

> OUR FRAMEWORK

Our responsible business framework

Thinking about what responsible businesses should do is evolving. As this develops, Pearson is constantly assessing and reassessing the opportunities and challenges of responsible business practice.









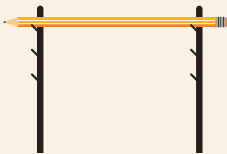


Our purpose

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><b>1</b> RAISING LITERACY LEVELS</p> <p>&gt;Read more</p>  <ul style="list-style-type: none"> <li>At home </li> <li>In the classroom </li> <li>With our partners </li> </ul>	<p><b>2</b> IMPROVING LEARNING OUTCOMES</p> <p>&gt;Read more</p>  <ul style="list-style-type: none"> <li>Our programmes </li> <li>Achievement gaps </li> <li>Sharing what works </li> </ul>	<p><b>3</b> CONTRIBUTING TO COMPETITIVENESS</p> <p>&gt;Read more</p>  <ul style="list-style-type: none"> <li>Personal progress </li> <li>Informed business </li> </ul>
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Business strategy

LONG-TERM ORGANIC INVESTMENT IN CONTENT	DIGITAL PRODUCTS AND SERVICES BUSINESSES	INTERNATIONAL EXPANSION	EFFICIENCY
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> To learn more about our business strategy, visit the [Our strategy](#) section in our [Annual report and accounts 2010](#)

Responsible business practice

ENVIRONMENT	SUPPLY CHAIN MANAGEMENT	PEOPLE	OUR CUSTOMERS	COMMUNITIES
>Read more	>Read more	>Read more	>Read more	>Read more
				

Our values

BRAVE, IMAGINATIVE, DECENT

> To learn more about our values, visit <http://www.pearson.com/about-us/our-way/>

## › OUR FRAMEWORK CONTINUED



Our business purpose is also our responsible business vision.

### OUR BUSINESS PURPOSE

#### Our responsible business vision

Wherever we operate in the world, our businesses and people pursue a common purpose: to help people of all ages to progress through their lives through learning. Our financial and commercial success sustains us, providing the means to invest and innovate to deliver on that goal, and wider economic growth.

Although our purpose is deliberately broad and we contribute to learning in many forms, we focus much of our activity and reporting on three priority issues. These are:

### OUR FOCUS THREE PRIORITY ISSUES

- 1 **Raising literacy levels**, the foundation both for learning and reading for pleasure.
- 2 **Improving learning outcomes** for learners, teachers, education institutions and policymakers. We aim to create education programmes that have a demonstrable impact on student learning and institutional effectiveness. We believe that will be a source both of educational and competitive advantage.
- 3 **Contributing to competitiveness**, supporting both personal progression and wider economic growth.

We selected these three priority issues because we think they are where we can have the greatest positive impact and best illustrate how our responsibility strategy complements our business strategy.

There are several key aspects of our business strategy that influence our approach and priorities for corporate responsibility. They include:

- › **Digital**. Our strategy includes a deliberate and significant shift from print to digital media. Over time, that changes the environmental footprint of our business and offers opportunities to enhance accessibility to our content and services.
  - › **Partnership**. We aim to extend our reach and impact by working with partners in the public, private and not-for-profit sectors, through our operating companies and, most notably, through the Pearson Foundation.
- These three aspects reflect our priorities for investment; they involve us in entering new markets or developing new models of working and together, help to map the areas where the greatest commercial opportunity lies for us.
- #### Responsible business practice
- We believe Pearson has a unique opportunity to make a positive impact in those three focus areas – raising literacy levels, improving learning outcomes and contributing to 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:
- › **Environment** deliver against stakeholder expectations on the key area of climate change and to always seek to make better use of resources;
  - › **Supply chain management** extend our principles with regard to labour standards, human rights and environmental responsibility to include our suppliers and business partners;
  - › **Our people** 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;
  - › **Our customers** ensure that our products and services are appropriate in content to the age and location of the student and are safe to use; that we provide opportunities for stakeholders to shape usability; and that we uphold the principle of freedom of expression;
  - › **Communities** provide opportunities for Pearson people to be good citizens and to get involved in their local communities.
- › **International**. We are making significant investments to build Pearson's business in new markets, particularly in the developing world.

## › OUR FRAMEWORK CONTINUED

Responsible business practice cuts across all aspects of our company and our focus is to integrate this into the way we manage our businesses. The main issues that we track as part of our broad responsible business practice strategy are:

Environment	Supply chain management	Our people	Our customers	Communities
› Climate change	› Responsible procurement	› Workforce planning	› Freedom of expression	› Active citizenship
› Responsible resource use		› Diversity and inclusion	› Editorial independence	
		› Talent management and people development	› Appropriateness of content	
		› Collaboration and engagement	› Product safety	

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 significantly based on varying operational, political, regulatory and customer expectations.

In deciding on our main issues (or assessing materiality, in CR jargon), we took into account:

- › Our business strategy and wider developments in public policy;
- › What our investors, particularly the Socially Responsible Investment (SRI) community, asked us about. We participate in or are rated by [DJSI](#), [FTSE4Good](#), the [Carbon Disclosure Project](#) and many others;
- › What stakeholders are telling us. We get feedback from customers and employees in lots of ways including surveys, discussion groups and meetings;
- › Assurance and third party assessments;
- › Benchmarking against competitors, peers and leaders. We are members of the [Corporate Responsibility Group](#), [Business in the Community](#) and the [Media CSR Forum](#).

As our thinking evolves, so we will ask stakeholders how we can improve our broad responsible business practice strategy.

## 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.

In turn, our approach is underpinned by our code of conduct which covers, among other things, the environment, employees, individual conduct, community and society.

We make sure everyone is aware 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.

## Code of conduct

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>

## › OUR FRAMEWORK CONTINUED

### Corporate responsibility governance

Corporate responsibility cannot be separated from our financial performance and reputation. As such, our Board of directors has ultimate responsibility for considering issues of business responsibility in setting business strategy. The Pearson Management Committee drives implementation of business strategy including our response to the key issues and opportunities we face.

Pearson's Corporate Responsibility Steering Group oversees the development of our corporate responsibility strategy on behalf of the Board. It is chaired by Robin Freestone, the Board member responsible for corporate responsibility. The group meets quarterly, with a remit to support and challenge the operating divisions to both grasp relevant commercial opportunities and to mitigate the risks inherent in the issues we track as part of our responsible business practice strategy.

### Risk management

Pearson also has an established risk assessment process for identifying and managing Social, Environmental and Ethical (SEE) risk. We believe SEE risks are no different from other types of business risk, so their consideration is integrated into our normal risk procedures. Operating companies formally review their SEE risk profile twice a year updating Group Internal Audit. Material SEE risks are reported to the Audit Committee and to the Board.

### Stakeholders

Public and private sector customers regularly seek information from us about how we go about our business, while many consumers and employees want to understand our approach to sustainability. SRIs and non-governmental organisations look at issues such as supply chain standards and ethics. Our approach is informed by the priorities and views of our many stakeholders.

### Plans

#### 2011 plans

Risk management	Review how we support our operating businesses in assessing, managing and mitigate SEE risks
Stakeholder engagement	Consult stakeholders on our responsible business framework and on our key issues
Metrics	Develop new ways of assessing how we are doing in our three key priority areas of literacy, efficacy and competitiveness
Benchmarking	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice