



Pearson

Transforming our impact

Pearson Sustainability report 2015



ALWAYS LEARNING

Transforming our impact

We are transforming sustainability at Pearson to respond effectively to the world's biggest challenges, maximize the value we create for stakeholders, and increase our positive impact on society.

Our mission is to help people make progress in their lives through access to better learning. It informs how we run our day-to-day operations, develop our products and services, and measure our success.

We want to help learners of all ages, stages, and circumstances find their path to a fulfilling life. Because wherever learning flourishes, so do people.

About our reporting

This report marks a new approach to sustainability at Pearson. In addition to reporting on our past year's performance, it sets out a new vision for an embedded approach to sustainability across our business. It also provides the framework for more robust goals and targets.

For the first time we are reporting according to Global Reporting Initiative's G4 reporting guidelines. Over the coming years, we aim to continuously improve our reporting practices.

Front cover

Children play at the Save the Children Rainbow Kindergarten in Zaatari Refugee Camp in Jordan.

➔ See p52

Photo: Hannah Maule-Ffinch/Save the Children



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Pearson at a glance

About Pearson

Welcome to Pearson, the world’s learning company. Powered by technology, we offer a world-class portfolio of educational products and services.

More than
37,000 people
work for Pearson



We are now active in more than
70 countries
around the world



Our mission is
to help people make
progress in their lives
through access to
better learning.
We believe that learning opens up
opportunities, creating fulfilling
careers and better lives.

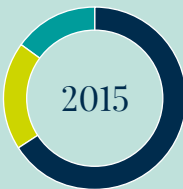
Financial highlights

Sales

£4.5bn
-5%

Sales by Geography

● North America	66%	£2,940m
● Core	19%	£836m
● Growth	15%	£692m

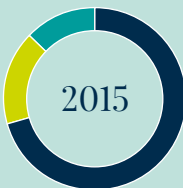


Adjusted operating profit

£723m
-3%

Adjusted operating profit by Geography

● North America	72%	£480m
● Core	17%	£114m
● Growth	-2%	-£12m
● Penguin Random House	13%	£90m
● Discontinued		£51m



What we do

We provide a range of educational products and services to institutions, governments, and individual learners, which help people everywhere aim higher and fulfil their true potential.

Our products and services

Content

We provide world-leading educational content for use in both traditional and digital learning.



Assessment

We provide assessment services to measure and validate learner progress, and to certify competency.



Services

We provide integrated services that help educational institutions improve learner outcomes.



We help learners at every stage of the education journey discover a love of learning that helps provide opportunities throughout their lives.

Learning stages

School

We help young children and students all around the world reach their learning potential and prepare for future success in further education and in the workplace.

Higher education

In close partnership with colleges and universities, we make higher education more effective, accessible, and affordable to a wide community of learners around the world by providing innovative products, services, and delivery models.

Professional

We equip global business professionals with the information, language, and credentials to fulfil their potential at work.

2015 sustainability highlights

Developed a new

➔ See p10-17

Sustainability plan

Aligns with the UN Sustainable Development Goals, and focuses our efforts under three pillars:

Be a trusted partner



Reach more learners



Shape the future of education



Launched

➔ See p52

Every Child Learning

A partnership with Save the Children to tackle the educational barriers faced by children affected or displaced by conflicts and emergencies.



Contributed

➔ See p33

£10.7 million in community investment

In 2015, our community investment was £10.7m, or 1.5% of pre-tax profits.



Reduced

➔ See p39

Our climate footprint by 15%

(Scope 1 and 2, compared with 2014)



Committed to empower the lives of

➔ See p56

200 million learners

annually by 2025, more than doubling our current reach.



Published

➔ See p57

13 efficacy reports

demonstrating the learner outcomes of key Pearson products.

➔ See more at efficacy.pearson.com



More than

➔ See p33

453k children and 247k parents and caregivers

to benefit from Project Literacy-funded programs.



Chief executive's introduction

John Fallon
Chief executive



Meeting the needs
of the world by ensuring
the sustainability
of our business.

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, have 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.

The launch of the UN Sustainable Development Goals (SDGs) opens up new opportunities for us to help solve some of the world's biggest economic, social, and environmental challenges. Education can help deliver all 17 SDGs. It is one of the most powerful forces for good, empowering people to take charge of their lives and creating pathways to greater opportunities for families, communities, and nations.

A more sustainable planet depends on providing everyone with the tools to progress in their lives. Yet millions of people worldwide cannot access quality education, and millions more do not learn the skills they need to be successful in life and work.

This report describes our sustainability progress in 2015. A lot has changed since we first began reporting on our sustainability activities over a decade ago. As Pearson becomes increasingly global, digital, and data-driven, and interacts more directly than ever before with consumers, we believe that we can make a unique contribution to the achievement of the SDGs.

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

➔ For more information on our business strategy, see Pearson Annual report and accounts 2015

🔍 The global education challenge

Access to quality education

58 million

primary-aged children are not in school.¹



250 million

children are in school but are not learning.²



Note 1 UNESCO Policy Paper, June 2014

Note 2 UNESCO, Education For All Monitoring Report, April 2013

Literacy and numeracy skills

More than

750 million

adults are illiterate.³

Even in developed countries,

200 million

young people have not mastered basic literacy and numeracy skills.⁴



Note 3 UIS Fact Sheet, Sept. 2015

Note 4 The Economist, April 2013

Obtaining the right skills for employability

290 million

young people and

206 million

adults are out of work.⁵

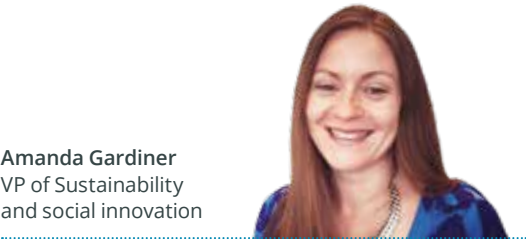


Meanwhile,
40% of employers are unable to find qualified candidates to fill vacancies.⁶

Note 5 The Economist, April 2013

Note 6 The Economist, April 2013

Reimagining sustainability at Pearson



Amanda Gardiner
VP of Sustainability
and social innovation

Over the past year, we've begun to transform sustainability at Pearson. Our new plan helps us focus our efforts on where we can make the most significant positive impact.

In 2015 we reviewed our approach to sustainability in order to ensure our strategy and activities match our ambition to be the global leader in education. The review took into account the changing education and business climate, and reflected the views of a wide range of stakeholders, both internal and external, who helped us refine our priorities and begin to define how to meaningfully report on progress.

The result is our new sustainability plan, a five-year vision to create value for our learners, shareholders, and society more widely. The plan is built around three core pillars:

- › Be a trusted partner
 - › Reach more learners
 - › Shape the future of education
- ➔ Read more about our three pillars on p17

While still a work in progress, it represents a significant step in moving beyond traditional 'corporate social responsibility' toward a more holistic approach to 'sustainability' that informs and integrates all of our business activities.

This report tells the story of our new plan, and of the changing nature of sustainability at Pearson. It provides an overview of our company's progress in 2015, including the social, economic, and environmental impacts of our everyday practices, and the link between business strategy and our commitment to help create a more sustainable world. For the first time, we have adopted the Global Reporting Initiative's G4 reporting guidelines to enhance our previous disclosures and increase transparency around our key impacts.

At Pearson, we are 'Always Learning'. We are proud of our 2015 achievements, but we also know that the hard work is just beginning. We will continue to share our story as we integrate sustainability even further into business strategy and planning. Along the way, we will identify and address gaps.

Our immediate focus is to:

- › Work collaboratively with Pearson leaders and partners to develop the targets and KPIs that will help us deliver on our new plan
- › Improve how we capture and analyze data to evidence our performance
- › Formalize the structures and behaviors for sharing our plan and engaging with stakeholders in the most meaningful way, and
- › Communicate our plan to Pearson employees to encourage further engagement and bring sustainability to life across the business.

What does sustainability leadership look like for an education company? We hope to challenge the way people inside and outside of Pearson think about our opportunity and capacity to improve the world.

When I consider the scope of Pearson's capabilities and expertise, the talent and purpose-driven spirit of our employees, and our commitment to continuous improvement, I'm confident that our contribution to creating a better world can be transformative.

Amanda Gardiner
VP of Sustainability and social innovation

What we did in 2015-2016

Assess how we create value

➔ See p10-11

Align our business with global aims

➔ See p12-13

Identify our material issues

➔ See p14-15

2016-2020

Define our sustainability plan

➔ See p16-17

Be a trusted partner

Reach more learners

Shape the future of education

Strategy development

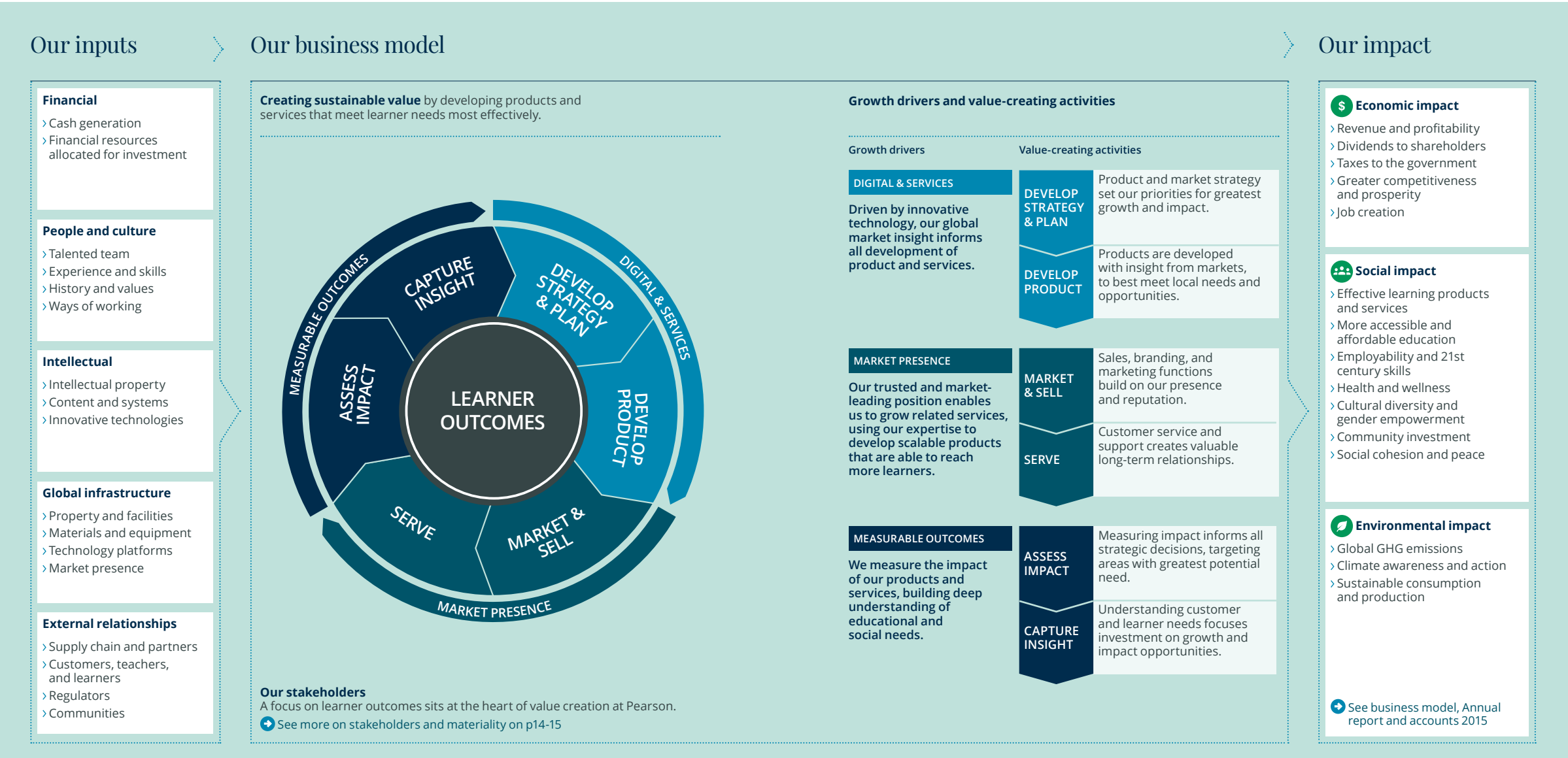
Implementation and reporting

Assess
how we
create value

We believe that a company must deliver value for society in order to be successful in the long term.

We create value for stakeholders by developing innovative products and services that enable people to make progress in their lives. As a result, our business makes an important contribution to creating peaceful societies and generating inclusive economic growth.

The model below describes how our inputs and activities deliver impact for society.



Align
our business with
global aims

To have a truly transformative
impact, our business must
be aligned with global
efforts to address the
world's biggest challenges.

2015 marked an important year for the future
of our planet. Member States of the United
Nations adopted the Sustainable Development
Goals (SDGs), which aim to make the world
a better place by 2030, and 195 countries
adopted the first-ever global climate deal.

All 17 SDGs are important and interlinked – the
achievement of one depends on achievement of
the others. However, we identified three where
we think we can make the most impact through
our business strategy.

We aligned our business strategy to the UN Sustainable Development Goals.

- 1 No poverty
- 2 Zero hunger
- 3 Good health and wellbeing
- 4 Quality education
- 5 Gender equality
- 6 Clean water and sanitation
- 7 Affordable and clean energy
- 8 Decent work and economic growth
- 9 Industry, innovation, and infrastructure

- 10 Reduced inequalities
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 14 Life below water
- 15 Life on land
- 16 Peace, justice, and strong institutions
- 17 Partnerships for the goals

We identified the three goals where we can have the most impact.



4 Ensure inclusive and equitable education and promote lifelong learning opportunities for all.

How Pearson aligns with the intent of this goal:

As a fundamental human right and a driver of economic and social progress, education underpins the achievement of all 17 goals. The education goal and corresponding

targets closely align with Pearson's mission, our capabilities, and our public commitment to delivering access, success, and progress for more learners.



8 Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

How Pearson aligns with the intent of this goal:

We deliver products and services that ensure learners acquire the knowledge and capabilities they need for employment and empowerment, working in close collaboration with governments, educators, employers, and others around the world.

We aim to provide our own employees with a healthy, fulfilling, and inclusive workplace that recognizes their contributions and provides opportunities for advancement, and we encourage our suppliers to do the same.



10 Reduce inequality within and among countries.

How Pearson aligns with the intent of this goal:

We strive to develop inclusive products and ways of learning that are compatible with every learner's needs, and available at appropriate and affordable prices. In our interactions with employees, suppliers,

customers, and communities, we promote equal opportunities for all – innovating where possible to address the specific needs of marginalized and vulnerable groups.

Identify our material issues

In 2015 we engaged an independent third party to help us assess the material sustainability issues for our business.

Based on an analysis of the areas of most concern to our external stakeholders, and a review of our company policies, activities, and priorities, we identified a shortlist of 19 issues that are most relevant to the sustainability of our business. Through further consultation with senior leaders at Pearson, we narrowed these down to nine issues we believe are most material at this time. Finally, we consulted with external experts to confirm our prioritization.

- To determine materiality, we took into account:
- › The degree of influence and immediacy of opportunity we have to tackle the issues
 - › The risk posed to our business, considering what steps we are already taking to address the issues
 - › The relative impact of the issues on maintaining or building our reputation and business success.

Our stakeholders



Prioritizing our material issues

The following matrix shows how we mapped our 19 shortlisted material issues, and highlights the nine that we have deemed to be most material for the purpose of our sustainability strategy, planning, and reporting at this time.

We will evaluate, refine, and talk with stakeholders about our material issues on an ongoing basis, in the spirit of continuous iteration and improvement.

Key to material issues

● **Nine material issues**
(for the purpose of our sustainability strategy and reporting)

● **Corporate functions**

● **Societal issues**

Degree of control

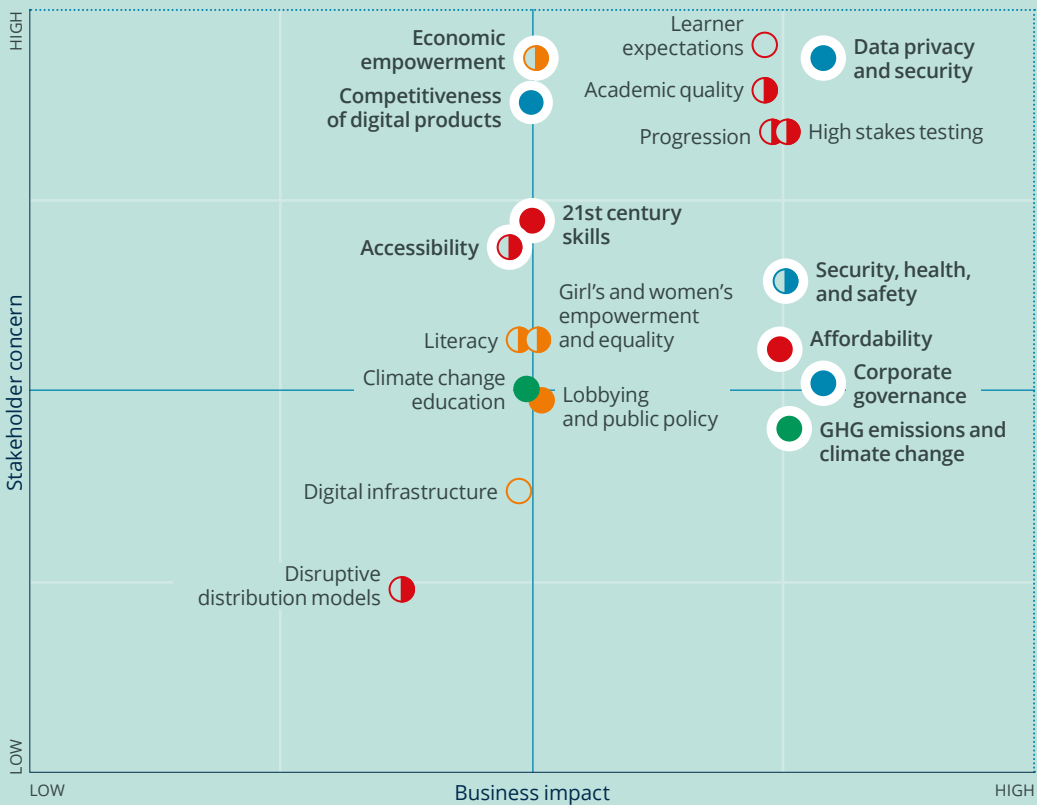
● High

◐ Medium

○ Low

● **Education industry**

● **Environmental issues**



➔ For more details on how we define our material issues, please see p74

Define our sustainability plan

Our new sustainability plan challenges us to maximize our contribution to the delivery of quality education for all and the creation of a better, more sustainable world.

The three strategic pillars of the plan, shown below, are intended to inform and integrate all of our business activities. We will continue to build and implement the strategy for delivering on these pillars, which will help us embed sustainability throughout our business, and guide us as we move to a more rigorous and transparent approach to reporting.

Our review process...

We assessed how sustainability and impact are embedded throughout our business model.
➔ See p10-11



We aligned our business strengths with the world's needs.
➔ See p12-13

- 4 Quality education
- 8 Decent work and economic growth
- 10 Reduced inequalities

We identified the most important issues, risks, and opportunities for our company, in collaboration with key stakeholders.
➔ See p14-15



- Data privacy and security
- Competitiveness of digital products
- Security, health, and safety
- Corporate governance
- Economic empowerment
- Accessibility
- Affordability
- 21st century skills
- GHG emissions and climate change

...led to a clear sustainability plan.

Pillars	Strategic intent	
Be a trusted partner ➔ Go to <i>Be a trusted partner</i> in our performance section, on p18	<ul style="list-style-type: none">› Operate responsibly, ethically, and transparently› Treat learners, customers, and partners with integrity and honesty› Respect and progress our employees	<ul style="list-style-type: none">› Contribute to our communities› Consult our stakeholders› Progressively improve environmental stewardship
Reach more learners ➔ Go to <i>Reach more learners</i> in our performance section, on p42	<ul style="list-style-type: none">› Innovate to improve access to quality education› Enhance affordability and accessibility of our offerings› Collaborate to improve access to quality education	
Shape the future of education ➔ Go to <i>Shape the future of education</i> in our performance section, on p54	<ul style="list-style-type: none">› Measurably improve learning outcomes› Foster 21st century skills and competencies	<ul style="list-style-type: none">› Contribute to research and knowledge› Engage with others to promote quality education