

Paper Purchasing: 2010 Report

OUR COMMITMENT TO FORESTS

Books, magazines and newspapers all require paper. Typically, one of our books or newspapers starts out in a spruce or pine forest in Scandinavia or North America. Each felled tree can pass through a saw mill, a pulp mill, a paper plant, a printer, warehouses and a retailer or distributor before reaching the reader.

It is our duty to think about the entire journey from forest to printed page. We are committed to treating the members of our supply chain fairly, right back to the forest owner – sharing with our partners a care for the environment and respect for local communities.

This annual paper report forms part of our commitment to share with stakeholders what we have done and what we plan to do this year. All data relates to the year to 31st December 2010.

MAKING A COMMITMENT

We want to see sustainable forests. Our future business success depends on the continued availability of the different grades of paper we use.

In 2004, we led our industry by publishing our paper purchasing guidelines – a first for a major player in our industry. We regularly review our guidelines, taking into account feedback from our paper suppliers and environmental groups. We last made changes in 2008 by:

- designating the guidelines as a formal policy
- making clear our preference to purchase paper from forests that carry Forest Stewardship Council (FSC) certification where this is available, affordable and appropriate to our products.
- introducing a preference for suppliers that share our commitment to taking steps to reduce their greenhouse gas emissions.

The policy aims to encourage everyone from forest owners to paper merchants to help us meet our objectives to respect the environment and to promote sustainable forestry. Our [paper purchasing policy](#) is available to view on our website, www.pearson.com.

MAPPING PAPER SOURCES

We are committed to work with our suppliers to find out where the trees that go to form the paper we purchase come from. This is no easy task, as our supply chain is large and complex; mills can be supplied by hundreds of individual forest owners.

We first established a comprehensive global database of the environmental characteristics of our paper supply chain over five years ago. We capture data from manufacturers, paper merchants and printers that purchase paper on our behalf and our database is global in scope.

Overall, this database holds information on over 300,000 metric tonnes of paper. It includes:

- supplier and paper name
- quantity purchased
- recycled content, both pre-consumer and post-consumer
- certification methods used
- mill name
- species of wood
- country of origin of wood

One of the important ways that we can improve the quality of data available to us is to work with industry partners to establish a common approach to environmental data collection. Penguin and our UK education business were founder members of PREPS - Publishers for Responsible Environmental Paper Sourcing. This group was set up to extend the approach used by Pearson and others on mapping the environmental characteristics of the paper purchased by opening this to other industry members. Through working with our industry peers we can help establish our approach as an industry standard and improve data quality. Pearson has adopted the PREPS approach globally.

WORKING WITH PARTNERS

In order to help Pearson to meet its aims; the company joined the World Wildlife Fund (WWF) UK Forest and Trade Network in 2004. This group actively promotes and facilitates increased trade in independently, credibly certified forest products and encourages good forest management worldwide. As part of its membership, Pearson submits an [annual report](#) on the environmental characteristics of the paper we purchase in the UK.

A number of submissions by members to WWF are independently verified. Two submissions from Pearson have been verified to date, the most recent in 2010.

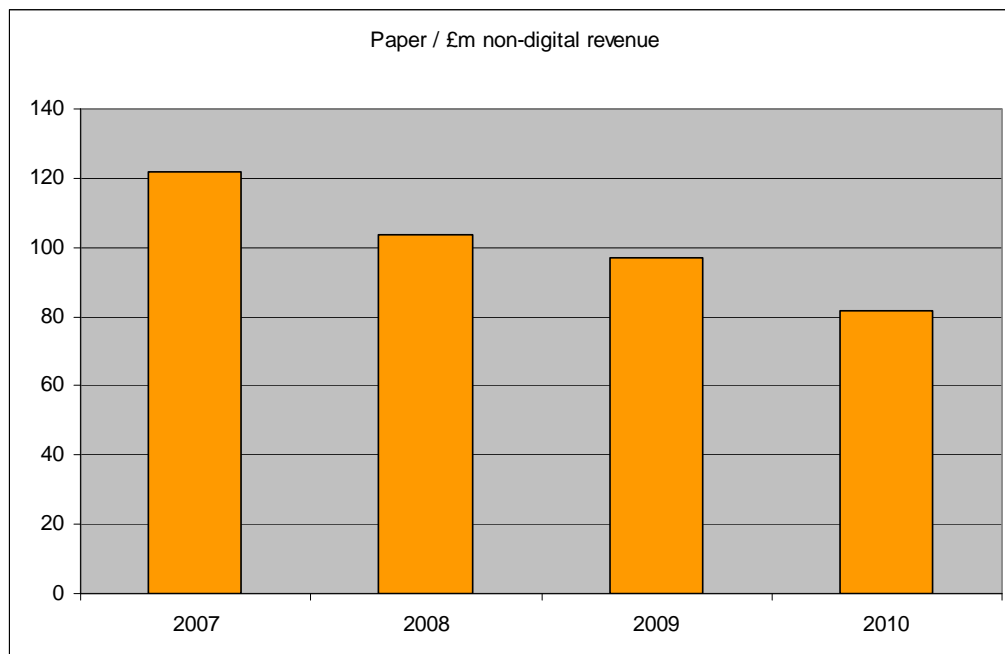
We also agree an annual action plan with WWF. This includes working with WWF to increase the supply of Forest Stewardship Council (FSC) and other certified papers available to Pearson and the wider publishing industry. We also commit to eliminate material classified as unknown or unwanted under the WWF reporting template.

WHAT DETERMINES THE AMOUNT OF PAPER USED BY PEARSON?

Our business strategy includes a deliberate and significant shift from print to digital media. As increasing numbers of people around the world access fast and reliable digital media at home, at school, at work and on the move, the opportunities for us to enhance the accessibility of our content and services also increase. This shift will increasingly bring a changing environmental footprint for us. Nevertheless, paper continues to be the most significant natural resource we use and we expect this to continue.

Some of the factors that determine the amount of paper we use are out of our control. These include the news agenda of the day, the campaigns run by our advertisers, the decisions taken by our authors, and the number of books we commission, print and sell.

However, there are aspects of our use of paper which we can control, and an important metric of our business efficiency is the metric tonnage of paper we use per million pounds of non-digital sales.



Using 2007 as a baseline, our target was to reduce the paper we use by 40% by the end of 2012. We are well on the way to meeting that target having reduced the total by over 33%. We have achieved this through a range of initiatives including:

- moving to using papers made from groundwood (the whole tree, not just selected parts of it).
- reducing the base weight of our papers.
- being smarter at blending physical and digital content. For example, teacher notes accompanying text books for schools are now largely online
- custom publishing in higher education allows academics to pick and choose content from one or more texts for their course and combine it into a definitive course text
- starting to pilot new applications for digital printing

We will continue to work towards the global target.

BALANCING OUR RESPONSIBILITIES

Our primary purpose as a business is to help people of all ages to make progress in their lives through learning. Our most important social obligation is to make all our products and services - including our books, magazines and newspapers - accessible and affordable, without compromising on quality.

Our paper purchasing policy sets out our primary environmental objectives when purchasing paper. Shortage or in some instances absence of supply and growing demand can result in an 'environmental premium' being charged. We believe that to achieve our long-term goals, there must be changes in 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 will continue to use our influence as a purchaser of paper products to encourage and support this trend, as well as to encourage chain-of-custody certification.

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.

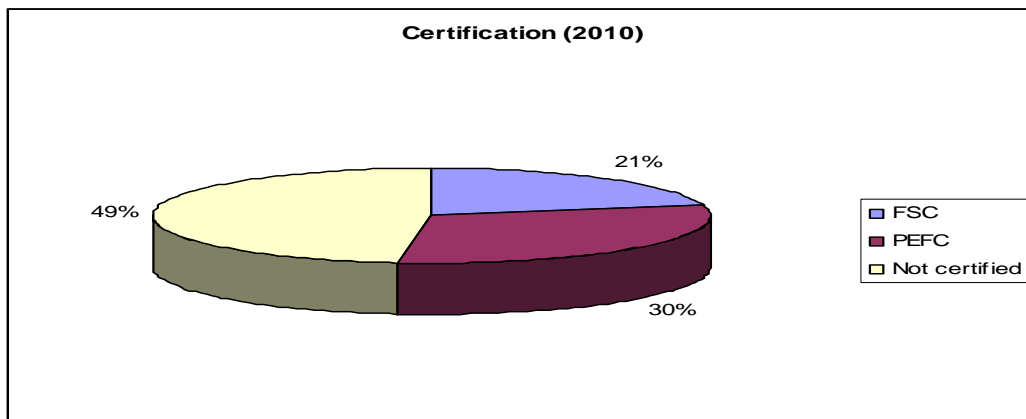
CERTIFICATION AND WELL MANAGED FORESTS

We believe that forest certification plays an important role as a benchmark for well managed forests. We follow the approach adopted by the UK Government which recognises two international certification schemes as satisfying requirements for sustainable and legal timber:

- Forest Stewardship Council (FSC)
- Programme for the Endorsement of Forest Certification (PEFC)

PEFC endorses national schemes of certification. The two most significant schemes for us endorsed by PEFC are the Canadian scheme, the Canadian Standards Association (CSA) and the Sustainable Forestry Initiative (SFI) which is used in both the US and Canada.

A challenge in meeting our environmental obligations is that there is insufficient supply of independently certified timber entering the paper manufacturing supply chain. Only about 10% of the world's forests carry any type of certification. The majority of the fibre that we purchase does carry a certification and we continue to work to increase that proportion.

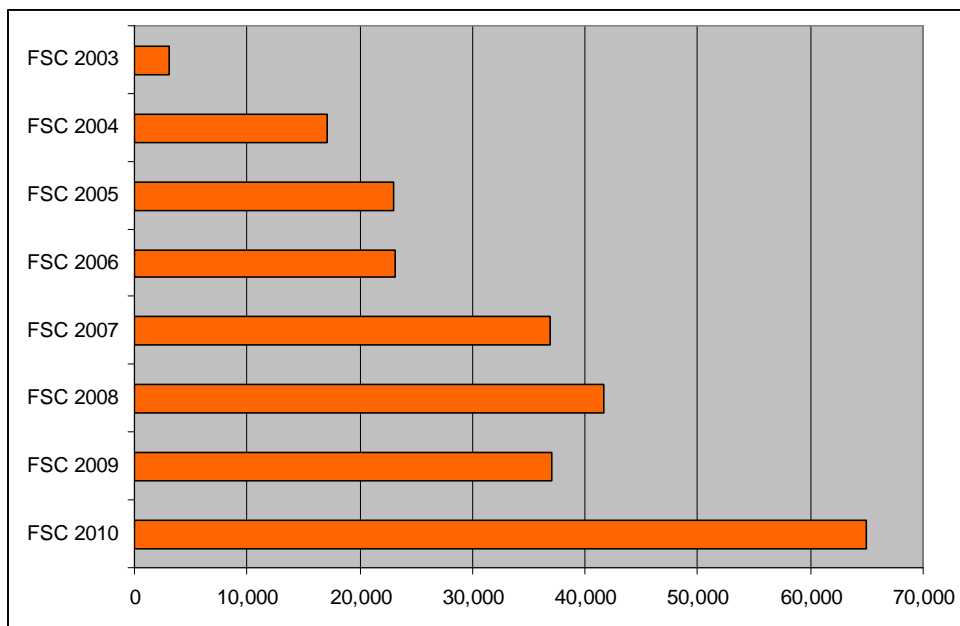


We are pleased with the progress made so far. In 2007, only 40% of the total reported carried any type of certification. We have since increased the scope of our reporting to cover paper purchased by our education businesses outside our main markets of the US and the UK as well as incorporating papers purchased by printers on behalf of our consumer book business.

We will continue to encourage and promote forest certification; however, further progress will be limited. The most significant sources of fibre in our papers are North America and Scandinavia, where many privately owned forest owners do not carry certification. We have therefore set a minimum standard against which we assess our papers based on the Publishers for Responsible Environmental Paper Sourcing (PREPS) grading system. Based on the forest source information, PREPS awards each paper in the system a grade of 1, 3, or 5. Our global standard is for the papers we use to be grade 3 or above. We work with existing and new suppliers to ensure that the papers we use are included in the system. This is largely complete for paper purchased directly in our largest markets - the UK and the US. There is more work to do to incorporate paper purchased through printers and in markets recently brought into our paper reporting system.

FOREST STEWARDSHIP COUNCIL (FSC)

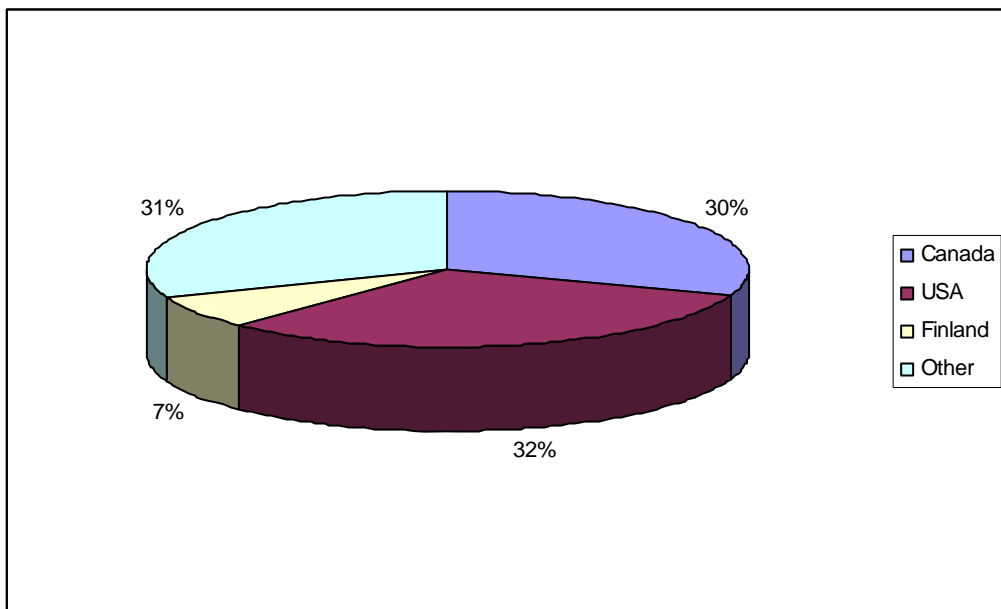
We promote the use of the Forest Stewardship Council (FSC) system of certification as this provides both independent third-party verification of sustainability claims and has the support of environmental groups such as WWF and Greenpeace. It has long been an objective for us to increase the tonnage and percentage of fibre in our supply chain carrying FSC certification. In 2003, only 1% of the tonnage reported carried FSC certification.



Our target is by the end of 2012 to double the FSC certified fibres in our supply chain using 2008 as the base year. 2010 saw progress as we increased the tonnage to 65,000 metric tonnes. For many of our grades of paper, FSC paper is currently unavailable or uneconomic to use. We continue to encourage our paper suppliers to increase overall levels of certification and in particular to adopt the FSC standard.

WHERE IN THE WORLD DOES PEARSON PAPER COME FROM?

As part of our mapping, we collect information on the forests that supply the paper mills we purchase from. The most significant countries for us are:



IMPLEMENTING OUR POLICY

We believe that a concern for environmental matters should be seen as part of normal commercial practice.

We run training and information sessions for our internal production teams and their editorial colleagues. Our professional paper buyers and production management visit suppliers in Canada, China, USA, the Nordic countries and elsewhere to discuss environmental practice among other issues.

Within Pearson, environmental responsibility is a regular item on the agenda of team meetings for paper buyers and production teams in both Europe and North America. Our production teams sit on the PREPS governing body and participate in WWF Forest & Trade Network paper meetings.

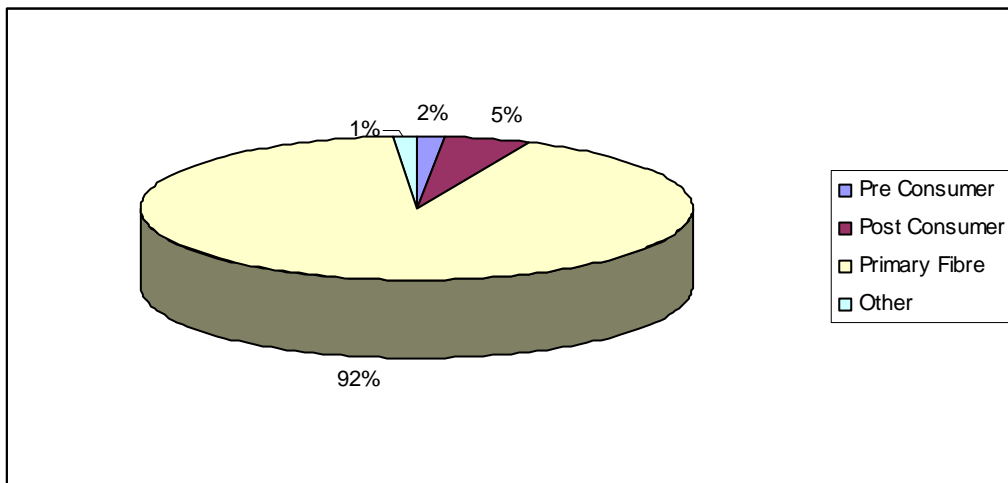
Focus on Indonesia

Paper and pulp sourced from Indonesia is a hot topic and a number of environmental campaigning groups are asking questions of purchasers of wood fibre including Pearson on our policy and approach. Campaigners are concerned over the loss of natural forest arising from the pulp and paper industry.

Our approach is to review all the papers we purchase against the PREPS grading tool described in the section above on certification and well managed forests. The PREPS approach incorporates a country forest risk assessment designed to help assess threats to High Conservation Value Forests and to avoid controversial fibre entering the supply chain. Only papers graded 3 or above under the PREPS system meets our standards. No paper manufactured in Indonesia or paper that contains pulp from Indonesia meets our standards. Our use of PREPS is well established among production teams in Pearson. We also communicate our standards to printers and others who purchase paper on our behalf.

WHAT ABOUT RECYCLED PAPER?

We are committed to using recycled fibres made from consumer waste when we can. However, many of the papers we use in our books are not available in recycled form. We continue to talk to our suppliers about increasing the use of recycled fibres.



Our use of post-consumer recycled fibres has not changed significantly over the last few years. Availability and affordability of recycled paper grades remains a challenge.

PAPER PURCHASING AND CLIMATE NEUTRALITY

Pearson views climate change as a huge global challenge to our planet and we understand how extreme weather can devastate communities.

Our response at Pearson is centred on our commitment to climate neutrality. We wanted a clear and ambitious commitment to provide a catalyst for generating ideas and enthusiasm among the people who make up Pearson on how to reduce our environmental impact. We meet our climate neutral commitment by reducing our footprint where possible and then by offsetting unavoidable emissions.

We focus on forest based offsets, reflecting our purchase and use of paper. Building on an existing partnership established by the Financial Times, Pearson has selected the Children’s Tropical Forests UK as its partner through a project to purchase and protect rainforest in Costa Rica. Together with the FT, our combined commitment currently is helping protect over 200 hectares of rainforest, the equivalent of 320 football pitches or 120,000 trees.

We continue to work to develop our capability to measure our total carbon footprint for the company and its products.

TARGETS AND COMMITMENTS

We have set ourselves the overarching global goal of eliminating all papers graded category 1 by PREPS in our supply chain. We will also continue to follow our paper purchasing policy and its commitments to continue to work to increase our use of papers that contain recycled fibre and to ensure that the paper we purchase comes from certified, well-managed forests.

A key objective is to continue to increase the use of paper sourced from forests certified by the Forest Stewardship Council (FSC). We have increased our use of FSC-certified paper by nearly 20 times since 2003.

Performance on targets

To eliminate all Category 1 primary fibres in our supply chain	Currently 5%. Ongoing
Pearson International will integrate our businesses in Latin America and Asia into our global approach with a view to completing the process by the end of 2011	Completed
Pearson will complete securing FSC chain-of-custody certification for its operations in North America	Delayed by need for FSC to review its inventory management rules
Using 2007 as a baseline, reduce the paper tonnage we use per million pounds of non-digital revenue by 40% by the end of 2012.	On track. 33% by the end of 2010
Maintain commitment to climate neutrality for 2010 and 2011 including forest offset partners	Achieved for 2010
Using 2008 as a base year to double the FSC fibres in our supply chain by 2013	In year two, we are ahead of target
Work with industry partners to pilot a product carbon footprint tool	New target

WANT TO KNOW MORE?

Our environmental and social standards cover much more than just the paper we purchase. For example, we set targets to reduce the energy we use as well as to reduce, reuse and recycle waste. Most notably, we have a commitment to maintain climate neutrality for our existing businesses.

For more information on how we aim to meet our responsibility to the environment, please see our website at <http://www.pearson.com> or contact:

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PREPS GRADING SYSTEM

Paper grading criteria	
Grade	Criteria
<p>*****</p> <p>Recycled, FSC or PEFC certified</p>	<p>Awarded if:</p> <ul style="list-style-type: none"> the paper is certified and labelled FSC Pure, FSC Mixed or FSC Recycled. OR the paper content is 100% recycled; OR the paper is entirely made of a combination of recycled, FSC and PEFC certified material; OR for PEFC papers all the forest sources are from a certified source i.e. the non certified portion must be made up of FSC and/or FSC Controlled Wood forest sources.
<p>***</p> <p>Legal origin</p>	<p>Awarded if:</p> <ul style="list-style-type: none"> all material comes from a low risk source, as defined by the Country Forest Risk, and is not originating from within a WWF-defined Ecoregion⁵ (see Appendix III); OR all high risk material is verified by either FSC or PEFC but the paper is not certified. OR there is a PEFC certified paper with material originating from low risk uncertified sources. <p>If a forest source is high risk, or is from within a WWF Ecoregion, the source must be <i>verified</i>. <i>Verified</i> means that a source is either:</p> <ul style="list-style-type: none"> certified as meeting the FSC Controlled Wood standard (FSC-STD-30-010); AND/OR certified by a recognised forest certification scheme.⁶
<p>*</p> <p>Unknown or unwanted material</p>	<p>Awarded if:</p> <ul style="list-style-type: none"> any portion of the paper is known to, or suspected to, come from an unwanted source; OR any of the material is from an unknown source. <p>Unwanted material is material from a controversial source which is not certified under an acceptable forest certification scheme.</p>