

Environment review: 2012

INTRODUCTION

In 2007, we first adopted our commitment to climate neutrality. Against a backdrop of increasing global concern over the challenge our planet faced from changes in the climate, we felt that a 'business as usual' approach to managing our environmental impact was not enough.

The purpose of the commitment to climate neutrality was simple – to provide a catalyst within Pearson to share good green ideas. Across Pearson, individuals and teams are busy helping make our company greener. Whether it is helping reduce the energy we use in our buildings, reducing the resources we consume or finding ways to work more efficiently, small changes are making a big difference.

But, there is always more that we can do. Our climate neutral commitment will continue into 2013 and we will again extend it to cover businesses we purchased during 2012. We believe that businesses should strive to demonstrate how they can have a positive impact on society and the planet. It's the right thing to do: for the environment; for society; and for our business.

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Our Strategy: A climate neutral future

Against a backdrop of international concern on matters relating to climate, Pearson announced in early 2007 its commitment to become climate neutral for its then businesses, with a view to completing that globally by the end of 2009. We have achieved that goal and each year, we review, renew and refresh our climate neutral commitment. Our broad strategy remains the same and is based on three key areas:

1. **Measure.** We have an established, independently-verified process to measure our climate footprint relating to our buildings and from business travel. We also continue to work on assessing our total carbon footprint.
2. **Reduce.** We cut the CO2 we release from our buildings and business travel. We have introduced energy-efficient design across our buildings, further invested in alternatives to business travel such as video conferencing, as well as looked at renewable energy where we can.
3. **Offset.** In 2013, whatever emissions we have not been able to reduce or avoid during 2012 will be offset by supporting a range of projects that either save or absorb a tonne of carbon for each tonne that we emit. We have established partnerships to do this.

Our main focus is on reducing our Greenhouse Gas (GHG) emissions. The challenge to maintain climate neutrality is a rallying call for every Pearson operating business and every Pearson employee to become climate aware. We involve all parts of Pearson in achieving our commitment:

- **Facilities** departments work on introducing energy efficiency design and upgrades together with looking at renewable energy options across our main buildings.
- **Internal communications** teams have helped keep fresh Planet Pearson, our dedicated environmental collaboration space. It is available globally, bringing together information, ideas, competitions and signposts to local green groups as well as encouraging colleagues to work together.
- Our **marketing** teams have continued to develop innovative partnerships to raise awareness of environmental issues, invest in offset partnerships and boost our reputation.
- **Editorial** colleagues' commission books, magazine and newspaper articles on a wide range of environmental issues.
- Our **purchasing** teams have worked with industry partners and with suppliers on assessing and measuring our total carbon footprint.
- **Finance** colleagues offer budgetary funds in the US and the UK as our two main centres of employment to stimulate new ideas and innovation.

We extended the scope of our climate neutral commitment to cover all existing businesses as at the end of 2011. This brings in new acquisitions such as Global Education and Technology Group, a leading provider of test preparation services for students in China who are learning English.

Climate footprint: 2012

Achieving our climate neutral commitment

First, we measure greenhouse gas emissions (GHG) relevant to our business and express our total in terms of an equivalent in metric tonnes of carbon dioxide, the main greenhouse gas (GHG).

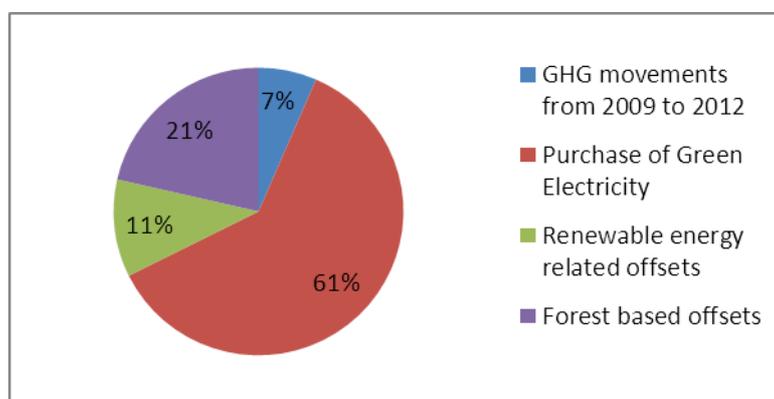
This is known as carbon dioxide equivalent (CO2e). Our climate footprint as at the end of 2012 was 194,756 metric tonnes of carbon dioxide (CO2e) -7.5% lower than we reported in 2009 but an increase of 5.5% in absolute terms over 2011 reflecting new acquisitions.

We meet our climate neutral commitment by reducing our footprint if possible and then offset unavoidable emissions.

Our climate footprint for 2012 is as follows:

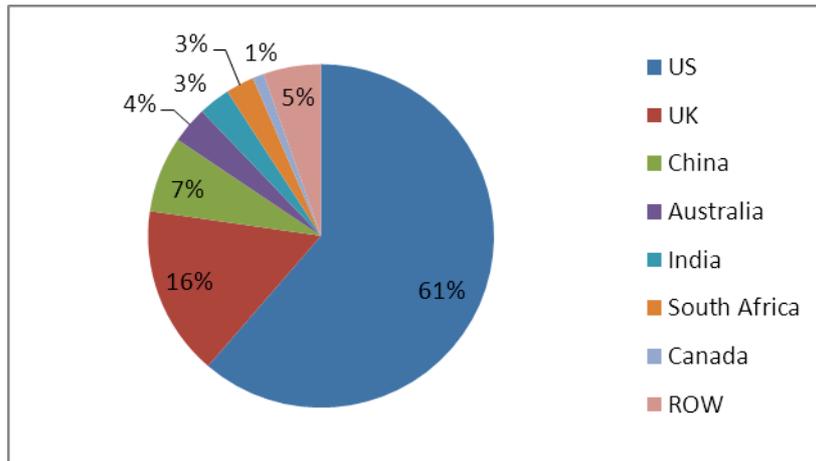
	Metric Tonnes of CO₂				
	UK	US	China	ROW	Total
2011 Climate Footprint	29,167	119,339	8,062	27,963	184,531
GHG movements in 2012	2,258	-632	6,013	2,586	10,225
Purchase of Green Electricity	-19,267	-74,597	-14,069	-20,609	-128,542
Partnerships		-23,055		-200	-23,255
2012 Climate Offset	<u>12,158</u>	<u>21,055</u>	<u>6</u>	<u>9,740</u>	<u>42,959</u>

So, we have maintained climate neutrality in the period 2009 through to 2012 by:

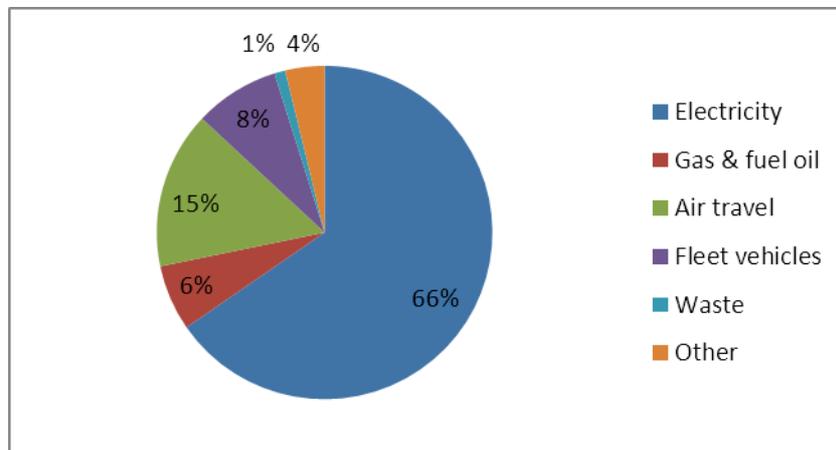


Our commitment to become climate neutral began in 2007. We have reduced our absolute climate footprint by over 40,000 of metric tonnes of carbon dioxide since we started the programme.

The seven most significant countries for us as sources of emissions are the US, the UK, China, Australia, Canada, India and South Africa which together account for 95% of our climate footprint.



Electricity, natural gas, air travel and vehicle use accounts for 95% of our climate footprint.



Methodology

We have been reporting on our global carbon footprint since 2003. In 2007, we reviewed and adopted a new baseline in line with our commitment to become a climate neutral company. We are a global business and, as such, we use the Greenhouse Gas (GHG) Protocol for reporting our greenhouse gas emissions. Established jointly by the World Resources Institute and the World Business Council for Sustainable Development, the GHG Protocol is the most widely used international accounting standard for GHG emissions. We apply the 'control' of company methodology for reporting.

In line with the GHG Protocol, we report on all our Scope 1 and 2 emissions and include the optional element for emissions relating to business air and rail travel.

Our climate footprint includes:

- All fuel used in our buildings and in company vehicles plus refrigerants
- Electricity used in our buildings drawn from grids in the countries where we do business
- Emissions relating to air and rail travel

We have adopted the conversion factors recommended by the UK Government Department of Energy and Climate Change (DECC). In part, this reflects new UK legislation in the UK on carbon management. Pearson businesses in the UK are registered under the Carbon Reduction Commitment.

Assurance

Our climate footprint has been verified by the specialist consultant, Corporate Citizenship. The assurance statement covers the methodology, data collection and accuracy of data reported.

External reporting

In addition to this annual environmental review, we also publicly disclose our carbon management performance to the [Carbon Disclosure Project](#) (CDP).

Our initiatives

We think about our environmental impact as an integral part of how we do business. Our environmental commitments help shape our thinking about what we publish, how we manage the buildings we occupy and how we develop relationships with suppliers and business partners. In this section, we focus on the practical initiatives which help us meet our climate neutral target. Our primary efforts are focused on

- Reducing the energy we use and the distance we travel on business,
- Purchasing and investing in green electricity

We describe how we use our offset partnerships to raise awareness of climate issues in our 'engaging others' section.

Reducing the energy we use and the distance we travel

Our climate neutral commitment helped us to achieve a 7.5% absolute global reduction in our climate footprint over the last three years.

Metric Tonnes of CO2e		
2009	2012	2012 vs. 2009
210,306	194,756	↓7.5%

Our buildings

Our businesses in the UK, the US, South Africa, Canada and India have all commissioned comprehensive environmental reviews to help identify opportunities for energy savings. In the UK, we have introduced a building specific programme of reduction targets and action programmes. As a result of these reviews, we continue with our programme of introducing energy efficient features in many of our existing buildings:

Case study: **San Antonio**
Reducing energy consumption

Our San Antonio warehouse facility in Texas covers in excess of 500,000 square feet and is one of our top 10 largest buildings in the United States. The San Antonio facilities team has focused on reducing energy consumption through investment in lighting and building energy management together with an extensive awareness programme to involve employees.

The facilities reduced its energy use by 19% or 1 million kwh – enough to power 70 households saving \$90k in energy bills in year one. The green team attracted a grant from the local utility to cover the capital cost.

The San Antonio facilities team was awarded a Planet Pearson Environment Award for its achievements.

Information technology

We use technology extensively. Our portfolio of digital products continues to grow and we run data centres. Improving the way we use technology can help to improve efficiency and save cost, as well as reducing our climate footprint:

- Working through our local green team network, we have run switch-off campaigns for desktop and screens. In the UK and the US, we have introduced automatic switch-off capability where possible.

Travelling on business

For essential travel, we've been encouraging our people to avoid flights wherever possible and we continue to lower the emissions relating to our car fleet.

- We have invested in upgraded video conferencing facilities in key buildings. High-definition systems are actively being used in Pearson offices. 2012 saw a further expansion of video-conferencing capacity with 12 new systems introduced in Argentina, Australia (4 sites), Brazil (2 sites), Mexico, Norway, Sri Lanka, United States and Uruguay.
- In the US, Germany and Australia, we have both reduced the number of cars in our fleet, aiming to replace others with hybrid and lower emission vehicles where possible. The number of hybrids in the US fleet increased from 33 in 2009 to 295 in 2012 and our aim continues to be for the majority of the fleet to be hybrids.

Renewable energy

Metric Tonnes of CO2e

2012	Reduction from Green Electricity	%
194,756	128,542	↓66

We are committed to using renewable electricity across our operations where it is economically viable to do so.

- We first secured a supply of green electricity for all our main buildings in the UK in 2009. This was continued for all of 2012.
- Around a third of our buildings in the United States secured a supply of green electricity from their local utilities.
- For 2012, we purchased renewable electricity credits to cover the rest of our global electricity use.

Last year, we committed that for 2012 100% of our electricity supply be sourced from utilities or through the purchase of renewable electricity credits. We have achieved that goal and will continue for 2013.

Pearson is one of the top 50 purchasers of renewable energy credits in the United States and was named as a 2010 Green Power Leadership Award winner by the US Environmental Protection Agency.

Our first renewable electricity project went live in December 2009. Over its lifetime the new solar panels on our building at Old Tappan in New Jersey is expected to produce electricity equivalent to 4,325 metric tonnes of CO2e. To date, the Old Tappan solar panel project is generating 9% more than projected. The net cost to Pearson of the 210 MW solar panel installation project was US\$1m with a 4 year payback period.

During 2011 we installed our first wind turbine project in Owatonna, Minnesota and completed a second solar panel installation project at our Cranbury Distribution Center in New Jersey. When installed, the Cranbury project was among the largest company owned single roof projects in the world.

We have invested in excess of \$10 million in renewable energy generation with a capacity as follows:

MW	2009	2010	2011	2012
Solar				
Old Tappan		210	210	210
Cranbury			2000	2000
Wind				
Owatonna			95	95
Total		210	2305	2305

During 2011, a second wind turbine project and a third solar panel installation were approved in principle. However, following detailed feasibility studies, neither of these projects met our investment criteria.

We have identified a new solar panel installation project in the United States. This has been approved in principle by the Pearson Environment Executive Committee and is in the final stages of feasibility review.

The renewable energy credits relating to our own generation are being sold and the proceeds reinvested in our green fund.

Climate neutrality: our global offset partnerships

Whatever emissions we are not able to reduce or avoid are offset by supporting a range of projects that either save or absorb a tonne of carbon for each tonne that we emit. Our climate footprint as at the end of 2012 was 194,756 metric tonnes of carbon dioxide (CO₂e) and of that Pearson offset 42,959 metric tonnes to maintain our commitment to climate neutrality.

We did this through extending our partnerships with the Children's Tropical Forests UK, the Nature Conservancy Council and the Woodland Trust to include offset purchase.

- In the UK, we support Woodland Carbon offered by the Woodland Trust. Woodland Carbon was the first scheme to meet the UK's voluntary standard for woodland creation projects which sequester carbon. Our funding has contributed to the creation of over 11 hectares of new native woodland in Heartwood Forest in St Albans.
- Through the Nature Conservancy Council we invested in offsets sourced from the Clinch Valley in south-western Virginia. The Clinch, Powell and Holston rivers, the last free-flowing tributaries of the Tennessee River system run through the area and are home to the highest concentration of globally rare and imperilled fish and freshwater mussels.
- The Children's Tropical Forests UK is our primary offset partner. For 2012, we have agreed to purchase and protect rainforest in Colombia sufficient to offset the remainder. This adds to our existing commitment to protect rainforest in Costa Rica for previous years of the Pearson climate neutral commitment.

Climate neutrality: role of our books, magazines and newspapers

Our books, magazines and newspapers continue to cover climate change as an issue and have developed some innovative ways to provoke debate and inspire action.

- The FT newspaper has a long tradition of reporting on environmental and energy related topics. During 2012, special reports included investigations on managing climate change; urban ingenuity as well as the future of the food industry.
- Penguin publishes a range of books with an environmental theme including *The Rough Guide to Climate Change*. More information on Green Penguin activity and books can be found on the UK and US environment websites for Penguin.
- Penguin Group in South Africa published Going Green – 365 Ways to Change Our World. Copies of this were circulated to members of the Pearson Executive Environment Committee and others. Green tips can be registered on the Penguin Group website for South Africa.
- Over the last 25 years, BTEC qualifications have offered a vocational pathway into employment or further study. As part of a wider suite of qualifications on sustainability skills, the BTEC Level 3 National in Environmental Sustainability was offered for first teaching from September 2011. This offers learners interested in sustainability clear progression pathways into employment or into Higher, Specialist and Professional courses.

Water, Waste and Packaging

Water

Our offices do not use water beyond basic needs - we set targets to reduce usage and it forms part of our climate footprint. We declare water usage data in our section on data.

Unsold product

We sell a variety of products. Most of our products are paper-based in the form of books, newspapers and magazines. Less than 1% of our sales are products such as CDs and DVDs, and sales of magazines are small. We are committed to recycling as much of our unsold product as possible. Sometimes this happens through industry-wide agreements - as is the case for newspapers in the UK - whilst other initiatives are specific to Pearson. Avoiding unsold product is a key business objective. Improvements in stock control and sales forecasting contribute significantly to reducing the amount of unsold product and to lower cost. Responsible disposal of unsold product is a significant environmental responsibility for us.

	2006	2007	2008	2009	2010	2011	2012	%age change 2012 vs. 2011
Unsold product	98%	99%	99%	98%	98.5%	98.6%	98.7%	+0.1%

Our target is to maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%. This has been achieved since we set the target in 2003 and remains a high priority for us. This will be reviewed in 2013 in light of the planned combination of Penguin and Random House.

Packaging

We use a variety of packaging materials in the distribution of our products worldwide: cardboard, plastic, shrink-wrap and foamfill (a void filler). A particular objective for us has been to reduce the use of plastic and foamfill in favour of packaging based on natural materials. Our use of plastic has reduced by over 85% over the last five years and foamfill use is over 50% less than 2004. We collect data on books handled to allow us to normalise the indicators we use.

Responsible purchasing

Pearson purchases in excess of £2 billion of goods and services from suppliers around the world each year. In 2001, Pearson made a series of commitments to extend its positive influence across its supply chain.

These commitments formed part of our response to the UN Global Compact, covering labour standards and human rights as well as environmental responsibility. Our supply chain section describes the progress we have made in linking environmental responsibility to our procurement strategy.

Commitments & targets

Our main environmental commitment was to become a climate neutral company in 2009 for existing operations. This means that we commit to reduce or offset our global Greenhouse Gas emissions by 100% each year for our existing operations excluding acquisitions made during the year. Where it is not possible to reduce our emissions by other means, we purchase carbon credits. We have now continued this commitment into 2013.

Pearson adopted a new baseline for data in 2007. Our environment archive provides historic data on our performance against targets.

Target 2012	Progress	Plan 2013
Continue to extend our green team network.	 Ongoing. Over 40 Green Teams are now in place in Pearson businesses around the world. Country carbon footprints for 20 countries maintained for 2012.	Continue to extend our green team network
Publish work to date on carbon footprint at Penguin	 Achieved. See indirect impact section online product carbon footprint tool.	Extend carbon footprint tool to include Pearson UK by the end of 2014
Maintain our position in the key indices of social responsibility.	 Achieved. Pearson was awarded Gold status in the Dow Jones Sustainability Indices, maintained inclusion in FTSE4Good indices and was named as a Platinum Big Tick company in the Business in the Community Corporate responsibility index.	Maintain our position in the key indices of social responsibility.
Our new target is to reduce energy use on an absolute basis by 25% by the end of 2015 using 2010 as the baseline	 Ongoing. Achieved a 7% like for like reduction and a 2% absolute reduction against our target of 25%. Our absolute energy use reduction using 2009 as a baseline was 26%.	Revised target to reduce energy use on an absolute basis by 5% by the end of 2013. We plan to set a new target following completion of creation of Penguin Random House
Using 2009 as the base year, we aim to reduce our Greenhouse Gas emissions by 20% by	 Our 2012 GHG like for like emissions were down by 12% based on 2009 levels and 7% in absolute terms.	Using 2009 as the base year, we aim to reduce our Greenhouse Gas emissions by 20% by

the end of 2015

Continue to reduce per employee air travel in 2012.

✔ Achieved. Air travel per employee decreased by 10%.

Complete investment programme in video-conferencing technology by 2012

✔ Achieved. Investments made in Latin America, Australia, Europe, Sri Lanka and the United States complete.

Using 2010 as the base year, our target is to reduce like-for-like water use across the company by 10% per square metre of occupied space by the end of 2015.

✔ Achieved. Water use reported reduction of over 30% per square metre.

Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%.

✔ Achieved 98.7%.

Complete solar installation at Old Tappan and the wind turbine in Iowa City by the end of 2013.

✘ Not achieved. Neither the project at our Old Tappan offices in New Jersey nor the wind turbine project in Iowa City met our final feasibility review.

Extend our commitment to purchase green electricity to cover all our global operations.

✔ Achieved.

Review the Planet Pearson Environmental Awards

✔ Planet Pearson Environmental Awards discontinued.

the end of 2012.

Continue to reduce per employee air travel in 2013.

Continue investment programme in video-conferencing technology prioritising the United States and growth markets.

We plan to set a new target following completion of creation of Penguin Random House.

Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%. We plan to set a new target following completion of creation of Penguin Random House.

Complete a new solar panel project by the end of 2014.

Maintain our commitment to purchase green electricity into 2013.

Consider including an environment category in a revamped community awards

Target 275 hybrid vehicles in the Pearson fleet in 2012

✔ Achieved over 300 in 2012.

Target 325 hybrid vehicles in the Pearson fleet in 2013

Continue our drive for independently verified certification to ensure the suitability of paper we purchase for our books, newspapers and magazines.

✔ Achieved. See our separate report on paper purchasing

Continue our drive for independently verified certification to ensure the suitability of paper we purchase for our books, newspapers and magazines.

Continue programme of certification against Leadership in Energy and Environmental Design (LEED)- the US Green Buildings Council

✔ Six buildings certified against LEED.

Add a further two buildings to be certified against Leadership in Energy and Environmental Design (LEED) - the US Green Buildings Council standard by 2015.

Review how we help our people and learners to gain sustainability skills. Consider how we educate our workforce on environmental issues

Review our GHG reporting in light of introduction for UK listed companies of mandatory GHG reporting. Scope to include independent process review



Corporate Citizenship Summary Assurance statement

We have reviewed the 2012 global environmental data, including energy use (electricity and fossil fuel), business travel, water use and corporate greenhouse gas emissions for Pearson's operations in the United Kingdom, United States and Australia, Canada, Germany, India, South Africa and China in order to verify that the reported data has not been misstated.

Pearson's corporate greenhouse gas emissions have been reviewed in accordance with the World Resources Institute/World Business Council on Sustainable Development Greenhouse Gas Protocol Guidelines (WRI/WBCSD GHG Protocol).

Based on the work performed, which is outlined in our full assurance statement available on the Pearson website, nothing has come to our attention to indicate that Pearson's global environmental data is not, in all material respects, appropriately reported.

Corporate Citizenship, 2013
www.corporate-citizenship.com