



Pearson

Progress report 2015

United Nations Global Compact

A progress report on Pearson's performance

At Pearson, we aim to help people make progress in their lives through learning. Sustainability is critical to achieving that mission and ensuring our long-term competitiveness.

Our customers, employees, partners, and learners expect us to uphold the highest business standards, continuously enhance the quality of our products, and contribute to their communities. Operating ethically and sustainably is not just a responsibility, it is a fundamental enabler of our commercial success.

I am proud of Pearson's track record in sustainability. We are a founding signatory to the United Nations (UN) Global Compact and can again reaffirm both our commitment and our ongoing support for its 10 principles. We have also been climate neutral since 2009, and are committed to reporting on efficacy – how our products and services improve learning outcomes – by 2018. This year we set ourselves our long-term growth objective to reach 200 million learners annually by 2025.

By building a stronger and more sustainable Pearson, we will impact the lives of more learners and help lay the foundations for a safer, more inclusive, more prosperous world.

John Fallon

Chief executive officer (and Board member responsible for corporate responsibility)

Introduction

Pearson is a commercial organisation with a social purpose: to help people progress in their lives through access to better learning. The principles of the UN Global Compact remain an invaluable guide helping shape our activities and so positively benefit learners, employees, investors, customers, partners, and the communities where we live and work.

Each year, signatory companies to the Global Compact communicate on their progress against the 10 principles. This document combined with the relevant sections of our [website](#), our [annual report](#) and our [sustainability report](#) together form our communication on progress for 2015.

This document sets out the Pearson specific commitments we made relevant to the Global Compact and provides highlights on how we are doing. The links to relevant sections of our website describe our policies, systems of management and measures of performance. Our sustainability report provides the detail of our performance and also describes the targets we set ourselves relevant to the Global Compact.

Since 2000, the Global Compact has successfully engaged many thousands of global companies in considering their responsibilities towards labour standards, human rights, environmental management and in tackling corruption. As a former member of the Advisory Council, Pearson is proud to have played a role in this success by guiding the early development of the Global Compact

In 2015, we shaped our sustainability strategy in light of the adoption of the Sustainable Development Goals. The Global Compact continued to provide an important framework in that work and we are pleased to continue our support and engagement.

Highlights from 2015

This communication on progress provides links to the sections of our [website](#) and to our [sustainability report](#) that describe in full our performance against the Pearson commitments. Some highlights from 2015 are:

- We again attained bronze in the Dow Jones Sustainability World Index.
- We have been a member of the FTSE4Good indices since their introduction.
- Pearson achieved a score of 94% in the Business in the Community (BITC) Corporate Responsibility Index.

Human Rights

| Global Compact principle | Pearson commitments |
|---|--|
| Human rights | |
| Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence | Pearson companies and people operate globally. Our products are produced, developed and manufactured across the world and sold in many countries, often by companies we do not own which are operating on our behalf. We also operate schools, colleges and learning centres. In the course of conducting business in 'high risk areas', we are committed to ensure that we are not complicit in human rights abuses and continue to monitor this. If we were to find ourselves inadvertently implicated in abuses of human rights, we would take immediate steps to rectify such a situation. |
| Principle 2: make sure that they are not complicit in human rights abuses. | |

Human rights: our approach and progress in 2015

Principle 1

- Our [Code of Conduct](#) describes the standards that we set ourselves. Compliance is reviewed annually and material issues reported to the audit committee and the Board. The Code of Conduct also sets out accountability and responsibility for ensuring compliance with the Code within Pearson as well as business partners. Our Code of Conduct was reviewed and significantly revised this year.
- Pearson is a member of the [Global Compact Network in the UK](#) - a group dedicated to implementing the principles and attracting additional companies to join the Compact.
- Pearson is a founding member of Publishers Resolution for Ethical Manufacturing Standards ([PreLIMS](#)). PreLIMS introduced a common set of standards relating to labour standards & human rights. The PreLIMS model continues to be used by our purchasing departments around the world. Independent audit against the standards is integral to the approach together with a process for remediation for suppliers that do not meet the standards. We sit on the PreLIMS steering group and together with industry partners work on further enhancing and developing these standards.
- Pearson has an internal policy in place codifying our approach to applying the PreLIMS principles and audit process.
- Our standard terms of business for key suppliers incorporate the Global Compact principles within our contracts.

- Pearson has participated, led and helped launch a number of partnerships to help address access to learning in developing countries. These include:
 - The [Pearson affordable learning fund](#) which has invested in projects in South Africa, Ghana, Nigeria, Kenya, the Philippines and India. The fund launched in 2012 has \$65 million of capital to support education for students from the poorest and most marginalised families.
 - Pearson has joined forces with Save the Children to launch [Every Child Learning](#) – a partnership looking to co-develop innovative new solutions to help improve the delivery of education in emergency and conflict-affected settings. The three-year partnership worth £1.5m is initially focused on educational opportunities for Syrian refugees and host communities in Jordan.

Principle 2

- In 2015, our chief executive officer sent everyone in the company an e-mail about the Pearson [Code of Conduct](#) asking everyone to confirm they had read it, understood it and would comply with it. This year, we reviewed and rewrote the code introducing a closer connection to our values, detailed additional guidance and case studies. Over 99% of employees signed up to the Code. In 2015, 119 concerns were raised through the ethics reporting process and as in most years, the majority of concerns were related to HR practices. Concerns were investigated and where possible the outcome was shared with the whistle blower. Material concerns raised are reported to the Pearson Audit Committee.
- As part of our risk reporting systems, Pearson reviews and reports on business risks, including social, environmental and ethical (SEE) risks, through our group internal audit function on a semi-annual basis. The results of these reviews are reported via the audit committee to the board. The last review of SEE risks took place in December 2015.
- We report on our risk identification process in our [annual report](#). Our 2015 risk assessment did not identify any significant under-managed SEE risks. Most important SEE risks, many concerned with reputational risks, are unchanged year on year. These are: ethical business behaviour, intellectual copyright protection, compliance with UN Global Compact standards, environmental impact, talent and data privacy. In new areas of business such as direct delivery, new risks such as safeguarding and protection of children and vulnerable adults have been identified and added to our risk register.
- Pearson has a formal committee of the Board dedicated to reputation and responsibility issues. A standing item on the agenda relates to reputational risk.

Labour standards

| Global Compact principle | Pearson commitments |
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| Labour standards | |
| Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | We comply with the relevant laws relating to employment and employment conditions in each country and business. Subject to relevant laws in the countries where we operate, we fully respect the right of our people to freedom of association and representation either through trades unions, works councils, or any other appropriate forum. |
| Principle 4: the elimination of all forms of forced and compulsory labour | We recognise that labour standards and conditions may vary from country to country. Pearson companies conduct business in many of the poorer countries of the world where living standards are low. Where Pearson companies directly control their activities in a country, we ensure that our people have satisfactory wages and working conditions, and that there is no exploitation of labour. |
| Principle 5: the effective abolition of child labour | |
| Principle 6: eliminate discrimination in respect of employment and occupation. | The standard we set ourselves is to offer equal employment opportunities to all. The people we recruit and promote are selected on merit and suitability, and are not discriminated against because of gender, race, gender identity, origin, background, religion, marital status, sexual orientation, disability or age. Our focus on progressing diversity within Pearson continues. |

Labour standards: our approach and progress in 2015

Principle 3

- Each of our geographies and functions have dedicated human resources teams who ensure compliance with local laws and Pearson standards.
- Pearson employees are participants in trade unions across the group.
- Representation takes many forms, for example:
 - In the UK we launched an Employee Engagement Forum providing employees and senior executives regular opportunities to discuss the strategic development of the company.

- In February 2015, Pearson held 'The Summit', our annual strategy planning conference. The event was designed to be as open and accessible as possible for all our employees through live-streaming the presentations and conversations about efficacy and culture. In addition to our senior leaders, we also invited employees to apply to attend as Roving Reporters to share their personal insights and perspectives on the conference.

Principles 4 and 5

- Our human resources teams are responsible for ensuring compliance with our commitments with regard to the responsibility of Pearson as an employer.
- We have set the standards we expect of all our suppliers and for our key suppliers; we continue to require specific clauses relating to these standards to be incorporated into our contracts. These standards include the rejection of forced and compulsory labour and a minimum age to work on Pearson projects in line with ILO Core Conventions.
- Our Vendor Relationship Management (VRM) online system manages aspects of our supplier relationships. This requires agreement to comply with our standards as a condition of doing business with Pearson and holds proof of certifications and accreditations of our suppliers. VRM will be reviewed in 2016.
- We carry out an ongoing programme of supplier visits to assess compliance with the Global Compact and our own standards. These visits complement independent third-party audits commissioned through schemes such as PreLIMS and reinforce our commitment to the abolition of child labour and all forms of forced and compulsory labour.
- Our process for new supplier selection includes communication to prospective business partners on our commitment to the abolition of child labour and all forms of forced and compulsory labour as part of our terms of business.
- Improvement targets are reported in our [sustainability report](#).

Principle 6

- Pearson efforts on diversity have been recognised through a number of awards. In the US, Pearson received a perfect score (100%) in the 2015 Corporate Equality Index (CEI), a benchmarking survey and report on corporate policies and practices related to LGBT workplace equality, administered by the Human Rights Campaign (HRC) Foundation. We were also named as one of the 100 Best Adoption Friendly Workplaces by the Dave Thomas Foundation for Adoption.

- Over the last few years, we have benchmarked our programmes against best practice through participation in surveys and studies by Opportunity Now, the Human Rights Campaign, Stonewall and Working Mother among others.
- We are continually updating our diversity websites for both internal and external users with news stories from across the business. We have an established dedicated diversity space to encourage the sharing of ideas and opinions on our intranet.
- Global employee resource networks such as Women in Learning and Leadership (WILL) provide support, information and access to mentors. Over 3,000 employees are involved in these groups. Pearson is also a supporter of the 30% Club which brings together chairs and CEOs to work to encourage better gender balance across their companies.

Environment

| Global Compact principle | Pearson commitments |
|---|---|
| Principle 7: Businesses should support a precautionary approach to environmental challenges | <p>Our environment policy on our corporate website and our environmental management system describes our main commitments, key responsibilities and how we manage performance.</p> <p>Our products help people of all ages to make progress in their lives through all kinds of learning including on environmental matters.</p> <p>Our sustainability report describes some of the ways that our businesses have met these principles.</p> |
| Principle 8: undertake initiatives to promote greater environmental responsibility | |
| Principle 9: encourage the development and diffusion of environmentally friendly technologies | |

Environment: our approach and progress in 2015

Principle 7

- Pearson continued with its commitment to be climate neutral, first achieved in 2009. For 2015, the commitment covered our directly controlled company operations as at 31st December 2014.
- Our Responsible Business Leadership Council (RBLC) chaired by Kate James, a member of the executive management and attended by senior leaders at Pearson, oversaw our global activity on environmental matters.

- The work of the RBLC is reported to the Reputation and Responsibility Committee, a formal committee of the Board.

Principle 8

- Our UK and Australian businesses continue to be accredited against ISO14001, the international environmental management standard. We also attained accreditation against ISO50001, the international energy management standard in the UK.
- Pearson is accredited against the Carbon Trust Standard globally. We were the second company to attain that status.
- Through a combination of GHG reduction, the purchase of electricity from renewable sources and a commitment to offsets, we met our climate neutrality target. Climate neutrality is underpinned by a series of environmental targets.
- During COP21 in Paris, Pearson signed up to RE100, joining over 50 companies helping build the market for renewable electricity. This is an example of our partnerships to raise awareness on climate change issues.
- We have 2.6 MW in on-site renewable energy assets (solar panels and wind) across six of our facilities. We completed an additional project in 2015.

Principle 9

- Pearson in North America retained Forest Stewardship Council (FSC) chain of custody certification allowing their books to carry the FSC label. Our business in the UK has also attained the certification.
- We were the first global publishing company to publicly disclose our policy with regard to the environmental characteristics of the paper we purchase. This policy is regularly updated following stakeholder feedback.
- As well as certification systems such as FSC, we have our own procedure to track paper back through the production process to the original forest allowing us to verify the sustainability of the papers we use.
- We are a member of the WWF Forest & Trade Network and through this group work with WWF and other company members to improve environmental standards of paper purchase. In 2015, we continued to support the WWF UK #saveforests campaign and have hosted an event for WWF with business leaders to share information on the campaign.

Anti-corruption

| Global Compact principle | Pearson commitments |
|---|---|
| Principle 10: Businesses should work against all forms of corruption, including extortion and bribery | Our Code of Conduct describes the standards that we set ourselves |

Anti-corruption: our approach and progress in 2015

Principle 10

The guiding document through which Pearson manages its compliance to this principle is the Pearson [Code of Conduct](#). The key characteristics of the Code are:

- **Reporting.** Material issues are reported to executive management and to the audit committee.
- **Independence.** Group Legal Counsel and Group Internal Audit have responsibility for the management of the Code. A confidential whistleblowing process is in place for employees to raise issues. All incidents are investigated by the head of internal audit and reported to the relevant senior management and audit committee.
- **Awareness.** An e-mail is sent to all employees to confirm Pearson compliance with the Code of Conduct. The last campaign started in April 2015.
- **Training.** We have developed a specific training module relating to anti-bribery and corruption raising awareness on our standards with regard to working against all forms of corruption. This is mandatory for operations in high risk countries.
- **Scope.** Our code is now complemented by a new companion code for business partners. The [Business Partner Code of Conduct](#) extends our standards to our suppliers and business partners.

IMPLEMENTATION - FISCAL YEAR TO DECEMBER 2015

The key elements for Pearson in furthering our compliance with the Global Compact principles are:

- **Board accountability.** Robin Freestone, chief financial officer was the Executive Board member responsible for the Pearson response to the Global Compact during 2015 up until he stepped down from his role in July 2015. John Fallon is now the responsible Board member.

- **Integration with corporate strategy.** Social impact and Sustainability are reviewed at the meetings of the Reputation and Responsibility Committee, a formal committee of the Board.
- **Transparency.** We report annually both in our [annual report](#) and through our [sustainability report](#) on our sustainability strategy, risks and opportunities.
- **Stakeholder engagement.** We report on our key stakeholders and examples of how we engage with them in our [sustainability report](#).
- **Practitioner engagement.** Global networks guide implementation of aspects of the Pearson response and reporting on performance.
- **Clarity of commitment.** Pearson commitments under the Global Compact form part of our corporate governance and risk management procedures and are placed in the public domain.
- **Independence.** Our environment data is independently verified.
- **Risk management.** As part of our enterprise risk management systems, we review and report on business risks, including Social, Environmental and Ethical (SEE) risks. The results of these reviews are reported via the Pearson Audit Committee to the Pearson Board. This reporting is supplemented by risk review sessions - facilitated by group internal audit - with the Pearson Executive Management Committee.

How does Pearson intend to build on its commitment?

We believe that openness and transparency are the most important levers for improving our performance.

Our objective is to ultimately meet the criteria for the Global Compact Advanced Level and we carried out a materiality review in 2015 to help us progress on that goal. As far as possible, Pearson uses existing communication channels and management processes to review, improve and demonstrate our progress. We will continue to use the Pearson website and the Annual Report as our primary means to engage our stakeholders. We also report on sustainability issues in a dedicated [Sustainability Report](#).

Contact

For further information, or if you have any questions or comments, please contact, Peter Hughes on peter.hughes@pearson.com.

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