

INTRODUCTION

Our strategy, structure and how we make things happen [p 08](#)

OUR PRIORITY ISSUES

Literacy, learning outcomes and competitiveness [p 12](#)

RESPONSIBLE BUSINESS

Beyond priority issues – our broad responsibility agenda [p 25](#)



> WHAT'S IN THIS REPORT

Introduction

- 02 A message from Robin Freestone
- 03 About Pearson

Our framework

- 08 Our responsible business framework
- 09 Responsible business practice
- 10 Values, principles and behaviour
- 11 Corporate responsibility governance
- 11 Risk management
- 11 Stakeholders
- 11 Plans

Our focus: three priority issues

- 1** **Raising literacy levels**
 - 12 Our approach
 - 13 Pearson in the classroom
 - 15 Partnering with others to encourage reading
 - 16 Reading at home
- 2** **Improving learning outcomes**
 - 18 Our approach
 - 19 Quality, efficacy and usability
 - 19 Helping close achievement gaps for individual learners and schools
 - 20 Supporting teacher education and development
 - 21 Helping share what works between education policymakers
- 3** **Contributing to competitiveness**
 - 22 Personal progress: helping individuals get ready for work
 - 24 Doing informed business

Responsible business practice

Environment

- 25 Our environmental responsibilities
- 26 Climate neutral commitment
- 27 Resource use
- 27 Environmental management
- 27 Engaging others
- 28 How others see us
- 28 Plans

Supply chain management

- 29 Our approach
- 29 Labour standards, human rights, the environment and combating corruption
- 29 Paper
- 30 Print
- 31 Distribution
- 31 Working with industry partners
- 32 Plans

Our people

- 33 Our approach
- 33 Workforce planning
- 34 Organisational change
- 34 Getting the fundamentals right
- 34 Diversity and inclusion
- 35 Health, safety and wellbeing
- 35 Plans

Our customers

- 36 Freedom of expression
- 36 Product safety
- 36 Extending our reach

Our communities

- 37 The Pearson Foundation
- 38 Literacy
- 38 Teacher quality
- 38 Education leadership
- 38 Youth engagement
- 38 Pearson businesses
- 39 Pearson people
- 39 Fundraising and volunteering
- 39 Pearson Community Awards

Progress and plans

- 40 Progress and plans

Awards and recognition

- 42 Awards and recognition



Learn more about Pearson at: www.pearson.com

www.facebook.com/braveimagnatedecent

www.twitter.com/pearsonplc

› INTRODUCTION

A message from Robin Freestone



Robin Freestone Chief financial officer

Pearson is a company with a strong sense of purpose. As Marjorie sets out in her strategy review, it is to help people get on in their lives through learning. (We are 'Always learning', as the tagline says.)

That's a social purpose. It sets the stage for our approach to responsible business – and shines a spotlight on the deep connection between strategy and responsibility.

Our premise is that being responsible is fundamental to our success as a company. There's nothing new about that: our heritage draws on Weetman Pearson, who more than a century ago had a reputation as one of the most enlightened employers of his time.

Building and maintaining trust remains essential to our business; we recognise that many people – our shareholders, customers, employees, suppliers and communities – have high expectations of us. We welcome those expectations, and intend to live up to them. By being clear about our strategy, setting objectives and targets, we build and sustain that trust.

This past year, we've made some important progress in the way that we manage our responsibility to the communities we work in. We've formed a corporate responsibility steering group, bringing together senior business leaders to oversee the development of our strategy and the implementation of our plans. We have for the first time appointed a senior executive to lead that work across the company. And we've begun to develop a clear framework to articulate our goals and guide our activities. We intend to use this framework as the basis for our reporting, so it's worth setting out the major elements:

1. We start with our corporate strategy and purpose: to be the world's leading learning company and to help people make progress in their lives.

2. We focus on three key issues of social and economic importance, where we believe Pearson has a unique role to play. These are literacy, efficacy and competitiveness.

3. In addition to those key Pearson-specific issues, we have a wide agenda for responsible business activities that covers a range of disciplines from environmental sustainability to supply chain management to diversity policies to the work of the Pearson Foundation.

4. And we recognise that any definition of 'responsible business' is built on and contributes to our company culture, values and behaviour.

In addition to refining our overall approach, I'm pleased to report that we have continued to expand the reach and impact of the many activities that fall under our broad definition of 'responsible business'. We summarise a sample of them in this report; we hope that you enjoy reading about them as much as we enjoy and value being actively engaged in them.


We've been honoured this year to receive many awards for our approach to responsibility. But we want to do more, and better. So we always welcome comments, observations and suggestions about this aspect of Pearson – just as we do about all the company's activities. So please feel free to contact me at robin.freestone@pearson.com or Peter Hughes, our new head of corporate responsibility, at peter.hughes@pearson.com

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

> INTRODUCTION CONTINUED

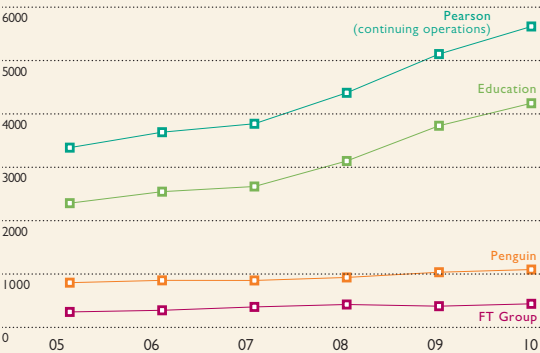
About Pearson

Pearson is the world’s leading learning company. We are 36,000 people in more than 70 countries, helping people of all ages to make progress in their lives through all kinds of learning.

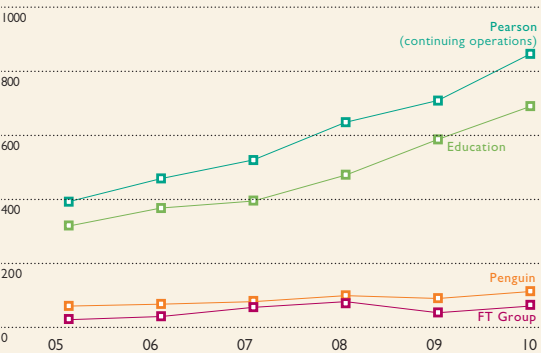
Watch Always learning: A short video illustrating what we’d like to think and say about Pearson
 www.pearson.com/always-learning/

Financial highlights

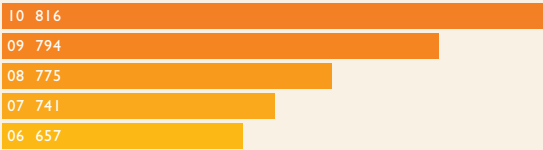
SALES £m



ADJUSTED OPERATING PROFIT £m



SUSTAINED ORGANIC INVESTMENT \$m
Pre-publication expenditure and authors’ advances



> INTRODUCTION CONTINUED

Education

Overview

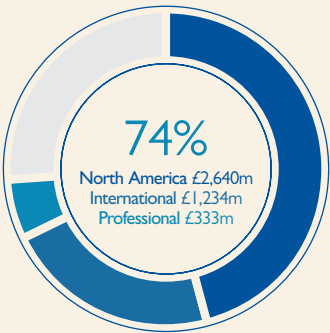
We provide learning materials, technologies, assessments and services to teachers and students of all ages and in more than 70 countries.

People

29,200

US 16,000
UK 3,600
RoW 9,600

Proportion of Pearson revenue



Business

We are a leading provider of educational materials and learning technologies. We provide test development, processing and scoring services to governments, educational institutions, corporations and professional bodies around the world. We publish across the curriculum and provide a range of education services including teacher development, educational software and system-wide solutions.

Markets

For some years, Pearson has been a leader in education, with leading positions in large developed markets and local publishing centres in more than 30 countries. More recently we have significantly accelerated our international expansion, investing in countries including China, Brazil, India and South Africa.



INTRODUCTION CONTINUED

Consumer publishing

Overview

Penguin publishes more than 4,000 fiction and non-fiction books each year – on paper, on screens and in audio formats – for readers of all ages. It is one of the world’s leading consumer publishing businesses and an iconic global brand.



People

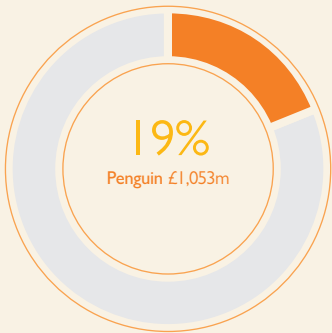
3,450

US 1,800

UK 750

RoW 900

Proportion of Pearson revenue



Business

Penguin operates around the world through a series of connected national publishing houses. It publishes under a number of well-known imprints including Putnam, Viking, Allen Lane, Hamish Hamilton, Berkley, the Penguin Press, Puffin and Dorling Kindersley.

Markets

Penguin combines a longstanding commitment to local publishing with a determination to benefit from its worldwide scale, a globally recognised brand and growing demand for books in emerging markets. Its largest businesses are in the US, the UK, Australia, Canada, Ireland, India and South Africa.



INTRODUCTION CONTINUED

Business information

Overview

The FT Group provides news, data, comment and analysis to the international business community. It is known around the world for its independent and authoritative information.



People

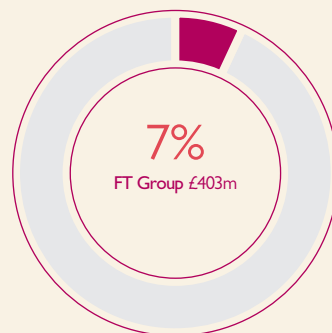
2,600

US 500

UK 1,600

RoW 500

Proportion of Pearson revenue



Business

The FT Group includes: the *Financial Times* and FT.com, a range of specialist financial magazines and online services, and Mergermarket.

The FT Group also has a stake in a number of joint ventures, including those with FTSE International, Vedomosti in Russia, BDFM in South Africa and a 50% stake in The Economist Group.

Markets

The *Financial Times* has a network of approximately 600 journalists in 47 countries and a unique model of producing distinctive newspaper editions for Europe, the UK, the US, Asia and the Middle East. FT.com, with 10.6 million monthly unique users and 3.2 million registered users around the world, makes the FT even more widely available.



› INTRODUCTION CONTINUED

Recent acquisitions

Purchase price

› Wall Street Institute	› 431 English language schools	60 countries	£65m
› Sistema Educacional Brasileiro	› Sistemas in 2,000 schools	Brazil	£326m*
› CTI Education Group	› 13 private university campuses	South Africa	£29m
› America's Choice	› School improvement	USA	£65m
› Tutor Vista	› K-12 schools; online tutoring	India/global	£79m
› Melorio plc	› Vocational training	UK	£99m
› Medley Global Advisors	› Business intelligence	Global	M/N

*£228m paid for 70% with the balance to be paid in 2011

> 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


ALWAYS LEARNING






Our focus


Three priority issues where we can make the most difference




1 RAISING LITERACY LEVELS
>Read more



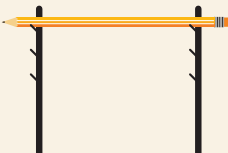
At home 
In the classroom 
With our partners 



2 IMPROVING LEARNING OUTCOMES
>Read more



Our programmes 
Achievement gaps 
Sharing what works 

3 CONTRIBUTING TO COMPETITIVENESS
>Read more



Personal progress 
Informed business 

Business strategy

LONG-TERM ORGANIC INVESTMENT IN CONTENT

DIGITAL PRODUCTS AND SERVICES BUSINESSES

INTERNATIONAL EXPANSION

EFFICIENCY

> To learn more about our business strategy, visit the [Our strategy](#) section in our [Annual report and accounts 2010](#)

Responsible business practice




ENVIRONMENT
>Read more

SUPPLY CHAIN MANAGEMENT
>Read more

PEOPLE
>Read more

OUR CUSTOMERS
>Read more

COMMUNITIES
>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:

- › **International**. We are making significant investments to build Pearson's business in new markets, particularly in the developing world.

- › **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.

› 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

| > RAISING LITERACY LEVELS

Through our products and partnerships we aim to make a difference to raising literacy levels around the world, helping people to learn to read and to enjoy reading.



Being able to read has a profound influence on modern life. How well you do at school, what job you get and even how you get involved in local community life all depend on being literate. As reading is the basic building block that helps people to realise their personal potential, it is no surprise that raising literacy levels is one of our three priority focus areas.

It is also quite a challenge as around the world, one in five adults cannot read; put another way, that is nearly 800 million people that are yet to be reached.

Most of the people who cannot read are in poorer areas of the world. Africa, as a whole continent, has less than a 60% literacy rate. Countries with large numbers of non-literate adults include India, China, Bangladesh, Pakistan, Nigeria, Ethiopia, Indonesia, and Egypt.

However, it would be a mistake to think that not being able to read is only an issue in developing economies of the world. According to the National Adult Literacy Survey, there are some 40 million adults in the United States who cannot read or write well enough to deal with the everyday requirements of life. Similar research suggests that one-fifth of adults in England have difficulties with basic literacy.

For a business built on the premise that people can read, learn and enjoy doing it, we have a keen interest in doing all we can to help generate more and enthusiastic readers.

Our approach

We make a difference 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 one of our titles;
- > We run projects and campaigns, often through the Pearson Foundation, that encourage reading or promote literacy.

RAISING LITERACY LEVELS CONTINUED

Pearson in the classroom

We have a full suite of print, blended and digital services designed to help students to learn to read. We develop services that are relevant to national curricula and the education priorities of each country, as well as ensuring that content is appropriate to the age and location of students.

Pearson in North America demonstrates the range of reading services that we can offer. The last year saw the start of significant change as three-quarters of US states adopted a new set of common academic standards. We have responded by aligning our curriculum materials to the new standards. We now can offer materials that:


- › Help educators effectively **assess** an individual student's reading ability;
- › Explain how Pearson reading programmes are built to help teachers easily implement the **Common Core** state standards relevant to literacy.

Case study: Reading Street

Reading Street is on the front line of improving student reading skills in thousands of schools in every state in the United States. As part of our commitment to independent research, recent findings by Gatti Evaluation showed that kindergarten and first-grade students using Reading Street gained between 46 and 48 percentiles in reading skills, including significant gains in comprehension and vocabulary.

Reading Street, available as a print, blended, or fully digital programme, combines research-based instruction and embedded assessment with videos, animation, activities, songs and audio to engage and motivate students. It is designed to allow teachers to personalise instruction for every child.

Watch how one California school is improving students reading skills with the innovative Reading Street programme:

 www.facebook.com/video/video.php?v=110537748814

www.readingstreet.com




Sometimes students need **extra help**. We have developed research-based programmes proven to lead to greater student success for those falling behind:

Case study: Waterford Early Learning™

Pearson has partnered with the non-profit Waterford Institute for a decade. Waterford focuses on research and development while Pearson markets and sells Waterford's educational products to schools. Waterford Early Learning™ is a digital programme designed to help all children build the foundation for a lifetime of learning based around each child's unique learning needs. In addition to Reading, courses on Science and Mathematics are also available.

Watch an introduction to Waterford Early Learning™:

 www.pearsoncommunity.com/kmp/videos/WFD_v4_4_Update/player.html

www.waterfordearlylearning.org



| > RAISING LITERACY LEVELS CONTINUED

Case study: SuccessMaker

Tailored teaching

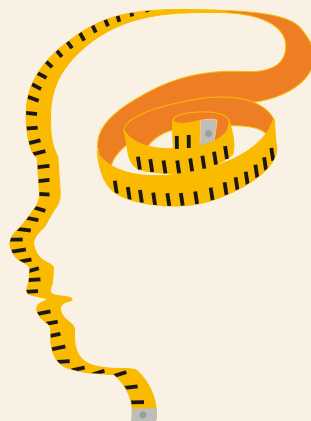
SuccessMaker is a digitally driven set of courses tailored to the needs of the individual learner that supplements regular classroom reading and mathematics instruction. It combines one-on-one instruction, fun ways to engage and involve students and progress reporting for the teacher to aid timely intervention. From its initial development 30 years ago, through to ongoing improvement of the product usability and efficacy testing, the research that went into SuccessMaker constitutes the biggest ongoing research effort to date for any of our digital products.

SuccessMaker was voted as a top 100 product of 2010 by readers of District Administration magazine.

Watch SuccessMaker Enterprise individualises learning:

 <http://www.pearsonschool.com/index.cfm?locator=PSZyM6>

www.successmaker.com




In the UK, the Government has outlined its vision for the teaching of reading using systematic synthetic phonics as a means to get every child reading by the age of six.

Case study: Bug Club

Based on a seven-year research project conducted by Rhona Johnston and Joyce Watson in Clackmannanshire, Scotland, Pearson Primary has developed the Bug Club, a whole-school reading programme designed for use at Foundation, Key Stage 1, and Key Stage 2. It is the first phonics-based reading programme in the UK to join books with an online reading world to teach today's children to read.

Watch the Bug Club video:

 http://www.pearsonschoolsandfecolleges.co.uk/demos/BugClubFinal_Aug10/video1.html

www.bugclub.co.uk



| > RAISING LITERACY LEVELS CONTINUED

Partnering with others to encourage reading

Working with others can help us further our reach and build a shared understanding of important issues. Building partnerships, particularly through the Pearson Foundation, is an important priority for us. The three areas where we look to build partnerships are:

- > Encouraging parents to read with children;
- > Informing the debate;
- > Book gifting.

Encouraging parents to read with children

When parents read aloud to their children, they can have a significant impact on their vocabulary and language development. We work with others to encourage that kind of shared reading.

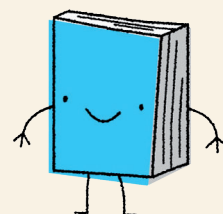
Case study: Booktime

How do you inspire children to pick up a book and become lifelong readers? Give them a book and engage their parents. This was the vision behind Booktime, our major partnership with Booktrust and the UK Department for Education. For the past five years, we have distributed books to five-year-olds in their first term at school, along with tips and materials for both parents and teachers to encourage them to read aloud. People from all parts of Pearson can also have a role, reading to a child one-to-one through an organised volunteer programme. In 2010, we gave our 5 millionth book pack during the launch of the programme in Kew Gardens, London.

Watch the Booktime video:

www.youtube.com/user/Pearsonplc#p/f/0/miA2UNAiAIU

www.booktime.org.uk/show/feature/About%20Booktime/Booktime-in-England-in-2010



Booktime

www.booktime.org.uk

Case study: Read for the Record™

Read for the Record™, our flagship partnership between the Pearson Foundation and Jumpstart, is a nationwide campaign to promote reading in the United States. Together, we again set a new world record for the largest shared reading experience on a single day, involving over two million people.

Watch the Read for the Record™ video:

www.pearsonfoundation.org/literacy/partnerships/jumpstart-read-for-the-record.html



IN PARTNERSHIP WITH

PEARSON
Foundation

| > RAISING LITERACY LEVELS CONTINUED

Informing the debate

One role that we can play is to help understanding on how reading is perceived by parents and kids. One example of this was a [Pearson Foundation survey](#) on perceptions of early childhood education. This concluded that:

1. Most Americans recognise that early childhood literacy is a very important issue that receives too little attention or priority;
 2. There is little awareness about the severe and lifelong consequences associated with the lack of early childhood literacy skills – especially the fact that many children never catch up;
 3. Most Americans have little understanding of the 'literacy gap' that disproportionately affects children from low-income households;
 4. All Americans agree that reading to children under 5 is the best method to develop early childhood literacy skills.
- What they don't know is a majority of low-income families do not have books for children in their homes.

Book gifting

We work with partners to extend access to books in both the developed and developing world through innovative book gifting schemes and partnerships. Our most significant commitment is to We Give Books.

Case study: We Give Books

Created by Penguin Group and the Pearson Foundation, We Give Books is a digital reading initiative that allows anyone who reads a free book online to also donate a book to a literacy project of their choice. In conjunction with this year's Read for Record campaign, We Give Books also donated more than 200,000 copies of *The Snowy Day* to young people.

www.wegivebooks.org



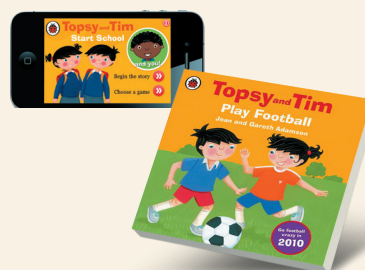
Reading at home

Children need access to quality and fun ways to read. Our Penguin Young Readers – Puffin, Frederick Warne and Ladybird Books – all provide plenty of options.

Case study: Ladybird Books

For millions of people the world over, Ladybird Books are known and loved. As the most recognisable brand in children's books, they play an essential role in helping kids to learn to read and to discover the magic of books. Ladybird today offers its widest ever range of formats and styles from birth to eight-years-old including its baby touch app. Ladybird's award-winning baby range is informed by the latest research relating to how babies learn and respond. The toddler list uses rhyme, stories and songs in interactive formats to give children a head start in learning.

www.ladybird.co.uk/adviceandresources/baby/babytouchapp.html




> RAISING LITERACY LEVELS CONTINUED

Case study: Tinga Tinga Tales

Why does the giraffe have a long neck? Tinga Tinga Tales, a BBC children's channel CBeebies 52-part series based on classic African folk tales of how animals came to be, supplies the answer. Puffin produces the books that accompany the series and as part of the We Give Books campaign, readers can read a Tinga Tinga Tale online and send a Tinga Tinga Tales book to Africa. The Pearson Foundation has also created a fantastic Early Child Development programme for primary school teachers in Tanzania and Kenya using the Tinga Tinga Tales books and films.

Watch the Tinga Tinga Tales video:

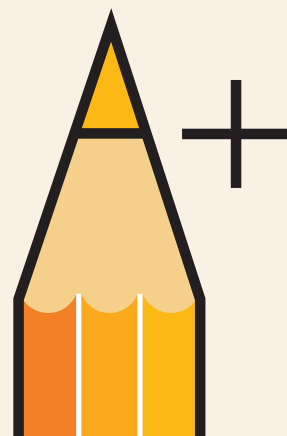
 www.youtube.com/user/Pearsonplc#p/f/2/zAPfVgfOr0c

www.tingatingatales.com/community.aspx



2 > IMPROVING LEARNING OUTCOMES

Through our products, services and partnerships we aim to make a measurable difference to learning outcomes for students, educators and to education systems.



There is a much debate over what makes for an effective education system. There is also a concern in both developed and emerging markets that individual institutions and entire education systems are no longer fit-for purpose for the modern world.

What role should businesses play? Governments, policymakers, teachers and students rightly expect that where possible companies should research and report on the learning outcomes that arise from their services and that they are transparent and responsible in their marketing and communications. They should also contribute to the wider debate on how education systems can be improved.

Companies that do this can benefit from increased sales and market share and improved reputation. By taking the initiative, we believe we can make a difference to the quality of education and achieve business growth.

Our approach

We make a difference in three main ways:

- > Ensuring that our own education programmes are developed and assessed for quality, efficacy and usability;
- > Helping close achievement gaps for individual learners and schools;
- > We run projects and campaigns, often through The Pearson Foundation, that support teacher education and development;
- > Helping share what works between education policymakers.

2 > IMPROVING LEARNING OUTCOMES CONTINUED

Quality, efficacy and usability

Pearson's transition from textbook publisher to education technology and service provider is a major strategic change. Where we once sold products to education institutions, we now also provide services to help them and their students succeed. That means we are becoming more directly involved in the process of learning, and more accountable for outcomes.


We are devoting significant resources to improving student success and institutional effectiveness. For example, our usability lab allows Pearson instructional design teams and researchers to develop and improve our programmes. Building on this approach, we opened the Pearson iDEA Innovation Centre, a digital laboratory focused on user-centred design, software usability testing, and efficacy research for use by the business globally.

Case study: Pearson North America

Investing in efficacy

A distinguishing characteristic for us is our ongoing significant investment in research and efficacy. We are the only educational instruction provider to consistently employ randomised control trials – the gold standard in research – to determine the effectiveness of our curricula in the classroom and to evaluate the impact on student learning. We commission independent third-party research firms to work with school districts across the US to conduct these efficacy studies that use the same rigorous scientific model that the Department of Education's What Works Clearinghouse requires.

Watch the Pearson North America video:

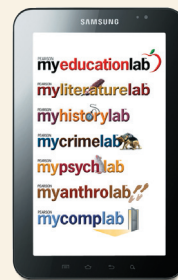
 www.youtube.com/watch?v=qtDY30bMNPU



Case study: MyLabs

MyLabs digital learning, homework and assessment programmes grew by 33% to eight million students registered in 2010. Evaluation studies show the efficacy of the model. For MyMathLab, institutions across the United States are reporting pass-rate increases of 30% to 40%, and at less cost to the institution than traditional courses.

www.mymathlab.com/



Helping close achievement gaps for individual learners and schools

The issue of failing schools is of concern right around the world. Pearson has a wealth of research and proven resources – including curriculum, assessment, technology, and teacher professional development products and services that we can harness to assist in school turnarounds.

We are expanding our services in this area both organically and through acquisitions, such as the purchase of America's Choice. Our aim is to help turn around failing schools and districts by making fundamental changes to the way they are run in order to sustain improvements for the long term.


2 > IMPROVING LEARNING OUTCOMES CONTINUED

Case study: America's Choice

Transforming schools

Building on our existing school improvement service in the United States, the acquisition of America's Choice significantly extends our reach. The America's Choice model of instruction, assessment, leadership development, professional development, coaching and ongoing consulting services is designed to help turn around schools, where students are having difficulty meeting state standards across multiple subjects and is applied in more than 2,000 schools in 38 states. For example, after one year of working with the lowest-performing elementary schools in Arkansas, students from America's Choice schools outpaced state gains in proficiency in both literacy and mathematics.

Watch the America's Choice video:

 www.pearson.com/investor/ar2010/films.html




Supporting teacher education and development

We work with teachers to improve teaching effectiveness with content and services that shape teachers from their earliest undergraduate experiences up to and throughout their teaching careers. We do this through our businesses and by partnerships.

Case study: Great Colombian Teachers

The Great Colombian Teachers initiative aims to provide academic support and recognition to English language teachers in Colombia. The initiative is based on open-source content management software providing the means for teachers to contribute and share their thoughts and ideas.

Watch Fior Perez, a teacher, on a teacher that inspired:

 www.greatcolombianteachers.com/index.php?option=com_content&view=article&id=54&Itemid=59

www.greatcolombianteachers.com

Teacher support and development is a Pearson Foundation priority. It provides academic awards, training, and professional support to teachers; and supports leadership initiatives that establish and document best practices for students and educators.

2 > IMPROVING LEARNING OUTCOMES CONTINUED


Case study: CCSSO National Teacher of the Year Programme

Why I Teach

The National Teacher of the Year Programme, run by the Council of Chief State School Officers (CCSSO) is the oldest and most prestigious awards programme for teachers in the US. Each year, the Pearson Foundation hosts a special day-long workshop for Teachers of the Year in New York City, where they are asked to conceive, perform, and edit a short statement called 'Why I Teach'. The results are compelling, personal accounts of the power of teaching.

'I teach because there is nothing more transformative than the ability of one person to see the potential in another'

Watch Sarah Brown-Wessling, 2010 Teacher of the Year, Iowa:

 www.youtube.com/watch?v=xiBYif_DWlQ



Helping share what works between education policymakers

Active in education in more than 70 countries, Pearson can play a role in bringing together education leaders to share experiences and best practice.

Case study: Pearson Centre for Policy and Learning

The Pearson Centre for Policy and Learning was set up to formally contribute to policy debates in the UK on the role of education in fostering a knowledge-driven economy. Its purpose is to stimulate debate, collaborate and share ideas through world-class policy intelligence and analysis and organising conferences and forums.

www.fundingguide.co.uk/pri/about.asp

Case study: Pearson Foundation/CCSSO International Conference on Education – London 2010

Hosted by the CCSSO and The Pearson Foundation, the series of annual conferences brings together an international delegation of education leaders to explore, firsthand, an innovative country approach to an education issue. The third International Conference on Education in London had as its theme innovation in adapting and applying digital technologies in support of teaching and student learning. CCSSO and Pearson delegates were joined by local education leaders, international experts, and representatives from locations including Brazil, Hong Kong, Mexico, the United Kingdom, Uruguay, and Zambia.

www.pearsonfoundation.org/education-leadership/partnerships/pearson-ccsso.html



3 > CONTRIBUTING TO COMPETITIVENESS

Our products, services and partnerships play a role in helping individuals to progress and for countries to boost workplace skills as well as helping inform business decision-making.



The connection between education and long-term economic growth is well-documented and increasingly well understood. Our role in global macroeconomics might be relatively small, but can be highly significant to individual learners.

Personal progress: helping individuals get ready for work

Securing a professional or vocational qualification is an important factor in getting a job. We see rapid and growing demand for vocational and professional education around the world. Governments recognise the need to improve workplace skills to support future economic success. Developed economies are looking to maintain their competitive position through an emphasis on skills and training, while developing countries are focusing on vocational training to boost their workforce skills and attractiveness to investors.


Pearson has a strong presence in the vocational learning sector through: Edexcel, the UK's largest awarding body; VUE, a global leader in computer-based testing and certification; Melorio, the vocational training provider; as well as publishing imprints and learning technologies for professionals.

3 > CONTRIBUTING TO COMPETITIVENESS CONTINUED

Case study: Melorio – Hands-on learning

Melorio became part of Pearson during 2010. As the leading provider of vocational education and IT professional training in the UK, over 15,000 people each year get the opportunity to gain vocational skills in such key areas as construction, logistics, technology and healthcare. For example, Construction Learning World provides on-site assessment, training and related support services to the UK construction and infrastructure industry.

Watch the Malorio Hands-on learning video:

 www.pearson.com/investor/ar2010/films.html



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;
- > 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;
- > CTI Education Group of South Africa, a leading private higher education groups in South Africa.

Case study: BTEC increasing earning potential


London Economics research commissioned by Pearson found that achieving a BTEC National can increase the lifetime earnings of an individual by up to £92,000, while a BTEC First can increase lifetime earnings by up to £42,000.

<http://bit.ly/gqvQ2u>

Case study: CTI Education Group of South Africa

CTI is one of South Africa's leading private higher education institutions with more than 9,000 students on 12 campuses, awarding degrees, diplomas and vocational qualifications to a growing market of full-time and part-time students in such subjects as business, information technology, law, psychology and counselling, graphic design and creative arts. Among the diplomas and vocational qualifications awarded are BTECs from Pearson. About 15% of CTI first-year students come from African countries other than South Africa, including Nigeria, Ghana and Zimbabwe.

Watch the CTI Education Group video:

 www.pearson.com/investor/ar2010/films.html

3 > CONTRIBUTING TO COMPETITIVENESS CONTINUED

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: FT Tilt

The Financial Times has launched FT Tilt, a premium online financial news and analysis service focused exclusively on the emerging world. It serves finance professionals who have a direct interest in Latin America, Africa, the Middle East, South and East Asia, Russia and Eastern Europe and business professionals who need a deeper understanding of these fast-growing regions.

<http://tilt.ft.com/>



› RESPONSIBLE BUSINESS PRACTICE

Our unique opportunity is to make a difference in our 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’, capturing priorities relevant to our stakeholders that we share in common with other industries and individual companies.

ENVIRONMENT



SUPPLY CHAIN
MANAGEMENT



OUR PEOPLE



OUR CUSTOMERS



COMMUNITIES



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. It is sobering to note this estimate by the World Wildlife Fund: if every country in the world consumed materials at the same rate as the UK, it would take three planets to sustain our way of life. 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.



Our environmental responsibilities

It goes without saying that Pearson cannot solve these world issues alone. Though our environmental footprint is relatively small compared to that of many industries, minimising our environmental impact makes business sense. It resonates with a core objective of our business strategy to operate more efficiently and effectively, but also reflects our concern for good environmental stewardship which is shared by many of our stakeholders.

Our company is also changing. Digital solutions are growing across all our businesses. E-books have reached a tipping point for Penguin, digital revenues are 40% of the total at the FT and 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. At the same time, non-digital revenues continue to grow. These trends mean a changing environmental footprint for us to track and shape.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

	Digital	Physical	Digital %
2006	721	2,884	20
2007	817	3,073	21
2008	986	3,496	22
2009	1,306	3,918	25
2010	1,618	3,961	29

Climate neutral commitment

Reflecting public policy and investor interest in climate change, carbon management is a major focus for us. That does not mean that we think other everyday environmental issues are not important – we encourage recycling in our offices; we’re reviewing and reducing the types of packaging we use; and replacing Styrofoam cups with ceramic mugs where possible too. Our section on environmental management describes how we pick up on wider issues.

On climate change, we decided that our initial focus should be on our own operations. We had been steadily making reductions in our energy use on a like-for-like basis at about 2% per year but wanted to do a lot better.

So, in 2007, we adopted a target adopted for our then existing operations to become climate neutral by the end of 2009. We achieved this and maintained it in 2010 through:

- › A carbon management programme. Primarily, this focused on improving energy efficiency in our buildings (e.g. more efficient lighting; server virtualization – which harnesses unused capacity in servers for IT) as well as providing alternatives to business travel, such as upgrading our videoconferencing facilities;
- › Investing in generation of renewable energy at our sites. We installed solar panels on the roof of our Old Tappan on-demand print centre in 2009 and have started two additional projects – solar roof panels at our Cranbury distribution centre, which will be among the largest projects of its type in the world; and a wind turbine at our site in Owatonna, Minnesota;

- › Purchasing electricity from renewable sources where it is available and affordable to do so, currently in the US, the UK and Canada.

- › Establishing partnerships that deliver carbon offsets. Examples from 2010 include the FT Rainforest in Costa Rica and partnering with the Woodland Trust. Past projects include the 96-acre Penguin Wood in the UK.

Together, these covered around 75% of our impact in 2010. For the balance, we added a Pearson Rainforest, building on the existing FT Rainforest in Costa Rica. This compares to 90% of our impact covered in 2009, as we have now included businesses acquired in 2008 and 2009 in the scope of the 2010 commitment.

The primary purpose of the climate neutral commitment was to focus people within Pearson on reducing our own environmental impact. This it has done, as the savings in our buildings and from reduced business travel are running at three times previous levels. We continue to improve on our data gathering and for 2010, we can report an absolute climate footprint 8% lower than the previous year.


	Metric tonnes CO ₂ e
2009 climate footprint	210,306
GHG reductions in 2010	17,165
2010 climate footprint	193,141
Offset by:	
Renewable energy	97,798
Operating company offset partnerships	37,919
Pearson Rainforest	57,424

We have also given people who are passionate on green issues an opportunity to get involved – there are some 40 green teams at larger Pearson locations around the world and we will work to incorporate a Planet Pearson space into our new online collaboration platform, so that it will be available globally, not just in the US.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Renewable energy generation – Harnessing the sun and the wind

2010 is the first full year of energy generation from the installation of solar panels on the roof of Pearson's data centre in Old Tappan, New Jersey. Over the 25-year life of the panels, the switch to solar energy at that facility is expected to offset about 4,000 tons of carbon dioxide, the equivalent of planting more than 100,000 trees. Work started in February 2011 on our next two projects – a wind turbine at our print services facility at Owatonna, Minnesota and a second solar panel project at our Cranbury distribution centre in New Jersey.

Watch our Installing the panels at Old Tappan video:
 <http://bit.ly/gK7lox>

Resource use

Paper for our books, magazines and newspapers is the most significant natural resource we use in our business. Our section on supply chain management describes our approach to responsible paper purchase. Over the last few years, we have focused on improving our resource efficiency. Through initiatives such as using the whole tree rather than part of the tree in the papers we purchase, reducing the base weight of the papers we use and custom publishing, we have made huge strides in this area.

The next phase of our climate neutral work involves understanding and mapping our climate impact across our supply chain. There is no agreed methodology for this, so we have set out to work with industry partners to develop a common methodology. Penguin in the UK is leading the way in this field, while our businesses in North America have also mapped the carbon footprint relating to paper purchase.

Once we have mapped our climate footprint, we will consider what targets might be appropriate.

Environmental management

Pearson has had an environmental policy since 1992. Our businesses in the UK are accredited against ISO 14001, the international environmental management standard, and the businesses in Australia

are working towards accreditation. We will introduce this into other countries or businesses by consulting local business heads and stakeholders. Other parts of the world apply our own environmental management system, which we describe on our website <http://bit.ly/h7eYpK>.

Our work on environmental responsibility and climate neutral commitment is guided by our Environment Executive Committee. The committee is chaired by Robin Freestone, the chief financial officer, and includes senior executives from operations, communications and those leading implementation across the business.

Engaging others

Getting Pearson people involved in our environmental work has always been an important objective for us. Staff-led initiatives include:

- › Green/Eco Teams. We now have 40 groups of volunteers in place in Pearson buildings in the UK, the US, Canada, Australia, South Africa and India Green/Eco Teams;
- › Planet Pearson, a cross-company environmental intranet site currently available in the US. This site offers ideas for carbon reductions, links to local green groups and performance reports.

Our books, magazines and newspapers continue to cover climate change as an issue and have developed some innovative ways to provoke debate, inspire action and celebrate success.

FT/IFC Sustainable Finance Awards – Sustainable Finance Conference

The Financial Times and IFC, a member of the World Bank Group, have launched the Sustainable Finance Awards, a major global programme designed to recognise the institutions across the financial industry that have shown leadership and innovation in integrating environmental, social and governance considerations into their business. The awards form part of the FT's annual sustainable finance conference.

www.ftconferences.com/sustainablefinance

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

How others see us

- › The Dow Jones Sustainability Index has named Pearson as the Global Sector Leader for the last four years – environment is a major part of the index methodology.
- › Penguin in the UK was ranked 11th in the *Sunday Times* Best Green Companies listing in 2010.
- › Pearson in the US was named as a 2010 Green Power Leadership Award winner by the U.S. Environmental Protection Agency (EPA). Pearson currently ranks No. 25 on EPA's National Top 50 list of green power purchasers. We offset 100% of the energy we use in North America through the purchase of wind power credits.
- › Penguin was recognised in the Forest Stewardship Council (FSC) Global Partner Awards for outstanding achievement in promoting the FSC brand worldwide.

Plans

2011 plans	
Climate neutrality	Maintain our climate neutral commitment for 2011
Carbon mapping	Continue work on mapping complete carbon footprint for Pearson businesses in the UK and the US
Reuse/recycle rate	Maintain our reuse/recycle rate for all unsold books and newsprint in excess of 95%
Targets	Publish energy, water and other environmental targets once 2010 environmental audit completed
Environmental management	Complete ISO 14001 certification in Australia and identify additional businesses to start the process in 2011
Collaboration	Extend access to Planet Pearson globally
Awards	Further encourage innovation by launching an internal awards scheme to recognise good environmental practice

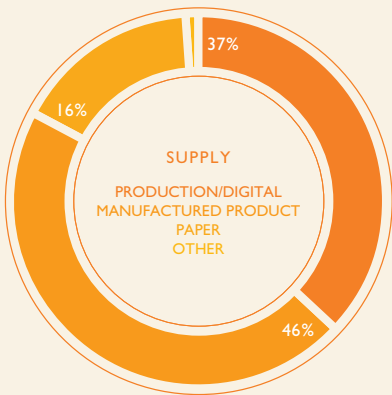
› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Supply chain management



Pearson purchases goods and services valued at over £2 billion 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.

Although rapid growth in our digital sales is being reflected in the mix of what we purchase, paper and print remain the most significant categories of direct spend for us:



As we grow, so do opportunities to consolidate and centralise the way that we purchase goods and services. This will bring efficiency benefits and cost savings, as well as a consistent global approach to the way we select and monitor the performance of our suppliers across all aspects, including corporate responsibility.

Our approach

Pearson was a founder signatory to the UN Global Compact in 2000. We were clear from the outset that we had a responsibility to use our influence with our suppliers across our supply chain. 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.

These commitments, together with the [Pearson code of conduct](#), remain the guiding principles against which we judge our actions and performance today.

Labour standards, human rights, the environment and combating corruption

We have set out the commitments that we expect from all our suppliers.

Specific clauses relating to these standards are an integral part of our contracts for key suppliers. These standards include the rejection of forced and compulsory labour, a respect for diversity, a minimum age to work on Pearson projects and compliance with environmental and other regulations.

We write to all our main suppliers – defined as those where we purchase more than \$250,000 or equivalent in local currency – to advise them both of our commitment to the Global Compact, and about the Pearson code of business conduct. Our 2010 process was completed in January 2011.

We carry out an ongoing programme of supplier visits to assess compliance with the Global Compact and with our own standards. These visits reinforce our commitment to the abolition of child labour and all forms of forced and compulsory labour, as well as environmental responsibility. Our production departments this year continued our programme of visiting suppliers all across the world.

We also work with industry partners on setting common standards that reflect the Global Compact principles.

Global Compact communication	2010	2009	2008	2007
Over \$250k	1,882	1,867	1,702	750

Paper

Our books, newspapers and magazines all use paper. We lead the way in investing in new technology to provide opportunities for our customers and readers to access our content digitally. Nevertheless, we expect that our use of paper will continue to be an important means for delivering our products.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

The amount of paper we use is determined by the news agenda of the day, our advertisers, the decisions taken by our authors and the number of products we commission, print and sell. We therefore believe it is unrealistic to set targets to reduce total paper usage. Instead, our role should be to incorporate environmental considerations into our paper purchasing processes.

We source paper primarily from North America and Scandinavia.

Paper is a priority issue within our wider programme of considering the environmental impact of our supply chain. We:

- › First adopted and publicly disclosed our environmental policy with regard to paper sourcing in 2003. This policy was updated in 2008;
- › Collect and map data on the forest of origin, certification systems applicable and recycled content for the papers we purchase;
- › Hold regular training sessions for our production teams around the world on both labour standards and environmental responsibility issues. We ran sessions in 2010 with the Financial Times Group, Penguin in New York; Pearson Canada and Pearson UK. More are planned in 2011;
- › Talk about our guidelines with our key paper suppliers when we meet and as part of our contract discussions;
- › Discuss our approach to paper purchasing with customers, environmental groups, investor analysts and other interested parties;
- › Retain Forest Stewardship Council (FSC) chain of custody certification allowing their books to also carry the FSC label for Dorling Kindersley and Penguin in the UK;
- › Have continued with the process of seeking to attain FSC chain of custody accreditation for our businesses in North America.

In addition to the standards we set ourselves through our paper purchasing guidelines, we also have a responsibility to use fewer resources where we can. This delivers both environmental benefits as well as cost savings. All our businesses that use paper are focused on improvements, here is one example:

Pearson North America – Schools

Our schools business has continued with its sustained campaign to improve its environmental efficiency. The achievements have been phenomenal, with its 2010 environmental programme helping to avoid the need for over 30,000 US tons of wood. That is over 200,000 trees. This was achieved through a series of initiatives including increased use of recycled fibre, a shift from free sheet to ground wood, a process that uses the entire tree including the bark and by reducing the weight of paper used in our books. Other green initiatives saw the elimination of over 66,000 pounds of plastic and 5,000 gallons of cover coating used.

Print

Less than 0.5% of Pearson products are printed by our own operations. We have two small digital print operations in the US. These operations provide short-run and print-on-demand products, typically custom client applications.

In addition to our general approach to supplier responsibility, we ask our printers for additional reporting in key areas. We have for a number of years maintained a printer register of environmental performance. Last year, we set a target to completely review our approach with Pearson International piloting a new process.

This year, the Pearson International model will be adopted globally.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Distribution

We outsource distribution and shipment of our products to third party carriers.

Shipping

Our books are produced around the world, requiring shipment from the printers to our Distribution Centres. Maximising the container load is an important measure of environmental efficiency. A review in 2005 of the performance of different parts of the business identified an opportunity to consolidate shipments and thus maximise container loads.

Pearson International – Surveying our printers

Pearson International surveyed all its printers and binders which supplied goods valued at £100,000 and above or local currency equivalent. Printers were based in the UK, Europe, North and Latin America, Africa and Asia. The survey covered:

- › whether the printer uses a recognised system for environmental management and health and safety;
- › measurement and reduction policies for water, ink, solvents, alcohol, energy and waste.

Working with World Transport Agency (WTA), one of our main shipping agencies we established a process in 2006 to measure the carbon footprint associated with the shipping of our books across 12 key routes covering over 90% of books shipped. In order to calculate the carbon footprint, WTA worked with shipping companies and the Carbon Neutral Company to develop new methodologies to measure carbon intensity through a tonnes CO₂ per Container measure. Pearson was the first company to engage with WTA to apply this methodology to our shipments.

Road

Our main road distributors in the UK and Europe are DHL for books and TNT for the *Financial Times*. We meet regularly with our distributors and in January 2011, we were featured as a good case study in a seminar hosted by DHL on environmental trends in the publishing industry.

In the US, we similarly outsource distribution, with UPS being the recently adopted main provider of parcel service. We monitor environmental performance as part of the contractual arrangements. One of the criteria for selecting UPS was its environmental performance.

Inventory management is an important area of impact for us. During 2010, we have developed performance metrics in that area covering all book businesses worldwide. For 2011, we will be considering how to externally report on progress

Working with industry partners

We believe that working with industry partners in setting social and environmental standards is a responsible approach to improving global practice. This approach has many benefits including:

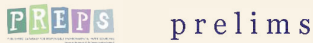
- › Reducing the burden on the supplier – they only complete one audit instead of several, different processes. This is particularly important for smaller suppliers;
- › In many of the markets where we operate, Pearson alone has insufficient influence with suppliers to enforce a set of standards;
- › The sector working together helps set terms of trade and reinforce the importance of non-financial measures of performance.

Our three most important industry initiatives are:

- › We were a founder member of the group of publishing companies in the UK that established PreLIMS – a common social accountability standard;
- › We are a member of the [World Wildlife Fund \(WWF\) Forest & Trade Network](#) and through this group, work with WWF and other company members to improve environmental standards of paper purchase;
- › Helped found [Publishers database for Responsible Environmental Paper Sourcing \(PREPS\)](#), an industry collaboration to map the environmental characteristics of paper.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Both PREPS and PreLIMS were initially a UK initiative; however, Pearson businesses were the first to adopt these globally.



Plans

	2011 plans
Paper	Complete the process of securing Forest Stewardship Council (FSC) accreditation across our businesses in North America
Supplier relationship management	As part of a project to build a comprehensive global vendor relationship management system comprising a web-based portal and suite of data-marts, we will incorporate corporate responsibility metrics and supplier certifications where appropriate.
Printer	Extend the printer survey piloted by Pearson International to printers serving Pearson North America, the FT and Penguin during 2011. Pearson International will use its survey printer findings to inform its priorities for seeking improvements
Inventory management	Review current internal performance metrics and our approach to external reporting in this area

› RESPONSIBLE BUSINESS PRACTICE CONTINUED



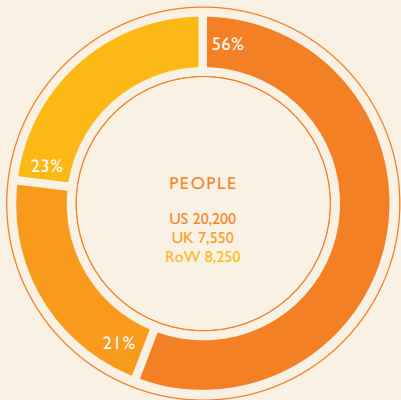
Our people

Our business purpose is to help people get on in their lives through learning – or to be ‘always learning’. The use of ‘people’ in describing our business 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. At the same time, Pearson is a business in transition. We are seeing rapid growth in:

- › Digital business. 29% of sales now come from digital up from 20% in 2006;
- › Emerging markets. Sales revenue from our businesses in Latin America, China, India, Africa and the Middle East has more than doubled to \$834m 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 changes are shaping how we think about the structure of our business and the types of people we employ.



Our approach

- › **Understanding the workforce of the future.** As the shape of the business changes, so does our future skills needs.
- › **People development.** Making sure that we offer the right development opportunities for all our people.
- › **Changing the shape of the organisation.** As we internationalise and grow, so do opportunities to work differently and more efficiently. That means that some functions and roles which we currently have will no longer be needed, while new jobs and organisational structures will arise 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.

Workforce planning and developing our people

Our businesses need access to the right people with the right skills at the right time in the right place. This sounds relatively easy, but we operate globally in fast-changing, hard to predict, often digital-led markets. Effective scenario planning is critically important to our people strategy.

We need to be able to identify and fill skills gaps while also ensuring that all our people have the technical, personal, management and leadership skills they need to carry out their responsibilities. Each individual has at least an annual appraisal and development review with their manager to agree objectives for the coming year. We offer a diverse and comprehensive range of development opportunities around the world.

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

During the year we reviewed our programme to identify our future leaders. Each individual has a targeted development action plan to help them progress to more senior positions.

We know that one of the most powerful ways people can learn is from each other, so a priority for this year was to develop a new way for Pearson people to come together to share ideas, expertise and information and to collaborate. This initiative will be formally launched in 2011.

Organisational change

Working more efficiently can lead to a need to restructure and integrate teams, and to a reduction in roles.

Where possible, we aim to either offer redeployment to other areas of the business or reduce numbers through natural attrition. This is not always possible, so we offer voluntary severance or make less use of contractors where that is relevant. Compulsory redundancies are always a last resort.

Whatever changes we make, we do so in light of the company values to be brave, imaginative and decent. This means being open with our people about the changes we have to make, helping those affected to adjust and ensure that we are sensitive to the needs of each individual.

Getting the fundamentals right

People will always be our most valuable resource. How we support, manage and encourage the development of our people is fundamental to the success of the business and to achieving against our business strategy.

Above and beyond our priorities, there are some basic things that in common with most companies, we must get right. Our aim is that each and every person that is part of the Pearson family should:

- › feel valued and that their contribution to our success is recognised and fairly rewarded;
- › be able to shape the way they work around their personal circumstances through a flexible approach to their work-life balance;
- › have the right tools and skills;
- › have opportunities for learning and development and;
- › benefit from a safe and positive working environment that reflects the diversity of our colleagues.

Diversity and inclusion

Our aim is to be leading our industry for our approach to diversity and inclusion by building a workplace where differences and fairness are respected and valued. By strengthening our commitment to diversity and inclusion, we ensure we are recognised where we operate as an employer with a firm commitment to diversity and equality. One way we assess our progress is through external benchmarks:

Internships@Pearson – Diversity internships in the UK

The Pearson Diversity Summer Internship Programme – a paid eight or twelve week (journalism) placement – was recognised as a finalist in the ‘Best Diversity within Work Experience Awards at the National Placement & Internship Awards 2011’.

Watch the internships video:
 <http://summerinternships.pearson.com/index.htm>

- › Pearson was again named joint winner of the FTSE Executive Women Award by Opportunity Now;
- › Pearson in the US was named one of the top 100 employers by Working Mother magazine;
- › Similarly, the Human Rights Campaign, which campaigns for equal rights for lesbian, gay, bisexual and transgender citizens named Pearson as one of its top 100 employers.

We track our employee profile by country. The profile for our two largest countries by employment is:

	Minority		Women	
	All	Mgt	All	Mgt
2009				
UK	13%	10%	60%	62%
US	20%	12.6%	60%	50%
	Minority		Women	
	All	Mgt	All	Mgt
2010				
UK	14%	9%	60%	61%
US	20%	12.8%	59%	50%

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Health, safety and wellbeing

The health and safety of our people is of overriding concern to us. We believe that good safety and health practices in the workplace are a basic building block of a responsible approach.

Pearson people work in offices, data and contact centres and in distribution centres. We adopt a risk-based approach to health and safety paying particular attention to facilities such as distribution centres with relatively higher risk of incidents. By understanding the risks of injury, we are better equipped to prevent them from occurring:

- › Our first site in the UK was accredited in 2009 against ISO 18001, the international health and safety management standard. Work continues for all businesses in the UK to be accredited against the standard;
- › Our US business has developed and piloted a comprehensive management system for injury prevention and employee protection.

Plans

	2011 plans
Developing our people	Review our existing menu of learning and development opportunities; fill gaps and work to provide everyone with access to the training and education they need to improve their skills, train for new opportunities, develop as leaders and managers, and receive mentoring, professional certification and support to successfully progress.
Digital transformation	Pilot an approach to mapping future digital skills needs across the businesses through intensive work with a key digital community
Collaboration and engagement	Launch a digital space for Pearson people to come together to share ideas, expertise and information and to collaborate
Data and analytics	Operating businesses track people metrics. We will review and extend our approach to data collection, management and reporting adopting common definitions where appropriate and relevant to do so
Diversity and inclusion	Continue to rate our diversity progress through relevant external benchmarks
Health, safety and wellbeing	Complete the process of accreditation against ISO 18001, the international health and safety management standard for all our businesses in the UK. Introduce a new injury and illness prevention programme in the US

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Our 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 is conscious of living up to their reputations – Penguin's for the quality of its publishing and consistent record of innovation and fearlessness; the FT's 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

In 2010, the Penguin Group celebrated the 50th anniversary of the controversial publication of D.H. Lawrence's *Lady Chatterley's Lover*. In addition to releasing a special edition in honour of the anniversary, Penguin Classics built a designated website to explain the timeline of the trial, display book reviews from modern-day Penguin readers and showcase more Penguin titles that have shocked the world. Penguin continues to champion freedom of expression in a number of other ways, including through continued strong support of both English PEN and PEN's annual WorldVoices Festival.

Product safety

Ensuring product safety is integral to the design and manufacture of all products made by or on behalf of each of our businesses is our foremost priority – everything we put on the market should not harm a person or the environment. The Penguin Product Safety Manual, first developed in 2008, records procedural steps, legislative requirements, developmental advice and labelling information to help achieve this goal. Now in its eighth incarnation, the manual is regularly updated to reflect changing global requirements and developments to internal processes and due diligence procedures. This manual has been adapted and adopted by Pearson globally. An international product safety team convenes monthly to oversee this important area.

Access to education (in developing economies)

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 common purpose.

Our expertise, resources and global presence means we are uniquely placed to both help bridge gaps and to improve learning outcomes in ways that are tailored to the specific learning needs in the different countries of the world.

The right to a quality education is also a global priority enshrined in the Millennium Development Goals. Realising that right globally requires addressing a complex array of challenges including awareness and attitudes, affordability and in the poorest countries, lack of infrastructure or the ability to finance education systems. Pearson works with governments and other partners to make our products and services available at prices appropriate to each marketplace. Through the Pearson Foundation, we work to further extend access and to play our role in helping address the challenges and barriers to access.

Extending our reach

Bridge Academies – Learning for \$1 a week

In 2010, Pearson Southern Africa invested in the Bridge International Academies in Kenya. These are 'school in a box' private primary schools, designed to give Kenyan families living in poverty the opportunity to send their children to high-quality low-cost schools. Each school costs \$4 per child, per month to operate, with profits re-invested into the expansion of the small network of schools. Bridge International hopes to develop 1,800 schools across sub-Saharan Africa with 15,000 education workers by 2015.

www.bridgeinternationalacademies.com/Bridge/Home.html

TechHub

We are a founding sponsor of this new co-working space for the tech start-up community. TechHub is based at the heart of east London's so-called 'Silicon Roundabout', offering support and opportunities to product-oriented technology entrepreneurs. Members of Pearson's Digital Strategy team visit TechHub for their monthly demo nights, and took part in several TechHub events with Penguin, Pearson UK and the FT during Internet Week Europe 2010.

www.techhub.com

Developing new business models

Micropayments

FT.com has fast become the best practice example for paid content in the world of journalism, with an intuitively-priced subscription structure which allows registered users to share articles for free. <http://www.pearson.com/media-1/announcements/?i=1339>



Our communities

As the world's leading learning company, we are in a powerful position to push the agenda for literacy and learning on a global scale. Our businesses take this responsibility seriously, supporting Pearson people in their charitable endeavours, responding to local disasters and lending their weight to international causes in our areas of expertise. We invested £13.1m in our local communities in 2010, through our businesses, supporting the work of our staff and via our charitable arm.

Indicators of responsible business performance

Our responsible business priorities	Aim	Progress			
		2010	2009	2008	2007
Community	Grow our total community investment and maintain at 1% or more of operating profit	£13.1m (1.6%)	£10.5m (1.4%)	£7.7m (1.1%)	£7.2m (1.3%)

The Pearson Foundation

Through The Pearson Foundation, our philanthropic arm, we focus our efforts on four areas: literacy, teacher quality, education leadership and youth engagement.

We work in partnership with The Pearson Foundation and others to extend and share our business skills and knowledge. The activities of the Foundation are varied, numerous and international – from supporting education initiatives for young girls in South Africa to digital initiatives for teachers in the US – so we've highlighted one initiative from each of our target areas.

www.pearsonfoundation.org

› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Literacy

In an effort to better understand the ways in which young people's learning and expression are being shaped by mobile and digital technologies, The Pearson Foundation released *The Digital World of Young Children: Emergent Literacy* in 2010, a research white paper on the effects of digital media on young children's learning. Read the report here:

www.pearsonfoundation.org/downloads/EmergentLiteracy-WhitePaper.pdf

Teacher quality

The Foundation supports the Council of Chief State School Officers' (CCSSO) Teacher of the Year award annually, finding and recognising the best teachers across the United States with a series of videos on why they teach.

www.pearsonfoundation.org/ccsso-toy/2010/

Education leadership

The Foundation partnered with Organisation for Economic Co-operation and Development (OECD) to produce a series of investigative films, *Strong Performers and Successful Reformers in Education*. The first four films in the series were shown to coincide with the OECD's release of the Programme for International Student Assessment (PISA) annual results in December 2010.

www.pearsonfoundation.org/oeed/

Youth engagement

In August 2010, the Foundation launched the Pearson Fellowship for Social Innovation with TakingITGlobal, an award-winning online community of youth who are working for change. Young people completing the Taking IT Global Sprout e-course will be able to apply for the Fellowship from January 2011, to get support for the launch of community project they design and plan during their Sprout studies.

<http://sprout.tigweb.org/>

Pearson businesses

Each business group has its own community budget which is 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.

Bainian Vocational School partnership

Following the devastation of the Sichuan province earthquake in 2008, Pearson people in China and across the world responded to raise hundreds of thousands of pounds for disaster relief. Following a discussion with the Sichuan Government on how best to support education for the needy students in the area, Pearson China helped to establish a branch of the Bainian Vocational School (BNVS) in Chengdu, Sichuan, in addition to supporting its first class of students.

When another earthquake hit the neighbouring Qinghai province, The Pearson Foundation matched the money raised by people in Pearson China – these funds were in turn donated to BNVS Chengdu to support students attending the school from Qinghai. A follow-up visit to the school from Pearson China staff in 2010 found the school thriving and lively, and was accompanied a donation of DK books in Chinese, Longman dictionaries and English language Penguin Readers to support the school library.



› RESPONSIBLE BUSINESS PRACTICE CONTINUED

Pearson people

We support our people in their own community involvement, matching their fundraising and providing volunteering opportunities in work time. 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. In 2010, we put plans in motion to introduce a similar set of awards to acknowledge individual and team work to reduce environmental impacts.

Give As You Earn

Pearson staff in the UK take part in our Give As You Earn scheme, donating money to charities of personal choice every month. Pearson plc matches these donations annually up to the value of £500 per person, totalling a £72,000 fund match in 2010 for nearly £100,000 given by our people. In 2011, we will explore how to implement a similar initiative in the largest part of our business Pearson North America.

Pearson Community Awards 2010

Lauri Hubert Hoese, Pearson North America

Lauri worked her way up the Crime Prevention Institute (CPI) since she first began volunteering with them at a fundraising event four years ago – she is currently serving as President of the Board of Directors. CPI provides wrap around support to non-violent offenders while they make the transition from Travis State Prison, Texas, back into every day society. CPI's social workers meet with an individual while they are in prison, then help with housing, employment, transportation, family concerns and other issues after their release. Lauri chairs monthly meetings, attends many events and functions, and networks heavily for the charity to help boost its fundraising efforts. CPI is able to achieve a lot with a small budget – Lauri's award from Pearson could fund a member of staff full-time for the remainder of the year, or sponsor two clients to take part in the entire CPI programme, including pre-release education, transitional services and post-release case management.



› PROGRESS AND PLANS

In 2009, we set out a series of plans for 2010 in the Annual Report covering our responsible business practice priorities. We report here on our progress against those plans.

Plan 2010	Progress	Plan 2011
Continue the Pearson summit at an event in London in 2010 to include a focus on ICT in education, a key concern for educators in the classroom and for administrators hoping to improve academic systems, assessments and reporting.	✔ Achieved The third International Conference on Education was held in London in June 2010 welcoming education experts from around the world. The conference theme was how to learn from UK experience in adopting and applying digital technologies in support of teaching and student learning.	Continue to help local education leaders from countries around the world to explore and apply what distinguishes strong performing educational systems through our ongoing support of the OECD and programmes such as the Pearson/CCSSO International Education Summit.
Continue to provide professional development for educators and administrators in Southern Africa and to integrate this programming with educational programming that is based on the Bridgeit model first introduced in Tanzania in 2009.	✔ Achieved Pearson Southern Africa and The Pearson Foundation continued to develop and expand their innovative early-childhood professional development programme focusing on partnering local education bodies to deliver training in literacy, numeracy and childhood development for teachers in Kenya, Nigeria, South Africa as well as Tanzania.	Expand our use of the latest mobile and digital technologies as we provide professional development for classroom teachers and administrators in local communities around the world through programmes such as Bridgeit and the Mobile Learning Institute.
Continue to develop our emerging leaders through international experience and support Pearson's needs in our developing markets.	➤ Ongoing A third of participants in our various future leader and talent management programmes came from businesses outside of the US and the UK. A focus this year was on developing talent in Asia.	2010 also saw the development and launch of a training module on ethical conduct. Our plan for 2011 is to further develop this through additional material, a train the trainers pack and an e-learning module.
Continue to show evidence of progress in retention of people with diverse backgrounds for both entry level and management positions by tracking the success of women, people from minority ethnic backgrounds and those with a disability within Pearson. Continue to develop programmes and relationships to attract talented people from the above groups into our business.	➤ Ongoing 27% of Pearson top managers are female. Pearson was awarded the Opportunity Now FTSE Executive Women Award 2010 for employing the most female executives. Pearson in the US was recognised for the 10th time as one of 100 Best Employers for Working Mothers. The Pearson Diversity Summer Internship was recognised as a finalist in the 'Best Diversity within Work Experience Awards at the National Placement & Internship Awards 2011'. Pearson was included in the Human Rights Campaign Best Places to Work for lesbian, gay, bisexual and transgender employees.	Continue to develop programmes and relationships that help attract and retain talented diverse people into our business and track our progress. Activities planned for 2011 include a contribution to the 'It Gets Better' video campaign launched by Penguin author Dan Savage.
Continue to develop our capacity to combine training opportunities for our staff with opportunities to partner with schools, colleges and not-for-profits.	✔ Achieved We ran a company-wide award scheme to identify and celebrate exemplary commitments made by Pearson people getting involved in their local communities. For the first time, we took steps to formally invite our people to participate in specific projects managed by the Pearson Foundation.	We aim to review how we approach, recognise and support our people when they volunteer in their local communities with a particular focus on schools and colleges.

PROGRESS AND PLANS CONTINUED

Plan 2010	Progress	Plan 2011
Continue to expand and consolidate our network of environmental teams across our businesses.	✓ Achieved We now have 40 green teams involving over 300 people around the world.	Continue to develop and support our network of environmental teams across our businesses including launching a global award scheme to recognise the work of our environmental champions from across the business.
Maintain and extend our commitment to being a climate neutral company.	✓ Achieved Pearson extended its climate neutrality to cover existing businesses as at the end of 2009. We continue to invest in reducing our carbon footprint and to offset what we cannot eliminate by other means.	To maintain our commitment to being a climate neutral company in 2011.
Further development of the Planet Pearson website by Pearson staff.	➔ Ongoing New website developed; designed and piloted with its contents shaped by a global employee survey on environmental responsibility.	Launch new Planet Pearson website globally as part of a wider commitment to encouraging global collaboration.
Continuation of our programme to make our key buildings energy efficient.	✓ Achieved Our dedicated green capital funds invested in projects ranging from renewable energy generation from solar panels to lighting upgrades.	Continuation of our programme to make our key buildings energy efficient with a particular focus on on-site renewable energy generation.
Completing the ISO 14001 environmental management system for our business in Australia.	➔ Ongoing Good progress made towards preparing for accreditation.	Complete ISO 14001 certification in Australia and identify additional businesses to start the process in 2011.
Continue to work with industry partners to establish a methodology to assess the carbon footprint of a textbook.	➔ Ongoing As part of an industry group, we are supporting the development of a web tool to assess the carbon footprint of a book. We have also assessed the emissions relating to the paper purchased from suppliers in North America.	As part of an initiative to build a comprehensive global vendor relationship management system comprising a suite of online portals and data-marts, we will incorporate corporate responsibility metrics in vendor selection where appropriate.
Establish a total carbon footprint identification initiative for our company.		
Establish FSC chain of custody certification for our paper use in our North American businesses.	➔ Ongoing Process seeking accreditation started in 2010.	Complete FSC chain of custody certification for our paper use in our North American businesses.
Increase the impact on children and adults reached through literacy campaigns, focusing Booktime funds more strategically and rolling out Jumpstart's Read for the Record programme further internationally.	✓ Achieved Over one million free books were donated to schools and libraries under the Booktime programme, supported by materials for use by parents, teachers and in libraries. Through We Give Books – the international digital initiative launched in 2010 by the Penguin Group and The Pearson Foundation – we extended the reach of Read for the Record internationally.	Increase support for exemplary early-learning and literacy organisations and for the young people they serve through community campaigns such as Booktime and Read for the Record, and via We Give Books.
Increase the number of interventions we make to facilitate constructive debate on key contemporary issues.	✓ Achieved Two examples featured in this section are the London Economics research into the impact of BTEC qualifications on earning potential and the Pearson Foundation partnership with the OECD.	Continue to increase the number of interventions we make to facilitate constructive debate on key contemporary issues.
Launch the Pearson Prize in the US, identifying students currently in a two – or four-year college/university who are working on specific projects that support their institution and/or local communities, and providing a package of financial and in-kind support to help these students finish their college careers.	✓ Achieved Over 10,000 college students applied for the inaugural Pearson Prize. The 70 winners were selected based on their record of contributing to enriching college life.	Extend our support of young leaders making a difference inside and outside the classroom by continuing programmes such as the Pearson Prize and the international Pearson Fellowship for Social Innovation.

> AWARDS AND RECOGNITION

Global Sector Leader



**Dow Jones
Sustainability Indexes**
Member 2009/10



FTSE4Good

Included in indices
since inception

Business in the

Community

Corporate responsibility index
(Platinum retained)



Ranked 41st in a sustainability
ranking of the top 1,000
global companies



**THE QUEEN'S AWARDS
FOR ENTERPRISE:
INNOVATION
2010**

Queen's Award
for Enterprise

› AWARDS AND RECOGNITION CONTINUED

Environment



Penguin Group is ranked 11th in the *Sunday Times* 2010 Best Green Companies list



Pearson ranked 25th on the US Environmental Protection Agency list of Green Power Partnership

Pearson receives 2010 EPA Green Power Leadership Award for its commitment to green power purchasing

www.epa.gov/greenpower/awards/winners.htm



Penguin's building in 375 Hudson Street, New York was awarded LEED Gold Certification – the first existing building in New York City to achieve Gold Status



Pearson Education's building in 10 St. James Avenue, Boston was awarded LEED Silver Certification – the first in the Back Bay area of Boston to achieve Silver status



Pearson businesses in the UK achieved Carbon Trust Standard accreditation

› AWARDS AND RECOGNITION CONTINUED

Our people

Pearson is named for the 10th year as one of the top 100 Best Companies for Working Mothers, by Working Mother Magazine

Pearson was again named joint winner of the FTSE Executive Women Award by Opportunity Now.



Human Rights Campaign (HRC) has given Pearson a 100% score on its Corporate Equality Index (CEI)



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

Community



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