

PEARSON

Our Business in Society 2007

Welcome to our report on 'Business in Society' for 2007.

As an education and information company, almost all our products and services help our customers succeed and get on in their lives, whether it's through formal education, lifelong learning or intellectual stimulation. Our goal is simple: to be a socially responsible company that has a positive impact on society.

Each year we set our targets to help us focus on the way we impact on society across the company and across the world. Here you can see how we performed against these targets last year and our new ones for 2008.



David Bell
Director for people

Contents

1	Welcome	16	Labour Standards and Human Rights
2	Our Progress and our Plans	17	Our Suppliers
3	Our Businesses	18	Environment
10	The Pearson Foundation	19	Managing our Risks
12	Our People	20	Rating our Performance
14	Diversity		

Our Progress in 2007

Maintain our position in the key indices of social responsibility.

Achieved: we continued to improve our ranking in the Business in the Community Corporate Responsibility (CR) Index for 2006. Our score has risen from 58% in 2002 to 95% in 2006 which means that we achieved the highest ranking (Platinum) in the CR Index – placing us joint sector leader. The 2007 results will be published in May. We improved our status in the Dow Jones Sustainability Indices for 2007 by being named media sector global leader, and maintained inclusion in the FTSE4GOOD Index Series.

Expand the environmentally friendly book packaging options to distribution centres outside our key markets of the US and UK.

Ongoing: our environment executive visited distribution centres in parts of the Far East and provided advice to local management on environmentally friendly packaging materials. We continued our programme to consolidate our global shipping freight and deliver both cost savings and reduced environmental impact.

Continue our environmental and labour standards auditing programme with our printers in Asia, the Far East and parts of continental Europe.

Achieved: audits were carried out at our main book printers in France and Spain and our environment executive and production and purchasing management visited book printers in India, China, Vietnam, Singapore and Malaysia.

Continue to advance our programme for independent certification of the paper we purchase for our books and newspapers.

Achieved: we continued the progress made in previous years to increase our use of paper with recycled content and carrying Forest Stewardship Council (FSC) certification. We expanded our chain of custody programmes to include our Dorling Kindersley business.

Continue the process of becoming a climate neutral company with a view to completing that process globally by the end of 2009.

Ongoing: plans were formulated in both the UK and US and actions have commenced to start to meet this objective. We have widened the scope of what we include in our Greenhouse Gas Inventory and carried out a review of our data collection process in 2007. Pearson companies emitted around 200,000 metric tonnes of CO₂ caused by activity over which we have control. However, this figure excludes the effect of portfolio changes in 2007 and early 2008 which means we expect it to take a bit longer to meet our commitment.

Continue our commitment to build a truly international business by helping more of our people experience a new country on a short-term assignment, with our developing markets as priority.

Ongoing: in 2007, we set a target to move at least 50 people internationally between companies and countries. We achieved 67 moves and 50 of these moves included an emerging market. These assignments are part of the New Directions short-term international assignment programme, and help Pearson to take a step towards developing new and emerging markets and becoming a more international company. In 2008 our target is to move at least 100 people and to develop this programme in each part of the business.

Show evidence of progress in retention of people with diverse backgrounds for both entry level and management positions.

Ongoing: we have increased the number of people we hire from minorities in the US and the UK, expanded our minority intern programmes on both sides of the Atlantic and added new titles to our African-American and Hispanic lists. But we do not have enough executives at middle and senior management levels from minority backgrounds and we continue to work hard to correct this. In 2008, we will continue to run our internship programme aimed at attracting ethnic minority candidates into the media and publishing industry, and place an increased focus on the recruitment and retention of managers from diverse backgrounds.

Launch the Pearson Foundation Development Fund to support our businesses in their work with community-based programmes around the world.

Achieved: since its launch the fund has supported several projects, including the Citi-FT Financial Education Summit in Delhi, the establishment of a Media Centre at the University of Witwatersrand in South Africa and digital arts training and support for non-profit organisations in Africa.

Work with the UK government to extend our flagship community programme Booktime and build on the success of Read for the Record with Jumpstart in the US.

Achieved: in 2007 Booktime gave 700,000 book packs to children across the UK and Pearson again served as the national sponsor of Jumpstart's Read for the Record campaign, which set a new world record with almost 400,000 people registering to read the same book on the same day.

Our plans for 2008

Maintain our position in the key indices of social responsibility.

Expand our individual company environmental committees into our US and other businesses, directly involving many more of our people.

Continue our environmental and labour standards auditing programme, revisiting our printers in Asia, North America and parts of Europe.

Continue the process of becoming a climate neutral company with a view to completing that process globally by the end of 2009.

Audit the social and environmental policies and impact of companies acquired in 2007 and set out plans to integrate them into Pearson's framework for corporate responsibility.

Accelerate our commitment to build a truly international business by helping more of our people experience a new country on a short-term assignment, with our developing markets as a priority.

Show evidence of progress in retention of people with diverse backgrounds for both entry level and management positions.

Launch the Pearson International Education Summit, bringing together global education leaders to identify and share exemplary educational practices.

Use the Pearson Foundation Development Fund to work with our businesses in Africa, India, and Asia to provide training and support for local teachers in developing communities.

Build on the success of our ongoing Booktime and Read for the Record campaigns to showcase the importance of early reading for young people everywhere.

Our Businesses

Education

School

The mission of our School group is to help teachers teach and students learn, and we accomplish this by being the leading provider of curriculum materials, assessment services and software and technology.

In 2007, Pearson School companies continued to demonstrate the effectiveness of their instructional learning programmes through research by Pearson and by third-party organisations. Some highlights include:

- Scott Foresman conducted a study to measure the impact of its highly successful Reading Street programme in its first year (2005-2006) engaging independent research company Magnolia Consulting to undertake the research. The study looked at five schools in urban, suburban and rural settings, representing considerable ethnic diversity; 994 students and 48 teachers participated. Results showed that students who used Reading Street demonstrated statistically significant improvement in reading achievement during the year. First grade students gained an equivalent of over 45 percentile points on a reading achievement pre-test to post-test and over 26 percentile points on a reading fluency test from mid-year to post-test.

The majority of Reading Street users advanced in reading group level after just one year. At the beginning of the school year, 18% of Reading Street students were in intervention-level reading group. By the end of the year, the number had decreased by 10%. Twenty per cent of Reading Street students began in above level reading groups, and this number increased to 32% by the end of the year. These numbers are further proof that Reading Street will increase student achievement at all levels of learners.

In the 2006/2007 school year Magnolia Consulting conducted a second year's research, confirming again that students using Reading Street significantly increase their reading achievement as evidenced by pre-test and post-test scores.

- Pearson's Scott Foresman-Addison Wesley Mathematics (2005) and Investigations in Number, Data and Space (2009) were selected to be included in the Evaluation of Early Elementary Mathematics programmes funded by the US Department of Education. The study is being conducted by Mathematica Policy Research, Inc., during the 2006/2007 and 2007/2008 school years. In order to be included, a programme had to meet certain criteria, such as providing research support for its conceptual framework and empirical support for the effectiveness of the curriculum. The study is in its second year and an interim report will be published in March 2008.
- Connected Mathematics Project 2 (CMP2) was selected for inclusion in a study of the effectiveness of math curricula by the Institute of Education Science, a division of the US Department of Education. The study, to be conducted in the 2008/2009 and 2009/2010 school years, intends to provide a measurement of the impact of CMP2 in keeping with the government's No Child Left Behind goals of making educational decisions based on scientific evidence.

- Pearson has also partnered with several research organisations to fund and study the effectiveness, best practices and implementation of our new mathematics programmes. A study of the enVisionMATH programme is being conducted during the 2007/2008 and 2008/2009 school years at nine schools in eight states. A study of the CMP2 programme is being conducted by Claremont Graduate University for the 2007/2008 and 2008/2009 school years at six schools across three states. Gatti Evaluation is conducting a study of our Investigations in Number, Data and Space during the 2007/2008 and 2008/2009 school years in nine schools across four states. All study designs meet the rigorous standards of the What Works Clearinghouse, part of the US Department of Education's Institute of Education Sciences.

Pearson has also funded a study to examine the impact of the Reading Street English Language Learner (ELL) components. The study is being conducted in two-high-risk, high-ELL school districts and will document the effectiveness of the programme with the ELL population and the best practices associated with using Reading Street for ELL learners.

- The Waterford Early Math and Science (WEMS) programme is a comprehensive educational software programme designed to build maths and science skills and concepts in grades K-2. The programme can individualise lessons, assess and track student progress and re-teach lessons to keep potentially 'at risk' students at grade level. The study covered first-year implementation of WEMS in kindergarten, carried out in five low-income, largely Hispanic schools during the 2005/2006 school year. When compared with their counterparts in control classes, the WEMS students made significantly greater improvements in math and science tests.
- Pearson's formative assessment products, PASeries (Progress Assessment Series) Reading and PAMathematics, were chosen for scientific review by the National Center on Student Progress Monitoring, which is funded by the US Department of Education's Office of Special Education programmes and is dedicated to the implementation of scientifically based student progress monitoring. Both products meet the Center's Progress Monitoring Standards for alternate forms and adequate yearly progress (AYP) benchmarks, as well as the Center's Foundation Psychometric Standards for reliability and validity in student progress monitoring tools.

Higher Education

Pearson is the leading educational solutions company in the US, providing college instructors and students with educational content, media, and services to enhance learning. We have long been a pioneer in the use of technology to support instruction and learning, and our breadth of offerings continues to grow in use among universities and community colleges committed to raising educational achievement.

MyMathLab is an innovative series of online courses designed to work in conjunction with our Addison Wesley and Prentice Hall mathematics and statistics textbooks. A revolutionary new way of teaching and learning, MyMathLab is modular, self-paced, customisable and deliverable anywhere a student has web access. Since 2001, approximately 1.7 million students have used MyMathLab and an alternative version, MathXL. Virtually all educational institutions using both products have seen student success rates improve, and in many instances, have even doubled their pass rates.

Our Businesses *continued*

In 2007, Pearson updated Making the Grade, Version 2.0, its report that highlights the consistently positive impact MyMathLab has on the quality of learning and cost reduction in higher education math instruction. It examines how MyMathLab can be successfully implemented in both distance – and on-site – learning environments and demonstrates the quantifiable difference that regular usage of MyMathLab has on student retention and subsequent success. Some examples are:

- DeVry University worked with Pearson to custom design algebra courses on the MyMathLab platform that would help students who struggled with maths, engage students and faculty in the learning process and provide students with encouragement, positive feedback and structure.

The results of DeVry's experience were unequivocal that this approach, with its regular schedule of automated assessment and immediate feedback, served students significantly better than the traditional teaching model did. For the three courses in which the shift in teaching was made (introduction to algebra, basic algebra, and algebra for college students), the percentage of students who passed (received a grade A or B) increased an average of 57%; the percentage of students who failed to pass (received a grade C, D, F or I) decreased by 49%; and the number of students who withdrew from the courses decreased by 24%.

- The University of Wisconsin-Stout has about 1,500–1,700 first-year students, with 5-10% being placed in a remedial algebra course and another 35% in an intermediate algebra course. Prior to 2004, when MyMathLab was introduced, failure/withdrawal rates for both groups averaged 29%. Since fall 2004, the combined failure/withdrawal rate for students in the remedial algebra class using the new system has plummeted 62%, from an average of 29% to an average of 11%. In the intermediate course the results are less dramatic, but still significant, with a 32% reduction in failure/withdrawal rates; from 29% to just over 19%.
- Quinsigamond Community College in Massachusetts serves a diverse population of day and evening students, with the average age 27 years old. It has a high proportion of adult, learning-challenged, part-time, non-native English speaking students. Roughly 93% of QCC's incoming students test into at least one level of developmental math. Pass rates in all three developmental math classes – basic math, beginning algebra and intermediate algebra – significantly increased, with beginning algebra showing the most striking increase from the programme pilot in 2003 through spring 2006: nearly 42%.
- A study validating the Mastering Physics platform was published in the Journal of the Experimental Analysis of Behavior in July 2007. In the research, David Pritchard, Ph.D., one of the developers of the platform, and two colleagues from the Massachusetts Institute of Technology, studied the behaviour of students performing a complex learning task with interactive tutoring on the web. The findings showed that Mastering's unique embedded tutoring engages a much broader range of students and takes more of those students to successful completion than traditional problems. The platform also affords unique and unprecedented research opportunities into how students learn.

Community programmes

- The Achievement Solutions group of Pearson and the National Commission on Teaching and America's Future (NCTAF) announced a partnership to call attention to the need to shift teachers from the practice of working in isolation to working collaboratively in learning teams to improve student achievement. The two organizations assembled an advisory board of education leaders to develop criteria for what an outstanding learning team looks like and how their work is reflected in student achievement, the school and the community. Los Angeles Unified School District was chosen as the first large school district in the US to adopt Pearson's 'Learning Teams' model, where teachers work collaboratively in groups led by trained facilitators to maximise their skills in teaching mathematics, science, English language, arts and social studies.
- Prentice Hall *Biology* authors Ken Miller and Joe Levine sponsored two high school biology teachers to attend a week-long tropical biology field camp at the Organization for Tropical Studies (OTS) in Costa Rica. The teachers submitted winning essays describing how their attendance at OTS would have an impact on teaching.
- Pearson Higher Education announced the formation of the Pearson Student Advisory Board, an initiative that brings college student representatives together with the company's leadership in an effort to share perspectives and establish a dialogue on higher education and the important issues and goals of today's college students. Twelve students from across the US were selected to serve one-year terms beginning in June. The student members are participating on working committees and are paired with Pearson executive mentors.
- The Pearson Strategic Advisory Board was created to provide the Higher Education group with strategic guidance for the company's eLearning efforts in the US and abroad. The board, comprised of senior executives from a wide range of higher education institutions both in the US and globally, will provide counsel on emerging technologies in education and opportunities to expand Pearson's eLearning influence in the developing world.

Awards

Pearson's products continued to receive honours and recognition from the leading education and technology trade groups.

- WriteToLearn, a web-based learning tool that helps students develop writing and reading comprehension skills, received a number of awards during the year, including best Curriculum: Reading and Language Instruction Web Site for Grades 6-8 from the Association of Educational Publishers, and also won a 2007 Best Educational Software (BESSIE) Award as the best language arts website in the upper elementary category and an Education Review (EDDIE) Award for Best High School Language Arts Web Site, both from the ComputED Learning Center, in San Diego, California. WriteToLearn also added the 2007 Award of Excellence from *Technology & Learning* magazine as one of the year's most innovative applications. It was also a finalist in 'Best Online Instruction Solution' category of the Software & Information Industry Association's CODiE Awards.
- The Bridge of Vocabulary, the only explicit vocabulary intervention programme tied to evidence-based research and curriculum standards and developed for both general and special educators, was a finalist in two curriculum and language arts categories in the Association of Educational Publishers' 2007 Distinguished Achievement Awards.

Our Businesses *continued*

- The PAS Reading programme was a winner of the 2007 Best Educational Software (BESSIE) Award and an Education Software Review (EDDIE) Award for best language arts product for early elementary students, both sponsored by ComputED Learning Center, a leading computer education resource in San Diego, California.
- Two other Pearson products named finalists in the SIIA CODiE Awards were Chancery SMS, an enterprise-class student information system for K-12 education, in the Best K-12 Enterprise Solution category, and the Prosper assessment system, recognised as a finalist in the Best Student Assessment Solution category.
- Scott Foresman's California History-Social Science digital path received a 2007 Distinguished Achievement Award from the Association of Educational Publishers, in the Curriculum Packages, Social Studies Instruction category for Grades K-5. It was also a finalist in three categories of the CODiE Awards, including Best K-12 Instruction Solution, Best Online Instruction Solution and Best Social Studies Instruction Solution.
- Longman's Summit programme, a two-level high-intermediate/advanced course, received a 2007 Distinguished Achievement Award from the Association of Educational Publishers in the Curriculum/Textbooks category for Grades 9-12.
- Pearson Inform, the achievement data analysis and decision support tool for K-12 school districts, was recognised as the best online data analysis product in the Education Software Review (EDDIE) Awards sponsored by ComputED Learning Center, a leading computer education resource.
- Pearson was honoured in 2007 by the Education Commission of the States (ECS) with its Corporate Award, which recognises sustained commitment to, and substantial investment in, improving public education. Pearson is the first education company to receive the ECS Corporate Award. ECS is a nationwide organisation that helps US governors, legislators, state education officials and others identify, develop and implement public policies to improve student learning at all levels.

Pearson Education, UK

Rapid from Heinemann, an award-winning special educational needs reading programme for 7–11-year-olds, combines unique speech recognition software and expertly levelled books. Proven by an independent research trial to deliver more than twice the normal rate of reading progress, the programme has been designed to ensure that children who are struggling with their reading can quickly catch up. The software acts as an extra pair of hands for the teacher, and patiently 'listens' to the child as they practise their reading and prompts them if they hesitate or stumble, while collecting valuable reading data for both the teacher and child. With a specially commissioned 'dyslexia friendly' font, brilliant stories and stunning artwork, Rapid helps children achieve essential reading success.

Pearson Education employees have given their support to the Magic Outcomes programme, part of Magic Breakfast, the educational charity set up by Pearson author, Carmel McConnell, with the aim of providing nutritious food to UK primary school children at risk of malnutrition. In 2007 Pearson Education employees helped in various projects at Montem Primary School in North London launching a new Montem recipe calendar.

Maskew Miller Longman, South Africa

Maskew Miller Longman has been working with Ministries of Education in Angola, Namibia and north western South Africa to help revive indigenous languages. In many regions the local languages are under threat because of the prevalence of colonial and/or European languages. Research shows that children learn more quickly and effectively, and have higher levels of numeracy and literacy over the longer term, if they are taught in their mother-tongue for the first few years of schooling. MML has been developing materials – the first of their kind – to allow this sort of mother-tongue instruction throughout Africa. The Angolan Ministry of Education chose MML to develop reading and writing materials for the first three years of school. MML worked with local teachers and language specialists to develop orthographies so that languages could be transcribed and then used these to develop teacher-training models in seven local languages. The materials were tested on a pilot of 100 teachers and 100 schools and in 2009 the programme will be rolled out to all schools in Angola, reaching approximately 1 million children in their first year of school.

Edexcel

Edexcel is the UK's largest awarding body offering academic and vocational qualifications and testing to schools, colleges, employers and other places of learning in the UK and internationally. In 2007 we delivered 9.6 million exam scripts in over 85 countries, with 4.5 million marked onscreen using the groundbreaking ePen technology. Our qualifications are also taken internationally and our entire vocational portfolio had over one million registrations across 45 countries in 2007.

Edexcel has continued to develop its successful ResultsPlus programme which gives free personalised information to help drive up student attainment. ResultsPlus provides question-by-question level detail about students' examination results through powerful, logical reports and graphics, giving an unprecedented level of information about performance and helping students to raise their attainment. Working with PEL, another Pearson division, we are launching ResultsPlus Progress, to give schools and students access to knowledge testing against the specification which will highlight learning gaps for remedial teaching to occur, before high stakes examinations are taken.

We are two years into a three-year Edexcel Bursary programme supporting the Helena Kennedy Foundation which is in lieu of sending out Christmas cards. Edexcel was one of the founding partners of the Foundation which develops the vocational skills base of some of the most disadvantaged students in society. This support will enable BTEC students to complete their further education studies and hopefully progress on to the final year of a degree course. Other partners include KPMG and 19 universities in the UK. <http://www.hkf.org.uk/index.php?pageID=1&subID=32>

Edexcel also sponsors the Association of Colleges' Lifelong Learning Award, which champions best practice across the further education sector in the UK (similar to community colleges in other parts of the world). We are preparing a series of case studies to celebrate and commend best practice.

Our Businesses *continued*

Financial Times Group

The *Financial Times* and its network of business publications and websites are a vital channel for helping to shape the debate on key international political, business and social issues. The FT Group also plays an important part in raising the profile of various causes and campaigning organisations.

In 2007 the FT hosted the Environmental Awards which, as well as rewarding carbon efficiency, promoted transparency from companies in measuring and recording reductions and other initiatives.

The FT also hosted the Sustainable Banking Awards which are designed to highlight leadership and innovation in this increasingly important field.

We also conducted special reports on Investing in Young People, Responsible Business, Sustainable Business, Sustainable Banking and Corporate Citizenship and Philanthropy.

In 2007 the FT continued its seasonal appeal to raise money for Camfed (The Campaign for Female Education). FT readers raised a record breaking £1.6m for the charity that dedicates itself to fighting poverty and AIDS in rural communities in Africa by educating girls. The campaign was supported by articles and photography in print and online.

We also donated two double pages in the paper to Crisis at Christmas as part of their Christmas Card Challenge, helping to raise over £1m to support the homeless.

The FT became a major sponsor of the Southwark Theatres Education Partnership (STEP) 2007, whose work culminated in a two-week free festival of theatre for young people in Southwark. Over 30 local schools participated, with drama workshops taking place in theatres around Southwark. The FT took its sponsorship further by funding a 'drama champions' programme, where over two days in March, 20 primary school teachers were offered the opportunity to take part in a training programme to promote drama as an effective teaching and learning tool in schools.

The FT also made a donation to the University of Berkeley's Investigative Reporting Programme which is at the forefront of multi-media journalism.

The FT is also a major sponsor of The European-Atlantic Movement (TEAM), a charity that aims to promote the understanding and discussion of European, transatlantic and world affairs to sixth-formers and teachers in the UK. As a non-political organisation, the partnership fits well with the FT's independence as a newspaper.

In partnership with *Caijing* magazine, China's leading business journal, the FT in Asia has been running journalism Masterclasses with Beijing University for six years. The aim of the programme is to bring international best practice to journalists in China. The course is sponsored by Standard Chartered and Laura Cha, formerly of the China Securities and Regulatory Committee and funds students to visit the FT offices in Hong Kong and London on short secondments. The programme has now been rolled out to students and alumni at Fudan School of Journalism in Shanghai, China (sponsored by Credit Suisse and CLSA) and at Hong Kong University School of Journalism (sponsored by the British Consulate) reaching a total of more than 100 students to date.

Interactive Data is a Foundation Sponsor of Mutual Funds Against Cancer (MFAC), one of the leading advocates in the fight against cancer within the mutual fund and financial services industries. All proceeds benefit the Center for Applied Cancer Science (CACS), part of the Belfer Institute for Innovative Cancer Science at Dana-Farber Cancer Institute.

Penguin Group

Penguin Group (USA)

Penguin Group (USA) supports many important causes and philanthropic organisations as a corporation, as do many of its authors. In addition, Penguin Group (USA) champions diversity and preservation of the environment with its day-to-day policies and operations.

In 2007, Penguin continued its active support of literacy, human rights and freedom of expression throughout the world with significant contributions to:

- PEN, the world's oldest human rights organisation and the oldest international literary organisation. The PEN American Center works to advance literature, to defend free expression, and to foster international literary fellowship.
- Literacy Partners, a not-for-profit organisation, providing free community-based adult and family literacy programmes to ensure that all adults have the access to quality education needed to fully realise their potential as individuals, parents, and citizens.
- The National Book Foundation, which recognises books of exceptional merit written by Americans, with unique outreach programmes featuring National Book Award authors and communities participating in the writing life of the nation by reading and writing together.
- Poets & Writers, Inc., the nation's largest nonprofit literary organisation serving poets, fiction writers, and creative nonfiction writers. It functions as a primary source of information, support, and guidance for creative writers.
- The Authors Guild, the nation's leading advocate for writers' interests in effective copyright protection, fair contracts and free expression.
- The National Book Festival, presented by the Library of Congress and Laura Bush, which emphasises the joys of reading and lifelong literacy and supports both with its national events and programmes.
- Hurston Wright Foundation, the nation's resource centre for writers, readers, and supporters of black literature, with programmes that preserve the legacy and ensure the future of black writers and the literature they produce.

Penguin Group (USA) also continued to be a major supporter of Jumpstart in 2007, raising more than \$112,000 at the annual Pearson Jumpstart Challenge benefit golf and tennis tournament.

Jumpstart's Read for the Record in September 2007 raised more than \$1 million, featuring a special custom edition of Penguin Young Readers Group's *The Story of Ferdinand*, setting another Guinness World Record for the largest number of children reading a single book on the same day. With 100% underwriting of the custom edition by the Pearson Foundation, proceeds from sales at Toys "R" Us, American Eagle Outfitters, and Hanna Andersson stores benefited Jumpstart's work with at-risk children. NBC's 'Today Show' created a special Ferdinand set on the plaza at Rockefeller Center, and the show was kicked off by First Lady Laura Bush, as she read to a group of children at the White House. In addition, Penguin Young Readers' Mike Lupica, author of the *Mike Lupica's Comeback Kids* series, was interviewed by Matt Lauer of the Today Show. Lupica also participated in the campaign and read aloud on the air. Other celebrities who participated included Mike Bloomberg, Frank McCourt, Sonia Manzano (Maria from Sesame Street), Meredith Vieira, Mariska Hargitay, and LL Cool J.

Our Businesses *continued*

During the 2007 Read for the Record campaign, the Pearson Foundation matched each \$10 online donation by the public with another donation of a book to a child from a low-income community. Additionally Pearson donated tens of thousands of books to Head Start and other Jumpstart-affiliated early education centers.

Penguin Young Readers Group made a number of significant product donations in 2007, including large amounts of books to Prior Lake Public Library, Anaheim City School District, Mercer High School, The Montebello Project, the Brooklyn Public Library, and the Kids Wish Network.

Penguin Group (USA)'s commitment to diversity is demonstrated with its ongoing internship programmes with City University of New York (CUNY), City College of New York (CCNY), Posse Foundation and Prep for Prep – resulting in the placement of interns from diverse backgrounds throughout the company. The company's diversity policies have been benchmarked against best practices through participation in surveys and studies by Diversity Inc., Catalist and Working Mother Media.

A number of Penguin Group (USA) authors are actively involved in raising awareness of green initiatives as well as regional and global crises, including the following:

Michael Pollan, author of *The Omnivore's Dilemma* and *In Defense of Food*, suggests: 'Eat food. Not too much. Mostly plants.' These simple words go to the heart of Michael Pollan's *In Defense of Food*, the well-considered answers he provides to the questions posed in the bestselling *The Omnivore's Dilemma*. Humans used to know how to eat well, Pollan argues. But the balanced dietary lessons that were once passed down through generations have been confused, complicated, and distorted by food industry marketers, nutritional scientists, and journalists.

Lori Bongiorno's *Green, Greener, Greenest: A Practical Guide to Making Eco-Smart Choices a Part of Your Life* is the perfect manual to help readers decide how best to spend their time and money to protect the environment. The book includes a foreword by Frances Beinecke, President of the Natural Resources Defense Council. Perigee will support Bongiorno's green message by printing *Green, Greener, Greenest* on 100% post-consumer recycled paper certified by the Forest Stewardship Council (FSC). The book will also be processed chlorine-free, and manufactured using bioGas energy.

Diane MacEachern's *Big Green Purse: Use Your Spending Power to Create a Cleaner, Greener World* is printed on recycled paper using soy ink. For booksellers, Penguin Group (USA) imprint Avery created counter displays out of 100% recycled material that we will continue to use as an imprint for other titles. The book's publicity campaign was completely paperless.

Greg Mortenson and David Oliver Relin's *Viking Penguin book, Three Cups of Tea*, about a mountain climber who ended up building schools, which have helped educate over 24,000 kids, primarily girls in Afghanistan and Pakistan, has raised awareness about the education of young people – and about finding ways to promote peace – in those countries. A former mountaineer and military veteran, Mortenson is the director of the nonprofit Central Asia Institute and spends all his time raising funds and awareness in building and establishing more schools in Pakistan and Afghanistan.

Green Penguin: As far back as the late 1990's, Penguin became one of the first companies in the state of New York to use wind power in our warehouses and this continues today. We also opened our own book shredding operation in 2005 with all shredded books going back to a paper manufacturer in Canada. Penguin's eco committee

in the US is working hard to reduce our impact on the environment. Recent highlights include:

- Video conferencing facilities in New York offices have been upgraded and one of our three annual sales conferences is now Webex-based meaning no one travels.
- We have switched to flat-screen monitors programmed with automatic shutdown.
- All office waste (with the exception of wet waste) in New York is sent to an industrial plant for recycling.
- Focus for 2008: encourage employees to reduce carbon footprint; seek cost-effective green paper options; seek cost-effective leases on hybrid vehicles; continue development of digital business channels; bolster communication to booksellers and consumers about existing green efforts and future green goals; pursue marketing partnerships with environmental organisations.

Penguin Group (UK)

Comic Relief: In 2007 Penguin UK partnered with Comic Relief and helped raise roughly £1 million through the sale of its special titles *Jamie's Little Book of Big Treats* by Jamie Oliver and Lauren Child's Charlie and Lola book *But I Do Know All About Chocolate*.

Letterbox Club: 2007 saw the beginning of a new partnership between Penguin and the Letterbox Club. Penguin will donate £40,000 and free books to Letterbox, a project managed by Booktrust which focuses on improving the educational outlook for children aged 7-11 in foster care. Penguin will assist in providing each child with a personalised parcel of books, maths activities and educational materials every month for six months. Together with the Department for Children, Schools and Families, as well as programme administrator Booktrust, Penguin will work to extend this programme to over 1,200 children over the next two years with a view to involving all children in this age range in foster care from 2009 onwards. Penguin employees are also donating their personal time and skills. Penguin volunteers have assisted in the selection of books to be included in the parcels, the writing of the Letterbox newsletter and the design of the Letterbox logo.

Decibel Penguin Prize: In November 2007, Penguin published *From Here to There*, a collection of 16 true stories from some of the UK's brightest new voices discovered through the second Decibel Penguin Prize Competition. The writers selected by the judges – including Shami Chakrabarti of Liberty and the novelist Kate Mosse – take us all over the world through their stories, from Uganda to Bosnia to Guyana. In the end, each illuminates the experience of immigrants to the UK, making *From Here to There* one of the widest-reaching and most accessible studies of immigrant life in the UK. It is sponsored by Minister for Skills David Lammy MP, formerly Minister for Culture.

World Book Day: Penguin and other publishers and book retailers throughout the UK and Ireland support World Book Day by donating funds, creating special £1 books, working with authors to attend events and bearing the cost of redemption of World Book Day Book Tokens. Penguin makes a yearly contribution of £35,000 to World Book Day and in 2007 Jeremy Strong's *My Sister's Got a Spoon Up Her Nose* was Puffin's popular £1 title; it was the second most popular WBD book and reached number two in the Bookscan best-seller charts.

Anne Frank Trust: Penguin supports the Anne Frank Trust every year. In 2007, to coincide with the publication of the 60th anniversary Puffin Modern Classic edition of *The Diary of a Young Girl*, Puffin worked closely with the Anne Frank Trust on its own

Our Businesses *continued*

60th anniversary celebrations. Puffin distributed packs containing a reader's guide for schools and libraries as well as anniversary bookmarks, posters, and discussion topics showing how relevant the diary is to today's teenagers. In addition, Penguin promoted the diary and Anne's birthday online, including daily extracts on www.penguin.co.uk and www.puffin.co.uk that reached over 100,000 people. Penguin also continues its support of the Anne Frank Trust Moral Courage Award (the award is now called 'Frankly I Couldn't Ignore It'). The Anne Frank Awards recognise young people and educators who have shown great personal strength, moral courage, and determination to stand up for what is right. Popular Puffin author Meg Rosoff, who wrote the No.1 bestselling *How I Live Now*, served as a judge for the awards.

Book Aid International: Penguin and DK donate a range of titles to Book Aid International, a charity which works with schools, libraries and local publishing organisations in sub-Saharan Africa. Titles like the *Eyewitness* series, DK Guides, the *Oceans Atlas* and *The Human Body* are all donated. DK also sponsors and provides prizes for Book Aid International's schools fundraising efforts on World Book Day which raised nearly £60,000 for the charity in 2007.

Book donations: As part of our recent office redesign, Penguin donated over 200 boxes of books to various charities, including the Terence Higgins Trust, Shelter, the Haller Foundation, the Children's Society, the Oughton Children's Centre, and Amnesty International.

Reaching Out: Every year Penguin supports the Reaching Out Competition in association with the University of Winchester. Reaching Out is part of the Winchester Writers' Conference and is open only to those writers who are unable to attend the conference due to distance, age, or disability. Winners are selected by a panel that includes a Penguin adjudicator. 2007 winners received as a prize their selection of Penguin books at a total value of over £100.

DK Royalties: DK publishing in 2007 benefited a number of charities who received royalties from their involvement with DK books. One of these was the Marine Conservation Society (MCS) who were linked with *Reef*. Apart from the royalty donation, the marketing and PR campaign included links to the MCS, further raising their profile, as well as their logo going on the jacket. DK will also be continuing to work with the Royal Horticultural Society, the UK's leading charity for gardening, a relationship that has been going for 15 years. DK is their leading publishing partner, paying them significant royalties annually and promoting their brand throughout the UK and in other territories around the world. Other charities receiving royalties from DK's publishing in 2007 were Birdlife International for Bird, and our ongoing relationships with the Royal Society for the Preservation of Birds, the British Medical Association and the first aid societies – British Red Cross, St John Ambulance and St Andrew's ambulance brigades.

DK Travel Donations: In 2007 DK's Travel Division donated a large amount of Rough Guides and DK Travel Guides to various charities for events, for volunteers who work abroad, and for travel expeditions raising money for charity. Among the charities we supported last year were SCOPE; Lady Taverners, who raise money for sports and recreation for young people with special needs; Children with AIDS Charity; Link Community Development, who run various education programmes in Africa; Endangered Species International; Newcastle University Medsin Committee, who work with health projects around the world; and the Stirlingshire Friends of Charities, who fund raise for the Children's Hospice Association Scotland and Yorkhill Hospital for Sick Children. The Travel Division also offset all author and business travel through Climate Care, who invest in sustainable development projects that reduce greenhouse gas emissions.

Health for Kids: Health for Kids is a government-backed teaching awards scheme, rewarding teachers who are teaching their children about the importance of health. DK sponsored one of these awards for the second time in 2007. DK also donated thousands of books to BTBS, The Children's Society, RNIB and St Joseph's Hospice. Other charities to benefit from DK's marketing activities include the Rainforest Foundation and Bookaid International.

Matched fundraising: Penguin employees who participated in our matched funding programme helped raise over £61,000 in 2007 for various causes. Penguin had marathon runners in both the London and New York marathons and raised money for a number of charities, including the Cystic Fibrosis Trust, the Connection at St Martin's, Barnardo's, Demelza's Children's Hospice and the Alzheimer's Society.

Volunteering: Penguin employees are involved in Pearson's Booktime programme, giving their time each week to read to children in primary schools around London.

Green Penguin: Penguin UK has continued its green initiatives in 2007, many of which have been driven by our eco committee, made up of volunteers who care passionately about the environment. As part of our ongoing commitment to responsible paper sourcing, Penguin continues its work with the Forest Stewardship Council (FSC) with all of our black and white titles now printed on FSC paper, and is developing further the 96 acre Penguin Wood at Botany Bay in partnership with the Woodland Trust. Penguin is also active in environmental industry initiatives such as PREPS, the Publishers database for Responsible Environmental Paper Sourcing. Penguin employees also played their part working with London charity Thames 21 with their effort to clean up the River Thames on 28 September 2007. Finally, Penguin UK's recent office redesign has resulted in a greener work environment with increased recycling, movement sensors to conserve electricity, and a greater focus on environmental sustainability. For more information go to: www.greenpenguin.co.uk

Made with Care: In 2008, DK is launching a new initiative, Made with Care. With this project, DK will ask difficult and searching questions of suppliers and printers and ensure that books with the Made with Care label have been produced with the most ethical and environmentally-friendly production processes possible. By the end of 2008, DK will be using purely PREPs Grade 3 paper and above-paper that comes from legal and well-managed forests. As a division of the Pearson Group, DK is already a founder signatory to the UN global compact; this sets out a series of principles against which the company is measured in the areas of human rights, labour standards, the environment and anti-corruption. Specifically all suppliers will, by the end of 2008, be certified by/with ICTI, ISO14001 and be FSC chain of custody approved. In an extension of our existing relationship with Bookaid International, every customer buying a Made with Care book on Amazon will have a children's reference book given to Bookaid by DK to be sent to children abroad.

Penguin Australia

Green Penguin: recent highlights include:

- All lights moved to movement sensors.
- Office paper use reduced by switching to default double-sided printing.
- Personal printers phased out.

Our Businesses *continued*

- Recycling paper proofs re-used as notepads for staff.
- First hybrid car introduced to car fleet.
- Focus for 2008: exploring green energy options; working with paper suppliers and printers to achieve FSC accreditation; and staff engagement.

Penguin Australia is a long-time supporter of The Smith Family, a national enterprise committed to unlocking opportunities for families with financial difficulties. Penguin supports their Learning for Life Programme which helps disadvantaged children stay in school and reach their full potential – there are more than 22,000 students from primary to tertiary who have been assisted through this programme.

Penguin is a key supporter of literacy development in Australia and has lent its voice to the Indigenous Literacy Project. In some indigenous communities in Far North Queensland illiteracy rates are as high as 93%. In 2007, The Indigenous Literacy Project was the core fundraising project for the Australian book industry with trade and education publishers and booksellers, libraries and schools all helping to raise \$265,000 to support literacy work in these communities.

Penguin New Zealand

Penguin New Zealand supports a number of publishing and production community projects including:

- The Michael King Writers Centre Trust which was set up after the death of Michael King, the historian and Penguin author. Penguin Group (NZ) runs a writer's centre which hosts a formal writer-in-residence who lives at the house and uses a writer's studio. There are also other writer residents there from time to time. In addition, the centre organises creative writing groups at different levels. The trustees include senior writing and publishing people.
- Local Publishers Forum: Penguin Group (NZ) editors are members of the organising committee.
- Penguin Group (NZ) publishers play a significant role in speaking to writers' groups, participating in and helping plan writers' festivals around New Zealand.
- Penguin Group (NZ) does what it can to support the training of editors in New Zealand. The Publishing Director contributes regularly to the key editorial training programme in New Zealand (the Whitireia Publishing Course) and we provide work experience to trainee editors throughout the year.

Green Penguin: Penguin Group (NZ) has a number of ongoing environmental responsibility goals. These include specifying FSC certified papers whenever possible out of our Chinese and Australian printers. These are from certified sustainable use forests and documented manufacturing chains. We are also pursuing a more human-friendly as well as environmentally friendly approach to children's books and are now printing certain products (especially Board Books) using soy-based inks rather than solvent-based and an aqueous lamination process which eliminates the use of plastic film lamination.

Penguin India

For the past four years Penguin has donated to various non-governmental organisations and to a government-run school as part of Pearson's CSR initiative. Some of the projects we have supported include:

- A government-run school in Kallur in Tamil Nadu where Penguin has provided furniture, laboratory equipment and books for the school library.
- RIVER (Rishi Valley Institute for Education Resources), a rural education programme near Madanapalli, in Andhra Pradesh, which is associated with the Krishnamurti Foundation. Penguin donated books to 13 RIVER schools.
- The Sadbhavana Trust which helps out the victims of the earthquake of 8 October 2005 in Jammu and Kashmir, especially in the districts of Baramulla and Kupwara.
- The Dr A.V. Baliga Memorial Trust which runs vocational centres and educates the children of rag pickers in the outskirts of Delhi.
- 'Hands', an NGO which runs schools for the children of artisans and trains them to carry on the art of their forebears.

Penguin India employees also collected clothes and medicines for the tsunami affected and donated them through the Red Cross.

Green Penguin: Penguin India set up an eco committee in 2007. Some of the immediate priorities the group is focusing on include: commissioning a waste and power audit; modifying office equipment to conserve energy; reducing car use; and setting up a committee within the local neighbourhood to increase foliage around Penguin's work area. Penguin India already uses recycled paper for many of its frontlist black and white titles.

Penguin South Africa

Each year in September *The Star* (a daily newspaper in South Africa) brings out a double-page chart known as the Literacy Wall. Companies are invited to buy a 'brick' in the Literacy Wall or to adopt a school of their choice for a year. With the money raised, they provide a copy of *The Star* newspaper and its educational supplements (*Matric Matters*, *Primary Matters* and *Study Matters*) to schools around South Africa for a year, helping to instil a passion for reading in young learners and giving them the knowledge they need to succeed in the world. Penguin South Africa decided to adopt Zamani Primary School in Kwa Thema, the school attended by the eldest child of Paul Mashego, Penguin SA's Education Sales Representative, who passed away in June 2007 after contracting meningitis.

Penguin author Eoin Colfer visited South Africa on a recent tour and he spoke to a packed hall of excited and excitable boys and girls aged 9 to 12 year old at The Ridge School. The Ridge has adopted a school called Salvazione Christian School in their out-reach programme, and they bussed in about 100 boys and girls (who all come from disadvantaged backgrounds and live in an informal settlement), to meet Eoin. As the literacy levels of the children from Salvazione is low compared to their counterparts in other schools, Penguin gave each of those 100 children a copy of Eoin's *Artemis Fowl* graphic novel.

Penguin Canada

The Pearson Foundation Development Fund has provided funding for two projects already supported by Penguin Canada. The first is an initiative undertaken by World Literacy of Canada, a Toronto based non-profit organisation that supports literacy and development work in impoverished regions of the world with a particular focus on northern India. The organisation is committed to building a community centre in Varanasi – a city in northern India – that will employ local staff who will work within the community to support adult literacy and children's education, offer skills training and help for small businesses, provide health care, and act as an advocate for the community. This project will bring much needed resources to an underdeveloped area and will provide a safe and nurturing space for people to come together as a community. The Pearson Foundation has committed \$300,000 over three years (\$100,000 each year) to help with the development of this community centre.

The second project will benefit TakingItGlobal, a Toronto-based non-profit organisation that empowers young people to make a difference in local and global communities through the use of technology. The organisation is designing an online training course that will be used by approximately 250 youth leaders from around the world. This programme, called Make It Happen, will be offered twice a year in four modules. Each module will help develop different project management skills while at the same time introducing participants to the latest technology to help them achieve their goals. The Pearson Foundation is contributing \$285,000 over three years for the development of course material and administrative costs.

Green Penguin: the marketing, manufacturing and production teams at Penguin Group (Canada) are currently developing paper and communication strategies that support Pearson's overall environmental objectives.

The Pearson Foundation

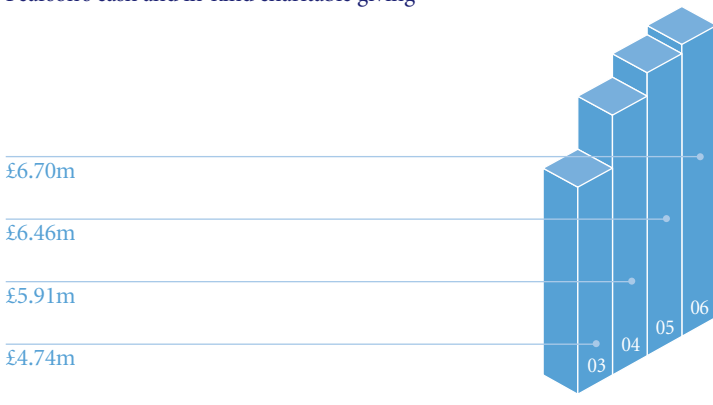
The Pearson Foundation, our charitable arm, extends our commitment to education in partnership with non-profit and public interest organisations. We partner with leading businesses and civic organisations to support students and teachers and to sponsor community-based education programmes across the globe.

In 2007 we donated £7.2m in cash donations and gave additional in-kind support, such as employees' time, advertising space, publishing expertise and book donations. Our total charitable giving (cash and in-kind donations) in 2006 was £6.7m. We will report our 2007 numbers for cash and in-kind support later this year.

Pearson's cash charitable giving



Pearson's cash and in-kind charitable giving



Pearson has a proud history of corporate giving and supporting projects in our communities. Through the Pearson Foundation – and through the efforts of our businesses and employees – we focus our charitable giving on education and literacy projects around the world.

In 2007 we announced the Pearson Foundation Development Fund, a \$1m fund available for our businesses around the world to invest in local community-based projects. At the suggestion of Pearson people, the Pearson Foundation:

- Launched The Citi-FT Financial Education Summit, the first in a series of annual financial education conferences organised by the Pearson Foundation, the Financial Times, and the Citi Foundation, which gave more than 300 representatives from international NGOs, businesses, and civic organisations the opportunity to come together in Delhi, India to share best practices and explore why financial literacy plays such a critical role in promoting sustainable economic development around the world.
- Inaugurated the Pearson Media Centre at the University of Witwatersrand in South Africa. This state-of-the-art environment serves University teachers and students as a locus for education-focused learning and research.
- Provided digital arts training and support to non-profit organisations in Africa including the International Organization for Migration (IOM); Pact Ethiopia; the Jane Goodall Institute's Roots & Shoots programme; and Unicef's Sara Communications Initiative.

We also made lasting commitments to help train teachers and provide educational opportunities to young people and their families in rural villages in Africa, India, and Asia; provided publishing support to the International Rescue Committee's Healing Classroom initiative, and to the American Red Cross's Exploring Humanitarian Law Curriculum; joined forces with the National Association of Black School Educators (NABSE) to promote education in the US; and designed and produced an illustrated version of *The Right to Education during Displacement: A Resource for Organizations Working with Refugees and Internally Displaced Persons* together with the Women's Commission.

The Pearson Foundation *continued*

Additional highlights from 2007 include:

- **Digital Arts Alliance:** our continued leadership of the Digital Arts Alliance, a public private consortium that promotes 21st century skills in K-12 education through fully funded and staffed digital arts programmes delivered directly to schools and community centres. In 2007, the Digital Arts Alliance welcomed Adobe Systems, Inc., the American Red Cross, Facing History and Ourselves, Peachpit, Phi Delta Kappa International, and Pearson Education/Hispanic Leadership Council to the Digital Arts Alliance, and also announced a significant expansion of its existing partnership with Nokia, as well as a national initiative with the International Society for Technology in Education (ISTE). In the process, the Digital Arts Alliance made it possible for more than 15,000 students and teachers to experience firsthand how laptop computers, video production equipment, and the latest mobile-phone technologies are changing the ways young people can organise, present, and share information about issues that matter to them.
- **Family Book Nights:** once again we brought the Pearson Foundation's own Family Book Nights and Book Donation programme to young people and their families in classrooms and community organisations across the US. These celebrations bring families and Pearson employees together to share in the joy of reading. In the process, parents learn simple reading techniques they can employ to help their children and learn first hand about the long-term importance that active, repeated family reading can have in a child's personal and cognitive development.
- **The Pearson Teacher Fellowship:** we continued our flagship programme with US not-for-profit Jumpstart and extended our Pearson Teacher Fellowship programme, which in 2007 trained and supported 50 talented college graduates to become pre-school teachers in under-served areas across the US. Pearson Teacher Fellows receive a stipend, intensive training, mentoring from a Pearson professional, and the resources needed for school success and professional development.
- **Jumpstart's Read for the Record campaign:** in 2007, Pearson people around the world again helped set a new world record for the largest 'shared reading experience' as part of Jumpstart's Read for the Record 2007, breaking the world record for the number of people reading the same book on a single day. Pearson people joined close to 400,000 registered readers in individual events throughout the US and around the world, reading a custom limited edition of Penguin Young Readers children's classic *The Story of Ferdinand*. With 100% underwriting by Pearson, all proceeds from sales of the book benefited Jumpstart in its mission to prepare children from low-income communities for success in school and in life. During the Campaign, the Pearson Foundation donated more than 50,000 books to schools, teachers, and education partners, and contributed tens of thousands of books to Head Start and other early education centres.
- **Booktime:** in 2007 our UK community programme gave 700,000 children across the UK a free copy of the Puffin children's classic, *Funnybones*, by Janet and Allan Ahlberg. Booktime, run in association with the charity Booktrust, aims to encourage parents and carers to read with their children. The books were delivered to children in a book bag with a leaflet for their parents giving tips and ideas about reading with their child. This year Booktime was supported by the UK government's Department for Children, Schools and Families (DCSF). We also provided 17,000 resource packs for schools and libraries containing session ideas and activity sheets based around *Funnybones*.

As part of Booktime, Pearson staff are taking part in a volunteer reading scheme, reading one-to-one with children in local primary schools.

- **Book Aid International:** we continue to fund Book Aid International's mobile reading tent project to encourage reading in East Africa. Together with the East African Book Development Association, the programme sends touring tents to remote areas in Uganda, Kenya and Tanzania, where schools lack access to local libraries. In 2007, 12 reading tent events took place in each of the three countries, reaching over 300 schools. We donated 29,000 books to the reading tents and gave a grant for the purchase of locally published books. We also funded training sessions for local employees to strengthen the impact of the reading tents.

Awards

Pearson was awarded a Big Tick by the UK's Business in the Community (BITC) – an award of excellence which recognises companies' social impact and, in Pearson's case, the use of technology to transform student learning.

We received the Cause Marketing Halo Award from the Cause Marketing Forum for our contribution to Jumpstart's Read for the Record Campaign.

We were also honoured by the Education Commission of the States (ECS) with the prestigious ECS Corporate Award, which recognises sustained commitment to, and substantial investment in, improving public education. Pearson is the first education company to receive the ECS Corporate Award.

For further information go to: www.pearsonfoundation.org

Our employees

We encourage our employees to play a part in their local communities, supporting their involvement with time, money and Pearson products where appropriate.

We match employee fundraising around the world and run a number of volunteer schemes which encourage employees to give time in the working day to community programmes. For example in the UK our employees give their time to local primary schools to read one-on-one with school children as part of our Booktime programme (see above).

Volunteers from Pearson businesses across the US, Africa, and Latin America participated in Jumpstart's Read for the Record Campaign, again helping to set the record for the largest shared reading experience ever on a single day. During the months leading up to the record-setting event, employees also worked with governors, mayors, PTAs, schools, libraries, and local organisations to spread the word and highlight the importance and the power of reading. On 20 September, staff took part in literacy celebrations by organising readings, visiting local schools and youth centres with their colleagues, and in many locations helping young people create their own personalised ABC books based on the Pearson Foundation's Family Book Nights programme.

Our People

It's easy to say that our people are very important to us, but at Pearson we know that we are only as good as the people who work here. We aim to hire the very best people, keep them motivated and inspired, reward them for what they do and give them opportunities to grow and learn. In doing this, we believe we can build a community of people who want to do their very best for Pearson and for the success of our businesses.

Our goal is to be the best company to work for and each year we get closer to achieving that. We provide benefits, incentive plans and opportunities that rival those offered by our competitors.

We maintain our policies to reflect a good work-life balance, and introduce new initiatives to reflect the changing expectations of our people, and we continue to provide training and management development opportunities around the world to help people progress. We believe that all this helps to build a strong culture and reinforces our values of being brave, imaginative and decent.

Our culture and the Code of Business Conduct

We believe that our culture stems from the way we treat one another and the way we treat people outside the company. Our Code of Business Conduct sets out what we think is acceptable.

We contact Pearson employees each year to ask them to verify that they have understood and complied with the Code of Business Conduct, and to invite them to report any concerns or breaches of the Code to our group internal audit team or via our confidential whistle-blowing helpline. The head of internal audit follows up any reported breaches. This process goes beyond the requirements of corporate governance rules, which tend to focus on financial matters. Our view is that there is no point in having the Code if it does not have the trust and confidence of our employees. If it does not inspire that confidence, then we need to know why so we can do something about it.

All breaches of the Code are reported to senior management and the audit committee and none of those reported in 2007 were considered to be serious. You can find the Code at www.pearson.com/community/codeofconduct.htm

Internal communications

Communicating with our people is high on our list of priorities. We have an internal communications programme which enables us to reach people through e-mails, employee roadshows and visits from our senior managers. We try to listen as much as we talk so that we can act upon ideas, suggestions and views. We send out a regular electronic newsletter to all employees, with the latest news from across the company, and Marjorie Scardino continues to e-mail employees with important news. Employees are encouraged to e-mail Marjorie directly with their feedback and she replies to them personally.

Helping people to continue learning

Our goal is to provide the structure and environment which makes it easy for talented people to reach their potential. We do this by setting clear targets for what people need to achieve in their jobs and we offer training and support to help them get there.

Performance reviews take place in every part of our business each year to ensure that people know what is expected of them, receive feedback on their performance and set targets for the following year. All our people take part in a performance review at least once every year.

Career discussions may be part of the formal performance review process, or addressed separately. We don't believe it is our job to manage people's careers – we believe that people want to be in control of their own destiny – but we do what we can to help them reach their aspirations.

Training is provided to reflect the needs of specific job functions, regions or markets. We still do a lot of face-to-face training as it enables people to meet one another and share ideas; and increasingly we use technology to give people all around the world access to our core curriculum. Each year we assess where our training priorities lie and we constantly consider new ways to introduce familiar topics. We believe that there's more to any job than simply delivering results, so we provide ways to help people see beyond their current responsibilities and understand more about Pearson.

We have mentoring programmes across the business. Some programmes are more formal than others but we have found that mentoring is an excellent way to connect people in quite different parts of the business, to provide an insight into previously undiscovered parts of the organisation, and to grow people's skills and aspirations.

We also help people move around Pearson. We have an internal website where people looking for a move can see all the available jobs across Pearson; additionally, senior managers identify people who would benefit from a move. Our talent management programme highlights where it may be beneficial to move people because of their job or their skills. Where a move involves relocating from one country to another, we have in-house expertise to help the transition go as smoothly as possible. Currently, we have around 200 people outside their home country on secondment or permanent transfer and around the same number who are about to go on secondment or have just returned. Of our senior management group, over 20% have experience in at least two Pearson operating companies.

Moving people around the world can be a big step and for some positions where the job is focused on contacts or expertise in a particular market, it might not be appropriate. We have introduced a number of new ways for people to get a taste of a different country or operating company and to encourage them to apply for longer term or permanent assignments. These have worked well and have given a range of people doing quite different jobs a new insight into a new market or country. As a result, we have created new business opportunities and transferred valuable skills and expertise from one part of the world to another.

Our People *continued*

Balancing life and work

For our people to be most effective at work they need flexibility, tools and resources to also manage their lives outside of work. We continue to provide programmes and introduce initiatives throughout the company to help people find the balance they seek. Each employee has unique needs and we offer a variety of programmes to enable individuals to be effective in all aspects of their life. Some examples include flexible work arrangements, employee assistance programmes, back-up care for children and adult dependants, sabbaticals, summer hours, and convenience services. In addition, Pearson Education US has been recognised for the eighth consecutive year by *Working Mother* magazine as one of the '100 Best Companies for Working Mothers'.

Building skills and expertise for the future

In addition to the training and development we provide in each part of the business, we have a number of cross-Pearson initiatives to help build the skills and knowledge of our people for the future. Last year, we continued to deliver our senior leadership programme, the Senior Leadership Masterclasses, which is customised to reflect our business priorities. These classes address leadership and commercial skills to help fuel the company's innovation and growth. In 2007, over 220 senior leaders attended a class with their senior leadership team and this included executives from UK, US and India.

Once a year, we bring together over 100 of our senior managers to think about the world inside and outside the company. This year our top 100 senior executives visited Silicon Valley to consider how Pearson can use technology more effectively to serve our customers and change our businesses.

We also hold a separate meeting with 100 of our more junior potential managers whom we think have great potential for the future to address similar themes. This is called Forum and now boasts an alumni group of around 600 managers. We bring together the alumni group on a regional basis throughout the year and many new ideas have been generated from this group.

Building the skills base of our company also includes knowing who our very best talent are and how they plan to make the most of their skills to reach their potential. Each year, as part of the annual talent review, Marjorie discusses with the head of each business and function across Pearson, people who may one day have a significant impact on the company. We aim to create a development plan for each person so that we can retain people and develop them for the future. The talent review is built around an objective set of criteria called the Leadership Profile, which describes what's important for our leaders.

Reward

We follow a set of global principles to guide the way we reward our people that goes beyond the issue of salary. These principles include providing locally competitive pay; using incentives to drive performance; recognising the contribution of all employees; encouraging share ownership irrespective of seniority; providing compelling benefits for all employees that engage them in making the right choices for themselves and their families, not only for today, but for tomorrow; and treating all employees fairly, taking into account the balance of life and work. Individual packages are set with reference to the relevant recruitment market, business sector and geographic region but aim to include incentives, health, welfare and retirement plans and opportunities to acquire company stock.

We have worked hard to make these packages clear and easy to understand. We have internal websites where employees can check their personal details and see the value of their total package.

Employee ownership

We believe that the best way for people to profit from the success of the company is for them to become shareholders. Pearson operates worldwide share plans taking account of local country tax and securities regulations. With most of our people based in the US, we have taken special care to make it easy for them to acquire shares in Pearson. The listing of our shares on the New York Stock Exchange allows us to operate a US Employee Stock Purchase Plan that makes share ownership in Pearson accessible to the majority of our employees.

Diversity

We aim to be:

- A diverse company – a company that reflects the societies in which we operate. We want to attract the very best candidates, at all levels, irrespective of race, gender, age, physical ability, religion or belief, sexual orientation, marital/civil partnership status or any other criteria not specifically related to relevant aptitudes, potential, skills and abilities. We do not set specific numerical targets for recruitment or promotion of particular groups, but we place great emphasis on ensuring that the pool of applicants for our jobs is diverse.
- A fair company – where pay, retention, promotions and redundancies are determined without discrimination.
- A company, which uses diversity to help achieve our commercial goals and targets new opportunities in growing markets.

Our goals are to have diversity at the heart of everything we do and to be at least the best in our industry for diversity. When we say 'diversity', we mean we have a workforce and client base where differences are valued and respected as an essential part of a successful future at Pearson. To be the best we can be, we need the widest range of minds and imaginations from the widest range of backgrounds right across the company: in every business; in every country; in every job. That's why diversity within the company is a high priority. And the more global we become the more essential it is that we value, and understand, what makes us different.

Since our 2006 report, we have made progress in the following areas:

- **Measurement:** we have developed quarterly reports to executives focusing on key retention and promotion measures in their business. We have benchmarked our programmes against best practices through participation in surveys and studies by Diversity Inc., AARP and Working Mother Media.
- **Preferred suppliers:** in the UK, where we handle the majority of our recruitment through agencies, we have set up a preferred supplier list for recruitment agencies and worked with them to encourage more diverse shortlists of candidates. We are now working with a number of specialist executive search firms to help us with the diversity of our mid-career hires.
- **Internships:** we have maintained our summer internship programme as a visible commitment to our goals on diversity. In the UK, we have retained ten of twenty-two interns across the company in a variety of temporary and permanent roles across the business. The minority representation in the US internship programmes increased to over 40% in 2007.
- **Recruitment:** we continue to focus on recruiting talented candidates from diverse backgrounds by holding open days, attending university careers fairs, working with student societies and university careers services as well as reaching out to professional organisations in major markets to cast the broadest net for talent.

- **Websites:** we are continually updating our diversity websites for both internal and external users with news stories from across the business. The website is available at <http://diversity.pearson.com>. The Pearson Education careers online site in the US was relaunched with a new focus on diversity and cultural programmes. This site attracted over 71,000 job candidates last year during 2006.

- **Training:** we have a solid diversity training programme at induction level for all new employees. We also have specific diversity training models for our HR teams and recruiting line managers. We also have an online resource tool that has a well developed segment of diversity training. The comprehensive package of articles, recommended websites, learning guides and management pocket book has been developed by the Ashridge Business School.

- **Senior leadership profile:** our top 100 business leaders are formally measured during the appraisal process, on how they are helping to drive diversity throughout their businesses.

- **Executive compensation:** progress in diversity is a component of discretionary pay for the Pearson Management Team reporting directly to Marjorie Scardino.

- **Supplier diversity:** we have established a supplier diversity policy, which is currently being disseminated across the business.

- **Commercial achievements:**

Ed Husain, author of *The Islamist*, has been short-listed for a Decibel award and long-listed for the Orwell Prize.

Mohsin Hamid's *The Reluctant Fundamentalist* won the south bank show award for literature, and was a New York Times notable book of the year. It was also short listed for the Man Booker Prize and the decibel award.

Wolf Totem, a novel by Chinese author, Jiang Rong, and published by Hamish Hamilton, won the inaugural MAN Asia International Literary Prize in October 2007.

Gifted, by Nikita Lalwani was shortlisted for the 2007 Glen Dimplex New Writer's Award and the 2007 Costa Awards.

In the UK and US, we have developed comprehensive listings of Penguin's black interest titles for the first time as part of moves to make us more responsive to our diverse customers both online and in print. In the UK, 20,000 copies of *Penguin celebrates Black History*, a booklet listing Penguin's black interest titles have been distributed to libraries across the UK. The titles have also been added to the newly created Black Interest category on Penguin's UK website.

Diversity *continued*

Awards

Pearson's diversity efforts have been recognised with a number of awards:

Pearson's Diversity Summer Internship programme was short-listed under the category 'Attraction & Recruitment' for the RFO Chairman's Awards. It was short-listed as a case study for being a successful recruitment model that encouraged ethnic minorities into the media/ publishing industry.

For the eighth consecutive year Pearson achieved a coveted spot on the Working Mother 100 Best Companies list in the US.

In New York City, Penguin was honoured with the CityKids Foundation Partnership Award.

Data

We now have quarterly reporting in place across Pearson which enables us to track the success of our diversity policies. We report the following data quarterly:

- The proportion of women and people from diverse backgrounds in management.
- The proportion of women and people from diverse backgrounds participating in development programmes.
- The proportion of women and people from diverse backgrounds leaving the organisation.
- Disability is a key focus, therefore we report on the proportion of our workforce that is disabled.
- We also report on the age demographic of our workforce.

For more information on diversity at Pearson go to:
<http://diversity.pearson.com>

Labour Standards and Human Rights

In 2007 Pearson employed over 32,000 people around the world and many more are engaged in paper making, printing and distribution which are services we buy in. We want Pearson to be known as a company that is brave, imaginative and decent. To help guide us, we have our Code of Business Conduct. This outlines the standards we expect not only from our employees but from everyone connected with our company including those we partner with and our suppliers.

We are also guided by the UN Global Compact's ten principles on the environment, labour standards, human rights, and business ethics. Pearson became a founding signatory to the Global Compact at the United Nations in 2000 and served on the Advisory Council. We are also a member of the UK Global Compact Group.

Our Business: We have applied the Global Compact to our own business and created our own set of guidelines on labour standards and human rights which we use to assess and report on our performance. These guidelines are:

- **Diversity:** we offer equal employment opportunities to all. The people we recruit and promote are selected on merit and suitability, and are not discriminated against because of gender, race, origin, background, religion, marital status, sexual orientation, disability or age.
- **Employment conditions:** we comply as a minimum with the relevant laws relating to employment and employment conditions in each country where we operate. Subject to relevant laws in the countries where we operate, we fully respect the right of our people to freedom of association and representation either through trade unions, work councils, or any other appropriate forum.
- **Workplace violence:** we are satisfied that we have systems in place to deal with physical and verbal abuse, or the threat of it, and any other form of intimidation within our workforce.
- **Exploitation of labour:** we recognise that labour standards and conditions may vary from country to country. Pearson companies conduct business in many of the poorer countries of the world where living standards are low. Where Pearson companies directly control their activities in a country, we ensure that our people have satisfactory wages and working conditions, and that there is no exploitation of labour. Working terms take account of local economies.

We take a close interest in the working conditions of our suppliers of goods and services and use our influence to ensure that standards applied in those workforces broadly match the standards we would expect in individual countries.

- **Human rights:** our products are produced and manufactured across the world and sold in many countries, often by companies we do not own which are operating on our behalf. In the course of conducting business in 'high risk areas', we are committed to ensuring that we are not complicit in human rights abuses and continue to monitor this. If we were to find ourselves inadvertently implicated in human rights abuses, we would take immediate steps to rectify the situation.

Six years ago, with the assistance of independent consultants, we put in place a procedure to assess our performance against these guidelines. We carry out an annual survey among our human resources professionals focusing on these guidelines. The 2007 survey covered 108 business operations in 55 countries. Together, the business operations surveyed employ over 29,000 people out of a universe of over 32,000 employees. The survey report can be found at: www.pearson.com/community/progresscommunication.htm

Based on this report, employee feedback to our Code of Business Conduct and our social, environmental and ethical risk assessment processes, we can confirm that we have continued to meet the guidelines we have set ourselves.

Our Suppliers

Pearson spends over £2bn each year with our suppliers of goods and services. Our most significant categories of supply are:

- Paper
- Production, primarily printing
- Distribution

The majority of our significant suppliers are located in North America and in Western Europe. However, some of our suppliers, particularly those providing print and production services, are based in less developed countries, and more of our book printing is moving to those countries. As our Code of Business Conduct and adherence to the Global Compact imply, we have certain principles we expect of all our suppliers wherever they are in the world. Since signing the Global Compact, we have:

- Written to many thousands of our suppliers on more than one occasion to advise them of our commitment to the Global Compact, and our Code of Business Conduct.
- Included specific contractual commitments relating to labour standards and human rights in our key contracts, particularly those that relate to paper supply, printing, distribution and call centre activity.
- Managed an ongoing programme of supplier visits to assess compliance with the Global Compact.
- Worked with the UK book publishing industry to introduce common standards on labour standards and human rights.

In addition to our own programmes, Pearson is a strong supporter of industry co-operation to set common supplier standards. Industry co-operation has the dual advantage of increasing our influence as well as reducing the compliance costs for our supplier partners. This is why Pearson was one of the founding members of Publishers Resolution for Ethical Manufacturing Standards (PRELIMS) in the UK. PRELIMS introduced a common set of standards based on an existing model developed by the toy industry. All signatories commit to work only with printers that sign up to the standards, including an independent audit. This programme is actively used by our UK and US businesses

Labour standards information from PRELIMS and other sources is integrated into our wider approach to knowledge management on our suppliers.

We set a number of business targets in this area for 2007. Here is how we performed against them:

Business targets	How we performed
To continue our programme of supplier visits with a particular focus on Asia, the Far East and continental Europe.	Achieved
To review how Pearson standards can be communicated to employees of our suppliers.	Ongoing
To consider with heads of purchasing and production opportunities for further improving how their teams are involved in reviewing performance of suppliers against the Global Compact.	Ongoing

For 2008, our targets in this area are:

To continue our programme of supplier engagement with a programme of which includes revisiting our printers in Asia, North America and parts of Europe.
To continue our programme of communicating our actions to our people and involving more of them in our plans.
To launch a new DK imprint 'Made with Care' combining commitments on ethical production and environmental responsibility.
To consider with heads of purchasing whether a refresher training programme on labour standards is required.

Environment

As a business based on ideas, our direct environmental impact is limited, but we are committed to understanding the effect we have on the world around us and to setting targets to manage and reduce that impact. Environmental responsibility is not new to Pearson. We introduced an Environment Policy back in 1992. This was reviewed and updated in 2000, 2004 and again in 2007. The full policy can be viewed at www.pearson.com/environment. We are also guided by the UN Global Compact's principles on the environment.

For us, our impact falls into two distinct areas – aspects under our direct control, and areas where we can exert influence over the practices of our suppliers. Areas of greatest direct impact for Pearson are energy use, unsold product, waste and business travel. The most significant environmental issues in the supply chain relate to the purchase and use of paper, use of third-party printers and distribution.

In 2007, we made good progress in furthering environmental management within the company. Here are some highlights:

- We started on our action plan to become a climate neutral global business by the end of 2009.
- We continued to improve the quality and quantity of the data collected and reported within our environmental report.
- We use our database of the sources of wood, certification methods to set improvement targets.
- For a third year we were ranked top of our sector by Business in The Community in the Environment Index.
- We reported on our progress to the UN as part of our commitment to the Global Compact.
- Our businesses in North America have established their own 'roadmap' towards climate neutrality.
- Our businesses introduced initiatives to report, explain and engage our stakeholders to lessen the impact of climate change.
- We have already met our target to reduce electricity and gas use levels across the company by 10% by the end of 2008.

The environmental considerations relating to the purchase of paper continue to be a priority for us. Following our introduction of a paper purchasing policy in November 2003, Pearson has further developed its responsible paper sourcing practice. As part of an action plan on responsible paper sourcing agreed with the WWF UK Forest & Trade Network, we established a database on the environmental characteristics of the paper we purchase. We have also met a number of our key suppliers and manufacturers of paper and some NGOs to discuss and review environmental issues including certification and increasing the recycled content in the paper we use in our books. We report annually on the volume of paper that we used that was independently certified in our 2007 paper report which will be published in May 2008.

We have been working with our operating companies to expand our use of recycled content and Forest Stewardship Council (FSC) certified paper for our book and newspapers. Penguin Books plan to introduce global paper certification targets during 2008.

Our full environment report includes detailed performance data relating to our energy and water use, waste reduction and recycling, business travel and emissions to air relating to our operations. The report can be found at www.pearson.com/environment

Managing our Risks

We consider social, environmental and ethical (SEE) risks differently to the way we manage other business risks, so their evaluation and mitigation is incorporated into our general risk management framework.

Operating companies are responsible for managing their own risks. As part of our risk reporting systems, they review and report on their business risks, including SEE risks, to our group internal audit function on a semi-annual basis. The results of these reviews are reported via the audit committee to the board. This reporting is supplemented by risk review sessions – facilitated by group internal audit – with the operating companies and the Pearson Executive Committee.

Our most important SEE risks, many concerned with reputational risk, did not materially change year on year, with the exception of data privacy. Last year we highlighted data privacy as an area of increased risk and recent incidents have reinforced this view causing a further re-evaluation of our data security controls across Pearson.

- Journalistic/author integrity: fundamental to both our newspaper and publishing operations. Our newspapers have clearly articulated journalistic policies and procedures covering journalistic standards of conduct.
- Freedom of speech: within the book publishing businesses, editorial and legal review processes are in place to ensure that our authors' independence and freedom of speech is respected and maintained, whilst protecting us legally and from copyright infringement.
- Ethical business behaviour: our widely published Code of Business Conduct outlines how we behave as a business. To ensure compliance, employees are asked, annually, to confirm they understand the Code and to report any breaches. Our confidential whistle blowing help lines are another vehicle by which unacceptable behaviour, including fraud, can be reported. All incidents are investigated by the head of internal audit and reported to the relevant senior management and audit committee.
- Compliance with UN Global Compact standards: as a signatory to the UN Global Compact it is important that both we and our suppliers comply with these guidelines. Our greatest exposure is where we source printed material from developing countries, where less rigorous standards may apply. Both operating company and corporate employees visit suppliers in these countries to ensure compliance and we regularly remind our key suppliers about our commitment to the UN Global Compact and our commitment to ethical business behaviour as described in our Code of Business Conduct.
- Environmental impact: compared to many other businesses we do not believe that our products have significant environmental impact. However, wherever possible we strive to understand the effect of printed material on the environment. We work with suppliers to use renewable sources of paper and recycled paper where available and economically viable. In the UK, we are lead participants in an industry-wide initiative involving both publishers and retailers, which looks at the process of book returns – a feature of our industry.
- People: people are key to our business. Our human resource policies are designed to attract and retain talented and motivated employees who enjoy and contribute to the growth of Pearson.
- Data Privacy: the protection of individual's data, whether for customers or employees, has become increasingly challenging as legislators and industry governance standards e.g. PCI credit card requirements, look for increased protection and absolute assurance that individual's data is protected. As our assessment and testing businesses grow and more of our business moves onto digital and online formats, we are holding increasing volumes of personal data. We have always taken our responsibilities in this area seriously but, following a number of security breaches in 2007, are re-evaluating our controls and procedures across the group in 2008 to ensure personal data is protected and we are compliant with data privacy requirements.

Rating our Performance

In 2007 we set out to improve further in the key indices of social responsibility. The highlights include:

- Pearson achieved the highest ranking (Platinum) in the Business in the Community Corporate Responsibility Index – placing the company joint sector leader
- We were named media sector global leader in the Dow Jones Sustainability Index
- FTSE4GOOD member
- We were ranked 7th in the UK's Business in the Community Race for Opportunity index assessing company performance across the race arena.

Business in the Community Corporate Responsibility Index

Business in The Community (BITC) introduced the Corporate Responsibility Index in 2002. The index is a voluntary self-complete survey which benchmarks corporate responsibility performance.

In 2006, Pearson rose in the rankings of the top 100 'Companies that Count' with the company score rising from 58% in 2002 to 95% in 2006. Results for 2007 will be released in May 2008.

In 2007 we were also awarded a Big Tick by BITC – an award of excellence which recognises companies' social impact and, in Pearson's case, the use of technology to transform student learning.

Dow Jones Sustainability Indices

Pearson was named Global Sector leader in both the DJSI Global Index and the DJSI STOXX Sustainability Index of European Companies. The DJSI Global Index consists of more than 300 companies representing the top 10% of the largest 2,500 companies in the Dow Jones Global Indexes – based on an assessment against a series of sustainability criteria. The DJSI STOXX Sustainability index tracks the financial performance of the top 20% of European companies drawn from the largest 600 companies in the Euro STOXX index.

FTSE4Good

In June 2001, FTSE – a joint venture half owned by Pearson and half owned by the London Stock Exchange – introduced the first of a series of 'socially responsible indices' alongside its other financial products. The FTSE4Good Index series is designed for use by retail SRI fund products and for fulfilling institutional mandates. All licensing revenues from FTSE4Good indices are donated to UNICEF.

FTSE4Good excludes certain industries including tobacco and armaments. Companies must pass the FTSE4Good selection criteria relating to environmental sustainability, relationships with stakeholders and upholding and supporting human rights. An independent advisory committee sets the selection criteria. Membership is subject to a bi-annual review. Pearson has been included within the FTSE4Good indices since inception seven years ago.



www.pearson.com

Find out how we educate, entertain and
inform at www.pearson.com/pearsonville