

> 1.2 RESPONSIBLE BUSINESS

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.

ENVIRONMENT	SUPPLY CHAIN	PEOPLE	CUSTOMERS	COMMUNITIES
Climate change	Responsible procurement	Workforce of the future	Freedom of expression	Freedom of expression
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 wellbeing		

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.

A report on how we manage and govern responsible business along with issues such as tax and lobbying can be found in downloads.

To find out more about our [world leading businesses](#) and our [financial performance](#), please visit our Annual Report.

> 1.2.1 ENVIRONMENT

We see two big environmental challenges facing the planet. The first is climate change and the second is resource use.

Climate change impacts such as extreme weather patterns and water scarcity affect people everywhere, with developing countries the most vulnerable.

We operate in more than 70 countries and we are seeing a growing 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. New regulations are emerging – as are the expectations of the people who work at Pearson and who buy our products and services.

The second challenge is lack of resources. A growing population means more people and 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. 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 reflect our concern for good environmental stewardship which is shared by many of our stakeholders.

Our full environmental report is available in downloads.

Climate change

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. 2012 environmental highlights were:

- > 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%.
- > We have been accredited against the Carbon Trust Standard globally – one of only two companies that currently holds that status.
- > 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.

> 1.2.1 ENVIRONMENT CONTINUED

Our climate footprint for 2012 is as follows:

	METRIC TONNES OF CO ₂				
	UK	US	China	ROW	Total
2011 Climate Footprint	29,167	119,339	8,062	27,963	184,531
GHG movements in 2012	2,258	(632)	6,013	2,586	10,225
Purchase of Green Electricity	(19,267)	(74,597)	(14,069)	(20,609)	(128,542)
Partnerships		(23,055)		(200)	(23,255)
2012 Climate Offset	12,158	21,055	6	9,740	42,959

Our footprint increased in 2012. This was as a result of acquisitions.

CASE STUDY

Renewable energy generation at our facilities

Our first renewable electricity project went live in December 2009. Over its lifetime the new solar panels on our building at Old Tappan in New Jersey is expected to produce electricity equivalent to 4,325 metric tonnes of CO₂e. To date, the Old Tappan solar panel project is generating 9% more than projected. We now have 2.3MW in on-site renewable energy assets (solar panels and wind) at our facilities.

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.”



Natural resources – forests

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. Some 2012 environmental highlights were:

- > 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.
- > Pearson together with three other North American publishers has entered into a partnership with the Sustainable Forestry Initiative® to help spur the growth of certification to preserve and protect forests. SFI Forest Partners aims to certify two million hectares of forests to the SFI 2010–2014 Standard across the United States and Canada and a further four million hectares by the end of 2017.
- > Over 50 million Penguin books published in 2012 carried the FSC logo.

> 1.2.1 ENVIRONMENT CONTINUED

OUR COMMITMENTS	HOW WE MEASURE PROGRESS													
To use FSC papers where we can and our own grading system	We track and report the Forest Stewardship Council (FSC) volume we purchase and the grading system we use to meet our requirement to purchase from known, responsible sources	<p>Paper by source %</p> <table border="1"> <caption>Paper by source %</caption> <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%											
To be ever more efficient in how we use paper as the most significant natural resource for us	<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"> <caption>Total paper used Metric tonnes</caption> <thead> <tr> <th>Year</th> <th>Total paper used (Metric tonnes)</th> </tr> </thead> <tbody> <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> </tbody> </table>	Year	Total paper used (Metric tonnes)	12	287,500 MT	11	319,500 MT	10	338,000 MT	09	339,000 MT	08	360,000 MT
Year	Total paper used (Metric tonnes)													
12	287,500 MT													
11	319,500 MT													
10	338,000 MT													
09	339,000 MT													
08	360,000 MT													

Targets

	2012 TARGET	OUTCOME	2013 COMMITMENT
Climate neutrality	Maintain our climate neutral commitment for 2012	Achieved.	Maintain our climate neutral commitment for 2013
Carbon reduction	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	Ongoing. Neither the Phase II Solar Panel Project at Old Tappan nor the wind turbine in Iowa City progressed beyond the feasibility stage	Continuation of our programme to make our key buildings energy efficient with a particular focus on on-site renewable energy generation. A new solar panel project has been agreed in principle in the United States. The aim is to complete this by the end of 2014
Carbon mapping	Continue work on mapping the total carbon footprint for Pearson businesses in the UK and the US	Ongoing. Penguin UK has an online product carbon assessment tool in place.	Two year initiative to extend to Pearson businesses in the UK agreed in principle
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 2012 environmental audit completed	Achieved. Process and plans	Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%
Environmental management	To complete the due diligence phase and to confirm whether to go ahead with ISO14001 certification in the United States in 2012	Achieved. The United States is adopting LEED as its energy management system model	Complete energy management pilot at seven US sites: Austin, TX; Cranbury, NJ; Glenview, IL; Iowa City, IA; Lebanon, IN; Owatonna, MN and Old Tappan, NJ. Extend to a further three sites
Collaboration	One year in, to review the effectiveness of Planet Pearson at reaching and informing employees	Achieved. Planet Pearson newsletter launched	
Awards	Review Planet Pearson Environment Awards in 2012	Completed. Planet Pearson Environment Awards discontinued	Consider including an environment category in a revamped community awards scheme for Pearson employees
Video-conferencing	Further review of global implementation to reduce travel. Extend video conferencing to a further ten sites in 2012	Achieved. Invested in video conferencing at 12 sites	Extend video conferencing to a further two sites in 2013

- Target achieved
- Target ongoing



> 1.2.2 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.

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.

A more detailed review on supply chain management at Pearson is available in downloads.

	2012 PLANS	[OUTCOME]	2013 COMMITMENTS
Paper	Develop a global strategy to maximise and grow our commitment to Forest Stewardship Council (FSC)	 Ongoing. Strategy on hold pending completion of Penguin Random House	Pearson UK to seek to secure Forest Stewardship Council (FSC) accreditation by 2015
	Using 2008 as the baseline year, to reduce the metric tonnes of paper required to generate £1m of non-digital revenue by 25% by the end of 2012	 Achieved a 20% reduction against a target of 25%. We again reduced volume of paper purchased	Set a new target pending completion of Penguin Random House
Vendor relationship management	Roll-out vendor relationship management system to existing and new suppliers and report on take-up	 Ongoing. VRM now covers 20% of vendors	Continued roll-out vendor relationship management system to existing and new suppliers and report on take-up
Printer	Integrate environmental metrics into key data marts within the vendor relationship management system starting with paper and print	 Achieved. Environmental metrics integrated in paper marts and printer survey	Embed social and environmental risk based assessment into vendor management process

-  Target achieved
-  Target ongoing

> 1.2.3 PEOPLE

Our people

Our company purpose is to help people make progress in their lives through learning – or to be ‘always learning’. The use of ‘people’ in describing our 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.

Last year, we set out that Pearson was a business in transition. 2012 saw a continuation of that trend:

- > Digital and services business now account for 50% of revenue – up from 31% in 2007;
- > Emerging markets. Revenue from our businesses in Latin America, China, India, Africa and the Middle East has tripled to \$1.2bn 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 have long shaped how we think about the structure of our business and the types of people we employ.

These trends will see a significant acceleration in 2013. As part of the vision for the company, Pearson is set to radically shift the pace of our focus on digital and services businesses with a special emphasis on emerging markets.

As part of this shift, we will group markets as:

- > **North America**, by some distance our biggest market today and for the foreseeable future.
- > **Growth**, including China, India, Brazil and South Africa, which are new centres of gravity of that once-in-a-generation education opportunity which can fuel Pearson’s growth.
- > **Core**, including the UK, Australia and Italy, where we are already strong and intend to stay that way.

Also part of our transformation is the combination of our consumer publishing business Penguin with Random House which we expect to complete during 2013. We believe that bringing together these two businesses is the best strategy to respond to the rapidly changing consumer book industry.

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.

These continue to be our priorities as our global education strategy develops.

CASE STUDY

Pearson Academy for launch in 2013

Pearson Academy is a global community of existing learning groups and alignment of people-related resources and activities across the company. It will deliver learning and performance management to everyone at Pearson via a single, engaging platform. For the first time, learning and online performance management will be available to anyone at Pearson, anywhere, on any device – and we’ll be able to track learning and performance activity and measure it. Pearson Academy will help us develop better prepared and better skilled people for the future and put learning and development at the core of people’s working experience.

> 1.2.4 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.
- > Editorial independence and integrity at the FT.
- > Appropriateness and accessibility of content.
- > Product safety.

A more detailed review on these issues is available in downloads.

	2012 PLANS	[OUTCOME]	2013 COMMITMENTS
Accessibility	To adopt a global accessibility policy	✓ Achieved. See policy in downloads	
	To improve how we bring teams together to better share knowledge, expertise and experiences in order to offer a consistent experience	✓ Achieved. Pearson North America has set up an Accessibility Steering Group. Pearson International is looking to mirror that model	Establish an integrated leadership on accessibility matters for Pearson
	To engage in the industry forums which help to create international standards on accessibility	✓ Achieved. Pearson has joined W3C	Set out the standards and platforms we will use to help share physical and digital content
Product safety	To maintain zero incidents of product recalls or enforcement notices by regulatory bodies	✓ Achieved.	To maintain zero incidents of product recalls or enforcement notices by regulatory bodies

- ✓ Target achieved
- > Target ongoing

> 1.2.5 COMMUNITIES

Our company purpose is to help people of all ages to make progress in 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. 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 with the Pearson Foundation being the largest of these. In 2012 our worldwide charitable giving was £11.4m or 1.2% of pre-tax profits.

Community spend

Our worldwide charitable giving is divided as follows:

OUR COMMITMENT	HOW WE MEASURE PROGRESS																			
To maintain our total community investment at 1% or more of operating profit	One way we extend our reach is through partnerships with literacy and learning charities. We report on our community investment spend	<p>Community investment spend £m</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage of Pre-tax Profits</th> <th>Community Investment Spend (£m)</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>1.2%</td> <td>£11.4m</td> </tr> <tr> <td>2011</td> <td>1.2%</td> <td>£11.5m</td> </tr> <tr> <td>2010</td> <td>1.6%</td> <td>£13.1m</td> </tr> <tr> <td>2009</td> <td>1.4%</td> <td>£10.5m</td> </tr> <tr> <td>2008</td> <td>1.1%</td> <td>£7.7m</td> </tr> </tbody> </table>	Year	Percentage of Pre-tax Profits	Community Investment Spend (£m)	2012	1.2%	£11.4m	2011	1.2%	£11.5m	2010	1.6%	£13.1m	2009	1.4%	£10.5m	2008	1.1%	£7.7m
Year	Percentage of Pre-tax Profits	Community Investment Spend (£m)																		
2012	1.2%	£11.4m																		
2011	1.2%	£11.5m																		
2010	1.6%	£13.1m																		
2009	1.4%	£10.5m																		
2008	1.1%	£7.7m																		
Pearson Foundation		45%																		
Cash		39%																		
Books and product		16%																		

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 inform the future shape of private and public sector provision.

Learn more at www.pearsonfoundation.com

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/>

> 1.2.5 COMMUNITIES CONTINUED

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.

CASE STUDY

Pearson Community Awards

We celebrate our Pearson volunteers by inviting anyone in the company to apply for the annual Pearson Community Awards, with a \$2,000 prize for up to seven recipients to donate on Pearson's behalf to their charity of choice, in addition to a \$500 'thank you' to the volunteer.

<http://www.youtube.com/watch?v=O5Mv-dmNiv4>

Plans

	2012 PLANS	[OUTCOME]	2013 COMMITMENTS
Giving money	Review company supported employee giving programmes in the UK and the US and to develop a new strategy	➤ On track. New strategy developed for Pearson Community Awards	Launch new format Pearson Community Awards
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	➤ On track. Work underway to pilot new volunteering initiatives in libraries and in schools	Complete volunteering pilots and assess impact
Giving books	We will set a target for book-gifting for the next three years	Not achieved. Commitment to be reviewed in light of plans to create Penguin Random House	
Charitable policy	To support the capacity of our businesses to become more effective in running charitable partnerships	✔ On hold. To be reviewed in light of the global education strategy	To review our approach to giving and how we decide on areas of priority in light of strategy focus on unmet educational need
Strategy	To review our approach to giving and how we decide on areas of priority	✔	

✔ Target achieved

➤ Target ongoing

> 1.2.6 VALUES, PRINCIPLES AND BEHAVIOUR

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

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

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

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

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

Global compact

During 2000, Pearson, along with other companies, signed a 'global compact' at the United Nations which sets out a series of principles on labour standards, human rights, the environment and combating corruption. In 2001 we put in place a series of commitments relating to the principles supported by ways to monitor our performance.

Each year, we submit a [report on our progress](#) to the United Nations describing how our guidelines reflect the UN principles and show the progress made against our key commitments.

Measuring progress

In this section, we share trend data drawn from areas of social and environmental impact that stakeholders ask us about along with information on awards received in 2012 and our broad corporate plans to progress the corporate responsibility agenda at Pearson.