

## > 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.

### Our purpose

To help people of all ages to progress through their lives through learning



> To learn more about Pearson, visit the [About us](#) section of our website

### Our focus

Three priority issues where we can make the most difference

**1** RAISING LITERACY LEVELS  
>Read more



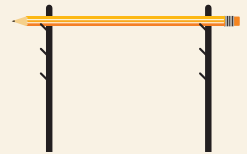
- At home
- In the classroom
- With our partners

**2** IMPROVING LEARNING OUTCOMES  
>Read more



- Our programmes
- Closing achievement gaps
- Sharing what works

**3** CONTRIBUTING TO COMPETITIVENESS  
>Read more



- Personal progress
- Informed business

See the [Watch](#) section of our online corporate responsibility report

### Business strategy

LONG-TERM ORGANIC INVESTMENT IN CONTENT    DIGITAL PRODUCTS AND SERVICES BUSINESSES    INTERNATIONAL EXPANSION    EFFICIENCY

> To learn more about our business strategy, visit the [Our strategy](#) section in our [Annual report and accounts 2011](#)

### Responsible business practice

ENVIRONMENT    SUPPLY CHAIN MANAGEMENT    PEOPLE    OUR CUSTOMERS    COMMUNITIES  
>Read more    >Read more    >Read more    >Read more    >Read more



### Our values

BRAVE, IMAGINATIVE, DECENT

> To learn more about Our values, visit [Our values](#)

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 report on our progress 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

### Plans

	2011 plans		2012 plans
<b>Risk management</b>	Review how we support our operating businesses in assessing, managing and mitigate SEE risks	✔ <b>Achieved.</b> 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.
<b>Stakeholder engagement</b>	Consult stakeholders on our responsible business framework and on our key issues	➤ <b>Ongoing.</b> 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
<b>Metrics</b>	Develop new ways of assessing how we are doing in our three key priority areas of literacy, efficacy and competitiveness	➤ <b>Ongoing.</b> 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.
<b>Benchmarking</b>	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice	✔ <b>Achieved.</b> 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