

Our impact on society

Our premise is that being responsible is fundamental to our success as a company.



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)

Overview

As thinking develops about what 'responsible businesses' do, Pearson is constantly assessing and reassessing the opportunities and challenges of responsible business practice. 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. Socially responsible investors 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.

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.

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

OUR THREE PRIORITY ISSUES

- 1 **Raising literacy levels**, the foundation both for learning and reading for pleasure.
- 2 **Improving learning outcomes**, for learners, teachers, their education institutions and for 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 success and wider economic growth.

In pursuing these goals, there are several key aspects of our business strategy that influence our approach and priorities for corporate responsibility. They include:

- › **International** As detailed elsewhere in this report, 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.

RAISING LITERACY LEVELS

Through our products and partnerships, we aim to play a part in raising literacy levels, helping people to learn to read and to enjoy reading.

One in five adults – or nearly 800 million people – cannot read. But that gift of reading has a profound influence on modern life: from how we perform at school to the kind of job we can find to our participation in society and our local community. All depend, to a very large degree, on literacy.

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

Our approach

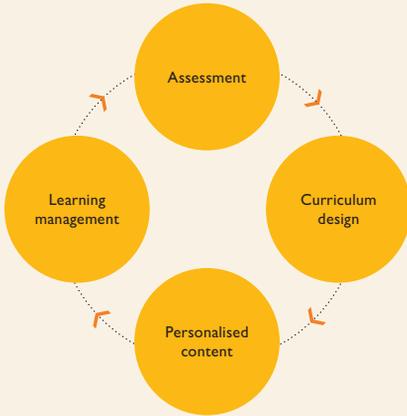
We play a part in three main ways:

- › For many, the first story that they read or that is read aloud to them will be one of our titles.
- › Our reading programmes – both print and digital – are found in classrooms the world over.
- › We run projects and campaigns, often through the Pearson Foundation, that encourage reading and promote literacy.

Our impact on society continued

Reading in the classroom

We have a full suite of print and digital services designed to help students to learn to read. These reflect our belief in a virtuous circle of learning where digital technology empowers teachers to assess students, identify their learning needs, develop methods for personalised learning, and constantly monitor progress.



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

Case study: SuccessMaker

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. www.successmaker.com

Reading in the 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: Reading Street

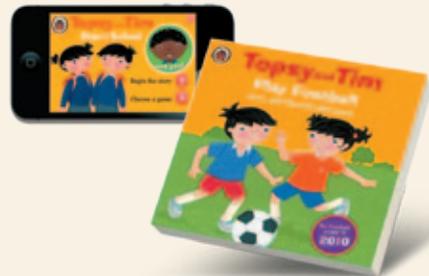
Reading Street is on the front line of improving student reading skills in thousands of schools in every state in the United States. As part of our commitment to independent research, recent findings by Gatti Evaluation showed that kindergarten and first-grade students using Reading Street gained between 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 instruction and embedded assessment with videos, animation, activities, songs and audio. It is designed to allow teachers to personalise instruction for every child.

www.readingstreet.com



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. 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.



Partnering with others to encourage reading

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. For example, Jumpstart's Read for the Record™, our flagship nationwide campaign to promote reading in the United States run with the Pearson Foundation, again set a new world record for the largest shared reading experience on a single day, involving over two million people. For the first time, we were able to provide the opportunity to help people set the record online for free at www.wegivebooks.org. Created by Penguin and the Pearson Foundation, We Give Books is a digital reading initiative that allows anyone who reads a free book online to donate a book to a literacy project of their choice. In conjunction with this year's Read for the Record campaign, We Give Books also donated more than 200,000 copies of *The Snowy Day* to young people.

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IMPROVING LEARNING OUTCOMES

Pearson's transition from textbook publisher to education technology and service provider is a major strategic opportunity. 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 by:

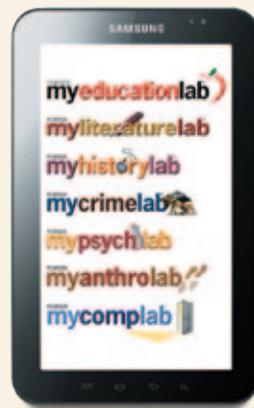
- › Ensuring that our own education programmes are developed and assessed for quality, efficacy and usability. Our usability lab allows Pearson's instructional design teams and researchers to develop and improve our programmes. Building on this approach, we opened the Pearson iDEA Innovation Centre, 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

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.

Case study: MyLabs

The MyLabs – our 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.



Our impact on society continued

- › **Helping close achievement gaps for individual learners and schools.** Pearson is investing in new models of education to help turn around failing schools and districts by helping make fundamental changes and sustain improvements for the long term. We draw on Pearson's research base and proven resources – including curriculum, assessment, technology, and teacher professional development products and services.

Case study: America's Choice

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 system – instruction, professional development, assessment, leadership development, coaching and ongoing consulting services – is designed to help transform whole schools where students are having difficulty meeting state standards across multiple subjects. Our services are 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.



- › **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.

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.

- › **Helping share what works between education policymakers.** Active in education in more than 70 countries, Pearson helps to bring together education leaders to share experiences and best practice. One example is Strong Performers and Successful Reformers in Education, a Pearson Foundation partnership with the Organisation for Economic Co-operation and Development (OECD). We commissioned an investigative video series documenting policies and programmes that local education leaders credit with improving student achievement.

www.pearsonfoundation.org.oecd/

3 CONTRIBUTING TO COMPETITIVENESS

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

- › **Helping individuals get ready for work.** Securing a professional or vocational qualification is an important factor in getting a job. We create and administer millions of admissions tests, certifications, vocational assessments and general qualifications including:

BTEC, the vocational qualification recognised by schools, colleges, universities, employers and professional bodies across the United Kingdom and in over 100 countries worldwide.

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, one of the leading private higher education groups in South Africa, serving more than 9,000 students.

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.

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.



RESPONSIBLE BUSINESS PRACTICE

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

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

- › deliver against stakeholder expectations on the key area of climate change and to seek to make better use of resources;
- › extend our principles on labour standards, human rights and environmental responsibility to include our suppliers and business partners;
- › ensure that our products and services are appropriate in content to the age and location of the student and are safe to use;
- › provide a safe, healthy workplace, where our employees are able to realise their own individual potential and aspirations and where there is respect for their privacy, dignity and life outside work;
- › provide opportunities for Pearson people to be good citizens and to get involved in their local communities.

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

Highlights of our activities in 2010 include:

Environment: A focus on climate change

A particular focus for us is climate change, as one of the most serious issues facing the planet. Minimising our own environmental impact is not only the right thing to do; it is fundamental to our future as a sustainable business.

Our climate neutral commitment has helped us to achieve three times the level of carbon reduction we were previously reporting. It has also helped us do new things, such as to start to invest in renewable energy generation – both wind and solar – at our sites.

- › Pearson was named as a 2010 Green Power Leadership Award winner by the US Environmental Protection Agency. We offset 100% of the energy we use in North America by purchasing wind power credits.

Our impact on society continued

- › Pearson businesses in the UK achieved Carbon Trust Standard accreditation, which recognises organisations for real carbon reduction.
- › Work started on our second solar energy project at our Distribution Centre in New Jersey. It is among the largest company-owned single roof solar installations in the world.
- › We established the Pearson/FT Rainforest in Costa Rica to offset emissions we could not eliminate through other means.
- › CO₂ emissions relating to our US Sales car fleet were reduced by 20% since 2007 by moving to more efficient vehicles and introducing over 200 hybrids.
- › Penguin was recognised in the Forest Stewardship Council (FSC) Global Partner Awards for outstanding achievement in promoting the FSC brand worldwide.
- › *The Financial Times* has reduced the volume of newsprint it uses by 25% over the past two years, primarily by reducing the base weight of paper used.
- › As part of a three-year environmental plan, the production department of Pearson International surveyed all printers and binders whose turnover with Pearson exceeded £100k.
- › Pearson hosted a debate on what represents good corporate citizenship in a 21st century media organisation. The event was run in partnership with JustMeans, the online social media platform, and made available to its 70,000 members.
- › Our first site in the UK has been accredited against ISO 18001, the international health and safety management standard.
- › 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 and by The Human Rights Campaign, which campaigns for equal rights for lesbian, gay, bisexual and transgender citizens.
- › *The Financial Times* seasonal appeal raised \$1.6 million on behalf of Action Against Hunger/ACF International, to help fight child malnutrition and its causes.
- › Pearson VUE helped to bring over 550 Insurance Jobs to Twin Falls, Idaho. To secure the jobs, Pearson VUE helped to deliver nearly 900 insurance licensure exams and follow up background checks in less than 30 days.
- › Penguin Group held its second global walk involving more than 1,000 employees. Walkers raised funds for a national charity of their choice including the Nature Conservancy's Plant a Billion Trees campaign in the US and Save the Kiwi in New Zealand.

Our customers, our people and our communities

Highlights in 2010 include:

- › The Pearson Foundation launched The Million Voice project to improve education by listening to students. With the support of thousands of schools and communities from across the US, the project aims to capture the perspectives of one million students in grades 6–12.
- › Pearson continued with its programme of Student Advisory Boards in the US and the UK. Members of the Boards provide input to Pearson in return for mentoring and internships.
- › A new partnership between the Global Fund and Penguin saw 50% of the profits from the new (Penguin Classics)RED series go towards the fight to eliminate AIDS in Africa.

Each of these areas is underpinned by measures of performance.

Indicators of responsible business performance

Our responsible business priorities	Aim	Progress			
		2010	2009	2008	2007
Environment	Maintain percentage of electricity we use from renewable sources at over 75% of total (measured in Mwh)	Yes 170,700 ¹	Yes 170,229	N/A 3,255	N/A 2,594
	Maintain commitment to climate neutrality –% of remaining emissions offset	100	100	0	0
Suppliers	Ensure our suppliers share our commitment to responsible business practice:				
	Number of significant global suppliers with material spend advised of Pearson commitment to UN Global Compact social responsibility principles	1,882	N/A ²	1,702	750
External benchmarks	Maintain our position in key indices of social responsibility:				
	Dow Jones Sustainability Indexes	Global Sector Leader	Global Sector Leader	Global Sector Leader	Global Sector Leader
	BITC Corporate Responsibility Index	Platinum (Retained)	Platinum (Retained)	Platinum (Sector Leader)	Platinum (Joint Sector Leader)
	Inclusion in FTSE4Good	Yes	Yes	Yes	Yes
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%)

1. Final number subject to confirmation by separate environmental audit.
2. 2009 focus was on business continuity planning.

Values, principles, behaviour and governance

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 that covers, among other things, the environment, employees, individual conduct, community and society.

We make sure everyone is aware of and understands the code. Once a year, everyone working for Pearson gets a copy, either electronically or on paper, and is asked to read it; to confirm to the Pearson CEO that they have read it and understood it; and in doing so, to provide a check that the company complies with it. The code forms part of induction and an online training module is available. If anyone has concerns, these can

be raised with a line manager or through a free, confidential telephone line/website.

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

Our impact on society continued

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.	<p>✔ 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.</p>	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.	<p>✔ 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.</p>	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.	<p>➤ 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.</p>	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.	<p>➤ 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.</p>	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.	<p>✔ 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.</p>	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

➤ Target ongoing

✔ Target achieved

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.