

OUR STRATEGY & PRIORITIES

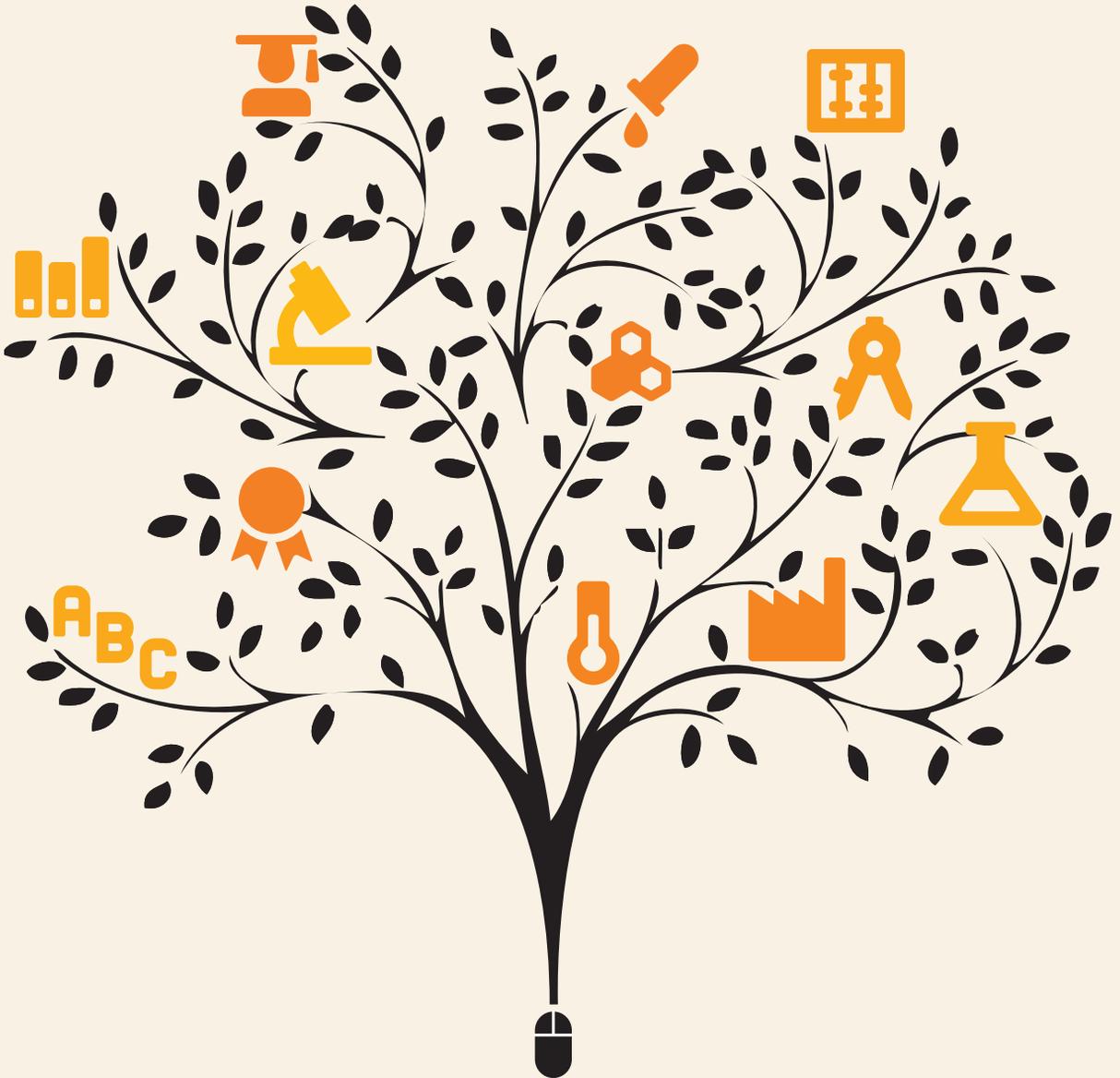
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OUR IMPACT ON SOCIETY
2012 REPORT

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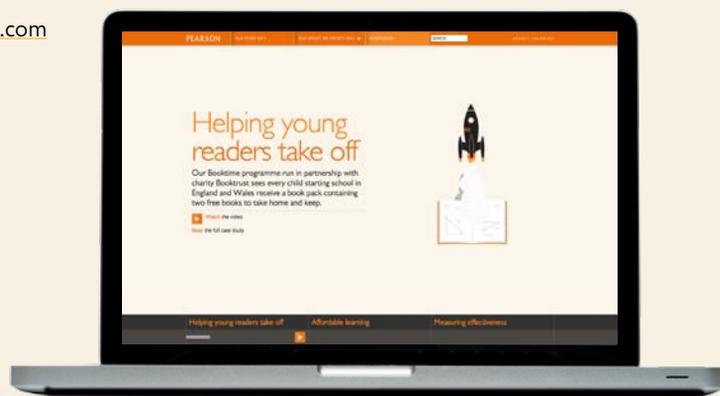
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Learn more about Pearson at: cr2011.pearson.com

 www.facebook.com/pearsonplc

 www.twitter.com/pearsonplc



> 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

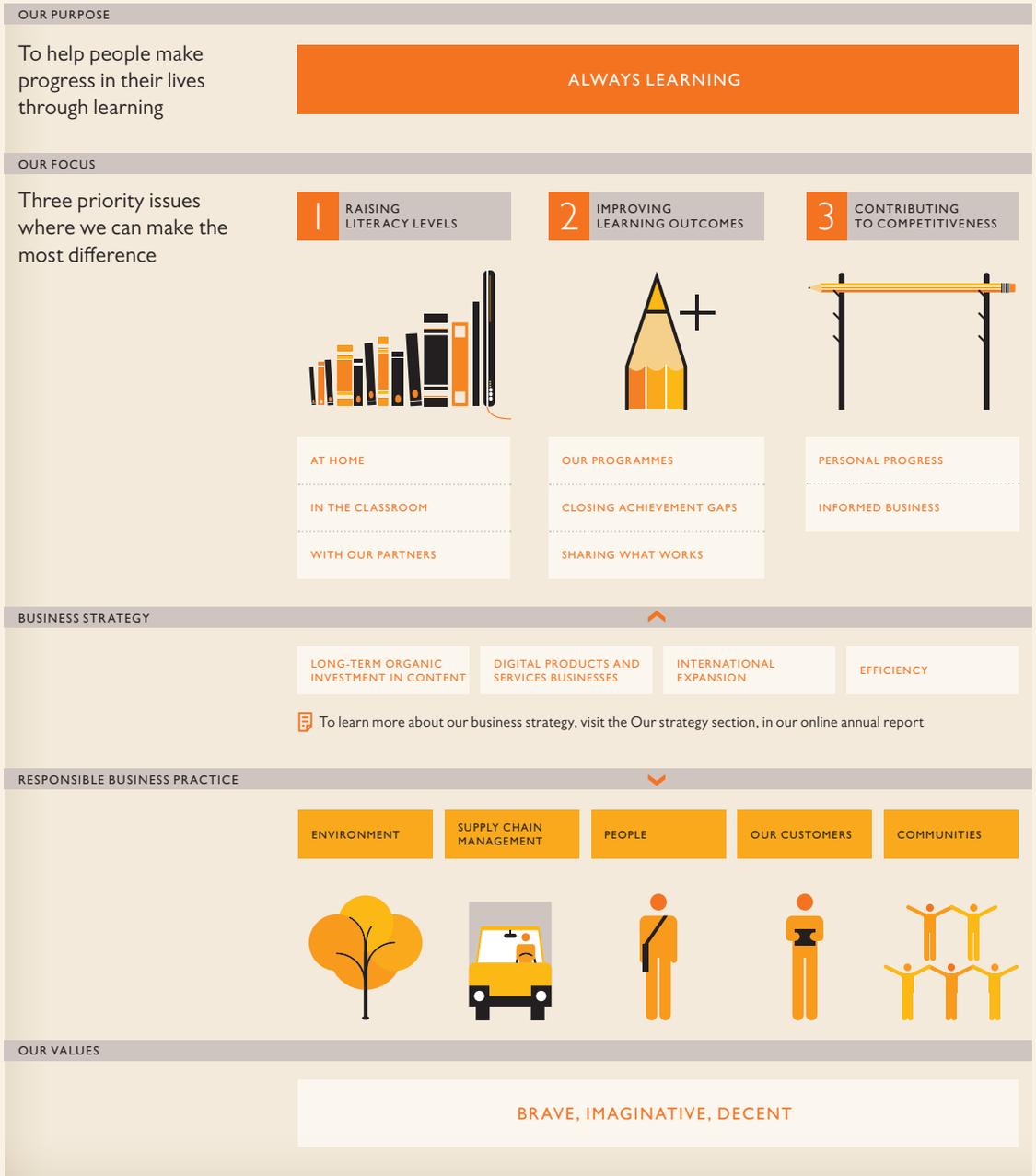
Robin Freestone Chief financial officer
(and board member responsible for corporate responsibility)

> 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.

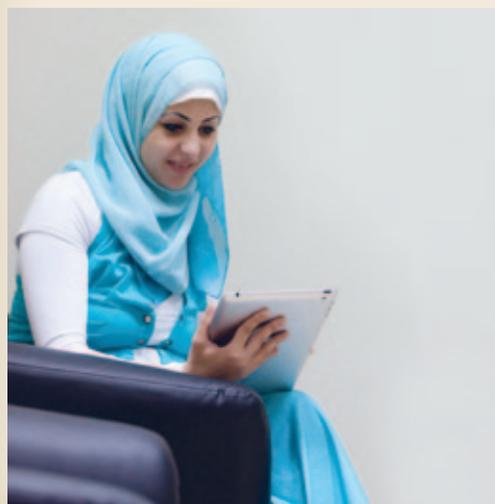
Reading in the classroom

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



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

OUR COMMITMENTS	HOW WE MEASURE PROGRESS	Number of books donated Millions										
Using 2010 as our base, to expand our book gifting activities	Number of books donated to schools, libraries and literacy charities	<table border="1"> <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>	12	2.10m	11	1.99m	10	1.66m	09	1.71m	08	1.74m
12	2.10m											
11	1.99m											
10	1.66m											
09	1.71m											
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><td>12</td><td>4.45m</td></tr> <tr><td>11</td><td>3.75m</td></tr> </table>	12	4.45m	11	3.75m						
12	4.45m											
11	3.75m											

> 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



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
12		\$835m															
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09		\$794m															
08		\$775m															

> 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

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



> 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

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.

> 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>Community investment spend (£m)</th> <th>Percentage of pre-tax profits</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)	Percentage of pre-tax profits	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)	Percentage of pre-tax profits																		
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%																		
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.

> I.3.1 DATA AND TRENDS

Social reporting measures

2012 is our baseline year for reporting people data. For the US and UK, the metrics we report are:

	Units	People
Total US and UK employees		25,610
All employees – (female)	%	57.6%
Managerial – (female)	%	50.1%
All employees – (minority)	%	17.6%
Managerial – (minority)	%	14.5%
Turnover rate	%	15.9%
Average salary	USD	\$64,000

Environmental reporting measures

2007 is our baseline year for our environmental reporting.

MEASURE	UNITS	2007	2009	2010	2011	2012
Net internal area of reporting offices/locations covered	m ²	1,200,624	1,360,151	1,443,347	1,262,440	14,915,561
Full-time employees (FTE) covered	FTE	31,622	37,164	35,978	41,520	48,500

Energy consumption

MEASURE	UNITS	2007	2009	2010	2011	2012
Total electricity consumption (including from renewable sources)	MWh/year	223,093	258,114	204,438	198,190	218,410
Total electricity consumption from renewable sources only	MWh/year	2,594	170,229	170,712	166,896	218,410
Total gas consumption	MWh/year	89,251	122,153	78,742	72,884	64,462
Total fuel oil consumption	MWh/year	3,099	7,033	6,533	3,517	1,927
Total energy consumption	MWh/year	315,444	385,836	289,714	269,391	284,800
Total energy consumption/space occupied	KWh/m ² /year	263	284	201	213	210

Total energy consumption for 2012 excluding acquisitions was 269,092 MWh.

Business travel

MEASURE	UNITS	2007	2009	2010	2011	2012
Air	Passenger km	231,924,032	184,829,576	219,056,753	242,830,349	255,072,031
Rail	Passenger km	2,282,245	11,434,758	3,833,674	3,924,710	4,711,264
Road (distance)	Vehicle km	91,738,237	20,428,719	9,930,039	7,284,921	3,486,138
Road (fuel use)	Litres fuel	400,000	6,256,692	6,336,425	5,815,052	6,120,706
Total GHG from business travel	Tonnes CO ₂ e	51,343	41,733	48,007	28,719	34,211
Total GHG from business travel by FTE	Tonnes CO ₂ e/FTE	1.62	1.12	1.33	0.82	0.71

We collect and report business travel air data where there is a centralised agency in the US, the UK, Australia, India, Mexico, Singapore and Hong Kong which together account for around 80% of total full-time employees.

> 1.3.1 DATA AND TRENDS CONTINUED

Greenhouse gas emissions

MEASURE	UNITS	2009	2010	2011	2012
Direct (Scope 1)	Tonnes CO ₂ e	44,649	35,739	35,806	31,095
Indirect (Scope 2)	Tonnes CO ₂ e	130,395	122,189	114,730	128,542
Other (Scope 3)	Tonnes CO ₂ e	4,375	3,523	5,276	2,782
Business travel (Scope 3)	Tonnes CO ₂ e	30,887	33,913	28,719	32,336
Total	Tonnes CO ₂ e	210,306	195,364	184,531	194,756

In the table above, we report our greenhouse gas emissions in a way that is consistent with the Greenhouse Gas Protocol.

Paper

We prepare a separate [report](#) on the paper we purchase for use in our books, newspapers and magazines.

Waste

MEASURE	UNITS	2007	2009	2010	2011	2012
Total waste to landfill	Tonnes/year	3,100	5,508	3,834	9,097	7,134
Total waste to landfill/FTE	kg/FTE/year	98	148	107	221	147

Water

MEASURE	UNITS	2007	2009	2010	2011	2012
Total water consumption	m ³ /year	[*]	832,685	604,822	528,873	678,256
Total water consumption/FTE	m ³ /FTE/year	[*]	22	17	13	14

Legal Compliance

MEASURE	2008	2009	2010	2011	2012
Reported environmental prosecutions	Nil	Nil	Nil	Nil	Nil
Reported health and safety prosecutions	Nil	Nil	Nil	Nil	Nil

> 1.3.2 AWARDS AND RECOGNITION

	<p>SAM Gold Class</p>
	<p>Included in indices since inception</p>
	<p>BITC Corporate responsibility index Platinum Big Tick</p>

Environment

	<p>Pearson becomes only the second organisation to be accredited against the Carbon Trust Standard globally</p>
	<p>Pearson was one of 35 global companies to achieve a maximum score of 100% in the 2012 Corporate Renewable Energy Index (CREX) produced by <i>Bloomberg New Energy Finance</i></p>
	<p>Pearson recognised by the US Environmental Protection Agency list of Green Power Partnership as one of the top 50 largest purchasers of green electricity in the United States</p>
	<p>Pearson's buildings in Centennial, Colorado and 345 Hudson Street, New York hold LEED Gold Certification</p>
	<p>Pearson's buildings in Cedar Rapids, Iowa; Sandy, Utah, Boston, Massachusetts and Rancho Cordova, California all hold LEED Silver Certification. Over 800,000 sq ft across these six Pearson buildings are LEED certified</p>
	<p>Pearson businesses in the UK and Australia are certified against ISO 14001, the international environmental management standard</p>

> 1.3.2 AWARDS AND RECOGNITION CONTINUED

Our people



Pearson is named for the 12th year as one of the top 100 Best Companies for Working Mothers, by *Working Mother* magazine



Human Rights Campaign (HRC) has given Pearson a 90% score on its Corporate Equality Index



Pearson is named in the Dave Thomas Foundation list of 100 Best Adoption-Friendly Workplaces



The Pearson Diversity Summer Internship Programme won Race for Opportunity (the UK's largest race equality organisation) Award for 'Widening the Talent Pool'



Pearson finished in second place in the 2012 Global Corporate Challenge (GCC). Over 7,000 Pearson employees from 44 countries participated in GCC

Communities



Pearson, alongside charity partner Booktrust, won the 2012 Lord Mayor's Dragon Award in the education category for the Booktime programme



Pearson Foundation received the NEA Foundation Award for Philanthropy in Public Education

> I.3.3 PLANS FOR 2013

	2012 PLANS	[OUTCOME]	2013 COMMITMENTS
Risk management	To pilot the new workshop approach in our businesses, to assess its effectiveness and to roll-out as appropriate	✔ Workshop piloted with DK and Penguin. New governance process introduced	Embed quarterly review of key risks into remit of newly established reputation and responsibility committee
Stakeholder engagement	To continue to develop how we consult both on our responsible business framework and on our key issues	➤ Dedicated Impact on Society site set up within neo, our internal collaboration tool and a survey carried out with investors	New metrics to be developed as an integral part of the global education strategy – to be launched in 2014
Metrics	Continue to develop metrics, targets and objectives to measure and assess our progress	➤ New metric on paper usage introduced into Annual Report	New metrics to be developed as an integral part of the global education strategy – to be launched in 2014
Benchmarking	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice	✔ Achieved. We attained gold in the Dow Jones Sustainability Indices although we did not lead the sector this year. We were ranked Platinum and received a big tick, the highest possible rating in the BITC Corporate Responsibility Index	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice
Economic impact	To assess our economic impact on the UK and the US	✔ Achieved.	Carry out an in-depth economic impact review for one country where we operate

In addition, we set targets relevant to both our three focus areas and our areas of responsibility relating to people, the environment, the supply chain, our customers and the communities in which we operate.

✔ Target achieved

➤ Target ongoing