

## > I.I.I MESSAGE FROM ROBIN FREESTONE



# 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 is 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](mailto:peter.hughes@pearson.com)

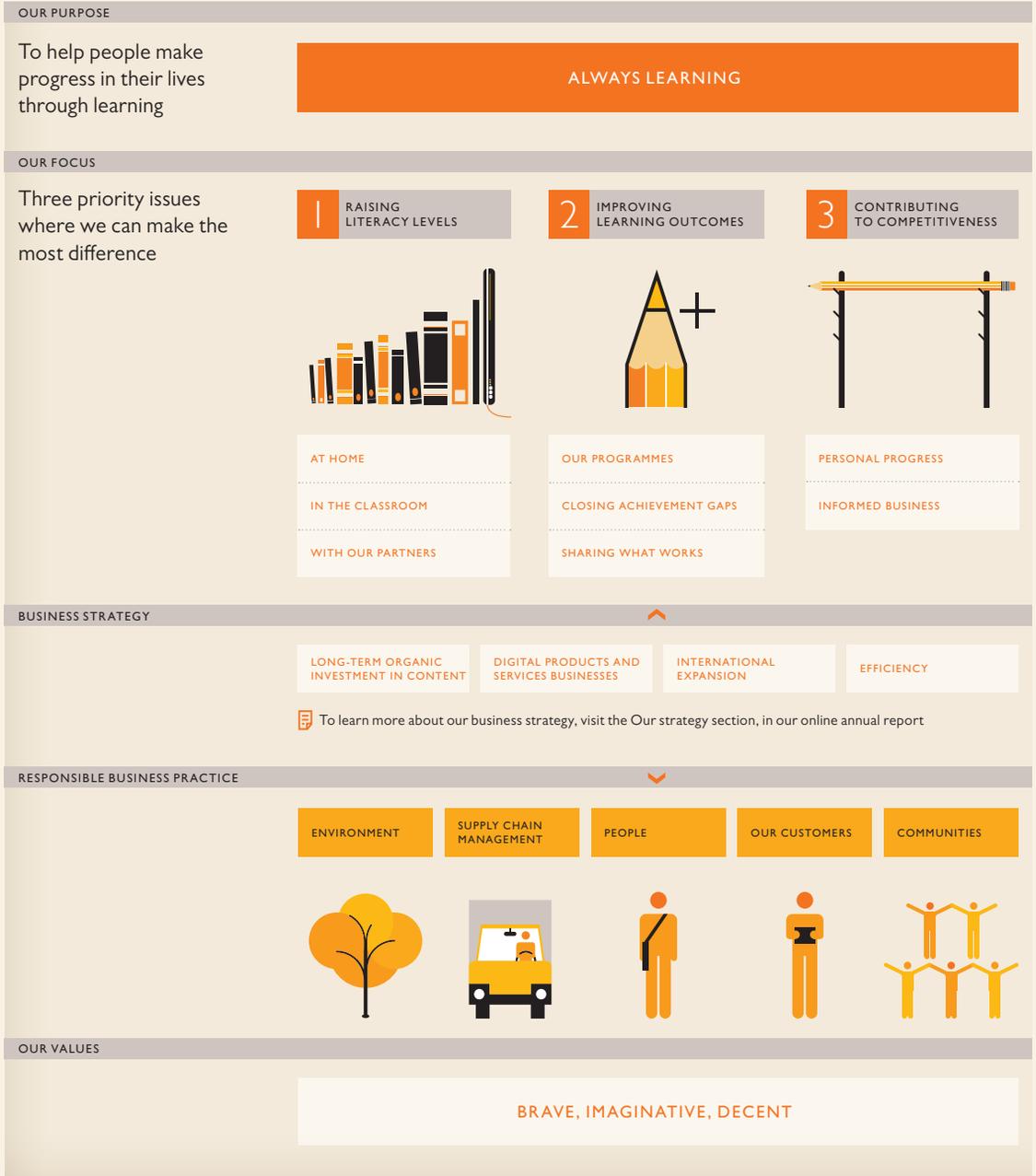
**Robin Freestone** Chief financial officer  
(and board member responsible for corporate responsibility)

## > 1.1.2 FRAMEWORK OVERVIEW

### 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.



### > 1.1.3 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 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 £8bn 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.

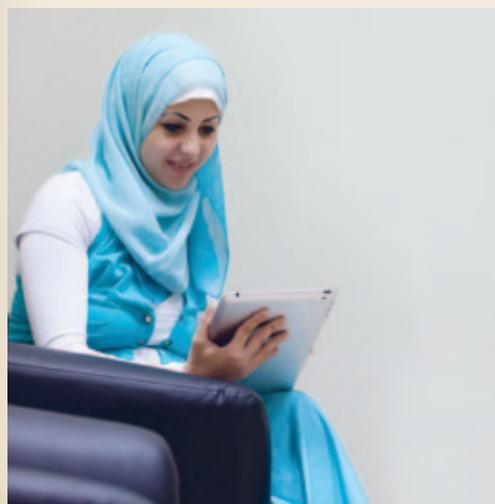
#### Reading in the classroom

We have a full range of reading programmes designed to help students learn to read. Whether print or online, whole school or for students who 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](http://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.

> I.1.3 RAISING LITERACY LEVELS CONTINUED

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.
- > We Give Books, the digital reading challenge run by the Pearson Foundation, surpassed **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.

CASE STUDY

### Booktime

Our Booktime programme run in partnership with charity Booktrust sees every child starting school in England and Wales receive a book pack containing two free books to take home and keep. Now in its seventh year, we exceeded eight million books donated this year. Pearson received the 2012 Lord Mayor's Dragon Award in the education category alongside Booktrust for the Booktime programme.

[www.youtube.com/watch?v=qNtcTvtrZn0](http://www.youtube.com/watch?v=qNtcTvtrZn0)

OUR COMMITMENTS	HOW WE MEASURE PROGRESS													
Using 2010 as our base, to expand our book gifting activities	Number of books donated to schools, libraries and literacy charities	<p>Number of books donated Millions</p> <table border="1"> <tr><th>Year</th><th>Books Donated (Millions)</th></tr> <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> </table>	Year	Books Donated (Millions)	12	2.10m	11	1.99m	10	1.66m	09	1.71m	08	1.74m
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12	2.10m													
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08	1.74m													
Growing take-up of digital-based reading	Unlike traditional print programmes, we can track the number of users of our digital reading programmes	<p>Reading programmes Users million</p> <table border="1"> <tr><th>Year</th><th>Users (Million)</th></tr> <tr><td>12</td><td>4.45m</td></tr> <tr><td>11</td><td>3.75m</td></tr> </table>	Year	Users (Million)	12	4.45m	11	3.75m						
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> I.1.4 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 in 2012 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.

**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 \$15m of initial Pearson capital, and made its first investment in a chain of private schools in Ghana. See more at: [www.affordable-learning.com](http://www.affordable-learning.com)



OUR COMMITMENT	HOW WE MEASURE PROGRESS																
To make sustained investment in new content	Pre-publication expenditure and authors' advances	<p>Investing in content \$m</p> <table border="1"> <tr> <td>12</td> <td></td> <td>\$835m</td> </tr> <tr> <td>11</td> <td></td> <td>\$794m</td> </tr> <tr> <td>10</td> <td></td> <td>\$816m</td> </tr> <tr> <td>09</td> <td></td> <td>\$794m</td> </tr> <tr> <td>08</td> <td></td> <td>\$775m</td> </tr> </table>	12		\$835m	11		\$794m	10		\$816m	09		\$794m	08		\$775m
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## > I.1.5 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](http://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](http://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](http://thelearningcurve.pearson.com)



## > I.1.5 CONTRIBUTING TO COMPETITIVENESS CONTINUED

### 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](http://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](http://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.