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PEARSON

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Learn more about Pearson at: cr2011.pearson.com

www.facebook.com/pearsonplc

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www.twitter.com/pearsonplc

> INTRODUCTION

A message from Robin Freestone

Robin Freestone Chief financial officer

Last year, we set out a new responsibility framework for Pearson:

I. We start with our company strategy and purpose. Pearson is a commercial organisation with a social purpose: to help people make progress in their lives through learning. We believe our commercial goals and our social purpose are mutually reinforcing and that our financial strength provides the means for us to invest and innovate.

2. We focus on three key issues of social and economic importance where we believe Pearson can make a unique contribution. They are literacy, learning outcomes and competitiveness.

3. Beyond those three issues, we have a wider agenda for responsible business practice that covers our interest in nurturing diversity, investment in community partnerships, supply chain management and environmental responsibility.

4. We recognise that our approach to responsible business is grounded in our company values, ethics and behaviour.

This framework is a good one for Pearson and in this report, we set out the commitments we have made and the actions we are taking around the company. We are pleased that our commitment – and in particular the efforts of our people – continue to be recognised by authorities in the field. We led our sector and achieved gold status in the Dow Jones Sustainability Index, and were ranked Platinum level in Business in the Community's Corporate Responsibility Index.

Still, our company and our industries faced challenges in 2011. We contributed to the Leveson Inquiry into the culture, practices and ethics of the UK press; The Pearson Foundation was the subject of some public criticism (which it, and we, believe is misplaced); and the UK's examination boards, including our own Edexcel, faced intense media and political scrutiny.

We have learnt from all those issues, and many others besides. In fact our motto – *always learning* – does set out the way we try to think and operate as a company. We therefore welcome comments and feedback on this aspect of the company as we do any other. Please e-mail me at robin.freestone@pearson.com or contact our head of corporate responsibility, Peter Hughes, at peter.hughes@pearson.com with any questions or thoughts you may have.

Robin Freestone Chief financial officer (and board member responsible for corporate responsibility)

INTRODUCTION CONTINUED

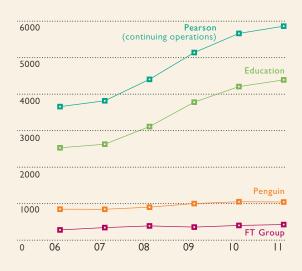
About Pearson

Pearson is the world's leading learning company. We have 41,000 people in more than 70 countries, helping people of all ages to make progress in their lives through all kinds of learning.

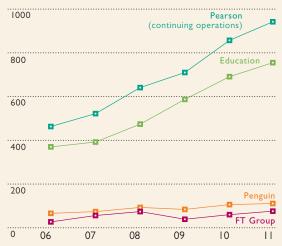
Watch Always learning: A short video illustrating what we'd like to think and say about Pearson www.pearson.com/always-learning/

Financial highlights

SALES £m



ADJUSTED OPERATING PROFIT £m



SUSTAINED ORGANIC INVESTMENT \$m

Pre-publication expenditure and authors' advances

II 794	
10 816	
09 794	
08 775	
07 741	

INTRODUCTION CONTINUED

Education

We provide learning materials, technologies, assessments and services to teachers and students of all ages and in more than 70 countries.



Consumer publishing

Penguin publishes more than 4,000 fiction and non-fiction books each year – on paper, on screens and in audio formats – for readers of all ages. It is one of the world's leading consumer publishing businesses and an iconic global brand.



Business information

The FT Group provides news, data, comment and analysis to the international business community. It is known around the world for its independent and authoritative information.



INTRODUCTION CONTINUED

Recent acquisitions

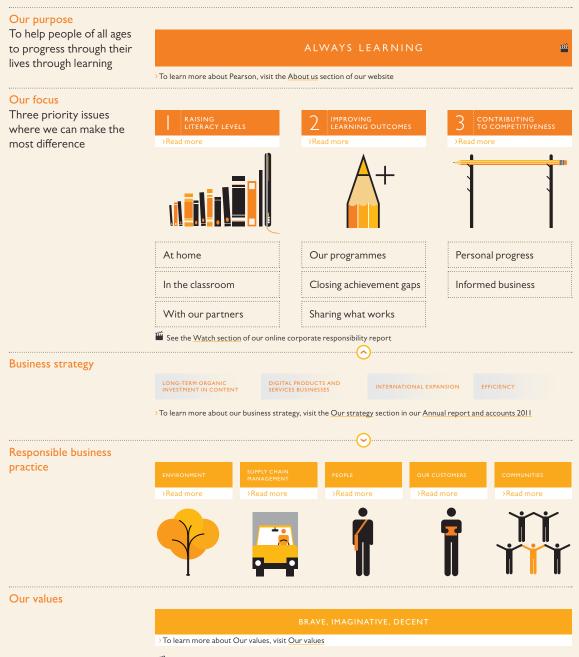
Pearson is growing both organically and through bolt-on acquisitions. Our goal is to grow our international reach, to develop our capacity in professional and career learning and to invest in new or emerging business models, often digital and services-led. A number of new companies joined Pearson in 2011.

			Purchase price
> Schoolnet	 Technology that helps teachers improve and tailor instruction for five million students 	US	\$230m
> Connections Academy	 Online virtual schools serving 40,000 students in 21 states 	US	\$400m
> Stark	> Education materials	Germany	Not disclosed
> TQ	> Vocational and technical training	UK and Middle East	Not disclosed
> Compania des Letras	> 45% of leading trade publisher	Brazil	Not disclosed
> EDI	 Vocational and work-based learning qualifications and testing 	UK	£112m
> Assanka	> Web-developer	UK	Not disclosed
> Global Education	> 450 English language test centres	China	\$155m

> OUR FRAMEWORK

Our framework

We believe that there is no one single definition of responsible business practice that can be applied to every company. Instead, we have developed our own responsible business framework to reflect who we are as a company, what we do and the expectations that our investors, customers and the people that work at Pearson have of us. Our approach is dynamic, shaped and influenced by the priorities and views of our many stakeholders.



Click the clapper! Watch our case study films.

OUR FRAMEWORK CONTINUED

Values, principles and behaviour

The bedrock of corporate responsibility at Pearson is our company culture. We have a clear and simple set of values – in everything we do, we aspire to be brave, imaginative and decent.

These values are embedded in our Code of conduct which covers, among other things, the environment, employees, individual conduct, community and society.

Once a year, everyone working for Pearson gets a copy of our Code of conduct, either electronically or on paper. We ask them to read it, to confirm to the Pearson CEO that they have read it and understood it, and in doing so, to provide a check that the company complies with it. The code forms part of induction and an online training module is available. If anyone has concerns, they can raise them with a line manager or through a free, confidential telephone line/website.

An ethics website provides easy access to our Code of conduct in local languages and a secure way for people to raise and track issues of potential concern.

https://secure.ethicspoint.com/domain/media/en/ gui/17545/index.html

Global Compact

During 2000, Pearson, along with other companies, signed a 'global compact' at the United Nations which sets out a series of principles on labour standards, human rights, the environment and combating corruption. In 2001 we put in place a series of commitments relating to the principles supported by ways to monitor our performance. Each year, we submit a <u>report on our progress</u> to the United Nations describing how our guidelines reflect the UN principles and show the progress made against our key commitments.

Corporate responsibility governance

Corporate responsibility cannot be separated from our financial performance and reputation. As such, our board of directors has ultimate responsibility for considering issues of business responsibility in setting business strategy. The board reviewed corporate responsibility progress at the April 2011 meeting. The Pearson management committee drives implementation of business strategy including our response to the key issues and opportunities we face.

Pearson's corporate responsibility steering group oversees the development of our corporate responsibility strategy on behalf of the board. It is chaired by Robin Freestone, the board member responsible for corporate responsibility. The group meets quarterly, with a remit to support and challenge the operating divisions both to grasp relevant commercial opportunities and to mitigate the risks inherent in the issues we track as part of our responsible business practice framework.

Risk management

Pearson also has an established risk assessment process for identifying and managing Social, Environmental and Ethical (SEE) risk. We believe SEE risks are no different from other types of business risk, so their consideration is integrated into our normal risk procedures. Operating companies formally review their SEE risk profile twice a year updating Group Internal Audit. Material SEE risks are reported to the audit committee and to the board.

Tax strategy and governance

The Pearson Code of conduct sets the standard against which we develop our tax strategy. Our code requires all Pearson companies to comply with the laws and regulations of the countries in which we operate and this includes taxation payments to governments. We paid £151m in corporation tax globally in 2011. We also pay significant amounts of other types of tax to local, regional and national governments; these include employer taxes, VAT, sales taxes, and customs duties as well as other local taxes.

In addition to complying with our Code of conduct, tax strategy reflects our business strategy and the locations and financing needs of our operations. In common with many companies, we seek to manage our tax affairs in order to maximise the value of the company. We are committed to comply with all statutory obligations, to undertake full disclosure to tax authorities and to follow agreed policies and procedures with regard to tax planning and strategy.

Oversight of tax strategy is within the remit of the audit committee, which receives a report on this topic at least once a year. All of the audit committee members are independent non-executive directors. The chief financial officer is responsible for tax strategy; the conduct of our tax affairs and the management of tax risk are delegated to a global team of tax professionals. The chief financial officer is also the board member responsible for corporate responsibility matters.

Political contributions and public policy debate

Our company is not partisan. This position reflects our company values and heritage. Editorial integrity and independence are fundamental to the way that the Financial Times reports the news. Penguin has a long and proud history of championing free speech and publishes authors drawn from across the political spectrum. Political neutrality means that we do not make corporate political contributions to parties, candidates for public office or to election campaigns. The term political contributions includes loans, the advance or deposit of money or anything else of value given directly to a candidate campaign or political party. Company employees can and do get involved in the political process and make personal contributions, but decisions to do so are entirely personal and voluntary.

Pearson has dedicated Government Relations employees who lobby on issues where the company can contribute our insight and knowledge or which impact on our ability to do business. Members of the Government Relations team are responsible for responding to global legislative agendas, being the public face of the company with elected officials around the world and for tracking how political and legislative trends might impact on our business. In all our work, we are guided by the company purpose which is to help people to progress through their lives through learning and by the code of conduct which set out the standards of integrity and professionalism we expect of all our employees. Our purpose overrides the short-term commercial interests of a particular business product. We have public policy professionals at our Head Office and in our businesses supported as needed by external lobbyists that act directly on our behalf. We comply with applicable laws and public disclosure obligations.

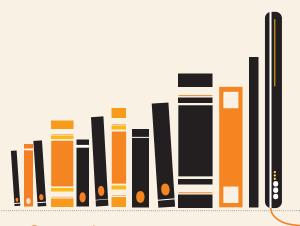
We participate in various trade associations relevant to our business. During 2011, we contributed to education policy discussion around the world through these associations. Pearson has also made individual submissions on the issues of intellectual property, press ethics, improving future standards in examinations and assessment in the UK as well as the role of the private sector in contributing to improved access to education in low-income countries.

OUR FRAMEWORK CONTINUED

	2011 plans		2012 plans
Risk management	Review how we support our operating businesses in assessing, managing and mitigate SEE risks	Achieved. The CR Steering Group agreed that the operating companies should pilot a new workshop approach to help in the identification, assessment and management of SEE risks	To pilot the new workshop approach in our businesses, to assess its effectiveness and to roll out as appropriate.
Stakeholder engagement	Consult stakeholders on our responsible business framework and on our key issues	Ongoing. We have sought feedback on the overall responsible business framework through presentations to employees, a dedicated intranet site, bilateral meetings and through our corporate responsibility reporting.	To continue to develop how we consult both on our responsible business framework and on our key issues
Metrics	Develop new ways of assessing how we are doing in our three key priority areas of literacy, efficacy and competitiveness	Ongoing. A series of objectives, measures and targets are included in this report.	Continue to develop metrics, targets and objectives to measure and assess our progress.
Benchmarking	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice	Achieved. We again led our sector in the Dow Jones Sustainability Indices and were ranked Platinum, the highest possible in the BITC Corporate Responsibility Index	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice

> RAISING LITERACY LEVELS

Through our products and partnerships, we play an important part in helping people to learn to read and to enjoy reading.



Our businesses all depend on the premise that people can read, want to learn and enjoy doing it. We therefore have a keen interest in doing all we can to nurture enthusiastic readers.

Being able to read has a profound influence on how people progress in modern life. How well you do at school, what job you get and how you get involved in civil society all depend on being literate. Reading is the basic building block that opens the door for people to realise their individual potential. This is why raising literacy levels is one of our three priority focus areas.

There is also a lot to do. Around the world, one in five adults – nearly 800 million people – cannot read. Most of them are in poorer areas of the world. Africa, as a whole continent, has less than a 60% literacy rate. Countries with large numbers of non-literate adults include India, China, Bangladesh, Pakistan, Nigeria, Ethiopia, Indonesia, and Egypt.

However, it would be a mistake to think that not being able to read is only an issue in developing economies of the world. According to the National Adult Literacy Survey, there are some 40 million adults in the United States who cannot read or write well enough to deal with the everyday requirements of life. Similar research suggests that one-fifth of adults in England have difficulties with basic literacy.

Our approach

We play a part in three main ways:

- > Our reading programmes both print and digital are found in classrooms the world over.
- > For many, the first story that they read or that is read aloud to them will be a Penguin title.
- > We partner with others to run projects and campaigns to promote reading and to give books.

Reading in the classroom

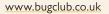
We have a full range of reading programmes designed to help students to learn to read. Whether these are print or online, whole school or for students that need extra help, they all reflect our commitment to improving reading standards for individual learners.

RAISING LITERACY LEVELS CONTINUED

Case study: Bug Club

Bug Club is a ground breaking whole-school reading programme that links 300+ books with an online reading world to teach today's children to read. It is phonics-based which means students learn to read by recognising letters and words through sounds. Bug Club is carefully graded to allow individual students to develop and progress at their own pace. Bug Club is available in Australia, Hong Kong, Russia as well as the UK. Bug Club won the 'Best Use of Multimedia' award at the British Book Design and Production Awards. Introduced in 2010, Big Club already has 190,000 registered online users.

http://www.youtube.com/watch?v=LXwaUwEfHrl



Case study: iLit (inspire literacy)

Pearson's iLit programme is like no other reading programme. Designed for struggling readers it is the first reading programme built and delivered completely on the iPad. It supports, rewards, engages and instructs based around the learning needs of the individual student.

Case study: Reading Street

Reading Street is on the front line of improving student reading skills in thousands of schools in every state in the United States. Reading Street, available as a print, blended, or fully digital programme, combines research-based instruction and embedded assessment with videos, animation, activities, songs and audio to engage and motivate students. It is designed to allow teachers to personalise instruction for every child.

As part of our wider commitment to research, this year we released the year two findings from the Reading Street Longitudinal Efficacy Study.

http://www.pearsoned.com/wp-content/uploads/reading-streetefficacy-study-2009-2010_final.pdf Reading

www.readingstreet.com



RAISING LITERACY LEVELS CONTINUED

Case study: Waterford Early Learning[™]

Waterford Early Learning[™] is a digital learning programme designed to help all children learn based on each child's unique learning needs, whether gifted or in need of extra support.

Through thousands of activities, hundreds of books and songs, DVDs, CDs and newsletters, the Waterford Early Reading programme draws on decades of research to develop comprehension, vocabulary and an understanding of language concepts.

Pearson has partnered with the non-profit Waterford Institute for a decade. Waterford focuses on research and development while Pearson markets and sells Waterford's educational products to schools. In addition to reading, courses on Science and Mathematics are also available. Two million users are registered with Waterford Early Learning.

As part of our wider commitment to research, this year we released the year one findings of the Waterford Early Reading and Math Longitudinal Efficacy Study.

http://www.waterfordearlylearning.org/index.html

Case study: SuccessMaker

SuccessMaker is a digitally driven set of courses tailored to the needs of the individual learner that supplements regular classroom reading and mathematics instruction.

It combines one-on-one instruction, fun ways to engage and involve students and progress reporting for the teacher to aid timely intervention. From its initial development 30 years ago, through to ongoing improvement of the product usability and efficacy testing, the research that went into SuccessMaker constitutes the biggest ongoing research effort to date for any of our digital products. SuccessMaker received the 2010 'Tech & Learning' Magazine's Award of Excellence. Over three million users are registered on SuccessMaker.

As part of our wider commitment to research, this year we released SuccessMaker Reading as a Supplement to Core Instruction Efficacy Study.

http://www.pearsoned.com/wp-content/uploads/sm-reading-rct-report1.pdf

🞬 http://youtu.be/3Z_elqoxaH0











> RAISING LITERACY LEVELS CONTINUED

Reading in the home

Enthusiastic readers are inspired by great stories, beautifully told. Our Penguin children's books imprints – Puffin, Frederick Warne and Ladybird books – all provide plenty of options. Reading today is changing. Children today read in many ways; at home and on the move. We believe in offering stories that are beautiful, engaging and fun regardless of format.

Case study: DK My first ABC

One of the great opportunities presented by mobile devices is to reach learners at home and on the move. As part of the launch of Apple's education iBookstore, we published four interactive DK titles including *My first ABC*. Through widgets, video, animations and questions, the book breaks new ground for parents to help a child to learn their first words.

www.itunes.apple.com/gb/book/my-first-abc/id495856724?mt=11

Case study: Ladybird Books

For millions of people the world over, Ladybird Books are known and loved. As the most recognisable brand in children's books, they play an essential role in helping kids to learn to read and to discover the magic of books.

Ladybird today offers its widest ever range of formats and styles from birth to eight-years-old including its baby touch app. Ladybird's award-winning baby range is informed by the latest research relating to how babies learn and respond. The toddler list uses rhyme, stories and songs in interactive formats to give children a head start in learning.

www.ladybird.co.uk

Case study: Books for Boys, Penguin US and Heroes, Pearson UK

Boys are often thought to be more reluctant readers than girls.

To learn more about the issue, we commissioned a survey of UK teachers. One finding was that book length was a barrier. Some 70% of the 500 teachers surveyed said that boys had switched off by the 100 page mark. We have responded by developing the heroes series – short, accessible stories that can be read in class over six weeks.

In the United States, Penguin has a site dedicated to books for boys. It provides book ideas based on themes from action and adventure to creepy crawlies; by age and by popular series. Penguin organises thousands of visits by its authors to schools and libraries each year helping bring alive the stories.

http://www.youtube.com/watch?v=PH5OrSfEJLI







RAISING LITERACY LEVELS CONTINUED

Partnering with others to encourage reading:

Reading - we take it personally

A parent reading aloud with their children is one of the most powerful ways to boost vocabulary and language development, according to research we commissioned as part of our Booktime programme.

Books inform, educate, but also inspire. We believe that a passion for reading is one of the greatest gifts that anyone can give and recognising that, a central pillar of our charitable programme is to offer access to free books to provide opportunities for shared reading.

2011 saw us achieve some important milestones:

Case study: Booktime

We gave our six millionth book under our Booktime programme, which sees every child in England starting school receive a book pack containing two free books from Penguin and Pearson Primary to take home, read and keep. More than 17,000 primary schools are involved and more than 1,000 libraries hold Booktime events. Run in partnership with Booktrust, our distribution centre in Rugby send out the books, our customer services teams support schools and our authors freely give their time as well as waiving royalties on their books.

http://www.youtube.com/watch?v=yKV3FVilodw

Case study: Book Aid International

We are about to give our one millionth book to Book Aid, the charity that supports the development of libraries in schools and local communities in sub-Saharan Africa. One in five of the books donated to Book Aid come from Pearson or Penguin, helping benefit more than 2,000 libraries last year alone. As well as giving free books, we also funded three projects to help develop library services in schools and communities in Zanzibar, Uganda and Kenya.

http://www.bookaid.org/get-involved/companies/ corporate-partners/pearson/

Case study: Pearson Foundation and Wegivebooks.org

Over 600,000 books have been given through Wegivebooks.org, an award winning online digital reading and giving site developed and run by the Pearson Foundation. The concept is simple, to reward a reader for reading a Penguin or DK book online, the Pearson Foundation will donate a physical book to a range of causes. The reader selects the cause that most appeals. The initiative is a perfect combination of reading and giving.

http://www.youtube.com/watch?v=Fz4gD_nq4il







RAISING LITERACY LEVELS CONTINUED

Case study: Pearson Foundation/Read for the Record™

2,184,155 people read Llama Llama Red Pajama by Anna Dewdney in the 2011 Read for the Record[™] campaign. The Pearson Foundation is a funder and founding partner of Jumpstart's Read for the Record. People read in homes, schools, libraries, community centres and through We Give Books. The Pearson Foundation also donated more than 200,000 copies of this year's book to young people helping them take part in the record-breaking day.

http://www.youtube.com/watch?v=7TLbPqD-EgY&feature=relmfu

Case study: Pearson Foundation/Early Childhood Development

Why does elephant have a trunk? Tinga Tinga Tales, a BBC 52-part series based on classic African folk tales of how animals came to be, supplies the answer. The Pearson Foundation has also created a fantastic Early Child Development programme for primary school teachers in Tanzania and Kenya using the Tinga Tinga Tales books and films.

Puffin produces the books that accompany the series. This year, Why does elephant have a trunk? was also the Penguin title in the Booktime pack. As part of Wegivebooks.org, readers can read a Tinga Tinga Tale online and send a Tinga Tinga Tales book to Africa.



Case study: Penguin US/Dollywood Foundation

A ground-breaking partnership with the Dollywood Foundation. Over 23 million age appropriate book have been delivered – one each month to every child under five in participating communities.

Key indicators - reading programmes

	Users
Bug Club	145,000
Successmaker	3,100,000
Waterford Early Learning	2,900,000

Our plans

> Support an international conference on literacy bringing together experts from around the world

- > Continue to develop our global metrics to demonstrate our contribution to learning including developing a reading map on how we support literacy development across the generations
- > Continue to commission research into our impact on reading
- > Make public commitments relating to reading and in particular book-gifting
- > Pilot volunteering models in libraries
- > Establish a dedicated reading/literacy group on Neo, our internal collaboration and engagement tool
- > Launch an awareness raising campaign in Pearson on reading and book gifting

2 > IMPROVING LEARNING OUTCOMES

Our responsibility as a company is to play our full part in informing, shaping and making learning effective for people of all ages. This focus on learning outcomes is a critical part of our responsibility vision.

There is much debate over what makes for an effective education system. There is also a concern in both developed and emerging markets that individual institutions and entire education systems are no longer fit-for-purpose for the modern world.

What role should businesses play? Governments, policymakers, teachers and students rightly expect that companies should research and report on the learning outcomes that come from their services and that they are transparent and responsible in their marketing and communications. They should also contribute to the wider debate on how education systems can be improved. However, in the past, there were limitations on the extent to which a textbook publisher selling products to education institutions could measure their impact on learning outcomes. As our transition towards being an education technology and services provider gathers pace, so do the opportunities to help understand and inform on what works best to help students succeed. We recognise that as we become more directly involved in the process of learning, we are also more accountable for outcomes.

We believe that this is a business opportunity and that demonstrating effectiveness will benefit us by way of increased sales, market share and improved reputation. By taking the initiative, we believe we can make a difference to the quality of education and achieve business growth.

\mathcal{V}] $m{ m S}$ IMPROVING LEARNING OUTCOMES CONTINUED

We have:

- > Appointed Sir Michael Barber as Chief education advisor. As part of his role, Michael will oversee our efforts on improving learning outcomes.
- Convened our first global research conference in Western Australia bringing together and sharing good practice among the research community within Pearson.
- Incorporated improving learning outcomes as one of the five core themes we debated at our annual strategy conference.
- > Appointed a network of business champions to take forward our developing agenda.
- > Piloted a new tool to help us assess learning outcomes.
- Opened the iDEA Innovation Centre, a digital laboratory focused on user-centred design, software usability testing, and efficacy research for use by the business globally.

We will:

- > Set up an online portal to bring together all the research we commission from around the world into a single searchable site.
- > Further extend our pilot into assessing learning outcomes.
- > Start to map by product, service and geography our approach to assessing learning impacts.
- Establish a Pearson Executive Research Council to oversee the approach, process and consistency of commissioning and using research within Pearson.
- > Run an internal awareness campaign on this aspect of the responsibility agenda within the company.

We aim to make a difference by:

- > Ensuring that our own education programmes are developed and assessed for quality, efficacy and usability;
- > Helping close achievement gaps for individual learners and schools;
- > Focusing on teacher education and development;
- > Helping share what works between education policymakers and generating new ideas.

Quality, efficacy and usability

Pearson's transition from textbook publisher to education technology and service provider is a major strategic change. Where we once sold products to education institutions, we now also provide services, often online or digital, to help them and their students to succeed. We are therefore increasingly becoming more directly involved in the process of learning, and more accountable for outcomes.

We are devoting significant resources to improving student success and teacher institutional effectiveness.

/ > IMPROVING LEARNING OUTCOMES CONTINUED

Case study: Research in North America

A distinguishing characteristic for Pearson in the North American schools market is our ongoing significant investment in research and reporting on efficacy. We consistently employ randomised control trials – the gold standard in research – to determine the effectiveness of our curricula in the classroom and to evaluate the impact on student learning. We commission independent third-party research firms to work with school districts across the US to conduct these efficacy studies that use the same rigorous scientific model that the Department of Education's What Works Clearinghouse requires. Our research reports for 2011:

- 1. Reading Street Longitudinal Efficacy Study (Year Two Findings)
- 2. Words Their Way: A Response to Intervention Efficacy Study
- Reality Central/Summary Scorer: A Response to Intervention Efficacy Study
- 4. focusMath: A Response to Intervention Efficacy Study
- 5. enVisionMATH: A Digital Path Case Study
- 6. High School Math Longitudinal Efficacy Study (Year Two Findings)
- 7. Elementary Interactive Science: An Extended Pilot Study
- 8. Middle School Interactive Science Efficacy Study
- 9. Chemistry Pilot Study
- 10. SuccessMaker Reading as a Supplement to Core Instruction Efficacy Study
- Waterford Early Reading and Math Longitudinal Efficacy Study (Year One Findings)
- http://www.pearsoned.com/research/prek-12-research/

Case study: Usability

Our usability lab allows Pearson instructional design teams and researchers to develop and improve our programmes. Alongside the usability lab sits the Pearson iDEA Innovation Centre, a digital laboratory focused on user-centred design, software usability testing, and efficacy research for use by the business globally.



IMPROVING LEARNING OUTCOMES CONTINUED

Case study: MyLab and Mastering

Pearson's pioneering 'MyLab' digital learning, homework and assessment programmes grew from to eight to ten million students registered in 2011. Evaluation studies show that the use of MyLab programmes can significantly improve student test scores and institutional efficiency.

http://bit.ly/ymMMAi

Closing achievement gaps

Pearson is investing in new models of education – both to set up new schools or help turn around struggling ones. Our aim is to make the fundamental changes necessary to the system to sustain improvements for the long term. We draw on Pearson's research and proven resources – including curriculum, assessment, technology, and teacher professional development products and services.

Case study: Bridge International Academies in Kenya

Bridge Academies offer quality schooling for less than \$4 per month. How to extend access to quality schooling as an affordable option for the world's poorest people is a vitally important question. Pearson is a significant minority investor in Bridge, and views the Bridge model as having potential for providing low-cost schooling in other parts of the world as well. We have made a commitment for 2012 to look to further invest in new low-cost, sustainable solutions to schooling inviting others to partner with us. Learning outcomes are key metrics in our investment model.

Case study: School Improvement Services in the United States

Our model of instruction, assessment, leadership development, professional development, coaching and ongoing consulting services is designed to help turn around schools, where students are having difficulty meeting state standards across multiple subjects. It has been applied in more than 2,000 schools in 38 states. For example, after one year of working with the lowest-performing elementary schools in Arkansas, students from America's Choice schools outpaced state gains in proficiency in both literacy and mathematics.

http://youtu.be/RxYcthkyU3E

http://www.americaschoice.org/uploads/Case_Studies_SIM/ kilpatrick_AC_casestudy.pdf







IMPROVING LEARNING OUTCOMES CONTINUED

Teacher effectiveness

We work with teachers to improve teaching effectiveness with content and services that support teachers from their earliest undergraduate experiences and then throughout their teaching careers. We do this through our businesses and in partnership with others.

Case study: Educator effectiveness, Pearson North America

A priority for Pearson is to help teachers understand and improve their performance – what's working, what isn't and what they need to do to continuously improve their impact on student learning. By giving teachers the insight they need, they can set their own improvement plans and in turn reach students in ever more meaningful ways. In 2011, we launched our educator effectiveness programme in the US to offer this service. By bringing together classroom observation, student performance data, peer reviews and performance surveys, it is possible to start to develop tailored support for educators throughout their careers.

http://educatoreffectiveness.pearsonassessments.com/

Case study: Great Colombian Teachers

The Great Colombian Teachers initiative aims to provide academic support and recognition to English language teachers in Colombia.

The initiative uses open-source content management software providing the means for teachers to contribute and share their thoughts and ideas.

http://www.youtube.com/watch?v=QjoPyxFHBzI

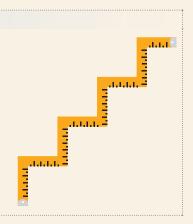
Case study: Pearson Teaching Awards, UK

The Teaching Awards are one way to recognise amazing teachers, headteachers and teaching assistants who help students to achieve exceptional results, both academically and socially, often against the odds.

http://www.youtube.com/watch?feature=player_ embedded&v=HdVIRifizBc







) > IMPROVING LEARNING OUTCOMES CONTINUED

Sharing what works and helping stimulate debate

Active in education in more than 70 countries, Pearson can play a role in stimulating debate helping share experience, insight and perspectives on the future direction of education systems around the world.

Case study: UK examination awarding bodies

Since becoming involved in the English examinations system in 2003 through acquiring the awarding body Edexcel, Pearson has drawn on cross-company technological and assessment expertise to make major strategic investments in on-screen marking and other sector-leading initiatives. Through this investment, Edexcel has built a reputation for innovation and reliability in the UK qualifications sector.

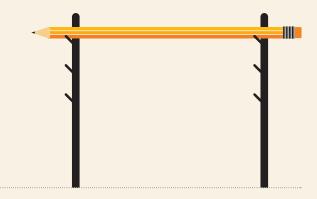
A series of media reports in December called into question the integrity and credibility of the exams system based on an investigation into events for teachers run by the major awarding organisations in the UK.

We have recognised that changes need to be made to the way awarding bodies hold and manage events and have introduced a series of changes to enable a much greater degree of transparency and public scrutiny. These changes include events being recorded and audited. Our statements can be viewed <u>here</u>. We have also launched a major public consultation programme on the future direction of standards in the education system in the UK at

http://www.leadingonstandards.com/

3 > CONTRIBUTING TO COMPETITIVENESS

The connection between education and long-term economic growth is well-documented and increasingly well understood.



Personal progression: helping individuals get ready for work

Getting a job depends on having relevant skills. At this time, when many countries are wrestling with the economic, social and personal cost of unemployment, particularly for the young, it is even more important that we help people develop the skills they need for work.

Case study: CTI Education Group, South Africa

CTI Education Group, one of the leading private higher education groups in South Africa, serving more than 9,000 students has consistently produced a pass rate of more than 80% every year and has, over the last 10 years, placed between 75% and 95% of its graduates into jobs within four months of completing their course.



Case study: Pearson Test of English

English language ability can often be the passport to work or academic opportunity for many, non-native speakers of English.

The Pearson Test of English is designed to help demonstrate that ability. The test can be taken in a network of centres in nearly 50 countries from Australia to Venezuela taking in Brazil, China, Nepal and South Korea along the way.



http://pearsonpte.com/TestMe/Pages/TestMe.aspx

$\beta \rightarrow$ contributing to competitiveness continued

Securing a professional or vocational qualification is an important factor in getting a job. We create and administer millions of admissions, tests, certifications, vocational assessments and general qualifications including:

- BTEC, the vocational qualification recognised by schools, colleges, universities, employers and professional bodies across the United Kingdom and in over 100 countries worldwide.
- > Graduate Management Admission Test (GMAT), the leading test for entrance to business schools and management programmes worldwide.
- NCLEX Nursing examination, required to obtain a licence necessary to apply for work as a nurse in the United States.

We also see that the world of work is changing. The pace of change is rapid and people starting work today can expect to be doing different types of work demanding different skills over a lifetime. Adult learning is one of our biggest global growth opportunities and we are developing ways to help people access and develop new skills.

Case study: MyFoundationsLab

College enrolments in the United States are at record levels, in part fuelled by people unable to access the job market. Many students are arriving on campus and finding they lack the mathematics and English skills needed to do college-level work. MyFoundationsLab is designed to offer students a way to quickly improve their mathematics, reading and writing skills and to avoid expensive remedial teaching programmes.

Doing informed business

The FT Group is the leading provider of essential information, insight and analysis to the global business and opinion-forming community. Access to trusted and informed information is the basis on which businesses make effective decisions. The FT plays a unique global role in providing that information – globally, the *Financial Times* is considered the most important business read (29%) by the most senior people in banks and chief financial officers in large organisations.

Case study: The Financial Times, active in education

In a partnership with the Pearson education businesses, the FT's world-class journalism has been made more easily accessible for graduates, students and professors. A new trademark licence agreement allows Pearson to use a new database of over 100,000 FT articles across its products and services for the education market around the world.



Case study: MBA

The FT also launched MBA Newslines in 2011, a new product aimed at business schools that enables students, faculty and practitioners from around the world to create and share annotations on FT articles. These practical case studies will help students to master business, understand financial markets or see the political economy or international law in action.

Case study: Professionalising Non-Executive Directors

The FT launched the first professional qualification for non-executive directors in conjunction with Edexcel. It has been sold out since launch.

S → CONTRIBUTING TO COMPETITIVENESS CONTINUED

Contributing to debate

We are committed to play an active role in helping shape and inform the global debate around education and learning policy. With the 2015 deadline for achieving the Millennium Development Goals and Education for All Goals fast approaching, it is certainly time to take stock of the role that education has played and should play for the future. We have joined with a range of other organisations as an active member of the Global Compact on Learning. We are contributing to developing and agreeing common metrics to measure the success of the Global Compact goals and innovating through new qualifications and support such as 'Edupreneurs' -a way for people to be trained both as teachers and to help run schools in the developing world. In 2012 we will go further, supporting key events and activities to support the Global Compact on Learning's goals and help them reach a wider global audience.

A key principle for us is that the business sector has an important contribution to make to education and learning policy. However, there is no global body in place to convene business on this issue. We are strong advocates of the view that there is value in engaging the wider business community in a coalition that focuses on the challenges facing developing countries in education and learning, mirroring the Global Business Coalition on Health. We were therefore delighted to support, encourage and help found the Global Business Coalition for Education under the guidance of former UK Prime Minister, Gordon Brown. We hope to see this launched formally in mid 2012.

In 2011 we also engaged with the Global Partnership for Education, formally the Education for All Fast Track Initiative, joining the private sector constituency and playing a leading role at the first ever Replenishment Conference in Copenhagen in November 2011.

	2012 - Las
	2012 plans
Stimulating debate	Continue to increase the number of interventions we make to facilitate constructive debate on key contemporary issues.
Global Compact on Learning	We will support key events and activities relevant to the Global Compact on Learning's goals and to help them reach a wider global audience.
Global Partnership for Education	We will take on the 'lead business' role which includes attending board meetings.

> RESPONSIBLE BUSINESS PRACTICE

Our focus is on the three priority areas where we can make a unique contribution – raising literacy levels, improving learning outcomes and contributing to competitiveness. At the same time we recognise a broader responsible business agenda based on issues which we share with many companies across different industries.



Introduction

Responsible business practice cuts across all aspects of our company and our focus is to integrate this into the way we manage our businesses. The main issues that we track as part of our broad responsible business practice strategy are:

Environment	Supply chain	People	Customers	Communities
Climate change	Responsible procurement	Workforce of the future	Freedom of expression	Active citizenship
Responsible resource use		Diversity and inclusion	Editorial independence and integrity	
		People development	Appropriateness and accessibility of content	
		Collaboration and engagement	Product safety	
		Health, safety and well-being		

Some of these issues are central to our business success; others may be small based on our commercial operations but have the potential to significantly impact our reputation. As we operate in over 70 countries, the relative significance of issues and therefore our responsible business strategy can vary based on varying operational, political and regulatory environments as well as customer expectations.



Environment

Planet Earth is at a crossroads. October 2010 saw the global population on earth reach seven billion. Unprecedented population growth is set to continue as some predict that there will be nine billion people on the planet as soon as 2030.

More people means more competition for food, water, energy and natural resources. WWF has estimated that on current projections, humanity will need at least two planets' worth of natural resources by 2050. At the same time, we are all grappling with understanding the scale and nature of the additional challenges presented by climate change through impacts such as extreme weather patterns and water scarcity. These challenges affect people everywhere, with developing countries the most vulnerable.

We operate in more than 70 countries and we are seeing a continuing global recognition of the effects of climate change whether from our investors or by policymakers and how this is starting to change the business landscape. Regulations are emerging – as are the expectations of the people who work at Pearson and who buy our products and services.

All countries have legitimate aspirations to grow and provide opportunity, but that they do so in a sustainable fashion, should be of deep concern to us all.

In the context of this bigger picture, a challenge for educators is how to be effective in helping people to learn to think critically and to find solutions to difficult problems as well as helping foster the leadership necessary to apply this knowledge to drive change. Pearson, as the world's largest learning company, has a role to play in this change not least as the quality of education outcomes is crucial to equip people with the necessary skills.

However, we cannot forget our own environmental footprint. Although it is relatively small compared to that of many industries, reducing our impact is both good for the planet and can often also deliver business benefits. Our two environmental priority issues are climate change and resource use. Both resonate with a core objective of our business strategy to operate more efficiently and effectively, but also reflect our concern for good environmental stewardship which is shared by many of our stakeholders.

Our changing environmental footprint

Our company is changing. Digital solutions are growing across all our businesses. E-books have reached a tipping point for Penguin; digital revenues are 40% of the total at the FT; and in education, we are changing from being a textbook publisher to a broad-based supplier of education technology and services as well as curriculum materials. These trends mean a changing environmental footprint for us to track and shape.

	Digital	Physical	Digital %
2007	817	3,073	21
2008	986	3,496	22
2009	I,306	3,918	25
2010	1,618	3,961	29
2011	١,952	3,910	33

In 2011, we worked with others in the media sector on an initiative to share experience, to explore the issues and to start to map sustainability relating to our digital footprint. The initiative helped us build an understanding of the shape of our overall digital footprint and where our decisions can have a major influence on it.

One main finding from the work was that while the product footprint of a book is increasingly well understood, there is less visibility on the lifecycle impact of the equivalent digital version. In 2012, we are planning to launch some guidance on this issue for product developers and production departments within Pearson.

Climate change

Reflecting public policy, investor and employee interest in climate change, carbon management is a major focus for us. That does not mean that we think other everyday environmental issues are not important – we encourage recycling in our offices; we've reduced or eliminated certain types of plastic packaging; and unveiled a new electric car charging station at our offices in Austin, Texas.

Our main focus is on our own operations. We had been steadily making reductions in our energy use on a like-for-like basis at about 2% per year but wanted to do a lot better.

So, in 2007, we adopted a target for our then existing operations to become climate neutral by the end of 2009. We achieved this and maintained climate neutrality ever since through:

- > A carbon management programme. Primarily, this focuses on improving energy efficiency in our buildings (e.g. more efficient lighting, server virtualisation – which harnesses unused capacity in servers for IT or introducing energy management systems) as well as providing alternatives to business travel, such as upgrading our videoconferencing facilities;
- Investing in generation of renewable energy at our sites. We installed solar panels on the roof of our Old Tappan on-demand print centre in 2009 and this year completed a similar installation on the roof of our Cranbury, New Jersey distribution centre. We also installed a wind turbine at our site in Owatonna, Minnesota;
- > Purchasing electricity from renewable sources where it is available and affordable to do so, currently covering the US, the UK, India, Mexico and Canada. We are one of the top 50 largest purchasers of green electricity in the United States;
- > Establishing partnerships that deliver carbon offsets. Examples include the FT Rainforest in Costa Rica and partnering with the Woodland Trust. Past projects include the 96-acre Penguin Wood in the UK.

Together, these covered around 70% of our impact in 2011. For the balance, we added to the Pearson Rainforest, building on the existing FT Rainforest in Costa Rica. We continue to include businesses acquired in the scope of the climate neutral commitment.

The primary purpose of the climate neutral commitment is to focus people within Pearson on reducing our own environmental impact. This it has done, as the savings in our buildings and from reduced business travel are running at three times the level we achieved prior to adopting our climate neutral commitment.

We reported an absolute climate footprint 7% reduction in 2010 and reduced this by a further 5% in 2011. This cumulative reduction of 12% in two years is a major achievement as we also continue to grow both by acquisition and organically.

	Metric tonnes CO2e
2009 climate footprint	210,306
GHG reductions in 2010	14,944
GHG reductions in 2011	10,831
2011 climate footprint	184,531
Offset by:	
Renewable energy	-89,828
Operating company offset partnerships	-31,570
Pearson Rainforest	-63,133

Many of our people are passionate about green issues and have become actively engaged. We have a network of around 40 green teams at larger Pearson locations around the world. We use Planet Pearson as our internal global green brand and have a dedicated space on green issues as an integral part of our new online collaboration platform. This allows people around the world to share ideas and perspectives.

The next phase of our climate neutral work involves understanding and mapping our climate impact across our supply chain. There is no agreed methodology for this, so we have set out to work with industry partners to develop a common methodology. Penguin in the UK is leading the way in this field and throughout 2011 has been road-testing a carbon footprint tool, while our businesses in North America have also mapped the carbon footprint relating to paper purchase. In 2012, we will be looking at how we can expand this work.

Resource use

Paper for our books, magazines and newspapers is the most significant natural resource we use in our business. Our section on supply chain management describes our approach to responsible paper purchase. Over the last few years, we have focused on improving our resource efficiency. Through initiatives such as using the whole tree rather than part of the tree in the papers we purchase, reducing the base weight of the papers we use and custom publishing, we have made huge strides in this area.

Our progress is significant. In the last four years, excluding digital products, we have reduced the paper usage intensity by 27%. This continues to be a focus for us.

	2008	2009	2010	2011	2008 vs. 2011
Metric tonnes of paper/£ million non-digital revenue	105	87	84	77	-27.0%

Environmental management

Pearson has had an environmental policy since 1992. Our businesses in the UK are accredited against ISO 14001, the international environmental management standard, and the businesses in Australia also achieved accreditation in 2011. We will introduce this into other countries or businesses by consulting local business heads and stakeholders. Other parts of the world apply our own environmental management system, which we describe on our website http://bit.ly/h7eYpK.

We have also embraced LEED, the green buildings standard in the United States and our UK operations are accredited against the Carbon Trust Standard.

Case study: LEED certification

During 2011, the Centennial, Colorado and the Cedar Rapids, Iowa buildings achieved LEED certification, the green buildings standard. Our new Centennial office building was ranked gold based on a 45% water use reduction saving nearly 185,000 gallons per year; lighting power reductions of nearly 40%; installation of 95% Energy Star equipment and 75% of waste diverted from landfill.

We now have six buildings certified under the LEED standard and are targeting more for 2012.

Our work on environmental responsibility and the climate neutral commitment is guided by our Environment Executive Committee. The committee is chaired by Robin Freestone, the chief financial officer, and includes senior executives from operations, communications and those leading implementation across the business.

Engaging others

Getting Pearson people involved in our environmental work has always been an important objective for us. Staff-led initiatives include:

- > Green/Eco Teams. We have 40 groups of volunteers in place in Pearson buildings in the UK, the US, Canada, Australia, South Africa and India;
- > Planet Pearson is now available globally. This site offers ideas for carbon reductions, links to local green groups and performance reports.
- > We launched the Planet Pearson Environmental Awards in 2011 as a way to recognise and encourage green innovation across the company

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

Case study: FT Conferences

The Financial Times conference business has led the way at considering sustainability in the context of business strategy. One of its flagship events, now in its 4th year, is the Financial Times' Investing in a Sustainable Future conference. It is aimed at investors interested in learning what the leaders of some of the world's largest multinational corporations are doing to improve their organisations' ability to continue to profit and grow. Topics explored included integrated reporting; protecting and creating shareholder value through CSR initiatives; stakeholder engagement and incorporation strategies.

Case study: Planet Pearson Environmental Awards

In 2011, we launched a global set of awards to recognise leadership on environmental issues within Pearson. Categories include innovation, partnerships and the best green teams.

How others see us

- The Dow Jones Sustainability Index has named Pearson as the Global Sector Leader for the last five years – environment is a major part of the index methodology.
- Penguin in the UK was ranked 7th in The Sunday Times Best Green Companies listing in 2011 (up from 11th in 2010).
- > Pearson in the US is included in the National Top 50 list of green power purchasers. We offset 100% of the energy we use in North America through the purchase of wind power credits.
- > Pearson presented at a Forest Stewardship Council (FSC) global conference on purchasing and China.

External assurance statement

Pearson commissioned Corporate Citizenship to provide external assurance of its 2011 global environmental data. This data is documented in the environment section of the Pearson 2011 report 'Our Impact on Society.'

We have reviewed the 2011 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, Canada, Australia 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.

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Corporate Citizenship, 2012

Plans			
Climate neutrality	Maintain our climate neutral commitment for 2011	Achieved	Maintain our climate neutral commitment for 2012
Carbon reduction	Continuation of our programme to make our key buildings energy efficient with a particular focus on on-site renewable energy generation.	Achieved. Installed solar panels on Cranbury roof and wind Turbine in Owatonna	Continuation of our programme to make our key buildings energy efficient with a particular focus on on-site renewable energy generation. We are planning a Phase II Solar Panel Project at Old Tappan and a wind Turbine in Iowa City.
Carbon mapping	Continue work on mapping complete carbon footprint for Pearson businesses in the UK and the US	Ongoing. The UK has an online product carbon assessment tool in place.	Continue work on mapping the total carbon footprint for Pearson businesses in the UK and the US
Reuse/recycle rate	Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%	Achieved	Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%
Targets	Publish energy, water and other environmental targets once 2010 environmental audit completed	Achieved. http://www. pearson.com/responsibility/ responsible-business- practice/environment/ annual-environment- review/progress-and-plans/	Publish energy, water and other environmental targets once 2011 environmental audit fully completed and environmental review published
Environmental management	Complete ISO 14001 certification in Australia and identify additional businesses to start the process in 2011	Achieved. Australia certified. Discussions underway in the United States	To complete the due diligence phase and to confirm whether to go ahead with ISO 14001 certification in the United States in 2012
Collaboration	Extend access to Planet Pearson, our online green collaboration tool globally	Achieved	One year in, to review the effectiveness of Planet Pearson at reaching and informing employees.
Awards	Further encourage innovation by launching an internal awards scheme to recognise good environmental practice	Achieved. Planet Pearson Environment Awards launched and winners announced	Review Planet Pearson Environment Awards in 2012
Video- conferencing	Encourage alternatives to travel	Achieved. Invested in video conferencing at 22 sites	Further review of global implementation to reduce travel. Extend video conferencing to a further 10 sites in 2012.



Supply chain management

Pearson purchases goods and services valued at over £2bn each year. This total includes our investment in research and development such as our advances to authors and the development of new digital products and services.

Although rapid growth in our digital sales is being reflected in the mix of what we purchase, paper and print remain the most significant categories of direct spend for us.

Our sourcing strategies include leveraging volume and developing strong relationships with preferred suppliers. As such, we continually seek to enhance the social responsibility aspects of supplier contracts and performance, as well as generate economic and service benefits from robust relationships with fewer suppliers.

Our guiding principles

Pearson was a founder signatory to the UN Global Compact in 2000. We were clear from the outset that we would use our influence with our suppliers to improve standards for their employees and the communities in which they operate. So, in 2001, we made a series of commitments that covered labour standards and human rights as well as environmental responsibility, and extended these to cover our supply chain.

These commitments, together with the Pearson Code of conduct, remain the guiding principles against which we judge our actions and performance today. This year, we reviewed and revised our policy with regard to anti-bribery and anti-corruption (ABC). Pearson is committed to conducting its business ethically in every country where we do business, as well as complying with all applicable laws. We prepared a document providing guidance to third parties who work with Pearson concerning compliance with ABC. This guidance relates to specific acts of bribery and corruption and Pearson's selection and management of agents and other company intermediaries. Pearson has created a designated manager role in each country or region to monitor compliance with policy. This reinforces our zero tolerance policy towards bribery and corruption. Pearson employees

and others working on its behalf may not offer, promise or give a bribe to anyone, and may not request, agree to accept, or take a bribe from anyone.

Labour standards and human rights

We have set out the commitments that we expect from all our suppliers. Specific clauses relating to these standards are an integral part of our contracts for key suppliers. These standards include the rejection of forced and compulsory labour, a respect for diversity, a minimum age to work on Pearson projects and compliance with environmental and other regulations.

This year, we have reviewed our process for managing compliance with our standards. Building on best practice across the group, we have adopted a single global policy and approach. This sets out our own standards as well as how we approach risk assessment, supplier visits, third party audits and management of non-compliance.

Our production departments this year continued our programme of visiting suppliers all across the world. These visits are an opportunity to reinforce our commitment to the abolition of child labour and all forms of forced and compulsory labour, as well as environmental responsibility.

We also work with industry partners on these issues. Our policy requires that suppliers based in high risk countries will undertake an independent third-party audit before they are approved as a supplier and to agree to regular review audits as an existing supplier. Our aim is that these audits help improve business practice.

In previous years, we have written to key suppliers about our commitment to the Global Compact and about our principles. This year, we are introducing a new Vendor Relationship Management (VRM) online system to manage many aspects of our vendor relationships, including proof of certifications and accreditations for existing suppliers and as a condition of business for potential suppliers. Labour standards and environmental responsibility are fully integrated into that system. This is a global system and will, in time, allow an easy insight into opportunities for improvement as well as areas of risk.

Environment – Paper

Our books, newspapers and magazines all use paper. We lead the way in investing in new technology to provide opportunities for our customers and readers to access our content digitally. Nevertheless, we expect that our use of paper will continue to be an important means for delivering our products.

We source paper primarily from North America and Scandinavia. Paper is a priority environmental issue for us. We:

- > First adopted and publicly disclosed our environmental policy with regard to paper sourcing in 2003.
- Collect and map data on the forest of origin, certification systems applicable and recycled content for the papers we purchase;
- > Talk about our guidelines with our key paper suppliers when we meet and as part of our contract discussions;
- Discuss our approach to paper purchasing with customers, environmental groups, investor analysts and other interested parties;
- Retain Forest Stewardship Council (FSC) chain of custody certification allowing books to carry the FSC label for Dorling Kindersley and Penguin in the UK;
- Attained FSC chain of custody accreditation for our businesses in North America;
- > Hold regular training sessions for our production teams around the world on both labour standards and environmental responsibility issues. We ran a session in 2011 with Penguin in the UK and Pearson North America reviewed its procedures as part of attaining FSC certification.

In addition to the standards we set ourselves through our paper purchasing guidelines, we also have a responsibility to use fewer resources where we can. This delivers both environmental benefits as well as cost savings.

We track the metric tonnes of paper required to generate $\pounds Im$ of non-digital revenue

2008	105
2009	87
2010	84
2011	77

Environment – Print

Less than 0.5% of Pearson products are printed by our own operations. We have two small digital print operations in the US. These operations provide short-run and print-on-demand products, typically custom client applications and in support of our testing business.

In addition to our general approach to supplier responsibility, we ask our printers for additional reporting in key areas. We have for a number of years maintained a printer register of environmental performance. Last year, we set a target to completely review our approach with Pearson International piloting a new process. This was extended to Penguin in the UK and adopting this globally is being incorporated in the roll out of the new Vendor Relationship Management (VRM) system across Pearson.

Environment – Distribution and shipping

Our books are produced around the world, requiring shipment from the printers to our distribution centres. We outsource road distribution and shipment of our products to third party carriers. We have worked with suppliers on consolidating shipments to maximise container loads and monitor environmental performance as part of the contractual arrangements.

During 2010, we developed inventory management performance metrics covering all book businesses worldwide. For 2011, we introduced an internal reporting process by facility and introduced a new metric around book-gifting.

Working with industry partners

We believe that working with industry partners in setting social and environmental standards is a responsible approach to improving global practice. This approach has many benefits including:

- Reducing the burden on the supplier they only complete one audit instead of several, different processes. This is particularly important for smaller suppliers;
- In many of the markets where we operate, Pearson alone has insufficient influence with suppliers to enforce a set of standards;
- > The sector working together helps set terms of trade and reinforce the importance of non financial measures of performance.

Plans

> RESPONSIBLE BUSINESS PRACTICE CONTINUED

Some of the most important industry initiatives:

- > We were a founder member of the group of publishing companies in the UK that established PreLIMS a common social accountability standard. We also recognise the ICTI Care Process;
- > We are a member of the World Wildlife Fund (WWF) Forest & Trade Network and through this group, work with WWF and other company members to improve environmental standards of paper purchase;
- > Helped found Publishers database for Responsible Environmental Paper Sourcing (PREPS), an industry collaboration to map the environmental characteristics of paper.
- > Worked to set up Publishing Industry Product Safety (PIPS), an industry partnership to map the safety of components in our products.

PREPS, PIPS and PreLIMS were initially UK initiatives; however, Pearson businesses were the first to adopt these globally.

Plans			
	2011 Plans		2012 Plans
Paper	Complete the process of securing Forest Stewardship Council (FSC) accreditation across our businesses in North America	Achieved	Develop a global strategy to maximise and grow our commitment to Forest Stewardship Council (FSC)
Vendor relationship management	As part of a project to build a comprehensive global vendor relationship management system comprising a web-based portal, formal registration process, and suite of data-marts. We will incorporate corporate responsibility metrics and supplier certifications where appropriate.	Achieved. Corporate responsibility metrics and supplier certifications incorporated	Roll out vendor relationship management system to existing and new suppliers and report on take-up
Printer	Extend the printer survey piloted by Pearson International to printers serving Pearson North America, the FT and Penguin during 2011. Pearson International will use its survey printer findings to inform its priorities for seeking improvements	Partly achieved. The printer survey has been extended to Penguin in the UK. Full implementation to be part of VRM	Integrate environmental metrics into key data marts within the vendor relationship management system starting with paper and print
Inventory management	Review current internal performance metrics and our approach to external reporting in this area	Completed	Metrics in place and reporting systems by distribution centre established. Metric on book- gifting reported externally.

Sible BUSINESS FRACTICE CONTINUED



Our people

Our business purpose is to help people make progress in their lives through learning – or to be 'always learning'. The use of 'people' in describing our business purpose is deliberate in that this applies as much to the people that work at Pearson as it does to the millions of people who benefit from our products and services.

Pearson has always been a business built on ideas and as such relies on the minds and creativity of our people. At the same time, Pearson is a business in transition. We are seeing rapid growth in:

- Digital business. 33% of sales now come from digital up from 20% in 2006;
- > Emerging markets. Sales revenue from our businesses in Latin America, China, India, Africa and the Middle East has tripled to \$1,036m in the last five years. 20% of our employees are now located in these markets in readiness for further growth;
- > Technology and services in education. We are changing from being a textbook publisher to a broad-based supplier of education technology and services as well as curriculum materials.

These are significant changes and are shaping how we think about the structure of our business and the types of people we employ.

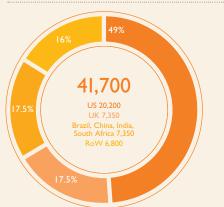
Our approach

The seven priority people issues for us from a corporate responsibility perspective are:

- > People development. Making sure that we offer the right development opportunities for all our people.
- > Understanding the workforce of the future. As the shape of the business changes, so do our future skills needs. This means that some functions and roles which we currently have will no longer be needed, while new jobs and structures will emerge which we may not yet have considered.
- > Data and analytics. As we grow organically and by acquisition, we need to be able to understand how we are changing both through hard data and by reviewing what people tell us about how we are doing.
- Collaboration and engagement. Having an efficient way for our people to communicate is important to our business success by helping us to work differently and more efficiently.
- > Diversity and inclusion. As we internationalise and grow, so do the people that work for us.
- > Wellbeing. We care deeply about the wellbeing of all employees and their families and we look to create opportunities for everyone to take steps toward healthier living.
- > Health and safety. A duty we share with all organisations is to offer a safe and healthy workplace for the people that work for us.



2011 PEOPLE



People development

We need to be able to identify and fill skills gaps while also ensuring that all our people have the technical, personal, management and leadership skills they need to carry out their roles. Everyone has at least an annual appraisal and development review with their manager to agree objectives for the coming year. We offer a diverse and comprehensive range of learning and development opportunities around the world.

For our future leaders, we ensure each individual has a development action plan to help them make progress in their careers.

Case study: Pearson Academy

In 2011, we started a review of learning and development across Pearson. We set up a council representing learning and development professionals from the Pearson businesses around the world to review our current approach and make recommendations for the future. The council has developed a business plan to establish the Pearson Academy.

Pearson Academy will make learning available to everyone globally in an appealing and engaging way. It is designed to develop better prepared and better skilled people for the future and to put learning and development at the core of people's working experience. Pearson Academy is a global community of existing learning groups and alignment of peoplerelated resources and activities across the company. Through Pearson Academy, we will develop our people to lead the world in learning by encouraging them to be always *learning in all ways*.

As a global business, we need people to want and to be able to move around the world to fill the leadership needs of growing businesses. Global management experience rounds out the professional development of key individuals as well as giving local teams access to our global talent pool. In 2010, the International Mobility Team was formed with a remit to take the pain out of mobility and help our key talent develop on a global stage.

Case study: International mobility

Since 2010, we have placed over 300 employees in a mix of short-term, long-term and permanent assignments in 34 countries around the globe. A few examples include:

- Moving a leader and his family on long-term assignment from the UK to India to take on the role of President of Penguin International;
- > Moving a FT journalist from the UK for a two-year stint in Brazil as a senior correspondent;
- Facilitating the immigration and relocation of a manager from Pearson Australia who applied, and was selected, for a local role in Beijing, China for Wall Street English.

Understanding the workforce of the future

Our businesses need access to the right people with the right skills at the right time in the right place. This sounds relatively easy, but we operate globally in fast-changing, hard to predict, often digital-led markets. Effective scenario planning, supply and demand forecasting and implementation of key people strategies are critically important to mitigate risk in realising our business strategy. To help with that process, we have adopted a workforce planning approach that helps businesses align their business strategies with people strategies, including identifying workforce capacity, capability, and flexibility.



Changing business models can lead to a need to restructure and integrate teams, and to a reduction in roles. Where possible, we aim to either offer redeployment to other areas of the business or reduce numbers through natural attrition. This is not always possible, so we offer voluntary severance or make less use of contractors where that is relevant. Compulsory redundancies are always a last resort.

Whatever changes we make, we do so in light of the company values to be brave, imaginative and decent. This means being open with our people about the changes we have to make, helping those affected to adjust and ensuring that we are sensitive to the needs of each individual.

Data and analytics

Operating businesses currently track people metrics. We have introduced a single system to track all US people data regardless of operating business using common definitions. Data is reported and analysed by operating businesses and supports workforce planning, benchmarking and analytics.

We have reviewed our approach to data collection and plan to extend the scope of the people data currently available through this consolidated system to include data from the major businesses in the UK, Canada and India. It is expected that these populations will add approximately 9,000 additional people to the current database of on average 20,000 regular employees. This initiative has begun and the first phase should be completed during 2012.

Collaboration and engagement

We have launched a digital space for Pearson people to find each other, to come together to share ideas, expertise and information, and to collaborate.

Case study: Neo

In January 2011, we launched Neo, our global collaboration platform. Just one year later, over 33,000 of our people are using Neo to find each other and work together and so far we've had more than 30,000 conversations and created 7,500 groups. In a poll of users, 64% of employees said Neo had improved their ability to find and connect with people across Pearson. Our CEO and senior leaders recently used Neo to share our annual results with employees, generating hundreds of comments. Neo won the 'Engage Employees' award from live in 2011.

Diversity and inclusion

Our aim is to lead our industry for our approach to diversity and inclusion by building a workplace where differences and fairness are respected and valued. By strengthening our commitment to diversity and inclusion, we ensure that we are recognised where we operate as an employer with a firm commitment to diversity and equality. One way we assess our progress is through external benchmarks:

- Pearson was included in *The Times* Top 50 Employers for Women 2011 produced in partnership with
 Opportunity Now, the UK's main organisation working on gender equality;
- > We were also the joint winner of the Opportunity Now FTSE Executive Women Award 2011 for employing the most women on its executive committee;
- In the United States, Pearson has been recognised by Working Mother magazine as one of the top 100 companies for working mothers, named as one of the 100 Best Adoption Friendly Workplace by the Dave Thomas Foundation for Adoption and earned the WorkLife Seal of Distinction from World at Work;
- > Pearson's flagship programme for diversity & inclusion – the Pearson Diversity Summer Internship Programme (PDSIP) won the Widening the Talent Pool Category in the Race for Opportunity awards in recognition of the impact it continues to have on the publishing and media industry. Three of the interns were selected as among the United Kingdom's top 100 students and graduates;
- > We were included in the Corporate Equality Index Human Rights Campaign's (HRC) Best Places to Work. The index recognises inclusive workplaces for lesbian, gay, bisexual and transgender employees.

Wellbeing

People are our most important asset at Pearson. We strive to do the right thing in all that we do, especially when it comes to taking care of our employees. By encouraging our employees to take care of themselves, we can feel confident that Pearson's wellbeing, as a company and a collection of talented people, will continue to stay strong.

Our goal is to help employees and their families improve their wellbeing by:

- > creating a culture of health across the Pearson businesses;
- > directing employees to health resources and services that are appropriate to their specific needs;
- > empowering people to make responsible decisions about their own healthcare.

Case study: Global Corporate Challenge

Pearson was named the 2nd Most Active Company in the 2011 Global Corporate Challenge, out of around 1,000 organisations taking part. The GCC aims to get teams walking, running and swimming to get a little healthier, together. Nearly 6,000 Pearson employees joined the GCC in 2011 and together covered 2.4 million miles in 100 days. Pearson participants in an online survey reported improved overall health (85%), morale (76%) and stress management (51%). In 2012, the GCC will be offered to all Pearson employees around the world. Learn more at http:// www.gettheworldmoving.com/



Health and safety

The health and safety of our people is of overriding concern to us. We believe that good safety and health practices in the workplace are a basic building block of a responsible approach.

Pearson people work in offices and in data, contact and distribution centres. We adopt a risk-based approach to health and safety paying particular attention to facilities such as distribution centres with relatively higher risk of incidents.

By understanding the risks of injury, we are better equipped to prevent them from occurring:

- All our businesses in the UK are now accredited against ISO 18001, the international health and safety management standard;
- > Our US business is implementing a comprehensive management system for injury prevention and employee protection.

Sad loss of a colleague

In 2011, we were deeply saddened by the death of one of our colleagues while on a business trip to Medan, Indonesia where he was due to present a series of teacher training workshops. Our colleague arrived at Polonia International Airport, Medan in the late evening of October 19, 2011 and on arrival, opted to secure his own transportation to his hotel. A short distance from the airport, he was stabbed in a botched robbery attempt and died in hospital later that night.

The Pearson team worked with our colleague's family, the local authorities and relevant consulate in Indonesia to ensure the speedy repatriation of his body. The alleged perpetrators are currently awaiting trial in Indonesia.

As we do with all incidents, we are learning from this tragic event to help strengthen our travel policy to ensure it is properly defined and addresses issues such as common sense travel safety and security reminders.

Plans

	2011 Plans		2012 Plans
Developing our people	Review our existing menu of learning and development opportunities; fill gaps and work to provide everyone with access to the training and education they need to improve their skills, train for new opportunities, develop as leaders and managers, and receive mentoring, professional certification and support to successfully progress	Ongoing	Make progress on the development plan for Pearson Academy with a planned launch in 2013
Digital transformation	Pilot an approach to mapping future digital skills needs across the businesses through intensive work with a key digital community	Achieved	Extend the approach to mapping future digital skills to other Pearson businesses in at least two countries
Collaboration and engagement	Launch a digital space for Pearson people to come together to share ideas, expertise and information and to collaborate	Achieved	Continue to develop and embed Neo within Pearson
Data and analytics	Operating businesses track people metrics. We will review and extend our approach to data collection, management and reporting adopting common definitions where appropriate and relevant to do so	Ongoing	Extend our integrated approach to people data collection, management and reporting to cover the UK, India and Canada
Diversity and inclusion	Continue to rate our diversity progress through relevant external benchmarks	Achieved	Continue to rate our diversity progress through relevant external benchmarks
			Continue to develop programmes and relationships that help attract and retain talented diverse people into our business and track our progress
Wellbeing			Build a global wellbeing framework that supports a culture of health in all Pearson businesses
Health and safety	Complete the process of accreditation against ISO 18001, the international health and safety management standard for all our businesses in the UK. Introduce a new injury and illness prevention programme in the US	Achieved	Review health and safety management and governance around the world

Our customers

We continue to work hard to earn the trust of the people who buy and use our products and services. Each of our businesses has a precious reputation to defend – Penguin for the quality of its publishing and consistent record of innovation and fearlessness; the FT for its rigorously investigated, unbiased and responsible journalism; and our education businesses for the efficacy and demonstrable positive outcomes of their learning solutions. Some important areas for us are:

Freedom of expression

The Penguin Group has a long tradition of championing freedom of expression. Penguin continues to champion freedom of expression in a number of other ways, including through continued strong support of both English PEN and PEN's annual WorldVoices Festival.

Last year, we celebrated the 50th anniversary of the controversial publication of D.H. Lawrence's *Lady Chatterley's Lover.* In addition to releasing a special edition of the book in honour of the anniversary, Penguin Classics built a designated website to explain the timeline of the trial, display book reviews from modern-day Penguin readers and showcase more Penguin titles that have shocked the world.

http://www.penguinclassics.co.uk/static/minisites/ ladychatterleyslover/index.html

Editorial independence and integrity at the FT

The opening paragraph of the FT Code states that "It is fundamental to the integrity and success of the Financial Times that it upholds the highest possible professional and ethical standards of journalism, and is seen to do so." The FT makes it very clear about the standards expected of journalists.

The benchmark for the FT is set by the Code of Practice adopted by the UK's Press Complaints Commission. The FT code goes beyond the standards set by the PCC in order to ensure best possible practice. Compliance with the code is an obligation for all FT editorial staff. Our performance is reflected in the awards we have won. <u>Read more</u>. Pearson purchased the *Financial Times* as 'a sound, conservative investment' in 1957. As the then owners of Lazards, a leading merchant bank, Pearson was aware that it would be open to criticism if it appeared to influence the paper's editorial policies. So from the start, Pearson has protected the editorial independence of the *Financial Times*, a principle that continues to this day.

Case study: Media standards and the Leveson Inquiry

The Leveson Inquiry is currently investigating the culture, practices and ethics of the press in the UK. We have contributed a written statement to the inquiry and the editor of the FT presented evidence which is available at www.levesoninquiry. org.uk. The FT has its own ethical code which goes beyond what is required by the current Press Complaints Commission Code. The FT makes it very clear about the standards expected of journalists. We have not changed our practices – which is to behave ethically on a consistent basis – but phone hacking has served as a trigger to remind our journalists of the high standards we expect from them.

http://aboutus.ft.com/corporate-responsibility/ code-of-practice/

Appropriateness and accessibility of content

As the world's leading educational publisher, a concern for the protection of children is intrinsic to our product design and development. Our processes and procedures ensure all new products are rigorously researched and tested before being published. Processes include: editorial review, internal peer review, editorial review councils, external commissioning and external peer review, testing with teachers, pupils and independent academic experts. Appropriateness of content to the age or location of students whether this be hard copy or online is reviewed within our SEE Risk process. As our objective is to develop appropriate products to the age and location of students, strict parental controls are unnecessary in our markets. Our company Code of conduct lays out our responsibilities to society including the defence of public trust in all that we do.

For Pearson, our company purpose to help people progress through learning is both global and inclusive in aspiration. It sets an internal standard against which we can judge ourselves. This standard extends to the extent to which they are able to provide access to products both physical and online regardless of ability.

In 2011, we launched a project to map our global approach to accessibility with participation from each operating division. Some of the key findings were:

- Alternative formats of non-accessible products are being provided for free as standard in many Pearson companies around the globe;
- International standards and pressure from clients are driving accessibility initiatives – centres of excellence are in place to provide proactive support to make Pearson's future products accessible;
- Lots of good and innovative work is going on around the world in different divisions – but there is an opportunity to bring teams together to better share knowledge, expertise and experiences;
- > There is no central global accessibility policy;

As a result, our plans for 2012 are:

To adopt a global accessibility policy. This will codify the existing work and standards;

- > To improve how we bring teams together to better share knowledge, expertise and experiences in order to offer a consistent experience;
- > To engage in the industry forums which help to create international standards on accessibility.

Product safety

Ensuring that products are safe for customers to use is a basic responsibility shared by all companies. For Pearson, product safety mostly relates to physical product and ensuring that no toxins, dangerous or prohibited chemicals are present in anything we sell. In addition, products for the very youngest children must be age appropriate and eliminate risks such as swallowing.

Our guiding principle is that everything we put on the market should not harm a person or the environment. Our global Product Safety Manual, first developed by Penguin in 2008, records procedural steps, legislative requirements, advice on testing and development and labelling information to help achieve this goal. The manual is regularly updated to reflect changing global requirements and developments to internal processes and due diligence procedures. We have also set up a components database which is accessible through Neo, our online global collaboration tool to provide an up to date source of information and product safety testing status of components. An international product safety council comprising experts from around the business convenes regularly to oversee this important area.

Our aim is to maintain zero incidents of product recalls or enforcement notices by regulatory bodies – something we achieved in 2011.



Our communities

Our company purpose is to help people of all ages to progress through their lives through learning. This is both a social purpose and our core business. Our commercial success provides the investment capacity for us to continue to innovate and expand into new geographic markets and new kinds of learning.

We recognise that not-for-profit partners can help us extend our reach and impact in ways that have a real impact on learning – especially for the most disadvantaged – and are complementary to our business objectives. We also believe that our stakeholders expect and value our efforts to work in partnership with charitable organisations.

We therefore partner and fund a number of charitable organisations and the Pearson Foundation is the largest of these. In 2011 our worldwide charitable giving was \pm 11.5 million or 1.2% of pre-tax profits.

Community spend

Our 2011 community investment is lower than in 2010 reflecting that some of the 2011 projects undertaken by the Pearson Foundation were funded in 2010. In addition, Pearson volunteers donate time and Pearson has people in the business dedicated to managing our community partnerships. We do not include these contributions in our community spend figure.

Charitable giving by the Pearson Foundation

The Pearson Foundation plays an important and special role in furthering our charitable objectives.

By establishing the Pearson Foundation as an independent charity, we sent a clear message to partners that we are serious about our desire to make a sustained investment and intervention in improving learning. The Pearson Foundation sets out its priorities for partnership with other charities as well as provides a means to raise additional funds for charitable purposes from other organisations.

The Pearson Foundation plays an important role for Pearson. It is our preferred charity partner and has a remit within Pearson to look to unlock company assets – cash, products and services and employee time – for charitable purposes, particularly to benefit organisations and individuals who would not otherwise be able to access them.

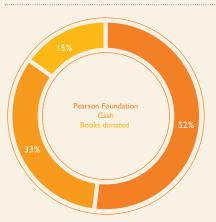
We are proud of what the Pearson Foundation has achieved and will continue to support its mission to innovate around new models for learning. It plays an invaluable role to explore, demonstrate, and influence the future shape of statutory and commercial provision.

COMMUNITY SPEND *fm* - % of operating profit

Ш	11.5	L.	29%
10	13.1		1.6%
09	10.5	1.4%	
08	7.7	1.1%	

Aim – grow our total community investment and maintain at 1% or more of operating profit.

COMMUNITY INVESTMENT



Case study: Pearson Foundation

The Pearson Foundation is an independent charity that aims to make a difference by promoting literacy, learning, and great teaching. Pearson is its major (but not its only) funder. The Foundation runs a wide range of innovative philanthropic programmes in the US and around the world, designed to encourage people to read, to support great teachers and to share insights into best practice in education. In 2011, the Foundation was honoured to be awarded the NEA Foundation Award for Philanthropy in Public Education.

Still, it was a challenging year for the Pearson Foundation as several media reports criticised some of its programmes. Mark Nieker, the President/ CEO of the Pearson Foundation, has rejected the allegations and his response can be viewed at http://www.pearsonfoundation.org/ about-us/statement.html

As the largest funder of the activities of the Pearson Foundation, Pearson has made clear our continued and ongoing commitment to support and fund the valuable work of the charity.

Case study: OECD

Developed in partnership with the Organisation for Economic Co-operation and Development (OECD), "Strong Performers and Successful Reformers in Education" is an investigative video series documenting policies and programmes that local education leaders credit with improving student achievement – success demonstrated by the strong performance of their countries in the latest assessment from the Programme for International Student Assessment (PISA).

http://pearsonfoundation.org/oecd/

Case study: Early learning development

The Pearson Foundation continued to develop and expand their innovative early-childhood professional development programme focusing on partnering local education bodies to deliver training in literacy, numeracy and childhood development for teachers in Kenya, Nigeria, South Africa as well as Tanzania.

http://pearsonfoundation.org/oecd/

Case study: Sprout/Prize for social innovation

Available worldwide, the Sprout E-course helps young people imagine, plan, and develop effective and scalable social innovation projects. Since its release in 2008, the Sprout E-course has given young people from more than forty countries access to training in essential skills, including team building, project management, communications, and the ability to leverage technology.

Case study: The Pearson Foundation Million Voice Project

My Voice[™] is an innovative way to engage all members of the school community in a studentcentred dialogue about their school's culture. Through asking students, staff, and parents about their school, analysing their responses, and acting on them, My Voice aims to help students reach their fullest potential. The Pearson Foundation brings together the perceptions of young people to provide educators with detailed student data that can be used to improve teaching and learning. The Pearson Foundation provides participating schools, school districts, and organisations worldwide with access to the My Voice[™] Aspirations Survey for grades 6 through 12 (US) and years 7 through 13 (UK), as well as resources including implementation support, school-level reporting, and the tools necessary to interpret the report data.

http://myvoice.pearsonfoundation.org/

Pearson people: giving time and money

Each business group has its own community budget which is often used to match the fundraising of our people, to support local charities and make donations to non-profit groups involved in learning and literacy. Alongside charitable donations and sponsorship, Pearson businesses partner with NGOs to highlight particular local causes or international concerns.

We support our people in their own community involvement, matching their fundraising and providing volunteering opportunities in work time. We celebrate our Pearson volunteers by inviting anyone in the company to apply for the annual Pearson Community Awards, with a US\$2,000 prize for up to seven recipients to donate on Pearson's behalf to their charity of choice, in addition to a US\$500 'thank you' to the volunteer.

Case study: Payroll giving

Pearson employees in the UK take part in our Give As You Earn scheme, donating money to charities of personal choice every month out of salary. Pearson plc matches these donations annually up to the value of ± 500 per person, totaling a $\pm 85,000$ fund match in 2011 for nearly $\pm 100,000$ given by our people.

In 2011, we reviewed how we market payroll giving and the opportunities we provide for people to join. During 2012, our new payroll giving partner will visit each of our buildings in the UK to explain the scheme. People can join online or through their mobile phone.

We have also started to explore how to implement a similar initiative in the largest part of our business Pearson North America.

Case study: Pearson Community Awards Zac Ludington, Regional teacher recruiter, Wall St English (China)

Zac first heard about BEAN while studying Mandarin Chinese. He was initially involved in small weekly events, teaching English to poor students in Shanghai. BEAN supports a range of groups, providing English lessons to the children of impoverished migrant workers and to disabled adults in Shanghai. Zac likes that he is able to also volunteer in an administrative capacity, leading his own events and helping to fundraise for the services BEAN provides. In December 2010, Zac was promoted to Vice President of Service, coordinating events and liaising with volunteers, working closely with the President of the Shanghai chapter to promote events and motivate volunteers. The work has given Zac a new perspective on life in China, in addition to a real sense of pride and satisfaction at being involved in giving back to his local community. He has also been able to get a considerable amount of leadership experience through the work, helping the team to expand the charity's events and volunteering opportunities. Winning the PCA will help give BEAN extra exposure, perhaps encouraging more people to join up as volunteers. The financial award will enable BEAN to make donations to their partner charities. Learn about BEAN's work here: http://shanghai.beanonline.org/

Plans

	2012 plans	
Giving money	Review company supported employee giving programmes in the UK and the US and to develop a new strategy.	
Giving time	Review our existing menu of volunteering opportunities and develop new ways to recognise and support our people when they volunteer in their local communities with a particular focus on libraries, schools and colleges	
Giving books	We will set a target for book-gifting for the next three years.	
Charitable policy	To support the capacity of our businesses to become more effective in running charitable partnerships	
Strategy	To review our approach to giving and how we decide on areas of priority.	

> PROGRESS AND PLANS

In 2010, we set out a series of plans in the Annual Report covering our responsible business practice priorities. We report here on our progress against those plans.

Plan 2010		Progress
Expand our use of the latest mobile and digital technologies as we provide professional development for classroom teachers and administrators in local communities around the world in partnership with The Pearson Foundation through programmes such as Bridgeit and the Mobile Learning Institute.		Achieved The Pearson Foundation continued to develop and expand their innovative early-childhood professional development programme focusing on partnering local education bodies to deliver training in literacy, numeracy and childhood development for teachers in Kenya, Nigeria, South Africa as well as Tanzania.
Continue to help local education leaders from countries around the world to explore and apply what distinguishes strong performing educational systems through our ongoing support of the OECD and programmes such as the Pearson Foundation/ CCSSO International Education Summit.	⊘	Achieved The fourth International Conference on Education was held in Brazil – a country whose educational system is recognised in the recent 2009 Programme for International Student Assessment (PISA) as one of the three fastest-improving this decade.
2010 also saw the development and launch of a training module on ethical conduct. Our plan for 2011 is to further develop this through additional material, a train the trainers pack and an e-learning module.	•	Ongoing A third of participants in our various future leader and talent management programmes came from businesses outside of the US and the UK. A focus this year was on developing talent in Asia.
Continue to develop programmes and relationships that help attract and retain talented diverse people into our business and track our progress. Activities planned for 2011 include a contribution to the 'It Gets Better' video campaign launched by Penguin author Dan Savage.		Achieved Our section on diversity sets out the awards we have won reflecting the commitment in this area. You can view It Gets Better online at <u>http://www.youtube.com/</u> watch?v=QpLKZELnSho
We aim to review how we approach, recognise and support our people when they volunteer in their local communities with a particular focus on schools and colleges.	•	Ongoing A review of how we support Pearson people to give time and money has been completed. A new group to support school governors is in place and the Pearson Foundation launched an opportunity for Pearson people to get involved in its projects.
Continue to develop and support our network of environmental teams across our businesses including launching a global award scheme to recognise the work of our environmental champions from across the business.	⊘	Achieved Our 40 green teams involving over 300 people around the world continue to grow. We launched the Planet Pearson Environmental Awards to recognise the excellent work our environmental champions do.
To maintain our commitment to being a climate neutral company in 2011.	0	Achieved Pearson extended its climate neutrality to cover existing businesses as at the end of 2010. We continue to invest in reducing our carbon footprint and to offset what we cannot eliminate by other means.
Launch new Planet Pearson website globally as part of a wider commitment to encouraging global collaboration.	0	Achieved New website developed; designed and piloted with its contents shaped by a global employee survey on environmental responsibility.
Continuation of our programme to make our key buildings energy efficient with a particular focus on on-site renewable energy generation.	0	Achieved Our dedicated green capital funds invested in projects ranging from renewable energy generation from solar panels to lighting upgrades.
Complete ISO 14001 certification in Australia and identify additional businesses to start the process in 2011.	0	Achieved Australia is accredited. Businesses in the United States are evaluating the case for ISO 14001.

PROGRESS AND PLANS CONTINUED

Plan 2010	Progress
As part of an initiative to build a comprehensive global vendor relationship management system comprising a suite of online portals and data-marts, we will incorporate corporate responsibility metrics in vendor selection where appropriate.	Ongoing Corporate responsibility has been integrated into the pilot online vendor relationship management system portal and in the paper data-marts.
Complete FSC chain of custody certification for our paper use in our North American businesses.	Achieved Process seeking accreditation started in 2010 and is now complete
Increase support for exemplary early-learning and literacy organisations and for the young people they serve through community campaigns such as Booktime and Read for the Record, and via We Give Books.	Achieved Over one million free books were donated to schools and libraries under the Booktime programme, supported by materials for use by parents, teachers and in libraries. Through We Give Books – the international digital initiative launched in 2010 by The Pearson Foundation – giving approached a further one million books
Continue to increase the number of interventions we make to facilitate constructive debate on key contemporary issues.	Achieved Two examples featured in this report are the consultation on standards in exams and assessment in the UK at <u>www.leadingonstandards.com</u> and the Pearson Foundation partnership with the OECD.
Extend our support of young leaders making a difference inside and outside the classroom by continuing programmes such as the Pearson Prize and the international Pearson Fellowship for Social Innovation.	Achieved Over 10,000 college students applied for the inaugura Pearson Prize. The 70 winners were selected based on their record of contributing to enriching college life.

Our plans for 2012 are incorporated in the relevant sections of this report.

AWARDS AND RECOGNITION



Global Sector Leader SAM Gold Class Read more



Included in indices since inception



Platinum Corporate responsibility index Read more

> AWARDS AND RECOGNITION CONTINUED

Environment



Penguin Group was ranked 7th in the *The Sunday Times* 2011 Best Green Companies list (up from 11th in 2010)



Pearson recognised by the US Environmental Protection Agency list of Green Power Partnership as one of the top 50 largest purchasers of green electricity in the United States



Pearson's new building in Centennial, Colorado was awarded LEED Gold Certification – joining a small number of buildings to achieve Gold Status



Pearson's existing building in Cedar Rapids, Iowa achieved LEED Silver certification, the green buildings standard



Pearson businesses in the UK are accredited against the Carbon Trust Standard



Pearson businesses in Australia joined the UK in being certified against ISO 14001, the international environmental management standard

> AWARDS AND RECOGNITION CONTINUED

Our people	
Working mother	Pearson is named for the 11th year as one of the top 100 Best Companies for Working Mothers, by Working Mother Magazine
Opportunity Now	Pearson was again named joint winner of the FTSE Executive Women Award by Opportunity Now.
BEST PLACES TO WORK 2011 For LGBT Equality Top-COSTORATE EXAMPT ROOMS	Human Rights Campaign (HRC) has given Pearson a 100% score on its Corporate Equality Index of best places to work (CEI)
TOO BEST ADOPTION FRIENDLY WORKPLACES	Pearson is named in the Dave Thomas Foundation list of 100 Best Adoption-Friendly Workplaces
1	The Pearson Diversity Summer Internship Programme won Race for Opportunity (the UK's largest race equality organisation) Award for 'Widening the Talent Pool'.
	Neo, Pearson's employee collaboration tool, won the Engage Employees category of the Jive Awards 2011.

AWARDS AND RECOGNITION CONTINUED

Communities



Pearson Foundation recognised for the NEA Foundation Award for Philanthropy in Public Education



The Pearson Foundation We Give Books digital book-gifting campaign developed in partnership with Penguin receives Association of Educational Publishers' 2011 Beacon Award