

Our impact on society

We believe our commercial goals and our social purpose are mutually reinforcing.

Across many industries, a strong sense of fundamental purpose is a characteristic shared by many leading businesses. Pearson's purpose is to help people make progress in their lives through learning.

This purpose informs and shapes our company strategy and is the starting point of our responsibility framework:

PEARSON'S PURPOSE

Our purpose is to help people make progress in their lives through learning.

OUR FOCUS

In 2010, we defined three key issues as the focus of Pearson's corporate responsibility strategy: **literacy, learning outcomes and contributing to competitiveness**. These three key issues are where Pearson can make a unique contribution to people's social and economic wellbeing on a global scale.

RESPONSIBLE BUSINESS PRACTICE

Beyond these three issues, we have a wider agenda of responsible business practice. This covers areas such as **nurturing and developing talent and diversity, environmental responsibility** and supporting the work of the Pearson Foundation.

OUR VALUES

Our approach to ethics and how we behave is grounded by our culture and values – to be **brave, imaginative and decent**.

We continue to be recognised in external benchmarks as a leader in corporate responsibility – a testament to the commitment and efforts of our people. We were (for a fourth year) ranked gold in the Dow Jones Sustainability Index.

2013 will be a year of considerable change as we merge Penguin with Random House and develop our global education strategy.

Our commitment to helping people make progress in their lives through learning is enduring. However, against that wider backdrop of change, we will ask some key questions about our responsibility framework this year:

- › What are the big unmet educational needs which we can help tackle?
- › How should we measure and report the educational impact of our products and services?
- › Are the three key issues still the right ones for us to focus on?
- › What commitments and targets should we set ourselves?

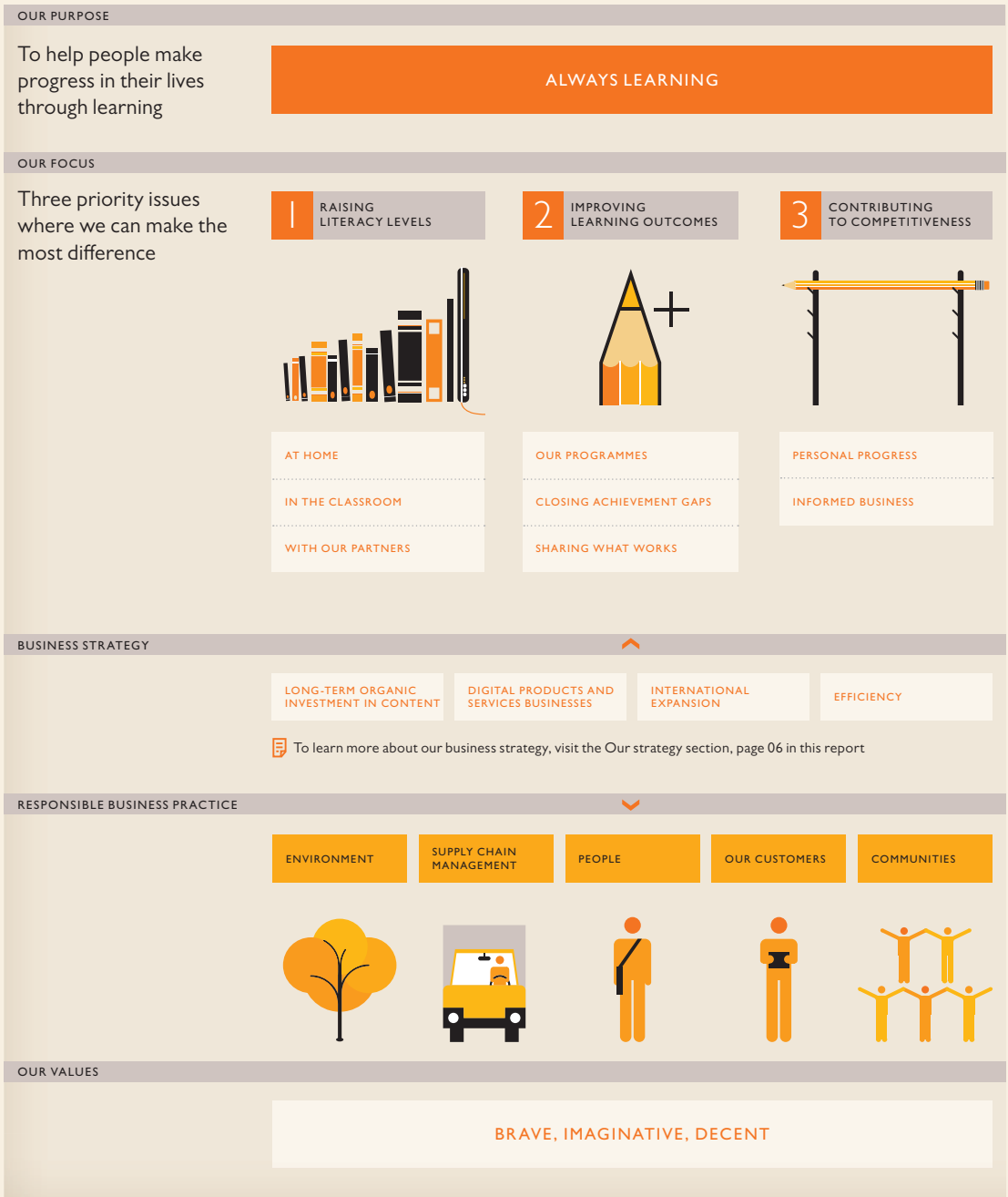
If you have thoughts on these four questions or would like to play a part in helping us find the answers, please let us know and contact our head of corporate responsibility at peter.hughes@pearson.com



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

Overview

We have developed our own responsible business framework to reflect what we do, where we can have the most impact and the expectations that our investors, customers and the people who work at Pearson have of us. It is unique to Pearson. It is also dynamic – we will update the framework to reflect how we change as a company and the views and priorities of our stakeholders.



Our impact on society continued

1 RAISING LITERACY LEVELS

The economic and social cost of illiteracy is immense – affecting as many as two billion people – it may be as high as one trillion US dollars per year.

Illiteracy is a global challenge affecting both developed and emerging countries. For example, in the UK, 22% of the population are deemed as functionally illiterate, struggling with basic tasks, such as applying for a job by e-mail or reading their child's school report. The cost to the UK alone is estimated at £8 billion a year.

Our approach

Raising literacy levels is one of our three focus areas because:

- › Good reading skills are the basic cornerstone essential for people to learn.
- › All our businesses depend on the premise that people can read and enjoy doing so.
- › Our mix of businesses means that we can make a unique contribution to tackling illiteracy.

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 give books and to inspire reading.

Reading in the classroom

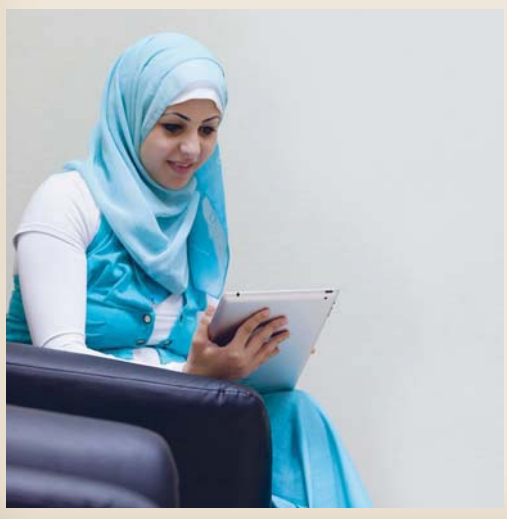
We have a full range of reading programmes designed to help students learn to read. Whether print or online, whole school or for students that need a little extra help, they all share a commitment to improving the reading standards of individual learners.

CASE STUDY

iLit (inspire Literacy)

iLit is the first reading programme built and delivered completely on the iPad. Launched in the United States, it targets readers aged 9 to 16 and supports, rewards and instructs based around the needs of the individual reader. iLit is currently available for readers aged 14 to 16. For more information about iLit and the research evidence that underpins it, visit:

www.redefiningliteracy.com



Reading in the home

Enthusiastic readers are inspired by great stories. Our Penguin books for children – Puffin, Frederick Warne and Ladybird books – all provide plenty of options.

In this digital age, how we read and write may change radically, but the ability to do so is more important than ever. We believe in offering stories that are engaging and fun, regardless of format, for parents and their children to read at home or on the move.

CASE STUDY

Ladybird: I'm ready for phonics app



Giving a child a reading head-start before they start school helps build confident readers. New apps such as Ladybird's 'I'm Ready for Phonics!' gives parents new ways to help prepare a child for synthetic phonics learning at school.



Partnering with others to encourage reading

Tackling illiteracy demands that we work together in an open and collaborative way. We have focused on building partnerships that extend access to books and opportunities for shared reading. Highlights include:

- › We gave our **eight millionth** book under our Booktime programme which sees every child starting school in England and Wales receive a book pack containing two free books to take home and keep.
- › We Give Books, the digital reading challenge run by the Pearson Foundation, exceeded **1.5 million** books donated to literacy charities around the world as chosen by online readers.
- › We gave our **one millionth** book to Book Aid, the charity that supports the development of libraries in schools and communities in Sub-Saharan Africa. We were the largest book donor to Book Aid in 2012.

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, abilities and locations. This focus on learning outcomes is a critical part of our responsibility vision.

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.

Our strategy is to become an education technology and solutions provider with global reach. As the strategy gathers pace, so do the opportunities to help understand what works best to help students succeed. We recognise that as we become more directly involved in the process of learning, we are more accountable for outcomes.

We have:

- › Conducted nearly 50 reviews to assess and improve learning outcomes and trained over 100 people in the process.
- › Run a series of events reaching over 1,200 people and presented on our approach at the company senior strategy conference and to the next generation of our leaders.

We will:

- › Conduct at least 100 additional reviews to assess the learning outcomes from our programmes and services.
- › Make it a precondition of any new investment of US\$3m or more that it is assessed for its impact on learning.
- › Make a series of commitments around how we will deepen and accelerate our approach to assessing learning outcomes.

Our impact on society continued

CASE STUDY

Pearson Affordable Learning Fund

A global challenge is how we can all ensure that every child can benefit from learning, but with over 60 million children not in school, there is a need for urgent innovation. We believe that low-cost private education is part of the answer and that there is a need to encourage new ideas, models and ways of working. So, we have launched the Pearson Affordable Learning Fund whose purpose is to make minority equity investments in for-profit companies that help meet a burgeoning demand for affordable education services in Africa, Asia and Latin America. The fund launched in July 2012 with \$15 million of initial Pearson capital, and made its first investment in a chain of private schools in Ghana. See more at: www.affordable-learning.com



3 CONTRIBUTING TO COMPETITIVENESS

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

Helping individuals get ready for work

Getting a job depends on having relevant skills. As many countries continue to wrestle 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.

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.
- › The 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.

CASE STUDY

Next Generation BTECs

Pearson launched Next Generation BTECs, which meet new regulator and Department for Education criteria to make BTEC the best represented vocational qualification on the new accountability framework for schools in England.

Sharing knowledge and investing in research

Few companies participate in education on a global scale so we have a responsibility to support educational improvement and to actively share our experience on models that work and those that do not.

We have:

- › Mapped current research activity and laid the foundation to launch our online research portal.
- › Convened a Pearson Executive Research Council bringing together the research professionals within Pearson.
- › Launched two publications with international acclaim – *The Learning Curve* and *Oceans of Innovation*: www.pearson.com/oceans

We will:

- › Invest in research to help advance education as well as inform the products and services we develop.
- › Partner with a range of organisations to conduct educational research and promote the dissemination of knowledge.
- › Promote open discussion through participating in and convening conferences and events.
- › Make research outcomes publicly available via: www.pearson.com/research

CASE STUDY

The Learning Curve

This year, we supported the Economist Intelligence Unit (EIU) in the development of The Learning Curve. The initiative brought together in one place a wide range of data sets designed to enable researchers and policymakers to correlate education outcomes with wider social and economic impact more easily than ever before. As international benchmarking of education systems has become ever more prevalent, the Learning Curve has the potential to add to our understanding of what successful education systems look like and how success can be achieved: thelearningcurve.pearson.com



Contributing to debate

We are committed to playing 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 on the role that education has played and should play for the future. We have joined with a range of organisations as an active member of the Global Compact on Learning. Ways we are helping include contributing to developing and agreeing common metrics to measure the success of the Global Compact: www.brookings.edu/learningmetrics

We are active participants in the Global Partnership for Education, having been one of the first companies to join the initiative and make a pledge at its replenishment conference. GPE brings together over 50 developing countries, donor governments, international organisations, the private sector, teachers, and civil society/NGO groups to support developing countries with their education sector plans through financial assistance and technical expertise: www.globalpartnership.org

We also believe that the wider private sector has an important contribution to make in developing education and learning policy. We supported and helped fund in 2012 the Global Business Coalition for Education. The aim is to help focus the wider business community on helping tackle the challenges faced by developing countries to promote learning: <http://gbc-education.org/about-us>

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.

RESPONSIBLE BUSINESS PRACTICE

Under the current responsible business framework at Pearson, we focus on the three areas where we believe we have a unique opportunity to make a positive impact – literacy, learning outcomes and competitiveness.

In addition, we adopt a broad and holistic definition of ‘responsible business’ that captures a series of priorities that are common across many industries and individual companies. These include commitments to:

- › Deliver against stakeholder expectations on the key area of climate change and to seek to make better use of resources.
- › Extend our principles on labour standards, human rights and environmental responsibility to include our suppliers and business partners.
- › Ensure that our products and services are inclusive to those with reading disabilities, appropriate in content to the age and location of the student and are safe to use.
- › Provide a safe, healthy workplace, where our employees are able to realise their own individual potential and aspirations and where there is respect for their privacy, dignity and life outside work.
- › Provide opportunities for Pearson people to be good citizens and to get involved in their local communities.

Our impact on society continued

Highlights of our activities in 2012 include:

Environment: Climate change and avoiding deforestation

Climate change remains a focus for us as one of the most serious issues facing the planet. Minimising our own environmental impact is not just the right thing to do; it is fundamental to our future as a sustainable business and helps deliver cost savings.

We continue to be climate neutral, a commitment which focuses the company on carbon reduction.

Pearson is preparing for the introduction of mandatory Greenhouse Gas reporting in 2014. We have just been accredited against the Carbon Trust Standard globally – one of only two companies that currently hold that status.

Our second focus area is forests. As a purchaser of paper and newsprint for our books, magazines and newspapers, security and sustainability of supply are very important to us. We have focused on actively encouraging responsible forest management and being more efficient in how we use paper.

- › Pearson was named the 32nd largest purchaser of renewable energy in the United States in the US Environmental Protection Agency Green Power Partnership list. We offset 100% of the electricity we use in North America through the purchase of wind power credits from across the United States and have invested in a project to install solar panels in schools in California. Our UK buildings – where we are responsible for purchasing utilities – are also powered by green electricity.
- › Pearson came top in the 2012 Corporate Renewable Energy Index (CREX) produced by Bloomberg New Energy Finance. We were one of 35 global companies to achieve a maximum score of 100%.
- › Pearson businesses in the UK and Australia are certified against ISO 14001, the environmental management standard.
- › In the US, Pearson facilities are focusing on securing LEED – Leadership in Energy and Environmental Design certification. LEED recognises excellence in the design, construction, and operation of high performance green buildings. Over 800,000 sq ft across six Pearson buildings are LEED certified.
- › We now have 2.3MW in on-site renewable energy assets (solar panels and wind) at our facilities.

- › Pearson and the FT committed to a \$1m three-year rainforest partnership in Colombia. We also continued to invest in Woodland Carbon offsets offered by the Woodland Trust in the UK and in a Nature Conservancy Council forest offset project in the United States.
- › The *Financial Times* has reduced the volume of newsprint and magazine papers it uses by over 50% in five years. A key initiative has been to reduce the base weight of the papers used.

CASE STUDY

Tom Delay, Chief Executive, Carbon Trust

“As only the second organisation ever to achieve global certification to the Carbon Trust Standard – by no means an easy task – Pearson is demonstrating real leadership in how to measure, manage and reduce carbon emissions year-on-year.”



Our customers, our people and our communities

Responsible business practice cuts across all aspects of our company and our focus is to integrate this into the way we manage our businesses. This benefits our customers, suppliers, the people that work at Pearson and the communities in which we operate.

Highlights of our activities in 2012 are:

- › Pearson continued with its programme of Student Advisory Boards, providing an opportunity for students to input and influence our strategy in return for mentoring and company internships.
- › Building on Pearson operations in the UK becoming accredited against ISO 18001, the international health and safety standard, a two-year project to review and update our global approach to health & safety management was started in 2012.
- › Pearson in the US has been included in Working Mother magazine's 100 Best Companies list for its twelfth year.
- › The Pearson Diversity Summer Internship Programme won the 'Widening the Talent Pool' category in the Race for Opportunity awards.

- › Providing an opportunity for our employees to share in the success of the company through owning a part of it is important to us. Over 37,000 people in 98 countries have the opportunity to acquire and hold Pearson shares through participation in our employee share programmes. 1 in 5 employees participate.
- › Pearson, alongside charity partner Booktrust, won a 2012 Lord Mayor's Dragon Award in the education category for the Booktime programme.
- › The *Financial Times* seasonal appeal raised \$4.89m on behalf of The Global Fund for Children, a charity working to transform the lives of the world's most vulnerable children.

CASE STUDY

The Pearson Foundation

The Pearson Foundation is an independent charity that aims to make a difference by promoting literacy, learning, and great teaching. The Pearson Foundation is the charity partner of choice for Pearson and we are its major funder. Three highlights from the Pearson Foundation year in 2012 were:

- › The launch of 'Five Things I've Learned'. The project shares the thoughts of education leaders drawn from decades of real-world experience and insights about learning, teaching, and helping others. Available at www.thefivethings.org
- › Read for the Record broke two world records. Nearly 2.4 million people read Lady Bug Girl and the Bug Squad on the same day with almost 400,000 of them reading the book online at www.wegivebooks.org. Read for the Record is run in partnership with the charity Jumpstart.
- › BridgelT, a partnership between the Pearson Foundation and Nokia has reached over 1 million children and their teachers across ten developing and emerging countries. BridgelT uses mobile phones to deliver professional development materials and educational resources to teachers.



Values, principles and behaviour

The bedrock of corporate responsibility is the culture of the company. We are defined by our values – in everything we do, we aspire to be brave, imaginative and decent.

Our values are underpinned by our Code of Conduct that covers, among other things, individual conduct, the environment, employees, community and society. We make sure everyone is aware of and understands the code. Once a year, everyone working for Pearson gets a copy from the CEO, either electronically or on paper and is asked to read it. Everyone is asked to confirm that they have read it, understood it and that the company complies with it and, as a further check, it is mandatory for over 2,000 of our most senior people to respond to that request. The code forms a part of induction and an online training module is available. If anyone has concerns, these can be raised with a line manager or through a free, confidential telephone line/website.

Pearson has a zero tolerance policy towards bribery and corruption. Our policy introduced in 2011 sets out our standards; we carry out risk assessments and have a network of designated managers across the business responsible for compliance with our policy.

We are committed to making sure our people understand how we are doing as a company, including how world trends might affect both them and the businesses. This means providing comprehensive relevant information in a variety of ways – including regular presentations from senior executives – and consulting where appropriate so that we can learn and take into account the views of our people.

We will always aim to seek the best candidate for a role: career progression will be without regard for race, gender, age, physical ability, religion or sexual orientation; and we will continue to monitor and benchmark our progress on diversity and inclusion.

Our impact on society continued

External benchmarks

One way we assess how we are doing as a responsible business is to maintain our position in key indices and benchmarks of social responsibility:

	2012	2011	2010	2009
Dow Jones Sustainability Indexes	Gold class	Gold class and global sector leader		
BITC Corporate Responsibility Index	Platinum (retained)	Platinum	Platinum (retained)	
Inclusion in FTSE4Good	Yes			

Seven commitments

Last year, we set out seven challenging aspirations and targets to help focus the business on achieving our responsible business vision while minimising our environmental impact. We believe this is a responsible and sustainable approach. We report on our progress against these and other commitments as part of our online Impact on Society report at <http://cr2012.pearson.com>

ENVIRONMENT												
Challenges	Our commitment	How we measure progress										
Climate change	<p>1</p> <p>To maintain our commitment to climate neutrality in 2013. Last year marked our third year of climate neutrality</p>	<p>Through carbon reduction; purchase of renewable energy; renewable energy generation at our sites and the purchase of carbon offsets</p> <p>Electricity from renewable sources Mwh</p> <table border="1"> <tr><td>12</td><td>218,500 Mwh*</td></tr> <tr><td>11</td><td>166,900 Mwh</td></tr> <tr><td>10</td><td>170,700 Mwh</td></tr> <tr><td>09</td><td>170,229 Mwh</td></tr> <tr><td>08</td><td>3,255 Mwh</td></tr> </table> <p>Climate change data is published in April *100% from renewable sources up from 84% in 2011</p>	12	218,500 Mwh*	11	166,900 Mwh	10	170,700 Mwh	09	170,229 Mwh	08	3,255 Mwh
12	218,500 Mwh*											
11	166,900 Mwh											
10	170,700 Mwh											
09	170,229 Mwh											
08	3,255 Mwh											
Resource use	<p>2</p> <p>To be ever more efficient in how we use paper as the most significant natural resource for us</p>	<p>We track the total metric tonnes of paper we use and how that compares to revenue</p> <p>The paper used per £1m of non-digital revenue increased in 2012 reflecting a shift to digital services</p> <p>Total paper used Metric tonnes</p> <table border="1"> <tr><td>12</td><td>287,500 MT</td></tr> <tr><td>11</td><td>319,500 MT</td></tr> <tr><td>10</td><td>338,000 MT</td></tr> <tr><td>09</td><td>339,000 MT</td></tr> <tr><td>08</td><td>360,000 MT</td></tr> </table>	12	287,500 MT	11	319,500 MT	10	338,000 MT	09	339,000 MT	08	360,000 MT
12	287,500 MT											
11	319,500 MT											
10	338,000 MT											
09	339,000 MT											
08	360,000 MT											

ENVIRONMENT																					
Challenges	Our commitment	How we measure progress																			
<p>Avoiding global deforestation</p>	<p>3 To use FSC papers where we can and our own grading system</p>	<p>We track and report the FSC volume we purchase and the grading system we use to meet our requirement to purchase from known, responsible sources</p>	<p>Paper by source %</p> <table border="1"> <thead> <tr> <th>Year</th> <th>FSC</th> <th>Graded</th> <th>Ungraded/unwanted</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>11%</td> <td>79%</td> <td>10%</td> </tr> <tr> <td>11</td> <td>7%</td> <td>83%</td> <td>10%</td> </tr> </tbody> </table>	Year	FSC	Graded	Ungraded/unwanted	12	11%	79%	10%	11	7%	83%	10%						
Year	FSC	Graded	Ungraded/unwanted																		
12	11%	79%	10%																		
11	7%	83%	10%																		
SOCIAL																					
<p>Investing in content</p>	<p>4 To make sustained investment in new content</p>	<p>Pre-publication expenditure and authors' advances</p>	<p>Investing in content \$m</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Investing in content \$m</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>\$835m</td> </tr> <tr> <td>11</td> <td>\$794m</td> </tr> <tr> <td>10</td> <td>\$816m</td> </tr> <tr> <td>09</td> <td>\$794m</td> </tr> <tr> <td>08</td> <td>\$775m</td> </tr> </tbody> </table>	Year	Investing in content \$m	12	\$835m	11	\$794m	10	\$816m	09	\$794m	08	\$775m						
Year	Investing in content \$m																				
12	\$835m																				
11	\$794m																				
10	\$816m																				
09	\$794m																				
08	\$775m																				
<p>Access to learning, literacy and great teaching</p>	<p>5 To maintain our total community investment at 1% or more of operating profit</p>	<p>One way we extend our reach is through partnerships with literacy and learning charities. We report on our community investment spend</p>	<p>Community investment spend £m</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Community investment spend (£m)</th> <th>% of operating profit</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>£11.4m</td> <td>1.2%</td> </tr> <tr> <td>11</td> <td>£11.5m</td> <td>1.2%</td> </tr> <tr> <td>10</td> <td>£13.1m</td> <td>1.6%</td> </tr> <tr> <td>09</td> <td>£10.5m</td> <td>1.4%</td> </tr> <tr> <td>08</td> <td>£7.7m</td> <td>1.1%</td> </tr> </tbody> </table>	Year	Community investment spend (£m)	% of operating profit	12	£11.4m	1.2%	11	£11.5m	1.2%	10	£13.1m	1.6%	09	£10.5m	1.4%	08	£7.7m	1.1%
Year	Community investment spend (£m)	% of operating profit																			
12	£11.4m	1.2%																			
11	£11.5m	1.2%																			
10	£13.1m	1.6%																			
09	£10.5m	1.4%																			
08	£7.7m	1.1%																			
<p>Literacy</p>	<p>6 Using 2010 as our base, to expand our book gifting activities</p>	<p>Number of books donated to schools, libraries and literacy charities</p>	<p>Number of books donated Millions</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of books donated (Millions)</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>2.10m</td> </tr> <tr> <td>11</td> <td>1.99m</td> </tr> <tr> <td>10</td> <td>1.66m</td> </tr> <tr> <td>09</td> <td>1.71m</td> </tr> <tr> <td>08</td> <td>1.74m</td> </tr> </tbody> </table>	Year	Number of books donated (Millions)	12	2.10m	11	1.99m	10	1.66m	09	1.71m	08	1.74m						
Year	Number of books donated (Millions)																				
12	2.10m																				
11	1.99m																				
10	1.66m																				
09	1.71m																				
08	1.74m																				
	<p>7 Growing take-up of digital-based reading</p>	<p>Unlike traditional print programmes, we can track the number of users of our digital reading programmes</p>	<p>Reading programmes Users million</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Reading programmes Users (million)</th> </tr> </thead> <tbody> <tr> <td>12</td> <td>4.45m</td> </tr> <tr> <td>11</td> <td>3.75m</td> </tr> </tbody> </table>	Year	Reading programmes Users (million)	12	4.45m	11	3.75m												
Year	Reading programmes Users (million)																				
12	4.45m																				
11	3.75m																				