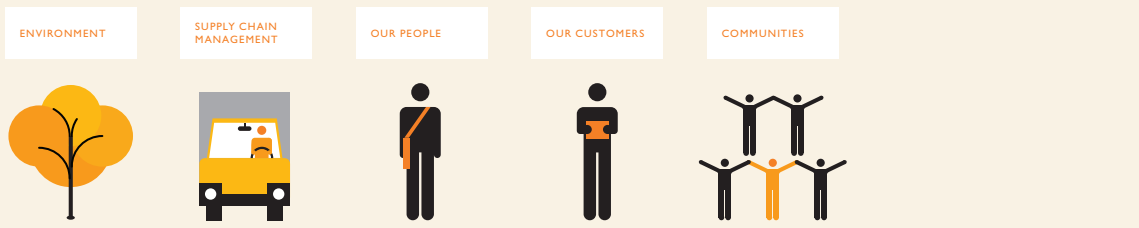


> RESPONSIBLE BUSINESS PRACTICE

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.

> RESPONSIBLE BUSINESS PRACTICE CONTINUED



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	1,306	3,918	25
2010	1,618	3,961	29
2011	1,952	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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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 CO ₂ e
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.

> RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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 incorporating water and climate change risks into capital allocation 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.

Corporate Citizenship, 2012

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED



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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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 £1m 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.

› 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.

› RESPONSIBLE BUSINESS PRACTICE 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.

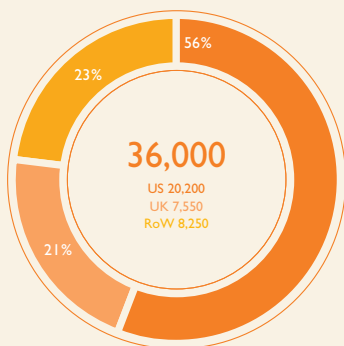
These are significant changes and are shaping how we think about the structure of our business and the types of people we employ.

Our approach

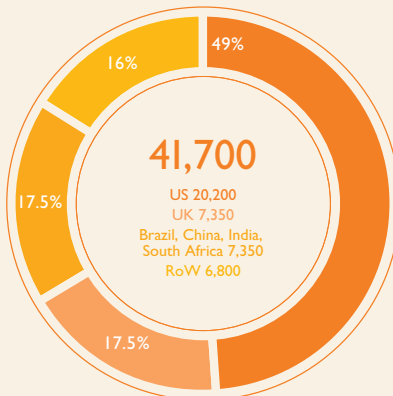
The seven priority people issues for us from a corporate responsibility perspective are:

- › **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.

2010 PEOPLE



2011 PEOPLE



› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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 people-related 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.

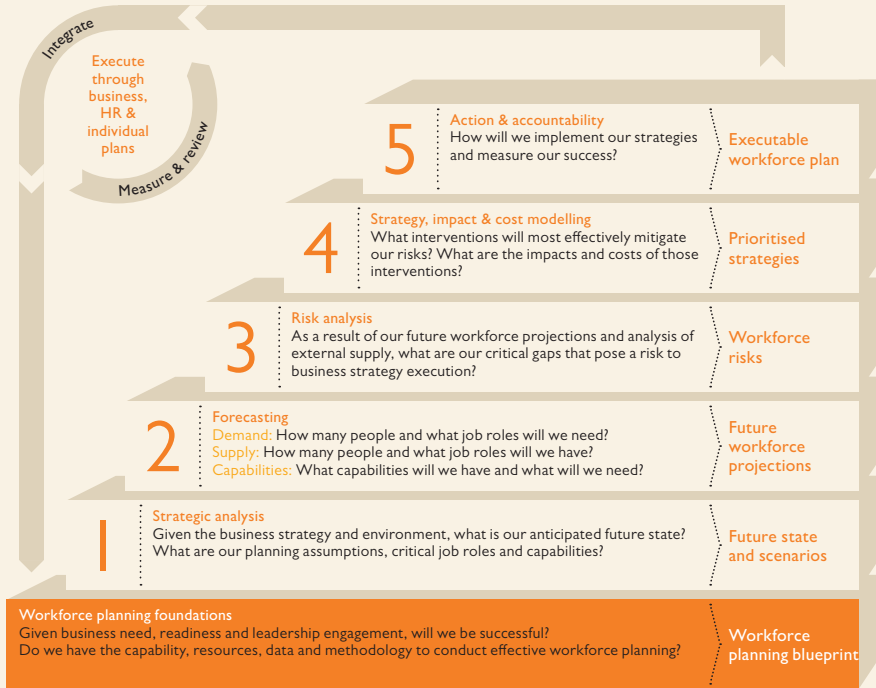
A few examples include:

- › 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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED



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 Jive in 2011.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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/>



› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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

› RESPONSIBLE BUSINESS PRACTICE CONTINUED



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. [Read more.](#)

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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.

> RESPONSIBLE BUSINESS PRACTICE CONTINUED



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.

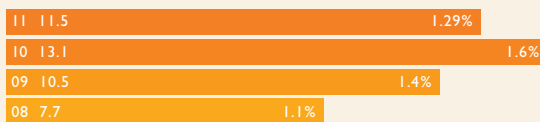
We recognise that not-for-profit partners can help us extend our reach and impact in ways that have a real impact on learning – especially for the most disadvantaged – and are complementary to our business objectives. We also believe that our stakeholders expect and value our efforts to work in partnership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

COMMUNITY SPEND £m – % of operating profit



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

Charitable giving by the Pearson Foundation

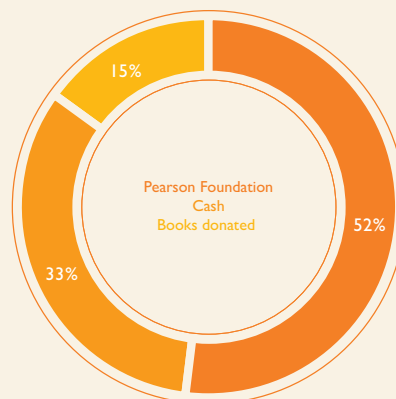
The Pearson Foundation plays an important and special role in furthering our charitable objectives.

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 INVESTMENT



› RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Case study: The Pearson Foundation Million Voice Project

My Voice[™] is an innovative way to engage all members of the school community in a student-centred 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 £85,000 fund match in 2011 for nearly £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/>

 > RESPONSIBLE BUSINESS PRACTICE CONTINUED

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.
