These allow us to communicate the principles outlined in our paper sourcing policy.

Within Pearson, environmental responsibility is now a regular item on the agenda of team meetings for paper buyers and production teams in Europe and North America.

Pearson has held 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 Forest & Trade Network**

In order to help Pearson to meet its aims; the company joined the WWF UK Forest and Trade Network (FTN) in 2004. 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 coming from well managed forests which have been independently certified.

As part of its membership, Pearson submits an annual report on the environmental characteristics of the paper we purchased. In 2005, our submission relating to our 2004 report was independently verified by URS, a specialist environmental consultancy, on behalf of the Network. Our papers are graded using [WWF FTN](#) categories:

- Category 5, Credibly Certified
- Category 4, Progressing to Certification
- Category 3, Licensed Source
- Category 2, Known Source
- Category 1, Unknown and Unwanted
- Percentage Recycled
- Percentage Recycled

We also agree an annual 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. We also commit to eliminate material classified as unknown or unwanted under the WWF reporting template.

### Targets

Our targets for 2007 were to:

Target	Progress
Penguin Group UK will further extend the titles published on paper certified by the Forest Stewardship Council (FSC) by the end of 2007	Achieved. DK launched Made with Care Imprint
The Financial Times will extend its trial sources of pink newsprint including using 100% recycled fibre.	Achieved
Pearson Education in Europe, Africa and the Middle East will increase to 10% the primary fibre used in its books from sources certified under the FSC standard by the end of 2007. Currently, no FSC fibres are used in Pearson Education titles.	Achieved 11% FSC or on path towards FSC
Extend our reporting process to include our businesses in India and Australia	In progress
Increase the proportion of FSC paper purchased by Pearson to 15% by the end of 2008	Achieved 11.2%
Increase the proportion of pulp purchased for use in our papers that carries FSC, PEFC, SFI or CSA certification to 50% by the end of 2008	Achieved 40% (47% if paper sourced by printers is excluded. This was not collected in 2007 and will be reviewed again in 2008 as part of next phase of PREPS)
Increase the proportion of recycled pulp used in our papers	Not achieved. Sale of Les Echos reduced recycled volumes

For 2008, our plans are to:

Target
Penguin Group UK will further extend the titles published on paper certified by the Forest Stewardship Council (FSC) by the end of 2008
Increase the proportion of pulp purchased for use in our papers that carries FSC, PEFC, SFI or CSA certification to 50% by the end of 2008
Extend our reporting process to include our businesses in India and Australia
Increase the proportion of recycled pulp used in our papers
Increase the proportion of FSC paper purchased by Pearson to 15% by the end of 2008
Reduce papers classified as "Category 1 - Unknown or Unwanted" to less than 1% by the end of 2010
Pearson Education EMA aims for 80% of its paper purchased to be grade 3

### Production

In 2003, we committed to compile a central register of key paper suppliers and out-sourced printing relationships. This objective is broadly complete. Printers are changed from time to time and the register is kept updated.

This register provides Pearson with a picture of the environmental performance of its printers. The register includes over 90% of our printers by value representing over 150 supplier relationships.

Our process of surveying the environmental performance of our printers covers the FT, Pearson Education and Penguin in Europe, North America and the Far East and Les Echos in France. The survey covers:

- Whether the printer uses a recognised system for environmental management
- Take-up of direct-to-plate technology. Pearson is committed to 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.

Over 90% of printer relationships contained in the database by value have been surveyed. We have decided to review our approach and have not updated the survey this year. The data from 2003-06 is as follows:

Indicator	%age of printers that measure impact (2003)	%age of printers that measure impact (2004)	%age of printers that measure impact (2005)	%age of printers that measure impact (2006)	%age of printers with targets to reduce usage (2003)	%age of printers with targets to reduce usage (2004)	%age of printers that measure impact (2005)	%age of printers that measure impact (2006)
Water	86%	87%	88%	89%	57%	76%	76%	78%
Ink	95%	94%	94%	97%	71%	79%	80%	79%
Solvents	91%	90%	88%	93%	76%	85%	83%	85%
Alcohol	67%	89%	81%	90%	67%	77%	74%	83%
Energy	81%	90%	89%	93%	71%	84%	84%	86%
Waste Production	95%	94%	94%	97%	95%	92%	91%	90%

We continue to be concerned that the release of Volatile Organic Compounds (VOCs) which are present in inks and solvents are managed effectively and where possible reduced.

We continue to encourage our printers to introduce and monitor reduction targets for VOCs and the indicators in the table above. The findings from this survey provide the basis for production teams to discuss environmental impact with suppliers. Following a review process to assess use of ink and solvents used by one of our businesses, a new imprint was launched.

Last year, our production department committed to introduce a single group knowledge management system incorporating both environmental and labour standards data together with commercial data. This is now in place.

Pearson people undertook visits to existing and potential printers in France, Spain and Vietnam. We have also followed up visits made in earlier years to India, China, Malaysia, Singapore, parts of the UK and North America. 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. Our aim is to make further visits in 2007 in these and other countries where our books, magazines and newspapers are printed.

Following the series of briefings carried out in 2004, environmental considerations form an integral part of commercial supplier visits.

Target
To review our printer survey process and to better understand environmental impact

## Case Study

### R.R. Donnelley

R.R. Donnelley is an important supplier to Pearson. Environmental initiatives adopted by the company include:

- Use of low-VOC inks and solvents to reduce emissions to air
- Investment in energy efficient equipment
- Use of computer-to-plate technology eliminating wastewater discharge related to film processing
- A range of packaging reduction initiatives including the use of shared pallets.

### Distribution

It is normal practice for our businesses to outsource distribution and shipment of our products to third party carriers.

### Shipping

Our books are produced around the world requiring shipment from the printers to our Distribution Centres. Maximising the container load is an important measure of environmental efficiency. A review in 2005 of the performance of different parts of the business identified an opportunity to consolidate shipments and thus maximise container loads.

Working with World Transport Agency (WTA), our main shipping agency we established a process last year to measure the carbon footprint associated with the shipping of our books across 12 key routes covering over 90% of books shipped. In order to calculate the carbon footprint, WTA worked with shipping companies and the Carbon Neutral Company to develop new methodologies to measure carbon intensity through a tonnes CO2 per Container measure. Pearson was the first company to work with WTA to apply this methodology to our shipments. We set a target for 2007 **to improve container utilisation by 5% across our key routes.**

For 2006/7, our overall performance was:

	2006	2007
Total Tonnes (CO2 Shipped)	2658	3233
Average CO2 Tonnes per Twenty Foot equivalent unit	1.73	1.75
Saving CO2 Tonnes per container	5.12%	4.62%

Our aim for 2008 is **to improve container utilisation by a further 5% across our key routes**

### Road

Pearson has very few commercial vehicles of its own. The main road distributors in the UK and Europe are DHL for books and TNT for the Financial Times.

In the US, we similarly outsource distribution with FedEx 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.

Meetings have been held with DHL to explore the environmental impact of our distribution systems in the UK.

### Case study: DHL

DHL distributes a range of Pearson products including the secure distribution of examination papers. DHL is working on a methodology to quantify the greenhouse gas emissions associated with the distribution of their clients' products. We support this initiative and have expressed our interest in learning more about our indirect environmental impacts in a way that may enable us to better address them.

### Contacts

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

Alan Miller  
Director, Group Affairs  
Pearson plc  
80 Strand  
London  
WC2R 0RL  
Email: [alan.miller@pearson.com](mailto:alan.miller@pearson.com)  
Telephone: 020 7010 2221

## **Employee Engagement**

Interest in all matters environmental is growing and this trend has been accelerated by concerns over climate change. It is now not just world leaders who see cutting carbon emissions as a pressing issue. Increasingly, employees also consider the matter important. Research in the UK by the Carbon Trust found that three-quarters of employees now consider it important to work for a company that has an active policy to reduce its carbon emissions.

Increasingly, we are finding that our employees want to know what we at Pearson are doing. In part, our policy on climate neutrality was adopted to reflect employee interest and concern on this issue. A priority for us is as we develop our approach to climate neutrality is to inform and engage our employees more in our work. We aim to:

- Establish regular green messages as a feature of our internal communications
- Provide opportunities for people to contribute ideas where they work
- Stimulate ideas and initiatives on how environmental considerations can be incorporated into the way we develop and market our products e.g. Made With Care

We have made a start on this but have further to go.

## **Internal Communication**

Pearson has produced an annual Environmental Review for many years. Our environmental policy has changed from time to time. We also have technical committees looking at company policies. Building on this firm foundation, our targets for 2008 are to widen engagement to all employees and include:

- Environmental performance being incorporated within the internal Annual Results presentations which are led by the Chief Executive with support from other Executive Directors
- Initiating a regular environment feature in Group and Operating Company newsletters
- Consulting employees in the US on how best to communicate on environmental issues. The US is our largest country of operation and accounts for 70% of our Greenhouse Gas emissions.
- Producing dedicated environmental communications including a video in the US on the Pearson Climate Neutrality commitment
- Establishing mechanisms to share good practice between different Pearson buildings

Our Director of Communications is a member of the Environment Executive Committee and is taking a lead on this work.

## **Green Teams**

Consultation with our employees has shown that what motivates most is the opportunity to get involved in environmental matters at their place of work. As a response to that demand, we have established green teams - volunteers working together to improve environmental practice in their offices. The approach has been pioneered by the businesses in the UK where there is now a green team or eco-committee at each of our main sites.

## **Case Study - "Green Penguin"**

Penguin is leading the way among Pearson operating companies in engaging its employees. In "Green Penguin", the company has developed a recognised brand for its environmental work and has set up employee groups in the UK, the US, Canada, Australia, South Africa and India.

Its approach is most advanced in the UK which has both a Green Committee and established Departmental Champions. Senior Executives regularly endorse environmental messages and presentations have been made to departmental teams on the Penguin environmental strategy. This effort has helped Penguin in the UK to achieve an impressive 9.4% reduction in its 2007 UK Carbon footprint over 2006 levels. A particular success has been on reduced electricity use. This has been achieved through a range of initiatives including reducing space, lighting and behavioural change through switch-off campaigns. The company has also achieved reductions in air travel and company cars. Penguin has also established targets for the UK business for 2008.

The team model is now being adopted in the US where around 20 groups have been established so far with more planned.

#### **Case Study - Upper Saddle River, New Jersey**

Upper Saddle River houses 1,400 Pearson Education employees. Its active Green Team was established around 12 months ago. The initial focus has been on raising employee awareness and includes initiatives such as posters, the "Green Tip of the Week" in staff reception areas and the replacement of Styrofoam cups with mugs.

#### **Product Development**

Across the businesses, we are looking at the business opportunities which arise from the environmental agenda. There are three main areas we are focusing on:

- Content - as a publisher, what opportunities are there for us to cover the environmental agenda?
- Shift to Digital, particularly in the education business
- Our own marketing practices

As a publisher, we reflect the growing interest in environmental titles in our books, magazines and newspapers. For a selection of its current environmental titles, see the relevant section of the [Green Penguin](#) site.

A key trend for our education business is the emergence of digital learning, assessment tools and school information systems. Pearson Education leads the way in developing online and digital applications. We do this as these are effective and efficient ways to aid learning, but we also recognise the environmental benefit as technological solutions means we can produce more non-paper products.

Our strategy on paper, print and distribution is described in the supply chain section, but we have also looked at how we market our products. For example, our education business is moving away from product catalogues and towards digital methods of marketing its products.

#### **Assurance Statement**

Corporate Citizenship (formerly known as The SMART Company) has been requested by Pearson plc to provide a statement relating to the accuracy of reported performance as described in the Pearson Environmental Review 2007.

Corporate Citizenship is independent of Pearson plc, but it is not independent of the process of environmental management and reporting carried out by the company. In 2001, SMART was commissioned by Pearson to support the development and implementation of an environmental management system across all its operations. Our role is reviewed on an annual basis by a Pearson Board Director. Included within the scope of this consultancy has been advice on the development, structure and content of the Pearson Environmental Review. We also separately provide commentary on the effectiveness of the Pearson Environmental Management System.

#### **Scope**

Our work is to focus on verifying that the data presented by Pearson operating companies provides a reliable and accurate picture of company performance. Data is provided by the operating companies at the request of Alan Miller, Director of Group Affairs at Pearson plc. The data covered the period 1st January 2007 to 31st December 2007. The scope of this statement relates to data concerned with:

- Energy and water consumed within buildings
- Presence of ozone depleting substances within buildings
- Complaints from neighbours
- Business travel (air, rail and road)
- Greenhouse Gas Emissions (from buildings and business travel)
- Waste generation within buildings, from unsold product and packaging
- Progress towards achieving environmental targets

The objective of this assurance statement is to provide a review of:

- Effectiveness of data collection
- Accuracy of environmental performance data
- Transparency and completeness of environmental information reported

### **Approach**

Information and data collection was the responsibility of Pearson plc. As in previous years, it was the responsibility of Corporate Citizenship to support Pearson in developing a reliable reporting process. It is also the responsibility of Corporate Citizenship to review data collected for accuracy and completeness. In order to achieve this objective, Corporate Citizenship:

- Discussed the process and findings with members of the US and UK Environmental Working Groups
- Reviewed quantitative evidence of environmental performance
- Verified accuracy of performance data where significant changes were reported.

For its operations in the UK, Pearson plc is working on a project to establish a Carbon Management System in partnership with The Carbon Trust. Part of this work included the calculation of Greenhouse Gas Emissions from directly controlled operations. This element was also reviewed as part of this assurance process.

### **Opinion**

On the basis of this approach and our wider experience and knowledge of Pearson, we are satisfied that the performance data as presented in the report is fair, accurate and reasonable.

Last year, we recommended that in light of the commitment by Pearson to become climate neutral by the end of 2009, the company:

- Reviews the completeness of its Greenhouse Gases Inventory
- Considers adopting a new baseline and reporting cycle in line with this target
- Reviews the emission factors used and to report any changes made.

We are pleased to note that the company has acted on each of these recommendations.

This year, we would recommend that the company:

- Considers how environmental data can be made more accessible to individual facility managers as a tool to drive improved performance
- Considers moving to more regular environmental reporting in the US and the UK. Together, the US and the UK account for over 80% of the direct environmental impact for the company
- Move towards adopting a recognised system of environmental accreditation for its operations.

Peter Hughes Director  
Corporate Citizenship  
[www.corporate-citizenship.com](http://www.corporate-citizenship.com)