

Our impact on society

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



Last year, we set out a new responsibility framework for Pearson:

1. We start with our company strategy and purpose. Pearson is a commercial organisation with a social purpose: to help people make progress in their lives through learning. We believe our commercial goals and our social purpose are mutually reinforcing and that our financial strength provides the means for us to invest and innovate.
2. We focus on three key issues of social and economic importance where we believe Pearson can make a unique contribution. They are literacy, learning outcomes and competitiveness.
3. Beyond those three issues, we have a wider agenda for responsible business practice that covers our interest in nurturing diversity, investment in community partnerships, supply chain management and environmental responsibility.
4. We recognise that our approach to responsible business is grounded in our company values, ethics and behaviour.

This framework is a good one for Pearson and in the pages that follow, we set out the commitments we have made and the actions we are taking around the company.

We are pleased that our commitment – and in particular the efforts of our people – continue to be recognised by authorities in the field. We led our sector and achieved gold status in the Dow Jones Sustainability Index, and were ranked Platinum level in Business in the Community's Corporate Responsibility Index.

Still, our company and our industries faced challenges in 2011. We contributed to the Leveson Inquiry into the culture, practices and ethics of the UK press; The Pearson Foundation was the subject of some public criticism (which it, and we, believe is misplaced); and the UK's examination boards, including our own Edexcel, faced intense media and political scrutiny.

We have learnt from all those issues, and many others besides. In fact our motto – always learning – does set out the way we try to think and operate as a company. We therefore welcome comments and feedback on this aspect of the company as we do any other. Please e-mail me at robin.freestone@pearson.com or contact our head of corporate responsibility, Peter Hughes, at peter.hughes@pearson.com with any questions or thoughts you may have.

A handwritten signature in black ink, appearing to read 'R Freestone'.

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

Overview

We believe that there is no one single definition of responsible business practice that can be applied to every company. Instead, we have developed our own responsible business framework to reflect who we are as a company, what we do and the expectations that our investors, customers and the people that work at Pearson have of us. Our approach is dynamic, shaped and influenced by the priorities and views of our many stakeholders.

Our purpose

To help people of all ages to progress through their lives through learning



Our focus

Three priority issues where we can make the most difference

<p>1 RAISING LITERACY LEVELS</p>	<p>2 IMPROVING LEARNING OUTCOMES</p>	<p>3 CONTRIBUTING TO COMPETITIVENESS</p>
<p>At home</p> <p>In the classroom</p> <p>With our partners</p>	<p>Our programmes</p> <p>Closing achievement gaps</p> <p>Sharing what works</p>	<p>Personal progress</p> <p>Informed business</p>

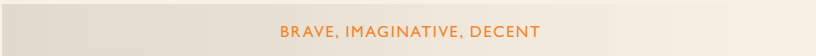
Business strategy

<p>LONG-TERM ORGANIC INVESTMENT IN CONTENT</p>	<p>DIGITAL PRODUCTS AND SERVICES BUSINESSES</p>	<p>INTERNATIONAL EXPANSION</p>	<p>EFFICIENCY</p>
<p> To learn more about our business strategy, visit the Our strategy section, page 08 in this report</p>			

Responsible business practice

<p>ENVIRONMENT</p>	<p>SUPPLY CHAIN MANAGEMENT</p>	<p>PEOPLE</p>	<p>OUR CUSTOMERS</p>	<p>COMMUNITIES</p>

Our values



Our impact on society continued

Our three priority issues:

RAISING LITERACY LEVELS

Through our products and partnerships, we play an important part in helping people to learn to read and to enjoy reading.

According to the most recent figures from 2009, nearly 800 million adults lack basic literacy skills – two-thirds of whom are women. Good reading skills are the basic cornerstone that help all of us progress throughout our lives.

Our businesses all depend on the premise that people can read, want to learn and enjoy doing it. We therefore have a keen interest in doing all we can to nurture enthusiastic readers.

Our approach

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 promote reading.

Reading in the classroom

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

Case study: Bug Club

Bug Club is a ground-breaking whole-school reading programme that links 300+ books with an online reading world to teach today's children to read. It is phonics-based, which means students learn to read by recognising letters and words through sounds. Bug Club is carefully graded to allow individual students to develop and progress at their own pace. Bug Club is available in Australia, Hong Kong and Russia as well as the UK. Bug Club won the 'Best Use of Multimedia' award at the British Book Design and Production Awards 2011.



Case study: iLit (inspire literacy)

Pearson's iLit programme is like no other reading programme. Designed for struggling readers, it is the first reading programme built and delivered completely on the iPad. It supports, rewards, engages and instructs based around the learning needs of the individual student.

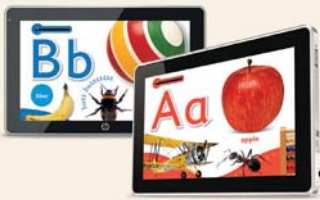
iLit
inspireLiteracy

Reading in the home

Enthusiastic readers are inspired by great stories, well designed. Our Penguin books for children – Puffin, Frederick Warne and Ladybird books – all provide plenty of options. Reading today is changing. Children today read in many ways; at home and on the move. We believe in offering stories that are beautiful, engaging and fun, regardless of format.

Case study: DK My first ABC

One of the great opportunities presented by mobile devices is to reach learners at home and on the move. As part of the launch of Apple's education iBookstore, we published four interactive DK titles including My first ABC. Through widgets, video, animations and questions, the book breaks new ground for parents to help a child to learn their first words.



Partnering with others to encourage reading

A parent reading aloud with their children is one of the most powerful ways to boost vocabulary and language development, according to research we commissioned as part of our Booktime programme. Access to books providing opportunities for shared reading is vitally important.

This year, we have brought together a range of initiatives to give books to promote reading under the We Give Books banner. 2011 saw us achieve some important milestones. We gave our six millionth book under our Booktime programme, which sees every child in England starting school receive a book pack containing two free books from Penguin and Pearson Primary to take home, read and keep. And we are about to give our one millionth book to Book Aid, the charity that supports the development of libraries in schools and local communities in sub-Saharan Africa. One in five of the books donated to Book Aid came from Pearson, helping benefit more than 2,000 libraries last year.

Our three priority issues:

2 IMPROVING LEARNING OUTCOMES

Our responsibility as a company is to play our full part in informing, shaping and making learning effective for people of all ages. 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. As our transition towards being an education technology and solutions provider gathers pace, so do the opportunities to help understand what works best to help students succeed. We recognise this as we become more directly involved in the process of learning, and more accountable for outcomes.

We have:

- › Appointed Sir Michael Barber as Chief education advisor. As part of his role, Michael will oversee our efforts on improving learning outcomes.
- › Convened our first global research conference bringing together and sharing good practice among the research community within Pearson.
- › Incorporated improving learning outcomes as one of the five core themes we debated at our annual strategy conference.
- › Appointed a network of business champions to take forward our developing agenda.
- › Piloted a new tool to help us assess learning outcomes.

We will:

- › Set up an online portal to bring together all the research we commission from around the world into a single searchable site.
- › Further extend our pilot into assessing learning outcomes.
- › Start to map by product, service and geography our approach to assessing learning impacts.
- › Establish a Pearson Executive Research Council to oversee the approach, process and consistency of commissioning and using research within Pearson.
- › Run an internal awareness campaign on this aspect of the responsibility agenda within the company.

Our impact on society continued

We continue to devote significant resources to improving student success and institutional effectiveness by:

Ensuring that our own education programmes are developed and assessed for quality, efficacy and usability.

We work closely with teachers, students, researchers and others to ensure our programmes are assessed.

Helping close achievement gaps for individual learners and schools.

Pearson is investing in new models of education to set up or support schools and districts by helping to make fundamental changes and sustain improvements for the long term. We draw on Pearson's research and proven resources – including curriculum, assessment, technology, and teacher professional development products and services.

Case study: Bridge International Academies in Kenya

Bridge academies offers quality schooling for less than \$4 per month. How to extend access to quality schooling as an affordable option for the world's poorest people is a vitally important question. Pearson is a significant minority investor in Bridge, and views the Bridge model as having the potential for providing low-cost schooling in other parts of the world as well. We have made a commitment for 2012 to look to further invest in new low-cost, sustainable solutions to schooling, inviting others to partner with us. Learning outcomes are key metrics in our investment model.



Case study: UK examination awarding bodies

Since becoming involved in the English examinations system in 2003 through acquiring the awarding body Edexcel, Pearson has drawn on cross-company technological and assessment expertise to make major strategic investments in on-screen marking and other sector-leading initiatives. Through this investment, Edexcel has built a reputation for innovation and reliability in the UK qualifications sector.

A series of media reports in December called into question the integrity and credibility of the exams system based on an investigation into events for teachers run by the major awarding organisations in the UK.

We have recognised that changes need to be made to the way awarding bodies hold and manage events and have introduced a series of changes to enable a much greater degree of transparency and public scrutiny. These changes include events being recorded and audited. Our statements can be viewed at: <http://bit.ly/zdjLpr>. We have also launched a major public consultation programme on the future direction of standards in the education system in the UK at:

<http://www.leadingonstandards.com/>



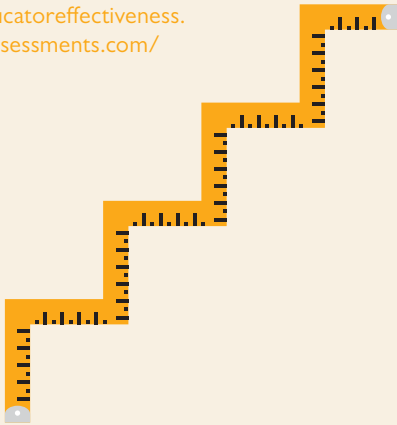
Supporting teacher education and development.

We work with teachers to improve teaching effectiveness providing content and services that help teachers develop from their earliest undergraduate experiences and throughout their teaching careers.

Case study: Educator effectiveness, Pearson North America

A priority for Pearson is to help teachers understand and improve their performance – what’s working, what isn’t, and what they need to do to continuously improve their impact on student learning. By giving teachers the insight they need, they can set their own improvement plans and in turn reach students in ever more meaningful ways. In 2011, we launched our educator effectiveness programme in the US to offer this service. By bringing together classroom observation, student performance data, peer reviews and performance surveys, it is possible to start to develop tailored support for educators throughout their career.

<http://educatoreffectiveness.pearsonassessments.com/>



Our three priority issues:

3 CONTRIBUTING TO COMPETITIVENESS

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

Helping individuals get ready for work.

Getting a job depends on having relevant skills. At this time, when many countries are wrestling 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.

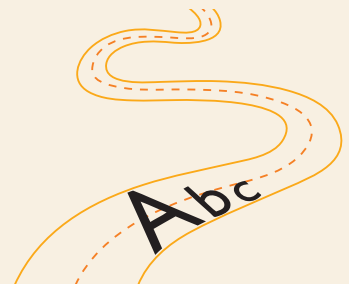
Case study: CTI Education Group, South Africa

CTI Education Group, a leading private higher education group in South Africa serving more than 9,000 students, has consistently produced a pass rate of more than 80% every year and has, over the last ten years, placed between 75% and 95% of its graduates into jobs within four months of completing their course.

Case study: Pearson Test of English

English language ability can often be the passport to work or academic opportunity for many, non-native speakers of English. The Pearson Test of English is designed to help demonstrate that ability. The test can be taken in a network of centres in nearly 50 countries from Australia to Venezuela taking in Brazil, China, Nepal and South Korea along the way.

<http://pearsonpte.com/TestMe/Pages/TestMe.aspx>



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.

Our impact on society continued

- › NCLEX Nursing examination, required to obtain a licence necessary to apply for work as a nurse in the United States.

We also see that the world of work is changing. The pace of change is rapid and people starting work today can expect to be doing different types of work demanding different skills over a lifetime. Adult learning is one of our biggest global growth opportunities and we are developing ways to help people access and develop new skills.

Case study: MyFoundationsLab

College enrolments in the United States are at record levels, in part fuelled by people unable to access the job market. Many students are arriving on campus and finding they lack the mathematics and English skills needed to do college-level work. MyFoundationsLab is designed to offer students a way to quickly improve their mathematics, reading and writing skills and to avoid expensive remedial teaching programmes.

MyFoundationsLab®

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.

Case study: The Financial Times, active in education

In a partnership with the Pearson education businesses, the FT's world-class journalism has been made more easily accessible for graduates, students and professors. A new trademark licence agreement allows Pearson to use a new database of over 100,000 FT articles across its products and services for the education market around the world.

The FT also launched MBA Newslines in 2011, a new product aimed at business schools that enables students, faculty and practitioners from around the world to create and share annotations on FT articles. These practical case studies will help students to master business, understand financial markets or see the political economy or international law in action.



Case study: Media standards and the Leveson Inquiry

The Leveson Inquiry is currently investigating the culture, practices and ethics of the press in the UK. We have contributed a written statement to the inquiry and the editor of the FT presented evidence which is available at www.levesoninquiry.org.uk. The FT has its own ethical code which goes beyond what is required by the current Press Complaints Commission Code. The FT Code states that "It is fundamental to the integrity and success of the *Financial Times* that it upholds the highest possible professional and ethical standards of journalism, and is seen to do so".

<http://aboutus.ft.com/corporate-responsibility/code-of-practice>

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 goals and innovating through new qualifications and support, such as 'Edupreneurs' – a way for people to be trained both as teachers and to help run schools in the developing world.

A key principle for us is that the private sector has an important contribution to make to developing education and learning policy. However, there is no global body in place to convene business on this issue. We are strong advocates of the view that there is value in engaging the wider business community in a coalition that focuses on the challenges facing developing countries in education and learning, mirroring the Global Business Coalition on Health. We were therefore delighted to support, encourage and help found the Global Business Coalition for Education under the guidance of former UK Prime Minister, Gordon Brown.

Responsible business practice

We believe Pearson has a unique opportunity to make a positive impact in those three focus areas – literacy, learning outcomes and competitiveness.

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

- › deliver against stakeholder expectations on the key area of climate change and to seek to make better use of resources;
- › extend our principles on labour standards, human rights and environmental responsibility to include our suppliers and business partners;

- › ensure that our products and services are appropriate in content to the age and location of the student and are safe to use;
- › provide a safe, healthy workplace, where our employees are able to realise their own individual potential and aspirations and where there is respect for their privacy, dignity and life outside work;
- › provide opportunities for Pearson people to be good citizens and to get involved in their local communities.

Responsible business practice cuts across all aspects of our company and our focus is to integrate this into the way we manage our businesses.

Highlights of our activities in 2011 include:

Environment: Climate change and avoiding deforestation

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

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

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 sustainability sourcing and being more efficient in how we use paper.

- › Pearson was named the 33rd 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 primarily in Iowa. Our UK buildings where we are responsible for purchasing utilities are powered by green electricity.
- › Our first wind turbine became operational at our Owatonna office and printing centre in Minnesota.
- › Pearson businesses in the UK and Australia are certified against ISO 14001, the environmental management standard. In the UK, we are also accredited against the Carbon Trust Standard.
- › We expanded the Pearson/FT Rainforest in Costa Rica and helped the Woodland Trust launch Woodland Carbon to offset emissions we could not eliminate through other means.

Our impact on society continued

- › The *Financial Times* has reduced the volume of newsprint and magazine papers it uses by 45% in four years. A key initiative has been to reduce the base weight of the papers used.
- › Penguin Group in the UK was ranked seventh in the *Sunday Times* 2011 Best Green Companies list (up from eleventh in 2010).

Our customers, our people and our communities

Highlights of our activities in 2011 include:

- › Pearson continued with its programme of Student Advisory Boards, providing an opportunity for students to input and influence our strategy in return for mentoring and company internships.
- › During 2011, Pearson operations in the UK became accredited against ISO 18001, the international health and safety standard.
- › Neo, Pearson's employee collaboration platform, won the Engage Employees category of the Jive Awards 2011. On average, 18,000 users log on each day.
- › Pearson was again named joint winner of the FTSE Executive Women Award and included in *The Times* Top 50 Employers for Women, both run in partnership with Opportunity Now.
- › Pearson in the US has been included in *Working Mother* magazine's 100 Best Companies list for its eleventh year and again by the Human Rights Campaign which campaigns for equal rights for lesbian, gay, bisexual and transgender people.
- › The Pearson Diversity Summer Internship Programme won the Race for Opportunity (the UK's largest race equality organisation) Award for 'Widening the Talent Pool'.
- › Providing an opportunity for our employees to share in the success of the company through owning a part of it is important to us. All our people have the opportunity to acquire and hold Pearson shares through participation in our employee share programmes.
- › The fourth annual Penguin walk took place and almost 1,000 Penguin and DK employees from across the globe – from the US to South Africa, from China to New Zealand – joined forces to raise money for local charities.
- › The *Financial Times* seasonal appeal was the most successful ever, raising \$4.9 million on behalf of Sightsavers, the charity that fights blindness in the developing world.

Case study: The Pearson Foundation

The Pearson Foundation is an independent charity that aims to make a difference by promoting literacy, learning and great teaching. Pearson is its major (but not its only) funder. The Foundation runs a wide range of innovative philanthropic programmes in the US and around the world, designed to encourage people to read, to support great teachers and to share insight into best practice in education. In 2011 the Foundation was honoured to be awarded the NEA Foundation Award for Philanthropy in Public Education.

Still, it was a challenging year for the Pearson Foundation as several media reports criticised some of its programmes. Mark Nieker, the President/CEO of the Pearson Foundation, rejected the allegations and his response can be viewed at

www.pearsonfoundation.org/mnstatement.html

As the largest funder of the activities of the Pearson Foundation, Pearson has made clear our continued and ongoing commitment to support and fund the valuable work of the charity.

Values, principles and behaviour

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

Our values are underpinned by our code of conduct that covers, among other things, individual conduct, the environment, employees, community and society. We make sure everyone is aware of and understands the code. Once a year, everyone working for Pearson gets a copy, either electronically or on paper, and is asked 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, these can be raised with a line manager or through a free, confidential telephone line/website.

Pearson has a zero tolerance policy towards bribery and corruption. During 2011, we reviewed our approach to combating bribery and corruption reflecting changes in legislation. An updated policy has been introduced setting out our standards; we carry out risk assessments and have a network of designated managers across the business responsible for compliance with our policy.

We are committed to making sure our people understand how we are doing as a company, including how world trends might affect both them and the businesses. This means providing comprehensive relevant information in a variety of ways – including regular presentations from senior executives – and consulting where appropriate so that we can learn and take into account the views of our people. We will always aim to seek the best candidate for a role: career progression will be without regard for race, gender, age, physical ability, religion or sexual orientation; and we will continue to monitor and benchmark our progress on diversity and inclusion.

Seven key commitments

We have established seven challenging aspirations and targets to help focus the business on achieving our responsible business vision while minimising our environmental impact. We believe this is a responsible and sustainable approach. We will be expanding and reviewing these commitments as we develop our approach.

ENVIRONMENT																																							
Challenges	Climate change	Resource use	Avoiding global deforestation																																				
Our commitment	1 To maintain our commitment to climate neutrality	2 To be ever more efficient in how we use paper as the most significant natural resource for us	3 To use FSC papers where we can and our own grading system																																				
How we measure progress	Through carbon reduction; purchase of renewable energy; renewable energy generation at our sites and the purchase of carbon offsets	We track the metric tonnes of paper required to generate £1m of non-digital revenue (see chart below)	We track and report the FSC volume we purchase and the grading system we use to meet our requirement to purchase from known, responsible sources																																				
	Electricity from renewable sources* <table border="1"> <tr><th>Year</th><th>Electricity from renewable sources (Mwh)</th></tr> <tr><td>11</td><td>166,900</td></tr> <tr><td>10</td><td>170,700</td></tr> <tr><td>09</td><td>170,229</td></tr> <tr><td>08</td><td>3,255</td></tr> </table> <p>Climate change data is published in April * >75% of electricity is from renewable sources</p>	Year	Electricity from renewable sources (Mwh)	11	166,900	10	170,700	09	170,229	08	3,255	Paper usage <table border="1"> <tr><th>Year</th><th>Paper usage (metric tonnes)</th></tr> <tr><td>11</td><td>77</td></tr> <tr><td>10</td><td>84</td></tr> <tr><td>09</td><td>87</td></tr> <tr><td>08</td><td>105</td></tr> </table>	Year	Paper usage (metric tonnes)	11	77	10	84	09	87	08	105	We publish a paper report in April																
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SOCIAL																																							
Challenges	Investing in content	Access to learning, literacy and great teaching	Literacy																																				
Our commitment	4 To make sustained investment in new content	5 To maintain our total community investment at 1% or more of operating profit	6 Using 2010 as our base, to expand our book gifting activities	7 Growing take-up of digital-based reading																																			
How we measure progress	Pre-publication expenditure and authors advances	One way we extend our reach is through partnerships with literacy and learning charities. We report on our community investment spend	Number of books donated to schools, libraries and literacy charities	Unlike traditional print programmes, we can track the number of users of our digital reading programmes																																			
	Investing in content <table border="1"> <tr><th>Year</th><th>Investing in content (\$m)</th></tr> <tr><td>11</td><td>794</td></tr> <tr><td>10</td><td>816</td></tr> <tr><td>09</td><td>794</td></tr> <tr><td>08</td><td>775</td></tr> </table>	Year	Investing in content (\$m)	11	794	10	816	09	794	08	775	Community investment spend <table border="1"> <tr><th>Year</th><th>Community investment spend (£m)</th><th>% of operating profit</th></tr> <tr><td>11</td><td>11.5</td><td>1.2%</td></tr> <tr><td>10</td><td>13.1*</td><td>1.6%</td></tr> <tr><td>09</td><td>10.5</td><td>1.4%</td></tr> <tr><td>08</td><td>7.7</td><td>1.1%</td></tr> </table>	Year	Community investment spend (£m)	% of operating profit	11	11.5	1.2%	10	13.1*	1.6%	09	10.5	1.4%	08	7.7	1.1%	Number of books donated <table border="1"> <tr><th>Year</th><th>Number of books donated (m)</th></tr> <tr><td>11</td><td>1.99</td></tr> <tr><td>10</td><td>1.66</td></tr> <tr><td>09</td><td>1.71</td></tr> <tr><td>08</td><td>1.74</td></tr> </table>	Year	Number of books donated (m)	11	1.99	10	1.66	09	1.71	08	1.74	Reading programmes Bug Club: 145,000 SuccessMaker: 3.1m Waterford: 2.9m
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Last year we set a series of plans for 2011. We report on our progress against those plans as part of our online Impact on Society report at <http://cr2011.pearson.com>

* Some 2011 projects were funded in 2010