

Progress report 2014

United Nations Global Compact

A progress report on Pearson's performance

Pearson is a founding signatory to the Global Compact and can again reaffirm both our commitment and our ongoing support for its 10 principles.

Pearson is a commercial organisation with a social purpose: to help people progress in their lives through 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 corporate responsibility report together form our communication on progress for 2014.

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 corporate responsibility report provides the detail of our sustainability 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

We are a global business, so participation in the Global Compact continues to provide an important framework for Pearson. We are pleased to continue our support and engagement.

Robin Freestone

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

Highlights from 2014

This communication on progress provides links to the sections of our website and to our corporate responsibility report that describe in full our performance against the Pearson commitments. Some highlights from 2014 are:

- We attained bronze in the Dow Jones Sustainability World Index.
- We have been a member of the FTSE4Good indices since their introduction.
- Pearson achieve a 95% score 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 and manufactured across the world and sold in many countries, often by companies we do not own which are operating on our behalf. We are also growing fast in the direct delivery of learning. 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 2014

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 presented at a network meeting on education.

- 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.
- During 2014, Pearson confirmed a detailed internal policy 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 Ghana, Kenya, the Philippines and India. The fund launched in 2012 with \$15 million of capital to support education for students from the poorest and most marginalised families. It was boosted in January 2015 by an announcement of a new \$50 million investment.

Principle 2

- Our chief executive officer sends everyone in the company an e-mail about the Pearson Code of Conduct, highlighting some areas, making sure everyone is paying attention to it and understands it; and each member of staff has to reply. In 2014, 112 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 whistleblower. 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 2014.
- We report on our risk identification process in our annual report. Our 2014 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: journalistic integrity, ethical business behaviour, intellectual copyright protection, compliance with UN

Global Compact standards, environmental impact, talent and data privacy. As we grow in new areas of business such as direct delivery, so new risks such as safeguarding and protection of children and vulnerable adults have been identified and added to our risk register.

Labour standards

Global Compact principle	Pearson commitments
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.	We 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 2014

Principle 3

- Each of our geographies, lines of business and functions have dedicated human resources teams who ensure compliance with local laws and Pearson standards. As Pearson transforms into a single globally connected company, so the importance of dedicated and professional human resources teams to support the process grows.
- Pearson employees are participants in trade unions across the group.
- Representation takes many forms, for example, in Europe we have an Employee Forum in which employees and senior executives discuss the strategic development of the company.
- In February 2015, Pearson held 'The Summit', our annual strategy planning conference. This year, we redesigned the event 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 insights and perspectives of 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 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 many aspects of our supplier relationships. This requires agreement to comply with our standards as a condition of doing business with Pearson and asks for proof of certifications and accreditations for existing and new suppliers. VRM will be reviewed in 2015.

- 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 through VRM includes communication to prospective business partners on our commitment to the abolition of child labour and all forms of forced and compulsory labour as an integral part of our terms of business.
- Improvement targets are reported in our corporate responsibility 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 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 internal collaboration platform.
- Employee resource networks such as women in leadership and Spectrum provide support, information and access to mentors. For example, Pearson is 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	Our environment policy on our corporate website and our environmental management system describes our main commitments, key responsibilities and how we manage performance.
Principle 8: undertake initiatives to promote greater environmental responsibility	Our products help people of all ages to make progress in their lives through all kinds of learning.
Principle 9: encourage the development and diffusion of environmentally friendly technologies	Our environmental review describes some of the ways that our businesses have met these principles.

Environment: our approach and progress in 2014

Principle 7

- Pearson continued with its commitment to be climate neutral, first achieved in 2009. For 2014, the commitment covered our directly controlled company operations as at 31st December 2013. For 2015, our climate neutral commitment has been extended to include businesses acquired and divested during 2014
- Our Responsible Business Leadership Council (RBLC) chaired by Kate James, a main board director, 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.
- 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 green electricity and a commitment to offsets, we met our climate neutrality target. Climate neutrality is underpinned by a series of environmental targets.
- Our reuse/recycle rate for unsold books was in excess of our ongoing target of 95%.
- We have 2.6 MW in on-site renewable energy assets (n solar panels and wind) at our facilities. We completed an additional project in 2014.

Principle 9

- Pearson in North America was the first major US publisher to attain Forest Stewardship Council (FSC) chain of custody certification allowing their books to carry the FSC label.
- 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 was last updated in 2012 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 2014, we signed up to the WWF UK #saveforests campaign and hosted an event for WWF with business leaders to share information on the campaign.
- We continue with partnerships to raise awareness on climate change issues and provide opportunities for readers to get involved. An example is the FT which entered into a partnership with Children's Tropical Forests UK (CTF) to invest in and raise funds for the purchase and protection of a substantial area of primary tropical rainforest in Latin America. Pearson has also selected CTF as its main partner in its climate neutral programme.

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 2014

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 senior 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 extends to and includes our suppliers and business partners

IMPLEMENTATION - FISCAL YEAR TO DECEMBER 2014

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 2014.
- **Integration with corporate strategy.** Social impact was discussed as part of the brand, reputation and US government policy discussion at the meeting of the Board in Washington in June 2014.
- **Transparency.** We report annually both in our annual report and through our corporate responsibility 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 corporate responsibility report.
- **Practitioner engagement.** Global networks guide implementation of aspects of the Pearson response and reporting on performance. For example, we have environment committees in the US, the UK, South Africa, Canada, Australia and India.
- **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 separately 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 will carry 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 corporate responsibility issues in a dedicated section of our corporate website.

Contact

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